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PRESENTATION

Operator

Hello, and welcome to the BIC First Half 2019 Results Call. My name is [Val], and I will be your coordinator for today's event. (Operator Instructions) I am now handing you over to your host, Sophie Palliez to begin today's conference. Thank you.

Sophie Palliez-Capian - Société BIC SA - External and IR Director

Thank you. Good morning and good afternoon, everyone. Welcome to H1 and second quarter results. The call will be hosted as usual by our CEO, Gonzalve Bich; and our CFO, James DiPietro. We will start by a short presentation of our results, followed by a Q&A session. Let me leave the floor to Gonzalve.

Gonzalve Bich - Société BIC SA - CEO & Director

Thank you, Sophie. Good morning and good afternoon, everyone. I'll start with a summary of our first half performance. Jim will then provide a detailed review of our consolidated results, and I'll conclude with our outlook for the balance of the year. As an introduction, I'd like to share with you my thoughts on the global trading environment that we're operating in, and the actions we're undertaking as we progress in our transformation journey. You've already heard this, not only from me, but from many of our peers as well. But I think it's worth repeating, we're operating in a tough macro environment. The U.S. is one of our largest markets, and while its economy continues to be healthy, the recent slowdown of China's growth and the impact of the trade war on global business is becoming more visible, which could negatively impact this country in the future.

In Latin America, the environment is challenging. Brazil is in turmoil with their GDP forecast revised downward once again, and the Mexican economy contracted during the first half, affecting both services and industrial activities. Finally, in France, while the financial and economic impact of the (inaudible) demonstrations is still under assessment, large retailers have suffered from lower store traffic in the first quarter. In this context, our business categories are globally trending downwards. Markets are soft in most geographies and the competitive environment is getting more challenging.

In Stationery, European and North American markets were flat to slightly increasing in value, while Brazil declined high single digits.

In Lighters, the second quarter confirmed the accelerated decline in the U.S. market, down 8% in volume and 5% in value year-to-date.

The U.S. Shaver one piece market decreased 5% in value year-to-date, while Western Europe was barely stable in value. The bright spots are Eastern Europe and Africa, which continue to gain momentum. Despite this challenging environment, we managed to outperform our markets almost everywhere. We captured share in Europe in both stationery and shavers and confirmed first quarter positive momentum in U.S. disposable shaver, gaining 1.9 points value share, with 28.2% market share at the end of June, we're progressively closing the gap to our historical highs.

We continue to grow with e-commerce, one of our top priorities and outpaced the U.S. stationery e-commerce market, growing 20% year-to-date and gaining 0.7 points in value, notably thanks to our added value segments, such as gel and permanent marker with our new temporary tattoo marker, BIC BodyMark.

Newly or recently launched products that meet consumer needs, such as BodyMark, BIC Flex 5, BIC Miss Soleil Sensitive were noteworthy contributors to our first half Stationery and Shaver performance. These successes are paving the way for future innovative launches in promising segments and combined with market share and distribution gains will drive accelerated growth in the future.

Our overall performance was fueled by the ability of our teams to adapt to fast-evolving trading environment through innovative and competitive commercial offers and executing relentlessly, gaining distribution in all channels of trade, offline and online. I'd like to take this opportunity to thank them for their dedication and courage in this environment.

In early June, we announced the second phase of our BIC 2022 Invent The Future Transformation plan with 25 million additional annualized savings expected by the end of 2022. This second phase will focus on creating the right structure to unlock the potential of our business through a more efficient organization. And with the capabilities to meet the challenges of today and those of tomorrow. This plan will help BIC to become more agile, building on our historical strength of innovation and entrepreneurialism. A great example of this is the recent launch of our new brand Made For YOU in the U.S. This new line of gender neutral refillable shavers combines product innovation with groundbreaking, high performance, fueled by an exclusive and forward-thinking partnership with Amazon, the leader in e-commerce today. The project was finalized in less than 6 months. This is the first of many initiatives you can expect from us in the future as we're pivoting towards the company we want to become, more agile, more innovative and more collaborative.

The acquisition of Lucky Pen, [Lucky Stationery Nigeria Ltd] Nigeria's #1 stationery manufacturer and brand announced last week is another excellent example of our ability to seize growth opportunities. Nigeria is the #1 pen market in Africa with approximately 425 million units produced annually and is expected to grow double-digit in the next 5 years.

Despite the political instability in some countries and a volatile macroeconomic environment, Africa is a strong development priority for us. While our historical presence provides us with substantial competitive advantages, such as BIC brand awareness and expansive distribution reach, the integration of Haco Industries in Kenya and Now Lucky Stationery in Nigeria, will strengthen our position and accelerate our growth in one of most -- one of our most promising markets.

I remain convinced that despite current challenges, our categories offer genuine opportunities for growth. Our products are and will remain essential to consumers' everyday lives. Also, our competitive advantages, such as manufacturing expertise and strong brands and financial resources will help us resume long-term growth.

Yet to succeed, we need to step further and shift our product portfolio into higher growth segments or geographies within or even outside our current businesses. This will be achieved organically and through targeted and accretive acquisition. This also means that we must periodically review where and how we allocate capital to enhance the return on investment of our operation and sustain long-term total shareholder remuneration.

Building on our historical engagement to sustainable development with our products being light and long lasting, the business model we're moving towards strives to minimize the environmental impact of our products and contribute meaningfully to our communities and to society, in general, for our commitment to education, thereby creating value with and for all of our stakeholders.

A few comments now on our first half financial performance. H1 2019 net sales were down 1.6% on a comparative basis at EUR 960.2 million. Normalized IFO margin was 15.9%, down 370 basis points versus prior year, while normalized EPS Group share decreased 20.3% to EUR 2.43. Our net cash position at the end of June was negative EUR 11 million.

Later, Jim will take us through our consolidated results in more detail.

Now let's take a closer look at our 3 categories, starting with Stationery. In Europe, our share gains were 0.1 points in value in soft markets. First half net sales declined low single digits as shipments to customers for the back-to-school season were postponed from June to July. Yet our added-value products, such as BIC Gel-ocity Quick Dry and the recently launched BIC Intensity Medium Felt pen performed well, and we successfully gained further distribution in Southern Europe, notably in Iberia.

Looking at North America, we performed inline with a flattish U.S. stationery market, and we were able to gain share in growing segments, such as Gel and Marking, boosted by our great new product innovations, BIC BodyMark tattoo pen and BIC Gel-ocity Ultra Gel pen. In e-commerce, we outperformed the category, gaining 0.7 points in value year-to-date, in line with our relentless efforts to become a genuine omni-channel specialist with presence both offline and online. Our first half net sales were flat as they were negatively impacted by back-to-school's unfavorable phasing.

Going now to Latin America. In a highly competitive environment in Mexico, BIC outperformed the market, notably in Ball Pen and Marking. Our overall stationery net sales in Brazil were down mid-single digit, impacted by Pimaco, our manufacturer and distributor of adhesive labels, mostly in the first quarter. However, our performance in the key segments of Ball Pen, graphite and coloring were strong, gaining 0.8 points in value in an overall declining market.

In the Middle East and Africa region, I'm proud of the progress made with our new up and running facility in Kenya. Our change in route-to-market in East Africa as we are now selling directly versus going through a distributor, drove a double-digit increase in net sales and enables us to strengthen our presence in the region. In South Africa, after a healthy back-to-school in the first quarter, we outperformed the stationery market, gaining 1.3 points versus last year.

In India, we continue to make headway towards our goal of regaining momentum in our Cello business. First half performance in domestic net sales was weakened by our initiative to reduce shipments to super stock us. However, we started to recover during the second quarter, with domestic net sales growth mid-single digit, fueled by the performance of our Champion brands, notably Butterflow.

Now let's turn to Lighters, where our first half net sales declined by 2.7% on a comparative basis. In Europe, the advertising campaign launched during the first quarter in France, Germany and Belgium showed encouraging results as we're addressing our consumers directly to raise awareness on the safety matters affecting the lighter industry. On that note, we continue to proactively address the Lighter issue, a European level, as the institutional support is critical to plead our case in preventing noncompliant lighter imports. First half net sales were slightly up as we progressively implemented across countries, a distribution channels, the price adjustments announced in January.

In North America, our first half sell-in performance was affected by a weak first quarter. While we gained share in both volume and value with 0.2 points year-to-date. The U.S. market remains hugely challenging with volume decline accelerating at 8% year-to-date compared to minus 4.1% in 2018. Although, we cannot draw a direct correlation between cigarette consumption and pocket lighter usage, this acceleration must be evaluated in the context of several market drivers: the recent 7.2% rate of decline of cigarette volumes year-to-date' the acceleration of e-cigarette growth, with volumes up 110%; the slowdown of Marijuana combustible sales in the legal market compared to vaping and edibles; as well as other factors, including gas price increases, cigarette tax rises, increases in smoking regulations in several states. However, for the balance of the year and excluding further deterioration in the market's decline, we expect our net sales trends in volume and value to improve slightly compared to the first half.

In this challenging environment, I'm happy to see our new production facility in Pennsylvania now up and running, and I'm confident that this will help strengthen our personalized lighter strategy. On that note, and while it's still small share of our sales, our direct-to-consumer lighter sales grew close to 80% versus last year.

Now turning to Latin America. First half performance was boosted by good momentum in Brazil. Both customer pre-buys ahead of the April price increase and further distribution gains drove growth. Our sellout performance in Brazil was also solid as we grew above the category, gaining 0.5 points in value year-to-date June. It's fair to say that despite the difficult economic environment in Argentina, we were able to strengthen our position in this market, expanding further our distribution and enhancing our brand awareness.

Lastly, as already mentioned in April, we regained momentum in Shavers during the first half, with net sales increasing mid-single-digit on a comparative basis.

In Europe, we outperformed most of our markets, including Italy, Poland, the U.K. and Russia. Net sales growth was fueled by both added-value products, such as BIC Flex 3, BIC Flex 5, BIC Miss Soleil and recent launches, such as BIC Miss Soleil Sensitive. Eastern Europe performance continued to be driven by Russia, where we saw ongoing momentum with the success of our hybrid range, BIC Flex 3 Hybrid and BIC Flex 5 Hybrid as well as further distribution gains.

Looking now to North America. We managed to resume market share growth, gaining 1.9 points in value. In the U.S. One Piece market, down 5% in value year-to-date. The Women One Piece segment was a significant driver with the introduction of commercial innovations on BIC Silky Touch as well as the solid performance of our BIC Soleil franchise, including BIC Soleil Balance, one of the most successful products on the female disposable market since its launch last year. Finally, our new product, BIC Soleil Click 5 performed well, reaching 1.2% in market share value year-to-date.

In Latin America, net sales grew mid single digit during the first half. Our teams did a great job as we outperformed our 2 key markets in Brazil and Mexico, propelled by further distribution expansion, notably in convenient stores.

Our product trade up strategy continued to be successful, as consumers are more and more attracted to our 3 blade offerings in both female with BIC Miss Soleil Sensitive and in male with BIC Flex 3 and Comfort 3.

Lastly, in the Middle East and Africa region, our performance was robust, driven by our BIC Flex range in Morocco and South Africa, notably with the launch of BIC Flex 5 Hybrid.

Furthermore, during the Africa Cup of Nations. Our teams put in place powerful promotional activities, including in digital, which also drove sales growth and reinforced our brand awareness in the West African countries. This concludes our operating overview. I'll now turn it over to Jim to take you through our consolidated results.

James DiPietro - Société BIC SA - CFO & Executive VP

Thank you, Gonzalve. I'll begin by reviewing the net sales results for both the second quarter and the first half of 2019. On an as-reported basis, second quarter net sales were up 0.2% versus last year. On a comparative basis, our net sales were down 1.3%. Currency fluctuations had a favorable impact of 2.4%. This is mainly due to the stronger dollar versus the euro. The perimeter impact adjustments includes the sales from Haco Industries, which was acquired effective December 31, 2018, as well as the net sales impact of the BIC Sport divestiture.

As a reminder, due to Argentina's hyperinflation, we are excluding Argentina from our comparative basis sales results. For the first half of 2019, net sales totaled EUR 960.2 million, up 0.1% as reported and down 1.6% on a comparative basis. Here again, the favorable impact of currency fluctuations was 2.4 %, mainly due to the U.S. dollar.

Now I'll review the normalized IFO margin change versus prior year for both the second quarter and first half. Starting with the second quarter of 2019, cost of production was unfavorable 3.1 points versus last year. Also, production was negatively impacted by raw material costs and unfavorable ForEx trends. Brand support investments were higher by 1 point, while OpEx and other expenses were lower by 0.4 points versus the second quarter of 2018.

Looking at the first half of 2019, cost of production was also unfavorable 3.1 points versus last year. First half 2019, cost of production was impacted in a similar way as it was in the second quarter. We were negatively impacted by raw material cost and unfavorable ForEx trends, as well as changes in manufacturing costs and variances versus prior year.

The brand support investments were higher by 1.2 points, mainly due to the Lighter advertising campaign in Europe in the first quarter, and second quarter brand support investments in the U.S. OpEx and other expenses were down by 0.6 points versus the first half of 2018. For the second half of this year, we still expect unfavorable ForEx trends, while raw material cost and absorption should be more favorable than the impact realized in the first half of this year.

Slide 9 shows normalized IFO to net income for the first half of 2019. First half of this year, income before tax was EUR 124.4 million compared to EUR 125.3 million last year.

Net finance revenue was negative EUR 1.7 million compared to a positive EUR 5.8 million last year. Net income group share this year was EUR 89.6 million, as reported, compared to EUR 70.8 in the first half of 2018. Net income group share, excluding restructuring costs and Cello goodwill impairment was EUR 108.4 million compared to EUR 139.5 million last year, and the effective tax rate for the first half was 28%.

EPS Group share was EUR 1.99, up 28.4% compared to EUR 1.55 in the first half of 2018. Normalized EPS share decreased 20.3% to EUR 2.43, compared to EUR 3.05 last year.

Slide 10, we see the main elements of working capital, experiencing increases in both inventories and accounts receivable.

Inventories increased to EUR 494.8 million and accounts receivable to EUR 639.6 million. Trade and other payables were EUR 151 million. Almost half of the inventory at the end of the first half of this year is associated with the Stationery category. This will decrease as we ship back-to-school orders in the third quarter.

On Slide 11, we see the summary and the evolution of our net cash position between December of 2018 and June of 2019.

Net cash from operating activities was EUR 79.6 million, including EUR 164.7 million in operating cash flow. The negative EUR 85.1 million was change in working capital, mainly driven by accounts receivable and inventory increase compared to December of 2018, mainly due to the seasonality of back-to-school.

Net cash was also impacted by investments in CapEx, as we invested EUR 47.5 million in the first half of this year. The dividend payment was EUR 155.2 million, and we bought back 39.2 million shares in -- EUR 39.2 million of shares in the first half.

Our net cash position at the end of June 2019 was a negative EUR 11 million. This ends the review of our second quarter and first half consolidated results, and I'll give the floor back to Gonzalve.

Gonzalve Bich - Société BIC SA - CEO & Director

Thank you, Jim. Before I conclude with our 2019 outlook, let me give you a quick update on the progress of our transformation plan. While still in its early stages, tangible results of BIC 2022 Invent The Future can already be seen. During the first half, we took several exciting initiatives addressing each of our 4 strategic pillars on effectiveness, innovation, consumer-centric brands and omni-channel distribution. In line with our goal to increase efficiency throughout our global manufacturing operations, I'm enthusiastic to see our new global strategic procurement team now up and running, and with the projected creation of a global end-to-end supply chain. Furthermore, we announced in June, a project to consolidate the transactional and administrative tasks of our finance, human resources and customer services functions worldwide, leading to the creation of a dedicated service center in Bulgaria.

In terms of cost savings, we now expect a total of EUR 45 million of annualized savings by 2022, which will be reinvested in growth and help protect margin sustainability.

Key innovations in the first half included, as I already mentioned, BIC BodyMark and BIC Intensity Medium for Stationery. In Shaver, BIC Soleil Click 5 is already on pace to match BIC Balance's success, while our new direct-to-consumer brand Made For YOU in the U.S. is something to look forward to in the coming months as consumers discover our exciting range of unisex refillable shavers.

In line with our goal to connect more efficiently and more effectively with consumers, it is key to put the consumer at the center of our everyday work. For this purpose, we performed various innovative marketing campaigns across all categories and geographies during the first half. Some examples include BIC Flex Shaver range in the U.S., BIC Evolution Coloring Contest Draw Your City in Latin America and Lighter safety campaigns in both Europe and North America. Internally, we also announced the centralization of BIC's brand and product portfolio strategies, marketing insights and R&D capabilities. I firmly believe that this will enable us to be more agile, integrated and drive further consumer engagement and preference.

Finally, we're on track to become a genuine omni-channel specialist, both online and offline. We successfully put in place our new internal commercial organization, which will boost our go-to-market strategies and develop next-generation commercial capabilities. We pursue our e-commerce sales growth of 21% year-to-date, driven primarily by pure players, such as our partner, Amazon. In the U.S., more specifically, online sales were fueled by most of our product lines in both core and added-value products, including BodyMark.

Lastly, we introduced our online direct-to-consumer website, shopbic.com in France and our new brand Made For YOU in the U.S. I'm convinced we're on the right track with the deployment of our plan, and I'm pleased with our progress to date.

I look forward to updating you with new exciting initiatives to come in the future, including the deployment of our Global Innovation and Insight organization.

As a conclusion, we continue to progress in our transformation journey during the first half of 2019, while facing a challenging environment. Our relentless focus on execution throughout our markets gives me confidence in our ability to achieve our 2019 financial outlook, growing slightly organic net sales with a normalized IFO margin between 16.5% and 18%.

For the balance of the year, net sales performance will be driven by favorable back-to-school phasing, continued growth in e-commerce, further distribution gains and the success of our added-value products in Shaver and Stationery. While the U.S. market will continue to be challenging, Lighter net sales should benefit from the positive impact of the price increase in Lighters in Brazil.

As regards to profitability, full year gross margin will continue to be impacted by unfavorable foreign exchange trends. However, H2 should benefit from more favorable raw material costs and positive fixed cost absorption.

In addition, brand support should be lower in the second half versus the first half, notably in Lighter. This concludes our first half 2019 results conference call, and we're now ready to answer your questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

The first question comes from the line of Guillaume Delmas from Bank of America.

Guillaume Gerard Vincent Delmas - BofA Merrill Lynch, Research Division - Director

Three questions for me. The first one is a quick technical one. Would you be able to quantify the back-to-school impact, the sales that have been postponed from June to July on your Q2 numbers? So we can model Q3 properly. My second question is on the U.S. Lighters and the comment you made Gonzalve about a slight improvement from the mid-single-digit decline that we've seen in H1. So you're expecting a slight improvement in the second half. What underpins your confidence there? Because even yesterday, the largest U.S. cigarette manufacturer was cutting its volume growth outlook once again. So if anything, it seem the trend is deteriorating fast there. And also, I think the basis of comparison for you for U.S. Lighters gets more challenging in the second half. So why would you expect an improvement sequentially? And finally, last question on Made For YOU. Are you planning an international rollout of Made For YOU? Or this stage is very much a pilot for both you and Amazon? I'm trying to see whether you're getting traction or not. And would you see Made For YOU and BIC SHAVE CLUB co-exist in one single market or the risk of cannibalization would be too high to have these 2 businesses in one single market?

James DiPietro - Société BIC SA - CFO & Executive VP

On the first question on the back-to-school phasing the impact of second quarter, moving into third quarter is roughly EUR 5 million.

Gonzalve Bich - Société BIC SA - CEO & Director

On your question related to Lighter market in H2 versus H1. And you referenced some of the comments that were made by people in the cigarette industry in the last week. Just maybe to set things. The projections that they gave were actually a little bit less bad. So not as bad as the first half. So [4] to [6] versus an [8]. Looking at H2, our ability to continue to grow and the view positively is driven by added value sales, continuing to drive distribution, the personalized product as well as increasing on-shelf availability. But you're right, the view on the U.S. Lighter market, as I said, it's quite challenging this year.

And then your third question, Made For YOU, globally. Well, we just announced the launch in the U.S., so it might be a little bit too early to talk about a global launch. Our teams and Amazon teams are working hard to make it a success here, and it will take a little bit of time to gain traction, penetration with consumers around the world, but we're extremely excited about this unique selling opportunity of the Unisex Shaver and the partnership, which is the first at this level for us with Amazon, that, as I said, was -- we were able to complete in a little bit less than 6 months, and gives me confidence in our ability to create not only product innovation like Big BodyMark, like the product that is the Made For YOU product, but also the commercial innovation that is the offer to the consumer and our new way of selling.

BIC SHAVE CLUB and Made For YOU, and their ability to coexist in markets. It's really going to depend on how consumers take up the offer and how they view it, so we need to spend time over the next quarter or 2 quarters, understanding how consumers view Made For YOU. We know how we're positioning it, but consumers today very clearly and loudly are able to make their view of your product and your offer known. And once we have a little bit more information there, we'll be able to understand how they could potentially co-exist. But today, since BIC SHAVE CLUB is only available in France and the U.K., it's a small problem that we'll have to overcome, if it is a problem at all. But thank you for your question.

Operator

The next question comes from the line of Steve Levy from MainFirst.

Steve Levy - MainFirst Bank AG, Research Division - Analyst

First question is on your outlook for H2. You said that the profit is a better profitability compared to H1, we'll confirm more operating impact of our material and lower brand support. Can you elaborate a bit more on those 2 items? And which one is going to be higher? The second question is on the Lighters market. Can you give us an idea about the -- how fast e-cigarette is growing? Is it accelerating or -- I know that you said it's 110%, but just to give you more colors. And can you elaborate more about the strategy of Made For YOU in terms of investment going forward, cost of acquisition? I know that you are not going to give any numbers, but just a sense of how you're going to fight in the credit market in the U.S. now?

James DiPietro - Société BIC SA - CFO & Executive VP

Steve, I'll address the first question on the profit outlook for the balance of the year versus the first half of 2019. As you said, in the first half of this year, obviously, gross profit was impacted unfavorably by FX and raw material were the biggest drivers, as well as the additional investments in brand support, as we mentioned, in the first quarter, Europe, in the second quarter within the U.S.. For the second half of the year, FX we will see almost as the same type of rate as we had seen in the first half, but we see an improvement in raw material costs where the negative impact of the first half should be much more neutral in the second half versus the first half. And then brand support investments, obviously, with a Lighter campaign, which was planned to be very much skewed in the first quarter, we'll have investments in the second half, but to a lower degree than we did in the first half. The second half FX at the similar rate as we had experienced in the first half. Raw materials will be much improved, a little bit more favorable absorption coming through the cost of goods in the factories. And then brand support would be at a lower pace than we experienced in the first half.

Gonzalve Bich - Société BIC SA - CEO & Director

Steve, to your questions about -- you said growth. So as I said, volumes are up about 110%. AS to the velocity of growth, I'm going to point you to the manufacturers and distributors of those products to answer your question. I think, though, what has come out in recent months as we've studied the market, too. And I mentioned, is the slowdown of Marijuana combustible sales as compared to vaping and eatables, that's something that we're going to need to understand better and model in our own growth models versus what we could have thought a couple of years ago. But undoubtedly, the decline of 7.2% in cigarette sales in the first half, is something that is having an impact as we look forward.

Steve Levy - MainFirst Bank AG, Research Division - Analyst

What is the market -- what is the market share of cigarettes today?

Gonzalve Bich - Société BIC SA - CEO & Director

I think it's less than 3%, but I don't know the exact number. But again, I would point you to the manufacturers of those products. And I don't want to be on the record quoting you market share information in an industry...

Steve Levy - MainFirst Bank AG, Research Division - Analyst

No, just to get an idea if it was still below the radar? Or it's becoming some senior importance?

Gonzalve Bich - Société BIC SA - CEO & Director

I think with the amount of press, it's not below the radar, but it's still a small percentage. And because different people have asked me the question in polls past, if Japan is a benchmark today it's flat. So the evolution in Japan has stopped the medioric rise than it had a couple of years ago. To your question about Made For YOU and how we're going to fight in a crowded market. It is a crowded market, and that's why the teams internally to BIC and with Amazon created Made For YOU, which is not a me-too product, right? It's not another refillable shaver. It's one that speaks to all people, but also to the new generation and provides a unique selling opportunity for people to buy it on Amazon at $7.99 for the starter kit. I'm really excited not only about this opportunity, but what it means for BIC, as we pivot towards a more innovative company that thinks about different ways of positioning our products and branding. And while I'm definitely not going to reveal the commercial strategy from an advertising and promotional perspective that Amazon and we have concocted and we'll be rolling out over the next couple of quarters and into 2020. I'm really excited about what this could mean for our organization and our growth in the Shaver market, which, as I said, we're back -- we're touching on those historical highs at 28.2% market share in the disposable segment.

Operator

We have no further questions in the queue. (Operator Instructions) We have another question in the queue, and it comes from the line of Christophe Chaput from ODDO.

Christophe Chaput - ODDO BHF Corporate & Markets, Research Division - Analyst

Just one question for me regarding the change of production in H1 to minus 310 basis points. Could you tell us what is the impact really on the number regarding the ForEx? The raw material and the lower absorption please? Could you spread the minus 310 basis points

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James DiPietro - Société BIC SA - CFO & Executive VP

Yes. Roughly Christophe, for the first half, the 310 basis points, roughly 2/3 of that was FX. The next biggest piece was raw materials, and then absorption was the third. And absorption was more in the first quarter, less so in the second quarter. So the big impact, roughly 2/3 of the total is FX, followed by raw materials.

Christophe Chaput - ODDO BHF Corporate & Markets, Research Division - Analyst

Okay. And just one more, please. Regarding the offer Made For YOU. Could it affect the profitability of the second semester? Which means that, are you going -- I mean, is the brand support is, obviously including the guidance, what is the magnitude in terms of million euro that you could put in the brand's report regarding this new offer please?

James DiPietro - Société BIC SA - CFO & Executive VP

Christophe, I think your point is right, as we introduce it, there will be brand support. It's baked into, obviously, our outlook, remembering it's still early in the launch. So it's an impact, but not a significant impact that will affect the second half.

Operator

We have another question in the queue from the line of Guillaume Delmas from Bank of America.

Guillaume Gerard Vincent Delmas - BofA Merrill Lynch, Research Division - Director

Just 2 quick follow-ups for me. The first one on your organic sales growth, quite a broad question, but if I look at your guidance, it implies that for the third consecutive year, your organic sales growth performance will be very much back-end loaded. So above and beyond the back-to-school phasing, what is driving this? And is this reflective of a new phasing of innovation or pricing actions? And how sustainable do you think that is? Because year after year, your basis of comparison becomes more and more challenging for the second half. And then my second question is on your decision to reduce your brand investments in the second half for Lighters. It seems counterintuitive, given that you're getting good traction on your first advertising campaign in Europe and also in light of the decline in category growth in the U.S., I mean, why not maintain that advertising pressure in order to mitigate the current category growth decline and also increase your market shares?

Gonzalve Bich - Société BIC SA - CEO & Director

Thanks for your follow-ons Guillaume. So first about H2, you're right, back-to-school phasing in the U.S. and Europe, but also continued e-commerce
growth, further distribution gains on the back of the ones that we've already made in H2 and the success of added value launches that were in H1 or back half of 2018. And so that will continue to grow on 2019. And the positive impact of the price increase in Brazil. As to the phasing between H1 and H2, you're right, historically, you highlight the numbers. As Latin America with -- well, in Brazil, that has its back-to-school in the first quarter of the following year, continues to grow over the last 5, 10 years, we've seen that trend, and it's something that maybe we need to do a better job of explaining it to you and giving you visibility to it, but that's definitely playing, as well as, as we grow in Africa, that's also going to continue to play on the stationery numbers. But I'm confident in our H2. As to brand support on Lighter. It's not that we're taking, and maybe I wasn't clear, we're not taking our foot off the gas, we had planned to front-load the year in lighter safety. We'd actually talked about it at the end of 2018. We

said it in February of 2019. And we did -- the big countries of Europe, in the first half of this year, we'll -- and as I said, there's a couple more that will be done in Q3. There's also a little bit less in Latin America, but we're not taking our foot off the gas. We're definitely not reducing our belief that consumer safety is absolutely paramount in this industry. And I think that it's ludicrous the number of noncompliant lighters that you can find every day in stores all across Europe, and it's something that we'll continue to fight with European authorities about, Because I think it's important as the #1 branded lighter manufacturer in the world to represent an industry and to represent consumers' interests. So definitely, it was planned that way.

Operator

The next question comes from the line of Marie Fort from SG.

Marie-Line Fort - Societe Generale Cross Asset Research - Equity Analyst

Could you elaborate a bit more about your plan Invent The Future progress and the savings that were expected now at EUR 45 million. How do you want to spend it in -- will Phase 2 consumers will be a price decrease when supports. Can you explain a bit more? And also in terms of phasing, will you recognize savings first and pass simultaneously to the consumer? How do you -- how will you face the economies and the advantage for the consumer?

Gonzalve Bich - Société BIC SA - CEO & Director

So maybe let me talk about how we're going to use the savings from ITF. And really, it's about those 4 pillars, right? It's about innovation. And in order to fuel the innovation pipeline, you need to be doing more fundamental research. And one of the great examples Made For YOU, right? So a few years ago, temporary tattoo markers didn't exist. You have to go through the testing phase, the validation phases, so do you need to think about that. You also need to think about commercial innovation like Made For YOU, another good example, developing new capabilities, so in the U.S., of course, to start, but more globally as well. E-commerce, you have to pivot some parts of your mix when you move into the e-commerce world, right? So when we sell products at major retailers around the world, let's say Pens for -- as an example, right? So we sell pens, and it's back-to-school now. Mom or Dad comes in with their 2 kids and they're faced with a wall of choice and packaged in blisters, and blisters ranging from 2 to 5 units. In the e-com space, we could be selling them 5 to 50 units in a brown box. So you have different cost of goods from a packaging perspective, you have a different route to market, you have a different supply chain. And those are all things that ITF helps us do. As well, consumer connectivity. So it's about creating those touch points to dialogue with consumers. It's not just about advertising anymore. It's about connecting and getting their feedback. And one of the things that I think I talked about in April, and I definitely talked about in February, is creating that ecosystem where we can data mine what consumers are saying. So if I compare the pre-world to the post-world. In the pre-world, trying to understand what consumers want is done either through U&A or through focus groups, right? So you're going to touch anywhere from 10 to 1,000 people, 1,000 people in a U&A, it's a massive, it's -- it's a really powerful thing. 1,000 people in the world of data mining, Amazon reviews is a blink. People want to share with you. All those investments are some of the things that we're going to be doing with ITF. And then maybe, Jim, you want to explain how the EUR 45 million is decomposed. And how we'll be phasing it out.

James DiPietro - Société BIC SA - CFO & Executive VP

So the EUR 45 million, as we said in the beginning of the year, initially started with the EUR 20 million from purchasing in 2019. As we indicated back in February, there were several million of that benefit in this year. And then the balance of that will be phased between 2020 and 2022. The balance -- the total EUR 45 million would be, obviously, a bigger impact of realization 2020 to 2022 from purchasing, supply chain and then the efficiencies that were announced back in June. And then, obviously, the points that Gonzalve just took us through in innovation and brand and consumer work will be utilizing some of that, and then some of that will also in the future be benefiting the profit and margin line as well.

Operator

We have no further questions in the queue. (Operator Instructions).

Sophie Palliez-Capian - Société BIC SA - External and IR Director

Okay. There are no other questions. Time for us to end this call. Thank you for attending the presentation. A replay will be available later today. And as usual, we remain at your disposal to answer any follow-up questions. Third quarter results will be released on October 23, and we're looking forward to speaking to you at that time. Thank you.

Gonzalve Bich - Société BIC SA - CEO & Director

Thank you very much.

James DiPietro - Société BIC SA - CFO & Executive VP

Thank you.

Operator

Thank you for joining today's call. You may now disconnect your handset. Hosts, please stay on the line.
