Q4 2016 Earnings Call

Company Participants

- Bernardo Pinto Paiva, Chief Executive Officer
- Ricardo Rittes, Chief Financial and Investor Relations Officer

Other Participants

- Alexander Robarts, Analyst
- Antonio González, Analyst
- Isabella Simonato, Analyst
- Jose J. Yordan, Analyst
- Lauren Torres, Analyst
- Luca Cipiccia, Analyst
- Pedro Leduc, Analyst
- Robert Ottenstein, Analyst

MANAGEMENT DISCUSSION SECTION

Operator

Good morning and thank you for waiting. We would like to welcome everyone to Ambev's Fourth Quarter and Full Year 2016 Results Conference Call. Today with us, we have Mr. Bernardo Paiva, CEO for Ambev; and Mr. Ricardo Rittes, CFO and Investor Relations Officer.

We would like to inform you that this event is being recorded, and all participants will be in listen-only mode during the company's presentation. After Ambev's remarks are completed, there will be a question-and-answer section. At that time, further instructions will be given.

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 Q4 2015 or full year 2015 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 discloses 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. Ricardo Rittes, CFO and Investor Relations Officer. Mr. Rittes, you may begin your conference.

Ricardo Rittes {BIO 15184017 <GO>}

Hello, everyone. Thank you for joining our 2016 Fourth Quarter and Full Year Earnings Call. I will guide you through our operational highlights of Brazil, CAC, LAS, and Canada, including our below the line items and cash flow. After that, Bernardo will give you more details about our performance in Brazil and how we are positioning ourselves for the year to come.

Starting with the main highlight of our consolidated results. 2016 proved to be one of the most challenging years of our history, as solid growth in our international operations was offset by a negative performance in Brazil on a consolidated basis. Top line was up 0.4% in the quarter, in the full year, top line was up 1.9%, with volume decline of 5.8%, more than offset by a net revenue per hectoliter growth of 8.3%.

EBITDA was down 12.1% in the quarter and 6.9% in the full year, reaching BRL 19.5 billion with an EBITDA margin of 42.7%. Net profit was up 13.5% in the quarter, while on a normalized basis, net profit was down 15.9%. In the full year, net profit was up 1.6%, while adjusted by exceptional items, net profit was down 9.7%.

The difference between reported and normalized profit is driven by the swap of assets carried out with ABI person to each, we have agreed to transfer our businesses in Colombia, Peru and Ecuador in exchange for the Panamanian business originally owned by SABMiller. Such transaction, when accounted for using the preceding value for the Panamanian asset and the cost value for the asset transfer to ABI, resulted in a BRL 1.2 billion non-cash gain.

In Brazil, our EBITDA was down 19.7% in the full year. We're nothing but disappointed with our performance. But it is important to understand that main drivers that have impacted our full year results. The first one is connected to the adverse macroeconomic scenario in Brazil. Economic activity reduced for the second consecutive year, with unemployment rate peaking the higher rate it recorded in years, leading to the continuous decline of disposable income. In this environment, we also lost 120 basis points of market share for beer from 67.5% in 2015 to 66.3% in 2016.

The second one is that in the first quarter of 2016, we're subject to VAT increase in some states, putting additional pressure on our top line, and the third one is related to the temporary impact of the FX in our cash COG. As we're very systematic with our hedging policy, the devaluation of the Brazilian real in the second half of 2015, when the Brazilian real depreciated goes to (05:36) 60% year-over-year has inflated our cost denominated in U.S. dollars, especially in the second half of 2016.

Now, going to more detail of operational results in Brazil. Brazil Beer top line was down 11.5% in the quarter and 5.7% in the full year. Our beer volumes were down 7.3% in the quarter and 6.6% in the full year, given the challenging macroeconomic environment. Our go-to-market share for the year, according to Nielsen, was 66.3% versus 67.5% in 2015.

Net revenue per hectoliter in beer was down 4.6% in the quarter, as we had a hard comparable in the fourth quarter of 2015, while on a sequential basis, it was up 17.3%, driven by our revenue management initiatives implemented during the quarter and the full year. Net revenue per hectoliter was up 1.1%, mainly impacted by tax increase. In addition, as part of our revenue management strategy, we use along the year our full portfolio of packs and brands to achieve more attractive consumer prices, including the 300ml returnable glass bottles that accounted for 23% of our volumes in supermarket in 2016.

Now talking about Brazil CSD & NANC. Its top line was up 1.7% in the quarter and down 2.7% in the full year. Volumes declined 6.7% in the quarter and 6% in the full year, in line with the industry as we estimate, as the adverse consumer environment is temporarily driving consumers away from CSD to low cost powder juices or even to tap water. Net revenue per hectoliter in CSD & NANC was up

9% in the quarter and 3.5% in the full year, driven by our price management initiatives. Our market share according to Nielsen was 18.8%.

Brazil cash COGS per hectoliter and cash COGS increased respectively, 20% and 11.5% in the quarter. In the full year, cash COGS per hectoliter was up 15.4% and cash COGS increased by 7.9%, in line with our guidance of mid to high single digit growth. The main driver for this performance was a temporary impact of FX, partially offset by the benefit of RGB coupled with a continued evolution of our cost initiatives.

Brazil cash SG&A was up 2.2% in the quarter. In the full year, cash SG&A was up 3.5%, which while below inflation, is in the upper limit of our guidance, due to mid single-digit logistics cost increase, decrease of administrative costs by low double-digits, and high single-digit increase in sales and marketing expense as we continue to invest in our brand. As a result, Brazil EBITDA was down 30.8% in the quarter and 19.7% in the full year. Bernardo will expand on this topic and discuss how we're positioning ourselves for 2017.

Moving now to Central America and the Caribbean. In CAC, we delivered another solid year. Our performance in the region was driven by double-digit top line growth with a good balance between volume and revenue management. Going to more details, in the fourth quarter, EBITDA in the region increased by 25.4%, reaching BRL 398 million, mainly driven by a net revenue growth of 8.9% in the full year. Top line was up 14%, leading to an EBITDA of BRL 1.4 billion, an increase of 21.3% with a margin expansion of 220 basis points to 37.3%.

While flattish in the quarter, volumes increased by 6.2% in the full year, mainly driven by Dominican Republic where we were able to significantly increase the beer category, reaching our highest ever share of throat, and Guatemala, where we had another year of market share gains with a strong performance of our Mexican brand, led by Corona that grew double digits in the year.

Going forward, we continue to be extremely excited with top line and EBITDA growth potential from our current operations and other organic (10:26) opportunities, including Panama that became part of CAC as of December 31, 2016, pushing us closer to our dream of $1 billion EBITDA in the region.

In Latin America South, in the quarter, top line was up 19.3% and EBITDA grew 27.6% in the full year. Top line increased by 15.8% and EBITDA by 20.6%. Volumes were down 2.8% in the quarter and 8.3% in the full year, as the weakness in Argentina, given the adverse macroeconomic environment, was partially offset by strong performance in number one, Bolivia, driven by the 710ml returnable glass bottles launch of Paceña and route to market improvement.

Number two, Paraguay, with this successful rollout of our 340ml returnable glass bottle and the premium growth led by Corona and Bud 66. And finally, Chile, with strong performance of our Global Brands in the country, top line benefited from a solid net revenue per hectoliter performance due to higher rate of premium in our beer volumes and implementation of our revenue management strategy.

(11:44) and expenses were still pressured by high inflation and unfavorable currency movement, especially in Argentina, we are able to offset this impact through top line growth, delivering a margin expansion in the quarter of 320 basis points to 48.4%, and in the full year of 180 basis points to 44.1%. As we move forward, we remain confident in our ability to deliver a solid top line in the region in the short term and better position ourselves for the future.

Turning now to Canada. In the quarter, EBITDA in Canada increased by 3.2%, reaching BRL 491 million, as the organic top line decline of 0.5% was offset by lower costs, driving margin expansion of 140 basis points. In the full year, our top line was up to 0.7%, and our EBITDA declined 0.8%

organically, while increased 3% in local currency, when included our strategic acquisitions of brands of the fast growing craft and Near Beer segment, such as Mill Street and Palm Bay.

Our reported volumes grew 5.7% in the full year, mainly driven by the benefit of our recent acquisitions, helping us to achieve the highest market share figure in 17 years. Organic volumes were down 1.2%, impacted by unfavorable weather, partially offset by strong performance from number one, Bud Light in the premium segment as the fastest growing brand in Canada in 2016, and number two, Stella Artois in the high end, reaching its highest share ever in the fourth quarter.

Throughout the year, we remain focused on pursuing an optimal balance between volume and price, with our revenue management initiatives and the benefit of increased premium mix leading (13:42) at 2.3% net revenue per hectoliter growth in the fourth quarter and 1.8% growth in the full year. Going forward, we remain excited with our momentum in Canada with our complete portfolio and committed to continue to balance net revenue per hectoliter and market share to deliver profitable growth.

Now moving to other operating income. Other operating income total BRL 158 million in the quarter versus BRL 701 million of last year, mainly driven by the reduction of VAT Government Grants in Brazil from BRL 530 million to BRL 196 million, due to number one, volume decline and revenue geographic mix as we have different incentives and different plans around Brazil, and number two, expiration of VAT Government Grants Agreements that represent around 25% of the reduction in this line. In the full year, other operating income total BRL 1.2 billion versus BRL 1.9 billion of last year, also mainly explained by the decline of Government Grants as a result of lower volumes and revenue geographic mix.

Now moving below EBITDA. In the fourth quarter, we started to revert the negative trends in the previous quarters as our net financial results declined almost 20% year-over-year from BRL 1.1 billion in the fourth quarter of 2015 to BRL 908 million in the fourth quarter of 2016.

Going to more details, main items in the financial expense in the quarter were: first, interest income of BRL 86 million driven by our cash balance mainly in Brazilian reais, U.S. dollars and Canadian dollars; second, an expense of BRL 416 million due to interest expense. Close to 40% of this is a non-cash accrual related to the put options associated with our investment in the Dominican Republic. As part of the CND deal in 2012, a put option exercisable until 2019 was issued, which may result in an acquisition by Ambev SA of the remaining shares of CND for a value-based on an EBITDA multiple. This non-cash accrual expense increases over time as we approach 2019, as EBITDA grow among other factors.

Third, BRL 292 million losses on derivative instruments, mainly driven by the carry cost of our FX hedge, primarily linked to our COGS exposure in Brazil and Argentina. Given the interest rate differential between Brazilian reais or Argentine pesos to the U.S. dollars, we have financial costs associated to this hedge, which are called carry costs.

Carry costs have started to go down mainly due to the reversal of the Brazilian real this year and/or (16:55) Argentine peso appreciates or interest rates in these countries continue to go down. Carry cost are expected to decline even further.

Fourth, non-derivative gains and losses have been another source of volatility in our net financial results, as most of the results included in this line are related to FX translation. As we've benefited from the beer (17:19) appreciation in the quarter, we have a gain of to BRL 220 million in this line.

Fifth, BRL 401 million of other financial expenses mainly driven by interest on contingencies. In the full year, net finance results totaled BRL 3.7 billion, mainly driven by underlying interest expenses, which include a put option of our investment in the Dominican Republic of around BRL 600 million and losses on derivative instruments.

The effective tax rate in the quarter was 9.9% versus 28.3% last year. In the full year, the effective tax rate was 2.4%, mainly driven by gains on other tax adjustments reported in the third quarter of which, first, around BRL 400 million is explained by reversion of withholding tax provision related to unremitted earnings from Argentina. And on July 23, 2016, a new legislation in Argentina was enacted revoking the levy of withholding tax over dividend remittance that was created in 2013; and second, close to BRL 800 million driven by a one-time impact in the third quarter of 2016 on the recognition of deferred tax assets on carried losses related to international subsidiaries.

From a cash flow perspective in the fourth quarter, cash flow from operating activities before changes in working capital was BRL 6.1 billion. We continue to revert the negative cash impact from working capital seen in the first and second quarters generating almost BRL 1.8 billion from working capital.

In the full year, cash generated from operations reached BRL 17.7 billion and CapEx totaled BRL 4.1 billion. With CapEx in Brazil declining 35% year-over-year to BRL 2.0 billion in line with our guidance.

Finally, during 2016, we returned approximately BRL 10 billion to equity holders in dividends and interest on capital. This figure does not include the dividend payment of approximately BRL 1.1 billion announced on December 22, but made only in February 23, 2017. As our free cash flow generation continued to grow sequentially in the year of 2016, we also continued to return the excess cash to shareholders.

Thank you very much. I will now move to Bernardo before going to Q&A.

Bernardo Pinto Paiva {BIO 7186008 <GO>}

Thank you, Ricardo. Hello everyone. We've been through a tough year especially in Brazil, where as anticipated and explained by Ricardo, three main drivers have impacted our results. One, the external conditions were very challenged with a volatile political and economic macro environment and negative disposable income leading to the industry decline. Two, on top of the depress in the industry, some states have significantly increased the VAT despite of the industry's strong mobilization to clarify that higher taxation brings to recession instead of additional revenues for the state. And three, our COGS was impacted by the FX especially in the second half of the year compressing our margins. We acknowledge that Brazil's long-term growth involves unavoidable periods of volatility and that the Brazilians are facing a very tough environment. But we measure our performance based on the absolute status (20:54) and we are not pleased with our 2016 results at all.

With that in mind, I want to concentrate my comments in Brazil before we move to the Q&A. The dealers (21:06) that support our long-term growth in Brazil are still there, favorable demographics with friction of regional disparities (21:12), and consumers' continuous demand for innovative product and strong brands. Based on that, we made short-term investments in our business, boosting our five commercial platforms in a transformational way.

Starting with Elevate the Core, our first and most relevant platform. In the last two years, Elevate the Core was even higher in our agenda and we invested more time and resource to have the right insight to bring innovation and renovation (21:44) to our mainstream brand. The good news is that some of the outputs of such initiatives are starting to hit the market as we speak. For instance, we are launching new VBIs for Skol and Brahma, differentiating and reinforcing the brand's attribute.

We are also improving our primary and secondary packaging, enhancing the brand's quality perception. These innovations we started to implement in the end of 2016 and given its magnitude, it will continue to be rolled out along 2017.

Their results are rate (22:20) positive, for example tests with consumers have shown that Skol's new visual brand identity has improved significantly its attributes of quality, drinkability and modernity and it has also increased consumer's interest in the brand purchase.

If you talk about Skol, our easy to drink lager, they have (22:41) campaign has been building the equity attributes on top of a terrific crafted emotional connection of the brand with its core consumers. Skol also land our summer and carnival division (22:54), sponsoring the most important street parties in Brazil such as São Paulo and Salvador, delivering great experience to its consumers. Our complete 360 execution through above the line this year, digital media and in-trade (23:12) activation has enabled Skol to reach more than 35 million people, making this carnival the biggest of its history.

Now talk about Brahma. Brahma is our classic lager, recognized for its beer expertise and flavor. Brahma has a strong connection with its consumers, through distinct variants together (23:33) with soccer and country music platform (23:36), Brazilian's strong passion. Brahma is the sponsor of several country music events such as Villa Mix, Brazil's largest country music festival. The soccer (23:50) brings regional proximity for the brand through team sponsorships and its first wholesale group program (23:57).

Brahma's family is also composed by Brahma Extra, targeting the food and savory need state and with three variants, Lager, Red Lager, and Weiss. Brahma Extra has grown 260% definitely shaping the core-plus (24:15) segment in the Brazilian market and enhancing the mother brand.

Finally Antarctica, Antarctica has been strengthening its connection with Rio de Janeiro and with the samba music. It just launched an innovative media campaign reaching more than 10 million people with nine episodes series (24:34) in YouTube. Antarctica was the official sponsor of the Carnival in Rio de Janeiro for the eighth consecutive time. Those who were there could see the strong presence of the brand in the BLUE Ocean (24:48). On top of being a strong regional brand, Antarctica has become aspiration in another region, such as the Midwest of Brazil, also becoming the number one brand in key states in this region.

Over the course of 2017, our three mainstream brands will continue to leverage (25:08) strengthening the connection in their core target consumers and support our top line growth.

Moving to Premium. Premium has been growing and gaining weight over the years and in 2016, it was not different. Working with a complete portfolio of international to domestic brands, premium already represents more than 10% of our volumes. Premium has also a very high preference way above its market share. Budweiser is our main brand and has been delivering amazing results. It grew more than 20% in 2016, a double-digit growth for the fifth consecutive year and consolidated its position as the leading brand in the premium segment in Brazil. Budweiser's preference and brand's attributes, such as authenticity, heritage and quality are continuously trending up.

Now talk about near beer. Near beers drive incremental volumes in a profitable way. The Beats family one of the most successful innovations in our history, continued to grow double-digit in 2016. We have launched Secret, with its red bottle that together with Senses and Spirit already represent more than 1% of our beer volume in Brazil. With massive presence in the key branding selling moments and the strong activation during Carnival, the cool and trendy Beats family also enhances the equity of the mother brand.

Moving to different occasion, starting with the in home. RGBs are definitely a big focus this year. The returnable glass bottles were boosted by the national campaign, "Mini, everything that is good returns!" Carrying our core brands and having an affordable proposition, they represented 23% of beer volumes in the supermarket in 2016. Going forward, with the strong learning process, we will improve even more the execution and as a consequence, we see the opportunity of our Mini becoming even more important and definitely changing consumers' behavior. It is a huge shift with important implications, as it's good for everyone, I mean definitely it's good for an environment as well and it's good for margin.

Finally in the out of home occasion, we took the soft macro scenario as an opportunity to enter long-term sponsorship contracts, expanding our activations in key selling moments. Along with that, we are stepping up our route to market initiatives to assure an improved service level everywhere building a strong platform and making our brands even more available in the point of sale with the best-in-class execution.

In summary, 2016 has been a tough year. On the other hand, we took this moment as an opportunity to strengthen our foundations for the future and we made structural investments in our business. On top of that, 2017 is widely expected to be a year in which many macro headwinds will dissipate. First, inflation continues to decelerate. Second, GDP is estimated to be flattish after two consecutive years of decline. Third, unemployment, while still increasing, is expected to revert the trend in the second semester. And fourth, as a consequence, disposable income is likely to resume growth towards the end of the year.

In this environment, we are cautiously optimistic in the Brazilian beer industry in 2017, especially for the second half of the year. Our commitment is long-term in nature and we are confident on our ability to gain market share and resume our top line and EBITDA growth supported by short term investments we've made in recent years and by the strength of our brand.

As part of our culture, our motivation to deliver beer has not changed. It has even increased. That said, it's important to highlight that our market share for 2017 is increasing in a positive trend showing that we are in the right path. Along with that, we expect cash COGS per hectoliter to positively evolve over 2017, increasing double digit in the first half and low single digits to flattish in the second half, mainly explained by the impact of the devaluation of the Brazilian real during the first half of 2016.

We can move now to the Q&A. Thank you.

Q&A

Operator

We will now begin the question-and-answer session. The first question comes from Isabella Simonato with Bank of America. Please go ahead. Ms. Simonato, your line is open on our end, is it muted on yours?

Q - Isabella Simonato {BIO 16693071 <GO>}

Sure. Good morning, everyone. Thank you for the call. I had two questions. First, you guys mentioned that the expiration of some tax benefits impacted on the other operating income. If you could tell us, if you were already able to renew those benefits or if not, if there is any expectation of doing that? And second when you look at the guidance for 2017, you guys provided much less details compared to what we saw in the previous years. If you could explain the rationale for doing that, is it because there is lower visibility at this point or for competitive reasons? Thank you.

A - Ricardo Rittes {BIO 15184017 <GO>}

Hi, Isabella. This is Ricardo. Thank you for your question. Well, let me start with your second question. So just as - as I start for the answer (31:31). Our guidance has varied along the years. So if you go back 2010, we had only COGS per hectoliter and EBITDA, 2011 was COGS per hectoliter volume and CapEx, 2012 was COGS per hectoliter volume beer per unit (31:47) net revenue per hectoliter and CapEx, so on and so forth. So we vary across the years, we have not been like with the same guidance for a long period of time.

For 2017, we decided while we (32:02) provide you a more qualitative guidance in the outlook section to limit the top line quantitative numbers. And only on that, we think the four main players in the Brazilian beer market, gave guidance over the course of 2016. Therefore driving to an asymmetric competitive dynamic and this is the reason behind our – the way we gave the guidance for 2017.

And when we go to your first question, discussing specific in the other operating income, it was down mainly driven by the reduction of the government grants like you said, and this reduction essentially came for the two reasons, that we explained. Number one was the volume decline and the revenue geographic mix which explains 75% of the decline and expiration of VAT government grants agreement that represents around 25%. We decided to give this breakdown in order for people to be able to separate and differentiate between what is consequence of the mix and the temporary impact and what has expired.

Within the expiration and that's when you asked your question, can you renew and et cetera, I just – the comment that we can make is that concession of government grants is primarily linked to CapEx and from time to time, we may decide not to make additional investments resulting in a loss of efficiency and tax incentives. So when you look at the 2016 CapEx which was down 35% in Brazil year-over-year from BRL 3.1 billion to BRL 2.1 billion (33:30), I think that's a driver that we need to take into consideration, when projecting going forward. As we see Brazil accelerating, CapEx increasing you could see a difference in this line.

Q - Isabella Simonato {BIO 16693071 <GO>}

Thanks.

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

Thanks, Isabella.

A - Ricardo Rittes {BIO 15184017 <GO>}

Thank you, Isabella.

Operator

The next question comes from Pedro Leduc with JPMorgan. Please go ahead.

Q - Pedro Leduc {BIO 16665775 <GO>}

Good morning, everybody thank you for taking the question and it will be regarding the pricing in Brazil beer. We saw a sequential improvement, it's about 17% to BRL 284 per hectoliter this quarter. Now just trying to reconcile or imagine how we can carry this figure into 2017. Because it would be like the mid to high single-digit increase, if you keep the BRL 284 in to the full average of 2017. So just to help us understand the feel (34:26). We already have the full pricing effect of 4Q and then how much usually in 1Q and sequentially net price per hectoliter drop, if at this year, it's going to be as substantial as it was in the last year, last 1Q. I'm just trying to reconcile here how we should imagine pricing, if we can carry this nice number into 2017. Thank you.

A - Ricardo Rittes {BIO 15184017 <GO>}

Hi, Pedro. Thank you very much for your question. So like you said, I mean on a sequential basis, net revenue per hectoliter was up 17.3% and just to remind everyone that the VAT and excise tax variations impact prices to consumers. But even if fully compensated, price would not impact net revenue per hectoliter. And, therefore, as a result net revenue per hectoliter is a good proxy of price increase, net of tax increase if you will. As a consequence, the longer the period, the better or more precise is the visibility of the net revenue per hectoliter, as a result you should expect some volatility in that line. For instance, if we go five, for example back - sorry, five years, our net revenue per hectoliter has increased in line with inflation, despite also short-term volatilities. Having said that, we continue to be confident about our strategy to increase our price in line with inflation plus any tax offset.

And with that, I think just to develop a little bit on that. I think first it's very important and most important for us to build strong brands, as this is the key to ensure the profitability of our business and that's why our first commercial platform is Elevate the Core. Second, along this time we have improved a lot of revenue management strategy initiatives, mainly through technology and our back prices (36:08) strategy, allowing us to capture also significant net revenue per hectoliter opportunity.

And third, when you look going forward, I think it's very important to take into consideration premium and near beer as they continue to grow, driving a positive mix impact. On the other hand, the growth of returnable glass bottles presents a challenge for the future when you look only at the net revenue per hectoliter perspective although they are margin accretive and they are good for the business.

Q - Pedro Leduc {BIO 16665775 <GO>}

Okay, Ricardo. Thank you. And then just again back a bit to 2017, should we expect this figure growing in line with inflation again or you still expect an adverse shift in mix and returnables, just to get some color? Thank you.

A - Ricardo Rittes {BIO 15184017 <GO>}

So again Pedro, the type of guidance that we are giving this year, like we said in the guidance discussion previously, it's a bit of a more qualitative guidance, we're not giving a guidance especially in net revenue per hectoliter quarter-by-quarter base, but the drivers behind the volatility in that line. You heard that (37:10)? So we continue to be confident about our strategy to increase our price in line with inflation plus any tax offset. And the shorter the period of time that you look, you will see, like you have seen in the past, some volatility in that line and nothing out of the extraordinary and we continue to be very confident about the strategy.

Q - Pedro Leduc {BIO 16665775 <GO>}

Thank you. That helps.

A - Ricardo Rittes {BIO 15184017 <GO>}

Thank you.

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

Thanks, Pedro.

Operator

The next question comes from Luca Cipiccia with Goldman Sachs. Please go ahead.

Q - Luca Cipiccia {BIO 6914452 <GO>}

Hi, good morning. Thanks for taking my question. I wanted to ask two. One, is more of a clarification on the returnables penetration. I think in the third quarter you said it was 25% and I think in this release I think it's 23%. I was wondering if it's just a function of seasonality or am I interpreting this incorrectly? And more generally, can you update us on not necessarily your push into this format, but how consumer reception, adoption is evolving and how much do you think it will stick assuming that eventually as you seem to suggest as well that the consumer will recover? And that's my first question. And the second very quickly, just going back on the guidance, I mean, we sort of got used to the idea that you prefer to talk about the things that you can control, I think you've stressed that a lot in the past.

I'm not sure I follow the rationale to not give indication about both SG&A and CapEx, which I think in the past were fairly discretionary items for you to decide on how to spend and how to invest in any given year. And on the CapEx and your comment about other before, is it fair then to assume that as a percentage of revenue (39:09) the other income should – we should probably anchor it to what we saw in the fourth quarter given that some benefits are expiring and some others are more conditional on growth and CapEx, but I would assume CapEx is not going to go up this year. So maybe, if you can just clarify a little bit on these points, it will be great.

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

Hi, Luca. So starting with the RGB industry (39:31), I mean it's important to highlight that RGB came from 4% industry in 2014 (39:36) to 23% of our volumes in supermarket in 2016. So I mean no doubt, it's already a great success. I mean, it's good for everyone, as we always talk. I mean for people to drink, good for environment, good for margins as well.

On top of that plenty of research have shown that the Mini have increased its brand loyalty among their buyers with positive impact on brand attributes, such as flavor, eco-friendly and cost-benefit per bottle. It has also improved the perception of heritage of the brand, due to this (40:10). Having said that going forward, as we improve the execution, we see the opportunity of the Mini become even more important that will change the consumer habits. And quarter-by-quarter, this could vary I think, but the main number is as we came from in 2014, 4% to 23% in 2016 and trending up. So I think that we're on the right path with this strategy.

A - Ricardo Rittes {BIO 15184017 <GO>}

And Luca, this is Ricardo. And also to add to what Bernardo just said, the 25% was the number for the third quarter and 23% is the average number for the full year as it has been growing from – I would say the average of 14% in 2015. You could expect that the average for the year tends to be in a growing pattern, a little bit lower than the end of the year. I think that's – I think that might help you in your calculations.

Now going specific to the guidance, I mean, when you look at the, historically speaking and you're right, I mean we prefer to give guidance number one, on things that we control and number two, on things that would not allow asymmetric competitive dynamic. I think those are the two important criteria. But if you go back to the last – and I'm here with the guidance for the last seven years of the company, we gave guidance on SG&A only in four out of the last seven years. And prior to 2010, I don't think, we gave guidance at all.

I think, going back to our discussion that we had in the first question, for 2017, we decided that, while providing a little bit of a more qualitative guidance in the outlook section, which might help you to come to the conclusion, some of those that you asked in the question. We decided to limit the top line and some of the – like you said, even the CapEx, SG&A, quantitative numbers provided. Again, I think, that's...

Q - Luca Cipiccia {BIO 6914452 <GO>}

And maybe just to clarify on the SG&A on the stated ambition to rebuild market share, right. What role do you think investments in the brands comparatively to last year will take? I think that's going to impact, I think that line in particular, is that – you said you want to go back, you want to rebuild market share, I think there's been a positive trend. How much of that do you think would come from investments in SG&A, how much of that do you think will be more sort of a pricing driven or mix driven strategy?

A - Ricardo Rittes {BIO 15184017 <GO>}

So I mean, just to provide you some assurance. There's not going to be anything different than what we have done in the past couple of years. So you shouldn't expect any surprise. And I think, when you look at the market share for example, the only publicly available source to measure our market share in the full year of 2016 is Nielsen (43:15). For the full year, according to Nielsen our market share was down, though the range that we normally work to 66.2% in the average of the year, but as Bernardo pointed out in a growing trend. And it's important in terms of – to answer your question specific about SG&A, that one of the cornerstones of our strategies the cost-connect-win platform like we stressed internally and even externally. And in this platform, I think it's control of cost and controlling in our expenses, it's not a program, it's not something that is temporary here. It's our way of doing business and we're trying to be more efficient, every year and every day on everything that we do. Internal SG&A is not different.

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

And I think added to that, Luca, since our marketing and sales team have been really (44:09) tool kits to build brands in a way that doesn't mean, necessarily more investment, but way more efficient and way more precise. That's what we have been doing in the last few years and then we're applying this year as we speak.

Q - Luca Cipiccia {BIO 6914452 <GO>}

Thank you. Thank you very much.

<: Thank you.

Operator

The next question comes from Antonio González with Credit Suisse. Please go ahead.

Q - Antonio González

Hi. Good morning, Bernardo and Ricardo (44:40). Thank you for taking my question. The first one is a follow-up on Luca's last question. I was also curious about the wording that you used in the outlook for 2017, with respect to market share in particular. I think you didn't use the market share metric in the last few years, in terms of your guidance. And I wanted to ask in light of the changes in the consolidation, that is taking place in the industry. Is 67% to 69% still the range or over the medium term? I understand that 2017 has low visibility but over the medium term, do you think it makes sense to have a higher range for example? And if so, would you be willing to pursue market share, even if it comes with lower EBITDA margin? I mean, more EBITDA in nominal terms but lower EBITDA margin or that is not the case? And then I have a very quick follow-up question afterwards.

A - Ricardo Rittes {BIO 15184017 <GO>}

Antonio, thank you for your question. So let me just clarify that. I think the – what we have done in the past the 67%, 69% is the optimal point in which us managing the company (45:51) to maximize value for the shareholders. I think that is the objective. Market share, of course, there's a sustainable and long-term way of getting there. And I think what we meant here in the outlook section is, the thing that we have always talked about, we work on a range, but from time-to-time, we are up or down within that range. If you go back to five, six years ago, you'd see that we were like way ahead of the range that we set ourselves, and then you use that over time. I think that we have – we wanted to put it there, like our discomfort from being below the range and that's using the same platforms across the next swing (46:37) and the commercial platforms we will work very hard to go back to the range as soon as possible.

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

And added to that, I think it's important to highlight that we started 2017, as I explained in my speech, with the market share increasing (46:54), so just to add some flavor, if that's gone (46:58).

Q - Antonio González

All right. And secondly, if I may, in the total distribution of dividends (47:06) obviously this year was a little bit lower compared to the previous 12 months. And I obviously understand that it has to do with the cash flow generation that was lower this year, et cetera. But I wanted to ask you the growth again and obviously working capital dynamics become more favorable as the company grows and I don't know if CapEx will come back to let's say 2015 levels very rapidly or not, but do you see room to increase this figure from the last 12 months, and maybe even kind of little bit more of an aggressive balance sheet structure, or difficult to give some color on this specific number for the next 12 months or so?

A - Ricardo Rittes {BIO 15184017 <GO>}

Thank you for the question. I think just a couple of points there, during 2016 we returned approximately BRL 10 billion to equity holders. Like you said, that was a little bit lower than that of 2015. And our policy for some time has been to return excess cash to shareholders and have done that. And if you go a little bit back by three, four or five years, you'd see that our payout has more than doubled in that period. If you look at how the year progressed or evolved over the course of 2016, this payout has increased, and why is that? Because when you look in terms of cash flow, there was specifically abnormal cash flow in the tax line in the first quarter and that's, like we said in the first quarter results of 2016, that was diluted over time. And so as a result, the shorter the period of time that you look at that line, the harder it is to reconcile, but that impacted the full year cash flow generation for the year when you analyze.

Without giving any guidance in terms of payout, I think what you should expect what we have done in the past, is that without that impact you'll get to the priorities that we use (49:07) our strong cash flow generation, which number one is we're investing in the organic growth of our business, which we already discussed some of the uses of cash for that purpose, of which you invest in the organic growth of our business, which we have already also discussed some of the opportunities and then return the excess cash to our shareholders, which we have been doing consistently over time. So, again, that's as far as we can go try to answer your question, Antonio.

Q - Antonio González

All right. That's helpful (49:40). Thank you.

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

Thanks, Antonio.

Operator

The next question comes from Lauren Torres with UBS. Please go ahead.

Q - Lauren Torres {BIO 7323680 <GO>}

Yes. Hi, everyone. I think you started the call mentioning that this was your most or one of your more challenging years in Brazil, but obviously you had volatile conditions before. I guess I'm asking you to look at the past to predict the future and as we think about trends and the consumer hopefully stabilizing and coming back more maybe particularly more in the second half of this year. I was just curious to get your perspective, if there's a lag effect on a return to better year in soft drink growth, meaning the consumer may feel better, but the categories that you participate in take longer to kind of come back. Just curious to get your perspective on that just – is this more of really a 2018 event or just off of easier comps you feel better about this year too. Just general perspective would be great. Thank you.

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

Thanks, Lauren. Thanks for the question. So, first, let's understand quickly the 2016 again. I mean three main drivers led to the EBITDA decline that we had, and in the first one, is connected to macro here in Brazil. So we know the economic activity, I mean, it was going down for the second consecutive year. Unemployment rate peaking, it's the highest rate (50:58) recorded in years, leading to the continuous decline of disposable income and decline in the industry. So, second is that in the first quarter 2016 we are subject to the VAT increase in some states putting additional pressure in our top line. And third one is really the temporary impact of the FX in our cash COGS, as Ricardo explained. So we had good learnings in 2016. But again, we will do the main calls after May, last year (51:26). We would do the same. Really looking for the long term and investing to make sure that our business will be healthy for the long-term.

So, I mean moving to 2017, I think that four points are important to highlight. So one, 2017 started with signs that the main macro headwinds will be dissipating. First inflation continues to decelerate, GDP is estimated to be flattish after two consecutive years of decline. Unemployment, will be – while still increasing, we expected to reverse the trend in the second semester. And fourth, with the consequence of disposable income that's likely to resume growth towards the end of the year, so it's good – better news for 2017 in the market front.

Number two, I mean, with the second semester of 2017, there are facts impacting our COGS year-over-year. (52:20) even becoming at discretionary prices. And third, tax hikes in 2017 will not be so significant as in 2016, as the most representative VAT rate increase to impact (52:35) Rio de Janeiro from 2019 to 2020 had to be effective March 30 basis (52:39), much, much lower than previous year.

And fourth, I mean, have a strong plan. So I will not repeat my speech but Elevate the Core, I mean, it's important investment in the VBI of our brands, the innovation of our brands, Skol and Brahma, and really make sure that they have the right execution in the markets, even better that we have now. We are also improving our primary and secondary packaging and enhancing the brand's quality perception.

So in all, the past that is done shows that the new (53:17-53:18) for instance, significantly increased the attributes of quality, drinkability and modernity, and has also increased the consumer interest in purchasing the brand.

Premium continue to be big, so just remind us, preference of premium brands already 30%, way below the market share, have been growing a lot, and Budweiser is leading the pack with the growth of more than 20% year-over-year, gaining market share in leading the premium segment. Near Beer (53:50), we will continue to be there. In Home have already explained about the RGB and the off-trade, so growing in the right path. And in Out of Home, the key selling moments, the key brand in selling moments.

We will continue to begin because it's a way to drive volumes and build trend. (54:10) the Carnival was a great example, (54:12) in behind Carnival for eight years, street Carnival that basically – with the city of Rio de Janeiro created that again, supporting this party, that people walk to the street and have fun in a responsible way. So we'll continue to do that, you'll see the carnival in Sao Paulo was, I mean, almost double or more than that and Skol was there. So it's important to connect the brand with the people in each stage, in each city, it's good for that, it is good for the volume as well.

And in the Out of Home as well, we increased – put a step-up in our service level toward the point of sale, that's good but it could be even better, not to have (54:52) assortment. We have the ability and the great execution that we need. And then you'll go to the long, long, long term, we continue to be bullish here in Brazil – on Brazil.

We know that it's not a straight line up (55:04) but every five years or so, you have one or two years where things go sideways or backwards. That's the reality of an emerging markets. But there are a few markets in the size, in the structural growth drivers that we have in Brazil.

So first the demographics. LDA (55:20) population continues to increase by 1.5% every year, per capita, despite the considerable upward social mobility in the last 15 years and the consumption boost driven by the emerging (55:35) class. We did not even get to half of our journey. Brazil remains a country of different countries in sideline, so opportunity per capita here.

And innovation, given its size in the different reality (55:50) in the country. There are a lot of opportunities so far, innovation driven by consumer trends, premiumization, health and wellness, near beer among others. So, we'll continue to be bullish in Brazil. 2017 seems to be market wise, a better year, and we have a strong - very, very strong plan to tackle this opportunity.

Q - Lauren Torres {BIO 7323680 <GO>}

Okay. That's very clear. I guess I was just trying to get a sense if there is a lag effect, meaning that the consumer comes back with the beverage category, it takes a little bit more time. But I think I understand your direction. If I could just ask one other thing then, the VAT increases that we saw coming into last year and affecting you last year, is there more threat towards your expense we should be thinking about for this year?

A - Ricardo Rittes {BIO 15184017 <GO>}

Hello, Andrea. This is Ricardo. So, just reminding, (56:42) its own model on tax rate. And any state law that increased the VAT rate best be published until December 31 of the previous year. And since they already have the visibility of the laws approved by the state, we know that the VAT rate increase is forced on 2017 year (57:01) (57:03) fraction of what we have seen in 2016, and we also know that the only, let's say, while meaningfully impacted the one of Rio de Janeiro, that came from 19% to 20% rate to be effective as of March 31, like Bernardo already mentioned.

That said, I think what we can say also in terms of VAT is that the cold beverage industry holds a permanent in constructing dialogue with each state government with the intent of showing that what we believe is that a lower tax burden on the industry enables a greater potential for volume growth, further investment, and as a result, allows tax collections to continue to grow with no pressure inflations or greater investment, that's the model that we believe, and I think what we see in terms of evolution of the behavior of some of the states is that migration towards that model that we believe.

Q - Lauren Torres {BIO 7323680 <GO>}

Okay. Thank you.

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

Thanks, Lauren.

Operator

The next question comes from Robert Ottenstein with Evercore. Please go ahead.

Q - Robert Ottenstein {BIO 1498660 <GO>}

Great. Thank you very much. Couple of questions, first, earlier on in the year, one of your competitors start to pursue some fairly aggressive discounting. Can you give us any kind of update on whether that's continuing, having - or whether it's getting worse, and I understand the conditions, the competitive conditions are always tough in Brazil, but are you seeing things stabilize on that front?

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

Hi, Robert. Thank you for your question. So, it's so important to start to answer question like that, but just restating what solved this, but very important to say that is the Brazilian industry has always been very competitive, and today is no different, is no different either way. What happened in 2016 we believe is not related to what one competitor is doing, but what is going on with Brazil.

We're facing a severe crisis and with significant decline in consumer disposable income. We see this in our own business, providing affordability in a profitable way, (59:17) are gaining a lot of weight, and in 2016, despite of all decision gaps that we still have not known about represented 23% of the volumes in supermarkets.

On the other hand, some value brands from competitors also benefited from this scenario, sometimes in our line of possibility (59:35), which explains some of the market share volatility there we have had. I think what's important to highlight is the sequential net revenue per hectoliter increase, which somehow is in line what we have seen in the previous year, which shows, I'll say, that there's a normalcy, if you will, in the Brazilian market at the moment. I think that's as far as we can go, Robert.

Q - Robert Ottenstein {BIO 1498660 <GO>}

Understood. And then possibly related, and I don't know if you can comment on it, but I guess (01:00:10) has been down now for a while. I understand it's going to be replaced. Are you seeing or sensing that competitors – or are they paying their taxes from what you can tell, or is that having any effect on the competitive dynamics?

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

So Robert, I think first and foremost, I think one of the most important things that the government recognize is that it's very important for the industry to have an external monitoring system. And so, I think that has been said time and time again by the government, this new monitoring system needs the time to being placed. And I think the government is working to get that in place.

In the short term, you see no changes as for anyone to behave differently would be – will have to be like a structural change, and I think just the intent of the government and the fact that the government is working to get the external monitoring in place, I think it's enough to prevent people from structuring the – changing their behavior. I think that as far as we – also we can go, but again, we also believe that's very important external monitoring system for the beverage industry.

Q - Robert Ottenstein {BIO 1498660 <GO>}

Thank you very much. Appreciate it.

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

Thanks, Robert.

Operator

The next question comes from Jose Yordan with Deutsche Bank. Please go ahead.

Q - Jose J. Yordan {BIO 1496398 <GO>}

Hi. Good afternoon, everyone. I mean, I appreciate the whole conversation about not giving, not tipping off competitors, et cetera, with asymmetric information, et cetera, which is why I'm a little more confused now about why you stopped giving market share information on a quarterly basis last year, because obviously, your competitors have that, and you're not giving anything away.

Because I mean, I think when you talked about 66.3% for the year, based on the estimates I had for market share for earlier in the year, it basically brings you to closer to 65% or something like that. And I appreciate your comment about it increasing already in 2017, but wouldn't it be a lot more helpful in the absence of more specific top line guidance to substitute that with going back to releasing the market share information on a quarterly basis I think would help the market to - they have the tools to do what you're not doing with guidance this year. So is it possible for you to tell us now what the first three quarters of the year were in terms of market share for beer in Brazil?

A - Ricardo Rittes {BIO 15184017 <GO>}

Hi, Yordan. This is Ricardo. I think, first, a couple of sources in terms of market share like we have said in previous calls. I think their internal sources, there is Nielsen, there is (01:03:20) and there are other source of market share.

I think each of those sources, they are very important for specific reasons, but they are in nature very incomplete as well, I think so, (01:03:32) has the variations of inventories embedded into this, so the shorter the time that you look, the harder it is for you to draw any conclusions, trends are very important. However, trends are very, very important.

We acknowledge and we hear you when you say specifically given the fact that (01:03:50) is no longer there for you guys to make your projections, that it gets harder for you to read and et cetera. But the only publically available source to measure market share in the full year of 2016 is Nielsen, that is the fact. And we as a company, we decided over the course of 2016, we disclose only during the full year the market share.

We can go back and outside the call follow up with you in order for you to give you like more color and how you could build your models with public available information, but the fact is at this point, the company has decided not to provide quarterly info in market share.

Q - Jose J. Yordan {BIO 1496398 <GO>}

Okay. Fair enough.

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

(01:04:39) in spite of the source, I mean, the important thing is that the trends that the source shown through us are the same. So that's what we can say, too, and then again, we started the year, I mean, was the market share increasing in a positive side. So (01:04:59).

Q - Jose J. Yordan {BIO 1496398 <GO>}

But it is fair to say that in the fourth quarter of 2016, you did below the year, the nine months number?

A - Ricardo Rittes {BIO 15184017 <GO>}

Yeah. We don't provide the quarterly market share data.

Q - Jose J. Yordan {BIO 1496398 <GO>}

All right. Okay. We'll take it offline. Thanks.

A - Ricardo Rittes {BIO 15184017 <GO>}

Thank you.

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

Thank you.

Operator

The next question comes from Alex Robarts with Citigroup. Please go ahead.

Q - Alexander Robarts {BIO 1499637 <GO>}

Yeah. Hi. I want to go back, sorry, to the market share number in Brazil beer, and a couple of questions around that. The first one is, when we think about the – you reaching the 66.3%, the 120 basis point loss in 12 months. Is it – I mean, our research suggest that this was mostly within the value segment, I mean, trading down kind of sparse (01:06:03) demand in the value segment, the responsive RGB 300ml very effective in such during the year, you'd given us some numbers of how that's built up in the supermarket.

But is it fair to think about the 120 bps of loss in beer market share has happened in mostly in the value segment, or any color that you could give us as to where that loss occurred during the year. And the second part of the market share question, so when we think about your strategy to rebuild, you've been pretty open about that, that's a key priority this year, and it also sounds like it's not going to be that expensive necessarily, a big hockey stick move in SG&A, you want to be more effective than that.

And might it be just perhaps possible, think about not going back to the 67% and 69%, and thinking about maybe a lower market share range to get margins that quicker. And just any color you can give us beyond what you've kind of hinted at or referred to as. What do you think can be the pace of rebuilding that beer market share during the year? So, a couple questions around the market share. Thanks very much.

A - Ricardo Rittes {BIO 15184017 <GO>}

Thank you for your question, Alex. So, I think you're absolutely right. When you have economic situation like the one that had been living in Brazil for the last couple of years, what you tend to see not only in our industry, but overall in different consumer industries and even like an automotive industry, whatever it is, that you have premium and value suffering less proportionately to the mainstream industry.

As we are disproportional, and again, the mainstream market for us is proportionally more important, when you compare to some of our competitors, of course that is mainstream suffers proportionately more in this environment like you pointed out yourself. And again, that's the dynamics that you have, but like you also said, when you move forward, I think this is the segment also that benefits the most from the recovery (01:08:44).

So, the same downside represents a higher upside for a recovery. And like Bernardo said in his speech and like we put in our outlook session, (01:08:57) is going to develop that in a moment. I think we are – I think the word that we use, I mean, it was cautiously optimistic about – on 2017, for exactly the same reasons that made some of the previous year or like – quarters like so difficult for the organization and...

I don't know, Bernardo, if you – again, I think...

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

This is the last question (01:09:21)

A - Ricardo Rittes {BIO 15184017 <GO>}

So, again, I don't know if you want to do any follow-up questions. But we see that there's a lot of questions still in the line. But Alex, I think, you're going to be the last one today. We will follow up with everyone that is in the line privately because we have already overcome our time by 12, 13 minutes already. So, if you have a follow-up question, Alex, we can take from you, and then Bernardo is going to do a closing.

Q - Alexander Robarts {BIO 1499637 <GO>}

Yeah, no, I mean. So when we think about the rebuild, right, it's just kind of – I mean, do you think it's possible that this recovery of market share occurs really in function of the economy improving, or do you think that there can be something more company specific that can perhaps anticipate that, and does it frankly makes sense to keep the 67% to 69% range for this year? So that's kind of the follow-up on that.

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

So Alex, I mean, your question, I mean to do a closing as well, so I think that why we think that 2017 in Brazil specifically will be a better year. So again, first one, just to repeat, the macro EBITDA and employment going down towards the second half of the year, disposable income is likely to resume growth towards the end of the year, I mean, just to give you on two examples on the macro side, and this helps our business and helps our core brands, because (01:11:05-01:11:06) for more and when disposable income increase, they had the more the benefit of that, our core brands mean Brahma and Skol (01:11:15) and that is the first point (01:11:17-01:11:19) optimist in the industry.

The second effect impacting our COGS year-over-year will decelerate, so important their imports (01:11:27) was a big hit last year. And third, the taxes that's highest for 2017, as I explained, as Ricardo explained, will not be so significant as it was in 2016, so the only exception is Rio de Janeiro, that's a minor one compared what happened last year.

So the mark we will have (01:11:47) those two things that are there, the FX and the taxes will help as well, but the most important one have a strong plan, and then the economy, I mean, is going back again, I mean, that will help our core brands, ending up (01:12:02) boosting investments in a smart way in our core business. I think that could make a big difference for us.

So, and I repeat, the talk about new VBIs for the brands, packaging, enhancement that helps the quality, the perception of those brands, in terms of the core business stepping up our service level as well, that's actually the assortment will be there. The key brand in selling moments, like we've done in (01:12:31) that's not only drilled the volume, but the brand actually as well, a full integrated marketing sales plan, so that will help the core business, and you'll get this over the (01:12:43), I will say that's a thing that for an exchange in terms of disposable income and industry.

So premium continue to be very important portfolio, it's amazing that we have, preference of Premium brand is already 30% above the market share, have the leading brand of the market, I mean, that's Budweiser in the portfolio, it's very relevant. Near Beer continue to help the In Home occasion, we are working hard, not only in the RGBs, but how it can really access, I mean, improve the shopper experience in the stores from e-commerce initiatives as well. In the other form, just to repeat, one thing, the key brand in selling moments will continue to be significant.

So, having said that, I mean, we would think that 2017, pretty sure that we have a much better year. We are confident in our plan. Our team is very, very inspired by the plan, very engaged on that. So that's it. So, we really think that the first sign of the year, January and February, as I've said in terms of the market share, could tell us that this year behind the right dash.

So, thanks, everyone. Thanks for the call.

A - Ricardo Rittes {BIO 15184017 <GO>}

Thank you. Thank you.

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

Okay. Bye-bye. See you next quarter.

Operator

The conference has now concluded. Thank you for attending today's presentation. You may now disconnect.