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PRESENTATION

Operator

Good day, and thank you for standing by. (Operator Instructions)

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

Jane Garrard - *Tupperware Brands Corporation - VP of IR*

Thank you, operator. Welcome to Tupperware Brands Second Quarter 2021 Earnings Conference Call.

With me on today's call are Miguel Fernandez, our President and CEO; and Sandra Harris, our Chief Financial and Operations Officer.

Earlier this morning, we issued a press release announcing our financial results for the second quarter ended June 26, 2021. 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 some of our results for the quarter on a non-GAAP basis. Reconciliations between GAAP and non-GAAP measures can also be found in our press release. Any reference to sales in the discussion today is referring to local currency sales, which compares results between periods as if current period foreign exchange rates had been the exchange rates in the prior period.

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 Miguel for his remarks.

Miguel Angel Fernandez - *Tupperware Brands Corporation - President, CEO & Director*

Thank you, Jane, and good morning, everyone. We're now over 15 months into our 3-year turnaround plan, and we continue to make progress across many areas of the business, cost structure, capital structure, fixing our core direct selling business and creating the ability to take our iconic brand into new channels of distribution.

During the quarter, we continued to make the necessary investments that we believe will drive our future growth in both our current direct selling business and our business expansion efforts. We're adding new talent and investing in our core infrastructure such as marketing, sales and support functions to evolve to our consumer-centric and omnichannel business. We've rightsized the business and strengthened our balance sheet in 2020 to make the needed investments in 2021 that will enable us to accelerate growth in 2022.

As we continue to attract new investors to our turnaround story, I would like to remind you of the key elements of our strategic growth plans that are well underway today. We're pivoting from a distributor push to a consumer pull and distributor push model. We are updating our brand architecture to allow us to segment branding, products, channels and pricing to appeal to a broader consumer base while minimizing potential channel conflict. We're expanding into new product categories where consumers give us permission. We're aligning product development efforts to address the needs of all consumer socio sub segments. We're expanding distribution and access points to meet consumers where they shop. And most importantly, we're continuing to fix the core direct selling business with proven methods.

The Tupperware brand is iconic. We have been around for 75 years, and that is for one primary reason. Our products have been loved and trusted in homes around the world for generations. We're making new investments to build an omnichannel business, one that grows our direct selling channel, provides new consumers new ways to access our products and gives our brand a bigger platform to nurture a better future every day.

Let me first provide you with the progress we've made in modernizing our core direct selling business. Over the last year, we have implemented a suite of tools to enable our sales force to reach their customers in new and more efficient ways. And honestly, it's all about virtualizing our sales force journey by looking at the experience from end to end and delivering the right technologies for our sales force to start, grow and sustain their businesses.

Our most advanced digital tool is called TupSocial, and it makes it easy for our sales force to grab and share social media content to better market their businesses and product offerings. We have now expanded this technology into 23 markets with 2 more planned for later this year. We're also rolling out technology tools like Tupperware Live, formerly called VTUPP, that enables our sales force to host virtual parties, and it allows their customers to purchase in the moment. We have launched this in 12 markets so far with 5 more countries coming online by year on end.

Our most recent technology addition is an onboarding tool. It helps to drive retention and performance where our consultants can find resources for communication as well as continued education and training. It has been launched in 2 key markets so far with 5 more upcoming by the end of 2021. Additionally, we now have e-commerce direct-to-consumer functionality available in 13 markets.

Now let me turn to our business expansion whose sales are 18% of year-to-date revenue and include distribution channels such as business-to-business loyalty programs, sustainability, specialty retail such as QVC, importers and retail studios in China, Korea and Vietnam.

Our efforts to dramatically expand this business is rooted in our brand strategy to build a branded house. We believe creating sub-brands such as Tupperware Essentials and Tupperware ProChef will allow us to develop the right product mix, the right pricing and expand into new channels of distribution while minimizing channel conflict.

Let me explain a bit more about our business expansion and drill down on some specifics around our more developed pillars. Our B2B relationships support loyalty programs of major retailers while improving our brand presence. We're making good progress developing more relationships with large retailers in Brazil, Mexico and Europe. Our B2B sales have historically been between $30 million and $35 million annually, and we expect this to be over $50 million this year. Another important part of the business expansion strategy is moving into new markets through an importer model, whereby we don't have physical business presence.

Rather, we sell Tupperware branded products into markets through an agreement with an importer distributor. These products are being distributed through direct selling and in some cases, through omnichannel strategies.

Prior to this quarter, we sold into 18 markets through this model.

Beginning in the third quarter, we opened 2 new importer markets, Honduras and Panama. We hope to finalize an agreement to open a very promising market, the U.K., before the end of the year. These important markets are strategically important and provide incremental profitability. In this quarter, we saw the best profitability in the last 10 years, specifically in the important markets.

In the sustainability pillar, we're now selling our limited edition National Park-themed product as part of our partnership here in the U.S. The product line includes products intended to be taken on the go to help reduce waste in the parks. A number of the national parks-themed products are made with our ECO+ material, which is made with innovative sustainable materials using mixed plastic or renewable recycled materials. These products can also be found for sale at some national parks across the country for a limited time.

Now let me provide a product update. As you know, product innovation is important to us to meet and address the needs of all consumer socio subsegments, we are making some good progress in this area. For the second quarter, the percentage of sales for new products in Mexico was 11.6%, up 52% from prior year second quarter. Brazil new products contributed 8.3% of sales, up 41%. And U.S. and Canada contributed 3.8%, which is 38% higher than last year.

Our largest product category continues to be food conservation at 27.5% of sales, and it is 17% higher than last year, followed by entertain category at 16% of sales, up 18%. Kitchen preparation is about flat versus last year at 15.2%. And on the go category is 13.2% of our revenue and was down slightly versus last year.

I would also like to give a brief update on our ESG, environmental, social and governance strategy. We have made great strides in the last quarter to refine our ESG goals, including aligning them with our employees' performance objectives. We have developed an internal cross-functional working group together with the support of our Board of Directors to take our ESG efforts to the next level.

Our goal is honing our sustainability focus, social impact and governance efforts to align our brand purpose to nurture a better future every day.

As our work in this area progresses, I look forward to sharing more on our long-term ESG targets, social impact initiatives and training and education in this area.

Looking to the next few quarters, our key priorities in 2021 are the following: first, to strengthen our direct selling business in the areas of digital and product investment, segmentation of our sales force, introducing preferred customer loyalty programs around the world, use of data to identify best practices, use of data to upsell and cross-sell to our preferred customers and to ensure competitive service and costs.

And in the business expansion, our priorities are the following: to explore new channels of distribution, avoiding a potential conflict with our current direct selling channel, introduce Tupperware's sub-brands and penetrate into different product categories where we know the consumers give us permission to enter. We believe the execution of these priorities is building a strong foundation that will create meaningful value for our shareholders for years to come.

Let me now turn the call over to Sandra Harris, our CFO and COO, for review of our financial statements.

Cassandra E. Harris - *Tupperware Brands Corporation - CFO & COO*

Thanks, Miguel. Second quarter sales were $465 million, reflecting an increase of 17% compared to last year on a reported basis. Growth in the quarter was benefited by about 7% from more favorable FX rates compared to a year ago. Our performance in the second quarter marks the fourth consecutive quarter of double-digit growth since the beginning of our turnaround plan, a strong proof point that our strategy is working, further supporting our confidence in the large growth opportunity that lies ahead for Tupperware.

From a geographic perspective, growth was driven by our largest markets. U.S. and Canada, Mexico and Brazil contributed more than 80% of the dollar increase, driven by the improvements we are making to build a stronger core direct selling business in addition to our continued investments to support our expansion into new channels.

Some highlights in the area of business expansion. B2B sales were $15 million or 3% of our revenue for Q2 and our importer markets increased more than 50% in the quarter. As Miguel mentioned, business expansion is about 18% of our total sales with both B2B and importer markets representing a significant growth opportunity for Tupperware Brands and represents key growth pillars of our long-term strategy.

Turning now to the revenue performance in the regions. North America increased 17%. Tupperware Mexico sales increased more than 20%, driven by 36% growth in average active sales force, partially offset by a 9% decline in productivity. The strong performance was driven by a combination of more effective utilization of data and analytics, a key strategic priority for us. New merchandising and promotional strategies, product innovation, and increased sales force adoption of digital tools, specifically social media. We're implementing personalized websites for our sales force in Mexico to make it easier for them to sell and place orders which we believe will drive higher sales force productivity over time.

In the U.S. and Canada, sales increased 12% as a 20% increase in productivity was partially offset by a 6% decrease in the average active sales force.

In Europe, sales increased 17%, the major contributor to growth for the quarter were B2B loyalty programs, up 16% in the quarter with major retailers in Germany, Austria and in our Central Eastern Europe group.

South America increased almost 50%, driven predominantly by Brazil, where sales increased more than 35%. A 22% increase in sales force activity, combined with a 12% increase in productivity drove the results for the quarter. While COVID continues to negatively impact our recruitment efforts in Brazil, we are deploying retention strategies and targets in an effort to incentivize our sales force in that region.

Looking forward, we're evolving our e-commerce strategy in Brazil as we become more consumer-centric in our approach as well as initiating a B2B loyalty program. These initiatives will help support a constructive growth outlook for this important market as we head into 2022.

Asia was flat, excluding China. Including China, the region was down 14% compared to last year, including a more than 30% decline in China primarily as a result of studio closings and a slower pace of new openings. While disappointed with the ongoing weakness, we continue to believe China holds great potential for the Tupperware brand long term.

While in the midst of a leadership change for this important growth market, the local team is working to update the look and feel of the retail studios to help create a more competitive franchise in the marketplace.

In China, we will begin to elevate our brand and product segmentation strategy to expand into new channels such as e-commerce and develop flagship studios in mall locations. These efforts will be supported by a strong product innovation pipeline to ensure the studio owners have relevant products with competitive pricing. Once again, we're pleased with the fourth consecutive quarter of revenue growth.

And now we'll turn to profits, where you will continue to see the efforts of our turnaround plan. Gross margin was 68.3% or 200 basis points higher than a year ago, driven by the carry-in of 2020 inventory at lower costs, combined with the favorable impact of higher volume in our manufacturing plants.

Looking forward to the second half, we do expect higher product costs versus a year ago, primarily as a result of higher resin and logistics However, our turnaround plan efforts will continue to drive efficiencies through the supply chain and when coupled with the impact of price increases, we believe we can largely neutralize the overall impact.

SG&A as a percentage of sales was 50.1%, which benefited by a favorable tax ruling in Brazil that resulted in a reversal of a prior year operating tax reserve of $10 million. Adjusting for that one-time nonrecurring item, adjusted SG&A as a percentage of sales would have been 52.2% of sales or 140 basis points higher than last year. The increase reflects the 120 basis points of higher freight costs, primarily in the U.S. and the incremental investment costs that we discussed last quarter. Of these investments, a portion comes from the add back of 25% of $193 million in gross turnaround savings we reported in 2020 that were largely associated with COVID-19 actions.

As we previously communicated, the majority of new investments related to the acceleration of tax planning strategy, IT infrastructure and digital investments will be in the back half of this year, along with expense timing differences shifted from the second quarter to the third.

In regard to the higher freight costs, we're experiencing the increased costs from carriers associated with the higher demand as well as FedEx surcharges that have yet to be lifted. However, we are also seeing a shift in our business model in the U.S.

In an effort to grow sales and offset the physical limitations related to COVID-19, we began shipping direct to the end consumer versus using our sales force for distribution and order fulfillment. This resulted in more packages as our units per carton decreased from over 4 per carton to 1.5 per carton.

As we shift to a more omnichannel approach, we expect this trend to continue, and we'll be working on ways to optimize and improve efficiencies in this area.

For the second quarter, the improvements in gross profit and the one-time Brazil tax reserve reversal of $10 million contributed to an adjusted operating income of $85.8 million or 18.5% of sales.

Allow me briefly to touch on adjusted EBITDA, as I know it's a metric that's important to many of our investors as we continue to delever the business and evolve the capital structure. The trailing 12-month adjusted EBITDA at the end of June was $377 million versus last year of $214 million. This improvement of $163 million reflects the results of the rightsizing and focus on stabilizing our core business as part of our turnaround plan.

Now let's review EPS on an adjusted basis for the second quarter. Adjusted EPS was $0.95 compared to $0.84 last year. We did benefit from the Brazil tax reversal already mentioned by $0.13 at the 2021 operating tax rate. The divestiture of Avroy Shlain early in 2021 negatively impacted EPS by $0.02. Profit from higher sales were offset by a portion of the turnaround plan savings add-back and also by a shift from higher profit markets such as China to lower profit markets like the U.S. and Canada.

In our press release is a reconciliation of EPS and you can see that the GAAP EPS was largely impacted by prior year one-time items associated with the early extinguishment of the debt and the Australian property sales in the prior year.

Cash flow for the quarter was $6 million versus $102 million last year. Higher cash flow in the prior year was due to aggressive turnaround plan saving actions, including COVID-specific actions like furloughs and our intense focus on liquidity through preservation of cash by lowering spending on inventory and higher payables.

In the current year, we're investing in inventory to improve our service levels, and prepare for increased demand while we are also returning to a more normal capital spending level as previously communicated.

In the second quarter, our total debt balance was $644 million, reflecting a reduction of nearly $160 million from the $804 million in the second quarter of last year, which includes a recent debt prepayment on our term loans, which we announced earlier in the quarter. The debt reduction, together with the improvement in EBITDA resulted in a debt to adjusted EBITDA ratio for debt covenant purposes of 2.05 versus 4.91 last year and well below the required covenant of 3.75.

While we recently announced that our Board approved a new share repurchase program of $250 million, it was approved and announced during a self-imposed blackout period, so no repurchases have occurred to date.

Turning quickly to an administrative matter. I'd like to take a few minutes and touch on the disclosure in our press release this morning with regard to our intent to file a 10-K A amended annual report for fiscal year 2020.

In summary, from a quantitative perspective, I want to emphasize that no restatement of the previously issued financial statements is required. The only change to the consolidated financial statements will be to amend the out-of-period corrections footnote to disclose a $4.5 million understatement in net income in 2020 and a total of $4.5 million overstatement and net income from the prior year.

As a reminder, in 2019, the company made adjustments related to its Fuller business and in 2020, disclosed a material weakness in internal control over financial reporting related to Tupperware Mexico. As a result of our cooperation with an ongoing SEC inquiry related to these matters, we determined that in hindsight, the accounting positions presented in the historical periods required adjustments.

We believe there will be no impact to our 2021 results go-forward plans or overall financial position as a result of these adjustments. And lastly, as part of our turnaround plan, our current leadership team is committed to continuing to make the appropriate investments and improvements across the organization, including governance and compliance. This leadership team and our Board take our responsibilities in these areas very seriously.

While our investments in these areas are ongoing and foundational to the integrity of our strategic growth plan, I am pleased with our progress and confident in our ability to stand up the world-class organization.

Before I turn the call over for Q&A, I'd like to announce a new member of our executive team. Joe Alkire joined us on Monday as Executive Vice President of Finance and Corporate Strategy. He joins us from VF Corporation, which is a consumer-focused company with a diverse portfolio of iconic global lifestyle brands, where he served a number of corporate finance leadership roles.

Bringing Joe onto the team is in line with our focus to build our business and our leadership team to match the power and reach of our iconic global brands. I have worked with Joe in the past, and I'm confident he has the right skill set to continue building a high-performing team and strong financial culture to support our turnaround plan. He will oversee the company's corporate strategy as well as some global finance functions, including financial planning and analysis, Investor Relations, Corporate Development, business data analytics and treasury. We look forward to his partnership as we continue to execute the turnaround plan, drive our strategy and deliver strong returns to our shareholders and stakeholders.

In summary, achieving double-digit growth for the fourth consecutive quarter, delivering profits that continue to reflect our rightsizing efforts and lowering our debt through the proceeds of non-core asset sales and improving our EBITDA, resulting in a leverage ratio of 2.05 are all further evidence that our turnaround plan is working. As we look forward to the rest of the year, we're investing in initiatives we believe will drive penetration and growth into new channels. We believe these actions and our strategic plans will create a stronger, more competitive company for the future.

I will now turn the call over for Q&A.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Your first question is from Wendy Nicholson with Citi.

Wendy Caroline Nicholson - *Citigroup Inc., Research Division - MD & Head of Global Consumer Staples Research*

I had a couple of questions. First of all, just sort of a housekeeping item. I think you called out food conservation is 27% of your sales. And I'm wondering, Miguel, maybe if you have a long-term target or as you focus on innovation, which I think is such an important part of the story. Do you have a target for what that will be over time?

Miguel Angel Fernandez - *Tupperware Brands Corporation - President, CEO & Director*

Thank you for your question. Actually, we don't have targets in terms of percentage of the company's sales because we believe that we can enter into more categories. So even if this food conservation category keeps on growing, we expect to have even more growth from other new categories that we enter into.

Wendy Caroline Nicholson - *Citigroup Inc., Research Division - MD & Head of Global Consumer Staples Research*

Okay. Fair enough. And then my second question is just on your target. I mean, it sounds like you're making good progress on the omnichannel development and expansion into new whatever distribution channels. But again, same thing. I know you've set goal of 50% of the sales coming from non-direct selling channels. Again, kind of the progress that you're making, how far out is that 50%? And are you beginning to get any feedback from your distributors, how they're viewing those actions?

Miguel Angel Fernandez - *Tupperware Brands Corporation - President, CEO & Director*

Yes. So as you know, this is a completely new muscle for the company. This is something that we have never done, right? So we're making good progress in -- more so in our bigger markets because the level of management that we have in those markets allow us to do more things. The one very positive thing is that every time we touch any channel, the response that we've gotten is very positive. So that means that the brand is as we expected, very strong, and there's a lot of people that want to work with us. So that's very positive.

We're building the skill set, but also we're engaging with people that do that for their living. There's companies that can help us open up doors and build that muscle for us in the meantime. So in terms of when we're going to get to the 50%? Obviously, it's hard to tell, but my goal would be in about 3 years, we're going to be very close to that number. And obviously, it's going to be driven by the bigger markets for us because that's where we're going to be, I guess, moving the needle.

But every day is a learning experience for us. But what I can share with you also is that we already have a marketing organization that is structured and designed around our sub-brands. And as you know, we're going with our sub brands to all these different channels. The first 2 that we're going into is Tupperware Essentials. As you can see by the name, this is where we're going to be a lot more price competitive. And we're also going with our Pro series, ProChef series, which is a premium brand where we might go with specialty stores and targeting professionals in the kitchen. So now some parts of the company are looking as a CPG company more so than a typical direct selling company.

Wendy Caroline Nicholson - *Citigroup Inc., Research Division - MD & Head of Global Consumer Staples Research*

Fair enough. Okay. Sounds great. And then my last question, maybe for you, Sandra, is obviously the top line growth year-to-date has been fantastic. But we hit a really tough comp, all of a sudden here in the third quarter. And I know you don't want to give us too much guidance. But can you give us any directional guidance? Are we talking sales growth in the third quarter potentially down mid-single digits, down double digits, just maybe anything you're seeing here, third quarter to date just so that making kind of frame the likely outcome, so there isn't an unpleasant surprise when we get to the end of the third quarter?

Cassandra E. Harris - *Tupperware Brands Corporation - CFO & COO*

Yes, Wendy, I'll just reiterate what we said in the past that as we get into the second half, the comps become much tougher. So just to remind everybody, we were up 21% in Q3 last year and 20% in Q4. So as we enter into those, the comps will be much, much more difficult. I think you heard from the script today, we continue our efforts in both areas, right? Our direct core selling business as well as our business expansion.

And so the theme of what we talked about today is what we truly believe in on the turnaround plan that we have a growth platform. So obviously, harder comps. I don't think we can necessarily say double-digit growth as we go forward. But we're doing everything around both of our businesses to ensure that we do have a growth platform and that we're deploying the right skills. We're investing in the right tools to really drive growth in both of those areas.

Operator

Your next question is from Linda Bolton-Weiser with D.A. Davidson.

Linda Ann Bolton-Weiser - *D.A. Davidson & Co., Research Division - Senior Research Analyst*

So I was kind of wondering if you could explain a little bit more about this import -- direct import program you talked about, just exactly what is that? And once the product gets imported into a market, who are you -- is it being distributed and sold through your sales force? Or is this product going into other channels and to regular retailers?

Miguel Angel Fernandez - *Tupperware Brands Corporation - President, CEO & Director*

So Linda, this is Miguel. So the model is very simple. We have 2 options, right? Let's say, a smaller country. I'm going to put Honduras because this is one that we just opened. So we have 2 options. One is to set up an office, hire management and have all those costs. And obviously, because the business at the beginning is very small, we would be losing money and it would be -- I'm going to call it painful to set up a whole office, train people and get it.

The other option, which is our important models is to reach out to -- it could be a family, a big wealthy family or business family in Honduras or it could be another business, bigger business that is already settled there. And we get into agreement with them to sell them the product. We support them with marketing materials, obviously, with the product, with the latest innovation. And sometimes we deliver the product to the port or sometimes they come and pick it up wherever we want or we agree. And we just give it to them, we suggest how to go to market in direct selling but we also give them the freedom, if they have their own contacts to go to retail in Honduras or e-commerce, whatever they want to do, obviously, they need to be under the limits of our brand strategy. Obviously, following our policies, procedures and so on.

And then for us, it's from one day to another one to get access to all these channels to higher level of management and off we go, we start making profit from the first day. We have close to 20 markets right now, and we expect to have a few more in the next year. And the biggest one that we're working on is the U.K., as we mentioned in the call.

Linda Ann Bolton-Weiser - *D.A. Davidson & Co., Research Division - Senior Research Analyst*

So just so I understand, for a big market like the U.K. you would still allow them the freedom to distribute or sell as they saw fit with the support of the corporation behind it?

Miguel Angel Fernandez - *Tupperware Brands Corporation - President, CEO & Director*

Exactly. Exactly. Actually, in the U.K., I think we're going to go retail first, and then probably direct selling, if we go in direct selling, it would be the last one, but it's going to be retail first or direct-to-consumer probably through TV channels and like QVC type and things like that. But I think direct selling is going to be the last channel going into the U.K.

Linda Ann Bolton-Weiser - *D.A. Davidson & Co., Research Division - Senior Research Analyst*

Okay. Great. And then can you talk about the pricing that you've implemented so far? Is it on kind of like everything? Or are you implementing it more through the new product innovation you mentioned? And at what point will like the pricing be kind of fully implemented, so it can be offsetting your inflation?

Miguel Angel Fernandez - *Tupperware Brands Corporation - President, CEO & Director*

So Linda, as you know, it's a lot easier to increase prices on new products, right, because there's no comparison. But even with that in some key products, we're making progress in the pricing. Also, you should know that we expect the resin price to come a little bit down for next year. So we don't want to overprice or price ourselves out of the market. So this is where it gets a little bit of a science and art, right?

And we're making very detailed analysis on a product-by-product basis. And the other important thing is that, as you know, our distributors and our sales force, they get 25%, 30% and 35% discount. So we can work with them to temporarily -- instead of making 25%, they can make 23% or 22%, so they can adjust their own pricing in their single transactions, so the consumer doesn't feel it, and they still make -- they still have a business probably not as profitable. And this is where direct selling is very helpful to us because the fact that we price up or doesn't mean that they need to price up for the -- to the consumer. They can be a buffer between us and the consumers. So in some cases, we work with them to ask them to become that buffer.

Linda Ann Bolton-Weiser - *D.A. Davidson & Co., Research Division - Senior Research Analyst*

Okay. And then in terms of the $40 million to $45 million of incremental spending that you had talked about for this year, I didn't quite catch if you had quantified how much of that was in both the quarter and the first half?

Cassandra E. Harris - *Tupperware Brands Corporation - CFO & COO*

Yes. We didn't specifically quantify it. The majority of that will come in the later half. We did do some spending as we continue to accelerate our tax planning strategy in Q2. But the majority of that incremental investment is related to further IT infrastructure investments that will occur more in the back half of the year.

Linda Ann Bolton-Weiser - *D.A. Davidson & Co., Research Division - Senior Research Analyst*

Okay. And can you talk about China just a little bit because I know you're in the process of kind of working on that business. But it seems to me that before you were talking about like even the number of studios like growing, and you said the studios are kind of more closing in China. Why are they closing? And what can you do to kind of change that? Or do you want the number to be reduced somewhat?

Miguel Angel Fernandez - *Tupperware Brands Corporation - President, CEO & Director*

So Linda, obviously, China is the biggest question, right? As you know, we're living under very difficult circumstances. So we haven't been able to go physically to China. So that makes it a little bit more difficult for us. But the short answer is product. If you ask me, the product innovation that we've had in China in the last several years has been less than ideal. We've relied in 3 to 7 products, and that's all that we've sold for many years. And now I think the market is reacting to that. So there's a lot of investment behind product. As you know, it takes some time to bring product into the market. So we think in the next 2 or 3 quarters, we're going to bring a lot of innovation to the market.

Once you have a good product that is demanded by the Chinese consumer, then the whole equation shifts. It's a lot easier to keep your studios open, even to grow the number of studios. But also one of the big shifts that we're making is that a lot of the studios, they are closing down right now, they are what we call neighborhood studios. Studios where they are not in high traffic areas, also the image that we have in some of them is not the one that we really want for our brand.

So we are pretty much investing in a lot of effort and time in coming up with ideal, studios, physical locations, how they should look, how you should feel them. It's -- they're going to be looking a lot more professional with in combination with a good product. We hope this -- not only to increase the number of studios but also their productivity to be way, way higher. And that is pretty much the key of the first stage of our priorities.

The second one is, it's obviously e-commerce. And then -- and that also relates to product. There were some products that we used to sell in the past that were not -- I'm going to call it, e-commerce ideal. But now the whole new product portfolio and innovation is going to be -- I think we're going to be able to sell it on e-commerce, and that's the other big area of investment for us.

So Chinese is the one market that I think is going to take us more time to fix and turn around. And as you know, we're making another shift in leadership. And we'll keep you updated with all the progress there, but this is where I spend a lot of my time, Sandra, Hector, we were -- all -- everyone is focused on China and how we turn around China.

Linda Ann Bolton-Weiser - *D.A. Davidson & Co., Research Division - Senior Research Analyst*

Okay. And then since we're on the topic of Asia, just if you exclude the China, you had said Asia was flattish in the rest of Asia. So what's going on with those other markets? I guess my impression was they were growing a little bit better. Have they just slowed? Or are there COVID impacts? Or kind of what's going on in the rest of Asia?

Miguel Angel Fernandez - *Tupperware Brands Corporation - President, CEO & Director*

Yes, you got it. It is COVID. I think we would have been a lot better. We would have shown a lot of better numbers without COVID. I think one of our biggest contributors in Malaysia, is in full lockdown. We also have new management teams pretty much in every single country in APAC, and we're making good progress. We're -- all the indicators that we know that are leading indicators, they are looking much better, but COVID was one of those bumps in the road that we were not -- obviously, we thought we were going to be out of COVID by now. But some of those countries is like déjà vu. It's like -- it feels like a year ago. So here we go again.

Linda Ann Bolton-Weiser - *D.A. Davidson & Co., Research Division - Senior Research Analyst*

Okay. And then just finally, in Europe, you're actually producing pretty strong growth there. Can you just kind of talk about like what are the drivers that are going on in Europe?

Miguel Angel Fernandez - *Tupperware Brands Corporation - President, CEO & Director*

So it's the basic direct selling methods and techniques that you know that we develop and that we are mastering. It's eliminating sales that are not profitable and everything starts with service, with good product training, giving tools to the sales force, making sure that we stay close to the leaders, talk to them, see which are their pain points, the ABC of direct selling. And we're also making some progress in our B2B business. And our B2B business in Europe is the one that is the most developed. So things are getting better and better in Europe, and I think they're going to continue to be even better once South Africa comes back from all the issues that the country is dealing with.

Linda Ann Bolton-Weiser - *D.A. Davidson & Co., Research Division - Senior Research Analyst*

Okay. Great. And then just finally, can I ask about on your share repurchase program? You said you hadn't done any yet. Is your approach to that sort of strictly opportunistic or do you anticipate a regularity in your share repurchase activity?

Cassandra E. Harris - *Tupperware Brands Corporation - CFO & COO*

Yes. So Linda, what I would say is that we obviously have the full board support on the 250 and it shows the confidence they have in that type of program. Our liquidity situation has definitely improved. So we do have certain leverage goals and internal criteria that we followed to provide the right framework for making these repurchases. And it will be basically a business decision based upon those criteria, our cash flow and the best use of our capital, and if that's the best use, then we'll proceed forward with it.

Operator

And I'm showing no further questions at this time. That concludes the Q&A session. I will now turn the call back to President and CEO, Miguel Fernandez, for closing remarks.

Miguel Angel Fernandez - *Tupperware Brands Corporation - President, CEO & Director*

Thank you. I'm pleased with the continued results of our turnaround as we make progress across many areas of the business, cost structure, capital structure, fixing our core direct selling business and creating the ability to take our iconic brand into new channels of distribution. We believe we are well on our way to a successful execution of our 3-year turnaround plan, and we're shifting our time and resources from stabilized to growth with implementation of our growth strategies to become a more consumer-centric company. Thank you for your time today.

Operator

This concludes today's conference call. Thank you for your participation. Have a great day. Stay safe and well.
