FitchRatings

RATING ACTION COMMENTARY

Fitch Affirms Becle at 'BBB'; Outlook Stable

Mon 20 Oct, 2025 - 2:37 p.m. ET

Fitch Ratings - Monterrey - 20 Oct 2025: Fitch Ratings has affirmed Becle, S.A.B. de C.V.'s (Becle) Long-Term Foreign and Local Currency Issuer Default Ratings (IDRs) and senior unsecured notes at 'BBB'. The Rating Outlook is Stable.

Becle's ratings reflect its strong business position as the world's leading tequila producer with vertically integrated operations across the production and distribution of tequila. The company's ratings are also supported by a diversified portfolio of spirits and robust geographic diversification.

Fitch expects Becle's operating performance to remain resilient despite strong competition, cautious consumer spending, and tariffs disruptions in the U.S. We project the company's net leverage will be below 2.0x in the next 12 to 24 months.

KEY RATING DRIVERS

Strong Tequila Brand: Becle's ratings reflect the strong brand recognition of its Jose Cuervo tequila, the world's leading tequila by sales volume. The company achieves twice the tequila sales volume of its closest competitor. Jose Cuervo and other family brands benefit from significant geographic diversification, with sales in more than 85 countries, and are market leaders by volume in the U.S. and Mexico, the world's most important tequila markets. Approximately 76% of the company's net revenue is generated in the U.S., Canada, and the Rest of the World (RoW). Becle also has a significant presence in the super-premium and ultra-premium tequila categories, with tequila representing nearly 72% of its total revenue.

Leverage Improving: Fitch expects Becle's EBITDA net leverage to improve and remain below 2x over the next 12 to 24 months. The company's total debt decreased during 2025 by USD150 million after paying down the outstanding amount of its senior notes maturing in May 2025. Becle's capital structure will be further strengthened by proceeds from the sale of its equity ownership of Lalo Spirits Holdings (Lalo) and gradual EBITDA growth. Fitch believes Becle has rating headroom for potential small to midsize acquisitions.

Gradual Recovery in Revenues: Fitch projects revenue in Mexican pesos to remain relatively flat in 2025, with an annual growth of approximately 3% from 2026 to 2028. In our view, Becle will continue to face short-term headwinds in key markets, such as the U.S., Canada and Mexico, due to strong competition, weak economic trends and cautious consumer spending. A gradual recovery in sales volume growth and higher average sales prices, driven by its premiumization strategy in the tequila category, is anticipated to support revenue growth in the mid to long term.

Tailwinds in Profitability: Fitch anticipates that lower agave prices will support Becle's EBITDA margin improvement to levels around 21% over the rating horizon. The company has gradually strengthened its EBITDA margin in 2024 and 2025 as agave prices were decreased materially by a supply surplus relative to demand. This imbalance is expected to last for at least a few years. In addition, Becle's pricing initiatives related to its premiumization strategy and along with the efficient use of advertising, marketing and promotional expenses, should help mitigate potential operational cost headwinds.

Positive FCF: Becle's free cash flow (FCF) generation is projected to be positive in 2025 due to lower networking capital requirements and reduced capex. For 2025, the company's FCF should reach around MXN1.0 billion, assuming a capex of approximately MXN2.0 billion and dividends of MXN1.4 billion. Looking ahead to 2026-2028, FCF could go up to MXN1.5 billion, assuming moderate increases in net working capital requirements, capex and dividend payments.

Gradual Growth in Other Spirits: Fitch's analysis incorporates Becle's strategy to improve its product portfolio by adding and developing new brands in premium categories. Bushmills Whiskey is the third-largest Irish whiskey brand globally by sales volume. In addition, its premium rum brand, Kraken, has been growing steadily, and now derives approximately half of its sales volume from countries apart from the U.S., where it initially launched. Becle's portfolio also includes other spirits, such as American whiskey, vodka, gin, mezcal, and ready-to-drink alcoholic and non-alcoholic beverages. Collectively, these categories represent nearly 28% of its total revenue.

PEER ANALYSIS

Becle's ratings reflect its solid business position as the world's largest tequila producer and Jose Cuervo's strong brand recognition. Its operations are geographically diversified, with a strong presence in the U.S., Canada and Mexico, and are complemented by a portfolio in the whiskey, rum, vodka and mixers categories. Becle's ratings are comparable with peers rated by Fitch, such as Diageo plc (A-/Negative) and Bacardi Limited (BBB-/Stable). The company's business profile is weaker than that of Diageo and Bacardi due to its smaller size and scale, as well as its less-diversified portfolio of spirits and globally known brands.

Becle's profitability is also considered to be weaker in the medium term when compared to its peers. Its EBITDA margin is projected to be around 21%, lower than Diageo's 32%. However, Becle's projected net leverage of below 2x is lower than Diageo's at 3x and Bacardi's at mid-3x.

KEY ASSUMPTIONS

-- Revenue remaining flat in 2025 and growing an average of 3% in 2026-2028;

-- EBITDA margin around 21% in 2025-2028;

-- Annual capex around MXN2.0 billion to MXN2.5 in 2025-2028;

-- Annual dividends of around MXN1.5 billion in 2025-2028;

-- Nonrecurrent cash inflow in 2025 related to Lalo divestiture.

RATING SENSITIVITIES

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade:

-- Sustained deterioration in operating performance, lowering sales and EBITDA margin to below 15%;

-- Sustained negative FCF that erodes its financial profile and liquidity position;

-- EBITDA net leverage sustained above 2.5x.

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade:

-- Larger scale and greater product diversification;

-- Improving EBITDA margin consistently above 20%;

-- Sustained positive FCF margin around 3.5%;

-- Sustained EBITDA net leverage below 1.5x.

LIQUIDITY AND DEBT STRUCTURE

As of June 30, 2025, Becle's liquidity position is ample with a cash balance of MXN6.9 billion (USD365 million), USD150 million of available committed credit lines due in 2028 and no material short-term debt. Its next significant debt amortizations are USD385 million in 2028 and USD800 million in 2031.

ISSUER PROFILE

Becle is the world's largest tequila producer by volume with a diversified spirits portfolio that includes rum, vodka, pre-mixed cocktails and whiskey. Its recognizable brands include Jose Cuervo, 1800, Maestro Dobel, Bushmills, Three Olives, Hangar 1 and Pendleton.

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

MACROECONOMIC ASSUMPTIONS AND SECTOR FORECASTS

Click here to access Fitch's latest quarterly Global Corporates Sector Forecasts Monitor data file which aggregates key data points used in our credit analysis. Fitch's macroeconomic forecasts, commodity price assumptions, default rate forecasts, sector key performance indicators and sector-level forecasts are among the data items included.

ESG CONSIDERATIONS

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit https://www.fitchratings.com/topics/esg/products#esg-relevance-scores.

RATING ACTIONS

ENTITY / DEBT	RATING			PRIOR
Becle, S.A.B. de C.V.	LT IDR	BBB Rating Outlook Stable	Affirmed	BBB Rating Outlook Stable
	LC LT IDR	BBB Rating Outlook Stable	Affirmed	BBB Rating Outlook Stable
senior unsecured	LT	BBB	Affirmed	BBB

VIEW ADDITIONAL RATING DETAILS

FITCH RATINGS ANALYSTS

Rogelio Gonzalez Gonzalez
Senior Director
Primary Rating Analyst
+52 81 4161 7034
rogelio.gonzalez@fitchratings.com
Fitch Mexico S.A. de C.V.
Prol. Alfonso Reyes No. 2612, Edificio Connexity, Piso 8, Col. Del Paseo Residencial, Monterrey 64920

Andrea Jimenez
Associate Director
Secondary Rating Analyst
+56 2 3321 2906
andrea.jimenez@fitchratings.com

Maria Pia Medrano Contreras
Senior Director
Committee Chairperson

+52 55 5955 1615
mariapia.medrano@fitchratings.com

MEDIA CONTACTS

Maggie Guimaraes
São Paulo
+55 11 4504 2207
maggie.guimaraes@thefitchgroup.com

Additional information is available on www.fitchratings.com

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APPLICABLE CRITERIA

Corporate Rating Criteria (pub. 27 Jun 2025) (including rating assumption sensitivity)

Sector Navigators – Addendum to the Corporate Rating Criteria (pub. 27 Jun 2025)

APPLICABLE MODELS

Numbers in parentheses accompanying applicable model(s) contain hyperlinks to criteria providing description of model(s).

Corporate Monitoring & Forecasting Model (COMFORT Model), v8.2.0 (1)

ADDITIONAL DISCLOSURES

Dodd-Frank Rating Information Disclosure Form

Solicitation Status

Endorsement Policy

ENDORSEMENT STATUS

Becle, S.A.B. de C.V.	EU Endorsed, UK Endorsed

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The complete span of best- and worst-case scenario credit ratings for all rating categories ranges from 'AAA' to 'D'. Fitch also provides information on best-case rating upgrade scenarios and worst-case rating downgrade scenarios (defined as the 99th percentile of rating transitions, measured in each direction) for international credit ratings, based on historical performance. A simple average across asset classes presents best-case upgrades of 4 notches and worst-case downgrades of 8 notches at the 99th percentile. For more details on sector-specific best- and worst-case scenario credit ratings, please see Best- and Worst-Case Measures under the Rating Performance page on Fitch's website.

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