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EDITED TRANSCRIPT

TUP - Q4 2015 Tupperware Brands Corp Earnings Call

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OVERVIEW:

Co. reported 4Q15 diluted EPS, without items, of \$1.35. Expects 2016 sales growth guidance in local currency to be 3-5% and EPS, without items, to be \$4.07-4.17. Expects 1Q16 sales growth guidance in local currency to be 1-3% and EPS, without items to be \$0.81-0.86.



CORPORATE PARTICIPANTS

Rick Goings *Tupperware Brands Corporation - Chairman and CEO*

Mike Poteshman *Tupperware Brands Corporation - CFO*

CONFERENCE CALL PARTICIPANTS

Beth Kite *Citigroup - Analyst*

Lauren Wolf *Piper Jaffray - Analyst*

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Frank Camma *Sidoti & Company - Analyst*

Linda Bolton Weiser *B. Riley & Company - Analyst*

PRESENTATION

Operator

Good morning. My name is Nan and I will be your conference operator today. At this time I would like to welcome everyone to the Tupperware Brand Corporation's fourth-quarter 2015 earnings conference call.

(Operator Instructions)

I will now like to turn the call over to Rick Goings, Chairman and CEO. Please go ahead, sir.

Rick Goings - *Tupperware Brands Corporation - Chairman and CEO*

Thank you very much and good morning, everyone. I am in Orlando with Mike Poteshman, our CFO, and Lien Nguyen, our Head of Investor Relations.

You've got some slides that go along with this and I would ask you to go to slide 2. You know the usual drill on the forward-looking statements. I'd refer you that to in our filings. As a reminder, we are going to reference these slides as we go through the call and they can be found on our website.

Moving on to slide 3, as you can probably tell, this was a tough quarter, no doubt about it, with sales up only about 2% as we lapped both a tough comparison and additionally had weak performance in more than a few of our business units. Additionally, we continue to manage through some volatile externals.

I am pleased to say that in spite of all this external noise, we did have strong local currency performance in quite a few markets, in Argentina, Brazil, China, Germany, Tupperware Mexico, Nutrimetics Australia, New Zealand, and in both of our very nice businesses in South Africa Tupperware and our Avroy Schlain. Additionally the USA and Canada was robust this quarter.

At any rate, in spite of all this good performance, weakness in others was a significant offset and I'm going to get into those in a moment. I don't want to sawdust and read you what you've already got, so I will try to accelerate going through some of this. Emerging markets were up 4%. Established markets down 1% and our EPS without items in Q4 was \$1.35.

And while that was at the lower end of our guidance by \$0.02, but if you take out the negative impact that happened during the quarter, we'd have been in the middle of our range. Anyway, as usual, Mike will get deeper into that as I turn it over to him.



I do want to point out that the foreign exchange impact since 2012, it's been unprecedented in my business career. Cum of it was really negative \$2.57 on earnings-per-share in the last four years when in the five years that preceded 2012 it was only \$0.01 negative.

Now I don't have to tell anybody here that there's a lot of change going on in the world right now and much of it is not good. You can go through the laundry list of not only this new form of terrorism but devaluations, heightened political uncertainty, but the reality is our business model is really made to navigate through this.

We are a global Company based in the US and to better move forward through this global environment, as we were going through our planning cycle, our profit planning cycle, in the last quarter of this past year, we took a very hard look at our expenses and we crafted kind of a war footing of a 2016 operating plan. So we put incremental efforts behind how we were going to move forward in this year and in a more efficient matter.

Now we always are looking at that for greater efficiency and effectiveness, but how we operate, including expenses, investments, what are our staffing needs, what do we do with those, without, at the same time, impeding our incredible opportunity that we have in so many markets of the world and the ability to really execute on our 2020 growth strategies.

Now, before I get into our individual units, it's important to say that in spite of all these external forces, we continue to have a lot of confidence in the future of our business for a number of solid reasons. We've got a business model that produces some dynamic levers at our disposal. We don't have to sit there and wait till things generally get better.

The strength of our very seasoned Management team, we tend to bring people into our Company in their late 20s, or early 30s and then move them through different areas. And as a result we don't really need to recruit many people from the outside and our retention levels are very, very high with people who, even early 40s, have sometimes two decades of experience with our Company. We've got a dedicated sales force out there and many of them -- never forget we are a multi-local business and she often is the sole source of income, particularly in the developing markets of the world, to support her family.

And another important point, we've been through this before. If you follow Tupperware Brands' performance, in the years after the financial meltdown in 2008, you will note that we recorded a string of years of our best performance. And also in 2013 we preemptively pulled together a dynamic young team to really work on how do we get our business up to the next level to make it more effective and at the same time to extend our reach.

So we're not in a mode like many companies are, oh, my goodness, what do we do? We are in the mode of actually refining these concepts and actually execution of them. And we will talk about that in a bit.

As a matter of fact, we are seeing some early signs that these strategies are paying off in our total sales force count. At the end of the fourth quarter, you noted it was up 5% from last year to 3.1 million and even the number of average actives was up. So we are starting to get some momentum out of that. And as I've said to many at not only conferences, but one-on-one meetings, the number one driver of our business model is the size of our sales force.

Now, let me get a little more granular. Let me turn to slide 4 and turn to Europe. While we had good growth in Germany, it was up 9% improvement of 13 points for the third quarter, and we were able to take advantage of and maintain our sales force size increase that we saw from the third quarter with increased activity and then we had a nice promotional push in October.

Germany is also one of the pilot markets for the entire world, particularly established markets for our onboarding programs and we're happy to see some early, positive signs. We saw a 22% increase in new sales force members still active at the end of a 13-week program and 11% higher sales from new sellers. So when we put that back together again, this first 13 weeks is when we usually -- we recruit them in, but we lose them mostly.

This was the whole focus behind -- initial focus on iROAR, how do we get better retention so that you don't have to recruit as many or that if we do keep recruiting at the same levels, you get incremental advantage. And so the vision going forward is if you get a Company that's been growing

the sales force 4% or 5%, if you can retain 3% more of those, that moves you to an 8% increase, and usually in the right market conditions, would produce about an 8% sales increase.

Anyway, looking forward to what happens in Germany. We think it's got a positive future, but actually I don't see it growing at 9%. At that level it's a market that we think, over the long haul, should be able to deliver top-line sales increase in the mid single-digit range.

France. France was down 11% in the quarter, probably it's not a shock to you with the events of the October terrorist attack. As a result, we had fewer managers in light of also statutory changes in the government to how we classify managers. And that led to less activity and recruiting.

The good news is that as we went through the quarter, we were able to narrow the decrease that we saw in November and actually came in with plus sales in December, so we'll see what happens moving forward in France. We've got a great Management team there and solid distributors.

We also expect to improve through 2016. Part of it is because the easier comps from increasing our penetration. We are also refreshing what we call the team leader program and it's -- think of a sub-distributorship which gives us more points of penetration and it's a place for them to go after they become managers and you really get tighter spans of control.

Turning to Italy, it was down in the quarter, 15% on a comp of up 8% last year. We saw good sales activity, but were unable to match the promotional pushes that were very effective last year and we're working to leverage that success formula to have more consistency with that Italian business.

Turkey, very disappointed. It was down 25% and much like France, it's been heavily impacted by externals, particularly the terrorist attacks, military activity. This political instability which has just been almost bipolar from the President almost being voted out of office in June to getting a majority back again just over the last two months.

So we've seen weakened currency and there's a lot of change in consumer behavior and spending. You may have read this week also that one of the major cruise lines, Carnival, has even taken Turkey off its Eastern Mediterranean port- of-call schedule. So a lot of headwinds in Turkey.

In spite of that, I was pleased to see that we grew our sales force from even in the third quarter to nominally up a mid-single-digit at the end of the fourth quarter. We believe that is from more effective onboarding. We've also focused on moving toward a higher percentage of demonstration selling.

In Turkey in the past mostly she would share a brochure, and what we've really worked on with regard to our iROAR program is having everybody demo ready at any time with a product where she works, lives or socializes. And yet, with regard to Turkey, really hard to forecast what's ahead in the near term.

On a more upbeat note, I already mentioned it was good to see both South African businesses continue to grow double digit. Tupperware South Africa was up 14% and that was particularly nice to see because you've seen a significant weakening of the rand. This continues also the positive momentum we saw from this last year.

Avroy Shlain, our beauty business in South Africa, which is getting bigger and bigger, continued its great performance. It was up 16% and we're seeing solid sales force indicators with the sales force up 23%. And this is the 22nd consecutive quarter of sales increase. Frankly, I want to see our BeautiControl business do some of the things Avroy Shlain is doing so effectively. At any rate, we expect to see good things from our South African business in this year ahead.

Moving to APAC. China, up 18%. Continued strong growth from our 5,200 studios which was 12% more than the end of this last year. We also saw a great increase in productivity and they have really moved toward more cooking classes, more demonstration of product activity. So we feel good about this going forward.

We've got a lot of runway left in China. Our managing directors, we were doing evaluation of how many studios we could have as an opportunity and it's four times the number, 20,000, so a lot of room left there. Also I would say in China, for all the news you really hear about that, I think if I were selling cars, I might be concerned. But at the lower -- we are again a multi-local business. I think we are in good shape there.

Something important to take into consideration is our product category. Maslow's hierarchy of needs; food, clothing and shelter. We're pretty much right at that core level, so we're able to buttress a lot of external forces there just because it's a basic need.

Indonesia. A modest decline in the quarter, but it was disappointing given the momentum coming out of the third quarter. We did, however, expect to improve on the 5% sales force deficit we had at this third quarter. And I've mentioned to some in meetings that we had to close that to really start to record pluses going forward.

Unfortunately, what exacerbated that is we had higher removals at the end of the fourth quarter, so the sales force was actually down about 8%. A factor also affecting the quarter was a slowing of the economy in commodity -- in these commodity areas where they really produce. And you get up to Kalimantan, which is really Borneo, this is a result of they're an exporter and so consumers are being more cautious with their spending.

As we move to 2016, the Team there in Indonesia has been reemphasizing how to use and leverage these onboarding programs for new consultants. And also very much like we were seeing in other markets of the world, the benefit of product demonstration and there wasn't a lot of that there in Indonesia. Being able to sell more differentiated products rather than a Tupperware storage container, but something like an herb chopper, it has higher price points and the value added is easier to see when you get in front of consumers.

So as we move along, we think this is going to help the longevity of our sales force because they will make more money for the time they really invest in Tupperware. Also, 2016 for Indonesia, we are going to be adding more team leaders there and that's our sub-distributors, and actually expanding our distributor base there.

So our footprint -- remember Indonesia has about 13,000 islands and it's been some years before we -- it's probably been two or three years since we've really expanded our footprint there with regard to distributors or sub-distributors. And this enables us to recruit more because you've got more bases of operations and tighter spans of control. So anyway, looking forward there. We hope to see this trend line improve over time.

India. Also disappointing quarter, but it was only 1 point off, even with the trend -- we saw in the third quarter. We were down this quarter 5%. We were continuing to work on activating the sales force.

Having issues with regulatory standards. So we've had to really lower the standard to become a sales force member. This is kind of government inflicted and we're focusing on promoting more managers. Again, that span of control.

We think we've got a lot of opportunity in India. We've got to get back to the growth we saw for about five or six years there. Remember, it's the second largest population in the world and so there's plenty of opportunity there.

Malaysia and Singapore. Disappointing quarter. 13% down. Struggling with a retention of our sales force leaders who promoted up during a big push period, and that led to a really compression of the active sellers.

On the externals, there has been some impact on the implementation in Q2 of a new 6% tax which raised the end cost of a product to consumer. And it's happened throughout the economy. That's actually caused some consumer spending to be tightened. We are addressing this. We usually navigate through this fine.

We are working on the leadership retention in Malaysia and Singapore. So we've had some good weeks, and we are launching, at the beginning of 2016, a car program that we feel good about and has worked elsewhere.



Korea was off in the quarter, 21%. But most of this was really a large, 2014 B2B that we had with Samsung last year that we didn't repeat this year. We mentioned it in the third quarter call. And without this, Korea would've been up 5%, because actually the sales organization is doing quite well and we've been seeing that kind of level, mid-single-digit top-line growth through the core throughout 2015.

Nutrimetics Australia, New Zealand up 10% in the quarter. And that's the sixth consecutive quarter of sales growth on an 11% increase in active sellers and the team there is doing a great job, particularly of engaging and attracting middle-class to our sales force.

Now moving to the Americas. It was nice to see Brazil have some good news there. We've generally had good news for the last seven years there. We were up 22%. Big growth for the fourth quarter and our unit growth is still strong in volume accounting for about 75% of the sales increase.

Mike and I were just talking about that. We put a lot of emphasis on that because that shows the sustainability of the business and, on a multi-local level, are you really penetrating to the local consumers?

You are probably wondering, with the economy, why are we doing so well? Simply stated, I think, number one, we've got a great Management team in place. Some of the strongest distributors and sales leaders that we have in the world.

But I also believe that this Management team has done one of the most effective jobs of, first, implementing some of the things that are coming out of our 2020 program and on modifying the message to the potential sellers in light of a weak economy. Remember, we are a multi-local business and so we there talk about opportunity, income and in spite of what's happening in Brasilia, in Rio, San Paulo, she's got a family to feed. And so she talks opportunity. And if you've got this headwind, you simply build a better sales force or you put on more presentations.

So we've had a 17% larger sales force. A strong, active seller account. And for the next quarter we are lapping, remember, a 46% sales increase when we compare it against 2015, so we expect to have a more normal sales level in the first quarter.

Fuller Mexico. I was just there. Down modestly in the quarter, primarily a result of not growing the sales force as we need to. It was down 4%. And it's also been exacerbated by a large beauty competitor who was doing incredible deep, deep discounting.

And that's really -- remember often our sales force there, more than half, may carry both our brochure and theirs. And when the competitor does deep discounting, they are likely like a moth to the flame. Anyway, we put a large focus on increasing our sales force count and continue to work on our appointment and retention of field managers, primarily as recruiters.

Tupperware US and Canada. A nice double-digit growth, posting a 10% increase this quarter and that came from larger sales force. 12% more. We had a record promotional period in October.

We did see a slowing of some of the result after we announced some upcoming compensation plan changes. And that may affect the first quarter, but these are very much needed to get more career managers in our business and really stop some of the turnover on the front end of our business. So we did the same kind of thing in Canada last year and we managed through it quite well and had pluses in Canada.

The impact of the US is going to be a little more significant, but I think we can manage through this period. And I'm so proud that the Management team has had the courage to go forward with this. And have had a very effective communication plan of it.

Tupperware Mexico. What a shining star this was in the quarter. Up 25%. If you did an A and B split, you say, whoa, you were down modestly in Fuller Mexico, but you're up dramatically in the Tupperware business there. I think it's a result of, first, the competitive environment is a little bit different there. We don't have a competitor with our Tupperware business who is deep discounting.

And at the same time, I don't want to take anything away from them. Simon and I did a review with them two weeks ago. It's the best -- the best implementation I've seen of these 20/20 iRoar initiatives. I said it is the first time in years I've left a four-hour business review and I couldn't add a thing to what they were doing.

By the way, Tupperware Mexico, like Brazil, has great leadership. They focus on the earning opportunity, and they have fabulous fundamentals. You would almost think fundamentals, they were Switzerland.

This past year they've focused on retention, to a better onboarding program, increased productivity through demonstration selling and better activity using the right kind of formulas. And I'm proud to say they're a real validation and proof of concept that what we've spent this last three years working on with these 20/20 initiatives really works if you execute on it. They were one of our early implementation markets to do the proof of concept.

By the way, I am bringing their MD with me just a week to Europe to share his entire plans with all of our Europe Africa Middle East Managing Director because it is a great case study and a benchmark. We had a 21% increase in active sellers in the fourth quarter and you've got to remember, petrochemical prices way down and how that impacts Mexico. The peso has gone from 10 to 14 to now 18 on the dollar. And they're just navigating through all of this, so the total sales force advantage was 7% at the end of the year. That's a nice improvement.

Anyway, let me turn it over to Mike and then we will open it up for Q&A. Michael?

Mike Poteshman - *Tupperware Brands Corporation - CFO*

Thank you, Rick. You've seen in our release and Rick has gone through the units that were the main contributors to our net 2% local currency sales increase in the quarter. The big positives were in Argentina, Brazil, China, Tupperware Mexico and Tupperware US and Canada, while the partial offsets were in France, Korea, Malaysia, Singapore and Turkey.

Versus the high-end of our plus 3% to 5% sales outlet going into the quarter, the main units that brought us down to the plus 2% were Indonesia, Malaysia and Turkey. At the same time, while the comparisons in Brazil and Tupperware Mexico were expected to be good as we included them in our October guidance, they came in meaningfully better. It was in our guidance but it's worth pointing out that we had about a two-thirds of a point drag on our overall local currency sales comparison from lower B2B sales in the quarter.

On volume versus price, we had a 3% benefit from price that was partially offset by a 1% decrease in volume mix. The price benefit was the same as in the third quarter while the volume comparison was down sequentially. Our total sales force size comparison was at plus 5% at the end of December, which was no change from the end of September.

I pointed out on the last couple of our earnings calls that there's been a hit to the total sales force size comparison from having strengthened standards in CIS and from how we're running in Venezuela in light of the externals and that hit had been a drag of about 2 points. As expected, the CIS impact is starting to fade as we've lapped the start of the change in standards -- started to lap the changes in standards.

That benefit on the comparison in the quarter was largely offset by a normalization of the sales force size in India that had previously spiked due to a change in law there impacting how we handle the sale of product demonstration kits. The drag from the CIS in Venezuela has now come down to about 1.5 points. The active sales force size comparison for the fourth quarter was 2% better than last year, which brought us to three consecutive quarters of positive comparisons on this metric.

Of course, plus 2% isn't good enough and we're working on this unit by unit. As has been the case, much of the time recently our largest drag was from Beauty North America, which had an approximate 3 point negative impact on the overall Company comparison. As noted by Rick, this largely comes from Fuller Mexico, where we've still not been able to grow the number of field managers who bring in and motivate the sales force.

Our diluted earnings-per-share without items was \$1.35 for the quarter, which was \$0.02 below the low end of our range, but in the middle of our range without the additional \$0.05 negative impact from exchange rates versus when the range was set in October. This was notwithstanding our sales being below our local currency range by 1 point and reflected less of a drag from profit in Europe in relation to sales that had been included in our outlook along with about 3 1/2 from a lower-than-forecast income tax rate.

These factors were partially offset by higher-than-forecasted unallocated corporate expenses, mainly from the foreign exchange impact on the amounts allocated to the units and higher Management incentive expense, largely from better-than-previously forecast performance on cash flow.

On slide 6, speaking of cash flow, at \$183 million, cash flow from operating net of investing activities for the full year was near the high end of our latest guidance range, even though GAAP net income was about \$6 million below the high end of our guidance. This came mainly from a higher payable and accrual position than forecast.

As we look to 2016, we foresee cash flow in the range of \$160 million to \$170 million. This is down from 2015's actual, reflecting a larger hit from FX on earnings in our local currency improvement, along with an Orlando land sale in 2015 with nothing in our outlook for this in 2016. That said, we do have some deals going through the process, so we might see some closings and cash from this in 2016, which would be an upside to the guidance we're giving.

The 2016 guidance for capital spending is about \$65 million, which is also before spending related to our land development. You saw included in our release this morning that our Board declared the same \$0.68 per share quarterly dividend that we've been at since the beginning of 2014. Based on 2015 diluted earnings-per-share without items, this is a 62% payout above our 50% target.

It is our expectation that we will continue to pay out at the \$0.68 per share each quarter until we get back under the target. In 2015, dividends paid came in to \$138 million, so comfortably below our cash flow available. As at least most of you are aware, our debt to EBITDA leverage target is 1.75 times. We stood at 2.15 times as of and for the four quarters ended September, which meant we were about \$165 million over our debt target.

We said that we'd bring this gap down by \$65 million or \$70 million in the fourth quarter and we did a bit better than that as we ended the year with a ratio of 1.98 times that left us over our debt target by \$90 million. We still expect to make further progress on closing this gap in 2016 through modest EBITDA growth and debt reduction. As we've mentioned before, we have significant room under our two financial debt covenants that require us to stable out 3.25 times levered and have at least 3 times interest coverage.

On slide 7 and before I turn to our outlook and update on our list of largest units. Indonesia continued as our largest unit in 2015, joining Brazil in coming in with sales, once again, over \$200 million. We had five other units with over \$100 million in sales in 2015, which were China, Fuller, Mexico, Germany, Tupperware Mexico and Tupperware US and Canada.

Fuller Mexico went from the over \$200 million to the over \$100 million category due to the weaker peso. And France and Malaysia Singapore fell out of the over \$100 million group, also from weaker currencies.

Turning now to our outlook on slide 8. We've called first-quarter sales at up 1% to 3% in local currency, and the full year at up 3% to 5%. As a reminder, on the full year we will have a 53rd week that will fall on the fourth quarter and this is helping the comparison with 2015 by an estimated 1 point. Clearly we struggled versus our previous expectation in the fourth quarter, which was mainly in Asia-Pacific and we've taken this into account in our outlook which, as you've seen, is down by 2 points versus what we had said in October reflecting the current trends in units and the impact of the external environment.

For the full year at the segment level, our expectations are for Europe and Beauty North America to be about even in sales; Asia-Pacific to be up in the low-single-digits; Tupperware North America to be up in the 6% to 8% range; and South America to be up in the mid to high teens.

With regard to the long-term outlook, we've heard from some of you that defining a range that reflects the great opportunities that we have has been a distraction from our solid local currency sales increases, especially when compared with other global consumer products companies. We've decided to focus our financial outlook around annual sales guidance only going forward.

Our internal expectations have not changed. We believe we can deliver in the 6% to 8% local currency range and, frankly, by right, should be able to do even better. We still have confidence in the strength of our business model and its ability to allow us to capitalize on the penetration opportunities in the emerging markets and in our solid strategic plans including the 20/20 initiatives.



On slide 9 in terms of profitability and earnings per share, Rick spoke about what we're doing to look at our cost structure and otherwise at our value chains, which we expect to improve our pretax return on sales without items to 12.9% at the high end for 2016. This would be better than 2015's actual in local currency by about 80 basis points, so over our 50 basis point longer-term target, but up about 10 basis point in dollars after a drag from translation FX. This includes unallocated corporate expenses in the low \$70 millions and interest expense of about \$45 million, together with small local currency improvements in the segment's return on sales.

Our tax rate assumption for 2016 in the outlook is 25.5% without items compared with 24.8% for actual full-year 2015. On slide 10, for the first quarter we're calling the EPS range without items at \$0.81 to \$0.86, which at the high end would be up by 9% in local currency. Our guidance for the full-year EPS without items is at \$4.07 to \$4.17, which is below 2015 actual in light of the \$0.58 impact from negative FX. In local currency, at the high end we foresee a 10% increase in EPS without items.

Now turning to resin, our last update for 2015 was that we would have \$145 million of resin in cost of sales in 2015 and that in local currency this would include a benefit from lower resin prices of \$8 million. We actually came in with \$147 of resin in cost of sales with a \$12 million local currency benefit with the change being that while we had included in our first nine months actual results in our overall fourth quarter forecast the benefit of cash flow hedges in place where we buy resin in other than local currency, we hadn't included this amount in what we attributed to the resin impact in cost of sales.

For 2016, we foresee having \$127 million in cost of sales for resin and a local currency benefit on cost of sales versus 2015 of \$8 million. The \$8 million benefit is based on our January pricing continuing for the full year and at this stage is only partially considered in our outlook.

So now before we turn it over to Q&A, I'm going to hand the call back to Rick.

Rick Goings - *Tupperware Brands Corporation - Chairman and CEO*

Thank you. Mike, I think what we've really got out here is -- I'm not going to summarize again what we've already said, but we've tapered our numbers here really reflecting the headwinds by FX and the persistent volatility of the environment. But we've got a lot of confidence in our business model and the people we've got out there and more importantly, even the kinds of actions that we're taking.

So let me turn this over to Q&A and we will be happy to dig further into it.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Beth Kite, Citi.

Beth Kite - *Citigroup - Analyst*

Rick, a couple of questions on the initiatives around 20/20 and helping to get back to a little bit stronger sales growth and now the new guidance is? If you could update us on the Tupperware Ambassador program and where iROAR sits in terms of being deployed globally? Thanks so much.

Rick Goings - *Tupperware Brands Corporation - Chairman and CEO*

Beth, it really wasn't a thing that we were going to just here do a rollout. What we wanted to do was get a couple of markets that really were proof of concept there. And then basically the whole team, and then you start doing it more everywhere. And that's where -- I've generally learned in my



business career when you take something and said, okay, now we're going to roll this out everywhere in the world, they think it's externally inflicted whereas actually these programs were crafted by them.

The 25 dynamic young leaders that run our markets of the world, we're having our next 20/20 meeting in about six weeks. And I think what you've seen here is the markets that have really been more effective and aggressive, those that were the first movers on it, there's just market difference in their performance in spite of what's going on in the world. So there's a growing level of acceptance and enthusiasm that, hey, together we've been working on the right kinds of things, so I'm expecting as we get into this year, you're going to see more of our markets to do these things.

Beth Kite - *Citigroup - Analyst*

Great. One quick follow-up. In terms of some of the countries -- you had a lot of great examples of the different strengths and weaknesses, I think if I understood correctly, across some Management teams geographically. Could you just tell us what are you trying to do execution-wise to bring some of those weaker ones up?

I know you gave the example of the Mexico leader coming to Europe and giving best practices. But just some tangible things you are looking forward to in the near term to improve some of that sustainability in countries that are volatile quarter to quarter.

Mike Poteshman - *Tupperware Brands Corporation - CFO*

Hello, Beth. This is Mike. In part it goes back to the vision 20/20 strategies and particularly the iROAR pieces that you were speaking about, because these types of things that we're working on really take us back to our best practices roots.

So we've always brought in a lot of people into our sales force and we've onboarded them in some manner. We're by heritage and in many of our developed markets in particular, we are a demonstration kind of a business. And success in those which is really laying out what people should be working on every week steps them through and gives them specificity on how they should spend their time.

So what we see is that these things have been refined to extent. We've also spent a lot of time working on toolkits that can be leveraged by our Management teams and then through our sales force so that the communication works in a human way to a large group of people, ultimately the 3.1 million people, and it can be replicated and executed. So the initiatives are really about executing on our fundamentals. And what we expect is that over time, as we're doing these, quote, unquote, the right way, that we will have more consistency in execution.

The other elements of iROAR, extending the reach that go to some technology-enabled initiatives, it is going back with brand ambassadors, which is to reignite people who have been with us before in the sales force and/or to keep them from leaving are things that would go beyond, in some ways, these core elements on what we call on the iROAR side, which really, again, is demonstration, selling, onboarding and success formulas. It's better execution in our horizontal business. We do the same sort of thing, selling into about 80 markets with the Tupperware brand. And we can definitely do better from a best practices point of view.

Rick Goings - *Tupperware Brands Corporation - Chairman and CEO*

Beth, maybe I would add to that too, is that I had one of our -- one investor meeting, I think they asked the question very effectively and they said, well, this sounds like coming in earlier, staying later and working harder. And I told them, I said, you are not wrong on that, but it's working differently too. It's recognizing that now the new sales force we're dealing with often are millennials. They have different needs and wants. They want to be entrepreneurs. It's how you give them this information.

So we've had to make some dramatic changes there. Interesting, it even started off with the kit. What do you put in the kit? How do you get them started with the kit? What does their training look like?

Now we've always been, as far as the organic way we manage our Company, working on this, but we never took our 25 best people and said, let's rethink all of this again. We were doing a debrief yesterday and I used the word where -- I got pushback and I said it's like a buffet line of these. But I mean it as a buffet line in that, hey, if I'm in an emerging market, I may need to do it this way. If I'm in an established market where you have 70% of the women working, what you talk about may be different there.

We have really tried to sit there and categorically made the kind of specific changes there. And, again, you see the payback in these markets. It's doing it much better.

Operator

Stephanie Wissink, Piper Jaffray.

Lauren Wolf - Piper Jaffray - Analyst

This is Lauren Wolf calling in for Steph Wissink. We just have a couple of questions.

First you've talked about your 20/20 plan extensively. But are there any specific productivity-related initiatives we can expect particularly in 2016? And also, secondarily, would you be able to provide a little more color on your expectations for resin costs, particularly as it relates to depressed oil prices or any other commentary related to expected commodity or fixed costs in 2016?

Mike Poteshman - Tupperware Brands Corporation - CFO

Sure, Lauren. This is Mike.

In terms of productivity initiatives and how it would fit in with our 20/20 and iROAR, certainly demonstration selling is a component that can give us productivity and it's really meant to give the sales force productivity because if she's selling from either one to many, if it's a party plan or a more differential product because it's being demonstrated even if it's one on one, she's able to do more retail sales in a given amount of time and that's what her compensation is based on.

And in a number of our markets, and these elements are going to be more relevant to emerging markets where we are selling as a base less of a share of the more differentiated products doing less demonstration, that's where things can come into play. So we've begun to see that in places like Mexico and Brazil and that's part of what's driven productivity improvement there.

Another element that I think of is in Brazil where we've done well executing on our fundamentals, but from an extend-the-reach point of view, we've also had some sales at point of ordering. So the sales force is ordering directly from us in Brazil in most of our distributorships and electronically. And we can sell through products that didn't sell in the first promotional cycle and then they go out and sell those to end consumers. So that's another productivity driver.

So unit by unit, we look at those things. We also price in line with consumer inflation, which can come through as a more sales per seller kind of a metric, as well.

In terms of raw materials, of course, the most important identifiable item for us is on the resin side. And as I mentioned, where we see things right now is about an \$8 million year-over-year benefit in local currency.

It's important to understand there what we mean by local currency, because we do obviously operate around the world and to the extent that oil prices are moving down in dollars, there could be an offset or partial offset when the local currency that we're actually buying the resin with is devaluing when you're comparing with those dollar prices of oil. In that sense, the benefit doesn't come completely through, and that's why we talk about it in local currency with that \$8 million.



Operator

Sofya Tsinis, JPMorgan

Sofya Tsinis - JPMorgan - Analyst

Rick, my question is to you. I think at the start of the call you mentioned that you're going to put more efforts behind expense management and investments this year. Can you tell us more about some of the incremental actions that you're taking on that front this year? And is there any way to quantify the incremental investments or the potential savings from these efforts?

Rick Goings - Tupperware Brands Corporation - Chairman and CEO

Firstly, as we were going through the whole profit plan process this year, we started to look at one of the things -- and this doesn't have to do so much with P&L as it does with capital, is we said where are we going to be investing this year with regard to our CapEx? And I'm really proud to say that in the last 20 years we have increased our manufacturing productivity by about 40%. And so what we really -- and then we've also at the same time started to outsource more of our products.

So, goodness, when I joined the Company we had more factories than we have today and almost half of the products we now sell we've got more of the Nike approach. So that's enabled us to have a lower CapEx. Going back to the P&L, where we're going to spend our money this year? How many people are we going to have? What are staffing going to be? What are merit increases going to be?

And what we tried to do is with those kinds of investments that were particularly not nearer-term payoff investments, we said, you know what? More footing. Let's not do those in 2016. Let's do the things that give us some near-term payoff, knowing what's going on out there.

Michael, why don't you add to that?

Mike Poteshman - Tupperware Brands Corporation - CFO

Sure. Sofya, as we looked across our businesses, we took a fairly broad approach in terms of the kinds of things that we looked at. And also as we will, as you should, did it in the context of what kind of base we needed to be able to capitalize on our strategies going forward.

So we included the kinds of initiatives that Rick talked about and we were doing it from the point of view of not so much against last year, but where we were, again, in our planning process and how we could improve on that. And so as we looked at that, we're probably targeting somewhere in the \$20 million or \$25 million range in terms of potential versus where we had set our baseline plans. We've included some of that in our outlook, but certainly not all of it.

And the other thing to realize, which you might have noticed, we do give at outlook consistently on our engineering costs. We expect \$10 million for 2016, which is in line with where we've been and certainly started out each year from an expectation point of view for a number of years. So because of what we need to do, it is not a situation where there is a large incremental cost behind it, but that also gives you an idea from a context point of view of some of the things that we are up to.

Rick Goings - Tupperware Brands Corporation - Chairman and CEO

Sofya, what I think is important here, attitude. I think Rahm Emanuel said it really well when Obama first went into the Whitehouse, that a crisis is a terrible thing to waste. We don't look at it as a crisis, but this isn't business as usual out there when you look at foreign exchange, when you look at this new kind of a non-state-supported terrorism and sometimes state-supported, with what you see with regard to corruption in governments from Brazil to other places.



And we basically have said, it's not business as usual. And let's just firm this thing up. Let's rethink going forward there. At the same time, let's not do anything to destabilize our opportunities for growth out there.

I think it's been a great exercise for our individuals. And actually what we've got them thinking for is, hey, we want you all over the world to make your bonus this year and you've got to move forward to do it. So let's tighten it up. Let's make sure we rethink where we are deploying our resources there. Let's firm up our marketing programs, get more efficient in our recruiting programs there, and I think it's an important exercise.

And we've got enough things going on here that Mike talked about -- \$20 million to \$25 million. We chose, when we spun this Company off, to keep all this campus, which was quite a few acres, and rather than just get rid of it in one year, our GC has managed well to developing it. It keeps throwing out -- Mike, what are we at? \$70-some million? Or more than that?

Mike Poteshman - *Tupperware Brands Corporation - CFO*

Probably around \$70 million of proceeds.

Rick Goings - *Tupperware Brands Corporation - Chairman and CEO*

Yes. And passing on to the shareholders. We've probably got the same to go. And, you get another \$15 million, \$20 million, \$25 million from that this year. And what it does is, we're committed to our dividend. We are committed to investing in our Business and we are committed to growth and ensuring that we have the resources necessary to fund that kind of growth. I think it's been a good freshening up of the mindset of let's make this a winning year.

Sofya Tsinis - *JPMorgan - Analyst*

My second and final question is, I wanted to understand what is driving the discrepancy between the local currency top-line growth, which seems to be getting worse and the sales force trends which they may not be where you want them to be, but they have actually gotten better versus where you were in previous years.

Mike Poteshman - *Tupperware Brands Corporation - CFO*

Sofya, you're right.

We are up 5% in total sellers at the end of 2015, which is the same as we were at the end of September. Up 2% in actives, which was also our local currency sales increase. There has been a mix shift over the last few years that we've highlighted with the struggle in the low-single-digit kind of decreases we've had much of the time at Fuller, Mexico, which, based on its model, has a very large sales force that's quite active in terms of the percentage of people turning in an order every cycle versus more of the housewares businesses. And so as we've lagged there, that's had an impact on the active seller comparison.

The growth that we've seen in our sales has come over the last couple of years, as you've all seen, from price increases that have generally been in this 2%, 3%, 4% range and then going for the volume. And there's been some units in the fourth quarter, obviously where we didn't do as well as we had done, for instance, in the third quarter and we had a bit of a volume lag there.

So the way we characterized it was it's good to have these sales KPI advantages. But it's clearly not enough. And so unit by unit, we need to see more active seller upsides for sure.

Operator

Jason Gere, KeyBanc Capital Markets.

Jason Gere - *KeyBanc Capital Markets - Analyst*

Just a couple of questions. Mike, you were saying in your prepared remarks about going forward you're just going to talk about annual sales? So I was wondering if you could talk about that decision? I know you was saying about some of the volatility, but because Tupperware is a little bit more unique of a story than some of the typical HPC companies we see, more, I guess -- more guidance sometimes can be better, not worse. So I was just wondering if you could talk about that first?

Mike Potesman - *Tupperware Brands Corporation - CFO*

Sure, Jason. Again, as we said -- or I said in our prepared remarks, it's not any change in how we view our opportunities or what we should be able to get done. We, for a number of years, have believed that we could grow in the 6% to 8% range or even better, although we haven't in some of the years.

And really our perception in hearing from sell-side, buy-side analysts, is that while they tend to understand the context of where we are annually and they build whatever they think the right assumption is into their models, they are often concerned about what others may be doing because of that 6% to 8% longer-range outlook has been out there.

And so from a perception point of view, we believe that it's better to not do that and cause people to wonder about what other people are thinking. But, again, it's not any change in our point of view on the opportunities for our business, which are clear. When you look at our penetration in places like China and India, where we have good businesses that are very profitable and generate cash, but where we're only perhaps 25% penetrated in China with our outlets and from a seller per addressable population in India, maybe 20% of where our most penetrated business units are, we clearly have a long way to go. Again, our point of view on that has not changed.

Jason Gere - *KeyBanc Capital Markets - Analyst*

Okay, thanks for that. And the second question, if you think about the two points of reduction in the guidance for 2016, obviously part of it is macro; part of it is micro. I know you've talked about some of the onboarding issues out there. Can you talk a little bit about what percentage, do you think, of the onboarding issues can be fixed this year or are there some markets where it's just a bigger struggle and it may be a multi-year process?

Rick Goings - *Tupperware Brands Corporation - Chairman and CEO*

Jason, I don't think we get the payoff everywhere the same way because our sales force isn't the same and the dynamics of the market aren't the same. I think in those higher-context markets that you would see -- Europe, for example, are high-context markets.

You generally -- people there are -- they're used to following programs. And you could go in Munich at 2 AM in the morning and there's no traffic and a pedestrian walk sign says don't walk and people, they wait. Whereas you go to Manila, and nobody follows the lines in the highway on it. So a lot of it has to do with culture as well. And so what we have to do is be flexible enough to put these onboarding activation and retention methods that are actually suitable for the culture there.

And that's where the business is somewhere between science and art. And you have to -- and you don't get the same kind of payback at the same period of time. You can actually hurt the business if you go in, let's say, in an Indonesia, and you start to treat them like Northern Europeans. That's where we have to kind of feel our way out with regard to execution.

We have no problem with that at the top Management level within these markets. But gaining the buy-in with regard to the lower levels and the distributor levels, it's not the same. One-size-fits-all.

Jason Gere - *KeyBanc Capital Markets - Analyst*

That's fair. That leads into my next question.

It feels like with the guidance that you're giving this might be the first time that I can recall that it sounds like developed markets are going to grow faster than emerging markets. So I was just wondering when you talk about the 3 to 5 that includes the extra week, what's the breakdown between developed market and emerging market? Specifically I know you're saying Tupperware North America's going to be up 6% to 8%. And I think even Beauty will be flat. So I was just wondering if you could break that down a little bit?

And then I have a follow-on question to that.

Mike Poteshman - *Tupperware Brands Corporation - CFO*

Jason, while we don't give a split in our guidance in quite that way, if you take what we said a little bit further, the mid- to high-teen growth in South America is only related to emerging markets, right? There's no developed markets in that geography. And then on the other place where we're getting the higher growth, 6% to 8% in Tupperware North America, that, of course, has Tupperware US and Canada and Tupperware Mexico, which are both over \$10 million businesses.

You have seen the growth profile of both of them with 25% or so in Tupperware in the fourth quarter and Tupperware US and Canada at 10%, albeit now we have to see how things come together, given the announcement of the compensation plans change for the sales force in the US. So if you look at that, there's a lot of growth coming from the emerging markets.

Rick Goings - *Tupperware Brands Corporation - Chairman and CEO*

Jason, I think you have to put macros behind that, by the way, strategically. 85% of the world's population lives in the emerging markets of the world. The external conditions that really make us attractive are, number one, you get away from Jakarta, there's not much of retail infrastructure there. So that channel matters.

Two, only about 30% of women in most of the emerging markets of the world work outside the home. Now obviously in China, because of their political system in the past, it's much higher there. Next, our product line is much closer to you would see with an emerging market as they mature, you start with this food, clothing and shelter. They want brands. This is close to the kitchen or home where they spend their money.

Next, the emerging middle class and their desire to have a middle-class lifestyle there. That's why in Brazil you see us up 22%, because it's within her grasp regardless of her educational background. So it makes us so well-positioned. And I don't want you to think in one quarter there because of the drag of what's happened in Indonesia or Malaysia or India there that that changes our strategy at all going forward.

The conditions that are going on in Brazil and the better execution, I would say, in focus there, that's litmus of the opportunity there in spite of what's going on. Because none of those markets I talked about in Asia, India, Indonesia, Malaysia, Singapore, have as much disruption going on as we now see in Brazil.

So that gives us hope that if we can -- if our offense can be more effective there, we get back on this where you start to see teen growth in the emerging markets. Remember, we've still got it -- it will be in the next five years, another billion people that will be added to the middle class just in Asia-Pacific alone. And that's our sweet spot.



We're not an established market story. We're an established market and an emerging market story. But the future really belongs to the emerging markets of the world, because that's where the people are.

Jason Gere - *KeyBanc Capital Markets - Analyst*

That's fair enough. I will hop off and let the next caller ask. Thank you.

Operator

Frank Camma, Sidoti & Company.

Frank Camma - *Sidoti & Company - Analyst*

Rick, could you talk about what lingering effects you think the terrorist attacks in France might have on the European business?

Rick Goings - *Tupperware Brands Corporation - Chairman and CEO*

It is interesting. I've got special insights there. I've got a daughter who's lived 15 years -- she went to university there, but who lives and works in Paris and I just saw her on Sunday. So she's more French than she is American. And she's smart.

And I said, so what's your take? Because we wanted to take some actions initially to show our support after these terrible attacks. And she really was strong pushing back. She said, that's an American approach. Don't do that. Don't do that with some gifting kind of an approach to rescue.

She said, here's where it is. They spent the traditional two weeks of mourning there and she said, after two weeks, back out in the streets again. Back out and sitting out in cafes.

Because you'll remember, this is a culture that is very proud. They are French and they are resilient. Even during that four years of Nazi occupation, what really was key there, other than the invasion, was the spirit of the French people there.

I think they're going to be fine. They've toughened up there actually with regard to some of their actions which are much more aggressive than you would see here in this country. So I think what will prevail there is the spirit of the French.

We had a better December. That was six weeks after that. And they were out there holding parties again. And it doesn't mean they don't show respect for that, but they say, let's get on with it.

Frank Camma - *Sidoti & Company - Analyst*

Good. The other question is, could you comment -- your results were obviously good in the US. Was some of that from -- I know you embraced more technology and that Skype initiative you were having to expand the party approach. I was wondering if you could talk about that at all?

Rick Goings - *Tupperware Brands Corporation - Chairman and CEO*

Technology-wise, that really wasn't the party plus. That's still in its proof-of-concept stage there. But I think they've been very effective as we're picking up, Brazil is. They have things technology-wise very much -- they call it Tupper TV, that they will online -- it's an intra -- but it's a program. And they go live and the sales force connects to it.



What's happened, Brazil has picked up on that. That is one of the iROAR programs. It enables them to not only have information, it's a great new onboarding way and a contact way to motivate them. So they've gone to that. Brazil came up with, as part of this program, what's called Tupper City, so that you go right online and now got it in the US and moving it to Europe.

You come online and it shows a city there and it says, okay, but it's Tupper City. And you say, okay, I need to go in the rewards and recognition department. And it says in a building there and, click, you click on it and it shows, okay, here's what we are running. Here is what you do. Here is what you get.

You've got a product there. You said, okay, I see this new product that is an herb chopper. How do I work it? What do I do? You go into the product demonstration building. It's just like you were taking a tour there, Frank. It's fabulous.

Those are the kinds of things we are dropping. And I would tell you the motivation level of the US business -- here is one key thing they are doing. This speaks so well to our future. In four more years, 50% of the workforce will be millennials. By 2025 it will be 75%. These are people born after 1980.

The most dramatic shift I've seen since I've been here is the age of the sales force. And some very important differences on millennials. And I'm starting to see this in certain countries, they are 10 years younger than they were a decade ago. How?

Number one, these born after 1980, 58% of them, through studies want to be an entrepreneur. They don't want to live their lives in a cubicle. Two, they want a sense of purpose in their life, kind of the Taylor Swift actions. What she did with Apple, she did it on behalf -- because it wasn't fair.

Three, what they want is they don't believe advertising, but they are connected to their friends. And if you want to go to a good restaurant, my generation you went to the Yellow Pages or the concierge of a hotel. A millennial goes to another millennial and asks. What that gets to is, they are utilizing all this technology from Twitter. I will be at a meeting and they are tweeting, Beckett, but about us.

And to others in it, and so they use Twitter, email and all the way up to -- but what they desire more than baby boomers was really intimate relationships out there. So this is a thing that's changing the nature of our US business. And I look in the audiences of our US business and I will say, wow, we lost a generation in between from the ones I first saw in the early '90s.

Frank Camma - *Sidoti & Company - Analyst*

Sure, great. Thanks, Rick.

Operator

Linda Bolton Weiser, B. Riley and Company.

Linda Bolton Weiser - *B. Riley & Company - Analyst*

Avon, at their recent analyst meeting, actually brought up the subject, again, about possibly doing some currency translation type of hedging. And Herbalife has always done some. Procter and Gamble just talked about it on their call and gave reasons why they don't do it. I'm just wondering what your thoughts are? Are your thoughts changing on that?

Direct selling companies are certainly different than a Procter and Gamble, both in business model and international exposure. So I'm wondering if you have any thoughts on that? It would certainly maybe be something to think about. I don't know, it might help to offset some of this negative FX that's impacting your cash flow and earnings.



Rick Goings - *Tupperware Brands Corporation - Chairman and CEO*

Linda, I would answer the first back and, Mike, you answer -- we haven't rehearsed this answer, by the way, but I know where our hearts are on it. We, in the mid-'90s, right after we became a public Company, we tried that once. It was not a good experience.

Understanding foreign exchange translation and being a currency speculator is gambling in an area or investing in an area which that isn't our expertise. We've been working very hard to figure out how to keep our business to have competitive advantage, so very strong bias is what you hedge is cash flow and known transactions. But getting into speculating on which way currencies are going to move, it adds another level of risk, but opportunity. And I'd rather -- we have so much opportunity in the core basis that we really know that it doesn't make any sense.

Mike Poteshman - *Tupperware Brands Corporation - CFO*

Linda, as I understand the accounting behind that today, if you were going to go and look to hedge out a year on translation, you would need to mark that sort of thing to market, if you were doing it with forward contracts at least every quarter. So you would be bunching the impact in that way, but you would be giving yourselves certainty if you were doing it for year over that one-year period.

I think if you think through the math, though, because of, of course, currencies have been negative for us in the last couple of years, but they can move in either direction. What you're actually doing is moving this year's currency out one year.

And for us, the times that you want to hedge are when you can take advantage of that time. So that's why we do cash-flow hedges where we're buying products or raw materials across currencies, because if things move, we want to have visibility on what our gross margin percentages will be because we will know the cost. And then we have a year to react on the product mix if there is inflation in the market and we price in line with consumer inflation. Those kinds of things. So hedging gives you time.

With translation, you would have time because you would have moved the currency impact out a year, but time to do what? We operate in Indonesia. We're going to sell the product there. We do contract manufacturing to get it made. And then it's worth in dollars what the rupee is worth in that time period. So what are we going to do differently? Of course, we're always going to try and sell more and make more money regardless. But that's not because we would or wouldn't have a hedge in place.

Linda Bolton Weiser - *B. Riley & Company - Analyst*

Thank you. That is very helpful.

Mike Poteshman - *Tupperware Brands Corporation - CFO*

Thanks, Linda.

Operator

This concludes our Q&A session for today. I would now like to turn it back over to Rick Goings for any closing remarks.

Rick Goings - *Tupperware Brands Corporation - Chairman and CEO*

Everybody, thank you very much for taking the time, for the interest, and for the quality of questions that we really dealt with today. Again, I think the biggest thing we have going for us going forward is many companies right now, when they are getting out there and bracing themselves for this new -- somebody asked -- I was with John Kerry last week, and somebody asked the question, is this the new normal?

And most of us believe this isn't the new normal of the world, but it is the new now of the world. And I think we started preemptively three years ago working on the things that the changing generations that are going to be driving it, this new world, with regard to terrorism and the new impact of technology. And so I think we've got most of that stuff -- we're not finished with it. We are in the early stages, but we know what we're doing now and we're starting to implement that and we're starting to get great proof of concept out there and payoffs in markets. And I think the A, B split of our two businesses in Mexico is a clear indication of that.

So we feel very good about where we go. But at the same time, we've got our foul-weather gear on for this year, because we think it's going to be a tough year for everybody in the marketplace. We think those who brace themselves, take the right kind of actions and the right kind of initiatives, keep expenses in line, but keep leaning into the opportunities to grow the top line, they're going to come out just fine. And we think we're going to be in the group. Thank you very much.

Operator

Ladies and gentlemen, this does conclude today's conference call. You may now disconnect.

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