



Becle, S.A.B. de C.V. Reports First Quarter 2019 Unaudited Financial Results

Mexico City, Mexico, April 30, 2019 /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, 2019.

All figures in this release are derived from the Interim Consolidated Financial Statements of the Company as of March 31, 2019 and for the three-month periods 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 Mexican Stock Exchange (BMV).

First Quarter 2019 highlights

- Volume increased 13.1% to 3.9 million nine-liter cases;
- Net sales increased 22.5% to P\$5,278 million pesos;
- EBITDA increased 6.8% to P\$1,147 million pesos. EBITDA margin was 21.7% and;
- Consolidated net income increased 394.7% to P\$703 million pesos, resulting in earnings per share of P\$0.20.

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

Management commentary

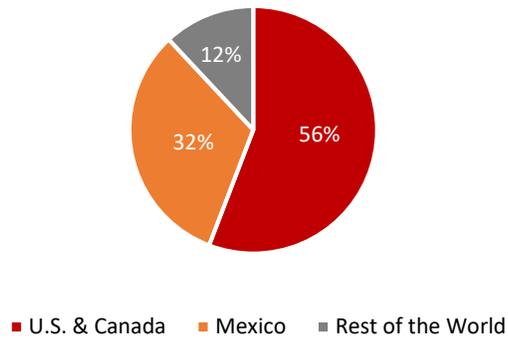
Becle initiated the year with strong first quarter results, reflected in volume and net sales increases of 13% and 23%, respectively. Depletion trends accelerated in the U.S. and Canada, contributing to a 31% net sales increase in the region. Mexico produced double-digit growth of volume and net sales, led by the Non-alcoholic category shipment performance; along with the benefits of the premiumization strategy coupled with the accumulated pricing taken across spirits categories. The Company remains well positioned in the global spirits industry, with significant capital and conservative financial leverage to execute our long-term growth strategy.

First Quarter 2019 results

Volume by region 1Q19 (in 000s nine-liter cases)

Region	1Q19	1Q18	(Var.% YoY)
U.S. & Canada	2,168	1,799	20.5%
Mexico	1,252	1,119	11.9%
<u>Rest of the World</u>	<u>464</u>	<u>515</u>	<u>(9.8)%</u>
Total	3,884	3,433	13.1%

Volume breakdown by region 1Q19

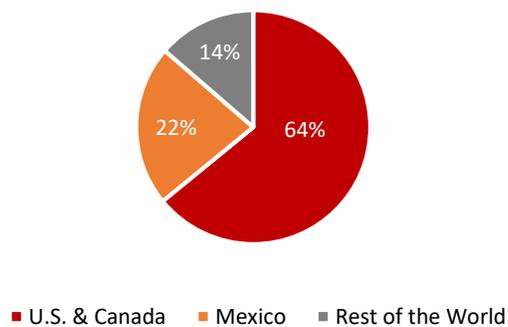


During the first quarter of 2019, total volume increased 13.1% to 3.9 million nine-liter cases. The year-over-year growth reflected a 20.5% increase in the U.S. and Canada region driven by strong depletions, an 11.9% increase in volumes in Mexico and a 9.8% decrease in the Rest of the World (RoW) region.

Net sales by region 1Q19 (in MXN\$ millions)

Region	1Q19	1Q18	(Var.% YoY)
U.S. & Canada	3,382	2,588	30.7%
Mexico	1,175	981	19.8%
<u>Rest of the World</u>	<u>720</u>	<u>738</u>	<u>(2.4)%</u>
Total	5,278	4,307	22.5%

Net sales breakdown by region 1Q19

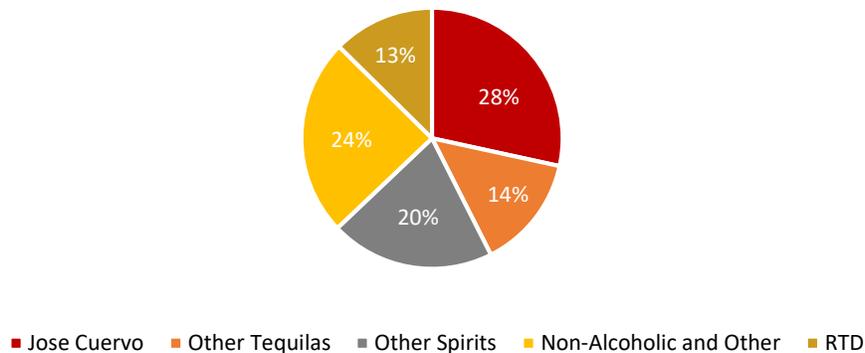


First quarter 2019 net sales increased 22.5% to P\$5,278 million pesos compared to the same period in 2018. Net sales in the U.S. and Canada increased 30.7% compared to the same period last year, primarily driven by a combination of volume growth and favorable sales mix toward premium spirit brands. In the same period, Mexico net sales increased 19.8% over the prior year period led by favorable sales mix toward premium spirit brands and the impact of accumulated pricing over the prior twelve months. Net sales of the RoW region decreased by 2.4% when compared to the first quarter of 2018, with a favorable sales mix that partially offsets volume decline.

Volume by category 1Q19 (in 000s nine-liter cases)

Category	1Q19	1Q18	(Var.% YoY)
Jose Cuervo	1,104	1,022	8.0%
Other Tequilas	549	506	8.5%
Other Spirits	791	713	10.9%
Non-Alcoholic and Other	944	780	21.0%
<u>RTD</u>	<u>497</u>	<u>412</u>	<u>20.6%</u>
Total	3,884	3,433	13.1%

Volume breakdown by category 1Q19

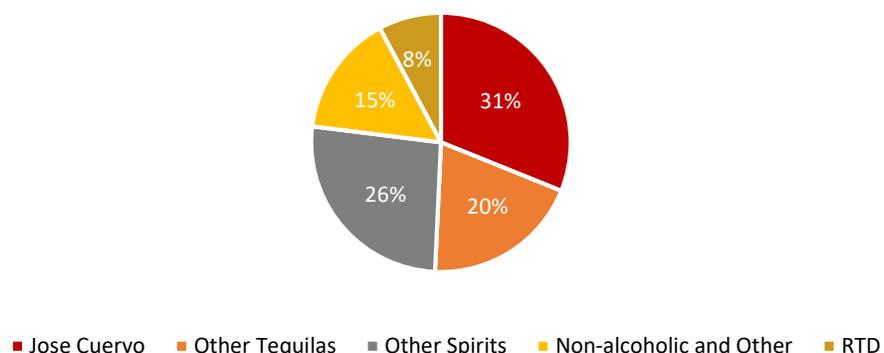


Volume of Jose Cuervo increased 8.0% compared to the same period in 2018 and represented 28.4% of total volume for the first quarter of 2019. The Company's Other Tequila brands represented 14.1% of total volume, with volume increasing 8.5% compared to the prior year period. The Company's Other Spirits brands represented 20.4% of total volume in the period and experienced a 10.9% increase in volume over the first quarter of 2018. Volume of Non-alcoholic and Other represented 24.3% of total volume and volume grew 21.0% compared to the prior year period. Volume of ready-to-drink (RTD) represented 12.8% of total volume and grew by 20.6% compared to the prior year period.

Net sales by category 1Q19 (in MXN\$ millions)

Category	1Q19	1Q18	(Var.% YoY)
Jose Cuervo	1,641	1,342	22.3%
Other Tequilas	1,036	908	14.1%
Other Spirits	1,385	1,105	25.3%
Non-alcoholic and other	800	622	28.6%
<u>RTD</u>	<u>415</u>	<u>330</u>	<u>25.9%</u>
Total	5,278	4,307	22.5%

Net sales breakdown by category 1Q19



Net sales of Jose Cuervo increased 22.3% compared the same period in 2018 and represented 31.1% of total net sales for the first quarter of 2019. Net sales of the Company's Other Tequila brands increased 14.1% compared to the prior year period and represented 19.6% of total net sales. The Company's Other Spirits brands represented 26.2% of total net sales in the period and reported a 25.3% increase in net sales compared to the first quarter last of year. Net sales of Non-alcoholic and Other represented 15.2% of total net sales and increased 28.6% compared to the prior year period. Net sales of RTDs represented 7.9% of total net sales and reported an increase of 25.9% compared to the prior year period.

Gross profit during the first quarter of 2019 increased 5.3% over the same period in 2018 to P\$2,785 million pesos. Gross margin was 52.8% for the first quarter of 2019 compared to 61.4% for the first quarter of 2018. The decline in gross margin was mainly derived from increases in third-party agave supply costs and lower production efficiencies; these effects were due to higher demand of super premium tequila along with the industry-wide sourcing of younger agave plants, affecting our distilling efficiency.

Advertising, marketing and promotion (AMP) expenses increased 28.3% to P\$1,065 million pesos when compared to the first quarter of 2018. As a percentage of net sales, AMP increased to 20.2% from 19.3% in the prior year period. This increase reflects the planned timing of AMP spend relative to the prior year period and the accelerated volume growth achieved during the first quarter.

Selling and administrative (SG&A) expenses increased 1.4% to P\$692 million pesos when compared to the first quarter of 2018. As a percentage of net sales, SG&A decreased to 13.1% from 15.8% in the prior year period.

Operating profit during the first quarter of 2019 increased 3.1% to P\$987 million pesos compared to the same period last year. Operating margin decreased to 18.7% as compared to 22.2% in the prior year period, primarily reflecting higher third-party agave supply costs, increased AMP, and partially offset by non-recurring items and other efficiencies in SG&A.

EBITDA in the first quarter of 2019 increased 6.8% to P\$1,147 million pesos compared to the first quarter of 2018. EBITDA margin was 21.7% for the first quarter of 2019.

Net financial results were P\$37 million pesos during the first quarter, mainly driven by net interest expense.

Consolidated net income in the first quarter of 2019 increased 394.7% to P\$703 million pesos, compared to P\$142 million pesos in the prior year period. Net margin was 13.3% for the first quarter of 2019, compared to 3.3% in the first quarter of 2018. Earnings per share were P\$0.20 in the first quarter of 2019, compared to P\$0.04 in the same period of the prior year.

Financial position and cash flow

As of March 31, 2019, net cash was P\$3,053 million pesos, reflecting cash and equivalents of P\$12,789 million pesos relative to total financial debt of P\$9,736 million pesos.

During the first quarter of 2019, net cash flow from operating activities was P\$1,271 million pesos positive, and the Company invested P\$157 million pesos in capital expenditures. Cash used in financing activities was P\$129 million pesos for the first quarter.

IFRS 16: Leases

IFRS 16 was issued on January 2016 and replaces existing lease guidance, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. Subsequently, the lessee recognizes an amortization expense of the assets by right of use and an interest expense on the lease liabilities. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases and only some disclosure requirements are added. For lessees, IFRS 16 also modifies its cash flows presentation related to leases, since cash flow outflows from operating activities are reduced and outflows of cash flows from financing activities increased.

The Company adopted IFRS 16 initially on January 1, 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 was recognized as an adjustment to the opening balance (increase in assets and liabilities). As of January 1, 2019, with no restatement of comparative information.

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, Tuesday, April 30, 2019, to discuss the Company's first quarter 2019 unaudited 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~6457078> or www.becle.com.mx.

First Quarter 2019 Unaudited Financial Results Conference Call and Webcast Details

Date: Tuesday, April 30, 2019

Time: 9:00 a.m. Mexico City Time (10:00 a.m. ET)

Participants: Juan Domingo Beckmann (CEO)
Fernando Suárez (CFO)

Dial-in:

Mexico Toll-free	01 800 9269157
U.S. Toll-free	1-(855) 493-3490
Toll/International	1-(720) 405-2153

Conference ID: **6457078**

Webcast: <https://engage.vevent.com/rt/beclesadecvao~6457078> or www.becle.com.mx.

*Those participating via webcast will be unable to participate in live Q&A

About Becele

Becele 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, serving the world's most important alcoholic beverage markets and attending key consumer preferences and tendencies. The portfolio strength of Becele 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®, Pendleton® and Boodles®, as well as a relentless focus on innovation that during the years has created renowned brands such as 1800®, Maestro Dobel®, Centenario®, Kraken®, Jose Cuervo® Margaritas and b:ooost®, among others. Some of Becele's brands are sold and distributed in more than 85 countries.

EBITDA

EBITDA is a measure used in the Company's financial analysis that is not recognized under IFRS but is 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 a recognized financial measure 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 Becele'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 Annual Report filed with the Comision Nacional Bancaria y de Valores (Mexican National Banking and Securities Commission). This information, as well as future statements made by Becele 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. Becele 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 and other related events.

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Consolidated statement of comprehensive income

	First quarter ended March 31, 2019			First quarter ended March 31, 2018		Year over year variance	
	(U.S. \$) ⁽¹⁾	(Pesos)	% of net sales	(Pesos)	% of net sales	\$	%
(Figures in millions, except per share amounts)							
Net sales	275	5,278		4,307		971	22.5
Cost of goods	130	2,493	47.2	1,662	38.6	832	50.0
Gross profit	145	2,785	52.8	2,645	61.4	140	5.3
Advertising, marketing and promotion	55	1,065	20.2	830	19.3	235	28.3
Distribution	11	219	4.2	192	4.5	28	14.5
Selling and administrative	36	692	13.1	682	15.8	10	1.4
Other (income) expenses, net	(9)	(179)	(3.4)	(16)	(0.4)	(163)	1006.1
Operating profit	51	987	18.7	957	22.2	30	3.1
Financial results, net	2	37	0.7	779	18.1	(742)	(95.3)
Profit before tax	49	950	18.0	178	4.1	772	432.8
Total income taxes	13	247	4.7	36	0.8	211	582.4
Consolidated net income	37	703	13.3	142	3.3	561	394.7
Non-controlling interest	(1)	(12)	(0.2)	1	0.0	NM	NM
Net income to equity holders of the company	37	715	13.6	141	3.3	574	406.9
Depreciation and amortization	8	160		117			
EBITDA	60	1,147	21.7	1,074	24.9	73	6.8
Earnings per share	0.01	0.20		0.04			
Shares (in millions) used in calculation of earnings per share	3,585	3,585		3,581			

(1) U.S. dollars translated at 19.220 Mexican pesos solely for the convenience of the reader

Consolidated statement of financial position

	March 31, 2019	December 31, 2018
(Figures in millions)	(U.S. \$) ⁽¹⁾	(Pesos)
Assets		
Cash and cash equivalents	660	12,789
Accounts receivable, net	263	5,097
Inventories, net	534	10,343
Other current assets	141	2,727
Total current assets	1,597	30,956
Non-current inventories	338	6,557
Property, plant and equipment, net	286	5,534
Right-of-use assets	100	1,930
Deferred tax asset	73	1,414
Intangible assets and trademarks, net	746	14,450
Goodwill	330	6,398
Other assets	33	647
Total long-term assets	1,906	36,931
Total assets	3,503	67,888
Liabilities & stockholders' equity		
Current installment of notes payable to Banks	7	138
Trade accounts payable	120	2,316
Current lease liabilities	8	154
Accruals	87	1,685
Other liabilities	7	145
Total current liabilities	229	4,438
Long term debt, excluding current installments	495	9,598
Non-current lease liabilities	90	1,747
Environmental reserve	6	119
Other long-term liabilities	18	352
Deferred income taxes	180	3,485
Total long-term liabilities	790	15,302
Total liabilities	1,019	19,740
Total controlling interest	2,482	48,093
Non-controlling interest	3	55
Total stockholders' equity	2,484	47,872
Total liabilities and stockholders' equity	3,503	67,888

(1) U.S. dollars translated at 19.379 Mexican pesos solely for the convenience of the reader

Consolidated statement of cash flows

(Figures in millions)	Three months ended March 31, 2019	Three months ended March 31, 2018
	(U.S. \$) ⁽¹⁾	(Pesos)
Operating activities		
Income before income taxes	49	950
Items relating to investing activities:		
Depreciation and amortization	8	160
Loss on sale of property, plant and equipment	0	3
Interest income	(3)	(50)
Items relating to financing activities:		
Unrealized foreign exchange profit	(8)	(150)
Long term debt amortization	0	4
Interest expense	7	132
Subtotal	54	1,049
Changes in:		
Accounts receivable	176	3,411
Related parties	2	33
Other receivables	2	37
Inventories	(97)	(1,879)
Security deposits	0	(2)
Prepayments	(14)	(278)
Trade accounts payable	(10)	(202)
Other assets	0	3
Other liabilities	2	48
Accruals	(34)	(663)
Income taxes paid	(15)	(290)
Employee statutory profit	0	6
Changes in direct employee benefits	0	(3)
Net cash from operating activities	66	1,271
Investing activities		
Investment in property, plant and equipment, net	(8)	(157)
Investment in intangible assets, net	0	0
Interest collected	3	50
Proceeds from sale of property, plant and equipment	0	3
Net cash (used in) provided by investing activities	(5)	(105)
Financing activities		
Repurchase of shares	2	47
Payments of lease liability	(7)	(134)
Interest paid	(2)	(42)
Net cash (used in) provided by financing activities	(7)	(129)
Net increase (decrease) in cash and cash equivalents	54	1,038
Impacts due to the fx rate on cash	(14)	(277)
Cash and cash equivalents:		
At beginning of the period	621	12,028
At end of period	660	14,715

(1) U.S. dollars translated at 19.379 Mexican pesos solely for the convenience of the reader.