



## **BECLE, S.A.B. de C.V. Reports First Quarter 2017 Earnings**

Mexico City, Mexico, April 27, 2017 /BUSINESSWIRE/ -- BECLE, S.A.B. de C.V. ("Cuervo", "BECLE" or the "Company") (BMV: CUERVO) today announced financial results for the quarter ended March 31, 2017.

All figures in this release are derived from the Interim Consolidated Financial Statements of the Company as of March 31, 2017 and for the three-month period then ended and are prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" of the International Financial Reporting Standard (IFRS), which have been published in the Bolsa Mexicana de Valores (BMV).

### **First Quarter 2017 Highlights**

- Net sales increased 1.8% to \$4,930 million pesos;
- Volume growth was impacted by the anticipated sales on 4Q 2016 behind the price increase in the US as expected;
- Gross profit increased 8.4% to \$3,216 million pesos;
- Operating profit increased 35.5% to \$1,498 million pesos; and
- Adjusted EBITDA increased 34.4% to \$1,609 million pesos. This resulted in an adjusted EBITDA margin of 32.6%.

All abovementioned increases have been determined in comparison to the corresponding period in the preceding year.

"The first quarter progressed largely as expected, with volume growth impacted by anticipated purchases ahead of the January 1, 2017 price increase, particularly in the United States and Canada. Our operational activities during the first quarter led to improvements in gross margin and contributed to 34.4% growth in adjusted EBITDA. In this quarter, we also successfully launched the newest variant of the Bushmills family, Red Bush following up on the development and investment since the acquisition of the brand. Bushmills depletions in the US were up 10%"

### **First Quarter 2017 Results**

During the first quarter of 2017, sales volumes were negatively impacted primarily by the planned price increase on January 1, 2017, which led to higher volume shipments during the fourth quarter of 2016 as customers purchased in advance of the price increase. As a result, first quarter sales volumes were 3.6 million nine-liter cases, down 10.5% from 3.9 million nine-liter cases in the same period last year. This was primarily driven by a 17.0% decrease in sales volumes in the United States and Canada due to the anticipated purchases during the fourth quarter. This decline was partially offset by 0.5% growth in Mexico and 5.5% growth in the rest of world (RoW) region.

### Volume by Region 1Q17

REGION	1Q GROWTH	SHARE OF TOTAL
U.S. AND CANADA	-17.0%	60.8%
MEXICO	0.5%	26.8%
<u>ROW</u>	<u>5.5%</u>	<u>12.4%</u>
TOTAL	-10.5%	100%

Net sales increased 1.8% to \$4,930 million pesos compared to the same period in 2016, primarily reflecting the impact of the January 1, 2017 price increase 4Q 2016 anticipated purchases. In the first quarter of 2017, the US and Canada region represented 67.9% of total net sales for the Company. Net sales in this region decreased 3.5% versus the same period last year, largely explained by the impact of advanced purchases ahead of the January price increase, partially offset by higher prices and the favorable effect of foreign exchange. In the same period, Mexico represented 19.5% of total net sales and net sales in the region increased by 18.0% over the prior year period. Finally, net sales of the RoW represented 12.7% of total net sales and increased its net sales by 10.9% over the first quarter of 2016.

### Net Sales by Region 1Q17

REGION	1Q GROWTH	SHARE OF TOTAL
U.S. AND CANADA	-3.5%	67.9%
MEXICO	18.0%	19.5%
<u>ROW</u>	<u>10.9%</u>	<u>12.7%</u>
TOTAL	1.8%	100%

Volume of Jose Cuervo represented 31.6% of total volume for the first quarter of 2017 and decreased its volume by 12.3% compared the same period in 2016. The Company's Other Tequila brands represented 15.0% of total volume and increased its volume 0.6% compared to the prior year period. The Company's Other Spirits brands represented 17.7% of total volume in the period and experienced a 6.0% decrease in volume over the first quarter last year. Volume of Non-alcoholic and Other represented 21.6% of total volume and the category decreased its volume by 19.0% compared to the prior year period. Finally, volume of ready-to-drink (RTDs) represented 14.1% of total volume and decreased its volume by 7.5% compared to the prior year period.

### Volume by Category1Q17

CATEGORY	1Q GROWTH	SHARE OF TOTAL
<b>JOSE CUERVO</b>	-12.3%	31.6%
OTHER TEQUILAS	0.6%	15.0%
OTHER SPIRITS	-6.0%	17.7%
NON-ALCOHOLIC & OTHER	-19.0%	21.6%
<u>RTD</u>	<u>-7.5%</u>	<u>14.1%</u>
TOTAL	-10.5%	100%

Net sales of Jose Cuervo represented 34.6% of total net sales for the first quarter of 2017 and reported a decrease in its net sales by 1.5% compared the same period in 2016. The Company's

Other Tequila brands represented 20.3% of total volumes and increased its net sales 3.5% compared to the prior year period. The Company's Other Spirits brands represented 19.2% of total net sales in the period and continued the Company's portfolio diversification with a 2.4% increase in net sales over the first quarter last year. Net sales of Non-alcoholic and Other represented 17.1% of total net sales and reported an increase in net sales of 4.0% compared to the prior year period. Finally, net sales of ready-to-drink (RTDs) represented 8.9% of total net sales and reported an increase of 6.0% compared to the prior year period.

### Net sales by Category 1Q17

CATEGORY	1Q GROWTH	SHARE OF TOTAL
<b>JOSE CUERVO</b>	-1.5%	34.6%
OTHER TEQUILAS	3.5%	20.3%
OTHER SPIRITS	2.4%	19.2%
NON-ALCOHOLIC & OTHER	4.0%	17.1%
<u>RTD</u>	<u>6.0%</u>	<u>8.9%</u>
TOTAL	1.8%	100%

Gross profit during the first quarter of 2017 increased 8.4% over the same period in 2016 to \$3,216 million pesos. Gross margin as a percent of sales was 65.2% for the first quarter of 2017 compared to 61.2% for the first quarter of 2016. Gross margin was positively impacted by a 13.7% pricing effect traceable to US and Mexico price increases, product mix and translation effect likewise margin improvement is due to a higher vertical integration of agave which traces to a spot strategy in reaction to the acceleration of cost increase of third party agave.

Advertising, marketing and promotion (AMP) spending decreased 15.4% to \$926 million pesos compared to the first quarter of 2016. This decrease was primarily due to the reduction in advertising and promotional activities arising from the shift of Easter week from March to April as well as year on year seasonality on our advertising campaigns.

During the first quarter of 2017, operating profit increased 35.5% to \$1,498 million pesos over the same period of last year. Operating margin as a percentage of sales increased to 30.4% as compared to 22.8% in the prior year period. The increased operating margin reflects increases in gross margin as well as reduced AMP, which collectively exceed increases in SG&A.

Adjusted EBITDA in the first quarter of 2017 increased by 34.4% to \$1,609 million pesos compared to the first quarter of 2016.

It is important to highlight that a non-cash translation effect behind the peso appreciation versus the dollar year on year in impacting monetary and non-monetary assets hence net income results. In such, Consolidated Net Income in the first quarter of 2017 was \$437 million pesos, a 33.3% decrease compared to the prior year period. To note, main driver of above mentioned impact is the effect on the IPO proceeds and excess cash that are kept in US dollars, the debt is also dollar denominated hence this partially offsets the impact.

### Balance Sheet and Cash Flow

As of March 31, 2017, the Company did not experience changes in its debt position, maintaining as the only long term liability the \$500 million U.S. dollar bond due in 2025. Net cash was \$10.992 million pesos at March 31, 2017, reflecting cash and equivalents of \$20,419 million pesos (which includes IPO proceeds) relative to total debt of \$9,427 million pesos.

Company's total liabilities as of March 31, 2017 amounted to \$15,762 million pesos, a decrease of 11.0% compared to December 31, 2016. This decrease is primarily explained by a reduction in trade accounts payable during the first quarter of 2017 as well as the changes derived from the peso appreciation.

During the first quarter of 2017, the Company generated \$369 million pesos in cash from operations and invested \$57.0 million in capital expenditures.

### **Initial Public Offering**

On February 8, 2017, Jose Cuervo performed a global stock offering of 100% primary shares, in Mexico through a public offering in the Bolsa Mexicana de Valores, under the ticker CUERVO, and in the international markets through a private offering under Rule 144A and Regulation S of the Securities Market Law of 1933 of the United States of America.

The total number of shares of the initial offering was of 548,105,954 common stock, including those shares resulting from the exercise of the over-allotment option, sold at 34.00 Pesos per share. Therefore, the offering amount was of Ps. 18,635,602,436. As a result of the offering of stock, 15.0% of the Company's stock is now in the hands of the investing market.

### **Conference Call**

The Company plans to host a conference call for investors at 8:00 a.m. Central Time (9:00 a.m. Eastern Time) on Friday, April 28, 2017, to discuss the Company's first quarter 2017 financial results. Interested parties may also listen to a simultaneous webcast of the conference call by logging onto the Company's website at [www.cuervo.com.mx](http://www.cuervo.com.mx) in the Investor Relations section.

#### **First Quarter 2017 Earnings Conference Call Details:**

Date:	Friday, April 28, 2017	
Time:	8:00 a.m. Central Time (9:00 a.m. Eastern Time)	
Dial-In:		
	Mexico Toll-free	001 800 514 8243
	Mexico City Local	+52 55 4777 2674
	U.S. Toll-free	1-877-681-3375
	Toll/International	1-719-325-4749
	U.K. Toll-free	0 808 101 7162
	U.K. London Local	+44 (0) 20 8150 0794
Conference ID:	5085781	
Webcast:	<a href="http://public.viaavid.com/index.php?id=123997">http://public.viaavid.com/index.php?id=123997</a>	

For those unable to participate during the live broadcast, a replay of the webcast will be available for approximately 30 days following the call.

## **About the Company**

BECLE, S.A.B. de C.V. is a globally renowned Company in the spirits industry and the world's largest producer of tequila. Its extraordinary portfolio of over 30 spirit brands, some of them owned, some of them agency brands distributed only in Mexico, has been developed throughout the years to participate in key categories with high growth perspective, serving the world's most relevant alcoholic beverage markets and attending key consumer preferences and tendencies. The portfolio strength of Cuervo is based in the profound legacy of its iconic brands internally developed as Jose Cuervo®, combined with complimentary acquisitions such as Three Olives®, Hangar 1®, Stranahan's®, Bushmills® or Boodles®, as well as a key focus on innovation, that during the years has helped Cuervo to internally develop renowned brands such as 1800®, Maestro Tequilero®, Maestro Tequilero® Dobel®, Centenario®, Kraken®, Jose Cuervo® Margaritas and B:oot®, among Cuervo's brands, some of them are sold and distributed in more than 85 countries.

## **EBITDA and Adjusted EBITDA**

EBITDA and Adjusted EBITDA are measures used in the Company's financial analysis that are not recognized under IFRS but are calculated from amounts that derive from the Company's Financial Statements. We calculate EBITDA as net income plus depreciation and amortization, income tax expense, and interest expense, less interest income. We calculate Adjusted EBITDA as EBITDA, as calculated above, plus foreign exchange loss (gain), net, less gain on sale of joint venture, less equity method in joint venture.

EBITDA and Adjusted EBITDA are not IFRS measures of liquidity or performance, nor are EBITDA or Adjusted EBITDA recognized financial measures under IFRS. We believe that EBITDA and Adjusted EBITDA can be useful to facilitate comparisons of operating performance between periods on a combined basis, but these metrics may be calculated differently by other issuers. EBITDA and Adjusted EBITDA should not be construed as alternatives to (i) net income as an indicator of the Company's operating performance or (ii) cash flow from operating activities as a measure of the Company's liquidity.

## **Disclaimer**

This report contains certain forward-looking statements which are based on Cuervo's current expectations and observations. Actual results obtained may vary significantly from these estimates. The information related to future performance contained in this press release should be read jointly with the risks included in the "Risk Factors" section of the Mexican prospectus filed with the Comisión Nacional Bancaria y de Valores (Mexican National Banking and Securities Commission). This information, as well as future statements made by Cuervo or by any of its legal representatives, either written or verbally, may vary significantly from the actual results obtained. These forward-looking statements speak only as of the date on which they are made, and no assurance can be made as to the actual results obtained. Cuervo undertakes no obligation and does not intend to update or review any of such projections and estimations, whether as a result of new information, future developments and other related events.

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## Profit & Loss Statement

(Ps\$ MM)	Q1 2016		Q1 2017		Var	
		%		%		%
<b>Net Sales</b>	<b>4,843</b>		<b>4,930</b>		<b>87</b>	<b>1.8</b>
Cost of goods	1,877	38.8	1,714	34.8	(163)	(8.7)
<b>Gross profit</b>	<b>2,966</b>	<b>61.2</b>	<b>3,216</b>	<b>65.2</b>	<b>250</b>	<b>8.4</b>
Advertising, marketing & promotion	1,094	22.6	926	18.8	(168)	(15.4)
Distribution	198	4.1	200	4.1	2	0.8
Selling and administrative	518	10.7	586	11.9	68	13.2
Other (expenses) income, net	50	1.0	6	0.1	(44)	(88.0)
<b>Operating profit</b>	<b>1,106</b>	<b>22.8</b>	<b>1,498</b>	<b>30.4</b>	<b>392</b>	<b>35.5</b>
Financial results, net	163	3.4	859	17.4	696	427.1
Other non-recurring income (loss)	-	0.0	-	0.0	-	-
<b>Profit before tax</b>	<b>943</b>	<b>19.5</b>	<b>639</b>	<b>13.0</b>	<b>(303)</b>	<b>(32.2)</b>
Total income taxes	289	6.0	203	4.1	(86)	(29.7)
<b>Net income</b>	<b>654</b>	<b>13.5</b>	<b>437</b>	<b>8.9</b>	<b>(218)</b>	<b>(33.3)</b>
Other comprehensive income, net of income tax	(39)	-0.8	1,496	30.3	1,535	-
<b>Net comprehensive income</b>	<b>694</b>	<b>14.3</b>	<b>(1,059)</b>	<b>-21.5</b>	<b>(1,753)</b>	<b>(252.6)</b>
<b>Adjusted EBITDA</b>	<b>1,198</b>	<b>24.7</b>	<b>1,609</b>	<b>32.6</b>	<b>412</b>	<b>34.4</b>

## Balance Sheet Statement

(Ps\$ MM)	December 2016	March 2017
Cash and cash equivalents	5,128	20,419
Accounts receivable, net	6,396	3,643
Inventories, net	5,943	6,341
Other current assets	2,258	2,643
<b>Total Current Assets</b>	<b>19,725</b>	<b>33,046</b>
Non-current inventories	3,178	3,508
Property, plant and equipment, net	4,641	4,397
Intangible assets and trademarks, net	11,771	11,044
Goodwill	5,992	5,732
Other assets	380	421
<b>Total Assets</b>	<b>45,688</b>	<b>58,148</b>
Current installment of notes payable to Banks	53	137
Trade accounts payable	2,407	1,387
Accruals	1,708	1,789
Other liabilities	288	217
<b>Total current liabilities</b>	<b>4,457</b>	<b>3,529</b>
Long term debt, excluding current interest payable	10,207	9,291
Other long-term liabilities	95	94
Environmental reserve	118	107
Deferred income taxes	2,759	2,741
<b>Total Liabilities</b>	<b>17,636</b>	<b>15,762</b>
Total controlling interest	28,022	42,356
Non-controlling interest	30	30
<b>Total Stockholders' Equity</b>	<b>28,052</b>	<b>42,386</b>
<b>Total Liabilities and Stockholders' Equity</b>	<b>45,688</b>	<b>58,148</b>

	2016	2017
<b>Operating activities:</b>		
Profit before tax	942,874	639,405
Depreciation & Amortization	92,091	111,317
Loss (gain) in the sale of PP&E	(2,342)	(1,968)
Interests gained	(6,104)	(19,291)
Converting effect	(121,295)	(342,361)
<b>Investment related activities flows:</b>		
Interest Paid	87,989	95,239
Unrealized foreign exchange (gain) loss	96,924	(916,166)
<b>Subtotal</b>	<b>1,090,137</b>	<b>(433,825)</b>

**Changes in:**

Accounts receivable	890,721	2,948,118
Related parties	45,258	5,561
Other accounts receivable	(1,179,723)	(416,860)
Prepayments	(116,508)	(165,578)
Inventories	(397,332)	(728,011)
Accounts payable	658,647	(1,020,328)
Other assets	(56,835)	(39,823)
Other liabilities	(261,178)	(78,664)
Accruals	36,789	80,988
Income tax	(288,520)	(220,900)
Statutory profit sharing	-	4,597
Changes in Employee benefits	676	-
<b>Operating flows</b>	<b>422,132</b>	<b>(64,725)</b>

**Investment activities:**

CAPEX	(63,091)	(56,860)
Proceeds from sale of property, plant and equipment	3,528	3,010
Increase in other long term assets	-	(5,490)
Interest received	6,104	19,291
<b>Investment activities flows</b>	<b>(53,459)</b>	<b>(40,049)</b>

**Financing Activities:**

New loans		
Capital stock increase	-	1,722,174
Dividends paid	-	(2,599,716)
Premium on Shares	-	16,275,119
Loans paid	(3,118)	(2,014)
<b>Financing activities flows</b>	<b>(3,118)</b>	<b>15,395,563</b>
<b>Net increase (decrease) in cash</b>	<b>365,555</b>	<b>15,290,789</b>

**Cash and cash equivalents:**

<b>Beginning of year cash</b>	<b>4,139,382</b>	<b>5,128,137</b>
<b>End of year cash</b>	<b>4,504,937</b>	<b>20,418,926</b>