



## **BECLE, S.A.B. de C.V. Reports Third Quarter 2018 Financial Results**

Mexico City, Mexico, October 26, 2018 /BUSINESSWIRE/ -- BECLE, S.A.B. de C.V. ("Cuervo", "BECLE" or the "Company") (BMV: CUERVO) today announced financial results for the quarter ended September 30, 2018.

All figures in this release are derived from the Interim Consolidated Financial Statements of the Company as of September 30, 2018 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).

### **Third Quarter 2018 Highlights**

- Net sales increased 11.1% to P\$6,407 million pesos;
- Volume increased 8.1% to 5.1 million nine-liter cases;
- EBITDA decreased to P\$988 million pesos. EBITDA margin decreased to 15.4% and;
- Consolidated net income decreased to P\$381 million pesos, resulting in earnings per share of P\$0.11.

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

### **Management Commentary**

Depletion growth was strong across all regions during the third quarter, including the second consecutive quarter of 5% depletion growth in the US & Canada region. We also continued to generate significant market share gains in tequila in Mexico and are expanding our exposure to the premium tequila category with the launch of Jose Cuervo Tradicional Cristalino to drive additional market opportunity and market share gains. Net sales increased 11% during the third quarter, driven by 8% volume growth and continued favorable sales mix as a result of the strength of our premium spirits offerings that more than offset unfavorable foreign currency impacts in many international markets. Despite cost pressures resulting from increase in third party supply, we are enjoying favorable trends across our portfolio and geographical regions and remain well positioned in each of our markets and categories.

### Third Quarter 2018 Results

During the third quarter of 2018, total volume increased 8.1% to 5.1 million nine-liter cases. The year-over-year growth reflected a 4.6% increase in the United States and Canada, a 15.0% increase in volumes in Mexico and a 6.3% increase in the Rest of World (RoW) region. The consolidated volume increases reflected depletion growth across each geographical region.

#### Volume by Region 3Q18 (in 000s nine-liter cases)

REGION	3Q18	3Q17	(VAR.% YOY)	2Q18	(VAR.% QOQ)
US & CANADA	2,813	2,688	4.6%	3,603	-21.9%
MEXICO	1,701	1,479	15.0%	1,312	29.6%
<u>ROW</u>	<u>570</u>	<u>537</u>	<u>6.3%</u>	<u>543</u>	<u>5.0%</u>
TOTAL	5,084	4,704	8.1%	5,459	-6.9%

Net sales increased 11.1% to P\$6,407 million pesos compared to the same period in 2017. Net sales in the United States and Canada increased 8.9% versus the same period last year primarily driven by a combination of volume growth and favorable sales mix toward premium spirit brands. In the same period, Mexico net sales increased by 23.7% over the prior year period as a result of volume growth, favorable sales mix toward premium tequila products and higher average pricing. Net sales of the RoW increased by 1.2% over the third quarter of 2017 as volume growth and favorable sales mix were partially offset by unfavorable foreign currency exchange.

#### Net Sales by Region 3Q18 (in MXN\$ millions)

REGION	3Q18	3Q17	(VAR.% YOY)	2Q18	(VAR.% QOQ)
US & CANADA	3,969	3,645	8.9%	5,058	-21.5%
MEXICO	1,613	1,304	23.7%	1,242	29.9%
<u>ROW</u>	<u>825</u>	<u>816</u>	<u>1.2%</u>	<u>878</u>	<u>-6.0%</u>
TOTAL	6,407	5,765	11.1%	7,177	-10.7%

Volume of Jose Cuervo increased 1.7% compared the same period in 2017 and represented 31.4% of total volume for the third quarter of 2018. The Company's Other Tequila brands represented 16.0% of total volume with volume increasing 10.4% compared to the prior year period. The Company's Other Spirits brands represented 18.8% of total volume in the period and experienced a 13.8% increase in volume over the third quarter of last year. Volume of Non-alcoholic and Other represented 21.2% of total volume and volume grew 12.7% compared to the prior year period. Volume of ready-to-drink (RTD) represented 12.5% of total volume and grew by 6.5% compared to the prior year period.

**Volume by Category 3Q18 (in 000s nine-liter cases)**

CATEGORY	3Q18	3Q17	(VAR.% YOY)	2Q18	(VAR.% QOQ)
JOSE CUERVO	1,598	1,571	1.7%	1,647	-3.0%
OTHER TEQUILAS	814	737	10.4%	706	15.3%
OTHER SPIRITS	956	840	13.8%	874	9.4%
NON-ALCOHOLIC & OTHER	1,078	957	12.7%	1,235	-12.7%
<u>RTD</u>	<u>638</u>	<u>599</u>	<u>6.5%</u>	<u>997</u>	<u>-36.0%</u>
TOTAL	5,084	4,704	8.1%	5,459	-6.9%

Net Sales of Jose Cuervo decreased 3.0% compared the same period in 2017 and represented 31.4% of total net sales for the third quarter of 2018. Net sales of the Company's Other Tequila brands increased 13.4% compared to the prior year period and represented 24.0% of total net sales. The Company's Other Spirits brands represented 23.1% of total net sales in the period and reported a 28.4% increase in net sales compared to the third quarter last of year. Net sales of Non-alcoholic and Other represented 13.4% of total net sales and reported an increase in net sales of 18.0% compared to the prior year period. Net sales of ready-to-drink (RTDs) represented 7.7% of total net sales and reported an increase of 15.1% compared to the prior year period.

**Net sales by Category 3Q18 (in MXN\$ millions)**

CATEGORY	3Q18	3Q17	(VAR.% YOY)	2Q18	(VAR.% QOQ)
JOSE CUERVO	2,036	2,099	-3.0%	2,601	-21.7%
OTHER TEQUILAS	1,537	1,355	13.4%	1,486	3.4%
OTHER SPIRITS	1,481	1,154	28.4%	1,383	7.1%
NON-ALCOHOLIC & OTHER	860	729	18.0%	861	-0.1%
<u>RTD</u>	<u>493</u>	<u>428</u>	<u>15.1%</u>	<u>846</u>	<u>-41.7%</u>
TOTAL	6,407	5,765	11.1%	7,177	-10.7%

Gross profit during the third quarter of 2018 increased 2.1% over the same period in 2017 to P\$3,360 million pesos. Gross margin as a percent of sales was 52.5% for the third quarter of 2018 compared to 57.1% for the third quarter of 2017. The negative impact in gross margin was mainly derived from lower production efficiencies and increases in third party supply costs. These effects were due to higher demand of 100% agave tequila along with the industry-wide sourcing of young agave plants that are less efficient, in terms of yields, than mature plants affecting our distilling efficiency.

Advertising, marketing and promotion (AMP) increased 19.0% to P\$1,507 million pesos when compared to the third quarter of 2017. As a percentage of net sales, AMP increased to 23.5% from 22.0% in the prior year period. The increase reflects the planned timing of AMP spend relative to the prior year period.

Selling & administrative expenses (SG&A) increased 18.1% to P\$702 million pesos when compared to the third quarter of 2017. As a percentage of net sales, SG&A increased to 11.0% from 10.3% in the prior year period. This increase was mainly driven by exchange rate and signature division group in the U.S., which was not included in last year's base.

Operating profit during the third quarter of 2018 decreased 24.4% to P\$863 million pesos compared to the same period last year. Operating margin as a percentage of sales decreased to 13.5% as compared to 19.8% in the prior year period.

EBITDA in the third quarter of 2018 decreased to P\$988 million pesos compared to P\$1,243 million pesos during the third quarter of 2017. EBITDA margin was 15.4% for the third quarter of 2018.

Net financial results were an unfavorable impact of P\$325 million pesos during the third quarter, primarily as a result of the appreciation of the Mexican Peso vs. the U.S. Dollar during the quarter and the related impact on the Company's net cash balance, which is primarily held in US Dollars.

Consolidated net income in the third quarter of 2018 was P\$381 million pesos, compared to P\$856 million pesos the prior year period. Net margin was 6.0% for the third quarter of 2018. Earnings per share were P\$0.11 in the third quarter of 2018 compared to P\$0.24 in the prior year period.

### **Balance Sheet and Cash Flow**

As of September 30, 2018, Net cash was P\$2,656 million pesos, reflecting cash and equivalents of P\$12,120 million pesos relative to long term debt of P\$9,464 million pesos.

During the first nine months of 2018, the Company invested P\$346 million pesos in capital expenditures, which considers net investment in property, plant and equipment.

### **Conference Call**

The Company plans to host a conference call for investors at 9:00 a.m. Mexico City Time (10:00 a.m. US Eastern Time) today, Friday, October 26, 2018, to discuss the Company's third quarter 2018 financial results. Interested parties may also listen to a simultaneous webcast of the conference call by logging onto the Company's website at <https://engage.vevent.com/rt/beclesadecvao~9697475> or [www.becle.com.mx](http://www.becle.com.mx).

### **Third Quarter 2018 Earnings Conference Call Details:**

Date:	Friday, October 26, 2018	
Time:	9:00 a.m. Mexico City Time (10:00 a.m. US Eastern Time)	
Dial-In:	Mexico Toll-free	01 800 9269157
	U.S. Toll-free	1-(855) 493-3490
	Toll/International	1-(720) 405-2153
Conference ID:	<b>9697475</b>	

Webcast: <https://engage.vevent.com/rt/beclesadecvao~9697475> or [www.becle.com.mx](http://www.becle.com.mx)

\*Those participating via the webcast will be unable to participate in live Q&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 complementary acquisitions such as Three Olives®, Hangar 1®, Stranahan's®, Bushmills®, Boodles® and Pendleton® 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 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**

EBITDA is a measure 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, plus foreign exchange loss (gain).

EBITDA is not an IFRS measure of liquidity or performance, nor is EBITDA recognized financial measures under IFRS. We believe that 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 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 press release contains certain forward-looking statements which are based on Becle's current expectations and observations. 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 and annual report filed with the Comisión Nacional Bancaria y de Valores (Mexican National Banking and Securities Commission). This information, as well as future statements made by Becle or by any of its legal representatives, either in writing 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. Becle undertakes no obligation and does not intend to update or review any of such forward-looking statements, whether as a result of new information, future developments or other related events

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## Statement of comprehensive income

	Third Quarter Ended September 30, 2018			Third Quarter Ended September 30, 2017		Year over Year Variance	
	(U.S. \$) <sup>(1)</sup>	(Pesos)	% of net sales	(Pesos)	% of net sales	\$	%
(Figures in millions, except per share amounts)							
<b>Net sales</b>	<b>342</b>	<b>6,407</b>		<b>5,765</b>		<b>642</b>	<b>11.1</b>
Cost of goods	163	3,046	47.5	2,473	42.9	574	23.2
<b>Gross profit</b>	<b>180</b>	<b>3,360</b>	<b>52.5</b>	<b>3,292</b>	<b>57.1</b>	<b>68</b>	<b>2.1</b>
Advertising, marketing & promotion	81	1,507	23.5	1,267	22.0	240	19.0
Distribution	16	305	4.8	182	3.2	124	68.0
Selling and administrative	37	702	11.0	594	10.3	108	18.1
Other (income) expenses, net	(1)	(18)	-0.3	107	1.9	(124)	(116.4)
<b>Operating profit</b>	<b>46</b>	<b>863</b>	<b>13.5</b>	<b>1,143</b>	<b>19.8</b>	<b>(279)</b>	<b>(24.4)</b>
Financial results, net	17	325	5.1	(114)	-2.0	440	(384.5)
Equity method	0	0	0.0	0	0.0	0	NM
<b>Profit before tax</b>	<b>29</b>	<b>538</b>	<b>8.4</b>	<b>1,257</b>	<b>21.8</b>	<b>(719)</b>	<b>(57.2)</b>
Total income taxes	8	157	2.5	401	7.0	(244)	(60.8)
<b>Consolidated net income</b>	<b>20</b>	<b>381</b>	<b>5.9</b>	<b>856</b>	<b>14.8</b>	<b>(475)</b>	<b>(55.5)</b>
Non-controlling interest	0	0	0.0	(1)	0.0	NM	NM
<b>Net income to equity holders of the company</b>	<b>20</b>	<b>381</b>	<b>6.0</b>	<b>857</b>	<b>14.9</b>	<b>(476)</b>	<b>(55.5)</b>
Depreciation & amortization	7	125		100			
<b>EBITDA</b>	<b>53</b>	<b>988</b>	<b>15.4</b>	<b>1,243</b>	<b>21.6</b>	<b>(255)</b>	<b>(20.5)</b>
<b>Earnings per share</b>	<b>0.01</b>	<b>0.11</b>		<b>0.24</b>			
<b>Shares (in millions) used in calculation of earnings per share</b>	<b>3,585</b>	<b>3,585</b>		<b>3,596</b>			

(1) U.S. dollars translated at 18.7183 per Mexican Peso solely for the convenience of the reader

## Statement of financial position

(Figures in millions)	September 30, 2018		December 31, 2017
	(U.S. \$) <sup>(1)</sup>	(Pesos)	(Pesos)
<b>Assets</b>			
Cash and cash equivalents	647	12,120	19,996
Accounts receivable, net	280	5,235	7,260
Inventories, net	457	8,552	7,419
Other current assets	188	3,516	1,923
<b>Total current assets</b>	<b>1,572</b>	<b>29,424</b>	<b>36,598</b>
Non-current inventories	328	6,135	3,878
Property, plant and equipment, net	270	5,051	5,280
Deferred tax Asset	15	277	944
Intangible assets and trademarks, net	744	13,935	11,365
Goodwill	308	5,760	6,274
Other assets	47	875	593
<b>Total long-term assets</b>	<b>1,711</b>	<b>32,034</b>	<b>28,335</b>
<b>Total assets</b>	<b>3,283</b>	<b>61,458</b>	<b>64,933</b>
<b>Liabilities &amp; stockholders' equity</b>			
Current installment of notes payable to Banks	7	134	48
Trade accounts payable	109	2,047	2,106
Accruals	94	1,767	2,087
Other liabilities	45	838	862
<b>Total current liabilities</b>	<b>256</b>	<b>4,787</b>	<b>5,103</b>
Long term debt, excluding current interest payable	498	9,330	9,781
Environmental reserve	6	116	125
Other long-term liabilities	10	179	119
Deferred income taxes	107	2,001	2,820
<b>Total long-term liabilities</b>	<b>621</b>	<b>11,626</b>	<b>12,844</b>
<b>Total liabilities</b>	<b>877</b>	<b>16,412</b>	<b>17,947</b>
Total controlling interest	2,404	45,002	46,931
Non-controlling interest	2	44	54
<b>Total stockholders' equity</b>	<b>2,406</b>	<b>45,046</b>	<b>46,985</b>
<b>Total liabilities and stockholders' equity</b>	<b>3,283</b>	<b>61,458</b>	<b>64,933</b>

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## Statement of cash flows

(Figures in millions)

	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017
	(U.S. \$) <sup>(1)</sup>	(Pesos)
<b>Operating activities</b>		
Income before income taxes	147	2,744
Items relating to investing activities:		
Depreciation and amortization	20	368
Loss on sale of property, plant and equipment	1	20
Equity investment in associate	0	0
Net financial income or loss	0	7
Items relating to financing activities:		
Interest income	(7)	(126)
Interest expense	16	298
Subtotal	177	3,311
Changes in:	0	
Accounts receivable	108	2,024
Related parties	(2)	(31)
Other receivables	(65)	(1,211)
Inventories	(181)	(3,391)
Prepayments	(17)	(322)
Trade accounts payable	(3)	(59)
Other assets	(0)	(4)
Other liabilities	(2)	(38)
Accruals	(17)	(319)
Income taxes paid	(49)	(913)
Employee statutory profit	(1)	(14)
Changes in direct employee benefits	(3)	(50)
	(231)	(4,329)
Net cash provided by operating activities	(54)	(1,018)
<b>Investing activities</b>		
Investment in property, plant and equipment, net	(18)	(346)
Investment in intangible assets, net	(158)	(2,953)
Business acquisition, net of cash received	0	0
Investment in associate	(12)	(228)
Other Stockholders' movements	0	0
Interest Collected	7	126
Proceeds from sale of property, plant and equipment	0	3
Cash surplus to be applied in financing activities	(181)	(3,397)
<b>Financing activities</b>		
	0	
Dividends paid	(97)	(1,819)
Repurchase of shares	(10)	(188)
Cash inflow from increase in capital stock	0	0
Share premium	0	0
Interest paid	(10)	(183)
Net cash provided by financing activities	(117)	(2,190)
Net increase in cash and cash equivalents	(353)	(6,605)
Impacts due to the exchange rate on cash	(68)	(1,270)
<b>Cash and cash equivalents:</b>		
At beginning of the period	1,068	19,996
At end of period	647	12,120

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