Q1 2019 Earnings Call

Company Participants

- Bernardo Pinto Paiva, Chief Executive Officer
- Fernando Mommensohn Tennenbaum, Chief Financial & Investor Relations Officer

Other Participants

- Antonio Costa Barreto, Analyst
- Antonio Gonzalez Anaya, Analyst
- Benjamin M. Theurer, Analyst
- Isabella Simonato, Analyst
- Leandro Fontanesi, Analyst
- Luca Cipiccia, Analyst
- Lucas Ferreira, Analyst
- Robert Edward Ottenstein, Analyst
- Thiago Callegari L. Duarte, Analyst

Presentation

Operator

Good morning, and thank you for waiting. We would like to welcome everyone to the Ambev First Quarter 2019 Results Conference Call. Today with us, we have Mr. Bernardo Paiva, CEO for Ambev; and Mr. Fernando Tennenbaum, CFO and Investor Relations Officer. As a reminder, a slide presentation is available for downloading on our website at ri.ambev.com.br as well as through the webcast link of this call.

We would like to inform you that this event is being recorded (Operator Instructions).

Before proceeding, let me mention that forward-looking statements are being made under the Safe Harbor of the Securities Litigation Reform Act of 1996. Forward-looking statements are based on the beliefs and assumptions of Ambev's management and on information currently available to the company. They involve risks, uncertainties and assumptions because they relate to future events, and therefore, depend on circumstances that may or may not occur in the future. Investors should understand that general economic conditions, industry conditions and other operating factors could also affect the future results of Ambev and could cause results to differ materially from those expressed in such forward-looking statements.

I would also like to remind everyone, as usual, that the percentage changes that will be discussed during today's call are both organic and normalized in nature, and unless otherwise stated, percentage changes refer to comparisons with first quarter 2018 results. Normalized figures refer to the performance measures before exceptional items, which are either income or expenses that do not occur regularly as part of Ambev's normal activities as normalized figures are non-GAAP measures and the company discloses the consolidated profit, EPS, EBIT and EBITDA on a fully reported basis in the earnings release.

Now I will turn the conference over to Mr. Fernando Tennenbaum, CFO and Investor Relations Officer. Mr. Tennenbaum, you may begin your conference.

Fernando Mommensohn Tennenbaum {BIO 20615079 <GO>}

Thank you. Hello, everyone. Thanks for joining our 2019 first quarter earnings call. I'll guide you through the financial highlights of our operations, including our below-the-line items and cash flow, as well as commercial initiatives on CAC, LAC and Canada. After that, Bernardo will give you more details about our operations in Brazil.

Beginning with the main highlights of our consolidated results. On a consolidated basis, in the first quarter, top line grew 13.7%, a combination of volumes increasing 5.7% and net revenue per hectoliter of 7.5%. EBITDA reached BRL5.1 million, an organic growth of 16.4%, while EBITDA margin increased 100 basis points to 40.5%. Normalized net profit for the quarter was up 6.2%, delivering BRL2.8 million.

It's worth highlighting that following the categorization of Argentina as (inaudible) inflation rates greater than 100%, the country is considered is highly rational in accordance with IFRS.

Similar to the last few quarters, we continue to report the results of our operations in Argentina, applying hyperinflation accounting. Having said that, I will now move to our regional results and start with Brazil.

In the quarter, Brazil reached BRL2.9 million, an increase of 8.1% versus first quarter 2018 while margins contracted 220 basis points to 40.8%. Beer Brazil had a very solid performance, with volumes delivering double-digit growth at 11.3%, which just produced a 3.7% net revenue per hectoliter for growth, with top line 15.4% higher than the first quarter 2018. Net revenue per hectoliter ended up being in line with inflation, fighting off last year's price increase and negatively impacted by the regional beers as most of these beers grew ahead of the country average. While our volumes grew 11.3%, industry estimates by (inaudible) low single-digit growth. EBITDA for Beer Brazil was up by 5.4% in the quarter with margin contraction of 400 basis points to 42%. This contraction was explained by the cost pressures we already had anticipated in the full year 2018 earning release. Cash COGS per hectoliter grew by 24% impacted by aluminum, barley and FX. Cash SG&A increased 3.1%, which is right on inflation in the period, even accounting for bonus accruals (inaudible) the first quarter 2018. Such performance was mostly related to initiatives on non-working money expenses, including bonus accruals, Brazil Beer EBITDA growth which have been around 7%.

In NAB in Brazil, top line was up by 25.1% in the first quarter. Revenue grew to about 7.6% in net revenue per hectoliter growth and 16.3% volume growth. Similarly, to beer, industry also grew low single digits according to Nielsen. EBITDA in the quarter grew 31.9%, with margin expansion of 170 basis points to 33.6%. In terms of cost and expenses, cash COGS per hectoliter was up 4.7%, with higher aluminum cost being offset by lower sugar prices and operational leverage. Cash SG&A was up 17.3%, impacted by bonus accruals, distribution expenses related to volume growth, which was partially offset by savings in nonworking money as well as phasing of expenses in Q1.

For single agreement business, we reiterate our guidance for cash COGS per hectoliter growth of mid-teens in Brazil for this year, which should be more pressured in the first three quarters, easing off towards the end of the year.

Moving now to Central America and the Caribbean. Central America and Caribbean continues to show good momentum with a 12.7% net revenue growth, which is a combination of 9.1% increase in volume and a healthy of 3.3% net revenue growth. EBITDA in the quarter reached BRL578 million, boasting a double-digit growth of 14.4% and margin expanding 50 basis points to 39.5%. Cash COGS per hectoliter increased 8.5%, mostly affected by Panama where our strong volume evolution since 2017 has driven additional temporary costs in order to supply the market with no disruption. Further, cash SG&A in the region was up 1.1%, below the average inflation in the region, pressured by variable compensation accruals and SG&A phasing in Guatemala and with by improving distribution expenses mainly in the Dominican Republic as well as for projects related to nonworking money.

We are pleased with our commercial strategy that's delivering healthy volume performance in virtually all countries in which we operate.

In the core segment, we continue to invest in our trade programs, strengthening our connection with our customers through commercial platforms to further enhance the Presidente brand in the Dominican Republic. We added more than 3,500 coolers in the quarter.

In Panama, our second largest market innovation, we keep investing in trade execution with our main brand, Atlas Golden Light, and being present in the key selling moments in the country such as Carnival and Atlas Golden Fest. Panama's Carnival was (inaudible) portfolio, Atlas Golden Light led the way with the campaign (inaudible). They invited consumers to disconnect from daily routine and enjoy sunny days. We also had, for the first time, a (inaudible) execution of Carnival in Corona. This year, Atlas Golden Fest was the biggest festival in the country. (inaudible) host 18,000 people, 80% more than last year's edition and it's a major social media engagement.

We also continue to roll out optimization strategy in the region, developing Corona, Stella Artois, Modelo and Budweiser through a customized execution, both for the on-premise and off-premise channels. Premium accounts for less than 5% of the (inaudible) volume impact, representing a big opportunity for the future.

I'd like to take this occasion to say that we continue to be very excited about our business development and strong volume performance (inaudible) for the region moving forward.

Switching now to Latin America South. Volumes in the region declined 10.6% during first quarter 2019, mostly driven by Argentina where volume is decreasing by mid-teens, impacted by a challenging macro environment. Net revenue per hectoliter increased 27.1%, which led to a 14.5% top line growth. EBITDA for the quarter was up 36.5% with margin expansion of 820 basis points to 47.6%.

Cash COGS per hectoliter in the quarter declined 4.7%, mostly driven by favorable FX hedges while cash SG&A increased by 19%.

In spite the macroeconomic volatility throughout the region, we remain in focus on what we can control in our business and have positive developments. In Argentina, we maintained a strategy of differentiating the core brands, Quilmes, our classic lager, and Brahma, our easy drinking lager. We opened for the first time, Quilmes' own bar and named it Los Clasicos de Quilmes to further improve consumer experience.

On the core plus segment, Budweiser continued to embrace the music platform, sponsoring Lollapalooza with several activations, promotions and even releasing an exclusive 473 ml can. We also launched in (inaudible) regions Vendimia, another limited edition variety called Andes Origen, brewed with grapes. The Vendimia was the first beer to be present at the wine festival.

Our high end strategy has also shown promising results in LAS with (inaudible) portfolio outpacing in the industry across all counties in which we operate. Both Stella Artois and Corona launched (inaudible) campaign with huge executions in Argentina. For the first time, Stella Artois took the (inaudible) and changed its iconic red customers to blue. (inaudible) blue. We launched the Stella Blue Challenge by inviting different stakeholders such as top celebrities joining by coloring their hair blue, Buenos Aires city by turning city monuments blue and one of the main (inaudible) in the country by turning their logo blue.

Corona launched Protect Paradise and Plastic Doesn't Belong to the Ocean, and the (inaudible) campaign, generating a lot of growth through cleaning acts, activations and a huge magnitude of plastic in the middle of the city's main train station. Going forward, (inaudible) we can continue in the short term, we have short, medium and long term perspective in the country and remain confident in our ability to deliver solid top line EBIT in the whole region, supported by a strong portfolio.

Turning now to Canada. In the first quarter, top line in Canada declined 3.4%, a combination of 1.2% net revenue per hectoliter decrease and a 4.3% volume decline, which was mostly driven by a slowdown in the beer industry. EBITDA reached BRL329 million, which is 6.5% higher than in the first quarter of 2018, with margin expansion of 230 basis points to 25.4%. In the quarter, cash COGS per hectoliter declined 1.9% as higher aluminum and other commodity prices and lower dilution of fixed cost was more than offset by a new comparable in the first quarter 2018. Cash SG&A declined 6%, driven by phasing of sales and marketing expenses.

Despite the industry challenges, we have positive achievements with both portfolios during the quarter. Core plus core and core (inaudible) brands also continued to deliver strong results, with Michelob Ultra remaining the fastest growing brand in Canada in the quarter and Bud Light continuing its momentum and gaining market share.

On the premium segment, our high end portfolio is growing ahead of the industry, led by the (inaudible) volume growth of premium core brands. Corona launched its first (inaudible) 360 campaign called Corona Sunsets Winter Tour.

Now back to consolidated figures in more detail. In the first quarter, net financial results totalled an expense of BRL672 million, 12.2% higher than our Q1 2018. (inaudible) in the financial expense in the quarter was first, interest income of BRL135 million, driven by our cash value. Second, interest expense of BRL391 million that also improved interest connection with Brazilian Tax Regularization Program as well as a noncash accrual for customers with BRL60 million related to the put option associated to our investment in the Dominican Republic. Third, BRL195 million of losses on derivative instruments, which were year-over-year explained by the increase of the FX hedges carry costs related to our cost of goods sold and CapEx exposure in Argentina, partially offset by equity swap gains. Fourth, losses of non-derivative instruments in the amount of BRL111 million, mainly related to an adjustment in the fair value of the put options in the Dominican Republic. Fifth, taxes on financial transactions in the amount of BRL54 million. Sixth, BRL153 million of other financial expenses, partially explained by intercompany transactions. Finally, seventh, BRL97 million of financial income related to noncash incomes resulting from the adoption of Hyperinflation Accounting in Argentina. Normalized, the effective tax rate was 18.7% in the quarter lower than Q1 2018. Cash generated from operations in Q1 2019 was BRL2.1 billion, which is 121% higher than last year. APAC reached BRL546 million in the quarter, increasing 15.5% versus Q1 2018. Thank you very much.

Bernardo now will share some of the initiatives and thoughts on the Brazilian market before going to Q&A.

Bernardo Pinto Paiva {BIO 7186008 <GO>}

Thank you, Fernando. Hello, everyone. Let's move (inaudible) we started the year delivering solid volume and EBITDA growth. When we announced the 2018 full year results, we highlighted that the initial investment were made behind our strategic platforms the past years. Even in an environment of external volatility and challenging macroenvironment would place us in a good, stronger position to compete in the Brazilian beer market and that we would be prepared to fully benefit from the economic rebound.

Our performance this quarter is a consequence of the consistent investment we've used in our strategic platforms. It's important to point out, we have not seen yet disposable income resume growth, which would likely provide meaningful positive impact.

(inaudible) we're focused on the long-run and sustainable value creation. Therefore, it's important to understand our strategy. Having said that, I would like to take some time to further explain our strategic platforms, what's our long-term plan and how we implement it.

The heart of it is the consumer-centric approach, which with the category development framework guides the design of our portfolio. The same consumer-centric approach is translated into our strategic platforms, Premiumize at Scale; Differentiate the Core; and Drive Smart Affordability, supported by Sustainability; Operational Excellence; and finally, Business Transformation Enabled by Technology. All of this is supported by our major long-term sustainable advantage, our Dream, People and Culture.

Now let's go through the category framework and portfolio strategy. Our approach is based in the market maturity model and the category expansion framework. The market maturity model is about how your end market evolve while the category expansion framework is a vision of the portfolio mix and initiatives that should be applied to each market stage. Markets have different stages of maturity, one, two and three. Therefore, different consumer-centric approach should be adopted in each of these stages.

In the lowest maturity level, consists mostly on-premise. Now socializing and relaxing and the competition in (inaudible) or experience. In the middle maturity level, (inaudible) mix of gender and social, Occasions are balanced between home and on-premise although beer remains stronger in the on-premise. Competition remains family experience and soft drinks are consuming (inaudible) these occasions. Finally, in the high maturity level, shopping is mostly off-premise and more than three, consumption in home and meals, and relaxed occasions dominate the landscape. Competition from wine and spirits is bigger as more alcohol categories arise (inaudible) space, varieties increase. The category expansion strategy (inaudible) is about how it often involves progress and changing market opportunity. We started with the classic lager that added the typical features of the lowest maturity levels and the (inaudible) for the growth expanding to other kinds of beer and categories. Our widest beer market, Brazil, it's on average at middle maturity. However, as a large and diverse country, there are regions in all different levels. In the stage we are in Brazil, one of the most important trends is the take-off of premiumization.

So let's talk about the premium strategy. As we have been saying, premiumization is a trend and a portfolio gain. As consumers evolve, they have much more occasions and need state spaces. And no brand standalone can fulfil all these requirements. With that in mind, in mature markets, there is no single brand that covers more than around 60% of the premium segment. It's important to reinforce that our strength in the segment is a superior portfolio of brands, combining global and domestic premium brands. As the market matures, the average number of brand per country increase. So to win in these new segments, you have to build a strong portfolio and invest in that (inaudible) in the past years. For our organization's structure standpoint, we created a high-end dedicated team years ago, a group that focus exclusively on the premium segment, both in its execution and supporting its growth. Such strategies has already provided tangible results. This quarter, our global brands comprised of Budweiser, Stella Artois and Corona, grew more than 50%. Once again, we gained market share in between as we had been doing in the last consecutive quarters. Brand construction goes through an investment experience that allows consumers to learn the values of each brand in a deeper way. This can be done through sponsoring assets that's relevant to consumers, such as Lollapalooza, NBA or the NFL or to particular events such as Bud Basement, (inaudible) Stella and Corona Sunset where the immersion into the brand value will develop. All of this is emphasized by social media. We are also stepping up on packaging with initiatives such as the new digital brand identity and the new bottle shape for Budweiser, which enhanced the brand attribute and also impact assortment, having now in our portfolio (inaudible) and sharing 5 bottles. Budweiser, our largest global brand, played a key role as a bridge for consumers who are trading up towards the premium segment. Towards the premium brands with the biggest number of mentions in digital platforms in the quarter, a growth of 100% compared to the first quarter 2018. This quarter was marked by campaigns such as International Women's Day, Super Bowl and Lollapalooza. Stella Artois is the reference of European quality in Brazil. A classic Belgian lager with a distinctive taste that experienced accelerated growth from second semester on last year. In this quarter, we've maintained the focus on gastronomy culture events with some moderate successful addition of our proprietary events for (inaudible) Stella Artois in Rio de Janeiro, one of the main markets for Stella in Brazil. Stella Artois volume was also supported by the continued expansion of new pack formats, such as the sharing-sized bottle or the new cans, that's offering the Stella consumers to new options to taste a Stella in different occasions. Stella Artois continues to deliver very strong double-digits.

Corona volume more than doubled this quarter, a historical achievement. The brand was present in the trendiest New Year's Eve parties in the country with the Corona Sunset (inaudible). In the better world front, Corona officially launched the partnership with Party for the Ocean to clean 20 Brazilian beaches in 2019, together with our World Surf League Champion, Gabriel Medina. With that, the brand reached its all-time high number of mentions in social media in the quarter.

Now I would like to spend a few words about the domestic portfolio, Original and Serramalte in particular. These brands were first developed in their own trade channels, delivering an amazing experience to consumers. Original and Serramalte has their combined volume increasing double digits during the first quarter. In summary, our premium portfolio continues to be around this organic growth. We believe that we are far from reaching the full potential of the premiumization trend, which will fuel our results for the future.

Now moving to the core segment. We made transformational investments in our core segments in the past years, with new visual brand identities, great packaging improvements, launch of new leverage, building a portfolio to offer consumers a variety of choices for different tastes and occasions. This started with Brahma in 2016. We launched three varieties of Brahma Extra, creating a true family of beers. And since its launch, Brahma's family has been growing strongly quarter-after-quarter. Brahma family is all about beer expertise. Brahma Extra reinforced that and has also had a positive impact on the brand act of Brahma, it's mother brand. Based on the learnings from Brahma, we created the Skol family, a family of beers designed to bring innovation and variety to the beer market. In addition to Skol Pilsen, the original liquid, the Skol family is composed of Skol Hops, a beer with special hops and Skol Puro Malte, a beer that address consumer's interest in pure malt and also prefer a very drinkable liquid. All of that maintains the main attribute of Skol, which is drinkability. The development of this family extend engagements and consumer reach for our core portfolio and also enhanced the quality perception and brewing credentials of the respected mother brand. Both families maintain the careful expansion framework positioning of the brand. Skol is our easy drinking lager and Brahma is our classic lager. Brahma continues to grow well above the industry quarter-after-quarter. To increase its meaning and relevance, Brahma launched this quarter a new campaign to reinforce that the brand has been a part of the Brazilian consumer's life for a long time. This objective to remind Brazilians of emotional moments while reinforcing that Brahma was always present in these moments. While in 2018 we focused on strengthening Brahma's quality through our 130 years anniversary celebration, sharing with consumers the beer knowledge that we acquired over the years. We now want to reinforce our quality, heritage and tradition through a more emotional approach. This new campaign will be reflected in all Brahma touch points, including soccer with Copa America and country music.

Skol closed the summer with a very strong Carnival. The brand promotes the most important street parties in Brazil, providing breakthrough experiences to more than 37 million consumers in more than 31 cities. The brand Skol also increased in a positive way the numbers of mentions social media. Total mentions increased by 23% and more than half driven by Skol Puro Malte. Skol Puro Malte is not yet being sold in all Brazilian states. We are still rolling out nationally but so far, this product is an amazing success. Having the three priorities of (inaudible) support the family concept and the Skol family grew in the quarter.

I will now spend a few minutes talking about value. As we mentioned before, the value segment is characterized by the reinforcement of brand attributes. Moreover, even though it's quite relevant in terms of volume, its share in the (inaudible) profit pool is very, very low. However, considering its size, we have been attracting affordability with relevant brands and without disruption in profitability. As a result, we have developed initiatives related to packaging such as that 300 ML returnable glass bottles and 18-can packs and more recently, new brands such as Nossa and Magnifica. Regarding this quarter, the value segment declined 208 points against its peak last year. We remain confident that once we start to see disposable income improving, we are likely to see the brands getting back to historical levels. Nossa and Magnifica continue their successful rollout in (inaudible) respectively.

Moving to sustainability. Sustainability is an important product point to pursue the dream of living in a better world and also enhance our brand reputation. Last year, we announced an aggregate set of environment targets achieved by 2025. These are goals related to challenge proposed by the United Nations through sustainable development goals and aimed at reducing CO_2 emissions, renewable energy, water management, intelligent agriculture and circular packaging. As well as these goals, we also have a strong commitment for responsible consumption. A few days ago, for example, we launched a huge campaign on TV, social network and print stables warning to the danger of drinking and driving. We showed some of our beer logos with letters mixed up to say this is what happens when people drink and think it's okay to drive.

We also have other important initiatives. AMA, our mineral water launched in 2018 is one of them. All the profit obtained with this product is totally reverted to projects of access to potable water in the Brazilian semi-arids. So far, we delivered more than BRL3 million, benefiting 26,000 people.

Here we have our VOA brother, an internal consulting company with voluntary participation for our people, created to help NGOs to optimize their process, budgets and also manage people and careers. We are proud to help by doing what we do best. The project has impacted socially over two million people with 185 NGOs and 200 company-owned peers. The result of such meaningful initiatives (inaudible) 2018 reputation too.

Moving on to operational excellence. Operational excellence has always been one of our biggest strengths and key differentiators. Given that point of sales connect our brand to consumers, client services is a strong focus. We've been improving our process by reducing pain points and freeing up sales representatives' time in order to focus on activities that add more value to the point of sales. Our mantra is wherever we call it Brazil, there has to be Ambev. We divided the country from the large quantity of market territories, and we have been setting up our go-to-market focus on the idea that consumers should always be able to have products close, cold and at the right price. In order to measure client satisfaction, last year, we started tracking the net promoter score of our clients, which allow to better understand their pain points and how can we provide more value-added service with greater granularity in the country.

We are also investing in predictive algorithms with the use of machine learning to address possible client issues before it happens. We have also (inaudible) to make sure consistent quality and sharing of best practices on breweries, logistics, sales and shared service centers. In summary, there is an ongoing pursuit of operational excellence that delivers both efficiency and quality.

Talking about technology. This has a been a key enabler for us. The ideal order for each point of sale is provided by quarterly evolving algorithm. Through our portal, channel sales as well as sales maps can help. This process has enabled the fourth quarter strategy execution delivering savings, improving volume as well as free time for our sales force to possible point of sales execution and client service rather than order taking. In March, we concluded the execution of our main IT solution supplier, responsible for more than 60 EIT processes. Technology is core and very strategic for our business. The rationale behind this acquisition was to internalize technology knowledge and expand technology support to other areas of Ambev with more agility and scale. With this acquisition, over 400 developments with deep knowledge in several areas and in the newest technology joined Ambev's team.

We understand that increasing use of data and personalized content will be a major role in the life of consumers. With that in mind, we created our own digital concept bureau called Draftline. Draftline has the objective of establishing a closer relationship with our consumers in a more personalized way and on a larger scale. It will use data and create content to thoughtfully increase brand engagement. It will also work as a laboratory for new marketing formats and a more agile way of working than traditional ecosystems.

Now moving to the last division. We are quite pleased with our performance this quarter. Volume growth came from all different segments in our portfolio. An important highlight is the premium brands such as Gatorade's H2OH! (inaudible) and (inaudible) which not only grew double-digit but brings a healthy contribution to portfolio mix.

Finally, we are only able to achieve such results in the first quarter due to the amazing people who have always been in the foundation of our company. With our team, our culture and our consumer-centric business model, we have confidence that we are in a strong position to deliver long-term sustainable growth. We can now move to the Q&A. Thank you.

Questions And Answers

Operator

(Operator Instructions) And our first question today comes from Antonio Gonzalez with Credit Suisse.

Q - Antonio Gonzalez Anaya {BIO 20513194 <GO>}

I just have two quick ones, if I may. The first one on SG&A in Beer Brazil. I think that if we take out the bonus accruals, right, even with the double-digit volume growth, if my numbers are right, SG&A -- the underlined SG&A in Beer Brazil was particularly flattish, right, year-on-year? So I wanted to ask your view on the sustainability of this trend and whether the operational excellence and the tech initiatives that you just described, Bernardo, are already meaningfully impacting the SG&A positively or at this stage, it's in early days. So that's number 1, and number 2, if I may, very quickly. You made reference to value brand declining 200 basis points, right, in the beer industry. That seems quite substantial. If I'm not mistaken, you've made reference before to 500 or 600 basis points of value increasing throughout the crisis, right? And now, in just one quarter, we see a meaningful reversion. So I just wanted to confirm whether this is on your new Nielsen numbers? Are the numbers fully comparable? And can you give any, I guess, bigger picture thoughts on how quickly can this reversion fully materialize?

A - Fernando Mommensohn Tennenbaum {BIO 20615079 <GO>}

Antonio, Fernando here. Thanks for your question. On the SG&A piece, I think it's very clear that we follow hedging bodies. We always know one year ahead what's going to happen to our cost of goods sold. And knowing that we're going to have some cost pressures this year, of course, we prepared ourselves and we looked for even more savings in what we call non-working money. And you're right, given all the new technology initiatives, we lever a lot on that also to find even more efficiencies on the SG&A side. So when we look ahead, I do believe we can continue to deliver good performance on the SG&A floats. So I don't think that should be an issue this year. Of course, on the cost side, on the cost of goods sold, as anticipated and in the guidance that we provide, we've been in pressure this year. But as we always do, try to offset some of that on the SG&A line.

A - Bernardo Pinto Paiva {BIO 7186008 <GO>}

Antonio, so linked to your question of the value brand, the number that we've shown to you is 200 bps. I mean, below the peak of last year's Nielsen numbers, our Nielsen 2.0 numbers. So basically, calculate that, all the brands that are marketing in the price mix below 90. So those are official numbers that we have and made by Nielsen. And we always said that when at least the consumer confidence would pick up a little bit more, consumers will trade up and we will need a new, I mean, encounter a much stronger portfolio of core brands like we've shown to you -- I've showed to you in the slides, of Brahma, Skol family, Bohemia, and then the core segment would revamp, would grow again. So basically, based on the Nielsen numbers that is actually what happened in the first quarter.

Q - Antonio Gonzalez Anaya {BIO 20513194 <GO>}

And those numbers -- thank you, Bernardo. Just to clarify, those two conversation points are from the peak in the second semester of last year or from a year ago?

A - Bernardo Pinto Paiva {BIO 7186008 <GO>}

Was from the second semester of last year Nielsen numbers, exactly the quarter -- maybe I can follow up with you for the numbers from last year. The last quarter, the value in the final months of the year started to -- I mean, ease and decline. And then I can follow up with you, but we were, I think, the third quarter of last year. But I will follow-up with you. But for sure, last year.

Operator

And our next question comes from Robert Ottenstein with Evercore.

Q - Robert Edward Ottenstein {BIO 1498660 <GO>}

Great. And I apologize if you answered this, but the line wasn't that clear. It looks like you've invested a significant amount over the last 4 or 5 years on innovation, which is great given the kind of challenges that you had, and you're starting to see some of the benefits from that. Can you perhaps contrast what percentage of your sales or volume came from innovation this quarter compared to where it was a couple of years ago? So that's question number 1. And I realize that may be tough to get. And then second, can you help us think through kind of sort of the general volume run rate that you're at now. Obviously, you had a huge benefit from the Carnival this quarter. What would be the kind of a more normalized run rate given the current economic environment?

A - Bernardo Pinto Paiva {BIO 7186008 <GO>}

Thanks for the question, Robert. I think with the first question, we have been preparing, investing in the portfolio as we've shown about -- I mean, minutes ago, in the last years. And for sure, the innovation pipeline is full. I mean we have been implementing those new launch, new liquids, variants of core brands, premium brands. And all of this is supported by our innovation center in Rio de Janeiro that's state-of-the-art, that really assure, I mean, that we have the best liquids in the market. So innovation was key in the first quarter. Skol Puro Malte was a huge success. To be very candid, we have kind of to delay the national rollout because the first quarter was much stronger than we expected. So -- but not only in the core innovation impacts, it means as well what I've been saying. So we cannot, I mean, disclose the number, Robert, but it was a strong.

And the other important benefit was that trade-up. I mean with the consumer confidence starting to come back, even though the disposable income is not yet there, I mean, didn't change, the trade-up will benefit us, like benefit in the first quarter because we had a big headwind of the last 4 years. That's not the case. It was not the case in the first quarter. So consumers are trading up for premium, so we continue to grow the premium segment. And then when they come back to the core, they are seeing all the innovations in terms of our core brands that I just mentioned in my speech. This is the first question.

The second question linked to the volumes was basically -- was basically that, what -- if we have easy comps or not. I think as we announced in the 2018 year call, the last call of the year, we highlighted, as I mentioned, to some recent investment we've made behind our strategic platforms in the past years, so even in the moment of external volatility and challenging market and so on, and then our statement that this would place us in a much stronger position to compete in the Brazilian beer market and we would be prepared to fully benefit from the economy rebound.

So our performance in the quarter, specific to your question, was a consequence of those consistent investments we did in our strategic platforms. And it's important to point out, we have not seen yet disposable income resuming, grew, which would likely provide a meaningful positive impact if it happens in the future. Of course, we had easier comps given the first quarter of 2018. But even compared to 2017, it's a 2.2% volume growth. So -- and we -- as I've said too were expected and happened and increased trade-up that -- the shrink of the value segment, the mainstream brands of the portfolio, of the variants, family Skol, family Brahma performed well. Important to say that Brahma has been performing above last year and then very well in many consecutive quarters. But the family Skol performed above last year as well. And the premium portfolio of brands, superior portfolio that we have, growing ahead of the industry, gaining share for many consecutive quarters as well. And in the value segment, all those is shrinking. It's not exactly a segment that's a profitable one, but we found ways to be present and to gain share in the value segment as we did as well in a profitable way with those local brands like Magnifica and Nossa.

So basically, that's it. So we are cautiously optimistic about '19 as we begin to see consumer trends stabilizing, as the consumers invest behind the portfolio, new package in premium, innovation more to come, line expansion of the mainstream, new liquids, to name a few. So for sure, we believe, very confident that we are exiting this crisis, that Brazil will exit in a stronger and superior place that we can be. So long answer. I hope that answered your question, Robert.

Operator

Our next question comes from Leandro Fontanesi with Bradesco.

Q - Leandro Fontanesi {BIO 20270610 <GO>}

I have two questions as well. You mentioned Nielsen 2.0. Just to confirm the data that you mentioned in the press release that the market grew low single digit, if that's really the Nielsen 2.0 full comparison base and if that's the best indication that we should use to indicate what were the sell-out during the quarter. And the second question is one big can maker mentioned last week that the biggest, the largest beer player in Brazil was shifting from returnable bottles to cans and if you could comment what's driving the strategy, what's behind that.

A - Bernardo Pinto Paiva {BIO 7186008 <GO>}

I think that the first question -- Leandro, thanks for the question. Those are Nielsen data, comparable basis, expanded base, the 2.0, and then the number of low single digit is a sell-out number, Nielsen sell-out number. But something that's important sideways for -- I mean just to highlight some of the things that you always talk about, sell-in and sell-out. This year, actually, the sell-in and sell-out dynamics, there was no major effect. We started the year strong, January, and the base remained consistently at the end of the quarter. For sure, the sell-out of Nielsen, to catch 100% from January to March because there's a delay kind of 20, 15 days a month in terms of the sell-out data that they measure in the market. But in our numbers, in our volume, no major big effect at all. Generally strong and then that's the same pace that we have in the end of this quarter.

Sell-in and sell-out has more of an impact the first quarter of '18, given the weather, bad weather at the end of December '17 and January. This was part -- this was the reason why -- one of the reasons why the first quarter of 2018 was the easiest comp among the quarters in the 2018 year. But all in all, if you start the year with intentional loadings, it does not make any sense as we have three quarters ahead of us, the full year and basically wouldn't be right. So basically, that's what I can tell you about the numbers of sell-out.

The other thing about the cans and RGB, we'll continue to invest behind affordability and smart affordability. And then that's why RGB, it's very, very important. So we see opportunities to grow in the off trade as well and to revamp even more the one liter, so we're doing that. But in the end, as a consumer-centric company, we'll be aware of consumer trends. And if they want more cans, we'll supply that. By the way, we have a very good relationship with the suppliers, and we are building a can plant. So we are really focused on the approach, of occasions, need states and what a consumer wants. RGB is part of that. But if they want cans, they will have cans in a nice portfolio, a superior portfolio, like I've just shown slides ago. Hope that answers your question.

Operator

And our next question comes from Isabella Simonato with Bank of America Merrill Lynch.

Q - Isabella Simonato {BIO 16693071 <GO>}

Just a quick question. First of all, in LAS, in Argentina, specifically, what are the real risks you guys are seeing given the political and macro challenges? Do you see chances of price control on your segment? And you have mentioned two SKUs had suffered from price control recently. So what are the real risks you guys are seeing in Argentina? And second of all, thinking about Beer Brazil. In the second quarter last year, we had the effect of the World Cup and the truck driver strike, which apparently one offset the other. So can we think about Q2 as a comparable basis for this year?

A - Fernando Mommensohn Tennenbaum {BIO 20615079 <GO>}

Isabella, Fernando here. Argentina, I think you get the right point. There are some kind of macro challenges, I could say. Also, the economy, the GDP is suffering. Inflation is very high. Consumer confidence is at a low. And we had very tough comparables because, if you remember, first quarter last year, we saw very strong volume growth. So when you add all that, for sure, you had volume pressures on the first quarter in Argentina. We are used to operating in a market like that. It's no news to us. So I believe that in this year, there are likely to be still some macro challenges given how the economy is going. But if you look over through it, if you take a medium and long-term view, then I think you should be always in a good place because there is a lot of growth still to come in Argentina. So the cap opportunities, premiumuzation opportunities, and that hasn't changed. But I think it's fair to assume that this year is going to be more volatile than average in Argentina.

A - Bernardo Pinto Paiva {BIO 7186008 <GO>}

And I think, just to add, Isabella, we don't see there any formal price control. So we adopted and we put two SKUs in disposal because we want to help the country as well, I mean, to go through this, this, I mean, tough moment in terms of macro there, so supporting the country there. But it's not kind of a formal enforced price control at all. So we just -- I mean we are confident that Argentina is always like that, ups and down. We have been there for many, many years as a successful business, and we'll continue to be. And this price control problem has no meaningful impact in our profitability. So linked to the quarter, as we said, so last year, yeah, you're right, I mean we had truck drivers in May but a very strong World Cup, so kind of a wash. So even a little bit -- the World Cup was a little bit, I mean, a better effect than what we lost in terms of the truck drivers' strike. So for sure, the second quarter is not an easy comp at all compared to the first quarter. That's wasn't an easy one given the weather and given the other things that we mentioned next -- last year.

Operator

And our next question comes from Ben Theurer with Barclays.

Q - Benjamin M. Theurer {BIO 17248534 <GO>}

Perfect. So I actually have a question a little bit on your outlook in terms of cost and what you've been seeing. Clearly, there's been a lot of pressure during the quarter in terms of some of the input cost pressure, commodity prices, aluminum and so on. Is there something you have done in terms of strategy to offset that, i.e., pricing strategy? Or have you engaged in some sort of a hedging strategy to kind of at least, well, smoothen a little bit the impact or try to offset some of the impact? That would be a first question, and I have a minor follow-up.

A - Fernando Mommensohn Tennenbaum {BIO 20615079 <GO>}

Ben, Fernando here. What -- our hedging policy, we always hedge when you're ahead. So the good thing about this hedging policy is that, in the first quarter of last year, I knew that we will have some pressures in the first quarter of this year because I knew that -- what would be the effect, I knew what would be aluminum, I knew what would be barley. So with that in mind, we already prepared ourselves, and we tried to find additional savings. Some of them in the cost of goods sold line and a lot of them also in the SG&A line. So that's why you are seeing that our SG&A even didn't grow much as other lines, as the cost of goods sold lines, and it's somehow a way for us to offset the growth. We know that going forward and through the remaining of the year, we're going to have pressures on the cost of goods sold. We disclosed that in our guidance. And as always, we try to find ways to offset that on our other lines, SG&A and other lines. But we don't plan to do any offsetting on the revenues per hectoliter line, that's followed the commercial strategy.

Q - Benjamin M. Theurer {BIO 17248534 <GO>}

Okay. Perfect. And then just quickly on the -- just following up a little bit on your strategy and what you have in terms of the different approaches, Elevate and so on. Have you seen some sort of -- I mean you kind of indicated towards too but like market share changes or how competitors have started to react in what you've been doing in the different categories, be it on the affordability side or on the core side or the premium side, like those three sectors that's where we're most focused on.

A - Bernardo Pinto Paiva {BIO 7186008 <GO>}

Thanks, Ben, for the question. I think that in regards to the market share, we don't disclose the numbers. But what we can say is that the industry grew low single digit based on Nielsen 2.0, around 3%. And our guidance grew ahead of that as you saw in our numbers. In terms of the reaction of the market and so on, I mean we have our plan, the strategy is there. It's focused big time on the innovation and the expansion of the portfolio of the core and premium. So premium is growing a lot. We're gaining share. So it's not -- I mean when you do that, you're not talking about a price disruption in the market, nothing like that. It's basically growing from the top, I mean, layers of the price structure, so premium and core. So I think that's good for the industry. We're building brands. So -- and Brazil was always a competitive market like it was in the last many, many years. And I think that we have a superior portfolio, route to market dream, people culture to win and continue to win in this market. Very confident on that.

Operator

And our next question comes from Antonio Barreto with Itau.

Q - Antonio Costa Barreto {BIO 17449798 <GO>}

My first question is on LAS. We saw that volume, the volume in LAS accelerated a little bit in the quarter compared to what it had been in the fourth quarter and third quarters as well. I'd just like to see your opinion on what you think changed to accelerate the volume loss in LAS. Do you think it's just a natural consolidation of a weaker environment in Argentina? Or is there something different? Did you lose market share in there? Were you a bit more aggressive on pricing ahead of the cost increases that are likely to come in the upcoming quarters? If you could share a bit of color on that, I would appreciate. That's my first question.

A - Bernardo Pinto Paiva {BIO 7186008 <GO>}

I think Antonio, what happened in Argentina basically and in Paraguay as well, to be fair, it's a tougher comp. I mean first half of last year was really, really strong in those countries. And in a way, what we could say, the macro is not helping at all at this time. I think, at those countries that we know for sure, always ups and downs, is what we see in terms of the macro environment there. But the fact that in the first half, in the first quarter, I mean it's really, really was a tough macro and tougher comps when compared to the previous year. So portfolios there are strong, we are gaining share in the premium. And we have -- Brahma and Quilmes is doing well. And I think that all the plans in terms of cost, the cost -- that's why all the platforms are very similar that I just explained to the Brazilian market. And that is for the local environment, for sure, but as a concept, it's the same direction.

Q - Antonio Costa Barreto {BIO 17449798 <GO>}

All right. And if I can go back to the Brazilian beer segment, when we look at the revenues per hectoliter, it's the second quarter in a row that we see the revenues growing a little bit below inflation, not by much but a little bit below inflation. We expected a bit more with the growth of the premium segment and now with the loss of share of the value segment as well. Could you tell us if the prices for per brand are increasing in line with inflation? Why aren't we seeing this effect more strongly on the revenues per hectoliter in Beer Brazil segment, where the revenue growth is being diluted away, in your opinion?

A - Bernardo Pinto Paiva {BIO 7186008 <GO>}

I think very good question, Antonio. I think what's -- I mean basically, when you see a trade-up, what the -- the value segments that's going down, we are not -- I mean we're not present specifically, and we are gaining share now but still it's a very low market share, way below our fair share in the value segment. So when this happens, the trade-up, I mean happening in both two segments, for the core, to the core plus, continues to happen, continues to grow the premium. But the core segment, what we expect, when we have a shrink in the value segment, the core segment? In fact, it's a segment that -- I mean in the shorter term, when you have a big swing of that -- first, I mean it's the segment that suffers more when you have an issue of the value segment growing, but it's the segment that most benefits when you have the opposite, I mean the value shrink. And on top of that, we'll have regional mix. So we have different prices per brand per region. And according to the regional mix, this could affect the net revenue per hectoliter even if premium is growing, even if increasing price per brand back in line with inflation. So this regional mix, it's an important thing to be aware. The growth of the core segment is important to be aware as well. But if people want to buy our beers, innovation is one, introduce it. That's why the volume was strong as well.

Q - Antonio Costa Barreto {BIO 17449798 <GO>}

Just to make sure you I understand it correctly, Bernardo, I can say, I affirm that regions with lower average price grew faster than the others, and you think that's the most important reason why we are not seeing this effect.

A - Bernardo Pinto Paiva {BIO 7186008 <GO>}

Yes. It's just -- I will give one example. If we grow more in the northeast and north, that's, by the way, a region that we -- it's our, I mean, lowest market share in beer when we compare that. And if you have a trade-up there and we have innovation there, that's helping. That's like Skol is doing well. So this is a fact of regional mix. (inaudible), so we are going volume in a region that we have been underperforming maybe in the last year. So that's the regional mix that I'm talking to. So even if we don't change, I mean if we have the same price policy everywhere, increased price in line with inflation, but if we have one region, in this example, the NENO, that's the northeast and north, growing volume way ahead of Brazil like what happened in the first quarter, this affected revenue per hec. But's it's good thing. It's a region that -- it's a very important sign that our portfolio strategy is working there, that the value segment is shrinking there, that Nossa is working and Skol Pure Malt is working and family Brahma is working. So good news. Hope that was clear now.

Operator

And our next question comes from Luca Cipiccia with Goldman Sachs.

Q - Luca Cipiccia {BIO 6914452 <GO>}

I wanted to follow up on the premium portfolio performance. I think if -- I was looking -- I was checking back at the first quarter last year, I think in spite of the fact that the overall volumes for Beer Brazil were weak, were down and comps were fairly easy this time around, in premium, I think last year, you mentioned that in the first quarter you did grow by double digits as well. So 50% growth, on a double-digit growth on -- year-over-year seems to signal a very strong and very consistent performance. So my first question would be can you give us a measure of how much the -- what you define as the premium portfolio represents of the overall? And secondly, if directionally you could remind us, give us a sense of the weight of the different brands or at least the global brands relative to the national brands. If you can just maybe remind us the significance of the family of brands. So that would be my first question.

And then secondly, just on portfolio innovation, there've been a number of initiatives, you entered sort of the value segments, in a way, with Nossa, with Magnifica. You introduced Pure Malt across the Skol family. I was just curious, looking forward, what are the areas of innovation, if not -- without being specific, you're most excited about? Is it flavors, packaging? What type of area that you're looking at to continue to innovate in the portfolio?

A - Bernardo Pinto Paiva {BIO 7186008 <GO>}

Luca, thanks for the question. I think that premium -- just the weight of premium is around 11% of our beer volumes so -- and growing. So that's good. It's a good trend, and the segment, I think, it will continue to grow. What you said that the global brand this quarter grew 50%, but the -- and the domestic ones, double digit. So it was a very, very strong growth. We have the numbers, the new expanded number for the premium segment and the premium industry for the last quarters. And yes, we are growing big time share in the premium segment, so strong growth, it's a portfolio gain, and it's quarter after quarter.

And we are winning, that's a fact. So we have the numbers, we have the Nielsen expanded and including a much easier reading because premium is more afraid, it's most scant [ph]. So I mean it's really there. It's real.

So -- and then if you see other markets, as I say, if you go to the -- to U.S., I think that is -- the leading brands in the premium segment have around 60%, 70%. It is a portfolio gain. I mean basically, what you saw in the U.S. and every market. So now we have here Budweiser, our biggest brand. It's a strong brand. Almost the same size of the competitor's brand that they have. But we have Stella that is growing double, double digit, big time. We have Corona, 100%. Colorado, Original, back to growth. We made a pilot in the south to sell Patagonia, that did very, very well. And then we built kind of a structure, a high-end structure, aimed purely to deal with this complexity. And it's working.

So I think that the innovation that would come in the premium segment, for sure, we have more things. One example that I can say to you, we launched Beck's in the most important urban centers. It's an amazing brand, a German brand. You know all the edgy -- the edgy, I would say, attitude of this brand from German. It's pure malt, pure (inaudible). It's bitter. It's trendy. It's an amazing brand, and we launched kind of one month. And in the core, I think that this concept of family that we applied for Brahma is working very well for Skol as well. So that opened doors for us to give more variety in terms of liquids to the core consumer in Brazil. So that's amazing for the industry because we can expand the industry, giving access to people to great liquids that could come in the umbrella of the portfolio in the future. So very excited about the portfolio approach that we have employed in premium, in core and I think there's more things to come.

Q - Luca Cipiccia {BIO 6914452 <GO>}

And -- but if I can follow up. Just the emphasis on premium, which has been there for a while and seems to be working and been successful. It seems to me though you're -- sort of you're more assertive now on the idea that the scaling benefit or the scaling opportunity is larger. Is that correct? Like are we seeing, I wouldn't call it premium 2.0, but in a sense, like sort of more of a maturity of the strategy from a premiumization standpoint?

A - Bernardo Pinto Paiva {BIO 7186008 <GO>}

Look, it was always there. We always knew that premium would be bigger. But to build a premium brand, it's not like -- we have to seed the brand at stage by stage. So we are reaping the benefits in terms of Corona and Stella, of the seeding that we've done years ago, we cannot launch a beer in premium like we launched Beck's and out of the gate sell tons of volumes and so on. So I mean the brand loses the uniqueness. So we always thought that premium would be the segment that will grow more in Brazil. The maturity model shows that. I mean the weight of the segment, even the price and then the growth of the segment shows that. But to build a portfolio of brands, a superior one, we have to be patient there. I think that -- and I think that was a big change in terms of our way of building brands. We are patient. So having invested in Stella for years, having Corona for years, our pipeline of premium brands in the right moment, in the right stage with scale-up, and then you see the volumes come. The good thing, there's lots of things to come from even Bud, Stella, Corona and other new liquids initiatives that are foreseen to be launched in the future.

Operator

And next question comes from Thiago Duarte with BTG.

Q - Thiago Callegari L. Duarte {BIO 16541921 <GO>}

I have three questions, if I may. The first one is related to the industry. You mentioned that you believe that the industry has grown low single digits in this quarter. And if we circle back to the last several releases from Ambev, I think it's the first time that you actually stated the industry has apparently grown. So actually, Bernardo, my question to you would be whether you think this path of recovery for the industry generally is a good proxy for what you expect to see for the whole industry throughout the year, so for the whole of 2019. So if we -- if in your view, we should expect the industry to keep growing in the next three quarters or you expect the comps to also affect how you see the industry growing in the rest of the year. So that will be the first question.

The second question would be related to market share. In the past, we've discussed with you guys several times about the fair share of Ambev in the market, right, that 67%, 69% market share, if I'm not mistaken. And of course, a lot has changed over the last few years. You now mentioned the Nielsen 2.0 as a better assessment of the size of the industry. And so on, you've introduced a lot of innovation. There's a much more granular approach to the market. And in this quarter, in particular, it looks like you have outperformed a lot the industry, right? And so my question to you guys is where you believe you are in terms of the fair share, in terms of where your ideal market share should be considering the portfolio that you have in place, the premium brands or the value propositions and the mainstream, I think if you could elaborate on that.

And the third question is actually about the Skol Pure Malt, which you mentioned as being a very successful launch. It's still rolling out in the rest of the country, as you said. But it was a very huge success, as you described, especially during the Carnival. So my question to you is how do you see the introduction of Pure Malt relative to the Skol Pilsen and what kind of cannibalization you have been seeing, if any, and how the Skol brand has performed from a market share perspective considering the entire family. I think it would be interesting to see the benefits of the brand extension that you're introducing there.

A - Bernardo Pinto Paiva {BIO 7186008 <GO>}

Thanks for your questions, Thiago. I mean the first one, the industry, I mean it's not our data, it's Nielsen data. It's low single digits, around 3%. And we cannot comment about the full year numbers. But again, those are numbers based on the research, a big coverage of Nielsen in the quarter. So linked to the market share, I would not disclose our market share. But I could say that it's not an issue. We are within our range. And we are confident that we are on the right path to continue to evolve in terms of our position in the market. Linked to the Pure Malt, the Skol Pure Malt, in fact, I think it was an amazing launch because it brings the concept of the Pure Malt from a little bit bolder liquid in the Skol way, a very drinkable liquid. That was kind of a long research and test that our brewmasters have done in the last years in our innovation center in Rio de Janeiro to assure that there's a specific process, a boiling process that assure that even with low bitterness, you can maintain this flavor aspect of a pure malt but in a very drinkable liquid. So because of that and because the liquid is drinkable but is different from Skol Pilsen, the cannibalization is way below the average of the launch that we've done. And even without the full rollout of the -- in the full country, the Skol family grew in the quarter. That's very important. So it was helped by Skol Pure Malt for sure, but not only that. So when you launch a family of quality beers like we have now in Skol and we have in Brahma in the past, all of those innovations bring brand equity and equity for the mother brand. So I think that the innovation pipeline is full, and I think this family approach is working very, very well. And just to remind us in the core segment, Bohemia, it's big, big as well. It's a very strong brand. It's selling a lot. And it's growing, I mean, double, sometimes triple digits. So we have Bohemia Pure Malt, definitely been helping us in the core segment as well. So that's what I could say. Thanks, Thiago.

Operator

And the next question comes from Lucas Ferreira with JPMorgan.

Q - Lucas Ferreira {BIO 16552031 <GO>}

Guys, my first question is a follow-up on this regional mix that you've commented before. I was just sort of wondering if this is a trend that we should expect to continue in the following quarters or, in other words, if you see sort of a more room to grow your market share in these regions or if that was something functional. I'm asking because the follow-up to Antonio's question, I also noticed that your -- another way I think that we could also track this premiumization is look at your EBITDA per hectoliter sold. And this number declined by 5%. I understand the cost impact. That's clear to me. But I would expect also premium to help, over time, your EBITDA per hectoliter metric. So wondering if the regional mix has an effect of that. In other words, serving these regions could also be less profitable to you guys.

And the second question is on the non-alcoholic portfolio, and the results, actually, are pretty strong results. If you can comment on which were the categories inside of non-alcoholic that drove volumes up in your results and if we see already in these results the impact of actually IPI tax benefits, right, this year where we should have started to see some impact in the first quarter, wondering if there were some, and if you can comment on the profitability there, how sustainable that is going forward.

A - Fernando Mommensohn Tennenbaum {BIO 20615079 <GO>}

Lucas. Fernando here. So on your first question about pricing premium and margins, I think the biggest impact that we have in our net revenues per hectoliter was actually the regional mix on the first quarter. So it's north and northeast growing at a faster pace than the other regions. And not that the other regions didn't grow as well, but north and northeast grew at a faster pace. So of course, premium helps. Premium improved net revenue per hectoliter. But in this quarter, it was somehow offset by the regional mix. On the EBITDA per hectoliter, the major driver is actually cost. So we have a meaningful impact in cost, which was anticipated. And that's why we have some pressure on our

EBITDA per hectoliter. But then again, we always say that FX, commodities, they are kind of cyclical. Sometimes they help, sometimes they go against us. You should take a long run. Definitely, premium and the premium portfolio, that is gaining more relevance, aggregated EBITDA margin and aggregated EBITDA per hectoliter. So net-net, it's very accretive.

On the NAB question, the growth was pretty much across the board. I wouldn't single out in particular a part of the portfolio. I think it was across the board, very robust both for premium portfolio, Gatorade, the H2OH! energy drinks as well as our more core like Guarana, Pepsi, everything performed quite well in the quarter. So I wouldn't highlight one single item that performance better than the other.

A - Bernardo Pinto Paiva {BIO 7186008 <GO>}

And I think Luca, just -- I mean the same thing we have been talking about in our beer business, we have been doing for non-alcoholic business as well. So premium portfolio is very, very important, we invest on that and like brands like Tonica that's really a huge success and growing a lot, so helping us, the premium segment. And for sure, Guarana Antarctica is a very, very strong brand, and we'll continue to invest.

A - Fernando Mommensohn Tennenbaum {BIO 20615079 <GO>}

For your question on IPI, there is not so much of a change. It's kind of -- the law was changed last year, so there is not too much of a new news here and, impact was not that relevant in our own numbers.

Operator

And this will conclude our question-and-answer session. I would like to turn the conference back over to Mr. Bernardo Paiva for any closing remarks.

A - Bernardo Pinto Paiva {BIO 7186008 <GO>}

So basically, what I could say that we are very confident in -- with the transformational investments and focus that we've done in the -- in our strategic platforms in all of those years. As we've always said, we have been preparing ourselves for a moment that we have a better macro environment. Consumer confidence helped a little bit in the first quarter, and it was a very, very big quarter, innovation helping us in Brazil, big, big time. And then the pipeline is full for the future.

So we'll continue to focus on the long run, in sustainable value creation, in an algorithm of growth that's consumer-centric. And for sure, we'll continue, in my opinion, reaping the benefits of this approach in the years to come. So thank you. Have a great day. Enjoy the rest of your day.

Operator

The conference is now concluded. Thank you for attending today's presentation, you may now disconnect.