



Becle, S.A.B. de C.V. Reports First Quarter 2020 Unaudited Financial Results

Mexico City, Mexico, April 30, 2020 /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, 2020.

All figures in this release are derived from the Interim Consolidated Financial Statements of the Company as of March 31, 2020, and for the three-month period then ended, which are prepared in accordance with International Financial Reporting Standard (IFRS).

First Quarter 2020 Highlights

- Volume decreased 9.0% on an underlying basis to 3.4 million nine-liter cases;
- Net sales increased 5.3% on an underlying basis to P\$5,205 million pesos;
- Gross profit decreased 3.4% to P\$2,689 million pesos. Gross margin was 51.7%;
- EBITDA decreased 40.0% to P\$688 million pesos. EBITDA margin was 13.2%;
- Consolidated net income decreased 0.8% to P\$698 million pesos. Net margin was 13.4% compared to 13.3% and;
- Earnings per share were P\$0.19.

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

Management Commentary

Becle has responded quickly to the rapidly changing macro environment as a result of the COVID-19 global pandemic. We have worked closely with our supply chain and distribution partners developing plans to ensure we can continue to support our customers around the world. We are extremely appreciative of the efforts of all our employees and their dedication during these extraordinary and unprecedented times. Notwithstanding these challenges, during the first quarter, net sales increased 5% year-over-year on an underlying basis, despite a volume contraction for the same period. We will continue to closely monitor the situation and adapt to the changing environment and macro challenges.

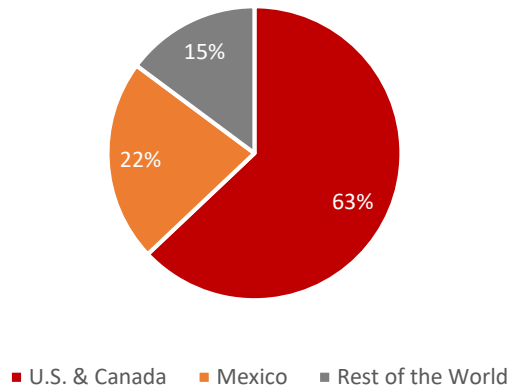
First Quarter 2020 Results

Volume by Region 1Q20 (in 000s nine-liter cases)

Region	1Q20	1Q19	1Q19 PF*	(Var. % YoY) PF*	(Var.% YoY)
U.S. & Canada	2,117	2,168	1,990	6.4%	-2.3%
Mexico	748	1,252	1,249	-40.1%	-40.3%
<u>Rest of the World</u>	<u>499</u>	<u>464</u>	<u>455</u>	<u>9.5%</u>	<u>7.4%</u>
Total	3,363	3,884	3,694	-9.0%	-13.4%

* Pro forma for the non-renewal of the distribution agreement for the Cholula Food Company in April of 2019. For comparison purposes only.

Volume breakdown by region 1Q20



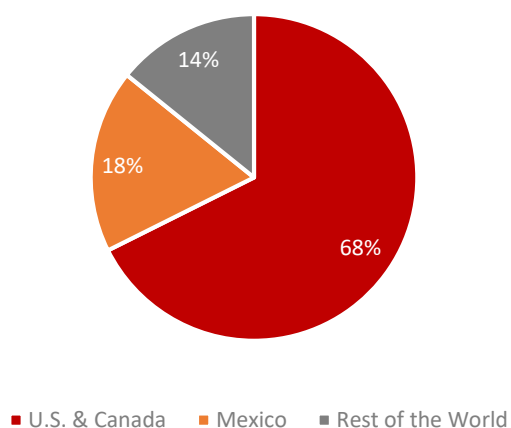
During the first quarter of 2020, total volume decreased 9.0% on an underlying basis to 3.4 million nine-liter cases (-13.4% reported). The year-over-year decrease reflected a 6.4% increase in the U.S. and Canada on an underlying basis (-2.3% reported), driven by strong consumer take-away and depletion trends, led by continued strong performance of the Tequila category; a 40.1% decrease in Mexico on an underlying basis (-40.3% reported), mainly due to an excise tax introduction to energy drinks and product reformulation in one of the Company's non-alcoholic beverage brands, as well as softness in the whole Tequila category resulting from adverse macroeconomic conditions; and an 9.5% increase in the Rest of the World (RoW) region on an underlying basis (7.4% reported).

Net Sales by Region 1Q20 (in MXN\$ millions)

Region	1Q20	1Q19	1Q19 PF*	(Var. % YoY) PF*	(Var.% YoY)
U.S. & Canada	3,520	3,382	3,063	14.9%	4.1%
Mexico	946	1,175	1,173	-19.4%	-19.5%
<u>Rest of the World</u>	<u>739</u>	<u>720</u>	<u>707</u>	<u>4.5%</u>	<u>2.6%</u>
Total	5,205	5,278	4,943	5.3%	-1.4%

* Pro forma for the non-renewal of the distribution agreement for the Cholula Food Company in April of 2019. For comparison purposes only.

Net sales breakdown by region 1Q20



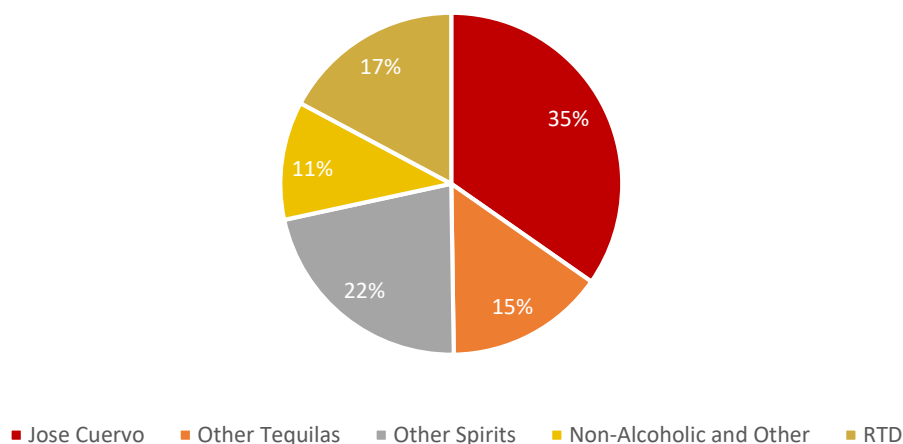
First quarter 2020 net sales increased 5.3% on an underlying basis to P\$5,205 million pesos (-1.4% reported). U.S. and Canada net sales increased 14.9% on an underlying basis (4.1% reported), primarily reflecting the non-renewal of the distribution agreement for The Cholula Food Company, the strength of our largest brands within the region leading an increase in depletions and shipments, and the Mexican peso depreciation against the U.S. dollar on a year over year comparison. In the same period, net sales in Mexico decreased 19.4% on an underlying basis (-19.5% reported), primarily due to an excise tax introduction to energy drinks and product reformulation in one of the Company's non-alcoholic beverage brands, but overall resulting in a better mix, as well as price increases in our portfolio. Net sales of the RoW region increased by 4.5% on an underlying basis (+2.6% reported) when compared to the first quarter of 2019.

Volume by Category 1Q20 (in 000s nine-liter cases)

Category	1Q20	1Q19	1Q19 PF*	(Var. % YoY) PF*	(Var.% YoY)
Jose Cuervo	1,167	1,104	1,104	5.8%	5.8%
Other Tequilas	506	550	550	-7.9%	-7.9%
Other Spirits	735	791	791	-7.1%	-7.1%
Non-Alcoholic and Other	377	944	754	-50.1%	-60.1%
<u>RTD</u>	<u>578</u>	<u>497</u>	<u>497</u>	<u>16.4%</u>	<u>16.4%</u>
Total	3,363	3,884	3,695	-9.0%	-13.4%

* Pro forma for the non-renewal of the distribution agreement for the Cholula Food Company in April of 2019. For comparison purposes only.

Volume breakdown by category 1Q20



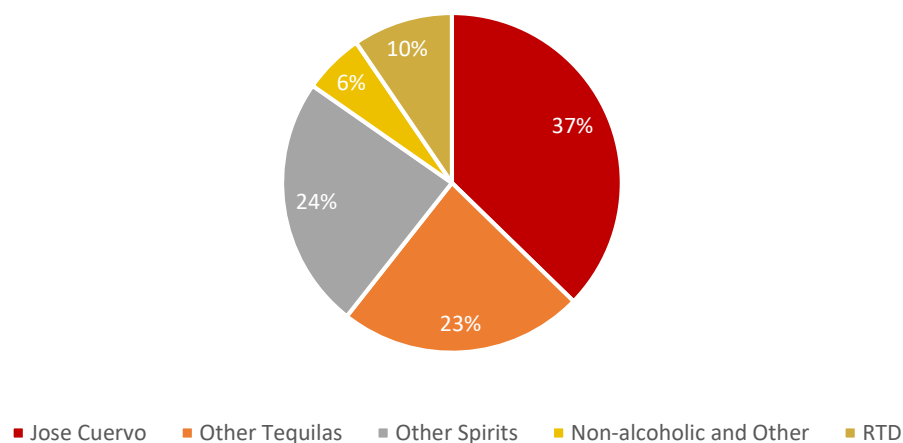
Volume of Jose Cuervo increased 5.8% compared to the same period in 2019 and represented 34.7% of total volume for the first quarter of 2020. Other Tequila brands represented 15.1% of total volume, with volume decreasing 7.9% compared to the prior year period. Other Spirits brands represented 21.8% of total volume in the period and experienced a 7.1% decrease in volume over the first quarter of 2019. Volume of Non-alcoholic and Other represented 11.2% of total volume and volume decreased 50.1% on an underlying basis (-60.1% reported) compared to the prior year period primarily driven by the non-renewal of the distribution agreement for the Cholula Food Company brand in April of 2019, and an excise tax implementation and the product reformulation to one of the company's brand in the Mexico region. Volume of ready-to-drink (RTD) represented 17.2% of total volume and grew by 16.4% compared to the same prior year period.

Net Sales by Category 1Q20 (in MXN\$ millions)

Category	1Q20	1Q19	1Q19 PF*	(Var. % YoY) PF*	(Var.% YoY)
Jose Cuervo	1,941	1,641	1,641	18.2%	18.2%
Other Tequilas	1,215	1,037	1,037	17.1%	17.1%
Other Spirits	1,253	1,385	1,385	-9.5%	-9.5%
Non-alcoholic and other	301	800	466	-35.4%	-62.4%
<u>RTD</u>	<u>496</u>	<u>415</u>	<u>415</u>	<u>19.6%</u>	<u>19.6%</u>
Total	5,205	5,279	4,945	5.3%	-1.4%

* Pro forma for the non-renewal of the distribution agreement for the Cholula Food Company in April of 2019. For comparison purposes only.

Net sales breakdown by category 1Q20



Net sales of Jose Cuervo increased 18.2% compared to the same period in 2019 and represented 37.3% of total net sales for the first quarter of 2020. Net sales of Other Tequila brands increased 17.1% compared to the prior year period and represented 23.3% of total net sales. Other Spirits brands represented 24.1% of total net sales in the period and decreased 9.5% compared to the first quarter of last year. Net sales of Non-alcoholic and Other represented 5.8% of total net sales and decreased 35.4% on an underlying basis (-62.4% reported) compared to the prior year period reflecting the non-renewal of the distribution agreement for the Cholula Food Company brand in April of 2019, and an excise tax implementation and the product reformulation to one of our brands in the Mexico region. Net sales of RTDs represented 9.5% of total net sales and increased 19.6% compared to the same prior year period.

Gross profit during the first quarter of 2020 decreased 3.4% over the same period in 2019 to P\$2,689 million pesos. Gross margin, although sequentially improving quarter-over-quarter, was 51.7% for the first quarter of 2020 compared to 52.8% for the first quarter of 2019, primarily reflecting year-over-year agave price increases in COGS partially offset by a Mexican peso depreciation against the U.S. Dollar impacting our net sales.

Advertising, marketing and promotion (AMP) expenses increased 16.7% to P\$1,243 million pesos when compared to the first quarter of 2019. This increase reflects AMP phasing as a result of an acceleration in depletions during the first quarter of 2020. As a percentage of net sales, AMP increased to 23.9% from 20.2% in the same prior year period.

Distribution expenses decreased 14.3% to P\$188 million when compared to the first quarter of 2019. As a percentage of net sales, distribution expenses decreased to 3.6% from 4.2% in the prior year period, mainly driven by lower logistics and fuel costs.

Selling and administrative (SG&A) expenses increased 10.6% to P\$765 million pesos when compared to the first quarter of 2019. As a percentage of net sales, SG&A increased to 14.7% from 13.1% in the same prior year period, driven by a base effect in the previous period related to variable compensation schemes.

Operating income during the first quarter of 2020 decreased 48.0% to P\$513 million pesos compared to the same period last year. Operating margin decreased to 9.9% as compared to 18.7% in the same prior year period.

EBITDA in the first quarter of 2020 decreased 40.0% to P\$688 million pesos compared to the first quarter of 2019. EBITDA margin was 13.2% for the first quarter of 2020 versus 21.7% in the same period of last year.

Net financial results were a gain of P\$429 million pesos during the first quarter of 2020 compared to a loss of P\$37 million pesos in the same period of last year. As a result of its exposure to the exchange rate risk between the US dollar and the Mexican Peso, as of January 1st, 2020, the Company has designated its US\$500 million Senior Notes as a hedge against its net investments in its U.S. operations. Derived from this adoption, all foreign exchange gains and losses associated with the Company's Senior Notes have been recognized as a P\$2.3 billion pesos loss in the Other comprehensive income line (which will be reflected in the company's equity in the Consolidated Statement of Financial Position and in the Consolidated Statement of Comprehensive Income) and not in the Income statement for the three months ended March 31, 2020 (see IFRS 9; IFRIC 16: Net Investment Hedge Disclosures).

Consolidated net income in the first quarter of 2020 decreased 0.8% to P\$698 million pesos, compared to P\$703 million pesos in the prior year period. Net margin was 13.4% for the first quarter of 2020, compared to 13.3% in the first quarter of 2019. Earnings per share were P\$0.19 in the first quarter of 2020, compared to P\$0.20 in the same period of the prior year.

Financial position and cash flow

As of March 31, 2020, cash and cash equivalents were P\$9,862 million pesos and total financial debt was P\$11,831 million pesos. During the first quarter of 2020, net cash from operating activities was P\$30 million pesos used, and the Company used P\$941 million pesos in net investing activities. Cash used in financing activities was P\$167 million pesos for the period ended in March 31, 2020.

Increase in equity participation of Eire Born Spirits

On April 24, 2020, the Company completed the exercise of its option to acquire an incremental 29% stake in the equity interests of Eire Born Spirits LLC (“EBS”) and, as a result, reached a cumulative 49% stake in the equity interests of EBS. EBS owns and markets the Proper No. Twelve Irish Whiskey brand.

IFRS 9; IFRIC 16: Net Investment Hedge Disclosures

Financial instruments to hedge net investments in foreign operations

Beginning January 1, 2020, the Company designated a US\$500 million senior notes as hedging instrument for its net investment in Sunrise Holdings, Inc., which is a sub-holding entity of the U.S. operations with the objective of mitigating the exchange rate risk arising between the functional currency of these operations and the functional currency of the holding company that has such investment.

The Company formally designated and documented the hedging relationship, setting the objectives, risk-hedging strategy, identification of the hedging instrument, hedged item, nature of the risk to be hedged, and effectiveness assessment methodology. Since the exchange rate hedging relationship is clear, the method the Company used to assess the effectiveness consisted of a qualitative effectiveness test by comparing the critical terms between the hedging instruments and the hedged items.

Accounting policy

Net investment hedge in a foreign operation

The Company applies hedge accounting to the foreign exchange risk resulting from its investments in foreign operations because of changes in exchange rates arising between the functional currency of that operation and the functional currency of the holding company, regardless of whether the investment is held directly or through a sub-holder. The change in exchange rates is recognized in other comprehensive income as part of the translation effect when the foreign operation is consolidated.

To this end, the Company designates the debt denominated in foreign currency as hedging instruments; therefore, the exchange effects arising from such debt are recognized in other comprehensive income, in the line of translation effects, to the extent that the hedge is effective. When the hedge is not effective, exchange rate differences are recognized in foreign exchange gain or loss in the income statement.

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) on, Thursday, April 30th, 2020, to discuss the Company's first quarter 2020 unaudited financial results. Interested parties may also listen to a simultaneous webcast of the conference call by logging onto the Company's website at public.viavid.com/index.php?id=139263 or www.becle.com.mx.

First Quarter 2020 Unaudited Financial Results Conference Call and Webcast Details:

Date: Thursday, April 30, 2020

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

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

Dial-In: Mexico Toll-free 800-522-0034
U.S. Toll-free 1-(877) 407-0792
Toll/International 1-(201) 689-8263

Conference ID: **13702374**

Webcast: public.viavid.com/index.php?id=139263 or www.becle.com.mx

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

About Becele

Becle 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:oost®, 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 gain (loss).

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.

Investor Relations:

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Consolidated Income Statements

	First quarter ended March 31, 2020			First quarter ended March 31, 2019		Year over year variance	
	(U.S. \$) ⁽¹⁾	(Pesos)	% of net sales	(Pesos)	% of net sales	\$	%
(Figures in millions, except per share amounts)							
Net sales	221	5,205		5,278		(72)	(1.4)
Cost of goods sold	107	2,517	48.3	2,493	47.2	23	0.9
Gross profit	114	2,689	51.7	2,785	52.8	(96)	(3.4)
Advertising, marketing and promotion	53	1,243	23.9	1,065	20.2	178	16.7
Distribution	8	188	3.6	219	4.2	(31)	(14.3)
Selling and administrative	33	765	14.7	692	13.1	73	10.6
Other income-net	(1)	(21)	(0.4)	(179)	(3.4)	158	(88.1)
Operating income	22	513	9.9	987	18.7	(474)	(48.0)
Financial results	(18)	(429)	(8.2)	37	0.7	(466)	(1273.1)
Income before income taxes	40	943	18.1	950	18.0	(8)	(0.8)
Income taxes	10	245	4.7	247	4.7	(2)	(0.8)
Consolidated net income	30	698	13.4	703	13.3	(6)	(0.8)
Non-controlling interest	0	0	0.0	(12)	(0.2)	NM	NM
Controlling interest	30	698	13.4	715	13.6	(18)	(2.5)

(1) U.S. dollars translated at 23.51 Mexican pesos solely for the convenience of the reader

Consolidated Statements of Financial Position

(Figures in millions)	March 31, 2020	December 31, 2019
(U.S. \$) ⁽¹⁾	(Pesos)	(Pesos)
Assets		
Cash and cash equivalents	419	9,628
Trade receivables - Net	268	6,295
Related parties	8	188
Recoverable income tax	13	298
Other recoverable taxes and receivables	43	1,003
Inventories	541	12,725
Biological assets	51	1,197
Prepayments	55	1,292
Total current assets	1,398	32,859
Inventories	272	6,391
Biological assets	115	2,714
Investments in associates	14	333
Property, plant and equipment - Net	364	8,554
Intangible assets	741	17,430
Goodwill	318	7,487
Right-of-use assets	73	1,712
Deferred income tax	62	1,449
Employee benefits - net	11	258
Other assets	4	93
Total non-current assets	1,974	46,422
Total assets	3,372	79,282
Liabilities		
Short-term Senior Notes	7	168
Trade payables	118	2,774
Related parties	3	82
Lease liabilities	22	513
Other accounts payable	121	2,849
Total current liabilities	272	6,386
Long-term Senior Notes	496	11,663
Lease liabilities	55	1,288
Environmental reserve	6	148
Other long-term liabilities	13	310
Deferred income taxes	201	4,733
Total non-current liabilities	772	18,142
Total liabilities	1,043	24,528
Stockholders' equity attributable to Controlling interest	2,326	54,681
Non-controlling interest	3	73
Total stockholders' equity	2,329	54,754
Total liabilities and stockholders' equity	3,372	79,282

U.S. dollars translated at 23.51 Mexican pesos solely for the convenience of the reader

Consolidated Statements of Cash Flow

(Figures in millions)	Three months ended March 31, 2020	Three months ended March 31, 2019
	(U.S. \$) ⁽¹⁾	(Pesos)
Operating activities:		
Income before income taxes	40	943
Adjustment from items not implying cash flows:		
Depreciation and amortization	7	175
Loss on sale of property, plant and equipment	1	32
Items not implying cash	3	74
Interest income	(2)	(39)
Unrealized foreign exchange profit	(23)	(545)
Interest expense	4	97
Subtotal	31	737
(Increase) decrease in:		
Trade receivables	151	3,545
Related parties	(10)	(230)
Other recoverable taxes and receivables	(8)	(182)
Inventories	(108)	(2,532)
Biological assets	(12)	(276)
Prepayments	(11)	(261)
Other assets	(2)	(51)
Increase (decrease) in:		
Trade accounts payable	15	361
Other accounts payables	(66)	(1,545)
Employee benefits	1	12
Income taxes paid or recoverable	17	391
Net cash from operating activities	(1)	(30)
Investment activities		
Property, plant and equipment	(41)	(974)
Intangible assets	(0)	(5)
Acquisition of minority interest	(1)	(13)
Interest income	2	39
Sale of property, plant and equipment	0	0
Net cash flows used in investing activities	(41)	(954)
Financing activities:		
Repurchase of shares - Net	(0)	(0)
Principal and interest lease payments	(6)	(147)
Interest paid	(1)	(19)
Net cash used in financing activities	(7)	(167)
Net (decrease) increase of cash and cash equivalents	(49)	(1,151)
Cash and cash equivalents at beginning of year:		
At beginning of the period	409	9,628
Effects of exchange rate changes on cash and cash equivalents	59	1,385
Cash and cash equivalents at end of period	419	9,862

U.S. dollars translated at 23.51 Mexican pesos solely for the convenience of the reader

Supplemental Information (unaudited)

Quarterly 2019 The Cholula Food Company volume and net sales by region

Quarterly volume by region 2019 (in 000s nine-liter cases)

Volume	Q1	Q2	Q3	Q4
U.S. & Canada	178	13	-	-
Mexico	3	0	-	-
<u>Rest of the World</u>	<u>9</u>	<u>2</u>	<u>-</u>	<u>-</u>
Total	189	15	-	-

Quarterly net sales by region 2019 (in MXN\$ millions)

Net Sales	Q1	Q2	Q3	Q4
U.S. & Canada	319	17	-	-
Mexico	3	0	-	-
<u>Rest of the World</u>	<u>13</u>	<u>3</u>	<u>-</u>	<u>-</u>
Total	334	21	-	-