

# Jose Cuervo®



*BECLE, S.A.B. de C.V.*

**Bank of America, Investor Lunch**

October 1st, 2019

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# A leading global Spirits Company and undisputed leader in Tequila worldwide



Created in 1758, **Cuervo is today an 11<sup>th</sup> generation managed**, the only Latin American public spirits company

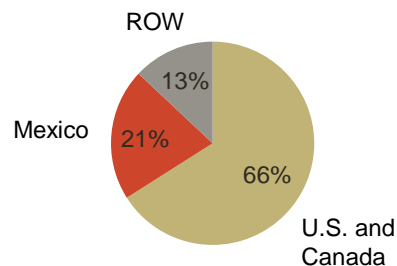


- ✓ **Undisputed leader in tequila globally**, ~30% market share<sup>(1)</sup>
- ✓ Comprehensive portfolio of **over 30 brands** retailed in more than 90 countries.
- ✓ Track record of **innovation and value enhancing/strategic M&A**
- ✓ **Strong geographic diversification** and relevant exposure to the U.S. and Canada, the world's largest spirits market.
- ✓ Strong market position in high growth Irish Whiskey category with **Bushmills, Sexton and Proper Number Twelve**
- ✓ **Most vertically integrated player in Tequila** from production to distribution

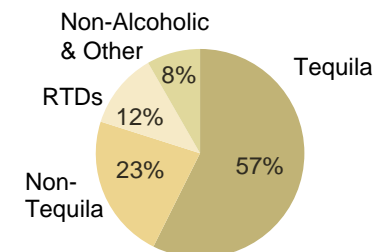
Key Figures – Financial Statements	1 <sup>st</sup> Half 2019
Volume (9L cases)	10.8mm
Net Sales	<b>P\$10,893 MM</b>
EBITDA	<b>P\$2,538 MM</b>
EBITDA Margin	<b>20.7%</b>

### Net Sales Value Breakdown 1<sup>st</sup> Half 2019

#### By Region



#### By Category



Source: Company information and IWSR 2019

Notes:

1. Based on IWSR total volume 2019





**1** Undisputed leader in tequila worldwide



**2** Unique portfolio of iconic brands in key fast-growing spirit categories, built upon an innovation focus and value enhancing M&A



**3** Global spirits company with leading presence in most profitable spirits markets with significant upside potential



**4** Integrated model with robust route-to-market strategy



**5** Track record of sustainable growth



**6** Heritage built upon continued value creation and consistent family leadership



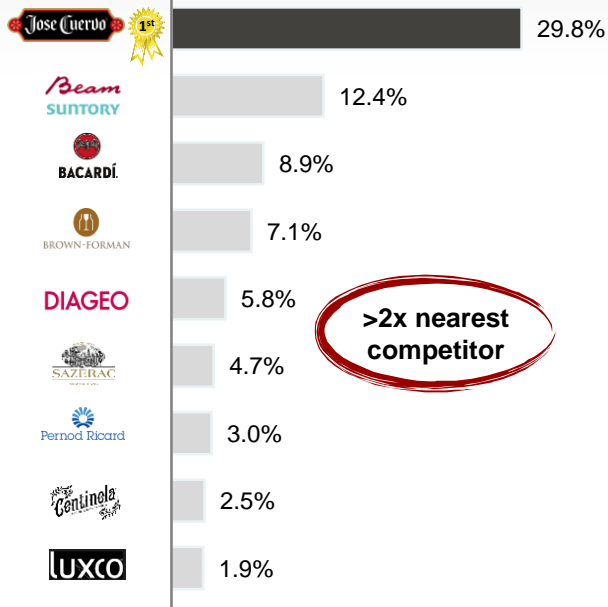
# Undisputed leader in Tequila worldwide



## Tequila Global Market Share

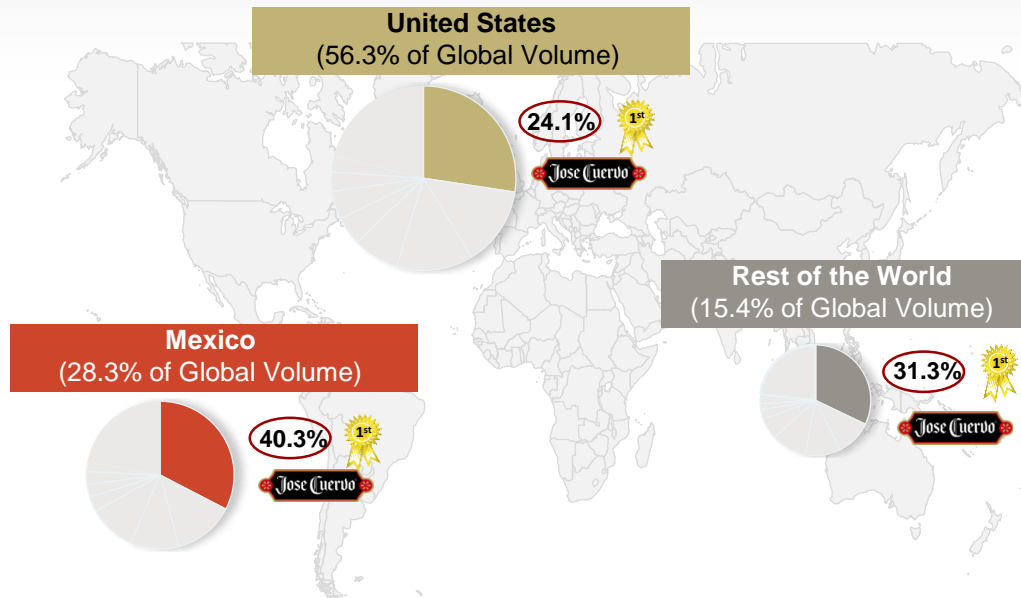
As % of volume – 2018

Total Market Size 32.5mm 9L Cases

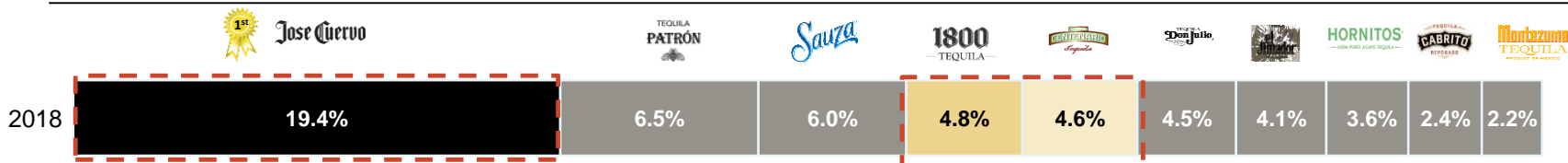


## Tequila Market Share by Region

As % of volume – 2018



## Cuervo is the owner of 3 of the Top 5 selling Tequila brands by volume globally



Source: IWSR 2019





# Tequila portfolio across price points



- Most comprehensive tequila portfolio across price segments
- Focus on premiumization with a strong portfolio of ultra premium and prestige tequila brands

## Portfolio of Powerful Established Brands...

			<b>Focus on brand premiumization</b>	
				<b>Brand</b>
Premium	Super Premium	Super Premium		<b>Segment</b>
				<b>Main Markets</b>
				<b>Market Position in Segment</b>

## ... With a Focus on Fast-Growing Ultra Premium and Prestige Segments...

		
		
Super Premium/ Ultra Premium	Ultra Premium	Prestige
		
		

Source: Company information, IWSR 2019





# Extensive portfolio of leading Spirits brands



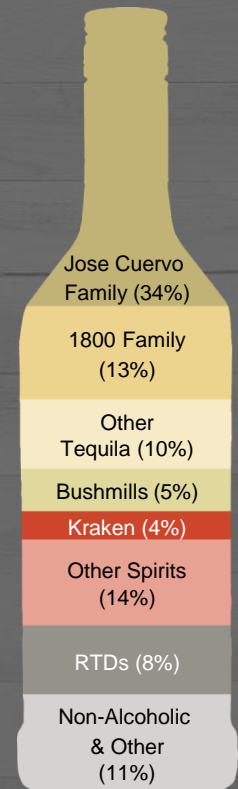
- Over 15 brands in other spirits categories

## Net Sales by Family / Category

2018

Total

Pes\$28,158 MM



**Irish & American Whiskey**

- BUSHMILLS: Premium / Ultra Premium
- Stranahan's: Ultra Premium
- TINCUP: Premium
- PENDELTON: Premium / Ultra Premium

**Rum**

- KRAKEN: Premium
- Castillo: Standard

**Vodka**

- Hangar 1: Ultra Premium
- Three Olives: Premium
- GÖTLAND VODKA: Premium
- OSO NEGRO: Value

**Gin**

- BOODLES: Premium

**Mezcals**

- CREYENTE: Ultra Premium
- 400 CONEJOS: Premium

**RTD's**

- 1800: Premium
- Jose Cuervo Margaritas: Mid Price
- GOLDEN: Premium

**Non-alcoholic**

- Jose Cuervo Refreshing Margarita: Premium
- b:oot\_: Premium
- Jose Cuervo Puro de Sanchez: Premium

Source: Company information, IWSR 2019 Note: Company's portfolio includes other brands not displayed above.





# Focus on innovation



## Fast-Growing Recently Developed Brand



Premium Rum  
Launched in 2009

### Key Market



Growing above category average and gaining market share in the U.S.

## Developed the *Cristalino* Category



Ultra Premium Tequila  
Launched in 2009

### Key Markets



Ultra Premium Tequila  
Launched in 2015

### Key Markets



Ultra Premium Tequila  
Launched in 2018

### Key Markets



*Cristalino* brands were introduced to compete in the ultra-premium segment, the fastest growing tequila segment globally

## Continuous Brand Development and Rejuvenation

### Tequila



Reserva de la Familia  
2016  
Prestige



Maestro Tequilero  
2005  
Ultra Premium

### Whiskey



Stranahan's Diamond Peak  
2015  
Ultra Premium



Bushmills Steamship (Travel Retail)  
2016  
Ultra Premium

### Vodka / Mezcal



Hangar 1 FogPoint  
2016  
Ultra Premium Vodka



Creyente  
2016  
Ultra Premium Mezcal

### RTDs



JC Especial Cans  
2016  
Premium Tequila RTD



JC Authentic Margarita  
1993  
Premium Tequila RTD







## Value-Enhancing M&A



## Bushmills Irish Whiskey: a Milestone in our M&A Strategy

### Key Acquisition Criteria

#### ✓ Value Creation Potential:



Irish Whiskey in the U.S. by volume



Irish Whiskey in the world by volume

#### ✓ Category with Attractive Growth Profile:

- 13.9% CAGR 2012-2018 in volume in the U.S.

#### ✓ Premium Brands: well known brands with broad portfolio offering

#### ✓ Global Presence in Key Countries:

- Key Markets: 1) U.S. and Canada, 2) Eastern Europe, 3) Western Europe, 4) UK/Ireland, 5) Global Duty Free

#### ✓ Commercial Synergies



### 2018 figures

Volume: 857,945 9L Cases

Revenues: Ps\$1,526 MM

CAGR (2016-2018): 5%

Source: Company information



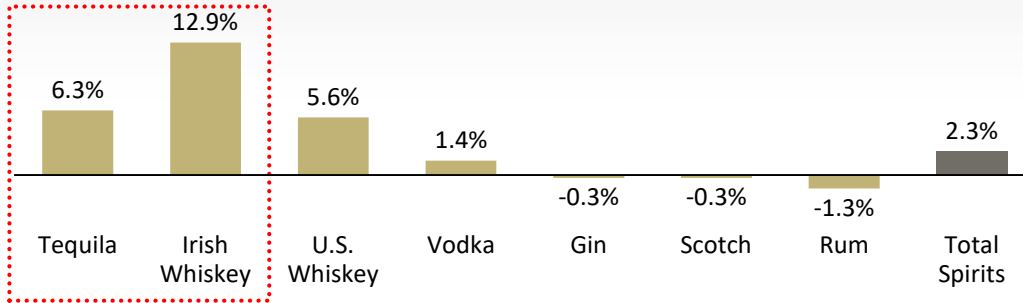


# Right brands / right categories / right markets



## U.S. Spirits – Growth

2013-2018 Volume CAGR



## Spirits Categories – Global Market Share

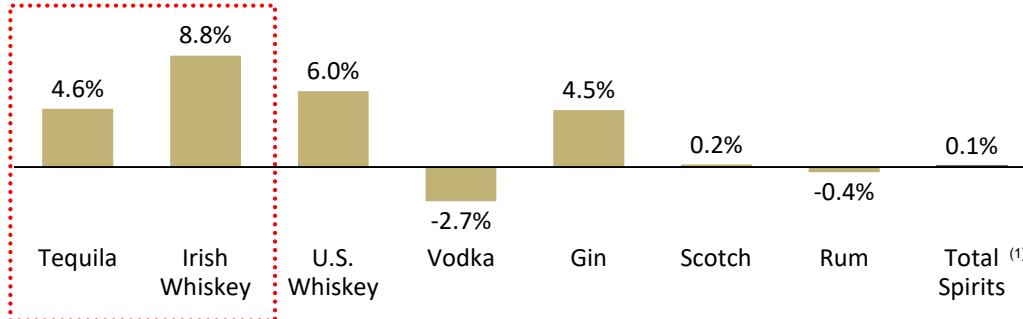
% Volume – 2018



**Tequila & Irish Whiskey remain underrepresented categories within spirits**

## Global Spirits – Growth

2013-2018 Volume CAGR



Source: IWSR 2019

Notes:

1. Excludes Baiju





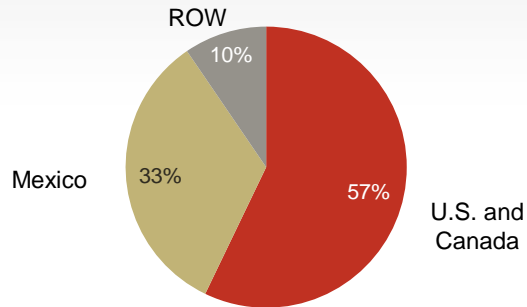
# Global reach and established U.S. platform



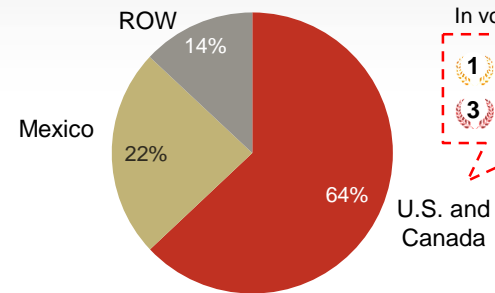
## Continued Geographic Diversification: U.S. and Canada represent ~64% of the Company's Revenues in 2018

### Net Sales by Region

2013A



2018

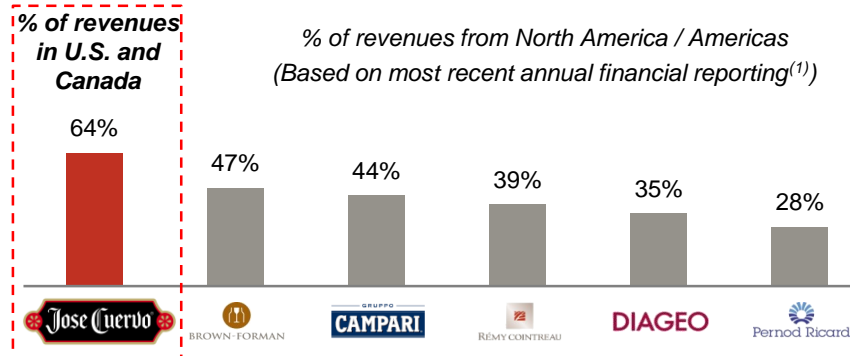


In volume and value:

- 1 in Tequila
- 3 in Irish Whiskey

Source: Company information

## Higher Exposure to Dynamic U.S. Market...



Source: Company information for Cuervo, most recent publicly available annual financial statements for peers. We cannot assure you of the accuracy of our peers' financial statements

1. Brown-Forman: defined as United States; Campari, Remy Cointreau and Pernod Ricard: defined as Americas; Diageo: defined as North America (U.S. Spirits, Diageo-Guinness U.S. and Canada)





# Tequila's attractiveness in the U.S.



## Tequila: Among the Fastest Growing Spirits...

13A – 18A Volume CAGR in the U.S.



## ...Benefiting from Favorable Secular Trends

1

### Younger Consumer Preferences

- Millennials eager to try and embrace variety and differentiating innovation
- Willing to pay a higher price for distinctiveness

2

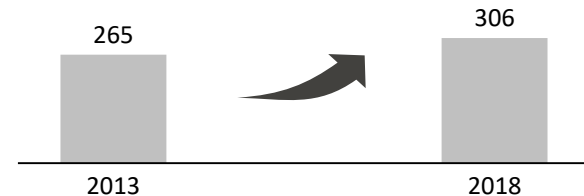
### Craftsmanship and Heritage

- Preference for authenticity, heritage and provenance as differentiating factors
- Ongoing "craft" trend across alcoholic beverages

3

### Premiumization

Average \$/9L Tequila Case in U.S. Market



4

### Tequila is a Versatile Category Unlike Any Other

#### Food



Food pairing

#### Shots



Release

#### Long drinks



Social enjoyment

Source: IWSR 2019

Source: IWSR





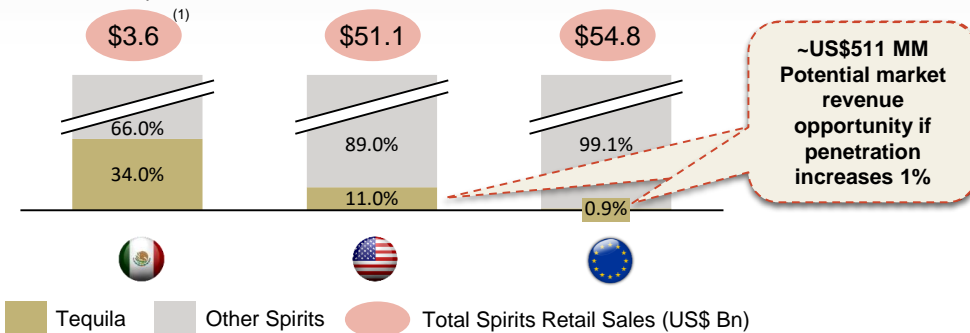
# Untapped international growth



## Key Categories Underpenetrated Outside Core Markets

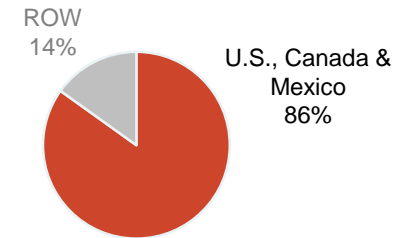
### Tequila

As % of Total Spirits Retail Sales – 2018



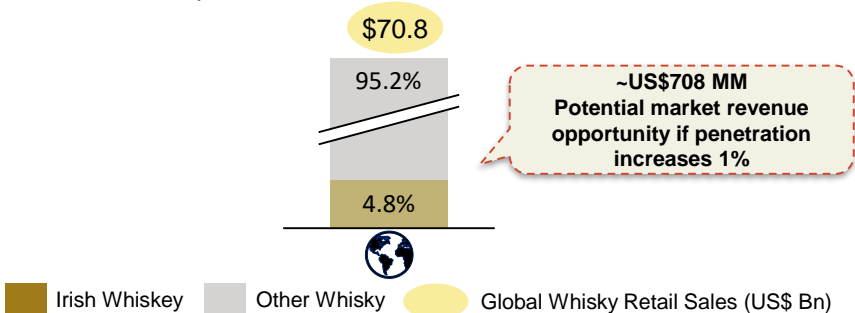
## Cross-leverage Platforms to Accelerate Expansion

Cuervo derived ~86% of its 2018 net sales in value from the U.S., Canada and Mexico...

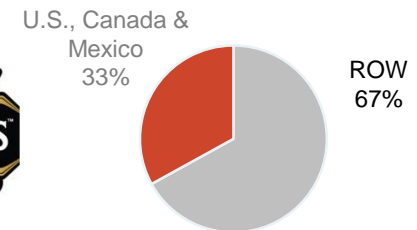


### Irish Whiskey

As % of Global Whisky Retail Sales – 2018



... while Bushmills brand reported ~67% coming from ROW



Marginal growth in the underlying markets represents a significant revenue potential for Cuervo

Source: IWSR 2019, Company information





# Integrated platform



## 1 Agriculture

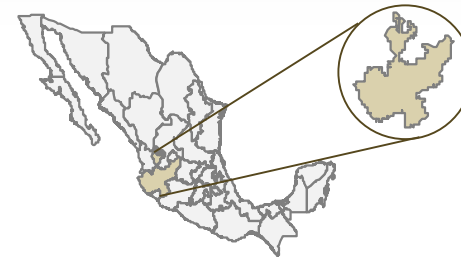
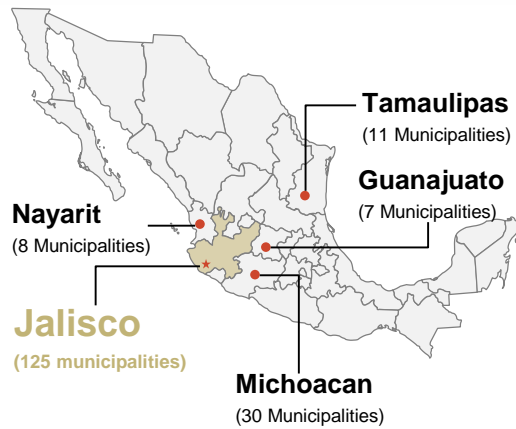


## 2 Production



**Competitive Advantage Resulting from Appellation of Origin for Tequila**

**Flagship Distilleries and Bottling Facilities Support Route-to-Market Strategy**



- La Rojeña (Tequila)
- Camichines (Tequila)
- EDISA Bottling Facility
- 1800 Distillery (Tequila) In construction



- Stranahan's (Colorado)
- Hangar 1 (California)
- Proximo Bottling (Indiana)



- Old Bushmills Distillery and Bottling (Northern Ireland)
- In expansion

- Tequila can only be produced from Agave Azul (*Tequilana Weber*)
- Cuervo is the largest<sup>1</sup> Agave Azul producer
- Critical element in our supply and quality control strategy
- Cuervo is involved in full Agave cycle (plant, grow, harvest and freight)

Source: Company Information





# Unique Route-to-Market distribution



## 3 Distribution



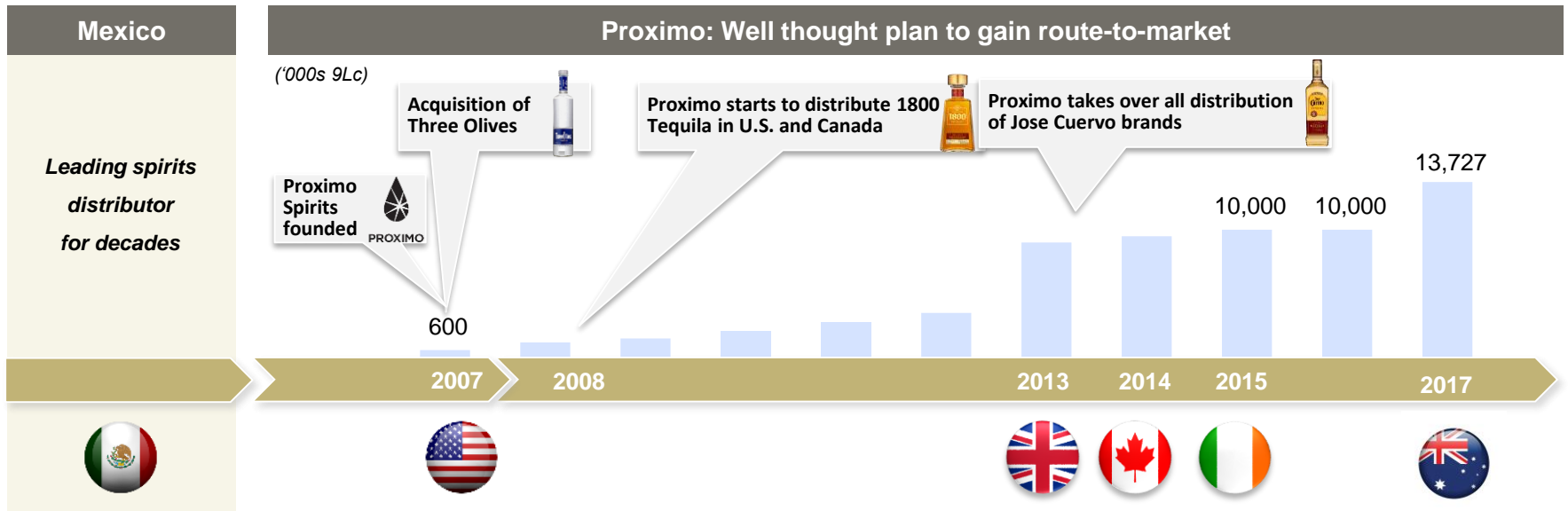
### Own Distribution Platform to Control Route-to-Market and Brand Building Strategy

Volume through own distribution network from ~25% in 2007 to ~92% as of 2018



#### Benefits

- Vertical integration of profits
- Control and focus of own brands



Target is to selectively replicate “own distribution” model as market and scale allow

Source: Company Information






# Route-to-Market control was key to U.S. success






## Sales Turnaround Story in the U.S.: Jose Cuervo Case Study



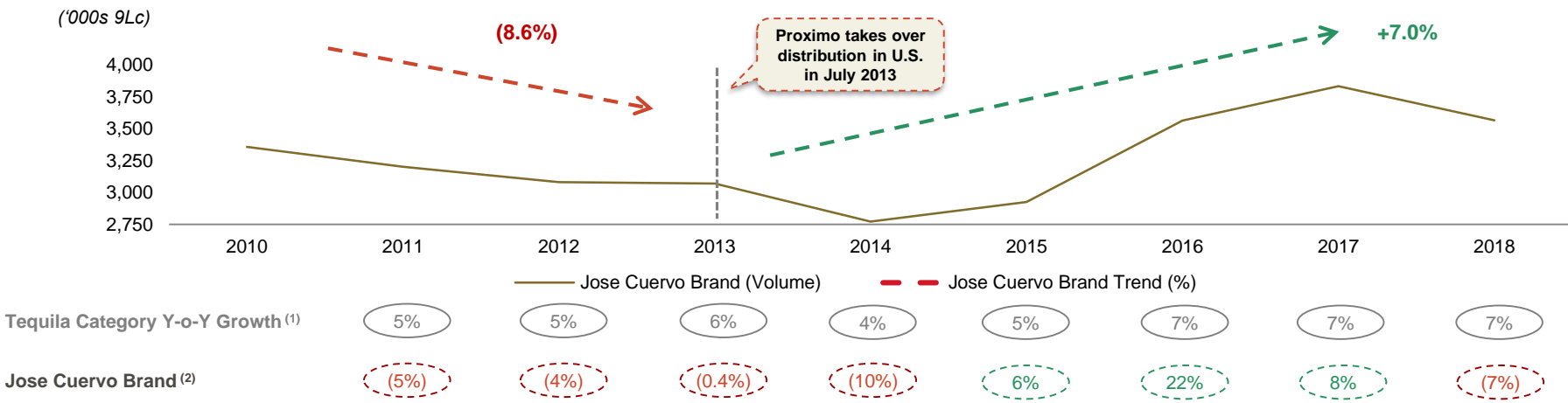
**Jose Cuervo**

Since Proximo took over the distribution of Jose Cuervo from Diageo, volume grew 7% 2014 to 2018 (CAGR).

### Key Turnaround Initiatives

-  1 Enhancing brand health
-  2 Focused recruitment on 22-34 year old consumers
-  3 Increased focus on *Jose Cuervo Especial* silver and *Jose Cuervo Tradicional*.

### Volume Impact Since Proximo Took Over Distribution in the U.S.



Source: Company information, Internal information.  
 Notes:  
 1. Considers IWSR volume for U.S. tequila category growth Y-o-Y  
 2. Refers to Y-o-Y growth rate





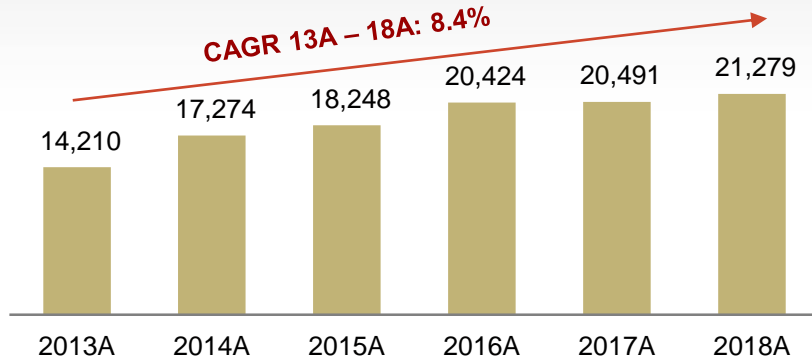


# Track record of sustainable growth



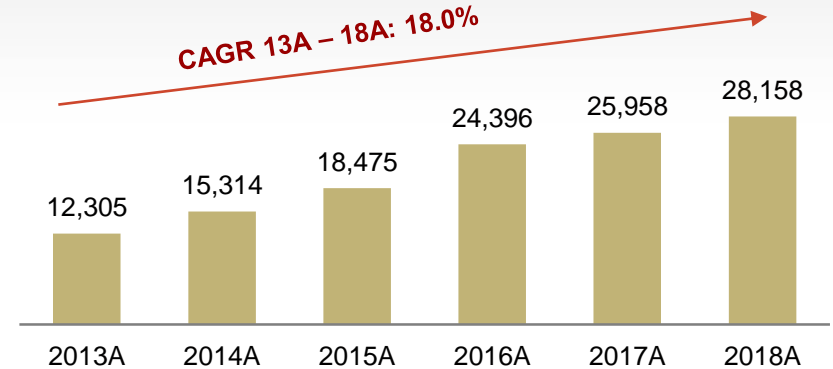
## Combined Volume

(000s of 9 Liter Cases)



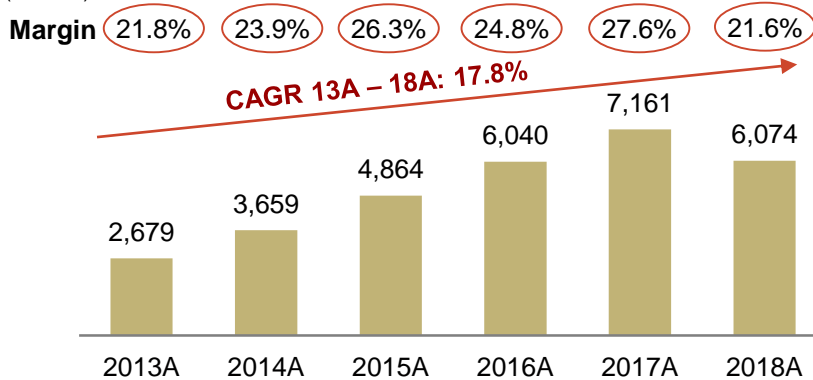
## Combined Net Sales

(Ps\$MM)<sup>(1)</sup>



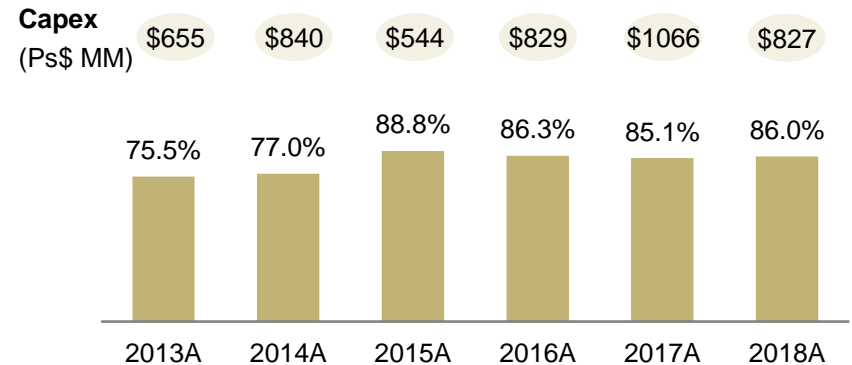
## Combined EBITDA<sup>(2)</sup> and Margin

(Ps\$MM)



## Cash Flow Conversion<sup>(3)</sup>

(%)



Source: Company combined financials statements, Company information

### Notes:

- 2015A Considers pro forma 10 months of Bushmills
- EBITDA calculated as net income plus interest expense, income tax expense and depreciation and amortization, less gain on sale of joint venture available for sale, interest income, foreign exchange loss (gain), net, and equity method in joint venture
- Calculated as (EBITDA-Capex)/EBITDA



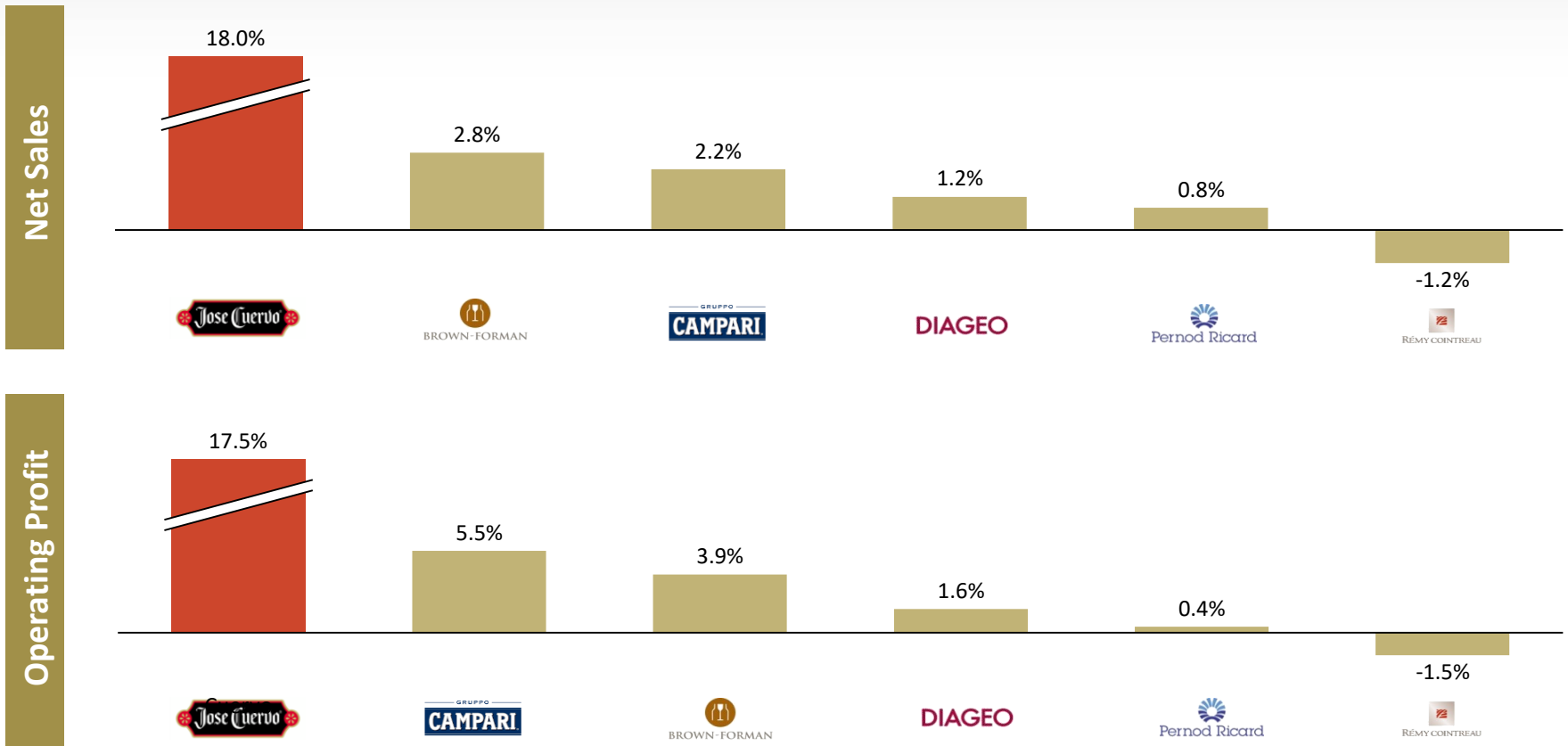


# Above sector growth



## Income Statement Past Performance – 2013A-2018A CAGR

(Fiscal Years, in Reporting Currency)



Source: Company Audited Financial Statements and most recent publicly available annual financial statements for our peers for the 2013 to 2018 periods. We have included the information presented in this chart for illustrative purposes only and we cannot assure you of the accuracy or comparability of our peers' financial statements. Operating profit may be measured differently by our peers for many reasons, including the fact that entities may differ in their application of accounting principles.







# Value of Heritage and Corporate Governance





## A True Mexican Success Story Lasting Over 250 Years


1758 2019

**1795** First license ever to sell tequila 

**1812** Oldest distillery in Mexico 

**1852** First export to the U.S. 

**1880** First distiller to bottle tequila in glass bottles 

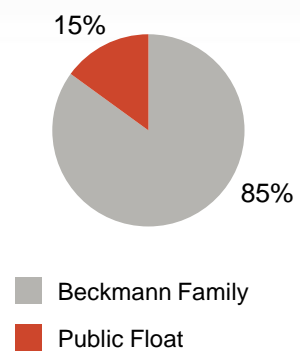
**1945** Margarita invented using *Jose Cuervo* tequila 

### Selected Medals and Awards

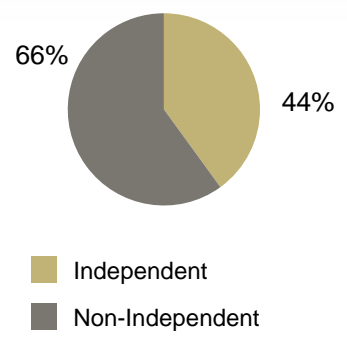


## Supported by Robust Corporate Governance

### Post IPO Ownership



### Independent Board



- Led by the 11<sup>th</sup> generation of the Beckmann family
- Independent and experienced Board of Directors
- Experienced management team, with over 140 years of combined experience leading Cuervo



# Financial Results



# Statement of comprehensive income - Unaudited



	Six months ended June 30, 2019			Six months ended June 30, 2018		Year over year variance	
	(U.S. \$) <sup>(1)</sup>	(Pesos)	% of net sales	(Pesos)	% of net sales	\$	%
(Figures in millions, except per share amounts)							
<b>Net sales</b>	<b>639</b>	<b>12,247</b>		<b>11,483</b>		<b>763</b>	<b>6.6</b>
Cost of goods sold	295	5,657	46.2	4,452	38.8	1,206	27.1
<b>Gross profit</b>	<b>344</b>	<b>6,589</b>	<b>53.8</b>	<b>7,032</b>	<b>61.2</b>	<b>(442)</b>	<b>(6.3)</b>
Advertising, marketing and promotion	139	2,667	21.8	2,551	22.2	116	4.5
Distribution	24	454	3.7	504	4.4	(50)	(10.0)
Selling and administrative	74	1,416	11.6	1,313	11.4	103	7.8
Other (income) expenses, net	(9)	(181)	-1.5	46	0.4	(227)	(496.2)
<b>Operating profit</b>	<b>117</b>	<b>2,234</b>	<b>18.2</b>	<b>2,618</b>	<b>22.8</b>	<b>(384)</b>	<b>(14.7)</b>
Financial results, net	7	125	1.0	412	3.6	(287)	(69.7)
<b>Profit before income taxes</b>	<b>110</b>	<b>2,109</b>	<b>17.2</b>	<b>2,206</b>	<b>19.2</b>	<b>(97)</b>	<b>(4.4)</b>
Total income taxes	29	548	4.5	613	5.3	(65)	(10.6)
<b>Consolidated net income</b>	<b>81</b>	<b>1,561</b>	<b>12.7</b>	<b>1,593</b>	<b>13.9</b>	<b>(32)</b>	<b>(2.0)</b>
Non-controlling interest	(0)	(1)	0.0	0	0.0	NM	NM
<b>Controlling net income</b>	<b>82</b>	<b>1,561</b>	<b>12.8</b>	<b>1,592</b>	<b>13.9</b>	<b>(31)</b>	<b>(1.9)</b>
Depreciation and amortization	16	304		244		-	-
<b>EBITDA</b>	<b>132</b>	<b>2,538</b>	<b>20.7</b>	<b>2,861</b>	<b>24.9</b>	<b>(324)</b>	<b>(11.3)</b>

(1) U.S. dollars translated at 19.1587 Mexican pesos solely for the convenience of the reader

Source: Combined and consolidated financial statements



# IFRS 16 adoption effect



(Figures in millions)	1H19 without IFRS 16 effect		1H19 with IFRS 16 effect		Effects in profit from IFRS 16
	(Pesos)	% of net sales	(Pesos)	% of net sales	
Operating profit	2,234	18	2,234	19	0
Financial results, net	80	1	125	1	45
Consolidated net income	1,606	13	1,561	14	-45
Depreciation and amortization	246	2	304	3	58
EBITDA	2,480	20	2,538	22	58

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).



# H1 2019 Statement of financial position - Unaudited



(Figures in millions)	June 30, 2019		December 31, 2018
	(U.S. \$) <sup>(1)</sup>	(Pesos)	(Pesos)
<b>Assets</b>			
Cash and cash equivalents	454	8,704	12,028
Accounts receivable, net	290	5,556	8,536
Inventories, net	599	11,490	8,162
Other current assets	168	3,229	2,502
<b>Total current assets</b>	<b>1,512</b>	<b>28,979</b>	<b>31,228</b>
Non-current inventories	379	7,263	6,859
Property, plant and equipment, net	311	5,965	5,506
Right-of-use assets	101	1,942	0
Deferred income tax	74	1,417	1,454
Intangible assets and trademarks, net	744	14,263	14,664
Goodwill	323	6,192	6,354
Other assets	33	639	646
<b>Total non-current assets</b>	<b>1,966</b>	<b>37,681</b>	<b>35,483</b>
<b>Total assets</b>	<b>3,478</b>	<b>66,660</b>	<b>66,711</b>
<b>Liabilities &amp; stockholders' equity</b>			
Current installment of notes payable to Banks	2	47	48
Trade accounts payable	120	2,293	2,594
Current lease liabilities	6	106	0
Accruals	87	1,658	2,348
Other liabilities	31	589	102
<b>Total current liabilities</b>	<b>245</b>	<b>4,694</b>	<b>5,092</b>
Long term debt, excluding current installment	495	9,498	9,745
Non-current lease liabilities	93	1,775	0
Environmental reserve	6	118	121
Other long-term liabilities	15	294	314
Deferred income taxes	192	3,679	3,568
<b>Total long-term liabilities</b>	<b>801</b>	<b>15,364</b>	<b>13,748</b>
<b>Total liabilities</b>	<b>1,046</b>	<b>20,057</b>	<b>18,840</b>
Total controlling interest	2,428	46,536	47,805
Non-controlling interest	3	66	67
<b>Total stockholders' equity</b>	<b>2,431</b>	<b>46,603</b>	<b>47,872</b>
<b>Total liabilities and stockholders' equity</b>	<b>3,478</b>	<b>66,660</b>	<b>66,711</b>

(1) U.S. dollars translated at 19.1685 Mexican pesos solely for the convenience of the reader



# H1 2019 Summarized Cash flow statement - Unaudited



(Figures in millions)

Six months ended June 30, 2019

Six months ended June 30, 2018

	(U.S. \$) <sup>(1)</sup>	(Pesos)	(Pesos)
<b>Operating activities</b>			
Income before income taxes	110	2,109	2,206
Items relating to investing activities:	11	209	177
Items relating to financing activities:	62	1,191	280
Subtotal	183	3,509	2,663
Changes in working capital	(123)	(2,365)	(4,099)
Net cash from operating activities	60	1,144	(1,437)
<b>Investing activities</b>			
Net cash used in investing activities	(39)	(742)	(3,177)
<b>Financing activities</b>			
Net cash used in financing activities	(180)	(3,447)	(2,084)
Net decrease in cash and cash equivalents	(159)	(3,045)	(6,698)
Impacts due to the fx rate on cash	(15)	(279)	140
<b>Cash and cash equivalents:</b>			
At beginning of the period	627	12,028	19,996
At end of period	454	8,704	13,438

(1) U.S. dollars translated at 19.1685 Mexican pesos solely for the convenience of the reader





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