



BECLE, S.A.B. de C.V. Reports First Quarter 2018 Financial Results

Mexico City, Mexico, April 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 March 31, 2018.

All figures in this release are derived from the Interim Consolidated Financial Statements of the Company as of March 31, 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).

First Quarter 2018 Highlights

- Net Sales decreased 12.7% to P\$4,307 million pesos;
- Volume decreased 3.9% as short-term declines in the US and Canada offset growth in Mexico and the Rest of World regions;
- Gross margin decreased to 61.4%;
- Operating profit decreased to P\$957 million pesos;
- EBITDA decreased to P\$1,074 million pesos, and EBITDA margin decreased to 24.9%;
and
- Consolidated net income decreased to P\$142 million pesos, resulting in earnings per share of P\$0.04.

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

Management Commentary

First quarter volume and net sales growth were challenged by short-term declines in the US along with the negative impact of foreign currency, partially offset by strong growth in Mexico and the rest of the world. The volume decline in the US relates to last year’s price increase, which affected our ability to forecast depletions early in the quarter, leading to volatility in our shipments. However, the quarter ended with strong depletion growth in March and we expect future quarters will no longer be impacted by the comparisons to last year’s price increase. Our strong momentum in Mexico continued during the first quarter and we continued to expand our market share leadership. The short-term impact on US volume led to pressure on first quarter earnings, which is expected to recover as volume trends return to normal. We remain confident in achieving our 2018 goals.

First Quarter 2018 Results

During the first quarter of 2018, total volume declined 3.9% to 3.4 million nine-liter cases driven by a 16.9% decline in the United States and Canada, partially offset by a 17.1% increase in sales volumes in Mexico and a 14.2% increase in the Rest of World (RoW) region. Volume growth in the Mexico benefited from favorable promotions during the quarter and growth across all channels, along with the timing of Holy Week during the quarter. Volume decreased in the United States and Canada as a result of an unanticipated year over year decline in depletions as a result of last year's price increase that led to higher retailer purchasing activity in the prior year's first quarter as retailers continued to capture favorable pricing from distributor inventory established prior to the January 1, 2017 price increase.

Volume by Region 1Q18 (in 000s nine-liter cases)

REGION	1Q18	1Q17	(VAR.% YOY)	4Q17	(VAR.% QOQ)
US & CANADA	1,799	2,166	-16.9%	3,114	-42.2%
MEXICO	1,119	956	17.1%	2,576	-56.6%
<u>ROW</u>	<u>515</u>	<u>451</u>	<u>14.2%</u>	<u>726</u>	<u>-29.1%</u>
TOTAL	3,433	3,572	-3.9%	6,417	-46.5%

Net sales decreased 12.7% to P\$4,307 million pesos compared to the same period in 2017. Net sales in the United States and Canada decreased 22.7% versus the same period last year as a result of the volume decline and the negative impact of foreign currency given the relative strength of the Mexican Peso vs. the US Dollar. The foreign currency impact led to a 8.1% reduction in reported US sales value. In the same period, Mexico net sales increased by 2.2% over the prior year period as a result of strong volume growth, partially offset by a change in how certain sales support and promotional costs are accounted for in this region. A portion of these costs are now netted against gross sales, resulting in lower reported net sales without any impact on net profit. Net sales of the RoW increased by 18.2% over the first quarter of 2017.

Net Sales by Region 1Q18 (in MXN\$ millions)

REGION	1Q18	1Q17	(VAR.% YOY)	4Q17	(VAR.% QOQ)
US & CANADA	2,588	3,346	-22.7%	4,903	-47.2%
MEXICO	981	960	2.2%	2,461	-60.1%
<u>ROW</u>	<u>738</u>	<u>624</u>	<u>18.2%</u>	<u>975</u>	<u>-24.3%</u>
TOTAL	4,307	4,930	-12.7%	8,338	-48.4%

Volume of Jose Cuervo decreased 9.7% compared the same period in 2017 and represented 29.8% of total volume for the first quarter of 2018. The Company's Other Tequila brands represented 14.7% of total volume with volume decreasing 5.7% compared to the prior year period. The Company's Other Spirits brands represented 20.8% of total volume in the period and experienced a 13.6% increase in volume over the first quarter of last year. Volume of Non-alcoholic and Other represented 22.7% of total volume and volume and grew 1.0% compared to the prior year period. Volume of ready-to-drink (RTDs) represented 12.0% of total volume and decreased by 18.3% compared to the prior year period. The volume declines in Jose Cuervo,

Other Tequilas and RTD reflected the short-term volume declines in the US & Canada related to last year's price increase and its impact on year over year growth.

Volume by Category 1Q18 (in 000s nine-liter cases)

CATEGORY	1Q18	1Q17	(VAR.% YOY)	4Q17	(VAR.% QOQ)
JOSE CUERVO	1,022	1,132	-9.7%	2,136	-52.2%
OTHER TEQUILAS	506	536	-5.7%	1,126	-55.1%
OTHER SPIRITS	713	627	13.6%	1,416	-49.7%
NON-ALCOHOLIC & OTHER	780	772	1.0%	1,163	-32.9%
<u>RTD</u>	<u>412</u>	<u>504</u>	<u>-18.3%</u>	<u>575</u>	<u>-28.4%</u>
TOTAL	3,433	3,572	-3.9%	6,417	-46.5%

Net Sales of Jose Cuervo decreased 21.2% compared the same period in 2017 and represented 31.2% of total net sales for the first quarter of 2018. Net sales of the Company's Other Tequila brands decreased 9.5% compared to the prior year period and represented 21.1% of total net sales. The Company's Other Spirits brands represented 25.7% of total net sales in the period and reported a 17.4% increase in net sales compared to the first quarter last of year. Net sales of Non-alcoholic and Other represented 14.4% of total net sales and reported a decrease in net sales of 26.4% compared to the prior year period. Net sales of ready-to-drink (RTDs) represented 7.7% of total net sales and reported a decrease of 24.8% compared to the prior year period. The net sales declines in Jose Cuervo, Other Tequilas, Non-alcoholic & Other and RTD reflected a combination of reduced volume driven by the short-term volume declines in the US & Canada related to last year's price increase and its impact on year over year growth, as well as the unfavorable impact of foreign currency.

Net sales by Category 1Q18 (in MXN\$ millions)

CATEGORY	1Q18	1Q17	(VAR.% YOY)	4Q17	(VAR.% QOQ)
JOSE CUERVO	1,342	1,703	-21.2%	2,960	-54.7%
OTHER TEQUILAS	908	1,003	-9.5%	2,181	-58.4%
OTHER SPIRITS	1,105	941	17.4%	1,939	-43.0%
NON-ALCOHOLIC & OTHER	622	845	-26.4%	749	-16.9%
<u>RTD</u>	<u>330</u>	<u>439</u>	<u>-24.8%</u>	<u>509</u>	<u>-35.3%</u>
TOTAL	4,307	4,930	-12.7%	8,338	-48.4%

Gross profit during the first quarter of 2018 decreased 17.8% over the same period in 2017 to P\$2,645 million pesos. Gross margin as a percent of sales was 61.4% for the first quarter of 2018 compared to 65.2% for the first quarter of 2017. Gross margin was negatively impacted by the Company utilizing a lower percentage of internally sourced agave, the change in treatment of certain promotional and sales support expenses as a reduction of sales and the unfavorable impact of foreign currency.

Advertising, marketing and promotion (AMP) decreased 10.4% to P\$830 million pesos when compared to the first quarter of 2017. As a percentage of net sales, AMP increased to 19.3% from

18.8% in the prior year period. The increase reflects the impact of lower than expected sales volume and the planned timing of AMP spend.

Operating profit during the first quarter of 2018 decreased 36.1% to P\$957 million pesos compared to the same period last year. Operating margin as a percentage of sales decreased to 22.2% as compared to 30.4% in the prior year period, reflecting lower gross margin, higher AMP and distribution expense, and higher selling, general & administrative expenses (SG&A), all as a percentage of net sales.

EBITDA in the first quarter of 2018 decreased to P\$1,074 million pesos compared to P\$1,609 million pesos during the first quarter of 2017.

Net Comprehensive Financing result was P\$779 million pesos during the first quarter as a result of the appreciation of the Mexican Peso vs. the US 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 first quarter of 2018 was P\$142 million pesos, compared to P\$437 million pesos the prior year period. Earnings per share were P\$0.04 in the first quarter of 2018.

Balance Sheet and Cash Flow

As of March 31, 2018, Net cash was P\$5,621 million pesos, reflecting cash and equivalents of P\$14,715 million pesos relative to total debt of P\$9,093 million pesos. The Company's total debt primarily reflects the Company's \$500 million U.S. dollar bond due in 2025.

During the first quarter of 2018, the Company invested P\$34 million pesos in capital expenditures and utilized P\$335 million for share repurchases.

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 27, 2018, to discuss the Company's first 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 www.becle.com.mx in the Investor Relations – Standing News section.

First Quarter 2018 Earnings Conference Call Details:

Date: Friday, April 27, 2018

Time: 8:00 a.m. Central Time (9:00 a.m. Eastern Time)

Dial-In:

Mexico Toll-free 001 800 514 8435

Mexico City Local +52 55 4164 2299

U.S. Toll-free 1-800-289-0438

Toll/International 1-323-794-2423

Conference ID: 2033836

Webcast: <http://public.viavid.com/index.php?id=129370> or 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 spirits 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 potential, to target the world's largest and most profitable alcoholic beverage markets and to anticipate key consumer preferences and tendencies. The portfolio strength of Becle is based in the profound legacy of its iconic internally developed brands such as Jose Cuervo®, combined with complementary acquisitions such as Three Olives®, Hangar 1®, Stranahan's®, Bushmills® and Boodles®, as well as a relentless focus on innovation that has driven Becle to create and develop famous brands such as 1800®, Maestro Dobel®, Gran Centenario®, Kraken®, Tincup®, Authentic Jose Cuervo Margaritas® and B:oot®. Some of Becle's brands 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 a 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 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

Contacts:

Investor Relations
Luis Carlos de Pablo
lcdepablo@cuervo.com.mx

Gilberto Tonello
ghtonello@cuervo.com.mx
+52 55-5803-2954

ICR Investor Relations
Scott Van Winkle
scott.vanwinkle@icrinc.com
+1 617-956-6736

Media
Carlos Humberto Suarez
csuarez@cuervo.com.mx
+52 55-5258-7000

ICR Media Relations
Anton Nicholas
anton.nicholas@icrinc.com
+1 646-277-1255

Profit and Loss Statement

	First Quarter Ended March 31, 2018		First Quarter Ended March 31, 2017		Year over Year Variance	
		% of net sales		% of net sales	\$	%
(Ps\$ in millions, except per share amounts)						
Net Sales	4,307		4,930		(624)	(12.7)
Cost of goods	1,662	38.6	1,714	34.8	(53)	(3.1)
Gross profit	2,645	61.4	3,216	65.2	(571)	(17.8)
Advertising, marketing & promotion	830	19.3	926	18.8	(96)	(10.4)
Distribution	192	4.5	200	4.1	(8)	(4.1)
Selling and administrative	682	15.8	586	11.9	96	16.5
Other (income) expenses, net	(16)	-0.4	6	0.1	(22)	NM
Operating profit	957	22.2	1,498	30.4	(541)	(36.1)
Financial results, net	779	18.1	859	17.4	(80)	(9.3)
Equity Method	0	0.0	0	0.0	0	NM
Profit before tax	178	4.1	639	13.0	(461)	(72.1)
Total income taxes	36	0.8	203	4.1	(166)	(82.1)
Consolidated net income	142	3.3	437	8.9	(295)	(67.4)
Non-controlling interest	(1)	0.0	0	0.0	NM	NM
Net income to equity holders of the company	141	3.3	437	8.9	(296)	(67.7)
Depreciation & Amortization	117		111			
EBITDA	1,074	24.9	1,609	32.6	(535)	(33.2)
Earnings per share	0.04		0.12			
Shares (in millions) used in calculation of earnings per share	3,584		3,654			

Balance Sheet

(Ps\$ in millions)

	March 31, 2018	December 31, 2017
Assets		
Cash and cash equivalents	14,715	19,996
Accounts receivable, net	3,950	7,260
Inventories, net	7,412	7,419
Other current assets	6,226	1,923
Total Current Assets	32,303	36,598
Non-current inventories	4,723	3,878
Property, plant and equipment, net	5,018	5,280
Deferred tax Asset	403	944
Intangible assets and trademarks, net	10,806	11,365
Goodwill	5,969	6,274
Other assets	487	593
Total Long-Term Assets	27,405	28,335
Total Assets	59,708	64,933
Liabilities & Stockholders' Equity		
Current installment of notes payable to Banks	131	48
Trade accounts payable	1,766	2,106
Accruals	719	2,087
Other liabilities	266	862
Total current liabilities	2,882	5,103
Long term debt, excluding current interest payable	9,093	9,781
Environmental reserve	113	125
Other long-term liabilities	162	119
Deferred income taxes	2,041	2,820
Total Long-Term Liabilities	11,410	12,844
Total Liabilities	14,292	17,947
Total controlling interest	45,369	46,931
Non-controlling interest	47	54
Total Stockholders' Equity	45,416	46,985
Total Liabilities and Stockholders' Equity	59,708	64,933

Cash Flow Statement

(Ps\$ in millions)	Three Months Ended March 31, 2018	Three Months Ended March 31, 2017
Operating Activities		
Income before income taxes:	178	639
Items relating to investing activities:		
Depreciation and amortization	117	111
Loss on sale of property, plant and equipment	15	(2)
Net financial income or loss	3	0
Items relating to financing activities:		
Interest income	(42)	(19)
Interest expense	80	95
	351	825
Subtotal		
Changes in:		
Accounts receivable	3,309	2,948
Related parties	(11)	6
Other receivables	(158)	(417)
Inventories	(838)	(728)
Prepayments	(402)	(166)
Trade accounts payable	(340)	(1,020)
Othr assets	167	(40)
Othr liabilities	(586)	(79)
Accruals	(1,368)	81
Income taxes paid	(274)	(221)
Employee statutory profit	(1)	5
Changes in direct employee benefits	(60)	0
	(562)	369
Net cash provided by operating activities	(211)	1,194
Investing Activities		
Capital expenditures	(34)	(57)
Intangible Assets Acquired	(3,740)	0
Other Stockholders movements	(0)	(5)
Interest Collected	42	19
Proceeds from sale of joint ventures and trademarks	0	0
Income from sale of property, plant and equipment	0	3
	(3,732)	(40)
Cash surplus to be applied in financing activities		
Financing Activities		
Dividends paid	0	(2,600)
Dividends paid last year	0	0
Treasury Stock	(335)	0
Cash inflow from increase in capital stock	0	1,722
Share premium	0	16,275
Interest paid	0	(2)
	(335)	15,396
Net cash provided by financing activities		
Net increase in cash and cash equivalents	(4,278)	16,549
Impacts due to the fx rate on cash	(1,003)	(1,259)
Cash and cash equivalents:		
At beginning of the period	19,996	5,128
At end of period	14,715	20,419