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CORPORATE PARTICIPANTS

Gonzalve Bich Société BIC SA - CEO & Director

James DiPietro Société BIC SA - CFO & Executive VP

Sophie Palliez-Capian Société BIC SA – VP Corporate Stakeholder Engagement

CONFERENCE CALL PARTICIPANTS

Charles-Louis Scotti Kepler Cheuvreux, Research Division - Research Analyst

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

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

Nicolas Langlet Exane BNP Paribas, Research Division - Research Analyst

Steve Levy MainFirst Bank AG, Research Division - Analyst

PRESENTATION

Operator

Hello, and welcome to the BIC Third Quarter and 9 Months 2019 Results Conference Call. (Operator Instructions)

I am now handing you over to your host, Sophie Palliez-Capian, to begin today's conference. Thank you.

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

Thank you. Thank you, and welcome to the Q3 and 9 months results conference call. This call will be hosted by Gonzalve Bich, CEO; and Jim DiPietro, CFO. We'll start, as usual, by a full presentation and then go through the usual Q&A session. We are holding this call from India where communication are not always easy, so we kindly asking you to ask your questions slowly during the Q&A session and one by one. Gonzalve?

Gonzalve Bich - Société BIC SA - CEO & Director

Thank you, Sophie. Good morning, and good afternoon, everyone. As usual, we'll structure this presentation with a summary of our overall operational performance, followed by a detailed review of our consolidated results.

Considering our recent announcement to adjust our full year 2019 outlook, I'd like to start by discussing our reasons for this action. The decision was based on 2 components: our provisional third quarter numbers and our new forecast for the full year.

Both the third quarter net sales and our year-to-go expectations led us to revisit our full year outlook. We are now aiming for flat to minus 2% organic net sales evolution as opposed to the slight growth we had initially forecasted. Our NIFO margin should be in the lower end of the 16.5% to 18% initial range.

There are 2 main drivers of the net sales adjustment. The first is the deterioration in the U.S. Lighter market. As we reported in recent quarters, the market is more challenging today than it was a few years ago. When we built our 2019 operational plan last year, the overall market was slightly declining in volume, and this trend was incorporated into our forecast. U.S. Pocket Lighter market declined 7.7% over the last 52 weeks by 8.5% year-to-date, by 9.5% in the last 3 months and by 10.4% these last 4 weeks.

Numerous factors could explain this sudden deterioration. One obvious factor is the decline in tobacco consumption in the United States, with the cigarette sales declining at a historical rate of 7.2% and e-cigarettes growing in the high single digits. Other factors include new regulations around tobacco consumption, 18 states passed legislation to raise the legal age to purchase tobacco products from 18 to 21 years old. We've also seen a shift in retail commercial strategy with more and more retailers implementing the same age limit to in-store tobacco purchase.

Regardless of the increase in e-cigarette regulation, we do not expect this trend to reverse dramatically in 2019 and have included this assumption in our revised outlook. Today, I have no reason to believe this trend will change in 2020.

The second driver of our full year 2019 outlook adjustment is the softer-than-anticipated third quarter net sales in Stationery. Firstly, we did not achieve our initial sellout performance goals and lost market share during the back-to-school seasons in both the U.S. and Mexico. I'll address the reasons for our underperformance in more detail in a few moments.

Secondly, in India, the overall trading environment remains challenging, and Cello's performance continues to be affected by the level of inventory carried by superstockists.

Considering our revised net sales objective, we refined our NIFO margin outlook to include a more conservative volume assumption. We are now expected to be at the lower end of the forecasted 16.5% to 18% initial range. This expectation considers continued ForEx headwinds combined with a lower cost of production, namely in raw materials and fixed cost absorption in addition to less brand support spend compared to the first half of this year.

While Q3 was more challenging than expected in some areas, performance remained robust in others. We had a solid back-to-school season in Europe driven by new products and gained value market share in France for the 16th consecutive year.

Shaver net sales increased mid-single digit in all regions with the success of our new product launches supported by further market share gains. With a 28.1% value market share in the U.S. one-piece disposable segment, I am proud to see that we are nearing our historical record level.

Finally, we drew our e-commerce -- we grew our e-commerce sales by 17% year-to-date. This was mostly driven by Stationery in Europe and the United States, both highly competitive markets, but key for future growth and for the success of our transformation plan. In the U.S., we outpaced the category and increased net sales by 38% during back-to-school.

Earlier this year, we embarked on a multiyear transformational journey called Invent The Future towards a more efficient, agile and innovative company. Despite short-term challenges, I remain confident that this plan, along with the continued engagement of our teams, will unlock our full potential to drive long-term growth and cash flow generation.

We are progressing on the planned implementation, and I am pleased to say that we are on track across all 4 strategic pillars of the transformation.

The first pillar, effectiveness, aims at increasing efficiency throughout our global supply chain operations. Since the launch of the plan, we have created a new centralized procurement organization and implemented end-to-end planning and sales and operations processes across the group. This new organization will drive significant value for the business through the reduction of SKUs, the optimization of logistics and the improvement of working capital.

On the innovation side, I'm excited by the creation of our market and consumer insight team, responsible for leveraging market and consumer intelligence, and I'm proud that we've been able to attract new talents in data analytics and digital marketing to build this new team. They will be a valuable addition to our group as we think about the benefit that combine these skills with new commercial capabilities will bring to a company of our size and scale.

To connect more effectively with our consumers, which is our third pillar, we have just implemented a global customer relationship management tool aimed at building loyalty with our consumers. We already engaged with over 1 million consumers through this platform globally.

From a commercial perspective, we have created 2 centers of expertise, namely commercial strategy analytics and e-retail and digital. The objective is to enhance our day-to-day commercial performance and deploy new go-to-market strategies. We are also bringing new skills and capabilities to the organization, such as advanced analytics, revenue growth management and e-commerce expertise. And when I think about BIC in 3 years, I see our market share in e-commerce surpassing the offline market share that we have.

Finally, we continued to sharpen our online commercial operations, growing our e-commerce sales by 17% over the last 9 months. While Amazon remains the key driver of this growth, we are gaining traction in other e-commerce channels. Our products are now listed on wish.com marketplace in both Europe and the U.S., allowing us to gain access to expand our e-commerce consumer base. BIC is one of the first CPG companies to partner with wish, allowing us to leverage 15 million daily active users. This is a clear demonstration of our team's new innovative spirit and agility.

I am pleased with these early wins. Our success also hinges on how we allocate our resources. We have started to adapt our route-to-market strategy and optimize our commercial footprint initiated in Africa with our proximity strategy, and you should expect us to continue in other geographies. We will also move towards higher growth segments or geographies within and outside our existing businesses organically and through targeted acquisitions.

Despite the increasingly challenging trading environment, I remain convinced that our solid business foundations, combined with a more consumer-centric organization, will unlock BIC's full potential returning our business to long-term growth momentum and driving cash flow generation, ultimately creating sustainable value for all our stakeholders.

A few comments now on our 9 months financial performance. Nine months 2019 net sales were down 1.2% on a comparative basis at EUR 1,448.2 million. Normalized IFO margin was 16.6%, down 180 basis points versus prior year, while normalized EPS group share was EUR 3.93.

Our net cash position at the end of September was EUR 118.7 million. Later, Jim will take us through our consolidated figures in more detail.

Let's now take a closer look at our 3 categories, starting with Stationery. While markets continued to be challenging and competitive, we pursued our growth in e-commerce and invested in innovative products such as BIC BodyMark Tattoo and BIC Gelocity range.

I'm very proud to say that according to Euromonitor, BIC is now #1 in Stationery with 9% global value market share, thanks to the group's historical leadership in Ball Pen, Mechanical Pencil and Correction segments where we respectively hold 18.5%, 11.7% and 8.6% value market share.

In Europe, both added-value products, such as Gelocity Full Grip and the Writing Felt Pen as well as new products such as 4-Couleur Velvet contributed to growth. We gained share during the key back-to-school season in both Western Europe and Eastern Europe.

We outperformed declining markets in the U.K. and Italy and have gained share for the 16th consecutive year in France, driven by the Ball Pen segment where we gained 2.8 points. Back-to-school performance was also robust in Eastern and Southern Europe, notably Iberia, Poland, Turkey and Romania.

In the U.S., the total Stationery market grew by 3% in value during the back-to-school season. And overall, BIC lost 0.5 points market value share.

While we outperformed the growing segment in gel roller, up 6.6% in value, we underperformed in Ball Pen, losing 1.2 points in value due to reduced display and distribution support in the modern mass-market channel. Nevertheless, BIC grew significantly in e-commerce, gaining 1 point year-to-date and reaching 13.4% market share in value driven by gel and mechanical pencil. This is in line with our efforts to become a genuine omnichannel specialist with presence both on and offline. BIC BodyMark continues to open doors to new points of distribution with Halloween packages reaching consumers in this key season. And thanks to this innovative product, we also grew market share in permanent marker year-to-date.

In Mexico, performance was weak during back-to-school season, offsetting the favorable phasing impact. BIC lost 2.6 points in value during the back-to-school due to the poor performance of Ball Pen and Graphite segments, down 7 points and 5.4 points, respectively.

We were faced with competitive pressure, notably from private label, impacting performance in both lower end and added-value segments.

In India, Cello Pens domestic sales were heavily impacted by the high level of superstockists' inventory and challenging Indian trading environment where the recovery is slower than anticipated. Our strategy of portfolio streamlining initiated last year has yet to bear fruits, even though our champion brands in the over INR 10 segment, such as Better Flow, continued to perform well.

In the Middle East and African region, our change in route-to-market strategy in Kenya continues to drive net sales growth, enabling us to strengthen our presence in the East Africa region.

In South Africa, after a healthy back-to-school season at the beginning of the year, we outperformed the Stationery market, gaining 1.6 points versus last year.

I'm also proud to announce that we officially closed the acquisition of Lucky Pen in Nigeria. Lucky is Nigeria's #1 writing instruments manufacturer. Going forward, this is the clear #1 manufacturer in this -- at key dynamic African country, very promising for our future.

Let's now turn to Lighters where 9 months net sales declined by 3.2% on a comparative basis. In Europe, the implementation of the price adjustment across countries and distribution channels showed positive results during the third quarter. Year-to-date, sell-in performance was also driven by Belgium, Romania and Turkey.

Lighter advertising campaign launched earlier this year in several countries continued to show positive results, raising consumer awareness on the safety matters affecting the lighter industry.

We continue to be proactive at the European Union level. On July 30 of this year, we filed a complaint with the European ombudsman alleging maladministration of the infringement procedure we initiated in 2010 against the Netherlands. Although the commission sent several formal notices to the Netherlands in 2012 and 2014, it's fair to say that nothing substantive has happened since. This complaint is aimed at pointing out the unreasonable delay in processing our case. On September 4 of this year, the ombudsman began to investigate on the Commission's processing time.

In North America, as mentioned earlier, the Lighter category continued to be challenged by the further deterioration in the U.S. Pocket Lighter market, affecting strongly BIC sell-in performance. As I mentioned in my introduction, numerous factors could explain the sudden deterioration including the recent rate of decline of cigarette volumes, the acceleration of e-cigarette growth, the increasing smoking age regulation in several states and the age limit implemented for in-store tobacco purchases.

On a more positive note regarding the U.S. market, BIC maintained market share in both volume and value and outperformed the utility market, aiming 3.3 points in value share driven by new distribution in the modern mass-market channel.

I'm happy to see the continued growth in our sleeves business in the U.S. with decorated lighters representing 36.6% of our U.S. Lighters sales year-to-date, up 4 points over the last 2 years.

Now turning to Latin America. We performed in line with a flattish market in Brazil, thanks to promotional activities across the country and the special efforts focused in the Northeast and Rio de Janeiro regions through programs to increase distribution through visibility actions. Despite the difficult economic environment in Argentina, we continued to expand further our distribution through specialized distributors and new partnerships, enhancing our brand awareness in this market.

Lastly, I'm pleased to see the momentum we continued to gain in Shavers. Our year-to-date net sales increased mid-single digit on a comparative basis throughout our main geographies in North America, Europe and the developing countries.

Looking first at Western Europe, performance was fueled by the success of added-value products such as BIC Flex 3 and BIC Flex 5, both products growing sales double-digit versus last year. Recent successful launches, like BIC Miss Soleil Sensitive also drove growth.

In Eastern Europe, we continued to outperform a flattish market in Russia, gaining 0.8 points in value share with further distribution gains and the ongoing success of the BIC Flex Hybrid range.

While the U.S. one-piece shaver market continues to be highly competitive and declined 4.7% in value, BIC showed robust results, gaining 1.9 points in value fueled by the outperformance in the women one-piece segment where we gained 3.3 points of value share. Our results were driven by the success of new product launches such as BIC Soleil Click 5, Flex 2 Hybrid and our new online brand, Made For YOU; the success of our core products with BIC Soleil franchise and Flex 5 Hybrid and by further distribution of BIC Silky Touch.

In Latin America, I'm pleased with our robust performance in Mexico, where in a highly competitive market, BIC outperformed the market, gaining 1.1 points in value share and grew net sales double-digit. Our added-value products, such as the Soleil franchise, the Comfort family and BIC Flex 3, all drove growth.

In Brazil, BIC outperformed the market and reached historical record in market share with 27.8% in volume and 21.5% in value share. Our trade-up strategy paid off, boosting the performance of our 3-blade offerings, BIC Comfort 3 and BIC Miss Soleil Sensitive.

This concludes our operating review, and I'll now turn it over to Jim to take us 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 third quarter and 9 months for 2019. Regarding the third quarter on an as-reported basis, third quarter net sales were up 1.8% versus last year. On a comparative basis, our net sales were down 0.5%. Currency fluctuations had a favorable impact of +2.7 points. This is mainly due to the stronger dollar versus the euro. The perimeter impact adjustment includes the sales from Haco Industries, the acquisition was effective December 31, 2018, as well as the net sales impact from BIC Sport divestiture. As a reminder, due to Argentina's hyperinflation, we were excluding -- we are excluding Argentina from our comparative sales basis.

Regarding the 9 months, net sales totaled EUR 1,448.2 million, up 0.7% as reported and down 1.2% on a comparative basis. Here, again, the favorable impact of currency is mainly due from the U.S. dollar, and that was the result of +2.7 points.

Now we'll look at the normalized IFO margin change versus last year for both third quarter and 9 months year-to-date. Starting with the third quarter, cost of production was favorable 0.1 points versus last year. And brand support investments were lower by 0.8 while OpEx and other expenses were lower by 1 point versus third quarter of 2018.

For 9 months, cost of production was unfavorable 2 points versus a year ago. We were negatively impacted by raw material costs, unfavorable ForEx trends, and that was again driven by the impact of the dollar and the euro based on the hedged rates versus 2018.

Total brand support investments were higher by 0.6 points, notably due to the lighter advertising campaign in the first quarter in Europe as well as second quarter in the U.S. brand back-to-school investments. Operating OpEx and other expenses, down 0.8 points versus 9 months in 2018.

As we mentioned in the full year 2019 outlook adjustment on October 11, despite lower volumes than anticipated and continued unfavorable FX trends, the normalized IFO margin for the balance of the year should benefit from lower cost of production and lower brand support investments.

On the next slide, you can see normalized IFO to net income for the 9 months 2019. Year-to-date 9 months, income before tax was EUR 212 million compared to EUR 201.4 million in 2018.

Net finance revenue was positive EUR 2.8 million compared to positive EUR 5.1 million in 9 months 2018. Net income group share was EUR 152.6 million as reported compared to EUR 123.5 million in 2018.

Net income group share, excluding 2019 restructuring cost and 2018 goodwill impairment for Cello, and the Argentina hyperinflation was EUR 177.3 million compared to EUR 196.4 million versus last year. The effective tax rate was 28%.

EPS group share was EUR 3.39, up 25.6% compared to EUR 2.70 in 9 months of 2018. The normalized EPS group share decreased 8.6% to EUR 3.93 compared to the EUR 4.30 last year.

On the next slide, we see the main elements of working capital. We experienced increases from both inventories and accounts receivables. Inventories increased to EUR 492.5 million and accounts receivable to EUR 553.6 million. Trade and other payables were EUR 227.1 million. The increase in inventory that we've realized is mainly coming from both Stationery and Lighter.

This slide summarizes the evolution of our net cash position between December 2018 and September 2019. Net cash from operating activities was EUR 229.7 million including EUR 250.3 million in operating cash flow. The net cash was also impacted by CapEx investments, as we invested EUR 67.9 million in the first 9 months in this year, the dividend payment of EUR 155.2 million and we bought back EUR 39.2 million of shares year-to-date. Our net cash position at the end of September was EUR 118.7 million.

This ends the review of our third quarter and 9-month 2019 consolidated results. I'll give the floor back to Gonzalve.

Gonzalve Bich - Société BIC SA - CEO & Director

Thanks, Jim. To conclude, as I mentioned earlier, we are now expecting a flat to minus 2% net sales evolution on a comparative basis for full year 2019. Whether we land at the lower or the higher end of this range, it will depend on various factors including the pace of recovery in India; our sell-in back-to-school performance in the Southern hemisphere, particularly in Brazil; and the evolution of the U.S. Pocket Lighter market for which we have taken a conservative assumption.

Despite lower volumes than anticipated and continued unfavorable ForEx, our normalized income from IFO -- income from operations margin is expected to be in the lower end of the 16.5% to 18% range. The NIFO margin for the balance of the year should benefit from lower cost of production and lower brand support investments.

As we work through the rest of 2019, we will be finalizing our projections for next year, and I'll be happy to share with you our 2020 outlook in more detail in February.

Despite the increasingly challenging trading environment, we continue to execute on our BIC 2022 Invent The Future transformation plan, and I remain convinced that our solid business foundations, combined with a more consumer-centric organization, will enable BIC to resume long-term growth momentum and create sustainable value for all our stakeholders.

This concludes our third quarter and 9 months 2019 results conference call, and we are now ready to answer your questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) So we have a few questions coming through. The first one being from the line of Nicolas Langlet from Exane.

Nicolas Langlet - Exane BNP Paribas, Research Division - Research Analyst

I've got 3 questions, please. The first one on the U.S. Lighters. Have you planned any price adjustment in the U.S. in 2020? And given the weak volume trend in the country, are you considering potentially passing a bit more price increase than usual?

Second question on the gross margin. Can you back on the Q3 performance, the 10 basis point improvement year-on-year, what were the key contributors and what's the outlook for Q4?

And finally, can you share with us the outlook for next year in terms of raw material and FX, assuming the current rate prevail? And notably on your euro short position, I guess, you already have hedged a good part of this position for next year. Can you share with us at which rate you hedge at?

Gonzalve Bich - Société BIC SA - CEO & Director

Afternoon, Nicolas. I'll let Jim tackle the other 2 questions. I'll take -- so in the U.S., you know we have a multiyear rolling pricing strategy as we do all over the world, where we take into account pricing situation from a competitive perspective as well as consumer demand. As I said in my conclusion, we're working through the back half of 2019, and we'll share with you at the market and our trading partners early in 2020, what kind of price increases we might be passing in the U.S. But it's too early to give any visibility to that right now.

James DiPietro - Société BIC SA - CFO & Executive VP

Nicolas, let me address your questions on gross margin as well as FX and in raw materials. For gross margin in the third quarter, the composition of the 0.1 is coming, one, from unfavorable FX, which we've been saying and experiencing year-to-date. So that has been, obviously, a continuation where we've been able to offset that. As we mentioned in June or at the end of the results for June in the July call is raw materials have turned a bit favorable as we expected versus a year ago as well as absorption and other elements of cost of production. So lower cost throughout the, I would say, the chain of production. Some of that is coming from manufacturing efficiencies, and that's coming from lower cost and production cycle versus a year ago. So net -- the FX was unfavorable elements of cost of production, absorption of raw materials, other costs within the cycle, offsetting that to yield is 0.1.

As we look at the fourth quarter, you probably would really estimate and expect the similar type trends where FX will continue to be unfavorable, material should be again slightly better, absorption should be a bit better. The absorption, again, is primarily coming from Shaver because of the volume growth there. And then the cost of production, again, we'd see -- we would expect that to trend the same as third quarter.

Okay. On FX, so the question of 2020 hedge. Right now on the dollar/euro, we're roughly 80% hedged at around 1.15. So this year, it was at 1.19. So next year, again, 80%, so we have a bit of fluctuation to go as we cover, but it's hedged at around 1.15. So a slight improvement on the commercial plus, 1.19 going to 1.15 next year.

And then on raw materials, right now it's a bit premature to give our forecast on that as we're sitting over the next few weeks going through the operating plan, meetings with the teams. We'll have a better sense of that in the coming weeks, the end of probably November, and we'll be able to communicate that to you clearly in February.

Operator

The next question comes from the line of Charles Scotti from Kepler.

Charles-Louis Scotti - Kepler Cheuvreux, Research Division - Research Analyst

Two questions, if I may. The first one on brand support. You mentioned that you had lowered the brand support in Q3, and the brand support will be positive again in Q4. What is the rationale behind that easing of the Shavers headwinds actually explaining this decision to lower brand support?

And my second question on the cash flow generation. Your net profit is up EUR 30 million over the first 9 months, and your operating cash flow has declined by EUR 34 million. Can you explain the reason behind that?

James DiPietro - Société BIC SA - CFO & Executive VP

Let me -- on the brand support, as we've said throughout the year, the brand support plan coming into the year was skewed more towards the first half as we had the Lighter campaign in the first quarter, which was the heavy investment, followed by the back-to-school investments in the second quarter. So a lot of what we're seeing in the second half of this year is phasing where the plan coming into 2019 was more skewed towards the first half. And in the second half, obviously, a bit lower than the first half as well as favorable compared to the phasing of last year.

On the other question you had with net income compared to cash generation, I'm sorry?

Gonzalve Bich - Société BIC SA - CEO & Director

Charles, I'm sorry, could you repeat your second question for us?

Charles-Louis Scotti - Kepler Cheuvreux, Research Division - Research Analyst

Yes, my second question is on the operating cash flow, which is down EUR 34 million year-on-year at end of September while your net profit reported is at EUR 30 million. So why the cash flow generation is lower than last year, the cash flow conversion? Is there any particular reason?

James DiPietro - Société BIC SA - CFO & Executive VP

No. I think you're looking at the note, the cash flow generation is -- you're looking on Page 11?

Charles-Louis Scotti - Kepler Cheuvreux, Research Division - Research Analyst

Yes.

James DiPietro - Société BIC SA - CFO & Executive VP

Okay. So that is from December to September, which is the normal cycle of cash usage. We would have a seasonality, and the cash would start to build up in the fourth quarter from back-to-school. We see receivables coming in. So there's nothing strange in seasonality in that.

Charles-Louis Scotti - Kepler Cheuvreux, Research Division - Research Analyst

Well, I was actually referring to the operating cash flow on Page 3 of the press release, plus EUR 250 million versus plus EUR 284 million in 2018.

James DiPietro - Société BIC SA - CFO & Executive VP

The operating cash flow is obviously driven -- that is the results -- the operating results of the company. So you've seen that NIFO is down, right? So that is going to drive the lower cash generation within operating cash. So that EUR 30 million is the result of the change of profitability year-to-year as we see the margins lower this year versus last.

Operator

(Operator Instructions) So the next question comes from the line of Steve Levy from MainFirst.

Steve Levy - MainFirst Bank AG, Research Division - Analyst

Three questions. I just wanted to come back on the brand support. The performance in Mexico, just wondering how the fact that you lowered your brand support or your marketing expense had an impact on your performance in Mexico.

Second question is for the Shavers division. Just wanted to understand how the full digital offer, which is BIC SHAVE CLUB in Europe, and Made for YOU in the U.S. is big in this performance.

And just last question is on the dividend we should expect for 2019. How likely a decrease in the payout is possible? Or can you -- should we expect lower dividend for the fiscal 2019 given the fall in margin?

Gonzalve Bich - Société BIC SA - CEO & Director

So on your first question, actually, the lowering of brand support had nothing to do with performance in Mexico. It's just that, really, the phasing is almost exclusively linked to the Lighter advertising campaign in the first part of the year. So to -- everything else is more or less the same from an expense perspective. Mexico really is driven by the penetration that we have in different segments and the growth or decline in those segments as well as -- and I can't put it more bluntly, we just didn't do the job we needed to do in the Mexican market in preparing for the back-to-school, and we'll do better next year.

Shaver. The performance was -- give me one second and then I'll answer this and then you can come back to the first one if you want. BIC SHAVE CLUB and Made For YOU today are not having a material impact to the good, solid performance that we're having in Shaver overall. Both of those projects continue to develop. Made For YOU, we're excited by the first couple of months. We have really good reviews on Amazon. We have a high star rating, and we're continuing to build. But it's still early days. I mean this is an online endeavor, and it's only been 2 months.

BIC SHAVE CLUB Continues to grow, but we've learned a lot from the project, and I think that we're going to take a lot of those learnings as we do our e-commerce platforms over time.

Sorry, you wanted more clarification on Mexico?

Steve Levy - MainFirst Bank AG, Research Division - Analyst

Yes. Just to -- I wanted to understand better the difference of profitability, basically, in Stationery between last quarter and this quarter. It's much higher this quarter than last year for the third quarter as well, and I was thinking that the brand support should be -- an explanation on that side. Just wondering...

James DiPietro - Société BIC SA - CFO & Executive VP

I mean, Steve, the third quarter profitability on Stationery, as you said, is better this year versus last year's third quarter. Brand support has a bit of an influence on that, but a lot of what's impacting the Stationery profitability is coming from OpEx and other expense as there were some lower spending and some onetime events in the third quarter this year versus a year ago.

Steve Levy - MainFirst Bank AG, Research Division - Analyst

Okay. And the question on the dividends?

James DiPietro - Société BIC SA - CFO & Executive VP

Yes. The dividends, obviously, is going to be a discussion for now until February with the Board. And then in February, the Board will come out with their recommendation for the AGM. So it's premature to have discussions right now in dividends for 2019.

Operator

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

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

A couple of questions for me. Sorry to come back on this, but on brand support again, which has done substantially in the quarter. The question here is why cutting brand support at a time when you're trying to reignite sales growth and boost to share momentum? Or should we interpret the Q3 softness as having more to do with structural factors and poor execution?

And my second question is on U.S. Pocket Lighters. Just a point of clarification really, but am I right to understand that you're now back in your forecast for Q4 and 2020, a category volume decline of minus 9%? And if so, what are the implications for U.S. Lighters margins? You're probably be facing suboptimal capacity utilization going forward.

James DiPietro - Société BIC SA - CFO & Executive VP

Let me go back to the brand support. And again, as we said earlier, the brand support impact is really one of phasing. As we came into the year, it was planned. Coming into 2019, the investments are going to be heavier in the first half of the year versus the second, with European Lighter investment being significant in the first quarter and then normal back-to-school investments were heavier in the second quarter. So have there been some reductions as we look at what has worked and what hasn't worked? Yes. Have they been significant? Not as significant as the phasing impact that was planned coming into the year.

Gonzalve Bich - Société BIC SA - CEO & Director

With regards to your Lighter question, you're correct now. You gave a very precise number. I'm not going to be as precise as to what exactly the percentages that we have taken into account for the full year '19. And my view of '20, continued softness or deterioration in the U.S. Pocket Lighter market, high single digits.

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

And what does it do to your capacity utilization, and as a result, your margins in the U.S.?

James DiPietro - Société BIC SA - CFO & Executive VP

Yes. Obviously, it's going to have an impact as the output is going to be lower. So that's something we are working through. As I mentioned a few minutes ago, we're going through the operating plans starting next week. So we'll evaluate that, and then we're going to have to manage appropriately, different elements of the P&L. So next year, for example, the advertising in Lighter probably won't be as heavy because of the unique campaign this year. So that will be one element that will probably offset some of the unfavorable absorption we'll see in Lighter next year.

Gonzalve Bich - Société BIC SA - CEO & Director

As well as we'll be trying to get growth in new markets. As we talked about in February, there's a number of markets where we don't have the high market share that we enjoy in the U.S. and Australia, Brazil, France and some other markets. So really, I think we can do better. I think it's important to highlight as we continue -- it's a long-term battle from a regulatory perspective in Europe, but the unlock potential in those -- in the key European market is significant. It's probably -- the European market share that we enjoy in Lighter is the lowest that we have in developed countries, around 20%. If you compare that to the market share we have in many other developed countries, the unit growth that, that could generate is significant and something that the operational and commercial teams are very focused on accomplishing from a distribution perspective and from a commercial strategy perspective, but we do need the support of our regulatory bodies to ensure that they're implementing the law that they proposed and voted.

Operator

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

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

I've got several questions. The first one is, do you think that on Cello, the superstockists have now reached normalized level? Or do you expect further impact on Q4? Also, are you happy with your strategy on the gel pens? And what is your -- what can you share for your strategy for 2020?

I've got another question, it's to know what is your best estimate for the cost of -- restructuring costs for 2019 related to the transformation plan? And do you think that you will have another cost for 2020?

Gonzalve Bich - Société BIC SA - CEO & Director

Thank you, Marie-Line, for your questions. So Cello, it's timely that you asked the question, we're actually in India and has been all week. The performance here has, like I said and as you highlighted in your questions, it's been impacted by the level of superstockists' inventory, which really at the end of the day is driven by the level of demand. We've all read about it. We've all heard about it. I think we've seen it this week as we've been here. The consumption is impacted at a consumer level in the market today. It's weighing on India's GDP forecast for '19 and for '20, and something that we remain focused on.

At a macro level, it's not -- it's getting a little bit easier to do business in this market, but it remains still very challenging in a regulatory and legal framework. But what's really important is making sure that the Cello seen, Cello sold program continues to grow that we can go from 15 to maybe double that in terms of branded doors in the market and putting the range forward.

I'll remind you though that we rationalized the product portfolio starting about a year ago, and we discontinued almost 50 product families that had a low level of profitability. And Cello is very much a long-term ambition. We need to make sure that we're building off a solid and clean base, and that's taken us time -- more time, frankly, than I would like. But when I look at the added-value products like the Butterflow range and the others that are a champion brand, those continue to grow, those continue to gain share. That's what we're investing behind.

Today, the Indian markets, up 1%. We're basically flat or flattish versus that. It's going to continue to take time to rebuild the Cello position.

To your gel pen question, the strategy remains launching innovative and consumer-relevant products around the world. The quick dry products really done very well for us. We're going to continue to invest behind that. The illusion product continues to do really well in Europe, something that we'd -- but i gel is a very competitive segment with a lot of manufacturers, a lot of different products, and one of the things that's very tough to do is getting product front of the consumer during those key back-to-school segments. And in those markets where we missed this year, it'll be a key focus for us to make sure that we do much better next year. And I'll let Jim answer your third question.

James DiPietro - Société BIC SA - CFO & Executive VP

On the restructuring costs, as you've seen, we have, year-to-date, around EUR 32 million that we focused through September 2019. About EUR 5 million of that was in the third quarter. Obviously, the bigger element of that was booked in second quarter.

So as we move towards the fourth quarter, we will continue to have a bit of restructuring in the fourth quarter, not a significant as was in the second quarter, but we will continue to have some in the fourth. As the program continues, then we will also evaluate and communicate on restructuring as we progress with ITF over the next 2 years.

Operator

(Operator Instructions) We do not have any further questions coming through. So I hand over to the host.

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

Okay. Well, thank you. Thank you, everyone. So Michèle and I remain at your disposal for any follow-up questions, and we're looking forward to welcoming you at our headquarters for our full year presentation on February 12 next year. Thank you.

Gonzalve Bich - Société BIC SA - CEO & Director

Thank you.

James DiPietro - Société BIC SA - CFO & Executive VP

Thank you.

Operator

Thank you for joining today's call. You may now disconnect your handsets.