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TUP - Q1 2019 Tupperware Brands Corp Earnings Call

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OVERVIEW:

Co. reported 1Q19 sales of $487m and EPS of $0.90. Expects full-year 2019 sales to be flat to down 2% and 2Q19 sales in local currency to be down 2-4%. Expects full-year 2019 EPS, without items, to be $4.03-4.14.

CORPORATE PARTICIPANTS

Cassandra Harris *Tupperware Brands Corporation - CFO & Executive VP*

Jane Garrard

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Olivia Tong *BofA Merrill Lynch, Research Division - Director*

PRESENTATION

Operator

Good morning. My name is Tom, and I will be your conference operator today. At this time, I would like to welcome everyone to the Tupperware Brands Corporation First Quarter 2019 Earnings Conference Call. (Operator Instructions) Thank you.

I would now like to turn the conference over to Jane Garrard, Vice President of Investor Relations. Ma'am, you may begin your conference.

Jane Garrard

Thank you. Good morning. As Tom said, my name is Jane Garrard, and I am the Vice President of Investor Relations. I am here today with Tricia Stitzel, our President and Chief Executive Officer; and Sandra Harris, our new Chief Financial Officer and Executive Vice President.

Along with our prepared remarks, we have uploaded slides to our investor site, including the standard message on forward-looking statements.

I will now turn the call over to Tricia for her remarks on our first quarter results.

Patricia A. Stitzel - *Tupperware Brands Corporation - CEO, President & Director*

Thank you, Jane, and good morning, everyone.

First, I'd like to welcome Sandra to her very first earnings call with Tupperware Brands. Sandra joined us on April 1. And in just a few weeks, she is already proving to be a great addition to our team. Now as a quick reminder, Sandra joins us from VF corporation, a global retail and manufacturing company, and she brings decades of executive experience, developing and leading impactful financial and strategic initiatives globally at VF and previous organizations as well. We are very pleased to have her as part of the team, and she's going to introduce herself and deliver the details on our financial results and forecast later in the call. Jane is also here with us today as Sandra is only 3 weeks into our history.

Now I'd like to begin today by providing some color on the transformation initiatives that we are beginning to roll out and the foundation of our plan to drive value over the long term. I'll then give some high-level color on first quarter's financial performance, including our view on some of the key markets in our portfolio.

As many of you know, this is an important moment in Tupperware's 73-year history. We are executing a global growth strategy designed to ensure that we can achieve sustainable growth in both the near and long term while constantly advancing our mission to inspire women.

Now we are entering a new era here at Tupperware. One that is grounded in the tenants of greater engagement, access and relevance. But what does that really mean in application? Well, it means that we're innovating across products and sales force and consumer experiences. We're making it easier for the sales force and consumers to connect by extending access. We're deploying technology to drive engagement and enhance connections, which is going to make it easier for our sales force to earn. We're updating our service and business models, and we will continue to streamline our global organization to make sure we're operating efficiently and effectively.

In this way, we're confident that we can leverage Tupperware's foundational strengths an innovative and diverse pipeline of iconic products, an expansive geographic footprint with a strong presence in emerging markets and a relevant relationship and social selling model to truly transform the business and deliver value for our shareholders.

Now we are working with the sense of urgency, and we are intent on accelerating our progress. We know that there's much work to be done, and we're focused on doing it and delivering the value inherent to this very special company.

Turning now to the results for the first quarter. We delivered sales of $487 million and that included $16 million from B2B sales. Q1 sales declined 2% in local currency versus last year and earnings per share was $0.90.

Both sales and earnings were within our guidance. We are pleased to report a 5 percentage point sequential improvement in our sales comparison coming most significantly from China, who is up single digits, and the units of France, Germany, Indonesia and Italy, all of whom had double-digit sequential sales comparison improvements.

We improved our overall manager count since December with the success of our Extend a hand initiative. And you've heard me say that unit managers are the engine for our business, because they drive recruiting on a weekly basis.

Turning now to our geographic segments. In Europe, we generated sales of $139 million and a profit of $18 million, which included a majority of the $16 million B2B revenue that I mentioned. We leveraged B2B partnerships for the purpose of brand awareness, connecting us and connecting us with new circles of consumers and potential new sellers. The largest current partnership we have is with Carrefour in France, where we enhanced our normal approach of just demonstrating the product in the store to also allow our sales force more freedom to date parties and to share the opportunity. In addition, Carrefour has included us in their media campaign with many billboards displaying our logo and that has been great for our brand awareness. The partnership has been well received by both the sales force and consumers in France.

Europe's core sales comparison improved by 11 percentage points from the fourth quarter to down 3%. Also, our active sales force grew by 1% year-over-year through better sales force engagement.

In Asia-Pacific, we generated sales of $156 million and a profit of $30 million. We were pleased to see China's sales return to strong growth with the local currency increase of 7% year-over-year. We continued our outlet expansion efforts this quarter, increasing the number of outlets by 6% year-over-year to bring our total to about 6,800. These improvements are supported by our successful e-commerce platform, which is driving traffic back to the growing number of outlets.

In Indonesia, while sales were still down 17%, but it's important to note that this represents an 18 percentage point sequential improvement in local currency sales mitigating the declining trends that we have been experiencing. We are implementing an important compensation plan change effective in early Q3 in Indonesia aimed at the manager level. And we are working to create a compelling program that is more competitive in the market.

Turning now to North America. Sales were $120 million and profit was $17 million. We are disappointed with the results in the U.S. and Canada, which stem largely from a decline in sales force activity. In January, we made a shift in the feature product category in an effort to be less predictable after many years of using the same approach. The campaign was well prepared and launched but it wasn't well received by the consumer. So we had a very slow start to the year for both sales and recruiting. We also rolled out revised qualifications for incentives, which had not been increased in many years. So disappointing result but the cause is more tactical in nature. And the good news is that with adjustments, we improved the activity as we came through the quarter. Now we remain confident in the potential of our operating model in the U.S. and Canada. And we are evolving our studio strategy to include a smaller-scale format and more sales force leadership levels, which will provide us with the opportunity to increase the number of studios in this market.

In Latin America, we are experiencing uncertainty around the new governments in both Mexico and Brazil that led to tightened consumer spending. Additionally, in Mexico, both Tupperware and Fuller were impacted by the gasoline shortage we mentioned last quarter. However, the impact on the Fuller Mexico business was more significant as it impacted the mobility of our field managers, who delivered the orders.

Our South American business delivered sales of $73 million with an operating profit of $9 million. The consumer-spending environment in Brazil that I just mentioned has impacted the number of orders that the sales force member make during the month. Although we have a double-digit sales force size advantage, we have a smaller number of orders given the environment. We are continuing to focus on recruiting and growing the size of the sales force as we need more sellers to compensate for the declining order size. Now it's important to note that we have not lowered qualifications for promotional awards and compensation but we have reduced the minimum order size to encourage sellers to place more orders. We're in the process of deploying new distributors in new locations to the under-penetrated areas of the Brazilian markets, which will expand our reach.

Now I'd like to also provide you some information on the specific actions we took during the quarter as we implement and accelerate our transformation initiatives. Driving innovation is at the core of our business and it's an important part of our go-forward strategy. We are proud of the recent design awards we've won for several of our products, which you can see here on Slide 5. We are focused on continuing to launch innovative products that are both responsive to and drive consumer demand. For example, we are launching, in Q2, a new version of our water filter in China and a new cold-brew carafe in the U.S., Canada and Europe.

Innovation isn't just happening with our product design. We are driving innovation through collaboration with our raw material suppliers as well. As we announced yesterday, we are partnered with one of our suppliers to introduce a new circular material made from mixed plastic waste. We will have our very first global launch of this sustainable product also in the second quarter. And we continue our cutting-edge innovation work with NASA, literally launching into space last week a Tupperware product that allows plants to grow in space. And this is to help us keep our astronauts well fed.

As part of our efforts to extend access, meaning make it easier for our sales force and consumers to connect, we are focused on expanding our experienced studios. Right now, we have approximately 300 studios in 11 countries. Our goal is to reach a 1,000 studios by 2022. And as a reminder, our studios provide consumers with visibility and ease of access to our brand and increased sales and a number of new sellers for our studio owners. Studios are also a part of our go-forward strategy.

We are making progress in deploying technology across our business units that helps to improve our sales force and consumer experience. This quarter, we completed the rollout of a new marketing communications platform that is now in 27 countries. The platform allows the sales force to easily and efficiently communicate with consumers and other sales force members across multiple channels, including e-mail and social media applications. We also recently launched in the U.S. and Canada personalized e-mails on behalf of the sales force manager, which is delivering a consistent 10% to 15% increase in new sales force activations. We are rolling this program out to France and Germany in the second quarter.

We are also in the process of creating a new e-commerce website, which we expect to launch in August of 2019 in the U.S. and Canada. We plan to leverage this site through the -- through search engine optimization, influencer marketing and [adverse] (corrected by the company after the call) retargeting, all of which will elevate and increase consumer awareness of the Tupperware brand and generate leads to new consumers.

This quarter, we piloted a new sales force tool called TUP Social in the U.S. With plans to expand to Europe in the third quarter, TUP Social is a platform that allows the sales force to reach prospective sellers and consumers through a variety of social media sites, thus increasing the member's reach, efficiency and effectiveness. The platform will feature tutorials on how the individual can grow their business through social media. And we believe this platform will be a key contributor to our efforts to expand our active sales force going forward.

The final 2 elements of our strategic roadmap are included in our transformation project focused on making it easier for our sales force to sell with minimal administrative functions and no logistics. Additionally, we are currently conducting business model and competitive analysis to ensure a solid value chain as we move into the -- a new operating structure in Europe. To support this future transition, we are implementing global processes and standardized software, which will allow us to move more quickly as we implement across continental Europe. We have staffed the team for these projects, and we have developed a detailed project plan. We'll provide an update next quarter that includes milestones and metrics.

Now we are firing on all cylinders across the global organization to make impactful changes to accelerate our transformation and create value. We are pleased with early signs of progress that we're seeing.

With that, let me now turn the call over to Sandra for some additional detail on our results.

Cassandra Harris - *Tupperware Brands Corporation - CFO & Executive VP*

Thanks, Tricia, and good morning, everyone.

First, let me start by sharing how thrilled I am to join the Tupperware team at this important time in the company's evolution. It is great to hit the ground running working alongside Tricia and the rest of the management team as we diligently work to transform the company to enhance performance.

Turning now to our results. Sales were down 2% in local currency, which was a sequential improvement from down 7% in the fourth quarter and in line with our guidance range. Sales in the first quarter did include $14.7 million more B2B sales than last year. Core sales were down 5 percentage points in the year-over-year comparison for Q1 but showed 3.5 percentage points of sequential improvement from the fourth quarter comparison. Tricia already highlighted sales performance by key units within her segment discussion. I will now drill down on some other specifics around sales and profit.

Looking at price and volume in the quarter, price contributed minimally to sales and was more than offset by a decrease from volume between 2 to 3 points. The largest volume decreases came from Brazil, Fuller Mexico, Indonesia and the U.S. and Canada. We are very aware of the need to continue to expand ways to get Tupperware products into the hands of consumers through continuing to work on growing the sales force size, expanding studios, leveraging B2B partnerships and deploying technology as Tricia talked about earlier.

Sales volume is highly correlated with the size of our total and average active sales force. Total sales force size was down 3%, while average active sales force size was down 8% from the same quarter last year. We are seeing positive trends, however, from the end of the fourth quarter in Europe. Europe's total sales force was up 2% and their average active sales force was up 7%.

Now I will discuss some specific components impacting profit during the quarter. Gross margin in the quarter was down 10 basis points from 67% last year mainly due to cost in some inflationary markets that could not be offset through price increases. As we stated in our last quarter call, our update on resin is that it is expected to be about even to slightly better than 2018.

Distribution, selling and administrative expenses were 20 basis points higher than last year in local currency at 53.9% due to lower volume predominantly in U.S., Canada and Brazil.

2019 pretax return on sales excluding items for the first quarter was forecast at 12.4% at the low end. Actual was 12.2% in local currency. The 20 basis point shortfall came from slightly lower gross margins and higher distribution as a percentage of sales on those lower volumes partially offset by lower unallocated expenses.

Our earnings per share came in at $0.90 per share within our guidance range. Compared to last year, earnings per share is $0.10 higher than in 2018 in local currency. The change in hedge accounting, the lower tax rate from GILTI each contributed $0.06 in the quarter while lower shares contributed $0.04. These were offset by a $0.09 reduction from operations related to lower sales volume partially offset by the lower unallocated expenses.

Regarding cash flow for the quarter. Cash flow from operating activities net of investing activities for the quarter was an outflow of $52 million, which was $2 million worse than last year's first quarter. For full year 2019, we foresee cash flow of $120 million to $140 million.

Turning now to the outlook. Our sales in local currency in the second quarter are expected to be down 2% to 4% reflecting a 1 to 3 point improvement versus the first quarter in the core sales. B2B sales will be flat with prior year. Our full year outlook remains at flat to down 2% as we believe core sales trends will improve throughout the year. We expect continued stabilization in Europe due to consistent standards, rhythm of the business and sales management.

In Indonesia, the year-over-year comparisons began to improve in the first quarter and the new compensation plan is expected to gain traction by the fourth quarter. We believe the U.S. and Canada business will improve its marketing execution and Brazil will capitalize on its sales force size advantage.

For the full year, the earnings per share range outlook is $4.03 to $4.14 without items and is down $0.03 due to worse foreign currency since we gave guidance in January. Additionally, we've narrowed our range at the top end by an additional $0.04 that is the amount by which we were under the high end of our range in local currency in the first quarter. This range compares with $4.16 in 2018. This is the $4.30 we've previously reported less the $0.14 FX impact in this year's guidance.

As we stated in the press release, we did not make any share repurchases during the quarter. We continue to keep open the possibility of $100 million in opportunistic repurchases this year but have not included 2019 repurchases in our EPS outlook.

Finally, you may have seen in our recent 8-K that we've completed a second amendment to our credit agreement. We initiated this in the ordinary course of business as the prior agreement was set to mature in mid-2020. The amended agreement provides for $650 million in capacity, which is an increase of $50 million and runs 5 years into 2024.

Our consolidated leverage ratio requirement was loosened with half a turn from 3.25 to 3.75 to 1. Other terms and conditions are largely similar to that of the prior agreement and are described in more detail in the 8-K, which we filed with the SEC on April 4, 2019.

And with that, we'll turn the call over for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question comes from the line of Olivia Tong from Bank of America.

Olivia Tong - *BofA Merrill Lynch, Research Division - Director*

I guess can I just start with a couple of questions on the various countries, regions. First, in the U.S., if you could give a little bit more color in terms of what's happening in there, because the declines obviously seem to be worsening? What you're doing to change things? You mentioned a tough start to the year. I don't think there's any seasonality to your business. But if you could give it just a little bit more color on the U.S. to start, that would be great.

Patricia A. Stitzel - *Tupperware Brands Corporation - CEO, President & Director*

Olivia, thank you for being on the call. And yes, I'll be happy to do that. This is Tricia. So in the U.S. and Canada, as I said, we were disappointed with the results. They were off to a difficult start. January is a big promotional period for them. And for many years, we've run the same category, the same product, essentially the same promotion. And we have a new leadership team there. They're looking to do some things differently. And in this business, you don't want to be too predictable. But at the same time you can't change things too quickly either sometimes with promotional approaches. And so they were working to have some newness. And they executed on a campaign that, although we had some good early signs from the sales force, it just didn't resonate with the consumers. They were expecting something different and it really fell short. And then as a result, we didn't engage with the recruiting in a way that we expected and really fell short there, which hurt us in February as well. And so with that then we came short in the quarter. We did mitigate some of the lower levels of activity as we came through the quarter and overcame some of that and changed up the approach as well so that later in the quarter we saw the activity coming back. We have a lot of things going on in the U.S. that are encouraging. And you've heard me in my comments make a lot -- tell you a lot about the technology that we're using in the U.S. in order to really heighten the engagement and the activity level in addition to what we do with just sales force size growth and, I would say, the more fundamentals of the business. And we're really encouraged there by the early signs. We piloted the things that I talked about there, and we're seeing some good results with those. So you know the thing in the U.S. business is that it was more tactical kind of issue. It was marketing-related. And so we don't really see a problem going forward there with the model or any really the more challenging things to change. So we think we can mitigate this and move forward in a positive way there.

Olivia Tong - *BofA Merrill Lynch, Research Division - Director*

Got it. And then perhaps if you could give a little bit more color on Indonesia. Obviously, the decline has lessened there. Do you feel like they're turning the corner there? Or is it still pretty touch and go? And then on the B2B businesses, if you wouldn't mind reminding us the comps for the remainder of the year? The contribution in Q1, obviously, I appreciate the -- you sort of talking about core sales. If you could just remind us the comps for Q2 to Q4, that would be great.

Patricia A. Stitzel - *Tupperware Brands Corporation - CEO, President & Director*

Okay. So I'll begin with the comments on Indonesia and then I'll turn it over to Sandra for the B2B comments. So for Indonesia, we were still down 17%. So we're not trying to be too -- pat ourselves on the back too much about Indonesia. However, it is a good sequential improvement over what we had seen there, especially last year and after several quarters. Now just as a reminder, what we have been working on in Indonesia would be few key things. We made changes to the incentive qualification structure. We used to be very regimented on how we did this. So in week 1, they had to do a certain thing and in week 2, they had to do another thing. And what we said is we keep the qualifications the same but you have the whole month and you have freedom to do it in the way that you want. So that we're not so strict and prescribed on the things that we're doing. And we've been running that now for a few months and that seems to be well received. So they're starting to get more into the flow of that. Originally, the first month we did it, they didn't quite know how to react and so we had some issues with activity levels. Now they're starting to get more into the groove. And that seems to be a good thing. We're also -- we've introduced new onboarding programs for both consultants and managers. In both of those, again good early results. Not a huge impact overall on the numbers but good early results. And by getting these consultants and managers off to a good start, you keep them engaged and retained for a longer period of time.

And then finally, we're working to make this manager compensation plan change in early Q3. We've started already some early discussions with our distributors and they seem very encouraged by it as well, and they're excited about the change and think it's going to have a good impact. Now saying that, compensation plan changes are always a bit challenging. And even if you're going to a better place, just getting through the understanding and getting them up to speed is something that you always have to work through. So yes, we're encouraged by the results in Indonesia. But we still have a ways to go there. We did improve the gap in the sales force size by 2 points over Q4. So again, steady progress in closing that sales force size gap, which is the all-important thing to really higher level sales.

Cassandra Harris - *Tupperware Brands Corporation - CFO & Executive VP*

And Olivia, this is Sandra. In regards to the B2B question, we were 3% in Q1, expected to be flat in Q2, down 2% in Q3 and down another 2% in Q4.

Olivia Tong - *BofA Merrill Lynch, Research Division - Director*

Got it. And then just lastly for you, I know it's only been 3 weeks since you joined the company. But as you look at the company's targets, have you had a chance to sort of do your own assessment? Any early views on how you intend to return cash to shareholders whether via share repurchase or dividend? How you feel about those levels for the company? And I know there wasn't any share repurchase in the quarter, but how do you think about order of priority in terms of some of those different buckets? Appreciate it.

Cassandra Harris - *Tupperware Brands Corporation - CFO & Executive VP*

Yes, so thanks, Olivia, I'll say that I'm truly excited, again, to be part of the Tupperware team. I think the timing is right for -- as Tupperware launches this transformation initiative and with my transitioning after 25 years. I'm actually encouraged by the guidance for the first quarter and the sequential improvements that we're seeing. I think that these show positive momentum. And combined with the transformation gives us confidence that we're going to be able to return shareholder value. I've worked for the last 10 years in a company that invested and transformed purpose-driven, consumer-focused brands. And Tupperware is a purpose-driven, strong global brand focusing on transformation.

In regard to the priorities and questions on what we'll focus on, I'm here to help drive Tupperware shareholder return by focusing on revenue, margin growth and increasing cash flow through working capital improvements. I fundamentally believe people want more Tupperware. I also believe we have a plan to do this. As Tricia discussed today, we can do this through digital technology, more innovative products and more consumer experiences through studios. By telling the story through the numbers, I'll work with the team on identifying ways to improve margin and working capital by operating more effectively and efficiently.

I previously drove an initiative that leveraged spend globally and improved margins by 120 basis points. And I also have extensive experience with working capital specifically related to inventory, where I achieved a 20-day reduction in my previous role as CFO of the supply chain for VF. So I fundamentally believe that I can apply those experiences here at Tupperware and can continue to drive shareholder value. Specifically in response to your question on the buybacks, as we stated previously, we will look at those opportunistically and have up to $100 million of potential to do that.

Operator

And our next question comes from the line of Frank Camma from Sidoti.

Frank Anthony Camma - *Sidoti & Company, LLC - Senior Research Analyst*

First question is just on the studios themselves. Can you just update us, now that you have 300 of them, can you give us some numbers around any improvements in sales there? What data you get out of those centers, et cetera? Just to kind of get a frame for what would happen if you get to goal of 1,000 by 2022.

Patricia A. Stitzel - *Tupperware Brands Corporation - CEO, President & Director*

Sure, Frank. Well, what I can tell you is that just overall what we see in terms of the trends. And this is really now across all 300 that we have. We exclude -- obviously, we're excluding China from those numbers. And -- so when we look at those numbers overall and the performance of these studios, what we see is that leaders in a studio do double digits better than those who are not in a studio. And so, again, it's a high-level number. It's very early in the process for these things. And we have 300 of them. So we have to see how that plays out also year-over-year -- what happens to those numbers year-over-year as well. But I would say that based on that, early signs are good.

Frank Anthony Camma - *Sidoti & Company, LLC - Senior Research Analyst*

Okay. And on the -- you spend a lot of time on the initiatives to grow sales, which I think, obviously, is an important thing. But a lot of the money has been spent over the last couple of years on reducing costs as well. Can you talk about sort of -- it's not, obviously, showing up on the margins here yet. So where -- as an investor, where should we be most -- where should we be looking at reducing probably not cost of products sold but DS&A? And where do we see those efforts come through as far as things like closing down factories that you've done in the past and restructuring? Like, where do -- where would we model that, I guess, going into the future of those savings?

Cassandra Harris - *Tupperware Brands Corporation - CFO & Executive VP*

Yes, so I'll take that, Frank, this is Sandra. As you know, we finished -- or we're in the process of finishing our revitalization plan that ran from 2017 to 2019. And as that plan came to fruition, yes, there was about $89 million that was spent in that program. But we did deliver $38 million of annualized benefit, which was higher than the expected amount in the guidance that we provided. Unfortunately, with the issues that we're seeing in Brazil and other locations, the higher promotional levels and some of our operating costs in relation to volume, as I spoke about earlier, is offsetting that. But we have seen those savings come through, through the closures of plants that we had planned on like France last year. As you know, we're embarking upon the transformation initiative, which is in its early stages. And as Tricia shared, we're willing to talk about that more next quarter. And we do expect that we will see annualized benefits of about $50 million related to that project. And the more important thing here is also that it's expected to drive sales growth as we go through that transformation process.

Frank Anthony Camma - *Sidoti & Company, LLC - Senior Research Analyst*

Okay. Last thing just on the B2B since that was pretty meaningful in the quarter incrementally. Why is -- like a relationship with Carrefour, for example, worked better than what you've -- years ago, I think it was Target, you did something similar right in the U.S. So why does that work in Europe, let's say, rather than and why doesn't it maybe work in a place like the U.S. with the Target? Can you speak to that?

Patricia A. Stitzel - *Tupperware Brands Corporation - CEO, President & Director*

I can. So it's a completely different structure on the way we were doing it. So the way we did it in Target is that we actually put product for sale on the shelfs in Target, sold through Target direct from the company. So that's -- essentially, we were selling retail via Target. That had a profound impact on our independent sellers, because people felt like, I don't need to go to an independent seller, I can just go to Target and buy it. And so the way we do it when we do B2B sales is that we include in the process our independent seller who is in the store. Now we also -- one of the great things about the collaboration that we're doing with Carrefour is that we have gone a step further. So typically with B2Bs, they let us sometimes be in the store. By us, I mean our independent sellers. But they only allow them to demonstrate. And what we negotiated with Carrefour this time is that our independent sellers would have more freedom in the things that they would do in the store. So yes, they would demonstrate the product but they would also be able to date parties, find new consumers and also share the opportunity to welcome new sellers onto their teams. And so these independent sellers are in the communities that are close to their homes. And that has a fantastic impact on helping them to reach new circles of consumers and sellers.

The other thing that we did with Carrefour is to ensure that our logo was included in their media campaigns. So they have many, many billboards all over France and our logo is on those billboards. And so it really helped us to overcome some of that negative sentiment that may have been lingering and people thinking, oh, what happened at Tupperware. They see us. They're loud and clear. It really gave a lot of confidence to our sales force, really a sense of pride. And you know it's just offering a lot of encouragement to them. So completely different dynamics from the Target situation, which was detrimental to the business and the way we've structured it in France with Carrefour.

Frank Anthony Camma - *Sidoti & Company, LLC - Senior Research Analyst*

So when a customer, though, buys at Carrefour, right, because you do sell it to Carrefour, does the independent rep that's there get a cut of that? Or how does that work?

Patricia A. Stitzel - *Tupperware Brands Corporation - CEO, President & Director*

Not of that sale directly. Because Carrefour, they're purchasing the product. However, certainly a portion of those sales, because we always want to feed -- want our people to share in the benefit of that. We do it through promotions, incentives. We support them with different kind of samples or materials that they then can use in their marketing. So in the case of Carrefour as well, we would put into the product a bounce back coupon, for example, and this would have to -- bounce back coupon to the party. They would welcome them to the party. And then when you come to the party, you might be able to get the remainder of the set. I think another important point of differentiation that I want to make sure it's clear is that in Carrefour, we're not really selling the product. It's more a fidelity program. So just to clear that up. So consumers have -- they buy the amount of food or whatever they buy at Carrefour will earn points. And with those points, they can use to redeem a particular product.

Operator

Our next question comes from the line of Beth Kite from Citi.

Beth N Kite - *Citigroup Inc, Research Division - VP and Analyst*

If I might ask one more on the B2B and then just another question or two after that. But you had a couple of quarters last year with benefits from it. It seems like this first quarter certainly did. Where do you think this can go as a component of your business? And might you sort of try to scale it, invest in at that effort to a greater extent? Or at this point, are you just sort of kind of maintaining the focus you've had to date?

Patricia A. Stitzel - *Tupperware Brands Corporation - CEO, President & Director*

Yes. So we're really thoughtful about how much B2B we do. And we want to make sure that it has the impact. What we say about B2B is, we only do it when it builds the brand and feeds the core. And frankly in the past, sometimes it works well and sometimes it doesn't. And depending on how we can structure it, we really feel that we have this formula now with Carrefour or what we've done with Carrefour that it is truly feeding the core. At least it did. I mean we're 4 weeks in, right? So I don't want to take things too strongly. But -- so we're feeling better about that. If we -- and as we look at these going forward, we would continue to do them as long as it does those 2 things. And we think that is important. But we are thoughtful about it, and we take care not to overdo it, because we want to make sure that consumers don't get this mindset like we had in Target at one time that, oh, Tupperware is retail now. Because it hurts the -- it negatively impacts the independent seller or it can.

Beth N Kite - *Citigroup Inc, Research Division - VP and Analyst*

Fair enough. Great. Turning to the studio concept, I think that I heard in your prepared remarks that you said maybe here in the U.S. you are trying some smaller format studios. If I did hear that correctly, kind of why? And do you think here right now with a footprint that now you can sort of move forward with it's the right formula for them? And I guess related to that, it seems that there are a number of studios in South Korea. Can you just give us the geographical breakdown of those 300 that are currently in the portfolio?

Patricia A. Stitzel - *Tupperware Brands Corporation - CEO, President & Director*

So let me start with the U.S. and the smaller studio. So we -- when we first launched this, we went out and we said, this is an opportunity for really our top leaders. And one of the requirements was that they had to be at least $1 million business and [meet] (added by the company after the call) certain other requirements. And so we had good reception to that. We have many leaders who were interested in it. We have about 40 of those in the U.S. business -- U.S. and Canada business now. And because of the good reception, $1 million organizations, there's only so many of those you have in a business. And we had people who were deeper in the organization saying, I'm also interested. So we want to make sure that we set them up to win. So we don't want somebody to go in who is -- has a tiny organization and doesn't have the revenue that will fuel this. So -- but we did take a look at it and we said, you know, we could go with the smaller footprint. And it's really from what we learned in markets like Korea and China to say, you know you don't need 2,000 square feet in order to have a demonstration space that you can consolidate this. And in China, I think it's like 50 square meters or something where we actually demonstrate and do a great job. And so we said, let's scale this thing down and let's have it at a lower entry point and then we could open it up to the director level. And -- then at the director level, we have a broader audience that could participate in that. So that's exactly what we're doing and that will just help us to expand the physical presence that we have and help with visibility and access throughout U.S. and Canada.

So with regard to the geographic breakdown. I'm not sure that we really want to get into the details of every single country. I'll say that -- so I gave you U.S. and Canada. Outside of that, Korea would be our largest market in terms of number of studios. There are running at about 30% of [the total] (added by the company after the call).

Beth N Kite - *Citigroup Inc, Research Division - VP and Analyst*

Great. Great. Two quick other questions. One on China. It was nice to see, I think, after the fourth quarter had a slight decline, I guess, you'd would say of outlet health and to see that resume to growth, again, here in the first quarter of '19. Are you able to share kind of here in 2019 or even maybe on a multi-year range what your outlet growth is in China at this point and kind of baked into your model?

Patricia A. Stitzel - *Tupperware Brands Corporation - CEO, President & Director*

Yes. I'm not sure, Beth, that we'd get into that kind of detail on any particular country. But you know that we have seen strong growth in the outlets. What we've said over time is that we feel we can get to 20,000. And so that continues with we have 6,800. We feel we can get to 20,000. So good room for growth, I guess, I would say.

Beth N Kite - *Citigroup Inc, Research Division - VP and Analyst*

Fair enough. And one last one real quickly on guidance. For -- given the 1Q results and the guide for the second quarter, I think it implies that a pretty good second half of '19 for you to get to your full year guidance range. Are there 1, 2 or 3 items that either countries, points of innovation, B2B sales or something that really gives you confidence in that acceleration of growth in the second half?

Patricia A. Stitzel - *Tupperware Brands Corporation - CEO, President & Director*

Yes. I'll comment and Sandra, I don't know if you want to add to this or not. But Sandra commented on a few key things. So we're encouraged by what we're seeing in terms of the stabilization and the more consistent standards that we have in Europe. Also the positive impact that we've seen in Indonesia but also this impact of a new compensation plan that we're putting in there to be more competitive in the market. That's really aimed at that unit manager level. And as I've said that unit managers are the engine of that business. And that's been a challenge for us in Indonesia. So if we're able to again restart that unit manager engine, I think we'll see good things there. Brazil also was a challenge for us in Q1. But with that double-digit sales force size advantage, we really feel that we can -- even with continued tightened consumer spending, we feel we can switch up the product mix, the merchandising and the price points there in order to really start that market back on a more positive path. And in Brazil, our recruiting continues to be good as well. So those are all things that I would say give us confidence about the second half.

Cassandra Harris - *Tupperware Brands Corporation - CFO & Executive VP*

I was just going to add that we talked about seeing the improvement in the quarter. So we expect in the second quarter and continuing on through the third and the fourth. So for Q2, we expected 1 to 3 points of improvement related to that quarter. And we expect that trend to continue based upon the initiatives that Tricia just discussed.

Operator

(Operator Instructions) Our next question comes from the line of Doug Lane from Lane Research.

Douglas Matthai Lane - *Lane Research - Principal & Director of Research*

Tricia, I'd like to focus on the active sales force. Trends in the active sales force have been weak. And if you look at it, they're about 20% below levels from 5 years ago and really haven't grown in any quarter in over 3 years. So what are you focusing on getting the active sales force to grow again?

Patricia A. Stitzel - *Tupperware Brands Corporation - CEO, President & Director*

So we're really focused, Doug, on making sure that we have engagement of the sales force. So recruiting is always the first step in that process and making sure that we have that engine moving well, if you will. But many of the things that we've talked about, first of all, with the fundamentals, the things that we talk about with the rhythm of the business in Europe and some of the things that we've worked on during the first quarter and we're seeing a better level of engagement. Sandra talked about the more positive impact that we have in TEAM [Europe] (added by the company after the call) with that and gave you some of those numbers. So the sequential improvement that we saw there in our sales force size but also the active sales force in TEAM [Europe] that was a 5 point improvement over Q4. And they were up 1 year-over-year. And then many of the fundamentals and those kind of things that we talked about with regard to rhythm of the business, also our onboarding programs are an important part of that. That's really you know where a new seller comes in or a new manager to ensure that she's effective. We have these 13-week systemized programs that come in to ensure that she gets the training that she needs. And we've seen good results from these programs. Now, they are -- so the consultant program is -- we rolled that out last year. It's still getting up to speed, I guess I would say. But the results where we're doing it are good. Also good results from the manager program that we have seen in countries like South Africa and CIS. CIS is doing this very well in making sure that we execute on those.

And then in addition to supplement all this are all the things that we're doing around technology, because we know that the best way to engage someone is face-to-face or at a meeting but often today that doesn't happen. And so making sure that we're using social media in such a way that we can be top of mind each and every week, each and every day with people. And the platform that I talked about that we're rolling out, this automated e-mail and social media platform, it just allows our leaders to do this in a simpler way. So rather than typing an e-mail to every single person, especially during the onboarding program, we have a series of welcome e-mails that we do on behalf of the sales force. So we're sending them out but we say, Sandra is the leader, and on behalf of Sandra, welcome Jane to Tupperware. Here's what you should be doing this week. And so she gets this e-mail and she can engage and facilitating all these communications across these platforms that people are on every single day every hour of every day is important to us. So a little pace. Sorry, I can go on and on.

Douglas Matthai Lane - *Lane Research - Principal & Director of Research*

No, that's helpful. I mean you mentioned your optimism in the second half of the year and the changes going on in Brazil. Do you think that will be enough to drive a positive number for active sales force in the second half of this year?

Patricia A. Stitzel - *Tupperware Brands Corporation - CEO, President & Director*

That's what we're working to do, certainly. And as I said, a lot of these things that we're rolling out, we are rolling out -- we piloted in the U.S. in Q1 with good results. And so now we're just kind of putting them out there for everyone. So we hope to be having an aggressive rollout on those.

Douglas Matthai Lane - *Lane Research - Principal & Director of Research*

Okay. And lastly, I think I heard you mention a change in the compensation plan. Can you just elaborate on what changes you are looking to make or are making in the compensation plan?

Patricia A. Stitzel - *Tupperware Brands Corporation - CEO, President & Director*

So that was in Indonesia specifically. And what we're working to do in Indonesia is that in Indonesia managers are essentially paid on a certain number of levels deep into their organization. And what we see is that other companies are paying on a wider and deeper organization. So we want to offer the opportunity for our unit managers also to build teams both wide and deep. And rather than just focusing on a few people that are reporting to her that really they can start to build those teams and engage with them at all levels. So that's what is important to us. But it's important to note, again, we're not saying that, that's going to be a hit on the value chain that we're reallocating in order to do that so that we keep [cost the same] (corrected by the company after the call).

Operator

And that concludes our question-and-answer session. I would like to turn the call over to Tricia Stitzel for closing remarks.

Patricia A. Stitzel - *Tupperware Brands Corporation - CEO, President & Director*

Thank you. Well, thank you, everyone, for being on the call today. Let me just conclude by telling you that we are all confident that the sequential improvement we saw throughout our business units in this quarter in both sales and the sales KPI are a strong sign that we are laying out this promising foundation for our transformation and our efforts to drive enhanced shareholder value. While we recognize that there's much work to be done, we do believe that we will continue to see improvements in 2019 and beyond. We thank you for your interest in our company and our stock, and we look forward to continuing to update you as we make progress. Thank you, everyone. Appreciate your time.

Operator

And this concludes today's conference call. Thank you for your participation. You may now disconnect.