

Tear Sheet:

## Becle, S.A.B. de C.V.

May 13, 2025

(Editor's note: S&P Global Ratings believes there is a high degree of unpredictability around policy implementation by the U.S. administration and possible responses--specifically with regard to tariffs--and the potential effect on economies, supply chains, and credit conditions around the world. As a result, our baseline forecasts carry a significant amount of uncertainty. As situations evolve, we will gauge the macro and credit materiality of potential and actual policy shifts and reassess our guidance accordingly (see our research here: [spglobal.com/ratings](https://spglobal.com/ratings)).

**What's new:** S&P Global Ratings will continue updating its forecast on Becle S.A.B. de C.V. (Becle) as global macroeconomic conditions evolve. The uncertain shift in U.S. trade policy has led us to lower our global GDP growth forecast and remains a key risk to monitor for Becle's credit quality. While Becle is currently not subject to tariffs, we now project year-over-year revenue growth of 0%-1% in 2025 and close to 2.5% in 2026. Our baseline assumptions consider positive currency effects (average of Mexican peso [MXN] 20.15 per \$1 in 2025 and MXN20.25 per \$1 in 2026) and broadly flat pricing initiatives, although offset by our expectation of a mid-single-digit decline in volume in 2025 due to softer macroeconomic conditions, lower consumer confidence, and intense competition across key markets. We then expect a rebound in the low-single-digit area in 2026.

We have also slightly revised our EBITDA margin expectation upward to 21.0%-21.5% for 2025 and 2026, relative to our previous forecast, and from about 19.9% in 2024. This primarily includes lower agave prices, premiumization of its portfolio, and a favorable product portfolio mix. We do not discard a high level of currency volatility but believe Becle can partially offset this risk by passing on swing costs via product mix management and price adjustments throughout the year, if necessary, like in the past.

**Why it matters:** Despite the uncertainty surrounding tariffs and their potential macroeconomic implications for both Mexico and the U.S., we believe Becle has built a solid buffer to navigate challenging scenarios without jeopardizing its credit profile. This is evidenced by its adjusted net debt to EBITDA ratio of about 2.0x and cash balance of MXN11.0 billion as of March 31, 2025. If tariffs materialize over an extended period, we estimate a potential annualized EBITDA hit of about \$100 million-\$110 million. Nonetheless, even under such a stressful event, we would anticipate that Becle's adjusted leverage will remain below 3.0x, coupled with our expectation that the company would take several mitigating actions to partially offset the hit.

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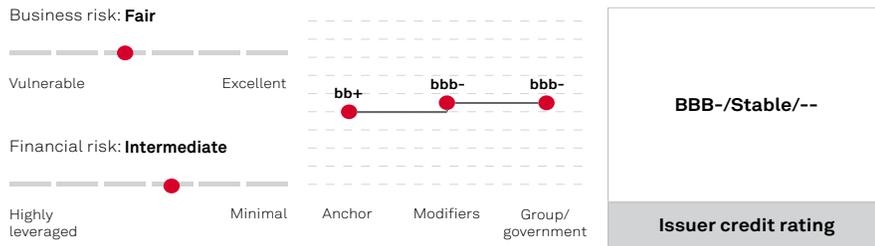
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We also expect Becle to maintain prudent financial policies in terms of capital allocations, which will keep its adjusted net debt to EBITDA ratio near 2.0x in both 2025 and 2026, absent any merger and acquisition event. For 2025, we estimate capital expenditure of near MXN2.2 billion and dividend payments of MXN1.4 billion, with no incremental financing needs. We also expect Becle to sustain an adequate liquidity position supported by its solid cash balance, access to undrawn committed credit lines, and solid operating cash flows, sufficient to meet capex, dividends, and the 2025 notes maturity through the year.

## Ratings Score Snapshot



## Recent Research

- Research Update: Becle S.A.B. de C.V. Outlook Revised To Stable From Negative On Improved Credit Metrics; 'BBB-' Ratings Affirmed, Nov. 13, 2024

## Company Description

Founded in 1758 and headquartered in Mexico City, Becle has been led by 11 generations of the Beckmann family. Becle is the world's largest producer of tequila, with well-known brands such as Jose Cuervo, 1800, Centenario, and Maestro Dobel. It's also the largest and second-largest distributor of premium spirits and liquors in Mexico in terms of volumes and value, respectively. The company has more than 30 brands, and it produces, bottles, and sells spirits worldwide, with a presence in more than 85 countries. In the past few years, the company has been mainly growing through brand acquisitions, such as those of Three Olives, Hangar 1, Stranahan's, Bushmills, Proper No. Twelve, Boodles, and Pendleton. For the 12 months ended March 31, 2025, Becle reported revenue of MXN44.6 billion and an EBITDA margin of 20.3%.

## Outlook

The stable outlook reflects our view that Becle's operating performance will continue to improve gradually, despite short-term volumes pressures, maintaining relatively stable leverage metrics and an adequate liquidity position. We estimate Becle's adjusted net debt to EBITDA will be about 2.0x in the next 12-24 months, with a cushion of above 20% of liquidity sources over uses.

## Downside scenario

We could lower our ratings on Becle if its adjusted net debt to EBITDA rises above 3x over the next 12-24 months. This could occur if one or more of the following occurs:

- Becle's operating performance weakens due to tougher global economic conditions, if tariffs on its exports to the U.S. further squeeze consumption of its key products and across its geographic markets, if we see a significant appreciation of the peso, and/or due to an unexpected rise in input costs (particularly agave prices);
- Becle implements an aggressive financial policy to fund unexpected working capital needs, capex, mergers and acquisitions, dividend payments, or share repurchases; and/or
- Its liquidity position is eroded by lower cash reserves or greater use of short-term debt.

In addition, although unlikely in the next 24 months, structural changes in the tequila industry stemming from long-term contraction in demand or if competition significantly intensifies--causing a consistent decline in Becle's volumes and profitability, and volatility in cash flow--could prompt us to lower our ratings.

## Upside scenario

We could upgrade the company if it changes its financial policy by lowering the use of leverage and records stronger operating and financial performance. We could raise the ratings if:

- Becle's adjusted net debt to EBITDA remains below 2x; and
- Its discretionary cash flow to debt stays consistently above 15%.

## Key Metrics

### Becle, S. A. B. de C. V.--Forecast summary

Period ending	Dec-31-2021	Dec-31-2022	Dec-31-2023	Dec-31-2024	Dec-31-2025	Dec-31-2026
(Mil. MXN)	2021a	2022a	2023a	2024a	2025e	2026f
Revenue	39,419	45,729	44,355	43,962	44,077	45,132
Gross profit	22,091	26,041	23,554	24,649	25,154	25,756
EBITDA	7,883	9,777	7,390	8,990	9,373	9,731
Funds from operations (FFO)	4,756	6,069	3,411	5,303	6,252	6,327
Interest expense	699	850	1,175	1,439	1,948	1,860
Cash flow from operations (CFO)	4,613	(2,047)	(399)	11,435	4,075	3,972
Capital expenditure (capex)	5,250	3,924	3,212	2,206	2,418	2,430
Free operating cash flow (FOCF)	(637)	(5,971)	(3,611)	9,229	1,657	1,542
Dividends	1,546	1,510	1,764	1,496	1,349	1,499
Share repurchases (reported)	--	--	--	--	--	--
Discretionary cash flow (DCF)	(2,183)	(7,482)	(5,375)	7,733	309	42
Adjusted debt	8,434	16,117	20,681	18,333	19,207	21,069
Equity	58,443	58,423	57,639	66,795	70,159	72,943
<b>Adjusted ratios</b>						
Debt/EBITDA (x)	1.1	1.6	2.8	2.0	2.0	2.2

**Becle, S. A. B. de C. V.--Forecast summary**

FFO/debt (%)	56.4	37.7	16.5	28.9	32.6	30.0
EBITDA interest coverage (x)	11.3	11.5	6.3	6.2	4.8	5.2
CFO/debt (%)	54.7	(12.7)	(1.9)	62.4	21.2	18.9
FOCF/debt (%)	(7.6)	(37.1)	(17.5)	50.3	8.6	7.3
DCF/debt (%)	(25.9)	(46.4)	(26.0)	42.2	1.6	0.2
Annual revenue growth (%)	12.5	16.0	(3.0)	(0.9)	0.3	2.4
EBITDA margin (%)	20.0	21.4	16.7	20.4	21.3	21.6

All figures are adjusted by S&P Global Ratings, unless stated as reported. a--Actual. e--Estimate. f--Forecast. MXN--Mexican peso.

## Financial Summary

**Becle, S. A. B. de C. V.--Financial Summary**

Period ending	Dec-31-2019	Dec-31-2020	Dec-31-2021	Dec-31-2022	Dec-31-2023	Dec-31-2024
Reporting period	2019a	2020a	2021a	2022a	2023a	2024a
Display currency (mil.)	MXN	MXN	MXN	MXN	MXN	MXN
Revenues	29,705	35,036	39,419	45,729	44,355	43,962
EBITDA	6,029	7,546	7,883	9,777	7,390	8,990
Funds from operations (FFO)	5,188	6,101	4,756	6,069	3,411	5,303
Interest expense	529	545	699	850	1,175	1,439
Cash interest paid	381	417	263	515	863	1,155
Operating cash flow (OCF)	1,778	4,120	4,613	(2,047)	(399)	11,435
Capital expenditure	2,227	3,636	5,250	3,924	3,212	2,206
Free operating cash flow (FOCF)	(449)	484	(637)	(5,971)	(3,611)	9,229
Discretionary cash flow (DCF)	(2,256)	56	(2,183)	(7,482)	(5,375)	7,733
Cash and short-term investments	9,628	7,646	12,791	4,521	6,367	10,685
Gross available cash	9,628	7,646	12,791	4,521	6,367	10,685
Debt	8,539	4,771	8,434	16,117	20,681	18,333
Common equity	48,592	54,745	58,443	58,423	57,639	66,795
<b>Adjusted ratios</b>						
EBITDA margin (%)	20.3	21.5	20.0	21.4	16.7	20.4
Return on capital (%)	9.8	12.0	11.6	12.6	8.5	10.1
EBITDA interest coverage (x)	11.4	13.9	11.3	11.5	6.3	6.2
FFO cash interest coverage (x)	14.6	15.6	19.1	12.8	4.9	5.6
Debt/EBITDA (x)	1.4	0.6	1.1	1.6	2.8	2.0
FFO/debt (%)	60.8	127.9	56.4	37.7	16.5	28.9
OCF/debt (%)	20.8	86.4	54.7	(12.7)	(1.9)	62.4
FOCF/debt (%)	(5.3)	10.1	(7.6)	(37.1)	(17.5)	50.3
DCF/debt (%)	(26.4)	1.2	(25.9)	(46.4)	(26.0)	42.2

## Peer Comparison

### Becke, S. A. B. de C. V.--Peer Comparisons

	Becke S.A.B. de C.V.	Constellation Brands Inc.	Pernod Ricard S.A.	Brown-Forman Corp.	Diageo PLC
Foreign currency issuer credit rating	BBB-/Stable/--	BBB/Stable/A-2	BBB+/Stable/A-2	A-/Stable/A-2	A-/Stable/A-2
Local currency issuer credit rating	BBB-/Stable/--	BBB/Stable/A-2	BBB+/Stable/A-2	A-/Stable/A-2	A-/Stable/A-2
Period	Annual	Annual	Annual	Quarterly	Annual
Period ending	2024-12-31	2025-02-28	2024-06-30	2025-01-31	2024-06-30
Mil.	MXN	MXN	MXN	MXN	MXN
Revenue	43,962	209,610	227,012	83,803	370,269
EBITDA	8,990	82,122	67,411	26,042	124,294
Funds from operations (FFO)	5,303	67,448	49,756	18,356	85,639
Interest	1,439	10,672	9,004	2,756	19,802
Cash interest paid	1,155	10,627	6,949	2,673	18,578
Operating cash flow (OCF)	11,435	64,951	26,463	16,118	74,989
Capital expenditure	2,206	23,405	15,130	4,081	27,584
Free operating cash flow (FOCF)	9,229	41,546	11,333	12,037	47,405
Discretionary cash flow (DCF)	7,733	1,982	(18,849)	3,439	(13,719)
Cash and short-term investments	10,685	1,398	48,033	12,410	20,643
Gross available cash	10,685	1,398	48,033	12,410	20,643
Debt	18,333	249,955	240,518	52,681	399,717
Equity	66,795	146,495	328,774	79,204	220,492
EBITDA margin (%)	20.4	39.2	29.7	31.1	33.6
Return on capital (%)	10.1	16.3	10.6	18.7	19.3
EBITDA interest coverage (x)	6.2	7.7	7.5	9.5	6.3
FFO cash interest coverage (x)	5.6	7.3	8.2	7.9	5.6
Debt/EBITDA (x)	2.0	3.0	3.6	2.0	3.2
FFO/debt (%)	28.9	27.0	20.7	34.8	21.4
OCF/debt (%)	62.4	26.0	11.0	30.6	18.8
FOCF/debt (%)	50.3	16.6	4.7	22.8	11.9
DCF/debt (%)	42.2	0.8	(7.8)	6.5	(3.4)

## Environmental, Social, And Governance

ESG factors have had no material influence on our credit rating analysis of Becke.

**Rating Component Scores**

<b>Foreign currency issuer credit rating</b>	<b>BBB-/Stable/--</b>
<b>Local currency issuer credit rating</b>	<b>BBB-/Stable/--</b>
<b>Business risk</b>	<b>Fair</b>
Country risk	Intermediate
Industry risk	Low
Competitive position	Fair
<b>Financial risk</b>	<b>Intermediate</b>
Cash flow/leverage	Intermediate
<b>Anchor</b>	<b>bb+</b>
Diversification/portfolio effect	Neutral (no impact)
Capital structure	Neutral (no impact)
Financial policy	Neutral (no impact)
Liquidity	Adequate (no impact)
Management and governance	Neutral (no impact)
Comparable rating analysis	Positive (+1 notch)
<b>Stand-alone credit profile</b>	<b>bbb-</b>

## Related Criteria

- Criteria | Corporates | General: Sector-Specific Corporate Methodology, April 4, 2024
- Criteria | Corporates | General: Corporate Methodology, Jan. 7, 2024
- Criteria | Corporates | General: Methodology: Management And Governance Credit Factors For Corporate Entities, Jan. 7, 2024
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments, April 1, 2019
- Criteria | Corporates | General: Reflecting Subordination Risk In Corporate Issue Ratings, March 28, 2018
- Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

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