



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

Mexico City, Mexico, July 25, 2018 /BUSINESSWIRE/ -- BECLE, S.A.B. de C.V. (“Cuervo”, “BECLE” or the “Company”) (BMV: CUERVO) today announced financial results for the quarter ended June 30, 2018.

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

Second Quarter 2018 Highlights

- Net Sales increased 3.6% to P\$7,177 million pesos;
- Volume decreased 5.9% to 5.5 million nine-liter cases;
- EBITDA decreased to P\$1,787 million pesos. EBITDA margin decreased to 24.9%, and
- Consolidated net income increased to P\$1,451 million pesos, resulting in earnings per share of P\$0.40.

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, including continued positive depletions in the U.S. throughout the second quarter. We also continued to generate market share gains in both tequila and the spirits category in Mexico. Net sales increased 4% during the second quarter, driven by continued favorable sales mix as a result of the strength of our premium spirits offerings that offset lower reported volumes compared to the prior year. Volume was lower than the second quarter of 2017 as a result of reduced distributor inventory levels.

Our recent acquisition of Pendleton Whiskey performed well and we will continue to review opportunities for additional acquisitions across the global spirits industry. We remain well positioned in each of our markets and categories, and remain in a strong financial position with significant capital to successfully execute our long-term growth strategy.

Second Quarter 2018 Results

During the second quarter of 2018, total volume declined 5.9% to 5.5 million nine-liter cases. The year-over-year decline reflected a 7.0% decline in the United States and Canada, a 2.4% decline in sales volumes in Mexico and a 6.1% decline in the Rest of World (RoW) region. Volume decreased in the United States and Canada as a result of reduced inventory levels across the supply chain and the comparison to a temporary distributor inventory increase during the second quarter of 2017 related a distributor transition. In Mexico, the volume decline reflected the comparison to an initial pipeline fill at the Company's new energy drink distributor during the second quarter of 2017.

Volume by Region 2Q18 (in 000s nine-liter cases)

REGION	2Q18	2Q17	(VAR.% YOY)	1Q18	(VAR.% QOQ)
US & CANADA	3,603	3,876	-7.0%	1,799	100.3%
MEXICO	1,312	1,344	-2.4%	1,119	17.3%
<u>ROW</u>	<u>543</u>	<u>579</u>	<u>-6.1%</u>	<u>515</u>	<u>5.5%</u>
TOTAL	5,459	5,799	-5.9%	3,433	59.0%

Net sales increased 3.6% to P\$7,177 million pesos compared to the same period in 2017. Net sales in the United States and Canada decreased 0.4% versus the same period last year as a result of the lower volumes, partially offset by favorable sales mix and the positive impact of foreign currency given the relative strength of the US Dollar vs. the Mexican Peso. In the same period, Mexico net sales increased by 17.1% over the prior year period as a result of strong volume growth across tequila and other spirits categories, partially offset by lower Boost energy drink volumes, as well as favorable sales mix. Net sales of the RoW increased by 11.9% over the second quarter of 2017.

Net Sales by Region 2Q18 (in MXN\$ millions)

REGION	2Q18	2Q17	(VAR.% YOY)	1Q18	(VAR.% QOQ)
US & CANADA	5,058	5,080	-0.4%	2,588	95.4%
MEXICO	1,242	1,060	17.1%	981	26.5%
<u>ROW</u>	<u>878</u>	<u>784</u>	<u>11.9%</u>	<u>738</u>	<u>19.0%</u>
TOTAL	7,177	6,924	3.6%	4,307	66.6%

Volume of Jose Cuervo decreased 12.1% compared the same period in 2017 and represented 30.2% of total volume for the second quarter of 2018. The volume decline of Jose Cuervo primarily reflected lower channel inventory. The Company's Other Tequila brands represented 12.9% of total volume with volume increasing 4.5% compared to the prior year period. The Company's Other Spirits brands represented 16.0% of total volume in the period and experienced a 1.4% increase in volume over the second quarter of last year. Volume of Non-alcoholic and Other represented 22.6% of total volume and volume declined 11.4% compared to the prior year period as a result of the comparison to the prior year's initial pipeline fill to the Company's distributor of Boost energy drinks in Mexico. Volume of ready-to-drink (RTDs) represented 18.3% of total volume and grew by 0.3% compared to the prior year period.

Volume by Category 2Q18 (in 000s nine-liter cases)

CATEGORY	2Q18	2Q17	(VAR.% YOY)	1Q18	(VAR.% QOQ)
JOSE CUERVO	1,647	1,874	-12.1%	1,022	61.2%
OTHER TEQUILAS	706	675	4.5%	506	39.5%
OTHER SPIRITS	874	862	1.4%	713	22.5%
NON-ALCOHOLIC & OTHER	1,235	1,395	-11.4%	780	58.4%
<u>RTD</u>	<u>997</u>	<u>994</u>	<u>0.3%</u>	<u>412</u>	<u>142.2%</u>
TOTAL	5,459	5,799	-5.9%	3,433	59.0%

Net Sales of Jose Cuervo decreased 5.0% compared the same period in 2017 and represented 36.2% of total net sales for the second quarter of 2018. Net sales of the Company's Other Tequila brands increased 8.0% compared to the prior year period and represented 20.7% of total net sales. The Company's Other Spirits brands represented 19.3% of total net sales in the period and reported a 20.2% increase in net sales compared to the second quarter last of year. Net sales of Non-alcoholic and Other represented 12.0% of total net sales and reported a decrease in net sales of 0.8% compared to the prior year period. Net sales of ready-to-drink (RTDs) represented 11.8% of total net sales and reported an increase of 6.9% compared to the prior year period. The lower net sales of Jose Cuervo and Non-alcoholic & Other categories reflected the lower volumes previously noted, partially offset by higher average net selling prices.

Net sales by Category 2Q18 (in MXN\$ millions)

CATEGORY	2Q18	2Q17	(VAR.% YOY)	1Q18	(VAR.% QOQ)
JOSE CUERVO	2,601	2,738	-5.0%	1,342	93.9%
OTHER TEQUILAS	1,486	1,376	8.0%	908	63.6%
OTHER SPIRITS	1,383	1,151	20.2%	1,105	25.2%
NON-ALCOHOLIC & OTHER	861	868	-0.8%	622	38.4%
<u>RTD</u>	<u>846</u>	<u>791</u>	<u>6.9%</u>	<u>330</u>	<u>156.6%</u>
TOTAL	7,177	6,924	3.6%	3,433	109.1%

Gross profit during the second quarter of 2018 decreased 7.5% over the same period in 2017 to P\$4,387 million pesos. Gross margin as a percent of sales was 61.1% for the second quarter of 2018 compared to 68.5% for the second quarter of 2017. Gross margin was negatively impacted by the Company utilizing a lower percentage of internally sourced agave and the change in treatment of certain promotional and sales support expenses.

Advertising, marketing and promotion (AMP) increased 5.8% to P\$1,721 million pesos when compared to the second quarter of 2017. As a percentage of net sales, AMP increased to 24.0% from 23.5% in the prior year period. The increase reflects the planned timing of AMP spend relative to the timing of AMP spend in the prior year period.

Operating profit during the second quarter of 2018 decreased 23.0% to P\$1,661 million pesos compared to the same period last year. Operating margin as a percentage of sales decreased to 23.1% as compared to 31.2% in the prior year period, reflecting lower gross margin, and higher AMP and distribution expense, partially offset by lower selling, general & administrative expenses (SG&A), all as a percentage of net sales.

EBITDA in the second quarter of 2018 decreased to P\$1,787 million pesos compared to P\$2,261 million pesos during the second quarter of 2017. EBITDA as a percentage of net sales was 24.9% as compared to 32.6% in the prior year period.

Net Comprehensive Financing result was a positive P\$367 million pesos during the second quarter as a result of the appreciation of the US Dollar vs. the Mexican Peso 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 second quarter of 2018 was P\$1,451 million pesos, compared to P\$1,000 million pesos the prior year period. Earnings per share were P\$0.41 in the second quarter of 2018 compared to P\$0.27 in the prior year period.

Balance Sheet and Cash Flow

As of June 30, 2018, Net cash was P\$3,541 million pesos, reflecting cash and equivalents of P\$13,438 million pesos relative to total debt of P\$9,897 million pesos. The Company's total debt primarily reflects the Company's \$500 million U.S. dollar bond due in 2025.

During the second quarter of 2018, the Company invested P\$116 million pesos in capital expenditures.

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 Thursday, July 26, 2018, to discuss the Company's second 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.

Second Quarter 2018 Earnings Conference Call Details:

Date:	Thursday, July 26, 2018	
Time:	8:00 a.m. Central Time (9:00 a.m. Eastern Time)	
Dial-In:	Mexico Toll-free	01 800 926 9157
	U.S. Toll-free	1-855-493-3490
	Toll/International	1-720-405-2153
	Conference ID:	9764668

Webcast: <https://engage.vevent.com/rt/beclesadecvao~9764668> 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®, Boodles® and Pendleton®, 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:oots®. 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 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 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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Profit and Loss Statement

	Second Quarter Ended June 30, 2018		Second Quarter Ended June 30, 2017		Year over Year Variance	
		% of net sales		% of net sales	\$	%
(Ps\$ in millions, except per share amounts)						
Net Sales	7,177		6,924		252	3.6
Cost of goods	2,790	38.9	2,181	31.5	610	28.0
Gross profit	4,387	61.1	4,744	68.5	(357)	(7.5)
Advertising, marketing & promotion	1,721	24.0	1,626	23.5	95	5.8
Distribution	312	4.4	234	3.4	78	33.5
Selling and administrative	631	8.8	686	9.9	(55)	(8.0)
Other (income) expenses, net	62	0.9	40	0.6	22	54.6
Operating profit	1,661	23.1	2,158	31.2	(497)	(23.0)
Financial results, net	(367)	(5.1)	699	10.1	(1,066)	(152.5)
Equity Method	0	0.0	(5)	(0.1)	5	NM
Profit before tax	2,028	28.3	1,464	21.1	564	38.5
Total income taxes	577	8.0	464	6.7	113	24.3
Consolidated net income	1,451	20.2	1,000	14.4	451	45.1
Non-controlling interest	1	0.0	0	0.0	NM	NM
Net income to equity holders of the company	1,451	20.2	1,000	14.4	452	45.2
Depreciation & Amortization	126		103			
EBITDA	1,787	24.9	2,261	32.6	(473)	(20.9)
Earnings per share	0.40		0.27			
Shares (in millions) used in calculation of earnings per share	3,584		3,650			

Balance Sheet

(Ps\$ in millions.)

	June 30, 2018	December 31, 2017
Assets		
Cash and cash equivalents	13,438	19,996
Accounts receivable, net	5,253	7,260
Inventories, net	8,119	7,419
Other current assets	3,061	1,923
Total Current Assets	29,872	36,598
Non-current inventories	5,829	3,878
Property, plant and equipment, net	5,169	5,280
Deferred tax Asset	424	944
Intangible assets and trademarks, net	14,550	11,365
Goodwill	6,163	6,274
Other assets	561	593
Total Long-Term Assets	32,696	28,335
Total Assets	62,568	64,933
Liabilities & Stockholders' Equity		
Current installment of notes payable to Banks	49	48
Trade accounts payable	1,880	2,106
Accruals	1,165	2,087
Other liabilities	327	862
Total current liabilities	3,421	5,103
Long term debt, excluding current interest payable	9,849	9,781
Environmental reserve	123	125
Other long-term liabilities	203	119
Deferred income taxes	2,252	2,820
Total Long-Term Liabilities	12,427	12,844
Total Liabilities	15,848	17,947
Total controlling interest	46,671	46,931
Non-controlling interest	49	54
Total Stockholders' Equity	46,720	46,985
Total Liabilities and Stockholders' Equity	62,568	64,933

Cash Flow Statement

(Ps\$ in millions.)	First Half Ended June 30, 2018	First Half Ended June 30, 2017
Operating Activities		
Income before income taxes	2,206	2,103
Items relating to investing activities:		
Depreciation and amortization	244	214
Loss on sale of property, plant and equipment	16	9
Equity investment in associate	0	(5)
Net financial income or loss	7	6
Items relating to financing activities:		
Interest income	(83)	(47)
Interest expense	209	200
Subtotal	2,599	2,480
Changes in:		
Accounts receivable	2,006	1,450
Related parties	-	64
Other receivables	(606)	(782)
Inventories	(2,651)	(1,260)
Prepayments	(479)	49
Trade accounts payable	(226)	(779)
Other assets	98	(38)
Other liabilities	(574)	136
Accruals	(921)	404
Income taxes paid	(673)	(884)
Employee statutory profit	(14)	(8)
Changes in direct employee benefits	(59)	5
	(4,099)	(1,643)
Net cash provided by operating activities	(1,501)	837
Investing Activities		
Investment in property, plant and equipment, net	(150)	(215)
Investment in intangible assets, net	(3,104)	-
Investment in associate	(7)	-
Other Stockholders' movements	-	(30)
Interest Collected	83	47
Proceeds from sale of property, plant and equipment	2	4
	(3,177)	(195)
Cash surplus to be applied in financing activities		
Financing Activities		
Dividends paid	(1,819)	(2,600)
Repurchase of shares	(63)	(191)
Cash inflow from increase in capital stock	-	1,722
Share premium	-	16,275
Interest paid	(202)	(207)
	(2,084)	14,999
Net cash provided by financing activities		
Net increase in cash and cash equivalents	(6,762)	15,636
Impacts due to the fx rate on cash	204	(1,588)
Cash and cash equivalents:		
At beginning of the period	19,996	5,128
At end of period	13,438	19,171