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Newell Brands Inc. (NWL) CEO Ravi Saligram on Q3 2019 Results - Earnings Call Transcript

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Q3: 11-01-19 Earnings Summary

Press Release SEC *10-Q*

EPS of $0.73 beats by $0.18 | Revenue of $2.45B (7.61% Y/Y) beats by $69.25M

Earning Call Audio

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Newell Brands Inc. (NASDAQ:NWL) Q3 2019 Results Earnings Conference Call
November 1, 2019 8:30 AM ET

Company Participants

Nancy O'Donnell - Senior Vice President of Investor Relations

Ravi Saligram - President and CEO

Chris Peterson - Chief Financial Officer

Conference Call Participants

Wendy Nicholson - Citi Investment Research

Bill Chappell - SunTrust Robinson Humphrey

Rupesh Parikh - Oppenheimer

Steve Powers - Deutsche Bank

Joe Altobello - Raymond James & Associates

Lauren Lieberman - Barclays Capital

Nik Modi - RBC Capital

Kevin Grundy - Jefferies

Operator

Good morning and welcome to Newell Brands Third Quarter 2019 Earnings Conference Call. At this time, all participants are in a listen-only mode. After a brief discussion by management, we will open up the call for questions. In order to stay within the time scheduled for the call, please limit yourself to one question during the Q&A section. As a reminder, today's conference is being recorded. A live webcast of this call is available at ir.newellbrands.com.

I will now turn the call over to Nancy O'Donnell, Senior Vice President of Investor Relations. Ms. O'Donnell, you may begin.

Nancy O'Donnell

Thank you. Good morning everyone. Welcome to Newell Brands third quarter earnings call. On the call with me today are Ravi Saligram, our President and CEO and Chris Peterson, our CFO.

During the course of today’s call, we will make forward-looking statements. These forward-looking statements involve risks and uncertainties, actual results or outcomes could differ materially from management’s expectations. I refer you to cautionary language available in our press release and in the Risk Factor section of our latest form 10-Q for further discussion of forward-looking statements.

Please also recognize that we will refer to certain non-GAAP financial measures, reconciliations between GAAP and these normalized measures can be found in today's earnings release table as well as on the Investor Relations website and in our latest Form 10-Q

Now I'll turn the call over to Ravi.

Ravi Saligram

Thank you, Nancy. Good morning everybody, and welcome. I'm absolutely delighted to have joined Newell Brands and I'm excited about the company's future. In the first 30 days of my listening tour, I visited a e-commerce group, the design center, two manufacturing plants and all seven businesses, during which I've had an opportunity to review our product lines, the state of the business, as well as conduct town halls where I've addressed over a thousand employees and met with nearly 150 employees in small group settings.

Let me share my early read on the company. We have dedicated and passionate employees, who want to win. I admire their resilience. They've gone through a lot of churn in the past two years. We can maximize their potential and drive better outcomes through strong leadership, and providing clarity and stability of direction and priorities.

We have an opportunity to optimize our organizational structure to better leverage our scale, functional capabilities and provide continuity to our go-to-market approach with our top customers. We need to find the appropriate and harmonious balance between being centralized and decentralized without causing significant internal disruption.

We have an opportunity to better integrate our businesses and create a common unified go-forward bringing Newell culture. We will work hard to create an external focus, improve employee engagement, and develop aligned cohesive teams.

To this end, I will point to Steve Parsons as our new CHRO, and he joined a week after I did. Steve partnered with me in turning around OfficeMax and is skilled at leveraging human capital, and attracting top talent.

We have iconic brands with strong equity that are household names. However, several need to be refreshed and rejuvenated through timely and meaningful innovation that appeal to today's consumer. We will also work on strengthening channel management through appropriate brand segmentation. I'm excited about our foundational e-commerce capabilities at our eCommerce central excellence based in Hoboken. It is very impressive to see that our global online sales are in the very high teens as a percentage of total company sales, excluding our commercial business.

This percentage is much higher than the CPE and durables average. We also have excellent sales teams that call on retailers, and it's very satisfying to see that their efforts have driven double-digit sales growth in online sales and consumption. We do have an opportunity to improve the digital IQ of our individual businesses, and become a truly digital first company.

This will serve to build eCommerce as a towering strength and competitive advantage for the company in the long term. In conjunction with eCommerce we will also be sharpening our skills in utilizing influencers, and leveraging social this is an embryonic muscle, but a great way to stretch our media dollars especially given the more discretionary purchase patterns of our brands.

I have lived in six countries and worked across 50, and I've been President of International in two companies. With that perspective, I believe, International is a tremendous growth opportunity for Newell in the long term. Today, we do not have an integrated Newell business in any country or region. Each business has its own international footprint and with the recent exception of Canada, offices of each of our businesses are typically not even in the same city in individual countries.

Suffice it to say, our international efforts are highly fragmented. Next to the U.S. our largest country is Canada, and it has not yet achieved a half a billion dollars in sales. In fact, only eight countries outside the U.S. have sales over $200 million and one close to $100 million. But our footprint and operations extend to nearly 50 countries. We do have pockets of strength. We have an excellent Oster business in LatAm that is growing, Yankee Candle in the U.K. that's growing rapidly. A strong brand reputation for Coleman in Japan and strong Writing franchises in Europe and LatAm.

Our first step is to understand what we have in terms of resources and capabilities, prioritize drive countries and categories, and lay down the foundation for becoming a truly global company. This is a long term opportunity, and we'll need to tackle it deliberately, systematically and methodically.

Our portfolio of businesses though is a tale of two cities. It is great to see that Writing, Baby, Home Fragrance and Connected Homes are growing core sales and demonstrating good operational health. Although Rubbermaid Commercial Products and Food are currently declining, I believe these are good businesses, and with the right strategic and executional focus and driving innovation, I am confident that we'll get these businesses back on track.

Now we are challenged by two businesses; Appliances & Cookware and Outdoor & Recreation, where we've been out innovated, and these are not short term fixes. We'll do deep dives into root causes, ensure we have the right level of domain knowledge and institutional memory, get on top of consumer -- core consumer trends, sharpen our category focus and implement well thought out turnaround patterns.

I agree with the framework of the turnaround plan that Chris has articulated for you, and we'll continue to relentlessly execute against its key tenets with a high sense of urgency. It is heartening to see the progress we're making on reducing complexity in terms of SKU reduction, consolidating ERP systems, and implementing productivity programs. The improvement in the cash conversion cycle is terrific, and will continue to drive this lever to improve cash flow.

But I'll take this opportunity to congratulate Chris Peterson on his leadership not only as CFO, but as interim CEO. I appreciate his calm logical manner and rational approach to tackling problems, and I have in a short time, to respect his business judgment. I think his recommendation to the board to keep the Rubbermaid commercial products business will pay dividends in the long term.

Having worked on B2B businesses for over 20 years, I think our RCB could once again become a jewel in Newell's crown in the long term. I am pleased to let you know that Rubbermaid was admitted to Fortune's most admired company list in the 80s, and also in the top 10 list from 1985 onwards for several years. I say pleased to let you know since some of you millennials on the call, may not have been born yet in the late 80s unlike me.

In fact in 1993, Rubbermaid was number one on Fortune's most admired list, and known for its innovation. I'm confident that we will restore the business to its past glory. Let me conclude with my key near-term priorities. First, I want to complete my listening tour and meet key external constituents including customers, suppliers and investors.

Second, I want to ensure that we have the right leader and the right leadership teams in place, in each of our businesses and functions. My emphasis for beyond inspirational leadership, domain and functional expertise, teamwork and collaboration, and ability to be nimble and agile, and how the appropriate level of mental toughness given we're in a turnaround.

And last but not least, an obsessive focus on the consumer and customer. Third, continuing to align on the right level of resources to affect the company's turnaround plan and move forward with an even greater sense of urgency. I'm a cash flow junkie. And Chris and I will continue to focus on reducing our cash conversion cycle.

Significantly accelerating operating free cash flow is very critical to reducing our debt and working aggressively to achieve our target leverage ratio. Fourth, better understanding our portfolio brands, categories and channels and developing a long term plan to win and drive core sales growth.

And the fifth priority, better understanding the innovation pipeline, and taking the necessary action to accelerate new product development and designed refreshes. On the whole, I'm extremely happy with my decision to join Newell brands. I'm optimistic about our future. I want to thank all 30,000 of our employees for their warm welcome and embracing my leadership, and their hard work in 2019.

Over the coming years, we will be laser focused on driving sustainable profitable growth, accelerating cash flow to reduce debt, and systematically adding to shareholder value. I'll now turn it over to Chris, to talk about our third quarter results and the tangible progress we're making on the turnaround plan.

Chris Peterson

Thanks Ravi, and good morning everyone. The Q3 results we announced this morning reflect a strong quarter of progress. We are making decisive and strategic choices to turn the company around, and drive shareholder value. And we are encouraged with the results thus far, and the building momentum within the organization.

It's still early days, but we have a number of positive proof points to share with you today. The financial results were in line or ahead of our expectations across all key metrics. For the second consecutive quarter, four out of seven operating divisions delivered core sales growth. We made further headway on productivity and cost controls, which translated into better than anticipated margins and earnings per share. And year-to-date operating cash flow of $424 million more than doubled relative to the prior year, reflecting strong execution on working capital initiatives.

The organization is getting back into the rhythm of consistent delivery. These strong results give us the confidence to raise our full year outlook for both normalized EPS and cash flow from operations.

From a strategic perspective, we are making progress on all five pillars of the turnaround plan to position Newell brands for long term success. One of our most important strategic objectives is to return the company to sustainable and profitable sales growth. We're focused on five key themes, including launching compelling and differentiated innovation, implementing omni-channel marketing, strengthening customer relationships, driving eCommerce share gains and accelerating the international business.

We believe that retooling and upgrading our innovation and marketing approach and moving to a digital first mindset are critical to returning the company to core sales growth. This is also a key to increasing our brands relevance and ensuring that we are driving purchase intent across all channels where consumers shop.

We are revamping our innovation approach to increase our speed to market, with a focus on insights and analytics, social listening, and artificial intelligence. We've created a new process that is bringing external innovation into the company to complement internally generated ideas. We have moved away from a channel specific marketing function, toward an omni channel approach.

We started the new digital tech platform implementation this quarter with five sites currently leveraging the new technology. It will take us about six to 12 months to roll it out across the portfolio, which will significantly improve the consumer experience with our brands, while at the same time reducing complexity, driving cost savings and improving capabilities.

Although still early days, we are making strong progress on the top line; Writing, Baby, Home Fragrance and Connected Home & Security all delivered core sales growth this quarter. eCommerce sales accelerated sequentially to a double-digit growth pace with strong momentum across all divisions.

International markets grew core cells as well, although they are still punching below their weight, which presents a meaningful opportunity for growth going forward. In total, our two year stacked core sales growth improved by 450 basis points from the second quarter.

Second strategic pillar improving operating margins through productivity and overhead cost savings is also showing meaningful progress. We have more than doubled our gross margin productivity funnel since a year ago. From our beginning point of 90,000 SKUs, which excluded the RCP business, we've taken out about 18,000 SKUs to date or 20% with concrete plans in place to get to the 50% target reduction by the end of next year.

We are making good progress on moving excess and obsolete inventory too, which helps post SKU reduction efforts and working capital. We remain on track to close three manufacturing plants and 10 distribution centers by the end of 2019, simplifying our supply chain footprint.

We have a number of initiatives in flight focused on overhead cost reduction. For example, we are integrating the support functions of the Food and RCP businesses, which we believe will better enable top line growth and cost efficiency. We are centralizing and moving a meaningful portion of our consumer service function offshore. We are on track to reduce our number of consumer service locations from 65 to 6 by the end of next year.

We are on track to reduce our office footprint by about 10% by the end of next year. Additionally, we were on track to cut the number of IP applications across the company by 85% by the end of next year, as we remove redundancy and simplify.

We continue to make progress on reducing systems complexity and standardizing systems across the organization. During the third quarter, we completed the SAP conversion of Appliance & Cookware in Asia, which gets us to four completed SAP implementations in total for 2019.

Our third strategic pillar is strengthening the portfolio. We announced last quarter, that we are retaining the Rubbermaid commercial product business, and work is underway to optimize its contributions to the portfolio. This morning, we disclosed our decision to keep the Mapa/Spontex and Quickie businesses as it became apparent that the economics of keeping them in the portfolio are more attractive than divesting them.

Similarly to RCP, Mapa/Spontex and Quickie generate strong cash flow with operating margins ahead of the total company average. Keeping these businesses will be accretive to sales, operating margins, earnings per share and cash flow in 2020 and beyond.

Mapa/Spontex and Quickie will be included in continuing operations as of the fourth quarter, as part of our Food and Commercial business. This means that upon the closing of the U.S. Playing Card Transaction which is currently expected to close by year end, we will officially conclude our divestiture program.

We recognize that this decision puts pressure on the leverage ratio in the short term. We remain committed to substantially strengthening the balance sheet and reducing our leverage ratio. We have a high degree of confidence in the cash generative ability of the company and we are comfortable that a short term deferral of our leverage target is outweighed by the benefits of higher cash flow expectations over multiple years.

With the completion of the divestiture program, it seems an appropriate time to make a change that we have wanted to make and that is to talk about our leverage ratio as a calculation of net-debt-to EBITDA rather than gross debt-to-EBITDA.

As you know, most consumer product companies calculate leverage using net debt, and I believe net debt is a better measure, since it recognizes the benefit of cash on the balance sheet. So under that updated definition, we now expect to attain a leverage ratio of approximately four times by the end of this year, approaching three and a half times by the end of 2020.

We have spoken to the rating agencies about this change, and shared with them the strategic rationale for the decision to keep Mapa/Spontex and Quickie as well as the financial ramifications.

In our view, with the decision being a accretive to sales, margins, earnings per share and cash flow, the relatively short delay in reaching our target leverage ratio is a beneficial tradeoff longer-term. To that end, the company successfully completed a 700 million debt tender offer during the third quarter, and reduced gross debt by $425 million.

Just last week, we announced plans to redeem another $300 million in outstanding debt, which we expect to complete in the fourth quarter. So as you see, we continue to make progress on strengthening the balance sheet.

The fourth plank of our turnaround plan focusing is on accelerating our cash conversion cycle through better working capital management. We are driving significant progress here with more to come. Year-to-date operating cash flow $424 million has more than doubled a year ago number. The team is doing a good job on clearing customer deductions faster, extending payment terms, and reducing inventory, both through SKU reductions, as well as improving our planning and forecasting processes.

The results are encouraging with higher than anticipated progress today giving us confidence to raise the operating cash flow outlook for the full year to $700 million to $850 million from $600 million to $800 million previously. The last of our five strategic pillars is building a winning team and significantly improving employee engagement.

Ravi has shared with you his aggressive onboarding schedule, and his decision to bring in Steve Parsons as our new CHRO. Steve will be instrumental in partnering with Ravi, myself, and the rest of the executive team to lead our people, employee engagement agenda going forward.

Just last week, we got the results of a pulse employee survey that showed significant improvement in employee engagement since the one performed in the fall of 2018, which is consistent with the informal feedback we've been collecting from our town halls. While we still have lots of work to do on this front, it's encouraging to see that employees are feeling more excited about being part of Newell brands, and more competent in the leadership of the company.

Let me turn now to a detailed review of our Q3 financial results. Net sales declined 3.8% versus last year to $2.5 billion. Core sales were down 2.5% toward the higher end of our guidance range. Writing, Baby, Home Fragrance and Connected Home & Security grew core sales, eCommerce groups grew double-digits.

Normalized operating margin contracted 50 basis points to 12.7% better than our expectations due to strong traction on productivity and cost optimizing initiatives. Normalized gross margin declined 40 basis points to 35.1% as productivity savings in combination with favorable mix and pricing were more than offset by headwinds from inflation, tariffs and foreign exchange.

The SG&A to sales ratio moved up 20 basis points this quarter, reflecting significant progress on overheads, offset by a planned increase in A&P spend. Debt pay down over the past year resulted in net interest expense savings of $31 million versus last year. We recorded a normalized tax benefit of $59 million which was better than anticipated due to favorable discrete tax benefits.

Normalized net income from discontinued operations was $16 million below the $55 million in the year ago quarter, reflecting lost contribution from completed divestitures. At the end of Q3, we had 423 million diluted shares outstanding. The company delivered normalized diluted earnings per share of $0.73 which was well ahead of our guidance range due to better than expected operational performance, as well as a more favorable tax benefit. Normalized diluted earnings per share from continuing operations increased 6% year-over-year to $0.69.

Turning the segment results, please note that we have reorganized our reporting structure to accommodate the move of the Rubbermaid commercial products business to continuing operations. Our Q3 financials reflect four operating segments versus three previously.

Appliance & Cookware is now its own standalone segment, and we are reporting RCP and Food as one segment called Food & Commercial. There are no changes to the learning and development or home and outdoor living segments.

Core sales for the Home & Outdoor Living segment grew 1.3%. The Home Fragrance business continued its momentum from Q2 with core sales growth driven by distribution gains and strong performance from eCommerce and Europe.

The Connected Home & Security Division had a very strong quarter, partially due to timing of sell in prior to Fire Safety Month in October, which benefited Q3 at the expense of Q4. Core sales for the Outdoor & Recreation Division were down year-over-year as expected.

Our Learning & Development segment grew core sales 0.5% with both Baby and Writing contributing to this outcome. We were pleased with Writings performance at back-to-school where our brands gained market share across the core Writing category. That strong performance was partially offset by softening trends in Slime, which although still a meaningful business driver for Elmer's, is off from its peak levels.

The Baby Business also grew core sales, driven by compelling innovation and the strength of our brands. Core sales for the Appliance & Cookware segment declined at 3.7% as anticipated. The LatAm business is doing well, but the North America business continues to be challenged. While we are certainly not satisfied with this outcome, it is a significant improvement in the trend versus where the business was in the first half of the year.

We are focused on rebuilding the innovation pipeline to drive sustainable profitable growth over the long term. Core sales for the Food & Commercial segment declined 11.3% this quarter.

Our Food business was impacted by a timing shift and the sell in for Black Friday that will benefit Q4. At RCP, that business has been run for EBITDA maximization while being held for sale, with product line rationalization and lower margin subcategories unfavorably impacting core sales.

We believe that with a closer integration into the ongoing operations of the company, and a renewed focus on sustainable and profitable growth, we can reignite core sales growth in line with our CPs more attractive historical trends.

Moving on to cash. The company generated $433 million in operating cash flow in Q3, ahead of plan. Year-to-date operating cash flow of $424 million has more than doubled a year ago level, in spite of the loss contribution from divested business. The improvement reflects stronger business performance as well as the benefits from strategic initiatives taken to improve working capital, including improving, the customer deduction resolution process, extending payment terms closer to benchmark levels, taking out SKU complexity, and improvements in demand forecasting.

We continue to see a significant multi-year opportunity to improve the company's cash conversion cycle. Before discussing our outlook, I'd like to point out that in the tables to the press release, we provided supplemental information, which shows the impact of including Mapa/Spontex and Quickie and continuing operations for Q4 and full year 2018.

This move increased both net sales and normalized operating margin, but reduced normalized EPS by a penny due to the recapture of depreciation expense on these businesses. Similarly to our discussion last quarter on RCP, moving Mapa/Spontex and Quickie from discontinued operations to continuing operations requires the company to restart depreciation expense because in accordance with GAAP, assets held for sale are not depreciated.

The annualized non-cash depreciation expense for Mapa/Spontex and Quickie is approximately $10 million. Our updated outlook for Q4 and full year 2019 will be based on a comparison with the metrics in this supplemental schedule.

With that frame of reference, I'll walk through our updated outlook for Q4 and Full Year Results. For full year 2019, the Company expects to deliver net sales of approximately $9.6 billion to $9.7 billion reflecting a low single digit core sales decline.

Normalized operating margin expansion of 30 basis points to 50 basis points to 10.6% to 10.8%. We are tightening the range on both the low and high end. We expect price increases, productivity improvements and overhead cost reductions to more than offset the unfavorable impact from inflation tariffs and currency, while simultaneously funding additional A&P investment.

We expect a normalized effective tax rate for continuing operations in the high single digit rate, and we are raising our guidance for normalized diluted earnings per share for the total company to a range of a $1.63 to $1.68. We are flowing through some of the upside that we delivered in Q3, and fully covering an incremental $10 million of depreciation from the inclusion of Mapa/Spontex and Quickie.

We are also raising our forecast for cash flow from operations by nearly 11% at the midpoint to $700 million to $850 million reflecting improved operating performance, better than anticipated progress on working capital, and benefits from additional tax planning initiatives. This forecast includes approximately $200 million of divestiture related, cash taxes and transaction costs, and restructuring and related cost.

The outlook assumes no share repurchases. As we look to the fourth quarter, we now expect net sales in the $2.5 billion to $2.6 billion range with core sales declining 2% to 4%. Normalized operating margin will contract 10 basis points to 50 basis points to 11.0% to 11.4% despite sustained progress on overheads and productivity as we plan to increase A&P spending versus 2018.

The normalized effective tax rate for continuing operations is estimated in the mid 20% range. This yields normalized diluted earnings per share for the total company within a $0.35 to $0.40 range with a diluted share count similar to Q3.

Turning to 2020, while we are early in the [indiscernible] I want to share some preliminary perspective about how we are viewing next year. We're closely monitoring the macros, particularly surrounding tariffs and currency movements. We are targeting another year of sequential improvement on top line growth, with sustained efforts behind productivity and cost optimization driving margin improvement. A portion of which is expected to be reinvested, behind select capabilities and brand support to set the company up for the long term.

We are still in the early innings of going after the working capital opportunity, and are optimistic we will continue to shorten our cash conversion cycle, and improve total company operating cash flow year-over-year.

We will share more details surrounding our 2020 guidance during our normal schedule of the Q4 earnings call in February. In closing, we are encouraged by the progress we are driving through the turnaround plan, and excited about the longer term opportunity for this company.

Before opening for Q&A, I just want to say that it has been a real pleasure working with Ravi over the past 30 days, and I'm looking forward to continuing the turnaround journey together.

Nancy O'Donnell

Okay. Thanks, Chris. Before we turn it over to the operator for Q&A. I just would like to remind you that we're going to ask each caller to limit yourself to just one question. We're going to try to wrap it up on time and at the same time fit in as many callers as possible. So thanks for your cooperation and operator, we're ready to take questions now.

Question-and-Answer Session

Operator

Yes, Ma’am thank you. [Operator Instructions] Our first question comes from Wendy Nicholson with Citi Investment Research.

Wendy Nicholson

Hi, good morning. My question picks up Chris on what you were just talking about with 2020. In Ravi’s comments there was a lot of discussion about how there's a need for more innovation, there's a need for a lot of work. But I know, the turnaround is sort of in full swing on, and we've been talking about bringing more innovation to some of these categories for a while. So bottom line, do you think 2020 is going to see core sales growth, or do we have another year of declines in core sales? Thanks.

Chris Peterson

Yes. I think as we think about 2020. I think, what I said is that we're expecting to show sequential improvement in 2020 versus 2019, but consistent with Ravi in my view we have a couple of businesses, notably Appliance & Cookware and outdoor and rack that I think a couple of businesses, notably Appliance & Cookware and outdoor and rack that I think are going to be multi-year turnarounds because we need to rebuild the innovation pipeline in those businesses and those businesses are both competing in about 35 product categories.

So I think it's too early for us to give numerical guidance, but I expect that you'll see us deliver sequential improvement versus this year. I don't expect us to be to the full potential of the company until we get the Appliance & Cookware and Outdoor & Rec businesses turned around.

Importantly though, I do think we're also going to make progress on operating margins as I mentioned. And I think that, that you'll see us from an operating cash flow standpoint do even better next year than this year.

Wendy Nicholson

And I assume….Yes.

Ravi Saligram

Yes. Wendy I -- sorry Wendy. Yes I don't want you to take my comments amiss in the sense. I think Chris articulated it very clearly that we will continue to improve. But the tale of 2 cities is a very real issue. And that also applies when you think about we're not sort of an 80-20 rule company. We've got tail channels tail customers tail categories. So we either need to really start growing very fast in the businesses that we're growing and we'll continue to push on that and then find ways to mitigate the declines.

So I think it will just be a matter of -- it's not if it's just when. And because we are very confident that this will -- we will get to growth it's just a matter of when. And -- but all our efforts are laser-focused on that. But in the meanwhile I think all the things Chris said this is a very good picture of continuing improvements on a lot of metrics not just on the growth side you should look at the cash flow and the operating margins and the like.

Wendy Nicholson

And fair to say though the stuff you were talking about with the international opportunity which is very exciting and it's something I think we've been waiting for it for a long time. But logically that type of growth is more like a 2021 and longer term that's not something where a light switch can be turned on and add much to the top line next year. Is that fair?

Ravi Saligram

I think look we've got -- I think Chris referred to this in his remarks already because there are pockets of growth where we're growing and in Latin America and I think I referred to it in my remarks as well. But you're right that the big international opportunity which is more long term you can't just return something. Having been president of international in a couple of different companies the biggest thing with international is people capabilities making sure you pick the right drive countries so that you don't have flags on maps and really driving for depth rather than breadth.

So it will take us time. But I do think our brands are well suited for the international opportunity. That is very key that -- whether you think about India or China and the kinds of businesses we have with Baby and Writing. These are all tremendous places where population growth is occurring. And I think long term this is a fabulous opportunity

Wendy Nicholson

Got it. Thank you very much.

Operator

Our next question comes from Bill Chappell with SunTrust Robinson Humphrey.

BillChappell

Thanks. Good morning.

Ravi Saligram

Good morning, Bill.

BillChappell

Just kind of a thought on the outlook for the upcoming holiday season. Just trying to understand especially some of your seasonal businesses like Home Fragrance like Appliances. I mean do you feel you're set up fairly well? I guess in particular do you expect Home Fragrance to continue that growth as you go into the holiday season? And -- or is this more of a there's a lot of things that are in transition you probably weren't fully prepared to get ready for this holiday season so we'll see more step change going into next year?

Chris Peterson

I think on the Home fragrance business we've really turned the corner. So Home Fragrance has delivered core sales growth both in Q2 and Q3. I think we're very well positioned for the fourth quarter. And you can see that we're gaining distribution at our -- at major retailers as we're transitioning the business away from a purely retail store-focused business to more of an omni-channel model with wholesale playing a bigger role. So I expect on Home Fragrance that we're very well positioned and you'll see us well positioned to have a strong holiday season in that business.

Ravi Saligram

Bill I'd just add a quick thing to that. I did my review there. And this was a great example where the leadership works and the team there is very cohesive. And what I like is their strategic shift to redefine the business from Yankee Candle to real Home Fragrance business and they're looking at different opportunities. And so I think we can -- I think that business has a lot of legs.

BillChappell

And just….

Chris Peterson

The only other thing I would -- go ahead Bill.

Bill Chappell

I was just saying just to follow-up. I mean there's been transition risk of moving and you still have a fair amount of stores would you say that's largely behind you?

Chris Peterson

Yes. So this year we're going to -- we've closed 75 stores to date. We generally closed stores after the holiday period because the way to maximize value is not to close stores going into the holiday period. I would expect that we'll continue to close underperforming stores at the beginning of next year and focus on the stores that are profitable.

But what's exciting is that the growth that we're seeing in wholesale is more than offsetting that from a core sales perspective. And so I think that business is well positioned. We're also back to growth on eCommerce in that business. And so both on our direct-to-consumer site and through e-retailers we're back to core sales growth.

So I think we're navigating that shift well. And the other piece on that shift in addition to the top line is that the margin improvement in that business is substantial because the business we're shifting out of underperforming stores is shifting to channels where we make significantly higher operating margins. And so that business this year will be up and operating income very strong double digits.

Bill Chappell

Yes, sorry for my [Indiscernible] question.

Chris Peterson

No problem.

Operator

Your next question comes from Rupesh Parikh with Oppenheimer.

Rupesh Parikh

Good morning, and thanks for taking my questions. So I want to go back to Ravi your comment on the brand refreshes. I was curious which brands do you think have the most urgency from a refresh perspective. And then I was also curious in terms of how you think about the time line in terms of how long it could take for a brand refresh.

Ravi Saligram

Yes. Rupesh good morning good to hear your voice again. So Rupesh I think look the 2 businesses that are challenged are Outdoor and the Appliance business. Clearly we've got some brands that were really very prominent in yesteryear we need to update them. Coleman would be one definitely and it's a great brand with a great reputation. But I just think that with the competition that we have had both at the higher end with Yeti and lower end with Igloo we just need to get on top. But the brand equity is great. Consumers love the brand. We are doing good marketing things in terms of going to festivals and stuff but we need a little bit more product innovation.

And we've already got that going. But I think there's more work to be done. I think on the appliance side if you take a look at like something like Mr. Coffee. And I think that's another brand that while we put out different things out there I think that's a brand that we need to think through. I think Calphalon is a great brand and a terrific brand. We just need to get the channel segmentation right and just figure out how we take it to the next level. So those would be just a handful that I would say. The last one I'd say is Contigo which is a terrific brand. I remember it from my OfficeMax days when it was a pioneer in that segment. I just think they have a lot of potential there. And so we need to drive that a lot harder and a lot faster.

Rupesh Parikh

Great, thank you best of luck with the efforts.

Operator

Your next question comes from Steve Powers with Deutsche Bank.

Steve Powers

Yes, thanks. Good morning. First off Ravi welcome and thanks for your opening comments. I guess as you and Chris think about the path ahead it just seems listening to your prepared remarks and the Q&A thus far that there's so much change in flight. Lots of discrete needs across numerous -- lots of discrete needs and numerous initiatives under way across just all of the company's various business lines.

And to your point geography-by-geography overseas. So I guess the question is to what extent are you able to step back and view the company's turnaround as one cohesive program versus just a huge program office of smaller turnarounds? And to the extent that there is one program how would you summarize the most critical variables toward continued success as you think about 2020?

Ravi Saligram

So let me start with it and then I'll let Chris take shot at it as well. So Steve I think one thing -- I'll start with your underlying premise about a lot of change. There is no question that this company has gone through a lot of churn in chain and a lot of disruption. So as I come in new the thing that I'm telling myself and all our employees and management team is if we decide to make any change we need to think about the prize with the Z and the price that we pay for it. So is the prize that we're going to get by making any change worth the price that we'll pay? So the cost benefit. So really we'll not be making changes for the just sake of changes. And so I think that will be very critical. I do think that when you're in a turnaround there are different levers you need to pull.

And -- but central to this really to me is that hey we've got -- if you think about 3 buckets we've got to get growth and that growth will come through innovation. You've got to get cost down and efficiencies which will help the margins. So a lot of the things in terms of simplification whether it's SKUs systems all of that just goes into becoming a more efficient organization. And then cash flow. So really those are the buttons. We're just trying to -- there may be different initiatives but we're very clear that there is a cohesive program here and it is not just a project management office that is just churning out. Because look one of the things -- one big change that Chris already started and I'm going to continue this is not going to be a consultant-driven organization. This is going to be run by operators who have a very clear view of both the short term and the long term. Chris?

Chris Peterson

Yes the only thing I would add to that Steve is that when we -- when I came in about a year ago I went through a listening tour similar to what Ravi is doing and we put in place a turnaround plan that we've been executing against for probably the last nine months. And that turnaround plan which I laid out at -- in previous earnings calls and conferences is very focused on the 5 things that we talked about here and that Ravi mentioned as well.

And I think we've had consistency in that turnaround plan over the last nine months. And so it hasn't been a student body left or a student body right. The tactics underneath it we're continuing to monitor and we're driving a lot of different change with regard to complexity reduction productivity initiatives a change in how we develop innovation and interact with the consumer.

But I think all of those things are in the right direction. And what I'm excited about is that with Ravi coming in I think we'll make it even sharper. And I think we can move forward in a very positive way. And we're already seeing the results. This is the third quarter in a row that we've met or beat our plan and expectations on all financial metrics. And so we're 3 for 3 which begins to rebuild credibility as we go forward here.

Ravi Saligram

So I'll just add 2 quick points. When I came in and during the course of time as I was interviewing I had a chance to look at the turnaround plan. I really think it's very sounded and it's just back to basics. This is not rocket science. And one can say "Hey do you need a highfalutin strategy model?" We've got good brands. We have good people. We just need to execute and be laser-focused on a few things and do them well. My job when I come in part of it is to really inspire our employees to do their best. That I think I am -- I fervently believe that employees are at the heart of our business.

And we've not I think yet today galvanized the full potential of our employees and how do we get them to believe that there is a great future and that it's additive. And that 30000 employees is actually equivalent to 300000 because you're taking all their power and getting them very focused on a few things. And my job is to with the management team help explain bring it down to the basics. So -- and that starts with let's get focused on the consumer get focused on the customer let's understand the trends get on top of it quickly.

Speed is very critical in all of this and be ahead of the curve. And over time once we get the turnaround effected look -- we'll look at the next phase. Then we may want to -- for the next growth phase. But right now back to the basics turnaround is what we need to do.

Steve Powers

Okay, thanks so much for all that I'll pass it up.

Operator

Your next question comes from Joe Altobello with Raymond James & Associates.

Joe Altobello

Good morning. Thank you Ravi for your high-level thoughts earlier on the opportunities that you see at Newell. You did emphasize the need for stability in the organization obviously. And so just to be clear should we interpret that as there's unlikely to be any major changes in the transformation plan? And again I realize it's early days but perhaps some mid-course tweaks here and there over the next few quarters.

Ravi Saligram

Joe thank you for that. Look I think I would not -- because there are 2 plans around I think there was an old transformation plan and that is not what I'm referring to. I'm being very crystal clear that it's the turnaround plan that Chris has articulated and talked about each component which is a back to basics hey let's get this company on the right footing. So because transformation is too highfalutin a word for me I'm -- you've got to be very careful about that.

We are in the throes of our turnaround get the basics right. And yes I think all the tenets of that make a lot of sense so there is no point in changing when there's no need to and we're making terrific progress. Now some of the execution will -- and the tactics over time we'll learn and we'll improve. So for instance social media. We just are nascent. We got started on it. Now how we do it we may want to change. I may make some structural tweaks but there are tweaks they're not going to be wholesale changes. Leadership team we have a good leadership team. I may make changes where I feel it's necessary. But what you're not going to see is a complete upside down because I don't think that is right for the company at this stage. We're on a good path we just need to build on that momentum.

Joe Altobello

That's very helpful. And just shifting gears to North America. Core sales were down 3.8% in the quarter. I think that was pretty similar to the number that we saw last quarter despite increased A&P investments and the strong growth that you guys saw in eCommerce. Was that just a tougher compare? Or was that also due to the inclusion of Rubbermaid Commercial in the quarter?

Ravi Saligram

It was a little bit of both. So let me just address that. So if you look at the total company's core sales growth of negative 2.5%. while we're not satisfied with that number it did represent on a two-year stack basis about a 450 basis point improvement in Q3 versus Q2 speaking to your point on tougher compare and that's certainly true in North America as well. If you look at our guidance for Q4 that represents about another 250 basis point improvement and the two-year stacked core sales growth trend versus Q3. So although we're still guiding in Q4 down 2% to 4% we're cycling through tougher compares and we're making sequential progress on our two-year stacked growth trends. The higher A&P in Q3 was largely spent behind the Writing business and I think we were very happy with the results from that.

Because Q3 is the all-important back-to-school season for the Writing category and we won the Writing category during the back-to-school season. So we grew market share in the back-to-school season in the core Writing business and grew core sales per division. The core sales for the division doesn't show the extent completely of how much we won during the back-to-school season because it was somewhat masked by the Slime trend coming off. But the A&P spend certainly played a big role in that effort. So I think we were pleased with the results from that. It doesn't mean we're not going to look at how do we make it better and more effective going forward. But the core sales came in at the high end of our guidance range and we're excited about the sequential progress we're making and expect to continue.

Operator

Your next question comes from Lauren Lieberman with Barclays Capital.

Lauren Lieberman

Great, thanks. Good morning. As you talked about this is -- let's not sort of overcomplicate this in terms of what we need to do and not have a big highfalutin strategy and so on which I really appreciate let's execute on these brands. One of the things when I looked back over the last couple of years that has I think caught these great brands by surprise is the -- is just competition. Sort of that Newell wasn't the only company giving attention to these categories through innovation through addressing emergent consumer needs. So Ravi how are you thinking about that side of the house? Sort of beefing up the consumer and competitive insight and intelligence capabilities to really make sure that you don't fall behind again because that's where the hole you're digging out of right from a growth standpoint.

Ravi Saligram

Yes Lauren. Thank you for that. Look I think the most important thing for this is you've got to have your organization and your teams have an external focus versus an internal focus. These problems start when you are looking very inwards. In the last several years with the acquisition with structural changes which might not have made sense there was also divisions on a development delivery organization that might not have optimized things. I just think that we've got to get our teams to have that winning spirit and just get on top of trends. Because a lot of these trends we should have seen. And it burns me up that we missed some of them and I've only been here a month.

And I want every employee to feel that way because in consumer brands you got to have the obsession that you want to delight the consumer and you always got to be ahead of them. So insights become very important. Social listening becomes very important and not being steeped in the past. So you've got to get a 360-degree view of how the consumer is moving and anticipate and make sure that your innovation cycle is speeding up toward that. The second part of it is focus. Because look you can't -- every innovation is not going to be a needle-mover to be a needle-mover.

So you've got to also have new news. Sometimes it may just be a packaging refresh. Sometimes it may be just how you talk about the brands. But there's always got to be new news in a category in a business where there's discretionary purchase patterns. So we're going to ramp this up. It's going to take us a little bit of time. And we are in different stages in different businesses.

For instance Writing where they have the year of the pen. I'm very excited about the things they're doing. And especially with Sharpie and stuff like that. So I just think they're in different stages. We will get this cranked and go forward. Because I hate to lose out to the competition because that means we were asleep at the switch and we're not going to let that -- it will take us time to get there but we're going to rev this organization to really have that competitive spirit and that obsession with the consumer and customer because you've got to make sure your innovations are as important and favored by the customer and not just for the consumer. So if you get the price point right the safe channel segmentation's right etc.

Operator

Your next question comes from Nik Modi with RBC Capital.

Nik Modi

Yes, thanks. Good morning, Ravi I just was hoping you can provide some thoughts on your background with OfficeMax and Ritchie Bros. And maybe some best practices or learnings from your experience at those companies especially as a Newell customer at OfficeMax and how you think you can apply those experiences to what you see at Newell today.

Ravi Saligram

Thank you Nik and it's good hearing your voice again. So Nik I'd say it's a product of a few things the experiences. So I have been in -- I've lived in 6 countries worked across 6 different categories and -- or 6 totally sectors both B2B B2C SC Johnson where my consumer packaged goods came in. But look the key thing for me is when you get into a company to always start with a clean slate and say what is the situation here versus do --

oh I did that there's a -- don't be formulaic in your approach. That's number one. There's a second philosophy which is people come first. You truly got to believe that your people are your biggest asset. And to me it's not about always a you've got to have only the best people but how do you bring out the best in people. Because that is very very important. And I don't think we have really maximized that potential at Newell. We will go break down the silos and break down all of this -- we've got to fully culturally integrate the company. And I did that at Ritchie Bros. when we bought OfficeMax. The third is to make sure that especially if these companies for one successful leadership complacency sets in.

And you start thinking you believe in your own stuff and that's when you miss the innovation. It's someone in the garage who comes up with things. And you have set paradigms whereas the person outside is thinking in a different lens. For me the fact that I've worked in so many categories helps me look at patterns and say how do you take disparate and view them into one single pattern. So the other thing I'm very respectful I think it's very important for domain expertise institutional memory and knowledge. So that if every -- if you only have generalists running places you lose a lot of momentum. You need people who have burned time in their jobs especially in marketing in sales because you want continuity with customers with your top customers the same people calling.

You also need a cohesive horizontal view. So today we are I think a little bit too much we're geared from too much centralization to maybe a little bit much on the division focus. How do you harmonize that. So that when you present yourself in front of all the big top customers there's also a Newell voice in there. So I think a lot of these things that -- for me the Newell thing is very exciting because it's the culmination of my career for all the experiences I've had to bring to bear.

And the last one I'd say is today any company that does not think of itself as digital-first is doomed. So -- and for us we already have the foundation. But you got -- it can't just be the center of excellence in eCommerce. The entire company has to think digital social media. So gone are the days you when just said "Oh it's all TV." you've got to look at -- and one of the surprises for me when I came in was that maybe a couple of years ago we didn't really allow social media and influencers which is shocking.

Chris corrected that and we have now got a nascent initiative going. So I just think that there are a lot of ingredients in our company for success. They've got proven brands. They've just fallen behind a bit but I am very confident we'll get them back to their past glory.

Operator

Your next question comes from Kevin Grundy with Jefferies.

Kevin Grundy

Thank you. Morning, everyone. Welcome Ravi. Ravi I wanted to come back to a portfolio question. It sounds like you're reasonably comfortable with the portfolio as it currently stands. You also mentioned though that the company will be in the process of doing a deep dive on Appliances & Cookware as well as Outdoor & Rec. So I'm just curious does that leave the door open for potentially some strategic considerations there? At that point when you're down with the strategic review is it possible that you do decide to divest those businesses?

How do you view the attractiveness of those categories now and the brand's positioning they're in? It sort of begs the portfolio questions a company should be in the businesses that they're in and not necessarily the ones that they are in. If the company's balance sheet was in a different position today would you buy either one of those businesses? Arguably the answer to that may be no. So I'd be curious to get your thoughts there. And then a quick housekeeping Ravi is it your intent to provide long-term targets sales profit earnings growth etc.? And if so when should investors expect that?

Ravi Saligram

Okay. I'll answer the first question. And then I think Chris mentioned that the divestiture program is done. And look I think at this point we're quite happy with the portfolio overall. But within the portfolio because we've got -- so for instance Appliance & Cookware we have 36 categories. So -- and we're kind of leaders overall but we've got to look at hey can we really have best in particular segments. And are there certain things that we may want to evaluate do they make sense to still be in. Because it's very tough when you say we've got to conquer all 36. So we may want to -- we'll evaluate certain categories should we prune some. There's also some things that just don't make sense. Like in Germany I've just learned we've got a condom brand.

And really that's not strategic to us. So those are the kinds of things that we may want to sharpen our focus. So it's a sharpening of the focus. I think it's premature for us to really come to any conclusions that just because these 2 businesses are at this stage not firing on all cylinders that there shouldn't be a conclusion that they're not part of the portfolio. We have to look at it get the turnaround plans. Because they have good brands. These are all highly reputable brands. And look I worked in my past with a lot of brands that were icons. Holiday Inn as an example. And so it is just how do you restore them and how do you make them relevant and current. Chris do you want to add to that?

Chris Peterson

Yes. I'll just say on the guidance point we'll provide guidance for next year for 2020 on the next earnings call which is our normal cadence. And I think we laid out at CAGNY sort of long-term aspirations last year and I don't think -- relative to the benchmarks I don't think anything has really changed versus that. So that will be our plan relative to updating guidance for next year and beyond.

Operator

That is all the time we have today for question-and-answer session. I will now turn the call back to Mr. Saligram for closing remarks.

Ravi Saligram

Thank you very much everyone. I really appreciate your being on the call and your interest in Newell. I believe that our future is bright. And with that onwards and upwards. Thank you.

Operator

Thank you everyone. This concludes today’s teleconference. You may now disconnect.