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TUP - Q3 2019 Tupperware Brands Corp Earnings Call

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OVERVIEW:

Co. reported that 3Q19 reported net sales were \$418m and adjusted EPS was \$0.43. Expects full-year 2019 local currency sales to be down 8-10% and EPS to be \$2.77-2.83.



OCTOBER 30, 2019 / 12:30PM, TUP - Q3 2019 Tupperware Brands Corp Earnings Call

CORPORATE PARTICIPANTS

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

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

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

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

PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by, and welcome to the Tupperware Brands Corporation Third Quarter 2019 Earnings Conference Call. (Operator Instructions)

I would now like to hand the conference over to your speaker today, Jane Garrard, Vice President of Investor Relations. Thank you. Please go ahead, madam.

Jane Garrard - Tupperware Brands Corporation - VP of IR

Okay. Thank you, Jerome. Welcome to Tupperware Brands Third Quarter 2019 Earnings Conference Call. With me on today's call are Tricia Stitzel, our Chairman and Chief Executive Officer; and Sandra Harris, our Executive Vice President and Chief Financial Officer.

Earlier this morning, we issued a press release announcing our financial results for the third quarter ended September 28, 2019. The press release is available on our company website on our Investor Relations Page.

We will begin with our safe harbor statement. During the course of today's call, we will make forward-looking statements that are subject to risks and uncertainties as described in our press release and in our SEC filings. You should listen to today's call in the context of that information.

We will also discuss our results for the quarter, primarily on an adjusted non-GAAP basis. Reconciliations between GAAP and adjusted measures can also be found in our press release. You can access the release and our forward-looking statement language through the Investor Relations section of the company website, where you can also access a webcast replay of this call later today.

I will now turn the call over to Tricia for her remarks on our third quarter results. After our prepared remarks, we will take questions from our telephone participants. Tricia?

Patricia A. Stitzel - Tupperware Brands Corporation - CEO & Chairman

Thank you, Jane, and good morning, everyone. Sales for the third quarter ended in line with our forecasted guidance as the challenging trends we've been experiencing in Brazil, China and U.S. and Canada persisted. Profitability was adversely affected by accounting reserves related to our Fuller Mexico beauty business and adjustments to our tax provision. Sandra will talk through the accounting on these noncash items in detail shortly.



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We understand that we need to live up to the challenges of being a competitive global business, and we need to drive rapid improvement. We can and we will. We've acknowledged the urgency to address the situation in these large markets, as such, we're currently in the process of assessing critical aspects of our business, and are adjusting our plans for near-term action to improve flexibility in cash, contain costs and drive profitability.

Now to be clear, our mission and end goals have not changed. But we do recognize that we need to stay nimble in our process to achieve those goals given the changing landscape. Now as part of our commitment, we recently engaged a global professional services firm that has a strong record of revitalizing iconic American brands that have experienced similar challenges to those facing Tupperware today. Through this engagement, we now have access to expertise and resources we believe will help us prioritize opportunities in how we go to market, our cost structure and cash flow management. Simply put, our strategy centers around more access, more consumers and more sellers.

We plan to continue to invest in and execute on our strategy of expanding our community of both consumers and sellers by revitalizing our core, harmonizing our channels and streamlining our business.

My primary objective is to focus our leadership team on being the team that transforms this business to ensure we grow and remain relevant for the next 70 years.

I'd now like to turn the call over to our Chief Financial Officer, Sandra Harris, for a deeper discussion of our financials. Sandra?

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

Thank you, Tricia. Reported net sales of \$418 million is down 11% versus last year on a local currency basis, within our guidance of being down 9% to 11%. Excluding a 100 basis point impact year-over-year in B2B, our sales were down 10%. We had expected the trends in our largest markets to continue. With Brazil, Mexico, Indonesia and U.S. and Canada down approximately 20%, while China was down 10% in local currency.

The 4 markets down 20% are all struggling to grow the size of their average active sales force. Tricia will address the specific actions being taken to revitalize the core in these markets.

In China, the economic slowdown has continued to put pressure on consumer spending in the region, leading to fewer entrepreneurs willing to invest and opening new studios.

Despite this, we had 332 new studios added in the quarter. Additionally, the shift to medium-priced products continued in the third quarter, up around 20%, and we launched a new collagen product during the quarter.

Turning now to profit. Our adjusted pretax return on sales was 8% for the quarter, down from 13% in the prior year as a result of high fixed cost on declining sales.

Our pretax return on sales guidance of 10% did not anticipate a noncash item related to our Fuller Mexico business. The Fuller Mexico beauty business had lower collections and higher sales returns than expected, resulting in increased inventory and accounts receivable reserves, impacting earnings per share by \$0.13 versus our guidance. The beauty business in Mexico operates quite differently from our Tupperware businesses. We will consider all strategic actions related to the beauty businesses as we continue to focus on revitalizing the core and streamlining our business.

Another noncash adjustment in the quarter related to the tax provision, as prior estimates were updated based upon the filing of our 2018 tax return that was filed in October. These adjustments resulted from management's continued assessment of the impact of the U.S. Tax Cut and Jobs Act of 2017, whereby GILTI and BEAT continue to have significant impacts. This tax rate change impacted earnings per share by \$0.04 versus our guidance provided in July. We will be reviewing our tax structure to explore options to potentially minimize these impacts in the future.

Although tax did impact the quarter, we do expect that our full year GAAP tax rate will be lower than the prior year at 36.9% versus 43.6%.



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These 2 items, together with \$0.04 worse foreign exchange primarily drove the EPS of \$0.43 below our expectation of \$0.61 to \$0.66 for the quarter. I mentioned, the sales were in line with our local currency guidance and without these items, our operating earnings were on track as well.

We have posted a waterfall chart reconciling our July adjusted earnings per share guidance to actual on the Investor Relations website. Despite lower net income, our operating cash flow net of investing in the third quarter was an outflow of \$4 million, which is \$1 million better than the prior year mainly due to improvements in inventory.

Turning now to full year guidance. Given the trends in our largest markets, our full year local currency sales decline is now expected to be down 8% to 10% and earnings per share is expected to be between \$2.77 and \$2.83, primarily due to lower profit on declining sales. This forecast also includes \$0.10 worse impact for foreign exchange than the guidance in July. Additionally, the Fuller beauty item is expected to have an overall \$0.16 negative impact, while the tax provision change is expected to be \$0.18 worse than July guidance for the full year.

Operating cash flow net of investing is now projected at \$65 million to \$80 million, inclusive of an estimated \$5 million favorable impact from supply chain financing. While we are actively working on adjusting the cost structure as sales decline, we have not been able to do it fast enough, resulting in lower operating profit margins in the segments. When we report the fourth quarter and provide 2020 guidance, we plan to provide you with additional detail on the actions that we need to take to deliver improved, near-term results, profitability and cash generation.

We believe in our long-term strategy that recognize that we need to take quick action to address the current trends in our business. Before I turn the call back to Tricia, I'd like to address our capital allocation policy. In line with the ongoing strategic initiative, the company continues to evaluate the best allocation of its capital to invest cash in the business, pay down debt and return values to shareholders. With that, I'll turn it back over to Tricia.

Patricia A. Stitzel - Tupperware Brands Corporation - CEO & Chairman

Thank you, Sandra. So our focus throughout the transformation, as you know, has been on our 3 strategic pillars of growth: revitalizing the core, expanding access through harmonized channels and streamlining our structure. Let's talk about revitalizing the core. We are a direct selling business, and our community of sellers is critical to our success. As such, we continue to contemporize our business model and go-to-market strategy to ensure we make it easy for consumers to connect with us. We launched a new compensation plan in Indonesia in the second quarter to make the mid-to-upper level leadership opportunity more attractive. And the early signs are promising as we've seen a 28% improvement in manager count during the third quarter. The majority of the KPIs are moving in the right direction, however, sales results are not yet showing year-over-year growth as we continue to drive behavior change.

We continued our efforts to contemporize the business model in Continental Europe by converting stocking distributors to non-stocking, which reduces the administrative work for the sales force. This change has now been communicated to the impacted distributors and the reaction has been in line with expectations. We are currently on track with 24% of the distributors converted to non-stocking as of the end of the third quarter and expect a full transition of Continental Europe markets by the end of 2021. And finally, we have expanded the use of digital tools in the selling process, most notably, the launch of Tupperware Social in the U.S. and Canada, which enables our sales force to streamline their weekly promotions across all the social media channels. And during the quarter, we had almost \$1 million in sales through this new social media tool, and digital sales represent about 5% of our U.S. and Canada sales.

Additionally, we've seen a 40% increase in social media sessions in this quarter. We've also rolled out the same tool in Germany this past quarter, and we plan to expand to 13 other European countries, 7 of those will go live in Q1 2020.

Turning to our efforts around harmonizing and expanding our channels. I am excited about the launch of our e-commerce site in the U.S. and Canada that we just launched earlier this week. And in the fourth quarter, we're planning to launch e-commerce and e-tail both in Brazil and Mexico. Our team has been hard at work on this critical component of our strategy, and we're making the necessary investments in technology to do exactly that.



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In conjunction with the launch of the U.S. and Canada website, we are utilizing digital marketing to drive traffic to our revitalized websites. So I invite you to go to tupperware.com and check it out. We have amazing new tools there and content, which we're going to continue to enhance.

Now last quarter, we shared with you that our digital base was mostly in the U.S., Canada and Germany, and I'm pleased to report that we now have made progress in expanding our online presence this quarter with new e-tail channels in India, which include Amazon, Flipkart and Paytm. And to drive the continued development of our digital strategy, I also like to welcome Larry Roos, who joined us in late September as our new Vice President of IT and Digital Technology worldwide. Larry has experience in direct selling, digital and retail businesses. And we look forward to providing you more updates on our technology-driven investments in the coming quarters.

Now turning to our brick-and-mortar studio strategy. At the end of the third quarter, we had about 7,100 studios worldwide, including China. Outside China, our number of studios are at approximately 400, including 10 new studios in India, where we recently started expanding this concept. We're also excited to announce the launch of a new pop-up store that we will have in New York city near SoHo for the holiday season. It will be a consumer shopping experience that will sell a curated line of Tupperware products via the demonstration, provide in-store access to tupperware.com, where consumers can shop the entire range as well as connect with the local representatives in their area. So be on the lookout for an invitation for an introduction event that we'll be doing there shortly.

Now Tupperware is a community of 3 million independent sellers across the globe, and we are committed to providing products and opportunities that strengthen these communities. We recognize that our transformation is a continual journey, not just the destination, and we're working hard to capture the resurgence of our brand with compelling opportunities, partners and platforms, to introduce our products to new audiences. And we, of course, are working hard to revitalize the core, harmonize the expansion of new channels and streamline the business to drive value for all of our stakeholders.

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

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Your first question comes from the line of Olivia Tong with Bank of America Merrill Lynch.

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

First one to start with the interesting news about the launch of e-commerce in U.S. and Canada. Love to hear -- I know it just started but would love to hear initial feedback from your sales force, especially since that had historically been something that is a little bit touchy in terms of trying to make sure that the sales force knew that you weren't trying to leapfrog them in any way. Just -- I'd love to hear a little bit of feedback for them first.

Patricia A. Stitzel - *Tupperware Brands Corporation - CEO & Chairman*

Sure. Thanks, Olivia. Hi. Actually it's a relaunch. We've had e-commerce in the U.S. and Canada for 15 years or more. But the thing that we found with that site is that it was done through the eyes of our sales force members. And if you remember, we told you that we were doing a consumer perception study on the site. And we did a lot of work and research to understand why weren't we really getting the traffic and the pull from this site. And so we've completely revamped this website that -- so it is very consumer centric. And we've taken out all the lingo and the language that was very specific to our sales force, focusing much more on the consumer proposition. Now of course, you'll also find in there that we are always looking to connect a consumer with a sales force member. And so you'll see a lot of language there as well. So actually, the sales force is really excited about this and happy that we've done it because it's much more modern and engaging.



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

Got it. I guess can we drill down a little bit in a couple of your key markets, China, Brazil and now Fuller Mexico. Talk about the initiatives that you have in place in order to remedy some of the challenges. China, we talked about sort of the down trading, given the macro environment. And then now Fuller Mexico sounds like it's getting a little bit more challenging. So if you could just dive a little bit deeper into those 3 that would be great.

Patricia A. Stitzel - *Tupperware Brands Corporation - CEO & Chairman*

Absolutely. So -- and I will take a little bit of time to do this. This is going to be more of a lengthy answer, just because, we didn't go through a lot of that detail in the script. And I know these are questions that everybody has. So bear with me, if you will, I'm going to drill down on this in a little bit of detail. So let me first start with China. China -- in China, we see the slowdown in the consumer spending is still persisting. And it's really put pressure on productivity in our studios. And in addition with the worsening economy, there's also more caution, I would say, for entrepreneurs to invest in new studios. So as we look at the sales, they were down 10% in the quarter. We did improve slightly the inventory in the outlets and we saw a reduction in Q2. Remember, we commented that we were going to continue to do that. We did it. But we're still not really where we need to be. But making a bit of progress there. We also noted in previous quarters that we had slowed the expansion of the studios in order to ensure that we have a healthy future for all the studio owners. We did that. And in particular, in our most highly penetrated areas, we slowed that down. But in doing that, we were also able to improve the closure rate, which was really the point of doing that to make sure that when we put them in they have the right training and tools and support that they need. So to provide them better support. So with that, we saw an improvement in the closure rate in China by 12%. So what are we doing there? We have -- because with the trade uncertainties, and I'm really hopeful now that at least phase 1 of this China deal gets done and it takes some pressure off. But we're really focused on recognizing that we have a new reality in China. And so we've done some things, are ready to adjust to that, but we're going to take a more aggressive stance in doing that and really urgently move forward. Number one, we've identified new and underpenetrated geographies for more outlet openings. In addition, we've reduced the initial inventory requirements and therefore, the investment to get into a studio to ease that barrier. And so we will continue to control the growth in penetrated areas, but we still have a lot of whitespace in China. So we feel we can ramp-up. And with this easing the barriers to entry there, we feel we can still have room for growth. We're also looking at analyzing a change to the compensation plan to spark new growth for 2020, especially to targeted existing owners. So to get to that next level of growth for them.

Secondly, we continue to strengthen the new product offering and to diversify the price points that we have in our range there. The Q3 mid-priced products sales, as Sandra said, was up about 20% and that's good news. It can't quite offset the higher price products. But given the tightness in the economy, it certainly gives consumers more choice and keeps them coming in.

We've also added new categories. So nutritionals launched earlier in the year. But we've really been able to roll it out nationally in Q3. It's really doing well. We see good margins from those products. As Sandra said, we had a best-selling product this quarter, which was a collagen product. And in the fourth quarter, we're going to launch a brand new high-speed blender, which has never been sold before in our channel. Number three, in terms of what we're going to do there is strengthen the new member outreach. We've change the new member kit for the first time in 5 years. We've added 3 new kits, and 2 are going to be added in 2019 and we'll have 1 more in January. And we'll also look to do a recruiting incentive that's going to be launched in December. And then finally, we're going to leverage digital and e-commerce. We're really seeing good results driving traffic to our e-TUP site. And one of the ways we do this that we see is most impactful is these videos that our owners create and they blast them out via WeChat on their own channels. And it's amazing the engagement, we get there. So we're making it easier for them to circle back and actually purchase the product there.

So I'll talk a little bit about Fuller as well. And again here, the externals are pretty tough in Mexico. You've heard about high fuel prices. This diminishing social support that's happening there. And one of the big ones is insecurity there because it's quite a big deal because our sellers are not able to access some of the areas that they used to travel to because now it's too dangerous. And they really can't travel at night, to go out and do the things they do to either sell, or go to meetings, or those kinds of things. So our Fuller business is more impacted by these kinds of trends, first of all, because price of gas and transportation, for example, they have to deliver all the products as opposed to our Tupperware Mexico business, where we have a distributorship and people take public transportation. And they go there, they pickup their product and then deliver it on their own. So we've seen some challenging trends there in Fuller in terms of really making sure that we get the sales force activated. But with that, we are also launching new digital tools there. And you heard that we have the new e-tail sites and e-commerce sites that are selling. And again, to



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really help the sellers there to do things more digitally. So we're going to open up those channels for them as well. And then Brazil, we have the -- I would say, the combination of a difficult economic environment but also we have aggressive competition in the market. So historically, what we've done in Brazil is to recruit career sellers, and they are focused on the earning opportunity. And they tended only to work for us. But we've seen really quite a number of competitors come in there. And we see a shift to more casual sellers, given the tougher economic condition. And so what's happening is, as we get -- we recruit people, we're still able to get a lot of leads, a lot of interests. But those potential recruits are having a harder time getting to that first order level. And -- so what normally would have been 2 orders, they kind of combine into 1 order. And so we're finding it hard to qualify them and to really get to the level of sales force that we need.

We continue to focus on recruiting because with less productivity we need an even larger sales force. We do have an advantage in our sales force side today. And of course, we have new programs and tools for the fourth quarter that we're doing there.

We told you last time that we launched the media and PR campaign. We did that late in the quarter. And this is really designed to help our sellers cut through the noise of competition and differentiate ourselves there. So really, we're looking to use this push and the pull strategy to support the sellers, attract consumers and differentiate from the competitors. And then we're making changes to the promotional approach to streamline and simplify it. We found that we were using a lot of different materials and different brochures. We're consolidating that and streamlining it to get focus. And we really believe that, that's going to help us with our margins as well. We're on track to deliver the technology projects that we have going on there. We have a go live for the new sales force system in Q1. And we will have our e-commerce site live there in Q4. So sorry for the length of those remarks, but I think there are things that everybody was interested in. So I'll leave it at that.

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

Got it. Got it. Thanks for the comprehensional review. Just one last one for me, and that's on cash flow and capital allocation because you talked about the sort of priorities for capital allocation. But just talking about cash flow, fiscal '19, your expectations are half of where you started the year. So can you talk about sort of the uses of cash, CapEx, obviously would take a lot of that cash flow, that new guidance. Also sort of, marry in your thoughts in terms of dividend going forward. And that's it for me.

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

Yes. So Olivia, in regards to uses of cash, I mean you've obviously hit on the CapEx. I mean we're on target for the year, it's been around \$60 million. So that's clearly a use of cash. And then the cash flow from the beginning of the year has clearly been impacted by the lower earnings. Now we do have some positive things that we've been working on through our cash flow. I mentioned the supply chain. Financing, we just started that in Q3 and Q4, and expect that to extend into next year. We also have positive results coming from some of our land sales that we have continued to do to help generate cash. In regard to the prioritization of our capital allocation, it is critically important in light of where our current trends are that we continue to invest in this business. And it's necessary for us to get some near-term gains. And so we will be focused on that. Obviously, we also have a commitment to our debt. As we've communicated in the past. We would like to be below 3 with a target of 2 from our debt perspective. And then our Board will take into consideration all of these prioritizations in deciding whether we will return cash to the shareholders in the immediate time period in the form of dividend or share repurchases.

Patricia A. Stitzel - *Tupperware Brands Corporation - CEO & Chairman*

Yes. So -- and I guess I would also add to that. As always, we discuss the capital allocation with the Board, and we have our Board meeting next week.

Operator

Your next question comes from the line of Beth Kite with Citi.



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

I had a question, I -- and thank you again to, as Olivia said, for the description around so many businesses. And going back to the Fuller Mexico. I believe in the prepared remarks, there was a comment made of looking at strategic alternatives for that. Can you just help us understand what you meant by that comment?

Patricia A. Stitzel - Tupperware Brands Corporation - CEO & Chairman

Yes. So I guess I would say that we're -- as always, we consider all the strategic options across our businesses and our portfolio. The brands that we have. We look at our go-to-market strategy. Things that are going to improve our profitability and our cash position. We always look to see is there an opportunity to streamline, to reduce costs. So we're always looking at those kinds of things.

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

And sort of related, I guess, to that, then, just the concept of keeping, sort of, that consumable type part of your portfolio, like, I would describe, perhaps beauty to be and then thinking about nutritionals. As you talked about the success early on in China. Are you doing any -- sort of any other product launches in other markets, sort of, outside of the traditional housewares portfolio?

Patricia A. Stitzel - Tupperware Brands Corporation - CEO & Chairman

Well, I would say, what I described in China is probably the best example of that. We do have businesses -- for example, our South American businesses, where we do a variety of different things. Fuller also is a variety of different things. I would say, but the most pronounced is in China as we launched the small appliances. We have this first one, it's a high-speed blender. We'll look to see how that does in China. And then consider options for expanding that to other markets as well. And we've been looking at options for other types of those kind of kitchen-related appliances as potential for the future.

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

Great. And then if I could shift just a moment to the SoHo pop-up. Can you -- need to hear about and will be great to visit. Can you talk with us about some of your expectations? I assume, is it sort of a couple of months endeavor here. And is it brand awareness? Is it -- there are some sales targets? Is it rep engagement? Sort of what would you like to see out of that effort?

Patricia A. Stitzel - Tupperware Brands Corporation - CEO & Chairman

Yes. So it's going to be November 15 until late December. And we're really looking to do this for brand image awareness. One of the things that we hear a lot and as you talk to people is people just don't have connection with the brand anymore. They don't really know who we are. They don't understand our product line. They kind of have this perception that it's bowls and tumblers. And inevitably, when we talk to people about what products do we have and who we are and the innovation in our line, they have absolutely no idea. And so we really want to get out there. We want to put really all these incredible innovations on display. We really want to talk also about the new channels that we're opening up. And also to highlight our community of sellers, and making sure that they understand all the great benefit of being a part of the demonstration. And so we'll do cooking demonstrations. I mean imagine just the sites, the sounds, the smells of all things being associated there and -- because people have this outdated negative perception of the party and the selling method when in fact, it's very relevant and fun. And so we really believe we can showcase this and create a -- again, this pull for our community of sellers to get people excited about what we do.



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Operator

Your next question comes from the line of Frank Camma with Sidoti & Company.

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

First question is a big picture question. I mean typically, I always point out the fact that there's always pluses and minuses to your business, given how many markets you are operating in. But quite frankly, most of the trends we saw were negative this quarter. I'm just trying to figure out, going forward, just on big-picture basis, where do you see the most positive or I guess the most likely positive inflection here in the near term that's really what I'm talking about in the next couple of quarters? Like, where can you push the needle the most with the leverage you have to pull?

Patricia A. Stitzel - *Tupperware Brands Corporation - CEO & Chairman*

Yes. Thanks for that, Frank. Let me kind of address that sentiment because I sense that people are thinking what's going on here with the regions being down. Let me just be clear that we do have a pulse on this business and these issues that we're facing around the world. We have a very clear plan to -- that's already in place and the execution is underway. As you talk, Frank, about where are we seeing the pluses. In fact, where we're seeing the pluses is in the markets where we're doing the transformation work. And we're already starting to see some improved results through good trends and the KPIs. Now these are some of the smaller markets, so they're not having the impact that we expect to see because as we look to, okay, what's changed since we started out on this transformation journey. What's really changed is more the trends in the larger markets. When we set this plan in motion, Brazil, China, U.S., Canada were all growing well. And I talked through the specifics on all those markets, so I won't go through that again. But clearly, those are the things that have changed the externals in Brazil, in China, some of the competition. The U.S. maybe I'll touch on a little bit, I didn't talk about that one. The U.S. was, I would say, more self-inflicted on that with poor execution on the new qualifications. And so we realize what's happened there with these new qualifications. And we didn't communicate that well that launched earlier in the year. We now have a new leader there, who's quickly assessed the situation. We've already made adjustments because the qualifications we put in place were too rigid. So we're providing a bit more flexibility, not reducing the standards, but just more flexibility there. So that was kind of self-inflicted. And I feel it's something that with the new leadership, the new approach that we can get moving quickly. So we have this new reality to deal with, given some of the changing market conditions. And as Sandra said, we acknowledge where we are. We have the sense of urgency that's needed to address this situation and identifying those critical aspects that we can leverage in the near term. And we're just moving to drive the successful execution of the strategy. And also looking to streamline the structure. So I think with a focus on that now in the fourth quarter in terms of the bottom line, I think we can have some wins there.

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

Okay. And one thing that does stick on the positive is the sales force positive in Europe, both the active and the total sales force. Maybe I missed it. But can you just comment on why you saw that trend particularly in both active and total? Because that hasn't happened I think in a while.

Patricia A. Stitzel - *Tupperware Brands Corporation - CEO & Chairman*

Yes. Exactly. Thank you for that. As I said, we have now gone out and spoken with all the distributors that are going to be impacted. And we've shared with them the plan and what's going to happen. We're 25% of the way through it. But I think that, the situation in Europe has been deteriorating for years and years. And although, you do have some distributors that may want to stay with the way things are, many are not happy with the way things are today. So they're happy to know we have a plan, that we're doing something. It's not smooth sailing but they are hopeful -- some of them are hopeful, I would say. And you can get when people have the plan, they have the hope, they see the future, then you start to get them excited about getting reenergized in their business. And really that's all we've done is to bring energy to that business and making sure that people share the opportunity, get excited about what you do. And I think just bringing that energy back has really driven the, I would say, improved results in Europe.



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Operator

Your next question comes from the line of Doug Lane with Lane Research.

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

Tricia, can you step back and help me with the longer-term strategy behind studio expansion outside of China, particularly how that compares to the traditional party plan that you've used in the past? And how does that impact your ability to recruit new people into the sales force?

Patricia A. Stitzel - Tupperware Brands Corporation - CEO & Chairman

Yes. Thank you for that. The studio strategy is something that continues to evolve. And we continue to branch this out into different countries. So at the moment, we have 2 different models, if you will, with the studio strategy. One being in line more with the China approach where you have an independent entrepreneur that has a studio and it's more a retail demonstration kind of environment, if you will. But that entrepreneur is really just running and operating their own studio. They're not necessarily building a team of independent sellers outside the studio. So that's the model that we have in China, and that we are looking for other opportunities in Asia as well, in particular. And then as opposed to the U.S. model, where we say, you have to grow your business to a certain level and when you get to be nearly \$1 million business, then you can have a studio. And you build the team out from that. And so we really have those 2 different things. And we're working to find what's the right mix of that because both offer incredible opportunities. Obviously, if you have a team of sellers that you're working with, you can take the demonstration out of the studio and into the home. If you only have a studio than you're limited in terms of the number of people who're going to come in or the number of demonstrations that you can sell. So how to harmonize those 2 things and we have a mix of different things happening in different markets. But one of the things that we see regardless of the model, is having this visibility and this location is absolutely a plus. That we see, for those who are in the studio versus those who are not in the studio, visibility helps them. And we're seeing double-digits improvement. And in fact, we see in those markets where we do have the sales force, they actually drive their recruiting numbers up double digits as well. So it's really been interesting for us to see that and to build that out. Having said that, we also see that it's a lot to handle for a leader in that studio to be able to do that. But we're trying to get more descriptive for them on the things they should do and not do in order to make sure we can maximize their growth.

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

That's very helpful. I just -- I know it's really early days on that, but do you have any kind of longer-term thoughts on number of studios you want globally? Or what percentage of your sales come from studios globally, or you're just not that far a long yet?

Patricia A. Stitzel - Tupperware Brands Corporation - CEO & Chairman

So we have said that we -- our goal is to have 1,000 studios. I think we said by the end of 2020, I'll have to verify that. But it was 1,000 studios by the end of 2020. I'll check the timing on that.

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

But you have not articulated what percentage of your total business is going to go through studios?

Patricia A. Stitzel - Tupperware Brands Corporation - CEO & Chairman

No. We have not.



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Operator

There are no questions at this time. I'll hand the call back to Tricia Stitzel, Chairman and CEO.

Patricia A. Stitzel - Tupperware Brands Corporation - CEO & Chairman

Great. Thank you, Jerome. Despite our current headwinds and the challenges that we face, we acknowledge the urgency to address them and we're currently in the process of assessing all these critical aspects of our business. And we are adjusting the plan, I would say, in the near term to really focus and improve our flexibility, our cash, contain cost and drive profitability, while at the same time, driving the strategies in our transformation and continuing the progress that you can see that we've already made in the third quarter. So we look forward to sharing our progress with you and the results in the coming quarters. And thank you for joining us today. And again, I just invite you to go to tupperware.com, check it out and be on the lookout for an invitation to our pop-up event. Thank you, everyone, we appreciate your time.

Operator

Thank you. And that concludes Tupperware Brands Corporation Third Quarter 2019 Earnings Conference Call. You may now disconnect.

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