Q4 2018 Earnings Call

Company Participants

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

Other Participants

- Alexander Robarts, Analyst
- Antonio Gonzalez Anaya, Analyst
- Danniela Eiger, Analyst
- Leandro Fontanesi, Analyst
- Luca Cipiccia, Analyst
- Robert Ottenstein, Analyst
- Thiago Duarte, Analyst

MANAGEMENT DISCUSSION SECTION

Operator

Good morning, and thank you for waiting. We would like to welcome everyone to Ambev's Fourth Quarter 2018 Results Conference Call.

Today with us, we have Mr. Bernardo Paiva, CEO for Ambev; and Mr. Fernando Tennenbaum, CFO and Investor Relations Officer.

As a reminder, a slide presentation is available for downloading on our website at ri.ambev.com.br as well as through the webcast link of this call. We would like to inform you that this event is being recorded, and that 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 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 the 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, percentages changes refer to comparisons with fourth quarter 2017 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 on the earnings release.

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

Fernando Tennenbaum {BIO 20615079 <GO>}

Thank you. Hello, everyone. Thank you for joining our 2018 fourth quarter earnings call. I will guide you through our financial highlights of Brazil, CAC, LAS and Canada, including our below the line items and cash flow. After that, Bernardo will give more details about our operations in Brazil.

Beginning with the main highlights of our consolidated results, the fourth quarter was marked by different challenges across all regions, though we saw success from many of our initiatives, including innovation and continued premiumization. On a consolidated basis in the fourth quarter, top line was up 5.3% as volume drop 3.8% was more than offset by the growth in net revenue per hectoliter of 9.4%. In the full year, net revenue was up 6.9% with volume declining 2.6% and net revenue per hectoliter growing 9.7%.

EBITDA grew organically by 5.3%, reaching BRL 7.5 billion, with an EBITDA margin of 46.7%, which organically was flat in relation to fourth quarter 2017. In the full year, EBITDA was up 9.4%, with margin expansion of 100 basis points to 42%.

Normalized net profit was BRL 3.7 billion, 17.3% lower than in Q4 2017. In the full year, normalized profit was BRL 11.6 billion, 5% lower than 2017.

Following the categorization of Argentina as a country with a three-year cumulative inflation rate greater than 100%, the country is considered highly inflationary in accordance with IFRS. This fourth quarter, we will continue to report the results of our operations in Argentina applying Hyperinflation Accounting. This quarter adjustments are the same, but with different impacts due to the peso appreciation in relation to the real. One, non-monetary assets and liabilities had to be restated using an inflation index, translating to higher cost of goods sold and depreciation of values but in this time only for the past three months. And second, the full year P&L with unit to be converted to Brazilian reals at the average exchange rate of the period had to be adjusted for the cumulative inflation from January 1, 2018 on and then converted using the end of the period exchange rate, which is the closing rate of December 31, 2018. The fourth quarter P&L is the difference between the full year and the nine-month results reported into the last quarter.

Given that the Brazil real appreciated in the quarter, we reported Hyperinflation Accounting positive impacts of BRL 685 million on net revenues and of BRL 220 million on normalized EBITDA, which contributed to a negative impact on the normalized profit attributed to equity holder of BRL 15 million. In the full year, the impact was BRL 558 million negative on net revenue and BRL 353 million negative on normalized EBITDA, which contributed to a negative impact of BRL 291 million on the normalized profit attributable to equity shareholders.

Having said that, I will now move to our divisional results and status review. In the quarter, Brazil EBITDA was down 7.4%, reaching BRL 4.1 billion, with margin contraction of 350 basis points to 47.9%. In the full year, Brazil EBITDA grew 3.3%, with margin expansion of 70 basis points to 43.9%.

In Beer Brazil, in the fourth quarter, top line was up 0.9%, supported by net revenue per hectoliter growth of 3.1%, slightly below inflation for the period, and price increase was offset by geographical mix. Volume in the quarter was down 2.1%, outperforming the industry. In the full year, net revenue was up 2.2%, with net revenues per hectoliter growing 5.4%. Volume was down 3.1%, slightly underperforming the beer industry. Bernardo will give you further comments on this matter. EBITDA for Beer Brazil was slightly down in the quarter, with margin contraction of 80 basis points to 50.4%. In the full year, EBITDA was up by 3%, with margin expansion of 40 basis points to 45%.

Regarding costs and expenses in the quarter, cash COGS per hectoliter grew by 27.9%, mainly impacted by commodity prices, especially aluminum and barley and by a hard comparable in 4Q 2017, marginally offset by favorable FX. Cash SG&A was down 20%, mostly driven by phasing of bonus accruals, which was fully booked in the fourth quarter of 2017 and on this year was split between 3Q and 4Q as well as projects related to non-working money expenses. In the full year, cash COGs per hectoliter grew 8.2% and cash SG&A was down 3.2%. We expect the full year cash total COGS per hectoliter in Brazil to increase by mid-teens in 2019 as we will face pressures from currency depreciation and commodity prices.

In NAB Brazil, top line was down by 9.1% in the fourth quarter, with net revenue per hectoliter growth of 0.8%, driven by geographical mix. Volume declined by 9.8%, underperforming the industry. In the full year, top line was down 1%, with net revenue per hectoliter growth of 8.4%, more than offset by volume decline of 8.7%. EBIT in the quarter was down by 44.9%, with margin contraction of approximately 2,100 basis points to 31.9%. In the full year, EBITDA was up by 5.1%, with margin expansion of 210 basis points to 37.1%.

In terms of cost and expenses, cash COGS per hectoliter was up 31.9% as we already anticipated there would be volatility between quarters. In the full year, cash COGS per hectoliter was down 1.1%. Cash SG&A in the quarter was at 0.5%, also due to phasing of bonus accruals and the savings related to non-working money expense. In the full year, cash SG&A was up by 2.2%.

Moving now to Central America and the Caribbean. In the quarter, net revenue in Central America and Caribbean rose 9.6% as a result of strong volume of 7.9% coupled with a net revenue per hectoliter increase of 1.5%. In the full year, top line increased 12.6%, with volume growing 8.3% and net revenues per hectoliter growing 4%.

EBIT in the quarter reached BRL 712 million, increasing organically by 12.4%, with margin expansion of 110 basis points to 41.5%. In the full year, EBIT was BRL 2.3 billion, up 14.1%, with margin expansion of 50 basis points to 39.4%.

Cash COGS per hectoliter increased 8.6%, negatively affected by Panama who had a strong volume evolution since 2017, has driven additional temporary costs in order to supply the market with no disruption. In the full year, cash COGS per hectoliter was up by 6.6%. Further, cash SG&A in the region was now 18.8%, supported by lower SG&A expenses, mainly due to savings to non-working money expenses and phasing of bonus accruals. In the full year, cash SG&A was up 0.3%. Despite short-term cost pressures, our commercial strategy in CAC remained on track, supporting the healthy volume performance in virtually all countries in which we operate.

In the core segment, we continued to invest in our trade programs, strengthening our connection with our consumers through commercial platforms to further enhance the Presidente brand in the Dominican Republic. In Panama, we kept investing in our main brand, Atlas Golden Light, by creating experience through proprietary events.

We also continued developing our premiumization strategy in the region by investing in our brand, Corona, Stella Artois and Budweiser through a customized execution both for the on-premise and off-premise channels. It is important to point out that premium accounts for less than 5% of the beer industry volume in CAC, representing a great opportunity for the future.

I'd like to take this occasion to say that we're very excited about our business development and strong volume performance in Central America and Caribbean, reinforcing our positive outlook for the region moving forward.

Switching now to Latin America South. Net revenue in Latin America South grew organically by 21.8% in the quarter, with net revenue per hectoliter increasing 30.3%. Volume was down 7.3%, mostly driven by Argentina, where volume declined by low double digits as consequence of a challenging macro environment. In the full year, top line was up by 21.5%, with net revenue per hectoliter increasing 22.1% and volume was down 0.8%. EBIT in LAS for the quarter was up 38.9%, with margin expansion of 700 basis points to 51.4%. In the full year, EBITDA reached BRL 4.9 billion, with margin expansion of 310 basis points to 45.5%.

Cash COGS per hectoliter in the quarter went up 9.1%, mostly driven by favorable FX, while cash SG&A increased by 16.8%. In the full year, cash COGS per hectoliter and cash SG&A were below inflation, increasing 10.8% and 22.2%, respectively.

Despite the macroeconomic volatility throughout the region, we remained focused on what we can control in our business and had positive development. In Argentina, we maintained the strategy of differentiating the core brands, Quilmes, our classic lager, and Brahma, our easy drinking lager. In addition, we launched the Brahma 269 ml sleek can, a product for the summer season, reinforcing our single serve strategy.

Regarding the core plus segment, Budweiser continued to embrace the music platform, BUDX, hosted the main parties in the quarter, sponsoring several DJs. We also launched a limited edition IPA for Andes Origen, which was presented for the first time in the most important gastronomic festival in Mendoza.

Our premiumization strategy has also shown promising results in LAS, with our premium portfolio outpacing the industry across all countries in which we operate.

Looking ahead in 2019, it should be a divided year for Argentina. In the first half, consumer environment should be challenging, but costs will not be significantly impacted by FX due to our 12-month rolling hedge policy. In the second half, we will face FX headwinds reflecting our 12-month hedging policy and the significant devaluation of the peso starting in May 2019. But at this point, we believe consumer environment is likely to be in a better shape.

Going forward, while cautious with Argentina in the short-term, we have positive mid- and long-term perspective in the country, and we remain confident in our ability to deliver solid top line and EBIT in the whole region, supported by strong brand.

Turning now to Canada. In the fourth quarter, top line in Canada was down 2.2%, a combination of net revenue per hectoliter increase of 1.5% and a volume decline of 3.6%, which was mostly driven by a slowdown in the beer industry. In the full year, top line was down 0.9%, which is explained by volume decline of 1.9% and a net revenue per hectoliter growth of 1%. EBITDA reached BRL 575 million, which is 3.4% lower than in the fourth quarter of 2017. In the full year, EBITDA was down by 8.1% to BRL 2.2 billion, with margin contraction of 250 basis points.

In the quarter, cash COGS per hectoliter grew 1.4%, mainly due to higher commodity prices, especially aluminum. In the full year, cash COGS per hectoliter increased 9.6%. Cash SG&A declined by 2.5% in the quarter, driven by lower administrative cost that benefited from savings initiatives and lower variable compensation accruals. In the full year, cash SG&A declined 2%.

Despite industry challenges, we had good achievements with our portfolio during the quarter. In the core segment, Bud Light kept its momentum, supported by strong commercial and trade activations, and Michelob Ultra has continued its fast start, accelerating growth in the quarter.

In the premium segment, Stella Artois and Corona volume ramped up, enabling us to sustain our leadership position in the company. Moreover, the craft portfolio continued to perform well, growing by double digits, already accounting for approximately 5% of our beer volume in the country.

Now, back to consolidated figures below EBITDA. In the fourth quarter, our net financial results, totally on an expense of BRL 1.6 billion, 29.8% higher than in Q4 2017. Main items in the financial expense in the quarter were: First, interest income of BRL 152 million, driven by our cash balance. Second, interest expense of BRL 345 million that also included interest incurred in connection with the Brazilian Tax Regularization Program, as well as non-cash accrual of approximately BRL 60 million related to the put option associated to our investment in the Dominican Republic business. Third, BRL 586 million of losses on derivative instruments, which were up year over year, explained by equity swap losses and increasing carry costs of FX hedges linked to our COGS and CapEx exposure in Argentina. Fourth, losses on non-derivative instruments in an amount of BRL 360 million, mainly related to an adjustment in the fair value of the put option in the Dominican Republic.

Fifth, taxes on financial transactions on the amount of BRL 103 million. Sixth, BRL 265 million of other financial expenses, partially explained by intercompany transactions. Seventh, BRL 179 million of exceptional financial expenses, related to non-cash expenses due to foreign exchange variations on intercompany loans. Finally, eighth, BRL 67 million of financial income, related to non-cash incomes resulting from the adoption of Hyperinflation Accounting in Argentina.

The normalized effective tax rate was 24.6% in the quarter, lower than in Q4 2017. In the full year, the normalized effective tax rate was 13.6% versus 17.7% in the full year of 2017. Cash generated from operating activities in Q4 2018 was of BRL 8.8 billion, which is 1.3% lower than last year. In the full year, the cash generated from operating activities was BRL 17.9 billion, which is 0.2% higher than 2017. CapEx reached BRL 1.4 billion in the quarter, and BRL 3.6 billion in the full year, increasing 11.5% versus the full year of 2017.

Finally, during 2018 we announced approximately BRL 8.6 billion to equity holders in dividends, BRL 7.5 billion of which related to 2018 net profit and BRL 1.1 billion related to 2017 net profit.

Thank you very much. Bernardo will now share some initiatives and thoughts on the Brazilian market before going to Q&A.

Bernardo Pinto Paiva {BIO 7186008 <GO>}

Thank you, Fernando. Hello, everyone. As mentioned by Fernando, during this fourth quarter we saw success from many of our initiatives with highlights for innovation and continued premiumization. Before detailing the fourth quarter, let's recap how was 2018 in Brazil which was a year marked by external volatility. In the first four months, we had a thirsty industry affected by bad weather across the country in an earlier Carnival. The growth consumption momentum of June and July were offset by the truckers' strike in May.

From August to October, we had a price increase and (00:20:48) which led to a challenged consumption environment. This fourth quarter was a divided quarter. In October, the industry was still impacted by low consumer confidence but in November and December, we started to see some better trends. To illustrate that, the value segment that had big (00:21:07) started to reduce its share of the industry throughout the quarter, and also the industry was gradually reducing to the client base. As a result in this quarter, our Beer Brazil volume declined 2.1% which was better than the industry. In the full year, our market share declined 0.4 percentage points after a 0.6 percentage points gain in 2017 according to our estimates.

Now, let's talk about this year's performance. We made structural investments in our portfolio with innovation in new liquids and new package. As owners, we always focus on sustainable value creation. And as we've been saying, we are leaving this craze (00:21:53) in Brazil in a much better shape than we got in, and ready to full benefit of the economy recovery going forward.

Starting with the premium segment. Premiumization is a continuous trend. It is always important to reinforce the current strength in the segment is a great portfolio of brands, combining global and domestic brands. We are certain that the premium market is a portfolio gain. As you can see in many mature markets and that we are in a very strong competitive position to continue to gain share in the segment. Each of our premium brands maintain its own territory, brand position and price point, reaching different consumers and locations. Our premium portfolio combined is going in a solid way and regaining share in the past several months. Our global brands comprised of Budweiser, Stella and Corona grew more than 35% in the quarter with robust expansion of our client base.

In the full-year, the group represents way more than $1 million hectoliters. Budweiser is our largest global brand and the leading trade up (00:23:09) alternative for consumers' entry in the premium segment. Budweiser is an easy drinking lager which stands for authenticity and inspires people to follow their own values. It has been part of the pop culture worldwide, exploring the night life, rock-pop concerts and great moments of consumers' life and continues to grow double-digit quarter after quarter.

Stella Artois is the reference of premium beer quality in Brazil, a classic Belgian lager with distinctive taste that's experienced accelerated growth from the second semester on. In 2018, we expanded the brand presence in gastronomy cultural events. We highlight Villa Stella Artois, a proprietary event successfully deployed during this quarter in Rio de Janeiro, one of the main series of Stella in Brazil. Stella's platform grew more than 50% in the fourth quarter. This amazing result was also supported by the expansion of new packed formats such as the sharing size bottles and the new cans that's offered to Stella Artois consumers, new options to take Stella in different occasions and venues.

Corona is a (00:24:27) of our global brands portfolio, a brand that invites to disconnect from routine and reconnect for essential nature. After a few years of careful introduction in Brazil, it is now ready to lead its potential and in the fourth quarter, more than double its volume. Corona has an unmatchable (00:24:47) and is part of the international surf community, sponsoring the World Surf League. And since this quarter, we are also proudly supporting our Brazilian world champion, Gabriel Medina.

Corona is strongly connected to the beach surrounded by the ocean and has teamed with Parley for the Oceans to clean 20 Brazilian beach in 2019. And since Brazilians are also proud of our traditions and values, our premium portfolio is also strengthened by the domestic brands, Original and Serramalte. Our domestic premium portfolio also had important results in the quarter, with Serramalte growing more than 50% mainly driven by recently launched cans.

Now let's talk about the core segment. Brahma, our classic lager beer, continues to grow way above the industry quarter-after-quarter, reinforcing the brand's beer expertise across all consumers' touch points such us, first, a complete portfolio of seven different liquids with the given asset quality and tradition that go from Brahma Chopp (00:26:00), beloved best-selling classic lager, to Brahma Extra, a pure malt alternative, up to Chopp (00:26:06) Brahma, the best (00:26:08) draft beer. And second, Brahma's quality measures in communication to aid acquisitions and brand experience.

The brand had a strong commercial plan and calendar activations in 2018 such as nation soccer events or a booth by FIFA World Cup in the first semester, a major occasion and key selling moments for Brahma. In addition, Brahma 130 years' celebration campaign in the second half of 2018 reinforced the brand's tradition and Brahma's beer knowledge, while interacting real time with consumers, increasing even further the brand relevance.

Now moving to Skol. Our main highlight of the year were the line extensions of Skol. So now I will take time to tell you about the journey of a single liquid that goes down round to becoming the same loved liquids (00:27:04) that go down round. Launched nationally in the end of third quarter, Skol Hops opened the way of new easy drinking territory. Skol Hops is inspired in the (00:27:17) beers. It is an innovative beer brewed with exquisite aromatic hops that provide a unique combination of lightness, freshness and slightly bitter flavor. It provides relevant brewing credentials to the Skol brand.

With summer approaching, these drinking brands become more evident in the market and so we invested in the new more than visual brand identity of Skol, highlighting its liquid, aggregating more quality perception to the brand. The Skol brand communication in the fourth quarter was "The Wheel Never Stops Turning", not only in the reference of the new visual brand identity, but also preparing the market for another Skol innovation, the Skol Puro Malte.

Skol Puro Malte is a pure malt beer which maintains the unique lightness associated with Skol brands and also bringing the signature flavor of a pure malt beer. It's a 100% natural process with no additives and no preserving agents like all of our beers. The distant balance between drinkability and flavor is a result of years of research and development. The result is a pioneer easy-drink pure malt beer. Skol Puro Malte is the only pure malt beer that really goes down round. Early results of the launch are very, very promising.

I now will spend some time to talk about the Smart Affordability initiatives. To talk about affordability in the core segment, we have developed in the past several initiatives related to packaging such as the 1-liter bottle, the 300 ml RGB, and more recently, the 18-10 (00:29:04) pack. We are already boosting these affordable packs to make them available to all around the country with price accessible to every consumer in the brands they like most.

When it comes to the value segment, it's always important to highlight that although the segment is somewhat relevant in terms of volume, its share of the industry profit pool is significant. It's also important to remind that this is a segment marked by the importance of brand equity, and we believe that when disposable income begins to improve, consumers will trade up. We have seen that happening in other markets in the world. By the way, we've been seeing a contraction off the value segment in the short term as the quarter may show signs of recovery.

When it comes to value segment brands, our strategy is to launch brands with a regional connection, but always looking to healthy margins as we did with Nossa, cassava beer launched in the third quarter that already posted strong growth in Pernambuco, reaching 5 percentage points of market share in the States. Following this successful initiative, we launched in December the beer Magnífica in the State of Maranhão. Magnífica replicates the same successful strategy. It is also brewed as cassava from local farmers and connects with local culture while delivering affordability to consumers.

Regarding our strategy to shaping home and boost out of home, on the on-premise side, (00:30:39) is one of the largest e-commerce in the country and has reached approximately 100,000 clients. On the off-trade channel, we are doing several initiatives guided by the idea that consumers should always be able to have our products (00:30:55), cold and at the right price, with including great force to assure a high service level both on the on-premise and the off-premise. We have been stepping up our road to market across the country via several different initiatives, always focused on excellence in client service.

Regarding NAB division, we continue to invest in the premiumization with brands such as Lipton, H2Oh!, Do Bem, Tônica and Gatorade, premium accounts for more than 13 % of our total volume. We also continue to do important investments in our main brand, Guaraná Antarctica.

To conclude, it's important to highlight how we evolved on sustainability in 2018. Sustainability is an important platform to pursue the dream of being a better word and also enhance and advance reputation. We already took some relevant steps towards these achievements. We completed the test phase of the first Volkswagen electric truck, powered 100% by clean energy which was integrated into the fleet that serves our brewery. Our plan is to have 1,600 trucks by 2023.

In the water (00:32:12) there is also warm-up. Our mineral water which 100% of its profit goes to projects that facilitate the access to drinking water in the (00:32:22) division of Brazil. (00:32:25) has just reached the mark of BRL 3 million covered to the social cause benefiting 26,000 people. Another highlight is our program for created to help NGOs to optimize their process, budgets and also managed people in carriers. We are proud to help by doing what we do best. The project has impacted socially over 2 million people with 185 NGOs and 200 company volunteers. Finally, we will also highlight the 100 plus accelerator (00:32:58) which focus on boosting staff costs that develop solutions to foster sustainability. Only in Brazil, we had more than 400 projects interest in being part of it.

Let's talk about the outlook for 2019. In the past few years, we've implemented transformation initiatives in our business which put us in a strong position to complete in each of the segments of the Brazilian beer market and to fully benefit off the rebound of the economy. We see plenty of opportunities ahead of us and we are confident that we have a strong portfolio to capitalize on such opportunities. We have a solid premium portfolio and strongly believe in the portfolio gain strategy. We keep investing and increasing it.

For the core segment, we have the best-selling strong, loved brands that we will continue to innovate and renovate. We will also continue to deliver smart affordability and play regionally with healthy margins. Finally, we are optimists about Brazil this year, confident in our strategy and the initial signs of the year shows we are in the right path.

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

Q&A

Operator

We will now begin the question-and-answer session. And our first question comes from Antonio Gonzalez with Credit Suisse. Please go ahead with your question.

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

Hello, Bernardo and Fernando. Thank you for taking my question. Just two quick ones, please. The first one is Brito at ABI's conference call gave a pretty detailed presentation on the high end and he qualified it as the single largest opportunity for the company in the next few years. So I just wanted to ask even if you cannot quantify at the Ambev level just conceptually, do you see this as your largest opportunity as well – or because obviously, we've seen a downgrading from mainstream to value and the Brazilian industry arguably is in a different stage compared to the rest of the ABI portfolio. I just wanted to ask if you can mention qualitatively whether you see a more balanced growth or more skews versus premium or mainstream in the very specific case of Brazil.

And then secondly, Bernardo, you seem very bullish about innovation at Skol, right, and this is perhaps the second iteration the pure malt variant. So I wanted to ask if you have an early reading of how much is genuine growth, how much is cannibalization of the mother brand, and is the mother brand starting to grow sort of as a halo effect from the line extensions that you're putting in the market? Thank you.

A - Fernando Tennenbaum {BIO 20615079 <GO>}

Thanks, Antonio for the question. The first one in premium. We really think that premium will grow in the future in Brazil. It has been growing even with the crisis, and we've been gaining share in this segment in the past several months. It's a strong portfolio of brands that meets multiple consumer needs and occasions. So there isn't a market in the world that the premium segment (00:36:46) there's no need to buy a single brand. So it's a portfolio strategy and it's a portfolio gain.

And as we said, I mean, very good shape to win this game. By the way, again, we are gaining share the last several months with this portfolio of international brands and domestic brands. I mean, for the premium segment overall, there's a strong preference for premium beers in Brazil. And the segment is 200 (00:37:17) - I mean, it's not growing in the pace that we see compared to the other markets. Just an example, in Paraguay, the segment is 20%. In Brazil it's around 10%, 10-plus. So it's the rebound of the economy for sure, and the premium segment accelerating real growth.

And I think that the execution in the route to market and the excellence in how to execute better our brands in the trade, I mean, have been improving a lot. So not only with the message of the brands that I mentioned in my speech but in the way that (00:37:54) those brands in the market. So yes, we think that the premium segment will continue to grow and in a faster pace in Brazil. And yes, we think that we'll continue to gain share in the segment because it's support for gain. You can check all the information. It's very hard for one single brand in the premium segment and the mature market has more than 50%, 70% of the market. So we support further gain. We have been a portfolio in stage, so I mean, seeing the brands, Corona in the past in the last three years, and then we go to Stella and then Budweiser was there to really win this gain via a portfolio approach.

So the second question is linked to the Skol family. I think it was very, very important for the Skol as we did with Brahma to bring, I'd say, all the gearing knowledge to the brand. So we will start to talk even more about the Skol family. And then based on all the research that we've done, not only Skol Hops but Skol Puro Malte is (00:39:01), not only helps the mother brands in terms of equity but really help us to expand the industry and to gain share with Skol. So again, the initial signs that we have, they are not comment of Skol Puro Malte, but as I said in my speech I promise that I could say, too. So it would be a family game for Skol as well that was with Brahma in the past, and I think that all the research that we have showed that we are in the right path with this approach.

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

Right. Thank you so much, Fernando.

A - Fernando Tennenbaum {BIO 20615079 <GO>}

Thanks, Antonio.

Operator

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

Q - Luca Cipiccia {BIO 6914452 <GO>}

Hi. Good morning, Fernando and Bernardo. Thanks for taking my question. I actually wanted to ask about the guidance. I think the wording and the structure has changed a little bit over the last few years one year from the other. And I think this time around I was a little surprised that even a lot of the consideration that you made earlier about the fourth quarter have improved sequentially in November and December. The relatively comfortable comps that you're going to face in Q1, and to some extents also in the second quarter.

The macro environment in Brazil are getting better. Some of the qualitative comment that you made you didn't really mention or commented much about the topline that you expect in 2019. I don't expect you to do that now, but I was wondering if you could maybe elaborate a little bit more and explain why that is the case? And also, or more generally, do you expect the industry to grow? At least, even if you can make some comments on that point.

And then also on the guidance I think your messages that EBITDA growth should be faster than in 2018, I would assume that refers to the comparable of organic EBITDA growth that we had in 2018 of 9.4%, so just want to confirm that that's the right way to interpret the guidance of 2019 organically should grow of more than 9.4% than it did in 2018. That would be my questions. Thank you.

A - Fernando Tennenbaum {BIO 20615079 <GO>}

Hi, Lucas. So, I'm going to start with the second one just to clarify. The EBITDA growth should be for Brazil that should be faster than the 2018. And then we are not giving any guidance, we are just providing an outlook. The only guidance that we are providing is the guidance on cost of goods sold. That should be growing for Brazil - should be growing meetings for next year. On the outlook, what we are seeing, and this is not our guidance, is that we are optimistic about Brazil. We are excited about what we've been seeing so far, but we cannot say much more than that.

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

And Lucas, thanks for the question I mean, your question about the fourth quarter and some of the comments about the fourth quarter. What we have been saying is that we've been doing stricture change in our evolution, in our businesses in the last few years during the crisis to be ready to full benefit when the economies of the country Brazil rebounds.

So what I said is that - I mean the fourth quarter was a kind of mixed feelings. October was a tough month in terms of the industry. I mean, the economic environment was not good and the industry is very bad. And then last is the election, we started to see growing better, I would say, industry in a better - I've seen (00:42:54) consumer confidence. And then what - that's why it was a mixed quarter is exactly what I said to you. And another short-term sign that we saw that November and December, we saw the value segment that had weakened that was a big headwind for us because we know our participation to that segment is not relevant. I mean, we are doing lots of things and new brands like Nossa and the other things but still below our fair share. So the market - the value segment had weakened, but in the short term started to contract. That's another sign that the economy, at least in the fourth quarter, was better in November and in the end of the year.

Q - Luca Cipiccia {BIO 6914452 <GO>}

But that is - just a quick follow-up, I would assume that that trajectory should have continued in 2019? I mean, we only have two months into the year but it's already something but I wouldn't think there's anything to suggest that those trends would have been better or if they did, that would be somewhat surprising, is that correct?

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

What I could say - what I said in my speech, Luca, that the initial sign of 2019 shows that we are in the right path, that's what we can say. Just repeating what I said in my speech.

Q - Luca Cipiccia {BIO 6914452 <GO>}

All right. Thank you. Thank you very much.

(00:44:24)

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

Thank you.

Operator

And the next question comes from Thiago Duarte with BTG. Please go ahead.

Q - Thiago Duarte {BIO 16541921 <GO>}

Hi. Good afternoon, everybody. Thanks for the question. Yeah, two questions on my side. First, I would like to go back to the discussion on premiumization. It's clear from the ABI call and even from your initial remarks, Bernardo, that – well it looks like I believe that you guys are doubling down on the strategy even more than you used to which was a lot already. But I want to – if you could please elaborate a little bit on how we should think of premiumization in the numbers? I mean, you look at the quarter what we saw in Beer Brazil, for instance, even though it looks like your premium portfolio grew even faster than it was growing in the previous quarter, we still saw revenue per hectoliter growing, well, somewhat in line with the general beer inflation that we've been seeing around, right? So if you could elaborate a little bit more on why net revenue has failed to capture some of that or what were the effects that are offsetting what we believe is a positive impact from premiumization in your average pricing? I think that would be very helpful.

And the second question is regarding government grants. ABI, in their release, they said something about the phasing of the government grant. If you look in Brazil, we saw that as a percentage of revenues going down substantially in the fourth quarter, particularly in the non-alcoholic segment. So just if you could guide us through a little bit of where we should think of that number going forward, if it was something specific for the fourth quarter, because I would actually – with the increase in – with the growth of brands like Nossa and Magnífica, I would expect the government grants to start growing again as a percentage of revenue. So it would be nice to hear from that as well. Thank you.

A - Fernando Tennenbaum {BIO 20615079 <GO>}

Hi, Thiago. This is Fernando. Thanks for your question. Let me start by the last one, the government grants. At the end of the day, the government grants, they are a function of volume. So since the volume was down in the quarter, this is a headwind, if you could say so, in government grants and is also on your volume mix depends on the state. So I don't think there is any structural change here. It's much more a function of volume mix and then actually overall volume.

You mentioned specifically Nossa and Magnífica. But it's fair to say, I think, these brands they carry a very healthy margin on the value segment, but I wouldn't boil all that down to government grants. I think they had much more than that. I think since we work with the local communities, the cost of goods sold, the liquid is actually cheaper. Since you have a much more local marketing and then selling expenses, you end up costing less. And also we focus on the most profitable packages, mostly the 600 mL and this helps a lot (00:47:40). So I wouldn't be thinking that it's all to do with government grants but there is a lot of other factors that impact the profitability and actually sometimes are even more relevant.

On your question on premiumization on net revenue, there is an effect. The problem is that sometimes, given package unique than other things you ended up not seeing that very clearly. But it's definitely – and then we're not breaking down to the outer world. But I can say that definitely there is a benefit both on top line and in margins.

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

And I think, Duarte, having seen a lot, if they're calling out Brazil – depends on the region, and you could have – like one could have in the call rebounds, the trade up will happen. I would say in the last three to four years (00:48:31) were better for sure, based on every mature market that we know, evolution of many markets, the weight of the premium segment would be higher.

If you think that Brazil will be in a better shape in terms of the macroeconomic KPIs or whatever, the trade up will happen based on all the markets that we know. And we note as well that the portfolio gain, that's why I have been giving the portfolio in stage (00:48:59) to be in the right away in the last two years. It's not a one trick pony and winning, I would say, plan. It's a portfolio one. And then we will see a trade up as well based on a lot of sign in other markets from value to core. By the way in the short term, we saw a contraction in the value segment. So which we think that the comment of Brazil will be in a better shape. As we have been saying, I mean, to you a lot and to – I mean, to everyone, we are in a much better shape in the portfolio as a company that like compared to years ago to fully benefit of that rebound of the economy.

Q - Thiago Duarte {BIO 16541921 <GO>}

Thank you. Very helpful. And just a follow up on Fernando's comments on the tax grants, and specifically for Nossa and Magnífica, I appreciate the comments that you made on the cost and the profitability of the presentation that you're using and so on, but would you say it's fair to say that the amount of tax grant as a percentage of revenues for these particular brands that you're launching, the value segment and so on, is it still higher than the rest of the portfolio? I think it's fair to say that or am I wrong?

A - Fernando Tennenbaum {BIO 20615079 <GO>}

No, we don't go into the details, Thiago. We don't disclose to the external world. But as I mentioned, it's not only tax incentives, there are a lot of foreign components that make the case for these brands to be at the same time affordable and quite profitable to us. So it's kind of a win-win-win. It will help the community to deliver an affordable product to the consumer, and you also have a very healthy margin.

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

And all the link of the local culture is very important to us as well. I mean, the regional approach have been stricter on marketing to be more regional as well, or its regional structures more digital. And I think that in the end, it's a good thing for the SG&A, the expense that we do in the market. They connect much better with the local people there. So it's much more than an affordable product, it's that as well, but it's really build a brand which original emotional link with the people in those specific regions.

Q - Thiago Duarte {BIO 16541921 <GO>}

Appreciate. Thank you

A - Fernando Tennenbaum {BIO 20615079 <GO>}

Thank you.

Operator

And our next question comes from Danniela Eiger with Bank of America. Please go ahead with your question.

Q - Danniela Eiger {BIO 20250080 <GO>}

Hi. Thank you for taking my question. Actually, my first question is regarding the guidance on EBITDA acceleration in Brazilian operations. If you could just elaborate a little bit further on the drivers for this acceleration strategy pricing [Technical Difficulty] (00:51:59) or what is the [indiscernible] (00:52:03) of this acceleration? And on the last results actually, I wanted to understand a little bit better on the strong results there. What was the hedge effect on the quarter and how can we expect these effects coming in the next quarters? And also, I don't know if you can disclose that, but what was the effects on your COGS for the quarter. And finally, if you could just answer a third one and a quick one, just regarding the strong decline on SG&A in Brazil, could you just explain what were the main drivers of this decline in Q4 and if they are sustainable? Thank you.

A - Fernando Tennenbaum {BIO 20615079 <GO>}

Hi, Danniela. Fernando here. So you ask me to elaborate a little bit more in terms of forward guidance to accelerate the Brazil EBITDA growth comparing to this year. We don't want to go too much into details because I think we are seeing EBITDA at the end of the day. And probably what you are trying to look is probably some sort of view on margins. What I can say is that whenever I look at individual lines in our income statements, there are always opportunities to be more efficient to dilute fixed cost with volume, to improve process, and as a consequence, improve margins. Of course there is always effect than commodity volatility during quarter years which might make such improvement harder or easier on a given year.

On top of what we've been doing, there are incremental opportunities to our business. One good example is serving more remote areas that could come with – for a very good additional margin but not necessarily the same margin levels. As long as they also help profitability and help us expanding those industry bring incremental profits, in short also exploring needs. So my EBITDA growth is going to be a combination of all these different factors going into 2019. And as a family, I think we still have opportunities to grow margin but not necessarily we're going to be focusing (00:54:15) on a specific number. But above all, we are committed to consistent EBITDA growth, and I think that we can achieve there in 2019. And more important, this thing about accelerating EBITDA growth is not a guidance but it's something that we always try to accomplish year-over-year.

On the hedge FX, I think it was important to give some guidance especially because the fourth quarter we saw a meaningful increase on the costs, and this was down to commodities (00:54:50) going up specifically aluminum and barley. And while we'll be having the other prior quarters in Brazil where FX was also a huge tailwind didn't happen because FX growth, a little help but almost flattish. So when we go into next year, I think it was important to give our guidance to set the right expectations, and then we expect our costs throughout the year for Brazil as a whole to grow by mid-teens.

Q - Danniela Eiger {BIO 20250080 <GO>}

Okay. Thanks. But just on the – actually, the costs and the hedge effect, I was mentioning about large operations, just to understand there what was the impact.

A - Fernando Tennenbaum {BIO 20615079 <GO>}

Okay. On large operations, our hedging is always a rolling 12-month hedge. So if you look – if you want to understand what are the costs for a given year, you need to look 12 months back and see where the currency was. Since the depreciation in Argentina happened in May 2018, you expect that until May, I have a much better cost of goods sold than after May, so I think that's the message. So you should – so you saw a lot of margin expansion in Argentina throughout the fourth quarter. This has a lot to do that my cost of goods sold is one year before, while on the top line you have the benefit of inflation which also – so increased prices but your costs didn't follow suit.

Eventually, they will follow suit with five-year delay. So for 2019, you could expect a better effect in the first half and two more last May. And then throughout the second half of the year, you should expect (00:56:42) effects. But this is the consequence of our rolling 12 months hedging price.

Q - Danniela Eiger {BIO 20250080 <GO>}

That's perfect. Thank you.

Operator

And our next question comes from Robert Ottenstein with Evercore. Please go ahead with your question.

Q - Robert Ottenstein {BIO 1498660 <GO>}

Great. Great. Thank you very much. I want to circle back to Skol and the challenge which I'm getting from talking to some of the players down in Brazil and throughout the supply chain is that Heineken is actually been doing a very good job at kind of a core plus level with brands like Amstel and Eisenbahn. And so the question is kind of three-part on Skol, one kind of the brand health of the brand, how are the brand health indicators; two, I know you're seeing some good signs from spreading out the brand a little bit that you think it's got broad shoulders but how do we have comfort that that's not going to be at the end of the day dilutive to brand equity? And three, what about bringing in a brand like Beck's if it appears that there is a strong interest in Brazil for more European-type beers? So thank you very much.

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

Robert, very good question. Let's talk a little bit about the core and core plus segment. So I think that the brand that really goes to the core and core players is more liquids and so on, initially it was Brahma. So Brahma with Brahma Extra, that has been growing a lot, so, Brahma is a huge success, growing quarter-over-quarter in the last three years. So Brahma really the big winner brand, I would say, in the market, in the core, core plus segment.

For specifically the core plus, so we have been growing a lot in Bohemia. Bohemia is really – I mean, it's amazing the kind of (00:59:03) that we have been having with this brand. So it's very, very important to highlight that. And then, we can – I mean, I can expand a little bit about Skol. What we saw – I mean, the brand power – I mean, all that indicates (00:59:20) brand. The leading brand in Brazil in terms of brand power is Skol, second is Brahma. And I mean, almost – I mean, 50% of the brand power of those brands, we have a third one in the market. So, I think – and Skol is the leader brand on that.

We thought it was important to bring the concept of a family of beers that goes down round for Skol, to bring more attributes of beer knowledge for this brand because people are very emotionally linked to this brand. It's the leading brand in Brazil. It's an amazing brand power. So that's what we have been doing. So, why (01:00:01) Skol Hops? First, (01:00:05) that was exactly because of the volume. The good volume is the same as Brahma Extra. But because Skol Hops really bring on the beer knowledge, the – I mean, including won a prize of the best hoppy lager in a liquid that's completely different. So it's fresh, it's light, but with this kind of slightly different flavor that the aromatic hops bring. So it's very, very good.

So, when we researched that, that Skol Hops helped the mother brand there – of the mother brand, and this is happening. And then after that, we saw an opportunity in the Brazilian markets to launch the only pure malt beer. It really was not drinkable. So it was undrinkable liquid. So undrinkable liquid, but still with the signature of a pure malt beer. It's not easy to do. I mean, that's why all the pure malt beers in the market, or they have beer or they have a kind of a flavor that not goes down round. So, we have a patent process to really brew liquids, the really fresh, really light, in the sense drinkable, but this is signatures. We tested a lot. We learn in terms of the liquid designs a lot in the last years. All the research that we've done, that's not only volume accretive for the brand, expand the industry, gain share – gaining share for the brand, and help the mother brand like the (01:01:42) Brahma.

So, in my reading, based on the research and the initial, I would say, resource that we have for the (01:01:53) Skol and for Skol Puro Malte, we're very excited about this concept of the family of beers that goes down round and excited about the launch of Skol Puro Malte, the last variant that's just launched in the market.

By the way, the carnivals of this year will be a great opportunity for the Brazilians to try Skol Puro Malte, that's really amazing (01:02:22) to come here to Brazil, (01:02:25) to drink and (01:02:26) drinkable, light, but with a signature in terms of the flavor of a pure malt, the only one in the market that have that.

Q - Robert Ottenstein {BIO 1498660 <GO>}

Thank you very much.

A - Operator

Yeah, (01:02:37).

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

Okay. Thank you.

Operator

And our next question comes from Alex Robarts with Citi. Please go ahead with your question.

Q - Alexander Robarts {BIO 1499637 <GO>}

Hi, everybody. Thanks a lot for taking the questions. So it really is just around your big picture thoughts on innovation. We've seen now in the last six months, four launches in Brazil beer and a couple responding to the value segment growth, a couple to this flavor, malt-hops concept that you're just describing. And so, it's an unprecedented amount of innovation when we think about the history of your company. So, the question is two-fold. Are we kind of at the point where you're feeling comfortable with the portfolio? Are we in midstream of a spurt of innovation? Just kind of getting your sense on the kind of phasing of this innovation as we think about this year.

And then, the benefits clearly, you're describing to us volume uplift, consumer preference and alignment and such. What about if you could comment on the cost side or the expense cost side of this innovation? You have told us in the past that there's room for efficiencies in OpEx. I would assume these small batch type of productions in the northern states are costlier, more malt and more hops are costlier than rice and corn. And I guess just - do you feel comfortable on the cost side and expense side that there is not expected to be an incremental change this year in Brazil beer? Or any comments around that would be great. Thanks so much.

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

Alex, thanks for the question. I think - let's - I mean, go back and, I mean, talk again about the long-term plan that we have and the pillars of the top line growth and EBITDA growth that we - in terms of growing volumes and revenue.

So, first thing is to accelerate (01:05:11), Second, (01:05:16) core. And the third one is drive some affordability. And innovation is part of all of those things. So it's part of the DNA of the company, has been very similar not only in process, but in training our team, investments in terms of trying to find the best liquids. For instance, two years ago, we launched a new innovation center in Rio de Janeiro. That is an amazing place, technology, with the best brew masters of the world really to best liquids. We have been working on that for the last three years, so big time.

And sometimes the process not so two plus two is four; no, sometimes you find a liquid and then that's not the perfect one. Because you have talked about big, big brands. You need to really do it right. Sometimes - I mean, we could launch Skol Puro Malte in July, but we thought it was important to go to Skol Hops first to bring this knowledge, the quality - I mean, knowledge of beer that's Skol. It's a great beer (01:06:29). And then, of course, let's go to Skol Hops even knowing that the volume will not be amazing for Skol because (01:06:34). It's slightly bitter, drinkable.

To really assure that we will launch Skol Hops during the summer, during the carnival, that's what we're doing. So, we don't manage the innovation process that we have quarter by quarter to come here in the call and, I mean, (01:06:52) ourselves and all the analyst. I mean, we think long-term and we really make the calls to do the right things. So we ask, maybe - I mean, given all of the things that have (01:07:04) sitting in all of those years, last year was a year that lots of innovation was ready to go and then with the (01:07:13) go-to-market, our executions system here can deal with them, we are doing very, very well. And I think that will always be part of the - our DNA, we'll continue to innovate for the future. But yes, I'm very happy with the portfolio that we have.

So, premium, amazing, is growing, gaining share, is a portfolio gain. And we continue to gain share. I can see not only the numbers of market share, but I could see when I go to the street, talk to people. So, I mean, people would drink premium brands in different occasion, and the portfolio is there. I see (01:07:49) talked about that maybe. We are steady because of the portfolio. It's really good for - to offer that. And then we have the two most important brands in Brazil, the brand power of that Skol and Brahma, and I think innovation is part of that. The variants are doing well. And then we have all the initiatives of this market affordability, I mean, we just commented (01:08:16) in the orders that could come as well.

So in terms of the cost of the liquids and stuff like that, I think that we - I mean, we have this culture or honor to be efficient, really to (01:08:30) the money with better process. The technology helping us to really make sure that our cost basis will. But we will never and - we never in the past and we will never compromise the quality of our liquids. Everything start from the liquid that's in a bottle and a can. And this is - I mean, always been the part and even more a mantra. We have the better - the best liquids in the market, and we will not compromise the quality. I mean, never because of cost. We could find a cost elsewhere. And then we have the (01:09:13) and have all of this stuff, but make sure that the liquid is the best liquid that we have, the best quality in all of our brands. So, I'm really confident and happy with the portfolio that we have nowadays, and, I mean, pushing the team to continue to innovate because this is a market that will continue to change, and I need to be ready for the next five years, but currently happy with the portfolio.

Q - Alexander Robarts {BIO 1499637 <GO>}

Very clear. Thank you very much.

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

Thank you.

Operator

And our next question comes from Leandro Fontanesi with Bradesco. Please go ahead with your question.

Q - Leandro Fontanesi {BIO 20270610 <GO>}

Hi. Good morning and thanks for the opportunity. I also have two questions. The first one is, we haven't seen bottle makers in Brazil reporting that they are at a high capacity utilization. I was just wondering if you have been seeing any sort of restrictions or bottlenecks so far, or if this is a concern for you if indeed volumes accelerate in the market going forward.

And the second thing is, if you could bring some more color on Canada. So the volume decreased 4%. Correct me if I'm wrong, this used to be a fairly stable market and we saw this has been decreasing in volume. So, I'm just wondering what happened there, is it something related to cannabis-infused drinks or something like that. Thank you.

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

Hi, Leandro. Thanks for your question. On the first one, on the bottle makers, we have no issues at all. Not only we've had - we're seeing no issues from our suppliers, but we also have some of our own bottle plants. So, combining both - it's not an issue. And then we have been not even hearing anything about it in our operations.

On your second question, on Canada, I think Canada is a very mature market. It's a very profitable market. But, of course, as all mature markets, it has its own challenges. I think what we've been seeing is that similar to other places, it's getting more and more premium. And we are investing a lot behind that. Our premium strategy is working. But it's even more of a portfolio gain than in other less mature markets. So, you should expect like a consistent growth over time, although it's fair to say that 2018 was not necessarily a great year.

On your question about cannabis, it's too early to say. There is a lot of discussions about it, but there is no hard evidence that it's helping, working against, or making any meaningful impact on the beer category so far. I think it's something we have to learn about.

Q - Leandro Fontanesi {BIO 20270610 <GO>}

Got it. Just a follow-up on the first question. You can – what percentage of your production you can supply internally for bottles? Do you disclose that?

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

It's around 50%. So, 50% of our volume, we can supply by our own (01:12:39).

Q - Leandro Fontanesi {BIO 20270610 <GO>}

Perfect. Thank you very much.

Operator

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

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

Okay. Thanks for the attention of everyone. Before I finish our call, I'd like to close saying that we are confident, very confident that we are evolving in a consistent way with our commercial strategy and innovation pipeline. In Brazil specifically, we are certain that the premium market is a post quarter gain and (01:13:14) been saying a lot, and that we are in a very strong path with the portfolio that we have to continue to gain share in this segment, like we have been doing in the past several months.

We're also very positive about the rebound of the economy in the country, in Brazil. We have a portfolio of brands in our core that are really, I mean, mainly at Brahma, at Skol. (01:13:38) Brahma and Skol really, really leading the way. There are innovations behind those brands, Brahma in the past, and Skol now really proving to be a success.

So, in core segment, it's even more strong. We have been launching initiatives for the – that segment to increase our share of segment, but to think that the segment will contract, like we saw in the last two or three months, because – I mean, if the economy is doing better, if you think that we were (01:14:11) this will be a trigger, so the premium will grow and the core will grow, and we'll be in a much better shape to really fully benefit of this rebound of Brazil. I think that we are exiting this crisis – I mean, the country I hope, and better in a – much better place and shape that like what we entered years ago. So, ready to fully benefit for the rebound of the economy that everyone here expect in the country.

So, thank you. Have a great day. Enjoy the rest of your day. Thanks again.

Operator

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