Y 2020 Earnings Call

Company Participants

- Jean Jereissati Neto, Chief Executive Officer
- Lucas Lira, Chief Financial, Investor Relations and Shared Services Officer

Other Participants

- Andre Hachem, Analyst
- Lucas Ferreira, Analyst
- Marcella Recchia, Analyst
- Olivier Nicolai, Analyst
- Robert Ottenstein, Analyst
- Thiago Duarte, Analyst
- Unidentified Participant

Presentation

Operator

Good morning, and thank you for waiting. We would like to welcome everyone to Ambev's Fourth Quarter 2020 Results Conference Call. Today with us we have Mr. Jean Jereissati, CEO for Ambev, and Mr. Lucas Lira, CFO and Investor Relations Officer.

As a reminder, our slide presentation is available for downloading on our website, ir.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 and all participants will be in a listen-only mode during the company's presentation. After Ambev's remarks are completed, there will be a question-and-answer session.

(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 that, as usual, 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 the 4Q 2019 results.

Normalized figures refer to 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, the company disclosed the consolidated profit, EPS, EBIT and EBITDA on a fully reported basis in the earnings release.

Now, I'll turn the conference over to Mr. Jean Jereissati, CEO for Ambev. Mr. Jereissati, you may begin your conference. Please.

Jean Jereissati Neto {BIO 20161989 <GO>}

Good morning, good afternoon. Thank you very much for joining our call. 2020 was unforgettable in many ways. What a year! On one side, all the sadness, hardship and challenges that COVID-19 brought. On the other, I praise the resilience of our team and respect their commitment with the profound transformation our company went through last year. Ambev made a positive impact in society.

Ecosystem collaboration for a better world was the tone of 2020. We launched meaningful innovations too, from Chicha Taquina in Bolivia to the most committed sparkling wine, LPQTP, in Argentina, our innovations grew our portfolio and expanded our reach in terms of new propositions to consumer. In Brazil, Brahma Duplo Malte was the star of our pipeline, thanks to our innovative development process, singular liquid and a disruptive marketing launch.

The Beats franchise revamp with GT and Zodiac also brought us a breath of fresh air with the new generation, Ambev's technology platforms were exponentially adopted in 2020. Digital businesses are here to stay and platforms like Ze Delivery and BEES, our super app, were at the right place and the right time.

As for the fourth quarter, we built on the commercial momentum from Q3 to deliver a good finish to the year. More importantly, the success of our commercial strategy in the quarter also positioned us well for 2021 and here is why. Beer volumes continued to recover and grew year-over-year in seven out of our 10 top markets, led by our double-digit growth in Brazil, in Chile, Guatemala and Paraguay. It was also important to see our beer volumes in the Dominican Republic recover strongly despite the COVID-related restrictions.

We have been strengthening brand equity and power of our portfolio in gaining market share in most of our key markets. In Canada, for instance, our portfolio grew share once again. In Brazil, beer volumes grew almost 12% despite a still very volatile environment, despite the supply chain constraints that impacted us, our service level, the lower government stimulus and our price increase rollout.

On top of all of that, our global brands outperformed the total industry and had a solid growth in brand equity and power. Bohemia and Brahma Duplo Malte finished the year as the top two leader brands in the under-developed core plus segment and still have plenty of room to grow. In the core segment, after years of volume decline, we stabilized our brand performance, thanks mainly to the expansion of the 300 ml returnable glass bottles in moms and pops and the takeaway bar strategy that we implemented.

We strengthened our value portfolio with the launch of two more regional brands, Berrio in Piaui and Esmera in Goias.

And finally, we delivered strong net revenue per hectoliter, thanks to our successful implementation of our price strategy that was built around a more flexible approach, a positive mix, driven mainly by innovation, the innovation performance, and revenue management initiatives, including a smarter occasion-based promotional activity that proves very efficient.

We continued to transform our business to quickly respond to consumer and customer needs and solve their pain points. Today, I would like to share more details about the role technology is playing in this process.

In our DTC and B2B platforms are the best examples worth talking about. So let's start talking about Ze Delivery in Brazil. Ze's value proposition is really simple. Your favorite beverages at reasonable prices, cold in 35 minutes. This is simple, but very, very powerful.

Ze is present in more than 200 cities in all 27 Brazilian states. And in 2020, delivered 27 million orders with the equivalent of one order per second only in Q4. It also delivered a rich assortment of products from over 40 partners, FMCG companies and was rated the best delivery app on the App Store and Android. It's a strong relationship with more than 2,000 retail partners, such as small and large supermarkets, moms and pops and bars is essential to ensure a high net promoter score, currently north of 80 for both consumers and customers.

Ze's focus in 2020 was geographic expansion and improvement of the operational model. For 2021, it will focus on increasing penetration, retention, frequency and assortment in order to continue the journey to fulfill its full potential, consumer by consumer, occasion by occasion.

Now, let's talk about BEES, our super app, our B2B marketplace platform. BEES is designed to provide our customers more convenience in terms of 24 hours, 7 days a week order-taking and delivery tracking. And also serves as a marketplace that provides a broader assortment, additional logistics and financial services. It aims to be the one-stop shop solution for the retail, with a transformational opportunity for allowing Ambev to develop a closer and more reliable relationship with our customers' ecosystem. It's about a better quality of interaction. And as we listen more and have more data to work with, we can ultimately offer a better service level to our partners.

The platform was developed in the Dominican Republic, where 90% of our customers already adopted it. There, our marketplace service already offers a broader assortment and we are into eight different categories, with 70 different SKUs that go beyond our beverage portfolio.

Going into 2021, we expect another challenging year. COVID is still very real and we will face larger cost pressures with cash COGS per hectoliter in Brazil expected to increase in the low 20s.

That said, our commercial and top line momentum built last year is also real. In fact, our top line performance will be one of the most important things to watch as we work to partially offset the cost headwinds.

And the good news is that we are off to a good start, with volumes growing above 10% in Brazil beer so far, despite Carnival cancellation. Also, pricing performance should benefit from mix continuing to play in our favor and a smarter promotional activity remaining in the full year, taking into account the market environment.

I have no doubt that we are starting this year much more prepared than we were in 2020. Our portfolio is in a better shape, our brand power is healthy and growing, innovation pipeline is strong, and our route to market was transformed through all this digital platform that scaled very fast. On top of that, cash generation continues strong and we remain committed to invest ahead of the curve. So, that was pretty much it.

Thank you very much for your time and attention. I will handle this to Lucas.

Lucas Lira {BIO 21526003 <GO>}

Thanks, Jean. And hello, everyone. Let me start by talking about the tax credits in Brazil, given that they were so impactful in the quarter. We recognized BRL4.3 billion reais in tax credits, BRL2.5 billion were recorded in other operating income and BRL1.7 billion were charged to our financial results.

These credits result from a 2017 Brazilian Supreme Court decision on the merits that declared unconstitutional the inclusion of the ICMS state tax in the taxable basis of the PIS and the COFINS federal taxes.

As further disclosed in our notes to the financial statements, with the support of counsel and external advisors, in December, we concluded the estimation with reasonable certainty of the amount to which we are entitled.

Given the nature of the dispute, these tax credits are technically part of our normalized results from an accounting standpoint. However, given the materiality of the amount and to ensure greater transparency of the underlying performance of the business, we decided it was appropriate to do two things. One, disregard these tax credits for purposes of calculating our organic performance and treat them as a scope change. And two, we updated our accounting policy to record all extemporaneous tax credits under other operating income instead of the P&L lines that were originally impacted in the past. If it weren't for the scope adjustments, our nominal normalized EBITDA for 2020 would have been nearly BRL19.5 billion, with an EBITDA margin of 33.4% and normalized profit would have been approximately BRL8.2 billion.

There is still ongoing litigation in this matter and we will keep the market updated as things progress. And any potential further tax credits will be recorded when the prospects of their recovery are practically certain from a legal perspective and the amounts to which we are entitled can be estimated with reasonable certainty.

It is important to point out, however, that even if we disregard the impact of the tax credits, the financial performance in the quarter was actually good given the circumstances. We delivered a consolidated top line growth of 13.4%, with a healthy combination of 7.6% volume growth and 5.3% net revenue per hectoliter growth. Gross margin and EBITDA margin improved sequentially once again on a consolidated basis. And net-net, EBITDA declined only by a slight 0.1% year-over-year. This performance in the quarter allowed us to deliver 4.7% top line organic growth for the year, while EBITDA declined organically 11.1% in 2020.

In addition, full-year cash flow from operating activities actually grew 2.6% and we managed to further strengthen our solid liquidity position, which proved critical in the very volatile operating environment of 2020, which we expect to continue into 2021.

CapEx totaled BRL4.7 billion for the year and we returned BRL7.7 billion to shareholders in the form of dividends and IOC.

Switching gears to 2021, the challenge around improving our profitability remains front and center. Margins will once again be under pressure, given significant FX and commodity headwind. For instance, our average hedge rate for the BRL versus the US dollar for 2021 was BRL5.29, which represented over a 30% increase year-over-year. The BRL showed high volatility in 2020 and was second only to the Argentinian peso in terms of depreciation relative to the US dollar among major Latin American currencies. Although we expect to see a correction in the future, this is definitely the biggest hurdle we need to overcome this year.

In addition, unlike the past, when we saw some negative correlation between commodity prices and the BRL devaluation against the US dollar, commodity prices have actually trended against us, particularly barley and corn, not all of which we have the ability to hedge. As a result, we currently expect Brazil beer cash COGS per hectoliter to grow in the low 20s for the full year. And to tackle this challenge, we will basically have to get two things right. First, deliver a solid top line performance; and second, successfully implement several mapped blends and initiatives around productivity and keep our financial discipline with respect to the management of our costs and expenses.

As I have mentioned in the past, there's not going to be an easy solution and there's not going to be a silver bullet. And it's difficult to predict exactly how much of the margin pressure we will be able to offset through these levers. But we remain fully committed to continuously and consistently improve our results during the course of the year without, however, losing sight of the longer term.

As Jean mentioned, we are on a journey to transform the company, and we must do so while investing behind the long-term sustainability of our business.

And speaking of sustainability, today, I also wanted to share some brief highlights on the progress we've been making on this front. In 2018, we announced our sustainability goals for 2025, which were broken down into five pillars -- water, climate and energy, circular packaging, sustainable agriculture and smart drinking. And I am happy to report that, in 2020, we made progress on all fronts even during these challenging times. And we remain on track to deliver our goals by 2025.

For instance, in terms of clean energy, in Chile and Argentina, we are already operating with 100% renewable energy and we expect to have more than 90% of our Brazilian breweries supplied with renewable energy by 2023.

In addition, we are extending the supply of renewable energy to 100% of our distribution centers in Brazil, which we'll be able to charge our delivery fleet comprised of at least 50% of electric vehicles by 2023.

As a final note, I wanted to share the news that [ph]Guillaume Ocacia is succeeding [ph]Chad Olivier as our head of investor relations. [ph]Yakka, as he is also known, joins us from Budweiser APAC where he spent the last seven years leading the FP&A agenda for the region.

[ph]Levi meanwhile is taking over as Head of M&A for Ambev. I wanted to thank Levi for his work in IR over the last two years and wish both the best of luck and success going forward.

With that, let's go to Q&A. Thank you.

Questions And Answers

Operator

(Operator instructions)

Our first question comes from Marcelo Recchia, Credit Suisse.

Q - Marcella Recchia {BIO 19113462 <GO>}

Hi, Jean. Hi, Lucas. Thank you for taking my questions. The first one would be about the tax credits.

If I understood correctly, there are more BRL1.9 billion tax credit to collect over time, correct? So do you have any visibility on timing for that. And on top of that, would it reasonable to expect a restatement of Brazil beer sales of 2020? This is the first question.

The second one, if I may, with the redesign in agreements between the Coke bottlers and Heineken announced yesterday, one of the main concerns of the market has been about competition intensification, particularly in the premium segment. So, my question is, what can we expect from Ambev as mitigating levers for, let's say, this potential higher competition? Thank you very much.

A - Jean Jereissati Neto {BIO 20161989 <GO>}

Hi. Thank you for the question, Marcella. I will handle the first one to Lucas and then I get the second one.

A - Lucas Lira {BIO 21526003 <GO>}

Okay. Hi, Marcella. Thank you for the question. With the tax credit, Marcella, there is no clear timing yet as it relates to the BRL1.9 billion of potential tax credits that we disclosed in our footnotes to our financial statement. This really is because this is dependent on the judicial system in Brazil. So, we still await the judicial decisions that will give us reasonable certainty to be able to record and recognize this credit. So, it's really depending on the course of the judicial dispute in respect to this amount.

Q - Marcella Recchia {BIO 19113462 <GO>}

Okay, thanks.

A - Jean Jereissati Neto {BIO 20161989 <GO>}

And about the deal, Heineken and Coke, Brazil has always been a very competitive market. And it's too early to say something about how this deal will unfold. For me, it's a little bit -- it's highly anticipated, this type of move. And what I can say is that, for a while now, two years -- from two years ago,., we really started to transform big time our route to market. And it remains unparalleled and we believe that we are getting a new edge on that. We have to remember that 30% of our volumes are distributed by 150 wholesalers. They are with us for 20 years and they are going through a business transformation, adopting BEES, some of them adopting Ze Delivery too. The remaining 70% is distributed by approximately 200 direct distribution centers. And we are betting big time on the thing about technology on the DTC and on the BEES that we believe that it will be the edge of -- and the many possibilities of hypersegmentation of supporting a broader portfolio, launching innovation, is with this type of platforms like BEES that we are seeing that. In the past, we had sales rep going to a customer, and they -- he would have like seven minutes, they can order. Now because of our platform in the wholesalers, in the DTCs, our customers, they are staying 30 minutes a week in the platform, looking innovation, learning about marketing campaigns, connecting. So, in the end, we have our strategy of transforming our company. We are pretty much sticking to investing on that. And the deal, I think it's highly anticipated. Let's see how it unfolds.

Q - Marcella Recchia {BIO 19113462 <GO>}

Okay, thank you very much, Jean and Lucas.

Operator

Excuse me. Our next question comes from Andre Hachem, Itau.

Q - Andre Hachem {BIO 20209966 <GO>}

Hello, Jean, Lucas. Thank you for taking my question. I have basically two questions here. The first one is regarding the 10% volume increase you mentioned this year. Could you just provide us a bit more breakdown in terms of regions and mix and how that's been developing? We're curious, especially because of the end of the government aid program. So, especially in North and Northeast, we were wondering if you have been seeing, let's say, lower volume recoveries than in the other regions.

The second question is relating to your digital initiatives. Could you guys comment a little bit on menu.com. It's been evolving quite well. I know it's been, let's say, a big bet in terms of the cash and carry, you're piloting out the cash and carry. So, what is the strategy on that front? And how do you see this developing going forward?

A - Jean Jereissati Neto {BIO 20161989 <GO>}

Okay. So, let me start with the volumes. So, I've been saying -- we used to say that we lost close to 10 million hectoliters in Brazil beer from our peak volumes in 2014 and we have been working to get this 10 million back. 2020 alone was a year where we were able to recover 4.5 million hectoliters since the low point. That was 2018.

And that was possible because we created -- it was less about the industry and more about our ability really to create new occasions for in-home consumption. We revolutionized the way we connected with our consumers. 2020 marked a moment where we can say that pretty much all the additional volumes sold in the industry was really driven by Ambev in a holistic play on portfolio technology, live RTM marketing. And so, these things are pretty much structural. And that's because of that that we see the momentum that we still have in Jan plus Feb in 2021. And so, that said, we are pretty much investing in the things that we can control and we are excited about these new things.

The scenario is still very fluid. We don't know how this is going to evolve. But a big part of our volume, there was a part of it that really are market share gains. When you talk about the (inaudible) we have a lot of market share gains in the north and in the middle east too. So, it is something that we are pretty much looking at volumes that were generated by our occasion expansion, industry expansion and market share gains. So that's pretty much it.

So, having said that, the world is transforming. It was amazing how we see the digital platforms really being adopted exponentially. It was really something that we didn't -- it was like a five-year plan that helped -- that happened in five months. So we are with Ze Delivery for a while now and it really exponentially grew last year. BEES is something that is more recent, is something that we are working for 18 months. It was an explosion of adoption with our customers during last year.

And in the end, a big difference of all these things combined in our RTM is really the -- so the digital hook and the deliveries, and so in the end, so this is type of service that we are able to do from the highest north of (inaudible) is really -- our network is really granular. And I think this is a different animal when we compare with the other options or what other industries are doing in terms of cash and carries or even other industries trying to get that reach. I think that's how the world will evolve. We have to be prepared with technology, with the evolution of the RTM, and we are very excited about it.

A - Lucas Lira {BIO 21526003 <GO>}

Andre, just to supplement specifically to your question around menu.com, this was an investment that we made a few years ago. We found a group of entrepreneurs that we were very impressed by and decided to partner together with them to develop a marketplace in the Brazilian market. And I think 2020 was another year where they consistently managed to expand their presence in the market. And the more we work with them, the more opportunities we see to leverage the scale and the infrastructure of the broader Ambev organization, to help improve service level to clients across the country. So, this is not just about menu.com and BEES and Ze Delivery. We also have Donus, which is our fintech startup that we've been investing behind as well. So, we're really trying to create a menu, no pun intended, but a menu of options to serve better on the logistics side, on the financial side, on the product availability side, so that we can ultimately deliver tangible benefits to our clients and our consumers. It's about an ecosystem. It's not just about one or the other.

Q - Andre Hachem {BIO 20209966 <GO>}

Perfect, guys. Very clear. Thank you.

Operator

Our next question comes from Thiago Duarte, BTG Pactual.

Q - Thiago Duarte {BIO 16541921 <GO>}

Hello. Hello, Jean. Hello, Lucas. Good afternoon, everybody. I have three questions, two of them focus on the digital initiatives and last one on the market. The first one, if you could talk a little bit about the BEES, particularly the BEES service and how that affects your commercial and go-to-market strategy. I get the benefits of scalability, use of big data and the amount of services that you can put together to customers. But I was wondering, in the past, our understanding was that one of the competitive advantages that Ambev had with the in-person presence in the point-of-sale was in terms of the competitive advantage that you built relative to the competition. So, my question is how going digital in that platform may eventually cannibalize or even enhance the direct route strategy, whether it's detrimental or incremental to that. That will be an interesting discussion. The second question is on Ze Delivery and the DTC initiatives, right? I know you're focused more on nominal dollar growth than margins, right? But you mentioned that one of the reasons for the increase in SG&A expenses in Brazil was because of the expenses related to this DTC initiative. So, can you talk a little bit to us about how this platform stack up against your regular offline business in terms of gross margin and SG&A? That would be an interesting point as well. And the third question is, in your earnings report, you mentioned or you show in that chart that, in Brazil, the share of off-trade channel in Brazil beer is back to 2019 levels. So, back to pre-pandemic levels. So, can you talk to us a little bit about how that normalization of sales channel reflected in your packaging mix and brand mix or whether packaging and brand mix is also more normalized in the fourth quarter? Thank you.

A - Jean Jereissati Neto {BIO 20161989 <GO>}

Okay. Many questions here, Duarte. Let me see if I get all of them. And if I miss something, I can add on the end.

So, the BEES, there was the question about Menu first that I didn't get it right. So, BEES and Menu are two strategies, two ventures that we are really working together to get this RTM revolution that we are proposing. There is a non-linear transformation of the RTM, thinking 10 years ahead and not the way we think it should be, okay? So, this BEES and Menu, both are working helping us on that direction.

Having said that, we don't forecast for now to lose the human contact with our customers. So, what we are working very hard right now is really to upgrade and to evolve and to transform the role of the sales representative that it was in the past, pretty much order taking and some type of execution to a more business representative that has a lot of data in his hand and really can help our customers in category management, in more profits, in innovation, on technology adoption. So, in the end, we are pretty much working on a new approach that is an evolved approach from we have today, but we continue with the human contact on the BEES, okay?

Just talk about BEES a little bit. It's centralized different services. It's a 20-hour, 7 days platform that creates customized touch point and it's really improved service level and it's really helping to really digitalize our customers. And it's something that we thought it would take much more time, would be much more difficult. But the adoption with the sales representative there, the way we are -- we have been able to put the apps in our customers and made them use and then we have metrics about usage there. So, how many minutes you stay there and the loyalty programs and how many orders you do and if you follow delivery. And we are really amazed by the way we were able really to make our customers pretty much adopt big time.

BEES is already a business. If we look at that business alone or that -- or that channel or a business, it's already with a GMV of BRL20 billion annualized when you look at that. This is one thing.

Second thing, it is about the Ze. So, in the end, so we are talking a lot about Ze. I think Ze is something that is non-linear for the Brazilian community in terms of beverage delivered. It solved many pain points. It was really something that -- it really fit with the problems that we have in the pandemic, people looking for convenience, need to stay in that home. It has a great proposition.

And in the end, we really believe that it's going to be very accretive for our business because you have data, we have frequency, you have all the information that we have. And then, we are, in a moment, that in this expansion, there is some customer acquisition on this expansion that impacts us a little bit. But going beyond that part, we really believe that Ze is the way for us really to connect and get frequency.

It's amazing how we are seeing. We really thought at some point in time that Ze would be an occasion-based push. And what we are seeing is that when the customer really go in, it became a frequent customer that orders six, seven times a month. It's really something about recurrence, big time, and we are very, very excited about it.

So, the last question, it was about RGB in off-trades -- RGB, cans and channels, isn't it? So, Q4, we saw a gradual reopening of the country. In reality, this has been back and forth. So, it's some areas reopened, some areas shut down. We are seeing this back and forth, most of the time. And the scenario continues very fluent with the restrictions, and this is on the municipality level. It's important to note, however, then the on-trade channel continued to reopen and channel mix is closer to pre-COVID, but that consumption occasions are still very impacted. It's not because the bars and the moms and pops, they are open, that four friends can go around the table and really get that occasion, there is socializing out-of-home. That occasion is still very impacted in the market. We don't see it coming. But we see bars, moms and pops really transforming themselves. We are helping on this project -- on this process. So, Ze is an app that we do through our customers, through the retail supermarkets, more markets. So, it helps them -- our customers to do this transformation.

Another thing is that we are really expanding this RGB 300 ml small bottles on a to-go strategy for the (inaudible), our on-trade of Brazil. So, this is helping a little bit. But the point is, we still see many opportunity to see this occasion independent on the channel, that is socialized outside of home that is very accretive for us to come back. So, this is still very limited.

Q - Thiago Duarte {BIO 16541921 <GO>}

Amazing, Jean. Thank you so much.

Operator

Our next question comes from Lucas Ferreira, JP Morgan.

Q - Lucas Ferreira {BIO 16552031 <GO>}

Hi, Jean. Hi, Lucas. Good afternoon, everybody. You're giving a guidance of 20%, 22% increase in the COGS per hectoliter. So, I have two questions about other lines on the P&L for this year. So, Jean just discussed that Ze Delivery is still in a client acquisition phase to support its growth. So, wondering if you guys can comment about the SG&A trends for this year? If you still think that it should trend maybe slightly above inflation or relative to your regular revenues, how that should behave, if you have room to some savings even there. Or since your bringing new brands (inaudible), you're going to have to speed up the marketing for those. How to think about SG&A?

And the other question is on pricing. First of all, how you see your price -- the price point of (inaudible) brands relative to competition? Do you believe that there is room for some catch-up there or not? And how do you see the overall pricing for beer in Brazil this year, given that not only you, but everybody should be facing COGS pressure. So, my question is, do you believe that we should be able to see COGS growing above inflation this year? Or you still aim inflation as your target? Thank you.

A - Jean Jereissati Neto {BIO 20161989 <GO>}

Okay. So, I'll get the last one first and then we go back to SG&A and a little bit of the COGS. So, as you know, we have been much more flexible, nimble and agile in implementing revenue initiatives and to approach market conditions to pursue healthy revenue. In the end, that's the objective, healthy revenue, combined with sustainable volumes. And with this approach, our net revenue per hectoliter growth of 8% in Brazil beer in Q4, it was something that was based on this new strategy. And it can be broken down in three parts. So, we really started to taking price to recover inflation in Q3, end of Q3, in this process, it was rolled out through Q4, phased by can, regions and packs. So, this is something that it was an ongoing process during Q4. We believe that, by the end of Q4, the relativities were pretty much on the historical range. But this process was something that we are really getting it phased in and nimble and flexible and agile.

On top of that, we had a smarter way to do promotional activities. We used a lot this new -- this concept of occasion-based activations, cross promotions for consumers in different channels, and we are very happy because it was really effective in our Q4.

And finally, we have -- so, this Q4, we had improved brand mix that was really driven by, first, the sustained resilience of our core brands. So, that's something that we have to talk about. When we look like Skol, to end up the year with flat volumes, is really something that it was a drag in the past and it's really helped us when you stabilize the core really get out the innovation and all the premium has been accretive. So, a part of it, it was really improved brand mix, with the innovations, global brands growth. So, in the end, so that continued to be the tone for 2021 where we have to approach the market in the same way. So the price is pretty much there when we connect with inflation and relativities. The mix continues to be strong and the occasion-based promotion activities, it will be more nimble depending on how these things would evolve.

So, having said that, let's talk a little bit about the margin side. So, I just want to narrow more the margin discussion on beer on Brazil. Now, what we are looking (inaudible) already with recovering margins in 2021. Brazil is really the issue with the cash COGS of the low 20s that we just gave the guidance. It's really about the currencies that we already talked about, the other commodities that really accelerated in Brazil. And the way for us really to manage that is really to continue this growth momentum. So, this net revenue strategy that I've been talking around, the on-trade reopening is really something that we believe that, in H2, more in H2, it's going to be something more resilient. The occasion, not the reopen, but the occasion, the socializing.

And talking about sales and markets, so we are not going and lowering down our financial disciplines on cost and expenses. There are some bets. For example, Ze is a bet.

But in the end, we are being much more effective on other fronts that are [ph]front more related with all this digital platform that we are creating on top of Ze. There is, for example, that we just saw now that we're going to broadcast NBA and we're going to have all the data of everybody that has the passion for basketball and Budweiser will own this. So, it's a much smarter way for us to do this type of marketing. And then, we believe that this -- that we'll be able -- we'll not lower the guard with sales and marketing. We want to invest on the right things, but there are a lot of efficiencies for us to take moving forward outside of Ze. That's really a bet that we are doing.

Q - Lucas Ferreira {BIO 16552031 <GO>}

Thank you, Jean.

Operator

Our next question comes from Rob Ottenstein, Evercore.

Q - Robert Ottenstein {BIO 1498660 <GO>}

Great, thank you very much. Couple of things. One, I wonder if you can give us a little bit more detail on how your premium portfolio is evolving and the strategy there and your ability to maintain or gain share in premium.

And then, the second. you talked a little bit about how you're helping your customers digitally, but I'm also wondering, a lot of the bars, restaurants, obviously, have been hurt badly because of COVID. Are there things that you've done in terms of perhaps temporarily loosening up terms, working capital, assistance, any other assistance of a sort of a financial sense to perhaps strengthen your relationships and create greater degrees of loyalty. Thank you.

A - Jean Jereissati Neto {BIO 20161989 <GO>}

Thank you, Robert. So, first of all, premium is really a long-term strategy in which we have to be patient -- have to have patience really to build brands and to invest on brand power, brand equity, and we are taking a view, a strategy of a portfolio to do this as an important revenue stream for the future. In this full year, our global brands, 2020, continue to -- with a very good momentum. It was up double-digit growth. It was a growth that we are comfortable and good if we really make it for some years on that type of growth. So, there is a combination of global brands here.

If I would take out, for example, so Corona, that it was a brand that we are, for a while, we investing that we were a little bit concerned because of the pandemic and the name and everything is really resilient and growing much ahead of our average of global brands. Beck's is really something that's doing very well, tripling and we had a lot of adoption and a lot of acceptation. So, I really am excited with our strategy.

Colorado is another brand that's doing very well too. If we take out the impact of the Colorado bar, so the brand is growing very well, very fast as a national craft that we have leader on the craft, on the super premium side.

So, we had an issue this year pretty much on the domestic premium brands, pretty much Chopp Brahma, Original, the brand Serramalte, really toward these brands -- their on-trade occasion really connected. It suffered a little bit more on that. But in the end, we are very excited about the consistency, the long-term view and the portfolio strategy approach that we are having with premium. I'm really excited about it. We're going to talk about it for a long because it's -- I would be very consistent on that.

So, having said that, talking about restaurants. And yes, (inaudible) that it's really suffering. We really collaborate the most we could during the year with the National Bar Association with our customers, have been flexible on payment terms, on delivery, on healthy kits. We gave some healthy kits for our restaurants, bars to be able to work safely. We elected one brand that was Bohemia to help on get a better margin for the trade. So, it was the brand of the reopening to give a little bit more room for the profitability of bars. We are helping the restaurants with our digital platforms, big time.

So, Ze Delivery is connected with 2,000 small clients, sometimes are bars, sometimes are restaurants. So, we help to make to -- for them to have orders. We are creating this -- that I mentioned the are promotions for the bars and restaurants that have a good strategy of to go to take away. So the RGB 300 ml. So, we really believe that we are in a good moment. When we measure the customer satisfaction of this small trade, even though with all the service level that we had last year and we still have because we are selling more than -- less than we should because the supply chain is really stressed, when we measure the NPS, it was really something that changed big time from 2019 to 2020. So, the feedback that we received from our customers, they are more -- I have a better net promoter score with my customers this year than last year.

Q - Robert Ottenstein {BIO 1498660 <GO>}

Thank you very much.

Q - Lucas Ferreira {BIO 16552031 <GO>}

Robert, sorry, just before you go, on your first question, if we just expand beyond Brazil, I also think it's worth kind of noting that our premium brands and the portfolio word approach that we're developing in other markets, right, also had a very good year in 2020. So, if you go to places like Canada, right, where Corona and Stella Artois had a very solid performance on the brand power side and on the market share side. If you go to Central America and the Caribbean, where you have Corona, Modelo Especial, in some markets, Michelob Ultra also playing an important role of allowing consumers to trade up and increase the weight of premium volumes, right, as part of our total business in these markets. So, it's -- obviously, Brazil is key to our business. But the focus behind our above core, core plus and premium is not limited to that. And I think the good news is that, over the course of 2020, we managed to also build momentum in premium in other markets where Ambev is present.

Q - Robert Ottenstein {BIO 1498660 <GO>}

Great, thank you.

A - Jean Jereissati Neto {BIO 20161989 <GO>}

Get one or two more questions and we can go. Two more questions and it's over.

Operator

Our next question comes from Olivier Nicolai, Goldman Sachs.

Q - Olivier Nicolai {BIO 16004446 <GO>}

Good morning, Jean and Lucas. Thanks for taking the question. Two questions, please. After the very strong volume score that you have in Brazil beer in H2 and also the strong start that you have indicated for Q1. Could you please give us an update on your capacity utilization in Brazil? And then, just (Technical Difficulty)

Operator

Olivier, your line is open. You may continue.

Q - Olivier Nicolai {BIO 16004446 <GO>}

Hello. Can you hear me now?

A - Jean Jereissati Neto {BIO 20161989 <GO>}

We can listen to you now.

Operator

Olivier. Excuse me. You may continue. Your line is open.

A - Jean Jereissati Neto {BIO 20161989 <GO>}

Maybe it's because it's 1:30.

Operator

Okay. We lost connection with Olivier. Our next question comes from (inaudible) with Citibank.

Q - Unidentified Participant

Hi, everybody. Can you hear me okay?

A - Jean Jereissati Neto {BIO 20161989 <GO>}

Yes.

Q - Unidentified Participant

Okay, great. Just a very quick one on my side. Jean, Lucas, when I look into the cash COGS per hectoliter guidance that you gave, the 20%, 23%, I just wanted to understand how conservative that is in the sense that we should expect that a mix shift back toward the RGBs. And if I recall correctly, the third quarter, you mentioned a very big impact, right, double-digit impact alone just from the mix shift. So, I understand if there is any upside that cash COGS -- could it be smaller depending on the way that the mix shift behaves?

And another question to that. I remember that you talked about launching more RGBs into the off-trade and trying to kind of change the mix of the off-trade with innovation, with product launches in a way that you have been doing in your overall strategy. So, just trying to understand those two points.

A - Jean Jereissati Neto {BIO 20161989 <GO>}

So, the first one, it is that -- so, yes, in terms of transparency, we decided to give a guidance. That's a guidance that through everybody kind of put that on the models and is the best number that we have when we look today moving forward. It's true that is more related with FX and commodities. And of course, if depending on the change in the recovery and the mix channel, this can be better or worse. But we believe that this is the best forecast that we can do right now with the available information that we have.

So, having said that, so we are working big time on -- if you think about -- first of all, we are working big time to maintain our bar customers alive to transform them into a -- in platforms that can be much more than the physical place. And they can deliver through them, they can have their to-go strategies, take away strategy. And we have a big plan for returnable bottles in the off-trade too on what we can call small off-trade or moms and pops that has this occasion. That is something that we are betting that it should continue to gain traction throughout the year. So, that's what I can mention about the mix and (inaudible).

Q - Olivier Nicolai {BIO 16004446 <GO>}

Great. That's great. Thanks guys. Thank, Jean.

Operator

The Q&A -- the question-and-answer session is now finished. Now I'll turn the conference over to Mr. Jean Jereissati for final remarks. Please, sir.

A - Jean Jereissati Neto {BIO 20161989 <GO>}

Okay. Thank you very much to be with us today. To wrap up, I just want to say that I'm very confident about our future. And I could mention three things, three reasons. Although transformations takes time -- take time and the remaining -- and the environment remains challenging, our 2020 performance shows how fast we can adapt and our agility to get things done in the middle of a transformation. So, I was very excited. So, it was a year that we kind of did three years in six months. Our portfolio is in a much better place. We have momentum. So brand power of our portfolio is healthy and growing. Innovation pipeline is strong. And our route to market is in a different place in terms of transformation, digitalization. So this is -- it will be -- continue to be a competitive advantage edge that we want to continue to bet, really digitalizing the platforms and really scaling all these digital efforts in a very quick way.

Another thing, it is that cash generation remains strong, even though with all the ecosystem collaboration and all the help that we did with suppliers and customers at some point in time during the pandemic. But in the end, our cash generation remains very strong and we remain committed to do the right things on the transformation with financial discipline to transform Ambev into a better company in the future.

So that was pretty much it. Thank you very much to you all and have a good day.

Operator

Ambev's conference call is now finished. Thank you for your participation and have a good day. Thank you.