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TUP - Q1 2013 Tupperware Brands Earnings Conference Call

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OVERVIEW:

Co. reported 1Q13 diluted EPS without items of $1.18, and local currency sales growth of 6%. Expects full-year 2013 local currency sales growth of 5-7%, and EPS without items of $5.52-5.67. Co. expects 2Q13 local currency sales growth of 5-7%, and EPS without items of $1.41-1.46.

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CORPORATE PARTICIPANTS

Rick Goings *Tupperware Brands - Chairman & CEO*

Mike Poteshman *Tupperware Brands - CFO*

CONFERENCE CALL PARTICIPANTS

Jason Gere *RBC Capital Markets - Analyst*

Olivia Tong *BofA Merrill Lynch - Analyst*

Connie Maneaty *BMO Capital Markets - Analyst*

Sofya Tsinis *JPMorgan - Analyst*

Dara Mohsenian *Morgan Stanley - Analyst*

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

Mike Swartz *SunTrust Robinson Humphrey - Analyst*

Gregg Hillman *First Wilshire Securities - Analyst*

PRESENTATION

Operator

Good morning. My name is Don and I will be your conference operator today. At this time, I would like to welcome everyone to the Tupperware Brands Corporation first quarter 2013 earnings conference call. All lines have been placed on mute to prevent any background noise. After the speakers' remarks there will be a question-and-answer session.

(Operator Instructions).

Thank you, Mr. Rick Goings, Chairman and CEO, you may begin your conference call, Sir.

Rick Goings - *Tupperware Brands - Chairman & CEO*

Thank you, Don and thank you, everyone, and good morning, I'm here in Orlando. It seems like this is the first time in two years for earnings release that I am actually here at headquarters with Mike, our CFO, and Teresa Burchfield, our Head of Investor Relations. As always, some of our discussion will involve forward outlooks of the business, so you know the drill on this.

Getting into the first quarter, once again you see that we are really at Tupperware Brands an and story. By and I mean we are an established market and an emerging market story as our portfolio of Tupperware and beauty businesses both contribute to top and bottom-line growth. While we perform well in th first quarter, the emerging markets were, as they will continue to be, the driver of the quarter. Remember, emerging markets are 87% of the worlds population. Our established markets were down modestly, but included a number of established markets with increases. We are pleased with the results for the quarter. However, we also have a number of markets that need improvement. And frankly, being very candid, as I have had one-on-one talks with many of you over the years, our experience suggests that this is likely to be the case always as we move forward that with so many markets there is likely to be disruption somewhere in the world at any given moment.

I think what is most important is the results of the blended portfolio and being able to meet progress on not only sales but profits. And secondly, it is knowing what to do, management's obligation here and responsibility when there is a problem market. Someone once said to me years ago, you don't drown when you fall on the water, you drown if you stay there. I have been very pleased with their strength in management team, getting better at solving problems sooner in markets.

Now, a brief market review. Our top performers in the quarter included a number of emerging markets. I will cover those first. In Europe, our Tupperware business in Turkey was up 41%, which was 10 points higher than last quarter's sales increase. Our beauty business in South Africa, Avroy Shlain, was up 8% in the quarter. In Asia we continued to see stellar performance in our Indonesian business, our largest Tupperware market, we were up about 40%. I was there not only in Jakarta, but Borneo the week before last. I am also pleased to report we had a team from the NGO Global Fairness initiative there on the ground with me and we have funded some important research to show the impact of having these 170,000 women in Indonesia in our business. We will report those results out to you just like we did in Mexico.

Still in Asia, our businesses in India, Malaysia, Singapore and China were all up over 20%. And by the way, India, China, and Indonesia together account for almost 40% of the world's population, so expect more from them and more runway in the future. We are, in these markets, in a sweet spot, as Tupperware Brand is already recognized as a premium brand. When there is household formation our categories are also near that sweet spot and the expected growth of the middle-class in these countries will provide a lot of white space.

Again, the belief is the they will move from little more than 0.5 billion in middle class today to in seven years 1.7 billion. By the way, that leads us to higher price point products and we are already seeing our ability to migrate some of our European, more unique products into the urban centers to middle class in Asia-Pacific. Wrapping up our best performing units, merging units, in South America we saw continued double-digit growth. In Brazil it was up 22%. Venezuela too was up 10%. While we had lower growth rates than in past quarter, that really reflected the devaluation of the bolivar.

Now, let me scan a number of our established markets of the world. In Europe I am pleased to say that Portugal, Belgium, Austria were all up double-digit. You will remember we had some issues for a couple of quarters in Austria, but that is back on track again. Italy, I was there last week. Impressive moves there. We made it back to flat in the quarter. It is a market, Italy, with a large population, loves direct sales, and we have never had a dynamic business there. I think we put together the right management team and the right strategy. So, more to come, but I think it's going to be good news in Italy. Interesting, also, even our small Greek business was up mid-single-digit in the quarter.

Was not so pleased with what happened in our big German business, which for Tupperware, this was our biggest in Europe. We have grown there consistently over the past three years quarter by quarter, but we had a tough quarter in Q1, we were down 10%. Simply stated, the product and promotional package in January, and we have a real push period there, it did not give us the expected results. And then when we put in the recovery packages to really delivery the quarter, it was really undermined and disrupted due to a 15-year record snow.

When I was in Germany last week it's all they talk about was they had never seen snow like this in recent history. We did close the quarter with a sales force advantage in Germany, though. That sets up a good baseline to leverage as we move forward. Also, it's good to see that in the first few weeks of April, for Germany, we see a trend improvement in our key performance indicators. Mike and I were just talking about it, we expect to see some strengthening trends in Germany as we get into the second quarter.

We are also pleased in Q1 to see a change in the direction of a number of our markets. For the better, I might add. France was up 10% in the quarter. You'll remember the disruption last year occurred during the really stalling of consumer spending during the pre-election months and during and after the election. We have mitigated some of that now. A portion of our 10% increase was due to timing of shipments, but the rest was organic. As I mentioned, we don't need to make any structural changes or strategy changes in that market. We did close the quarter in France, also, with a year-over-year sales force size advantage and just like Germany, that is a good platform to grow in the second quarter.

Tupperware South Africa, was there earlier in the month. We also had a sales increase in the quarter, which was a significant trend change from Q4. It goes through. We working kind of the pig working its way through the python on these counterfeit product issues. Our takeaways, we could have been more proactive in introducing new product to mitigate some of the impact of this early on. We are taking those actions now. The sales force size is up and we brought in the new products we needed, as well as introducing new colors and some new decorated products.

Turning to Tupperware Australia, we've had our second consecutive quarter of sales increase in Australia. While the trend increases, their still what we would call soft. It is promising to see consecutive increases. You will remember, that market was our country of the year three of five years. So, we still have a very strong and a very profitable business in Australia.

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Looking to Tupperware Mexico, a business where we achieved double-digit growth this last year, sales were down a bit in the first quarter. I just got back from Mexico last evening. I was there with Pablo Munoz, our Group President Americas, and Simon Hemus, our President and COO. This is a regular routine review, we do both of our businesses down there. Frankly, it just confirmed the decline was mostly due to not externals but internal missteps, as we changed the structure of our January promotional offers, as well as the qualification levels for sales force incentive trips. I think we, too, we exacerbated these changes by simply making too many management changes, as we shifted around some very high potential people into new roles. We do a lot of that, because that is how we develop our leadership and why we don't have to recruit much on the outside, but I think we did too much.

Now, let me move on to some units where we continue to have challenges. Regarding the US and Canada, yes, I am cautiously optimistic with both of these business units, which were about even in sales with the last quarter, the last year in the quarter, but it is a difficult consumer environment. We do see lots of opportunity for growth, especially in our Hispanic markets. But we've got more work to do on our model and our execution.

In Tupperware Japan, I was very disappointed. We were down mid-teens in the quarter and although the sales force size was up, productivity was down, as we continued to implement the changes in the unit. Frankly, I don't think we've got the right formula there yet. This is a market that is sensitive to having the perfect formula. We are going to really be doubling up our efforts to get this figured out. It is a tremendous direct selling market and during my time here it's never been a great market for Tupperware.

At BeautiControl we were able to partially close the gap on our sales force size and we ended the quarter down 2% compared with down 6% at the end of the Q4. However, we weren't able to translate that into sales increase during the quarter. Moving this business back to a more end-seller and an opportunity driven model for mostly hobbyists and kind of customer sellers, is proving painfully, a painfully slow process. We believe we have the right leadership in place. We have done the right things with the product line and we are committed to continued execution.

Finally, let me turn to Fuller Mexico, our big beauty business in Mexico. We are the number two beauty company there. Again, I said we were there Monday and Tuesday of this year. Was happy to see some progress there. We are even with last year in the quarter and it was worthwhile seeing the steps that we have taken. The adjustments we are making to this market are really beginning to pay off and we saw some positive shifts in trends. There are two primary drivers that we are focusing on. The first is a marketing lever where we've begun to better capitalize on our premier Armand Dupree sub-brand, which is already an established and known brand and aspirational in Mexico.

By the way, to think of the positioning of our Armand Dupree, think of General Motors and think of the positioning of the Cadillac brand within there. It is their premium brand and it lifts General Motors. That's generally what Armand Dupree does. More and more, you are seeing us really move the identification of our business there more toward their Armand Dupree. Under Armand Dupree, we are going to continue to market and promote our fragrance products under Armand Dupree.

By the way, relative to competition, which generally uses about 7% compound concentrations in fragrances, which means they wear-off fairly early in the day, we are at 9% to 12% in our concentration. The public perceives this is higher quality. It commands higher price points and what this gives our sales force the opportunity to do is move to the emerging middle class in these, a more upscale consumer. By the way, this is what Natur has done in Brazil and what we are doing with Armand Dupree is we are moving beyond fragrance to skin care and other categories. So, that is lever number one.

The other area of focus and lever has to do with the sales force and sales management. Here, firstly, we are focusing with our sales force on building, also, super sellers to really contribute more. We have added new programs where they are recognized more significantly. We have heightened compensation, where the more they do in a month, the heightened level of commission they get. That is one lever under sales and sales management.

The other level has to do with our management, sales management. We have about 3,000 field sales managers. We had a big problem with turnover. It was very significant double-digit and our research indicated the high level of turnover didn't really have to do with the experience of the job, it was negatively impacted by too low a base compensation as they started and were learning the essential skills of the business. We have upped that and we are already seeing that start to drop. That means more consistency with these field sales managers managing the sales force.

Secondly, field sales managers report into District Managers and we have little more than 300 of those. We're now added a bonus program for field sales managers where they are incented to reduce the turnover of field sales managers. So, District Managers have never been incented for this in the past. We think this is going to have impact. What I want you to feel is there we are doing things on the marketing side of the business and we are doing in sales and sales management. None of it is a silver bullet, but together I think it is going to have the right effect and we are already starting to see payoff in the first quarter.

Looking at the Mexican macroeconomic environment and what we are likely to see there. We, and I personally have close relationship with senior members of the new government, had known them prior to the election, and I am pleased to see, and I'm hearing it in Mexico as well, the positive steps this new administration is having and taking. First, there is a focus in Mexico, primarily by the PRI de pinon [yeto] government, on what is good and what is great about Mexico. Leveraging the culture, the natural resources and the need to focus on education. There has really been an attitude and sea change there. Secondly, doesn't mean they have forgotten the issues with regard to security, but during the Calderon administration, that is almost all the focus. It was on the negative, every time, every day when you woke up.

They have not forgotten the security issues, but how they have taken a different approach is they are going across political lines to get the three political parties together. In the past, you would have some kind of effort in Tijuana, for example, and the local government would not be contacted because they were a member of another political party. Today, everybody is in it for the future of Mexico. That is a big change.

Third, they have taken on really the corrupt unions. If you have been reading the papers you have probably seen what has happened. They first took on the head of the Teachers Union. She is in prison now and perhaps you have been reading about it because this has been known as one of the most corrupt unions in that country.

Finally, what we are starting to see them do is breakup the monopolies of telecommunications and broadcast. It is no strange reason why Carlos Slim is the richest man in the world. They turned over the whole telecommunications industry to him. Now they are starting to make it more driven by public markets. Anyway, I think the administration will make this a better time for us and that is where our business, biggest businesses are located. So in summary, solid quarter for the Company. I'm going to turn it over to Mike and then we will open it to Q&A. Michael?

Mike Poteshman - *Tupperware Brands - CFO*

Thanks, Rick.. First, having a look at where we varied significantly versus our expectation in first quarter sales. We were above what we've built into the high end of our range in Indonesia and Turkey, where we expected very good growth, but not the approximate 40% increases we achieved in each of these markets. We also outperformed in France, where we swung to plus 10% in the quarter versus minus 6% last quarter.

And I will highlight that there was some positive timing it the comparisons in these units. Our more significant drags versus what we had assumed to come in at to reach the high end of our range, overall, were in Germany and Tupperware Mexico. Both of these units were down after being up in the mid to high single digits in the fourth quarter. Both units ended the second quarter with modest sales force size advantages versus 2012. As Rick said, we don't see fundamental issues in these units and we are working to really leverage the sales force size advantages that we have.

Since I know many of you look at two year stacked local currency sales comparisons, I will highlight here that our 3% local currency sales increase in the first quarter of 2012 was negatively impacted by 2011 having one more week than 2012 under our fiscal calendar.

We noted in our first quarter 2012 release that this was a drag on the comparison estimated at 5 points. On a run rate basis our local currency increase in the first quarter of 2012 was 8% and our two-year stacked growth in 2013 was therefore 14%. This compares with a two-year stacked growth rate in the fourth quarter of 2012 of 13% and also with 13% in the second quarter of 2013, using our high end outlook for sales.

Our diluted earnings per share without items at $1.18 was $0.04 above the high end of our range and 19% over last year in local currency. Our result above our guidance was even with a $0.02 drag -- that was $0.02 more of a drag from foreign exchange rates and we had included in our outlook. The good result reflected most significantly a good contribution margin on our higher than expected sales in Asia, particularly in Indonesia.

We had reasonable contribution margins in Europe in Beauty North America in the quarter, but lagged what we would have liked to see in Tupperware North America and in South America. In Tupperware North America, this primarily reflected some elevated promotional spending and margin concession in the United States and Canada business. They paid off in better sales results in the back half of the quarter following a slow start. In South America, we had some higher product costs in Brazil, an issue we think we've now worked through, and some issues with matching pricing and programs with the cost environment in Venezuelan, including in light of the currency devaluation there.

While we think we will be able to run reasonably in Venezuelan in local currency going forward, assuming no further significant devaluation, our profit will be worth less due to the lower exchange rate and this approximate $0.03 impact on the full-year is built into our updated guidance. When we look at our pre-tax return on sales without items for the whole Company, we improve 60 basis points in the quarter versus 2012 to 12.8%. Versus our first quarter guidance, we also had an almost $0.01 benefit from our tax rate being 23.9% versus the 24.5% we had in our forecast. We still foresee a full-year rate of 24.5% without items, which is what we said in January.

Turning now to our outlook, we are reiterating today our expectation for a local currency sales increase in the 5% to 7% range for full-year 2013 and 6% to 8% in 2014 forward. The 2013 guidance includes a small increase in Europe, although double digit to low teen increase in Asia about even to down slightly compared to 2012 in the two North America segments and a mid to high teen increase in South America. Versus our previous segment level guidance, there are improvements in Asia and South America and lower guidance in the North America segments, all of which reflects the first quarter 2013 actual results and the trends we expect going through the rest of the year.

While our outlook is $0.10 lower than in January, it is important to note that this is coming from FX and shares. We have included in our outlook versus 2012 a 1 percentage point improvement in ROS in Asia, a small increase in Europe, and decreases of about 50 basis points in the other segments. On EPS without items, you have seen in our release that our full-year range is $5.52 to $5.67. This would be up 11% to 14% in local currency and in dollars. In the outlook there's no impact from foreign exchange rates on the comparison now with 2012. Underneath this, on top of our 5% to 7% local currency sales increase, at the high end of our range, we continue to expect the same 50 basis point improvement as in January and our return on sales at the operating margin line.

And continue to take a partial offset from higher interest expense associated with getting to the new leverage target that we announced in January, which is 1.75 times debt to EBITDA as defined in our credit agreement. By our interest expense in part reflects our issuance of $200 million of notes in March. Netting all of this out, we now expect our forecasted pre-tax return on sales for the year without items at the high end of our guidance range to continue to be 14.4%, which is what we said in January. This compares with 14.2% last year. As I said a minute ago, we continue to include in our outlook a full-year tax rate excluding items of 24.5%, although, we were slightly below this a 23.9% in the first quarter.

On allocated expenses of about $65 million, or $1 million higher than our previous outlook, and interest expense of about $39 million has not changed from what we included in January. Rolling forward, our EPS forecast from our previous guidance without the $0.01 from a lower than expected tax rate, we have a $0.05 local currency upside in the first quarter, actual results that flowed through versus the high end of our guidance. This is offset by a $0.03 operating hit from the devaluation of the Venezuelan bolivar, a $0.05 hit from changes in other foreign exchange rates and a $0.07 hit from more diluted shares. In our previous outlook we assumed a $75 share price for the $400 million of open market share repurchases in our 2013 outlook. This assumption was made when our stock was trading in the $60s.

Our first quarter actual cost per share was $77.88 for the $100 million that we repurchased in the open market and our assumption for the rest of the year is that our cost per share will be in the low $80s. This change in assumption bumped up our full-year diluted shares in the outlook by 700,000 or 1.3%. We expect to make $100 million of open market repurchases in the second quarter and the remaining $200 million included in our outlook, of course, in the second half, with a bit more of a weighting in the fourth quarter given the timing within the year of our cash flow generation.

A few more words on Venezuela. You have seen in our release that we recorded costs in the first quarter, which we have characterized as a quote, unquote item. These relate to the impact of the devaluation on our net Venezuelan bolivar monetary position, inventory, and nonrecurring deferred tax positions on our balance sheet when the devaluation occurred. We estimate another $0.5 million of pre-tax costs associated with the inventory flow-through will be recorded in the second quarter as an item. Our outlook assumes that the bolivar exchange rate that we will use to translate our financials will remain at the current 6.3 bolivars to the dollar.

However, if the bolivar had devalued further to 23 as of the beginning of April, our estimate is that our incremental amount that would be recorded as an item related to our net monetary assets and inventory would be $17 million. On a 12 month basis, at this rate there would be an incremental negative impact on our operating results of $13 million. Of course, this hasn't actually happened. Our first quarter actual results included a pre-tax drag of $300,000 from translating our ongoing results at the lower exchange rate following the devaluation.

Looking at our second quarter outlook, you have seen in our release that we foresee a local currency sales increase in the 5% to 7% range, which bans our first quarter actual performance of plus 6% and our EPS range without items is $1.41 to $1.46. On the 5% to 7% sales increase it would give us an 8% to 10% increase in EPS without items in dollars, including a $0.02 benefit from foreign exchange and an increase of 6% to 10% in local currency.

Looking at our balance sheet and cash flow, we had a good quarter. Normally, we have had an outlook in the first quarter in cash from operating activities net of investing activities, with last year coming in at $43 million outflow on this measure. This year we came in at $5 million positive, primarily reflecting less of an outflow from payables and accruals and lower capital spending. Also included is about $9 million associated with our issuance of notes during the quarter. The notes were issued at a premium and with accrued interest and GAAP says it gets reported as an inflow in operating activities. We expect to give some of this $48 million first quarter upside versus 2012 back during the year, but are raising our full-year, our previous full-year outlook for cash flow by $5 million to $245 million to $255 million in light of the inflow from the debt issuance that was not considered in our previous outlook. This compares with $234 million actually achieved for full-year 2012. We continue to include in this outlook a range for capital spending of $70 million to $80 million.

On resin cost, we now expect to include in cost of sales full-year cost for products we produce of about $170 million. Our outlook includes $5 million hit from local currency changes in resin costs. Our guidance in January was $1 million benefit for the full-year and our estimate of what we included in first quarter 2013 actual results was a hit of about $2 million. Most of the remaining downside we expect for the rest of this year would be in the second quarter based on our outlook.

Before I turn it over for questions, I would like to say a few things related to our total and active sales force size comparison. Much of this is also reflected in notes on the first attachment to our earnings release, if you would like to see it laid out that way. You can see that we ended the first quarter with just a 1% advantage in total sellers versus March 2012. This is clearly not what we would like to see and is not in-line with the message that we give to our units that we should see at a minimum a 10% year-over-year sales force size advantage. People often ask us if we are concerned about where we are with our sales force size comparisons and the answer is that we do look at this very closely on a unit by unit basis. There are times where the reasons for a poor comparison are acceptable and others where they indicate that we have something to work on.

For instance, looking at the eight units in which we had more than $100 million in sales in 2012, which were Germany, France, Tupperware United States and Canada, both Mexican units, Brazil, Indonesia and Malaysia Singapore, five had advantages at the end of March and three had disadvantages. Germany and France were both up modestly, which is not our objective, but is not necessarily a surprise given the dynamics of these markets. Indonesia and Brazil were both up around 30%, which has been supporting our very good growth in these markets, even though they are building from high sales basis. Tupperware Mexico had a small advantage that was not as good as where we've been operating in the recent past. This is something that is a problem and is an area of focus for us.

Among the down units, Malaysia Singapore traditionally has had a very large and growing sales force, but one with a relatively low level of activity. And this unit we have strengthened our qualification criteria for remaining in the sales force and this has led to a low double-digit percentage total sales force deficit at the end of March. Still, active sellers in the first quarter were up close to 30% and sales were up over 20%. While we would, of course, rather have a total sales force size advantage, we do not see an overriding issue in this unit.

Fuller Mexico had a high-single-digit sales force deficit at the end of March and here we've used target qualifications in the prior year in order to win recruiting prises. This has impacted our numbers and while we are not happy with this aspect of what we have done, we do think we made the right move and are working to accelerate recruiting and to get back to an advantage in total sellers. Finally, at Tupperware US and Canada we continue to run a sales force size deficit and we are down 5% versus 2012 at the end of March. This was a sequential improvement from the fourth quarter, but that is not to say that that isn't something that is an area of continuing concern and focus for us, it is.

Worth noting as well on this topic is that we had a poor comparison in our number of total sellers in India, which will not having more than $100 million in sales in 2012, is an important unit for us and one that has a relatively large sales force. The negative comparison reflected a few structural and tactical decisions that we have made. When we look at the situation versus 2012, on what we see as a more comparable basis we see ourselves in a plus. As with Malaysia Singapore, we had a nice increase in the quarter in this unit in terms of both active sellers in sales and we believe we are on the right track. Still, when you look at our sequential total sales force size for the whole Company going from plus 5% at the end of 2012 to plus 1% at the end of the first quarter of 2013, the two main contributors to the decrease were Malaysia Singapore and India.

With that, we're going to turn the call now over to questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions).

Jason Gere with RBC Capital Markets.

Jason Gere - *RBC Capital Markets - Analyst*

Obviously, I'm glad you guys are a portfolio, because you have a lot of pluses in there to offset some of the challenges. Going back to the age-old question we have asked on Beauty North America. For the last couple years we have been trying to figure out what it is going to turn. When you look at the trends this quarter, even though the active reps are still down, it looked like it got a little bit better sequentially.

Can you just flesh that out a little bit more? As you look at the environment out there and what you are doing, is more investment needed in this business? Just going forward sacrifice a little bit more margin in order to stabilize or try and get to a point of stabilization?

Rick Goings - *Tupperware Brands - Chairman & CEO*

Thanks, Jason. Firstly, no incremental investment is required. It is just a question of time. But I have to first bifurcate these into two businesses. Firstly, the large beauty business we have in Mexico, Fuller, and secondly, BeautiControl. By the way, the Fuller Cosmetics business in Mexico, which I commented on extensively, is about triple the size of our BeautiControl business. It has very strong double digit margins in it.

Since we did that acquisition, we have made a lot of money out of that business. I think what we had the issue with is failure over 18 months, or the last two years, to contemporize certain pieces with regard to the product line, with regard to how we manage the sales force, not only from the sellers but the sales management team. That is why we put in one of our most talented Latin heads to run that business.

As we did the reviews yesterday, he has taken the bold steps. Initially, some of the problems we had had to do with competitors, particularly in direct sales and what they were doing. That's kind of diminished now. Now it is a question of us simply executing on the new strategies.

I left Mexico yesterday afternoon with a lot of confidence in not only the new management team, they are fresh, they are young and their strategies are focused in simple and I do believe they can be replicated. Now, turning to the US, it is a much more difficult consumer marketplace. There our business had become almost 80% customer representative, casual, hobbyist sellers and we have had to invest. But I don't think at any more levels than we have.

We got that business down to the point, a little less than breakeven, but marginally less. I don't think we need to -- there it's just going to be a question of time. The difference in these two environments, too, Jason, that's very important is the recruiting pool in Mexico where you have a per capita income of about $6000 a year and you have a per capita income in the US of about seven times that, it is harder to find people looking for opportunity in the US, easier in Mexico.

You also have in Mexico lack of a well-developed retail infrastructure once you get out of the major cities. That makes it an easier operating environment for us. In the US, it is a very well-developed retail infrastructure and a difficult recruiting pool. We are committed to our BeautiControl business, but there it is going to take time. I hope we make progress this year.

We are seeing it quarter by quarter, but I do believe, back to Mexico, that the second half of the year I will be very disappointed if you do not see pluses in the second half of the year with that business there. Forgive the long answer, but they're really two different businesses and different markets.

Jason Gere - *RBC Capital Markets - Analyst*

And then just one other question and I will hop off the call. But just as you look at the businesses that are a little bit more challenged or were challenged in the first quarter. Some, obviously, you have seen some continuation from last year, some, obviously, seemed like a little bit one time. There is so much information.

I just don't type as fast as you guys can read the prepared comments. I was just wondering if you could just give us maybe a one minute overview of where the business is that you actual see the improvement kind of coming in into Q2 and the rest of the year. And the other ones where maybe it's going to take a little bit longer. If you could do that, I'd be really appreciative.

Mike Poteshman - *Tupperware Brands - CFO*

Sure, Jason. Trying not to go too deep, then. When we look at Europe, that one that was a blip versus what we expected in the first quarter was really Germany. It is a large business for us and we said we were down after being up last quarter. We went in with a sales force size advantage and that is really what we are working to leverage. We don't really see that as a fundamental problem.

Rick Goings - *Tupperware Brands - Chairman & CEO*

That is not a turnaround.

Mike Poteshman - *Tupperware Brands - CFO*

It was the way the January promotion went and things like that. That was the one that stood out, I would say, the most in Europe. The other larger markets, you heard that France did better. That's one that we've been working to see better results starting towards the beginning of last year. And a bit more immediate term, we have struggled a bit in Italy, but that has started to do better now, lapped a hard comparison, but better profitability.

South Africa we talked about is probably a little bit longer. In Asia, Rick talked about Japan. That has been a long-term project and that is probably not one that is going to turn real quickly. It is not one that we would assumed. The one that has turned to at least modest growth now is Tupperware Australia. And we did not say too much about Nutrimetics Australia, but that has been another one that has been a longer-term turn that we needed to make and things really haven't changed there a lot, I wouldn't say.

Rick, I think, covered Beauty North America pretty well. You talked about Tupperware US and Canada. In Tupperware Mexico we did not have a great quarter in the first quarter. That was a drag on the overall segment. And there, too, we don't see a fundamental issue, really, how we ran our promotional activity in the first quarter and some of our incentive trips we think could have been done better.

We will iron that one out going forward. In South America, Brazil has continued to operate well. That is really clearly the biggest market there and the big driver. And then, Venezuela is continuing to do well. There really haven't been laggards there. Venezuela from the externals, but local currency basis it is fine.

Jason Gere - *RBC Capital Markets - Analyst*

Very helpful there.

Rick Goings - *Tupperware Brands - Chairman & CEO*

Jason, let me put that back through the winepress, because your key question was, which are the ones that you think are long-term? I say there is three, BeautiControl North America, this is going to take us time to work our way through. A lot of that has to do with externals, but also the nature of our sales force. Second, Japan, that we haven't figured out in my 20 years here.

And we are not giving up on it, because it is a great market. And third is Nutrimetics Australia. The others are tactical issues, a quarter at a time, some quarters better than others. We may be guilty here of giving you more information than you need or want, but what I hope that displays is how close we are to these business units and the levers in these business units.

Jason Gere - *RBC Capital Markets - Analyst*

Great. Thank you very much for entertaining the questions.

Operator

Olivia Tong, Bank of America Merrill Lynch.

Olivia Tong - *BofA Merrill Lynch - Analyst*

I appreciate the detail on the sales force activity. You mentioned concern across a couple of different markets, but you really did not say much about how you are going to remedy it. Can you give a little bit more color on what initiatives you are taking to remedy the sales force issues there?

Rick Goings - *Tupperware Brands - Chairman & CEO*

Which markets, Olivia?

Olivia Tong - *BofA Merrill Lynch - Analyst*

Particularly in the US.

Rick Goings - *Tupperware Brands - Chairman & CEO*

First, I want to put it into perspective. The US is 5% of the world's population. Does it matter to us? Yes, it is a high per capita income, but it is a tough direct selling market out there, because you have almost 70% of the women who are employed outside the home. That means a more difficult recruiting pool.

You have the most well-developed retail infrastructure in the world and you have, as I remember, my famous Wal-Mart comment on it when we did first quarter. I am not going to reiterate that, but consumers where it is much more difficult to get consumers to trade up to quality in this market than it is, for example, Europe. Those -- that is going to be the wind in our face in the US.

The biggest opportunity under that is not to attack it as a macro market, but to segment it out there. The sweetest spot is the Hispanic American and in particularly, the Mexican-American market. We have 31 million people that we can work on on there and 21 million are in about six states. That is where we ought to get our most dynamic growth.

The other area where we're getting our most dynamic growth, because the recruiting is easier, is in Canada and particularly eastern and French Canada. So, the way we are attacking this is not a one-size-fits-all, but really segmenting the marketplace. Now, how we've changed that is how we do sales management. Now, all of the Hispanic markets report into a Hispanic sales leaders and the anglos into others.

They have different demands with regard to products, meetings out there and even communications. So, we have started to segment it better. So, I think we're going to get -- make progress out there. But is it ever going to as easy as China, India or Indonesia? Not a chance.

Olivia Tong - *BofA Merrill Lynch - Analyst*

If you go region by region, it looks like the active sales count would have still lagged organic sales growth, even after adjusting for the measurement changes. How do you think about that? It looks like -- based on those numbers that you are expecting more and more out of your distributors?

Mike Poteshman - *Tupperware Brands - CFO*

Olivia, there was a 12-point gap, obviously, from the minus 6% on the active sellers to 6% plus on the restated sales increase. A bit over half of that is this change in the way that we measure activity. In the US and Canada that was two-points of the 12%. And another 5% having to do with mix of which particular units we were getting the sales from. We put that aside.

When we look at where we are getting the big productivity improvement, it mainly shows first in Asia, where we are getting more sales from the Tupperware focused markets and high order sized markets in Indonesia and Malaysia and less from the Philippines. The productivity in those big markets is showing through. That has to do with good systematic increases of qualification levels and so on and businesses that are doing well.

It is really showing through running the direct selling fundamental as well. We are comfortable with that kind of approach. In South America as well, Brazil has continued to get good productivity increases, which in that one it reflects to some extent some pricing, although that's an element in South America in general, less so on it than the average, probably, in Brazil.

There as well, with the way that the business is running so well and the way that our, the top end of our sales force is doing so well with it, we have also been able to improve the qualification levels there. It is not to say that in every instance there was nothing to work on. I don't think that is the case. I do believe that a lot of that difference, clearly, is explainable between the mix and the productivity led increases in markets that are operating well.

Olivia Tong - *BofA Merrill Lynch - Analyst*

Typically, year after year, how much does productivity help in terms of -- usually, at least if we looked in the past, I think the active sales force and organic sales growth move pretty closely together. Are you expecting more productivity going forward out of your distributors?

Rick Goings - *Tupperware Brands - Chairman & CEO*

Well, one thing that we --

Olivia Tong - *BofA Merrill Lynch - Analyst*

(inaudible - multiple speakers)not just market.

Rick Goings - *Tupperware Brands - Chairman & CEO*

The answer is, as you expand a sales force, the first thing you try to do is not have any loss in productivity out there. The hardest thing to change is what the average consumer order is and what the average party is, for example. The easiest thing to change is the size of the sales force and then the two levers under that is how active are they as a sales force and then what happens with regard to the party?

I think what we have learned the last several years as we have -- we have created a, we call it the strategic blueprint of how to run a direct selling business and it really came out of our Asia businesses. They have found that a very formal regimen of how to manage within a distributorship leads to productivity increase.

When I was in Borneo week before last, this distributorship on the wall of that distributorship, I saw, here is what the requirements are, the six steps if you are a sales representative. Here's the requirements if you are a unit manager. Here's the requirements if you are a team leader. That is the kind of stuff you would have only seen years ago in direct selling in a market like a Germany, for example.

But it is showing that you can implement those in lower context, less affluent emerging markets and it starts to have a significant Delta on productivity. Well, what I'm seeing is the Europeans are picking up on that and getting more aggressive on these, because what they deliver is, it doesn't so much grow the sales force, it grows the productivity. I am feeling better at us having exposed a formula to enhance productivity. Now, I think it is an important question.

Olivia Tong - *BofA Merrill Lynch - Analyst*

On a couple of specific markets. On Germany, can you just provide some color on what happened on the initial promo there? I get the follow-on with the poor weather, but just on the initial promo what happened there. And then on Fuller, are you surprised that sales were only flat given the changes to compensation that you have made there? And what are your expectations about Fuller going forward?

Rick Goings - *Tupperware Brands - Chairman & CEO*

Firstly, I will answer the Fuller. No, I am not surprised because what they didn't do is invest any margin with a bunch of promotional actions. We asked them to don't do a fix for the quarter, do a contemporization of this business for the future of the business. Don't respond to competitive actions out there. So, the kinds of things at what they did weren't quick fix kind of things, but I do think their permanent fix.

The issues with regard to shifting from lower cost of toiletries and color cosmetics, which consumers aren't particularly dedicated to. You can go most any woman's lip and nail drawer in any place in the world and you will find multiple brands there. But you go into fragrance and skin care, there's a high level of dedication. That shift isn't something that I would expect to happen in a quarter.

And the shifts with regard to what we did in sales, the sales force and sales management, those aren't one quarter. Although, we did see a drop in the turnover levels there, but I want to see it work it's way through this. Firstly, I feel good about the Fuller business going forward. I think we're going to have about the same kind of second quarter. I am not expecting the big kick in the second quarter, but I expect progress under the surface there.

And I said, I'm going to be greatly disappointed if you don't see a plus second half of the year in year-over-year comparisons. Back to Germany, again, how we run Europe and think of the US when in January, the old days when department stores really were a force in the US, they used to run white sales. And why they ran white sales in January is they took a staple item out there and they found it as a way to break the logjam to get the consumer start spending money again.

We have had an approach in Europe for, goodness, the past 20 years, that, it is the old Greek saying, as the morning goes so goes the day, to get them out there and try to get, goodness, what percentage of sales we try to get in that push period, Mike, of the first quarter?

Mike Poteshman - *Tupperware Brands - CFO*

In the first weeks it's probably 35%. Something like that.

Rick Goings - *Tupperware Brands - Chairman & CEO*

Yes. Or more in some of these markets. And they build up their sales force. They try to get 100% activity, well, and it is driven promotionally by here is the specials, get everybody to hold a party. Well, the promotional items, even though they were tested, they just weren't picked up as well in that quarter. Usually what you can do then is you can change the dials, pick it up a little bit more as you go through the quarter.

Well, so what they did was they modified that. But then in March, they are hit with a 15-year record snowfall. What it led to was party cancellations. By the way, that is a big source of recruits. I was pleased that they still ended the quarter with, in a way, 2% sales force size advantage. But I would call the issue in Germany a tactical issue during the quarter. It doesn't mean they made a mistake on the promotion. Some days there's diamonds and some days there's stones. It just didn't work as well. It worked in other markets.

Olivia Tong - *BofA Merrill Lynch - Analyst*

Got it. Thanks, Rick and Mike.

Operator

Connie Maneaty, BMO Capital.

Connie Maneaty - *BMO Capital Markets - Analyst*

It seems as though there was a pickup in business in China. I am not sure if that is true, but I think sales in 2012 rose more than 10% and in this quarter they were up more than 20%. Was there an acceleration and why would that be?

Mike Poteshman - *Tupperware Brands - CFO*

Yes, Connie. We had a bit of a blip in the fourth quarter in particular last year where we had good sell-through from our outlets, you know we operate under a retail model there.

But the distributor ordering was not in line with that, so we had an even quarter with the prior-year in the fourth quarter. We knew and saw and I think even talked about to some extent that we would see a more normal relationship this year. So, we have something like high-single, low double-digit advantage in the number of outlets there and we certainly said before and continue to expect a double-digit increase in sales in China this year. It was more that the fourth quarter comparison was tough

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Connie Maneaty - *BMO Capital Markets - Analyst*

And then back to Fuller Mexico. How big is Armand Dupree as a percentage of their sales? How fast is it growing? What is the difference in profitability between the Armand Dupree line and the regular Fuller line?

Rick Goings - *Tupperware Brands - Chairman & CEO*

Connie, firstly, we don't break that out for competitive reasons. But I will tell you that the primary category in Mexico of Armand Dupree as a category has been fragrance. And fragrance operates north of 75% gross margins. It is one of the best fragrance and skin care, Armand and CFT, the two best categories out there. It is a category that consumers tend to be very dedicated to their brands. That is why we are letting that spread across the whole product portfolio there and making, allowing the sub-brand to become the master brand.

Connie Maneaty - *BMO Capital Markets - Analyst*

What is the timeframe on that happening? Is that like five years to 10 y ears?

Rick Goings - *Tupperware Brands - Chairman & CEO*

No. I think it is more three years to five years. As a matter of fact, if you see one of our Fuller brochures right now. I'll call you --it says right under it, Armand Dupree. I call your attention, Connie, here in North America when the acquisition of Hertz trucks was a hoot. Did they exit, Mike -- Roger Penske did it. On the first year it said Hertz on it. The second year it said Hertz Penske.

And it took about five years and now it is just Penske. But you do it and before it happened, nobody noticed it. And that is what we are trying to do is -- I mean, suddenly brochure by brochure, the name Armand Dupree is becoming bigger. It is not going to be a big shock factor there. And so the brochure evolves to higher -- I saw it yesterday.

Higher stock paper that you are using, more lifestyle, photography in it, more glossy covers of it and more products in there that say Armand Dupree. And so you really shift. That is why it is interesting when I have seen many companies that do the absolute shift overnight. We are not known as this anymore, we are known as this. The consumers they lose their brand awareness. That happened at, oh, goodness, the big consumer packaged goods company that their international business became some other name.

Mike Poteshman - *Tupperware Brands - CFO*

Mondelez?

Rick Goings - *Tupperware Brands - Chairman & CEO*

Yes, Mondelez. You can tell, I can't even remember the name. Connie, we want to be very careful.

Connie Maneaty - *BMO Capital Markets - Analyst*

Yes, that's helpful. Thanks.

Rick Goings - *Tupperware Brands - Chairman & CEO*

Michael, how did you remember Mondelez.

Operator

Sofya Tsinis, JPMorgan

Sofya Tsinis - *JPMorgan - Analyst*

I have two questions. The first one is to do with the quarter-to-date trends. In Germany and Tupperware Mexico you talked about the weakness in Q1 and how you expect both of those markets to improve going forward. But I don't think you've touched upon how they're doing Q2 year-to-date

Rick Goings - *Tupperware Brands - Chairman & CEO*

Well, I commented on Germany that we have had much of April under our belt and we saw improvement in Germany there. Moving forward, I think you are going to see -- I said with regard to Fuller, the same kind of a quarter the second, kind of flattish.

It is too early to really give the second quarter indication for their Fuller business, even though we have great trend setters down there. I think you are going to see improvement with our business, our Tupperware Mexico business in the second quarter, because that was missteps that caused that and we don't expect to repeat those in the second quarter.

Sofya Tsinis - *JPMorgan - Analyst*

And then a question on gross margins. Can you reconcile what drove the declined this quarter?

Mike Poteshman - *Tupperware Brands - CFO*

Sure. We were down 30 basis points on gross margin and that page is on a GAAP basis and part of the Venezuelan quote unquote item was in gross margin for the inventory coming through at the historical cost. So, that was about 20 basis points.

We also had about a $2 million hit across the Company from the resin. So, that's also a 20 basis, 25 basis point impact. Some of the better results there were in places, a couple of the markets in Europe, like Italy and South Africa, Tupperware South Africa, where we were investing heavily last year, that didn't recur.

Sofya Tsinis - *JPMorgan - Analyst*

Okay. Thanks, that is it for me.

Operator

Dara Mohsenian with Morgan Stanley.

Rick Goings - *Tupperware Brands - Chairman & CEO*

Dara, you will appreciate it, before we started this conference call, we held a seminar with the telephone operator, Don, on how to pronounce Mohsenian.

Dara Mohsenian - *Morgan Stanley - Analyst*

First time ever. Sort of linger on the sales force issue and the country detail you gave us was helpful and I understand the variances in terms of the active sales force number. But, even the total number was up only 1%. I just wanted to get some clarity in an overall sense on how concerned you are from an overall standpoint by the gap between organic sales growth and sales force growth. How much pricing is contributing to that gap?

Also, the productivity that you are seeing here, how sustainable do you think it is? You mentioned Asia and South American productivity in response to Olivia's question. Is that sustainable, given it seems like in general in the CPG space, we've had slowing consumer spending in emerging markets over the last couple of quarters here, even though your business has held up well.

Mike Poteshman - *Tupperware Brands - CFO*

Sure. On the total sales force, so we were up 1% overall and walk through the two big drivers, at least versus the fourth quarter, coming down from plus 5 at the end of the fourth quarter where in Malaysia, Singapore and India. And in both cases we had still very good active seller comparisons in those units. Those were not really concerned.

The ones that we would like to see better are places like the US and Canada where we had the sequential improvement, but we are still down about 5% in the total sales force size. The advantage of Tupperware Mexico had come down and we mentioned that. And that's clearly not what we're looking for there.

And then Fuller Mexico, although it was a bit because of the way we ran the program, we went up from a mid-single to a little bit more in terms of the sales force size deficit. So, those are really the ones that I would say are more of a concern. In terms of being able to get the productivity going forward and the price increases, the place where we can see it most clearly because price also changes when you put a new products and things which gives you less visibility, but really is in South America.

We have probably got 1 point of an advantage for the whole Company based on the price increases in South America. So, one out of the 6 there. Do we think we can keep getting productivity? I think that we do tend to see that when, also, when we have less active sellers. So, the ones that are there are going to be more productive.

When we are successful going forward, as we think we will be, and having more active sellers, we are probably, and Rick was talking about this, going to get a little bit less productivity out of them or at least not as much of a bump. I think we would just normally expect to see that trade-off overtime if that is how things pan out. We continue to be confident in the 5% to 7% growth this year we reiterated today, but also said that we think we will improve to the 6% to 8% range going forward that we have been on for a while.

Rick Goings - *Tupperware Brands - Chairman & CEO*

Dara, let me add to that. I think that why it was important that Mike went through, as part of our prepared remarks, what happened with sales force around the world is the problem with grossing up our sales force is they are not all equal. A party in Indonesia is $105, less than that in India. In Belgium it is $800 and throughout most of Europe about $400. If you distill down that a typical distributor may have from 250 to 1000 sales force, you start to look at that and do the math out there, they are not all worth the same.

Most of the movement where you will see where there's these big Deltas, tend to be in these markets where there's not a high percentage of working women. The retail marketplace is generally less well-developed and the impact of a recruit is not as likely to be that great. It is easy for them to come in and they go out fairly easy as well. There is a lot of noise with them. It is almost the difference between the clarity of a FM station and an AM station. If you got to Europe it's FM. It is a bigger barrier to get in, serious training to get in and they tend to produce more. In India, not so much.

Dara Mohsenian - *Morgan Stanley - Analyst*

And then I was just hoping you could touch on your long-term return on sales goals, Rick. You guys have obviously made a ton of progress over the last five years here. Some of your geographic segment margins are now in the high teens range or even above 20%. In the past sometimes the margins have gotten too high we've seen it's created some competitive risk. Is there a certain ROI, ROS level that you think you top out at longer-term at the corporate level or in some of these individual regions?

Rick Goings - *Tupperware Brands - Chairman & CEO*

Well, Mike and I spent a lot of time talking about that and he has added that we -- the increase is 50 basis points on pre-tax income per year. The difficulty is in, just like the sales force, grossing it up on the world. It depends on the contribution there. We can get, in some of these emerging markets of the world, you can get the margins in the mid to high 30s on there. And when we, as they have two things, advantages there.

They have a lot of runway left, because there is this dramatic middle class there and tend to have, we tend to have lower costs with regard to the infrastructure in those kinds of markets. So, that would say as they grow and contribute more, it takes away some of the limits. You get to the US and Western Europe, there are more competitive pressures with regard to pricing there, so that you tend to -- if you move your gross margin it is more expensive to do business there.

You move your gross margins up too much, then as you mentioned as you were stating the question, you had some issues there about pricing yourself. We want to build a brand in those markets. We are going to know more as we go forward. It is continued to impress me how we've been able to capitalize in these emerging markets of the world, which again, has 87% of the world's population, there's not much of a retail infrastructure out there, how to continue to grow it.

Somebody asked earlier, if we invested more could we grow faster? I would say, absolutely not. We are investing what we need to and I don't think we are starving any one of our businesses out there. How high can it go? Well, again, as we have more of this runway for the next five years to 10 years, we are going to be an emerging markets story. That's why I sent out to many of you Fareed Zakaria's The Post American World, Arise of the Rest. A lot of runway left in these markets and it could amaze us.

Dara Mohsenian - *Morgan Stanley - Analyst*

Okay, thanks.

Operator

Linda Bolton-Weiser, B Riley.

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

I have a question on Beauty North America, just following on some of the earlier commentary. Your return on sales margin has fallen pretty dramatically in that business over the last couple of years. It actually was a kind of better year-over-year in this quarter. You mentioned how they didn't invest in margin and the Armand Dupree is probably helping margins little bit, et cetera.

But if Fuller Mexico is still pretty profitable, then it strikes me that the decline in profitability there is largely the BeautiControl and BeautiControl sales were really poor in the quarter. So, again, I know I have asked you this, Rick, a million times over, but how much time are we going to give the BeautiControl? What if Avon comes out and maybe they don't say it overtly, but they may disinvest in their US business because they don't see the growth potential.

Is that going to change your opinion about BeautiControl? And just following on this, are we going to come to a point where maybe the sales performance will still be poor, but the prophet performance will be stabilizing a little because of mix in Armand Dupree and maybe cost cutting or is the margin still going to drop along with if the sales drop in BeautiControl?

Rick Goings - *Tupperware Brands - Chairman & CEO*

Well, personally, on the first part of the question, the Fuller business is still very profitable, in the mid-teens. We have operated that business normally north of 20% ROS and I have every belief that we will be able to get back to those points in short order in that business. You isolated correctly, it is the BeautiControl business. The BeautiControl business when we bought this -- I want to put it in context, though. It is less than $100 million business in a portfolio that is pushing $3 billion. Would I exit it or sell it?

Now, no. It is a good business. We got that business north of double-digit margins. Most of the problems with it, I would say two-thirds of the problems with it are the missteps we made on the business. And the other third was the difficult external environment. I feel very good about that business model going forward. It is just because of this external environment and that we got it to mostly hobbyists, it is like molasses making these changes there.

You hope this year we get it back to at least breakeven business and then we start -- when you start getting these kind of businesses right, you leverage it and you can pop to double-digit profits quickly once you get that happen. I am still optimistic about it, but at the same, does it keep me up at night? No. Because I am sitting here looking -- what used to keep me up at night, Linda, was in 1996 when we went public, 60% of our profits came out of Germany.

Just looking at our portfolio, here is what it looks like now. In Europe we have by five businesses that drive it, Germany, France, Turkey, South Africa, Nordics. Those are the ones that matter most. If I turn to the Americas, it's Mexico, Brazil, Venezuela, USA and Canada. If I turn to China, it is Indonesia, Malaysia Singapore, which we call as one market, India, Korea, Australia.

I didn't even mention BeautiControl. Do I want to from a business standpoint and a pride standpoint get this thing going back the right direction, yes. Do I think we can? Daisy Chinler, we have got a great leader there. She used to be with me at Avon. And by the way, on Avon, I am not going to do anything here based on what Avon is doing. That is not the guide we want to follow.

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

Can I ask, Mike? Mike, can you just explain how can EPS impact of currency in the quarter be worse then guided to, but yet the top line impact was actually a little better than guided to? How does that work just mathematically?

Mike Poteshman - *Tupperware Brands - CFO*

A couple of our mid sized markets, we've got a couple businesses in Japan, a couple in Australia, and we don't make a lot of money in a few of those units and so you can get a bit of a mismatch from that. That is really the main impacts.

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

Okay. I am sorry, I did not catch what you said, if you said it, Rick, but how did Russia do in the quarter in terms of sales growth?

Mike Poteshman - *Tupperware Brands - CFO*

We did okay on the retail side. We didn't do as well on the Company sales side. We continue to work on that business on some of the changes we have made to really execute better. It has to do with the group of the top level of the sales force, the distributors there.

And working at ways to have a good number of distribution points, but good profitable businesses for the distributors. So, we think that the country is a good one for us and the model is leverageable, but we are still working through making it all happen.

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

Okay. Thanks a lot.

Operator

Mike Swartz, SunTrust.

Mike Swartz - *SunTrust Robinson Humphrey - Analyst*

I just wanted to touch on DS&A. It looks like you had some pretty nice improvement there in the first quarter. I am just wondering, what are maybe some of the driving forces behind that? Was there kind of a comp issue from investments last year, was it maybe mix of emerging versus established markets?

Mike Poteshman - *Tupperware Brands - CFO*

Yes, you saw that our ROS improved most in Asia in terms of the segment and we were able to get leverage on, the expected amount of leverage on the higher sales. And so that came through on the fixed expenses. We also got some better performance out of what we did spend on a promotionally in places like Indonesia. So, also an element of what was going on in Asia.

In Brazil and then in Tupperware South Africa, again, I mentioned it on the gross margin line, but also on the promotional spending side in the first quarter of last year, as we were struggling much more with the counterfeit and knocked off product issue. We did a lot promotionally and we are more in line with what we normally do there in the first quarter. We also spent a bit less in Fuller Mexico on some of the elements of DS&A. That was really what gave us the improvement that you are seeing.

Mike Swartz - *SunTrust Robinson Humphrey - Analyst*

Is there anything fundamentally different today in how you are running, maybe, some of those emerging markets and that you are able to leverage them faster than you were maybe 5, 10 years ago?

Rick Goings - *Tupperware Brands - Chairman & CEO*

I think that what we've seen versus 10 years ago, is that we really were not to scale in some of the one that are doing very well right now. We might have been operating somewhere much closer to breakeven or a lower ROS. We have been able to execute in a way that we have continued to invest the right amount in these businesses and not take all of the potential contribution margin.

But at the same time, get good leverage on the sales and have that come dropping through. So, you've heard us say that on average our contribution margin across our businesses is in the 40% range. We don't expect all that to come through and the 50 basis points is the part that we do. You have seen year-on-year leveraging on various fixed costs, I think, is the overriding theme.

Mike Swartz - *SunTrust Robinson Humphrey - Analyst*

Yes. I -- multiple speakers)

Rick Goings - *Tupperware Brands - Chairman & CEO*

Let me ask you a strategic piece to that, as well. I think a lot of it has to do -- if all that is accurate. But what we've really felt growing confidence in over the past 10 years is the perfection of the repeater station model that works well and refining that model. It is interesting.

I was telling a group in Indonesia that from my 20 some years on bank boards, including SunTrust, the biggest area of a new business loan wherever that they mostly don't make it is within five years a typical new restaurant start-up goes out of business. However, you will rarely see a McDonald's go out of business and that has to do with not all their McDonald's franchisees are great, but the model is really strong.

We have perfected our model down to four things. It is a product line that is ever introducing new and demonstrable dynamic products. By the way, that is the reason I believe why you just saw what is going to happen -- what is happening with Apple. Steve dies and the new product flow, boom. We've got to have 25% of our sales from new products.

Two, you got to have a dynamic selling method so you can show the features and benefits. Three, it's got to be a sales force opportunity and structure where you can manage these markets around the world on a very close basis, almost think military structure down to the squad level. Fourth, direct selling fundamentals, how you recruit, train and motivate. 2.7 million volunteers around the world.

What's happened is in these emerging markets, it hasn't been, oh, try to see what works. It is implement the strategy, adapt and adopt it to your culture here and measure it and go forward. As you start to see that, along with what Mike talked about, that is the reason it gets better in these emerging markets.

Mike Swartz - *SunTrust Robinson Humphrey - Analyst*

Great. Thanks for the call, guys.

Operator

Greg Hillman with First Wilshire Securities Management.

Gregg Hillman - *First Wilshire Securities - Analyst*

I was wondering if Mike or Rick could talk about India. What happens - what was happening there in the quarter. Also, what has too happen for India to get into the 10-K. That is my first question.

Rick Goings - *Tupperware Brands - Chairman & CEO*

I'll add one piece to that. Hi, Gregg. By the way, our India business has done very, very well. It took forever in India to get to a point where, as Mike said in his comment to the last question, to get to scale in India. And then all of a sudden, the business really started to pop. By the way, again, I was in Indonesia.

Our business is five times the size it was seven years ago in Indonesia. Indonesia we were in a number of years before India. We haven't got at that huge pop point there, but it is very, very profitable for us. We have a sales force there almost the same size as we do in Indonesia. I think we're getting really close there. Great management team in place.

We have adapted the product line to that culture. But it is, I think, at the same time it is a more difficult market to do business. Even in Indonesia 60% of the population of those 13,000 islands in Indonesia are around the one island, Java. You here have four basic metropolitan areas, so you really get a higher level of intensity. You have got as you go to India, so many different cultures from north to south and so much geography. So, it is much more difficult to do.

Gregg Hillman - *First Wilshire Securities - Analyst*

Then how long do you think it will take India to get to the 10-K level?

Mike Poteshman - *Tupperware Brands - CFO*

Well, we've been getting a lot of good growth. We said we were up over 20% again in the first quarter. It is starting from a higher and higher base. We are not going to project when we get over $100 million by market. But it has been a good growing market for us. The active sales force size was up nicely, even though there's some of the comparison and the total wasn't as great. We are running will there.

Rick Goings - *Tupperware Brands - Chairman & CEO*

Certainly in the next five years, unless we crater.

Gregg Hillman - *First Wilshire Securities - Analyst*

And then just two other things. Could you comment on any new products of note that have been introduced in the last six months. Finally, you indicated you are trying to bring the higher-level products against developing world, like William Sonoma at your doorstep in India with that catalog.

How are you doing that in other emerging markets? Do you have an active separate catalog in other countries other than India for the higher end products in the emerging market, if you will? And how is that effort going in general?

Rick Goings - *Tupperware Brands - Chairman & CEO*

I think it is going very well and I think one of the reasons we have done that effectively is we have a lot of cross pollination through -- there is a Global Product Council meeting right here in Orlando this week that has everybody from everywhere out there that are meeting. They get a look at what everybody is doing out there. They have the opportunity to pick from the global buffet line of products, which by the way is about 75% the same around the world.

They can adapt, adopt the product and then do colors and some other kind of design features that are kind of on the surface that they can do to make it right for their market. They have done it in different ways. India has come out with a separate brochure, but other markets of the world like Indonesia tend to do it by placing the products in their existing brochures and to feature it.

Sometimes how they feature it is they give the higher priced products to sales force as incentives and as hostesses. That starts to pollinate and raise the image of the product. And the whole world is in a process of urbanizing. I think it has been two years ago that the worm turned and more people lived in high density urban markets than rural markets of the world. And then you start to have there more middle-class.

We are not going to -- as people say to us, well,.my goodness, you are going to have the slow down issues in a Indonesia like you had in a Europe. We learned a lot in Europe of how to do urban markets. You don't wait for that to happen, you introduce the product lines for that A and B socioeconomic group early on in those markets. They're doing it in different ways.

I have been pleased. We even had one group when I was in Asia this last about a month ago and that we had all our managing directors and marketing directors in Macau, there was a whole presentation on how to attack high density metropolitan markets. And it dealt with what are the products that you sell? What is the party, how does it modify? How do you hold sales force meetings? And so I'm just so impressed with our people on getting to that place before the world goes there.

Gregg Hillman - *First Wilshire Securities - Analyst*

And just finally, just name one new product you are excited about.

Rick Goings - *Tupperware Brands - Chairman & CEO*

I would be killed if I mentioned it on this call. You would be -- forgive me, the investment community will be the last that finds out. Our sales force will be the first.

Gregg Hillman - *First Wilshire Securities - Analyst*

I mean one that is not going to be introduced, but one that has been introduced that is a good product that you like that is important.

Rick Goings - *Tupperware Brands - Chairman & CEO*

I will tell you what is happened out there is as we got into the food preparation business out there and we introduced a product called Quick Chef, just a number of years ago. We have gone to flanker products of that product that continue to amaze me. Again, in Indonesia, we just launched a larger version of this product to Indonesian women, who 50% of them don't have electric power.

She all of a sudden imagined she has her own quote unquote, Cuisinart in her home. She doesn't even have electricity. This changes her life. As a matter of fact, I announced it on stage. The reaction of that, particularly to developing markets of the world. This will category called -- these products which are food preparation, what they do is free her. They free her and it changes her life. And boy -- .

And by the way, they are $50 price points. It is very exciting, because we worried would we still be selling primarily burping bowls? Let me tell you what we have done as a Company. We gave away the core, what Tupperware was created for, which was the basic food storage. We gave away commodity food storage. Give that to Gladware, to Chinese products, et cetera.

Where we sell food storage now is our Fridgesmart, which is doubles the shelf life of fruits and vegetables. It is high-tech food storage much more now. And then we have gone into these other flanker categories. 20 years ago, food storage was our business. Today, it is about one-fourth of our business.

Gregg Hillman - *First Wilshire Securities - Analyst*

Thanks very much, Rick. That was helpful.

Operator

There are no further questions at this time. I would like to now turn the conference over to our presenter, Mr. Goings, for any closing remarks.

Rick Goings - *Tupperware Brands - Chairman & CEO*

SWell, I'm sure we have worn everybody out getting into so much detail on this, but it is important here that we are a global portfolio out there and not all answers are a one size fit all answer. So, I hope you appreciate when we get granular on it.

THOMSON REUTERS

What would help, I think, you would appreciate is how we are organized to manage that as there are three basic areas of the world. There is a group president over each of these areas, Asia-Pacific, the Americas and then Europe, Africa, Middle East. Every market has a managing director in it.

And then if I dial it down into a market, for example, in Germany, there is a head of that business there that are each of the functional heads. And there are, in fact, 130 distributors who are controlled by eight regional managers. So, each in there has about a little less than 20 distributors. We know right down to the distributor level what is happening. The typical distributor has 250 sales force, has about 40 managers in it.

We get this data every single week and if you ask questions about product, it is not the same at every market, but we learn where the levers are in those kinds of a market. I think one of the keys to our success has been we are a multi-local business and because it's like a McDonald's, repeater station and how we are organized, we have visibility right down to what is happening there and great communication.

Anyway, I will tell you a final point is that we believe that the real focus here with regard to what we are working on is global growth and cash back to our business partners, who are our shareholders. We are not acquisitive. We're not building new factories to speak of, where 40% of our products are now or outsourced. So, I think we are in a wonderful position with regard to this dual action with our cash of continuing to look at repurchasing shares based on our cash and our needs. And to rethinking our dividend at the end of each year. Anyway, thank you for your time and you're interest.

Operator

This concludes today's conference call. You may now disconnect.