EDITED TRANSCRIPT

TUP - Q2 2013 Tupperware Brands Earnings Conference Call

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OVERVIEW:

Co. reported 2Q13 sales growth of 8% and diluted EPS of $1.46. Expects full-year 2013 sales to grow 6-7% and EPS without items to be $5.44-5.54. Expects 3Q13 sales to grow 5-7% and EPS excluding items to be $0.99-1.04.

CORPORATE PARTICIPANTS

Rick Goings *Tupperware Brands Corp - Chairman & CEO*

Mike Poteshman *Tupperware Brands Corp - EVP & CFO*

CONFERENCE CALL PARTICIPANTS

Olivia Tong *BofA Merrill Lynch - Analyst*

Connie Maneaty *BMO Capital Markets - Analyst*

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Mike Swartz *SunTrust Robinson Humphrey - Analyst*

Gregg Hillman *First Wilshire Securities - Analyst*

PRESENTATION

Operator

Good morning, my name is Kimberly, and I will be your conference operator today. At this time I would like to welcome everyone to the Tupperware Brands Corporation second 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 I would now like to turn the call over to your host Mr. Rick Goings, Chairman and CEO. Please go ahead, sir.

Rick Goings - *Tupperware Brands Corp - Chairman & CEO*

Thank you, Kimberly, and good morning to everyone. To me it's good night, I am in the middle of the Philippines for a leadership seminar. Mike and Teresa there are in Orlando. I would say if we have any disruption with the telephone service, Mike and Theresa will pick it up from there.

As always, some of our discussions will involve forward-looking statements about the Business, and you all know the drill about this. By the way, in an effort to really improve the clarity and crispness of our communications, particularly on a quarterly basis, you'll notice that we've gone to a new format. We sought a lot of input from what we believe were the best in class with regard to financial reporting. Plus, we want to thank a number of you that gave us input. Frankly, we thought the inclusion of the business highlights section each quarter in our earnings release could be really helpful in tracking performance in a much more substantive way. Also for those of you on the call, we've added a presentation on our web site to coincide with the call, so those of you who are on the web cast, you can see it. Slides will automatically change as we progress through this call. There's some supplemental information as well in the appendix. By the way, the presentation's entirely available on our web site. We are going to adjust to this new approach, and Mike and I will do our best to guide you through what slide we're on.

As we're on each slide, I'm going to do my best to not to simply read slides to you. Number one, it takes too long. Number two, it's boring. What I'll try to do is paraphrase what's going on. Before I get into the slides, though, let me make four, I believe, important points that really reinforces this business model we have. Number one, we are a business that generates strong cash flow. What we do with that cash flow mostly is return it to our shareholders. We do that primarily through the support of the dividend. As you know, we've moved our payout ratio to 50%. The yield right now, at current stock price, is about 3% plus. With regard to share repurchase, we'll do about 400 million this year. That's about 10% of the market cap of the Company. We're going to do about $100 million in the second quarter and $200 million in the overall first half.

At any rate, you'll see -- Mike will get into more of this, but what we're really trying to do here by this mix between raising of the dividend and share repurchase is to maintain the flexibility that we believe we need to have to be committed to this dividend yield. Ever since the Company went public in 1996, no matter what we went through, we've been always committed to a dividend. We're going to stay that way.

Number two, we are in and story. Some people tend to think we're just an emerging market story; we are very much an and story. The established markets of the world offer high per capita income, but at the same time they're not going to offer much growth because there isn't much population there. We have discovered lots of white space in those markets, so we'll continue to grow in those markets. The intimal real growth will be the merging markets of the world, 87% of the population lives in emerging markets. So, we're an and story.

Third point I want to make, the levers at our disposal in this business really provide the opportunity to mitigate a lot of the negatives that are going on in the world -- political disruption, economic issues that are going on in different markets of the world. As I get into my comments, I'll drill down on that.

Fourth, and the fourth thing I want to really mention to you that our penetration, it's still early days for us and we've got a lot of runway left. We've got runway in established markets where there's this higher per capita income. If you'll think of these established markets almost like the high density metropolitan centers of countries like France, Germany, Italy, that's where we're under penetrated. Because in the past, we simply didn't have the product line for younger working women who really don't want to cook, but they still love our product line. We also had to alter the way we sold. There it went from a traditional Tupperware party to much more of a girls' night out. Now in our emerging market it's just a question of two things, penetration. We're at very low levels. And, productivity gains of the parties as we introduce new products. We really think we're going to growth in both of those ways. That's the fourth thing, penetration and productivity.

Now, let me get to the slides. I'm going to go right now to slide number 3. That basically summarizes what happened in the second quarter. You see the 8% rise in sales. I'll tell you, in this kind of a global market, 8% makes us happy. We have some markets we're not happy with, but the top line, when you put it all together, looks good. It was strong across our emerging markets and improving trends in a number of our established markets. You see this mix of up 14% emerging and established down 1 point. Total sales force, we made progress there. Mike will get into that. Now it's plus 3%, but we're still cleaning out in some of the markets. This was a result of 2 points sequential improvement, our sales force comparisons from the previous quarter. We're pleased, too, to see cash flow significantly ahead. Also, it's nice to see we returned so much cash to our shareholders and there you see the numbers on that third slide.

Let me turn to slide 4 with regard to our sales increase. There you really do see the segments. It shows Q2 year-over-year emerging market growth and a percentage of the emerging versus established markets for the second quarter. Now we're up to, emerging markets, are up 65%. We had growth everywhere except Beauty North America. By the way, expect that number to keep -- again, 87% of the population lives in emerging markets. If you look at Maslow's hierarchy of needs -- food, clothing, shelter, as you get an emerging middle class, our product line is the sweet spot. So, don't be surprised that probably before I'm gone that that number is in the mid to high 70%s.

Turning to slide 6, we really are drilling down there. To show you some of the main drivers of our business on slide 6 during the quarter, and I'll jump in, if you will, in the middle of the page on Europe. France, this was good to see that 10%. Why it was good to see? We told you last year our issues in the first half of the year were the malaise in consumers as they waited to see who was going to be elected. We've got our back our step back again. Again, we were also up 10% in the first quarter. Italy, this is good to see. Our commented, particularly when we've been in individual meetings, we've never had a great Italian business. We put in one of our most dynamic managing directors and that business is starting to come alive. We're starting to see strong recruiting, double-digit increases in the size of our sales force and much, much better profitability.

I'll comment, while we're on that. Right next to above Italy you see Germany, I'll scroll down a little bit on that, but you see minus 7%. I've got to tell you, I've got no real concerns about Germany. I was just there last week, and you'll remember in the first quarter we had 18-year record snows, so we had a huge party cancellation rate in the first quarter. Guess what that led to? I laugh when somebody asks me about this. We've had incredible flooding in the second quarter, and somebody was saying, well, that's amazing. Why so much flooding? I said, duh, snow melts. But, they're doing fine. We've got a great management team there, good sized sales force, and so I still think we're going to have a good year in Germany.

If I turn to the emerging markets in Europe, Turkey was up 27%. I was also there last week and dynamic management team. I'll comment some on the political situation in a little bit there, but the business is doing well. The CIS, which is really the former soviet union with the core of the Russia, Ukraine and Kazakhstan, up mid-single digit. What's nice there, we're starting to see the underlying trends that business really strengthen. If I move a little bit east on that page to Asia Pacific, starting with the established markets, it's good to see Japan up after being down double-digit in the first quarter. Now we've got a nice double-digit advantage in the size of the sales force. The plans look good. NaturCare Japan, by the way, it is a very small business. It was also, I can't remember the last time I was able to report an increase in that business, but we're pleased to take that. That's one of the businesses that came to us when we got all the others there, orient businesses.

Both the Australian units in Asia Pacific were up in the quarter as well. By the way, for our Tupperware business there, that was the third consecutive quarter of sales increase. On the same slide now, talking on Asia Pacific, Indonesia, plus 36%. Largest Tupperware market in the world, and it's just amazing what's going on there. China also, and I'm going to be really highlighting China toward my last comments. Top line it was up 20%. I was in China in, I guess that was last month, in June. I'll dig further into it in just a moment. India up 24%. The pattern in India for the first half of the year has been a little bit lumpy, particularly with regard to the southern part of the country. Feeling good about how the market is doing.

Let me turn to Tupperware North America. There you see the US and Canada up 4%. Frankly, we wish that number would have been higher. At the same time, we believe we spent too much on promotions in that market, which we're not going to do in the future, but at least it was a plus. Emerging market Mexico, Tupperware's business there was up 12%. That was good news. In South America, Brazil in spite of what you're reading on the newspapers, strong sales force recruiting and activity. We were up 32% there. Venezuela was up 13%, but if you dig under the -- we're holding our loan there right now because the bulk of this was really result of very high inflation rate. Units were down modestly. At any rate as I said, an 8% increase in this kind of a global environment, and we'll sign up for that.

Let me comment on a couple soft spots. Malaysia, Singapore was down 4% in the quarter, primarily a result of uncertainty with regard to the elections. Very similar to the France situation last year that appeared to be settling down, and we don't really have any fundamental concerns. By the way, Malaysia, Singapore was two years ago I guess it was Mike who named it country of the decade for Asia Pacific, so a very strong business there. Tupperware South Africa, after having a decent first quarter, they were down 7% in the second quarter. We've got a good strategy in place there, and they've got to get many more new products implemented. They've got to strengthen standards there, and they've got to firm up their management team. We're not in search of what to do there. We're in the implementation mode.

For Mexico was down 6% in the quarter. I was there this last -- I guess two weeks ago. Here we're working to build the brand and not buy top-line sales. You're seeing us shifting from being Fuller to being Armand Dupree there -- less specials, less promotional offers. Frankly, I'll sign up for a little softer top line because as the middle class emerges more in Mexico we want to have brand. That's the way the fine company in Brazil Madureira has done. I think we've got a two-year strengthening program in that Fuller business.

Probably the one I'm most disappointed with in the quarter is BeautiControl. I need to keep it in perspective. It's less than 2% of our sales but our Management team is staying the course there of moving that business away from customer buyers to real sellers in the business. We might have gone a little bit too far with regard to the quality standards of the kit that we're utilizing, but it's taking us much longer than we would want this to be. We're really trying to keep our eyes focused down the road on BeautiControl. Again, remember, we grew this business two and a half times between 2004 and 2007, and the business really started to slide in 2008 beginning initially with what was happening in the external marketplace. Plus, a litany of mistakes, I think, we made on our side.

Now, let me turn to slide number 9, which really speaks to the resilient performance despite -- we're always going to have external factors in our business, and I just want to comment on a number of those. This is a key to our business that we can't change externals. You can't change aspects. You can't change what's going on with governments. You can't change what's going on with the macroeconomics globally and in markets or raw material prices, but you can learn how to move the levers to really mitigate the impact.

Turkey, by the way, business continues to grow. We've got a younger, better educated population there. I was amongst them and I'm there -- I had our whole board there this last year. If anybody's worried about Turkey going the way of Iran, forget it. There's a young, dynamic, college educated population that is really the European part of Turkey. Won't happen. Incredibly in this Muslim country, we've got a dynamic young woman that's the head of our business there. I think you've got to first go to our finance head as the only guy in the senior management team. That's the future of Turkey.

Brazil, massive protests in June, but let me give you an idea of how resilient our business is. Remember the protests were in June. Q1 sales we were up 22%, Q2 we were up 32%, and let me even give you sequentially through the second quarter. April we were up 33%. May 36%, and June we were still up 23%. And Egypt, while I was in -- towards the latter part of the week, the week before last, I was in Bucharest, Romania and I called our Egyptian managing director and just give my best and see how things were going, and I'm pleased to hear that that current week they were up 100% when there was a change in government. It's not a big business for us, but just give you an idea. Q1 sales in Egypt were up 250%. Q2 sales still up 150%. Last, Venezuela with regard to our resilient performers, they've had a change of president, the valuation of their currency, and yet we continue to move volume and move with pricing. We were down a little bit in units in the second quarter, but that's the first time that's happened.

We feel very good about our business. Anyway, I'm not normally going to go into this detail, but I just want to highlight into the way we think about our business. Mike, let me turn it over to you. That was slide 9, and Mike will pick it up from here.

Mike Poteshman - *Tupperware Brands Corp - EVP & CFO*

Okay. Thank you, Rick. First, having a closer look at how we performed in the second quarter versus our forecast. You saw that we were 1 point over the high end of our range in local currency sale with our plus 8%. That was worth about $5 million in dollar terms. The upside versus the high end of our outlook came primarily in Indonesia, Tupperware Mexico and France. Going the other way, downsides versus the high end of our outlook, were in BeautiControl, Germany, Malaysia and Fuller Mexico.

Our main sources of growth in the quarter, you heard Rick talk about this, were really Indonesia and Brazil. We also had very healthy contributions by Tupperware Mexico in Turkey and good support from a number of the other businesses. We did have a 2 point sequential improvement in local currency sales versus the first quarter, the 8% versus 6% in the first quarter, and that came also from Brazil and Tupperware Mexico being the main contributors. A lot of you look at two-year stacked growth in local currency. We were up 13% two years stacked in the quarter. In the third quarter outlook that we've given at the high end of our range, that's also 13% on a 2-year stack.

Turning now to slide 12 and looking at our diluted EPS, without items, it was $1.46 in the quarter which was the high end of our range. Importantly, this was even with $0.02 of a drag from FX versus what we included in our outlook. This was an 11% increase in local currency on our 8% higher sales. You've seen that we had good profit conversion in Europe, in Asia and also in South America and that our profitability lagged a bit in both of our North American segments. This was from the aggressive promotional approach that we had in the Tupperware US and Canada business, which hit us on the gross margin line and also on our promotional spending and distribution expense. As Rick has mentioned, we'll look to not execute things the same way as we move forward. We did invest as well in Beauty North America, but less so than in Tupperware and that came on the margin line in promotions to really look to move the sales force and sales. This led also to negative volume leverage since sales were down. We do look to have better profit-to-sales comparisons in the back half of the year than we had in the second quarter and this is built into our guidance.

We also had the expected drag that we had talked about from higher interest expense, having to do with the notes that we sold in March, which are longer term, and then higher borrowings to hit our new leverage target of 1.75 times versus the 1.5 times target that we had before. Our pre-tax return on sales without items, at 15% flat, was even with last year. That reflected a 20 basis point improvement on the operating margin line that was offset by the higher interest expense. On the tax rate without items, we were 24.4% and this matched what we had in our outlook.

Looking at slide 13 then and turning to our outlook, you've seen for the third quarter on sales, we're looking for a 5% to 7% up range and that we increased our full-year range on the low end from 5% to 6%. So now, we're at a plus 6% to 7% for the full year. That reflects the good results for the first half where we were up 7% in local currency altogether. On EPS, excluding items, and first looking at the third quarter, our range is $0.99 to $1.04. On the high end up $0.09 or 9%. This includes a $0.05 drag from FX on local currency of 16% and that compares with being up 11% in local currency EPS in the second quarter. Now our April full-year guidance, while we didn't break out the third quarter, baked into the full year it included no FX impact for the third quarter and we now have the $0.05 drag. So, that clearly is a change from when everybody was looking at things in April.

Our pre-tax return on sales in the third quarter at the high end is at 11.6%. That's versus 11.8% last year. We're taking a 40 basis point hit from translation FX. We're taking another 25 basis points from higher FX expense. There's a little bit of movement on unallocated, but really are looking for 30 basis points better at the segment line. Everybody is doing better in local currency, other than Beauty North America. There we are expecting a drag versus last year, but still sequentially better than what we did in the second quarter.

On the full-year EPS without items, we're now at a $5.44 to $5.54 range. At the high end that's an 11% increase versus 2012 in dollars, and 14% in local currency. This flows through the upside that we had in the second quarter of $0.02 in local currency versus the high end of our previous guidance, but then it's offset by $0.15 of worse FX versus last year whereas we had no FX impact in the April guidance. To give you a sense of where the biggest impacts are coming from -- it's the Brazilian real, which is at negative 10% versus April on a full-year basis; the Mexican peso, which is minus 2%; the Indian rupee, minus 9%; the rest are meeting, while negative comparisons or differences in the Australian dollar, the Malaysian ringgit and the South African rand.

Versus the previous guidance, on sales, we're better in Asia, Tupperware North America and in South America. There was no change in Europe and we're worse in Beauty North America. On ROS versus the previous full-year guidance, there's a better improvement than what we said in April in South America, no change in Europe and Asia, and larger decreases in the North American segments. Our unallocated corporate expenses, we're now at $66 million. That's $1 million higher than in April and there's an offset in that interest expense being at $38 million, which is $1 million lower than where we were in April. The tax rate, excluding items, remains at 24.5%. At the high end then, our ROS without items is at 14.3%. This is our pre-tax ROS, which is up 15 basis points versus 2012. You know that we normally target a 50 basis point improvement, and the difference is a 15 basis point drag from translation FX versus 2012 and then a 20 point basis drag from the higher net interest expense.

On share repurchases, Rick highlighted some of this. We bought 1.2 million shares in the second quarter for $100 million, so that was at about $81 per share. Our outlook assumes $100 million of repurchases in each of the third and fourth quarters to get us to the $400 million that we have for the year, which is also where we were in April. The assumed repurchase price is still in the low $80s.

Turning to the balance sheet and cash flow, we've had good year-to-date cash flow performance from operating activities and investing activities at $55 million, which is $29 million higher than the first half of 2012. We continue to forecast for the full year that we'll do $70 million to $80 million of CapEx. Our full-year cash flow guidance remains at $245 million to $255 million, which is what we said in April. That includes on the one hand the lower EPS and profit guidance because of the FX offset by the sale of the piece of property in Australia in the second quarter. Finally, to give you an update on the picture for our resin, we're at $180 million in terms of our expectations for what we'll have in cost of sales for the full year. That's $10 million higher than April, but in terms of price comparison we remain at a negative $5 million impact, year over year in local currency, and that is no change from where we were in April. So, in summary --

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Rick Goings - *Tupperware Brands Corp - Chairman & CEO*

Mike, let me jump in here on this. Thank you very much. But one of the problems of doing this where I'm twelve time zones different is I unilaterally change the flow of one thing. What we want to do is, I want to focus on one market, if we can, every quarter to amplify it. I don't want to get it lost into the core of what happened in the quarter. So, Mike, you got anything else on that right now?

Mike Poteshman - *Tupperware Brands Corp - EVP & CFO*

No, that's fine, Rick.

Rick Goings - *Tupperware Brands Corp - Chairman & CEO*

Okay. I wanted to take this opportunity -- I want to go back to slide 8, Kevin, if you'll do that, just take a couple minutes and comment on China. Again, I was there in June. We have very strong relations with China. I was there not only to visit our business unit but also to speak at the Beijing business school where a very good friend for 20 years is who was head of the World Trade Organization. He was their ambassador as their guest. Those of you who ever worked or lived in this part of the world, relationships are key and fundamental. I want to give you an update on what's going on, what we're seeing in China. Importantly, this week, the China Daily this week quoted the new Nielsen study on consumer optimism, and their most recent quote this week was -- China's consumer optimism hit a record level in the second quarter of 110. To put that in context to the United States, the US consumer optimism is 93. The global average is 94.

When you read all this about China is slowing, yes, fine from the 10% plus to you see it in the 9%s, the 8%s and the mid 7%s range, but it's still dynamic. I can tell you when I lived in Hong Kong in the mid 80s, a visit to Shanghai, there were 12 high-rises in Shanghai in 1985, 12. A high-rise means it's over 25 stories. There are now 13,000, and that's just in Shanghai. Here's what we've got going for us. We've got a population of 1 billion, very interesting. The land mass, it appears to be the same as the US and it is if you include Alaska. However, all of western China is uninhabitable. It's mountains, so that's why, imagine a concentration of population of four times the US population in half the land mass. That's why you read articles in the Wall Street journal this last month, the forced moving of a quarter of billion people into urban centers that didn't even exist ten years ago.

What's so dynamic for all of us in China is the growing middle class. Over two-thirds of this urban households now are to be considered middle class. It was 4% in the year 2000. It's considered that 75% of the population by 2022, 45% will be middle class by then. They're looking for premium quality. They're looking for brand names. I'll tell you how it's working so well for us there. We created this outlet model because most of the flats weren't big enough to have a Tupperware party. The outlets are owned and operated by people who they can have as many as 15 of these, and they do traditional Tupperware parties in them, but it allows this space for it. Now, we're at 3,900 operating units there. We believe we're only 40% penetrated in the eastern part of China, but the big opportunity Mike and I talk about is the opportunity for productivity improvement per outlet. That's the information on slide 8.

If you go to slide 9, there's a picture -- this is what an outlet looks like. Guangzhou is the old Canton. That's the Cantonese name, down there -- they used to speak Cantonese and now it's Mandarin. It's Kwangchow. That's what the outlets look like and imagine 3,900 of those. If you go to slide 10, you get a picture inside of what they look like. Very interesting, too, as far as mix of product line. It's considered that there's not a single city in China where you can turn the spigot on and the water is safe to drink, and much of this has got to be a result of four times the population and half the land mass of the US. It also is the result of their less than environmental friendly practices in both agriculture and in manufacturing. As a result of this, what's interesting for us is, 40% of our business now is in water related products, from water filtration to simple flasks. It's interesting, at this Beijing business school, when I mentioned that we did big business in Tupperware drinking flasks, just a number of young women in that graduate business class held up their Tupperware drinking glass. It's kind of thought of as like Louis Vuitton there.

It's an incredible market for us, very profitable and lots of runway left for growth. At any rate, with that, what we'd like to do is now open it for Q&A.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

One moment for your first question. Olivia Tong, Bank of America Merrill Lynch.

Olivia Tong - *BofA Merrill Lynch - Analyst*

You used to give some more commentary on sales force activity and I realize that the active sales force number has a lot of moving parts within it, but can you give us a sense by market what the activity looks like and what your expectations are for sales force change in the second half?

Mike Poteshman - *Tupperware Brands Corp - EVP & CFO*

Sure, Olivia this is Mike. Well, I guess what we've looked at in the past is compared how we've done on restated sales to the active sales force and we do have a 12 point gap in the second quarter. A couple points of that is because of the change we made in how we measure activity in the Tupperware US and Canada business, so you can put that aside. Then, we've been getting a mixed benefit and coming largely from higher sales in Europe, which has a much higher order size, and coming out of Beauty North America where Fuller Mexico, for instance, is on a campaign basis and so has a much lower order size. We do get some productivity improvements. We split it 6% is points mix and 4% on the productivity. In that sense, we see a little bit of a lag versus our sales, but not nearly as much has come through in our numbers.

In terms of where we think that's going to go. We were up 5% in the second quarter in Europe, which is a pretty good number in line with our total sales force. In Asia, as well, we've made some progress but are seeing there some of the mixed shift as well. The Philippines has been growing nicely, and that's -- we've seen some productivity improvements there, but it's got a fairly large sales force given the sales side. The North America, Tupperware North America comparison is fairly normal dealing with that definitional change. Then, Beauty North America is really where we took a bit of a hit. On the one hand, we're recruiting and selling under more normal programs than in the past in Fuller Mexico and Rick talked about being more normal in our approach there and not looking to buy sales. We were down quite a bit in recruits in BeautiControl in the second quarter, which is not what we wanted. Recruits drive a lot of activity, so as we recover on that metric, we should see a better activity comparison there.

Then in South America there's a big mix impact from Argentina as we transition from being more of a beauty and personal care products business to much more on the housewares side. We've taken on a profitable zones. We've seen a huge increase in the order size because of the mix of products. That's coming through the number for sure. We've started to see recovery there, but we would expect to see much more there in the future.

Olivia Tong - *BofA Merrill Lynch - Analyst*

Got it. That's helpful. Maybe if I can turn to just return on investment within this spending behind your brand. This might not be the fairest of questions given your organic sales growth accelerated, but it seems like your spending behind brands, first we had Mexico where you spent and then decided that that you may have gone overboard on that. Now, it sounds like with the US spending, you didn't quite get the ROI that you expected. So, can you talk about your thought process going forward, how you're going to sort of rejigger the thought process in terms of brand investment spend?

Rick Goings - *Tupperware Brands Corp - Chairman & CEO*

Let me give you one piece of that, Mike, and then you give the other. Firstly with regard to -- because they're different reasons. The US was really an investment not to build brands. We think they had some promotional activity in the second quarter that really went well, but it went wild and it was excessive. It caused a margin impact. It was really a result of them not doing the kind of analysis that they needed to do, so it was, I would call, foolish spending. Mexico was very deliberate, what we've been doing in Mexico, getting away, separating ourselves from the competition there requires us being more powerful with our brand. Having a better brochure, that requires investment, even down to the stock of paper you use. Having better packaging there and then moving it more toward this Armand Dupree. We also had to -- the investment is in skin care, which consumers have a tendency to be much more loyal to over time. We've been working in that direction to get our house in order there.

Additionally, Bolivia and our Fuller business, we made investments in the quality of our sales management. We felt that our group sales or our group managers, local group managers, the base compensation of a new group manager, it just wasn't high enough, so we had fairly significant attrition. So, we put money behind that. These are really chalk and cheese between these two markets. We're a very big business with our Fuller Cosmetics business in Mexico. We want it to be a bigger business but with better brands, so that when emerging middle class starts to have more disposable income, they want to come to our brand and not come to us because we're cheap and cheerful. Mike, would you add anything?

Mike Poteshman - *Tupperware Brands Corp - EVP & CFO*

Just a couple of things. On the Beauty North America segment, the other thing that happens, which I wouldn't call an investment but you see it in the ROS numbers, is we had negative volume leverage because of how the sales went. Again, not an investment but something impacting the profitability comparison. Particularly, at BeautiControl while we've taken many steps as we've lost volume to improve the value chain, clearly we're going to need to do more in order to have the right sales versus profitability mix there. Then in Asia, our ROS was flattish in the second quarter. There we've been investing more offensively in the brand doing types of things that can help us in future periods and there's a bit of timing in there in where we're spending during the year. We had a good improvement in the first quarter and for the full year we're talking about a 1 basis point improvement or so in ROS. So, really there's some timing in that one. Those are the other things that were impacting the quarter.

Olivia Tong - *BofA Merrill Lynch - Analyst*

Got it. If I could just follow up on that. You had mentioned within Tupperware US that you didn't do the kind of analysis that should have been done. What changes are you making to make sure that that gets done in the future? Then, just following up on Fuller. I understand you're trying to move Fuller up market and seeing some transitional changes as you try to reposition that business, but why is that the right thing to do long term? I guess, what allows you to reposition the brand and change brand perception in the mind of the distributor and her end consumer?

Rick Goings - *Tupperware Brands Corp - Chairman & CEO*

Let me -- I'll answer both of those. Firstly, with regard to the -- it isn't rocket science, the analysis that needs to be done when you put -- we're pretty good at merchandising, and you're going to launch merchandise offers unless you do the right kind of analysis behind what's the likely take going to be on a particular offer. We've seen this happen in certain markets. You have these huge over sales where on low margin items that were just in the initial stages, the purpose was to get activity. Well, consumers are smart about cherry picking. What they did is they went overboard with these offers. When I sit there and say we do great financial analysis, it is rare we have these kind of mistakes that are made because of the rigor of our financial process. That's usually the rigor within our marketing units of the merchandising people. They just pushed a button too quickly without going through a step.

Now back to brand building. The key to Mexico in the future, and in all of these markets, is to have brands that people want. To be low cost supplier is not a sustainable strategy out there. What you've got to do is reposition these brands. For us in Mexico it was easier ground to move to because we're the dominant player with regard to fragrance. Fragrance is a great perception builder in the CFT business, but we've got to extend that beyond fragrance into our skin care lines and into our color cosmetics. It's worth doing because that's how you get high gross margin. Consumers, as they become more affluent, you want them to stick with your brand. Olivia, if you want to look at the two big powers in beauty in Brazil and you want to ask the difference between the two, Natura brand builds and they don't discount. That's the sustainable approach for the future and we're willing to take that in Mexico. Our Mexico Fuller business is a very profitable business. Right now we're willing to invest a little bit of margin there to get a better sales management team, to get a better product line, and to get better merchandising offers. That takes time. You don't turn the dial and get it in a quarter.

Olivia Tong - *BofA Merrill Lynch - Analyst*

Fair enough. Thanks very much for the color. I appreciate it.

Operator

Connie Maneaty, BMO Capital Markets.

THOMSON REUTERS

Connie Maneaty - *BMO Capital Markets - Analyst*

Can you talk about the impact on your Indonesian business going forward of the big increase in gas prices? What steps you've taken and how you think it will affect disposable income and purchasing power?

Rick Goings - *Tupperware Brands Corp - Chairman & CEO*

Mike, why don't you answer that because of my gang here said I'm losing my voice.

Mike Poteshman - *Tupperware Brands Corp - EVP & CFO*

Yes, Connie, obviously that matters because it hits consumer spending, but we haven't had our management team highlight that as being an issue for us so far. I think that what we go back to is -- I would say if we have an overall consumer spending issue in a market, and I don't know that we do and I don't think we do in Indonesia, but we are able to talk about value and how you can use our products to save money, which in times that are more flush we emphasize more style and functionality and things like that. So, we would go to that kind of a conversation. To your point on are we seeing an impact on consumer spending and how things are coming through, we really haven't seen that.

Connie Maneaty - *BMO Capital Markets - Analyst*

Okay. And a follow-up question is then BeautiControl. It sure seems that we spend a lot of time talking about a business that is now less than 2% of sales, and I imagine it takes a whole lot of your management time. How much more time do you give it before you start to think of strategic alternatives for that business?

Mike Poteshman - *Tupperware Brands Corp - EVP & CFO*

Firstly, Connie, I had four lines in my script about it. We talk about it because you guys talk about it. So, let's agree to quit talking about it. I mean, we're focusing on BeautiControl. We tripled almost the size of that business. What we have to do -- and we've had businesses where -- I'll give you a couple of examples. Our Brazilian business went through a massive slide for about five years there and we spent incremental time on it. We didn't give up on that business and we finally got that model back right again. It's just exploded. I think our five-year cager on Brazil is 40%. Ditto if I took you to South Africa. Mike, you were in the room when we had the discussion about South Africa probably ten years ago about let's just close it. It's taking too much of our time. Boy, I would have hated that we had done that because it turned into a massive business for us. We got the dials turned right. I feel the same about BeautiControl, Connie, so it is frustrating, trust me. But we also -- and are we spending more than 2% of management's time on it, you bet we are because we think it's a business that's worth it. What it's really helped us do is learn some things that we apply as a learning laboratory in other markets of the world. Seeing what's happening in BeautiControl since 2008 is really frustrating, and I think you can tell that by the tone of my voice.

Connie Maneaty - *BMO Capital Markets - Analyst*

Okay. Thanks. That's all I had.

Operator

Linda Bolton-Weiser, B Riley.

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

Can I just ask you about your share repurchase and your slight levering up of the balance sheet? I'm just curious about your viewpoint, Rick and Mike, about, like maybe levering up or even a little bit more. You're certainly not leveraged in any sense of the word, and your business seems to be doing terrific and actually accelerating a little bit, and your cash flow is strong, so would you consider that? And if so, would that be something you'd think about for this year or not until 2014, maybe levering up a little more?

Mike Poteshman - *Tupperware Brands Corp - EVP & CFO*

Well, this is Mike. We set out our approach in January, as you know, and that was in thinking about the dynamics of our business, the global footprint, the rating agencies and flexibility, all those things, and so I don't foresee us changing our approach in the near term. Does that mean it's impossible? No, but I think that -- Rick talked a bit on the prepared remarks already about the split between dividends and share repurchases and we think it makes a lot of sense to have the dividends set at a percentage of earnings that we were comfortable we'll be able to maintain over any sort of the cycle. Then the share buy backs really come with what's left after we invest in the business and do the leverage target. We've had no indication that we should change really the leverage target, the 1.75.

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

Okay. Could you just talk a little bit about Fuller, Mexico? And, I'm not quite sure I still understand. Is the Armand Dupree marketing strategy, that brand, meant to intentionally cannibalize or replace over time the Fuller brand, or are you still trying to grow the lower end Fuller brand? I'm not exactly sure what the strategy is.

Rick Goings - *Tupperware Brands Corp - Chairman & CEO*

Here's what the strategy, and that's -- it's a very important question there. What we don't want to have happen, and this is what has happened to one of the direct sellers in Brazil I was eluding to. Why Natura has been so successful is that beauty is a very aspirational category. When a woman pulls out what her lipstick tube looks like, that show's -- I mean that says something about her. You want to have brands that the emerging middle class wants to have, because that's who's going to spend the money on it. You don't want to get caught with all of a sudden there's this incredible middle class that are willing to spend more, but they don't want to have your brand. So, you can't wait til that happens to you. You have to preempt that happening. Why we're shifting in steps, because we're not going to leave behind the consumers that we have as we swing to this next trapeze.

I'll give you an idea how we're doing it. When Hertz sold their trucking business to Penske, Penske was smart enough the first year they didn't change the name of Penske. As a matter of fact it stayed Hertz trucking the next year with the yellow trucks. The next years you saw it said Hertz Penske, and then within five years the only trucks you'll see now say Penske on it. So, if you look at a Fuller brochure, three years ago it just said Fuller on the cover. Now it says Fuller and under it Armand Dupree. That isn't just some brand we made up. Within the brands of Fuller, the prestige brands within Fuller was Armand Dupree. Just like within the brand of Volkswagen, their prestige brand is Bentley. Within General Motors, it's Cadillac. So what we're doing is shifting the Company to its most significant prestige brand and then evolving. That was just a fragrance brand, evolving that now we have new Armand Dupree in skin care, in color cosmetics. It's a gradual shift that is happening, because we don't want to lose -- I mean, this is a $300 million plus business that is very successful and makes very strong double-digit margins. We're trying to do this, Linda, boldly but carefully down there, and -- because I think it's the key to winning in Mexico.

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

Thanks. Mike, can I just and you, I guess the impact on the EPS growth of the currency was a little bit bigger than maybe I would have calculated and I know it's sometimes often bigger of an impact than it is on the top line. Is there any way you could explain the exact reasons why the FX impact on bottom line is bigger than on top line and any helpful hints going forward as to how to calculate the relationship between the two impacts?

Mike Poteshman - *Tupperware Brands Corp - EVP & CFO*

We're seeing a $50 million or so impact from FX on the sales line, so it's about 2%, and $0.15 on last year's EPS is about 3%, so there's not a big difference, but you're right. It can be from a couple of things. One is there's some units where we've got sales and a disproportionately low profit. Places like Japan comes to mind, so depending on which way the rates are going that can cause a swing between the two. Then we also have some level of costs that are in dollars that are not sales related like interest and so on. The value of those costs in the other currencies can also swing, so that can also cause a difference from sales. When we look at where the $0.15 impact is coming from versus where we were in the guidance we gave in April, which was even, it's coming mainly from the Brazilian real, the Mexican peso and the Indian rupee and then there's a couple others that are a bit smaller. The Brazilian real, for instance, is 10% worse on a full-year basis than when we last gave the guidance.

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

Right. Do I still have it correct in my understanding that the Mexican peso and the euro comparison for the full year is still favorable?

Mike Poteshman - *Tupperware Brands Corp - EVP & CFO*

The euro is favorable. The peso is around even, I think. I'd have to go look at that.

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

Okay. All right. Thanks for your help.

Operator

Frank Camma, Sidoti & Company.

Frank Camma - *Sidoti & Company - Analyst*

Just a quick question on China. You called that out. Can that be one of your largest market someday based on the demographics there? I mean just your thoughts on that?

Rick Goings - *Tupperware Brands Corp - Chairman & CEO*

Well, there's this very strong chance, Frank, that that could happen. You just sit there and look at 1.3 billion people. It is interesting, I think we sent it out to some of you about three weeks ago, BBC did something on China and how many cars are being sold per hour in China. It's just significant. I happen to believe that the way they have, Frank, we've had two markets that have shifted away from centrally planned economies to more market economies in recent history since 1990. One of them is the former soviet union, CIS, and the other is here, China. I believe China's done it the right way. They let it out slowly. Just an interesting side bar, yes, there's a growing number of billionaires in China, but CIS Russia right now had 82 billionaires. How did that happen? Well, it happened because all of a sudden, Frank, here you can have all the platinum that was once leased. They turned over all of it to these olive arks out there. Not an efficient way to do it.

China let it out more slowly. They are creating enterprises within the country. I got to tell you, the best news in China this last year when you saw Bo Xilai was the guy that everybody thought was going to be the next president. To take this guy out, his wife's in prison. He is too, and to have a public -- yes, it was China style to have that happen. It's a different China than it was. It's amazing, too, you can sit at the table with senior Chinese people and talk about those things. It wasn't that way when I lived there in the past. I truly do believe that unless things change, China's going to be a lot of people's biggest markets in the world.

Frank Camma - *Sidoti & Company - Analyst*

Just a quick follow up to that. Would you ever need a direct selling license there, or is it the model that you're employing is really a retail model so you don't need it; is that correct?

Rick Goings - *Tupperware Brands Corp - Chairman & CEO*

No, we wouldn't need that. As a matter of fact, I mean, I work very closely with people I knew in China at -- when we created this model, and we do have direct selling but it's from a fixed base. Their real instability about that was there was a lot of Taiwanese pyramid, MLM pyramid companies, not legitimate multilevel marketing, but pyramiding and that's what originally caused the government to really have this jaundice eye toward it. I think we've got a model there that works, so now we have 4,000 of them. At a point in time here we could have 10,000 of these units and out of these units people do parties and sales people go out and sell. The government is -- they're totally comfortable with that.

Frank Camma - *Sidoti & Company - Analyst*

Great. Thanks. That's really all I had.

Operator

Mike Swartz, SunTrust.

Mike Swartz - *SunTrust Robinson Humphrey - Analyst*

Just wanted to start off, and to beat this horse fully into the ground, just with the Beauty North America business as a whole, just looking at the updated guidance, just top line and ROS. It looks like it's about a $10 million incremental change from the prior guidance. First, is that the right way to look at it? Then, how do we look at it as far as what percentage of that maybe is the top-line deleveraging versus some of the investments you're making there?

Mike Poteshman - *Tupperware Brands Corp - EVP & CFO*

Yes, Frank, it's somewhere in that neighborhood in local currency in terms of the full-year impact on pre- tax profit, that's right. We did get more conservative on what we would be able to do with the ROS for the full year. I don't have the breakdown, but that's a couple points worse than where we were before in terms of the ROS.

Mike Swartz - *SunTrust Robinson Humphrey - Analyst*

Okay. Then just thinking about that, as we go through the back half of '13 and '14, is it going to be a similar level of investment? Should we see a little bit more leverage as the top line comes along? What are your thoughts there?

Mike Poteshman - *Tupperware Brands Corp - EVP & CFO*

Well, on the Fuller Mexico side, we do expect to have a better ROS moving forward including the in back half versus last year in the back half of 2013. We certainly would look to build from there including, yes, from the volume. In terms of BeautiControl, as we mentioned, we do need to work on the value chain there in light of the size of the business because we have lost a lot of sales. So, we will do that. I wouldn't think sitting here today that we'd expect things to get worse in 2014 in that sense. Certainly that's what we need to make sure doesn't happen.

Mike Swartz - *SunTrust Robinson Humphrey - Analyst*

Okay. Great. Just touching on Japan, I mean, that really stood out to me because I know that you had talked about that for the past couple of years as being a drag to the business. I know it's a smaller business than it was maybe three or four years ago. Could you maybe provide a little more color about what you saw this quarter? Is it sustainable, and how do we think about that going into the rest of the year?

Mike Poteshman - *Tupperware Brands Corp - EVP & CFO*

On Tupperware Japan, and Rick might want to jump in too, we were down in the mid teens in the first quarter in local currency sales. We're up a few points in the second quarter. That's been a longer-term shift there as we've gone back towards a more traditional approach, both with how we worked the sales force and on the product mix. We think we're starting to see -- we know we're starting to see better metrics there, both in the sales force leadership numbers and in the numbers of people that are out there doing parties and running the business in that way. That's not the sort of thing, unfortunately, that happens generally very quickly. A close to 20 point swing between the first quarter and the second quarter is a lot, so we wouldn't forecast that every quarter. But, we are optimistic that the strategies that we have in place are the right ones because we're seeing them start to work, and we would need to build from there. The externals probably are -- could be helping some as well. You certainly hear the consumer confidence is growing in that market, and we were positive in the NaturCare business in Japan too in the second quarter.

Rick Goings - *Tupperware Brands Corp - Chairman & CEO*

Mike, adding to that, I'd confirm firstly, confirm everything Mike said but add to this. Japan, by consumer spending, is the largest direct sales market in the world. Most of the problems in Japan with regard to Tupperware are problems of our own making. We let it become -- from a couple things we didn't do. We didn't refresh the distributor organization as aggressively as we should have. As you know that in Asia, the elderly are highly regarded and respected. We have some distributors who were north of 70 years old there. If I were to take you now to our French business, a redistributor contract is a one-year contract, and they usually replace the least productive 10%. So, it starts firstly with an attitude of our business there that we've got to refresh our distributor organization, but you cannot do that culturally too radically. I know Albert's on a case on that.

Next, we let the business get too many third-party sourced, high ticket items there, and that got us nice top line. It impacted margin, but it got them away from really core Tupperware products, and it's slow to get back in that again. I mean, I think we've got a five-year fix on the way in Japan. That doesn't mean fixed to profitability. It means really getting the kind of -- we have four pieces to our operating strategy, the right dynamic products, the right selling method, the right kind of sales force structure and standards and last direct sales fundamentals. Albert's got his hands full, and if you ask which does he got to work on, all four. But it's worth it. It's worth it.

Mike Swartz - *SunTrust Robinson Humphrey - Analyst*

If it's a five-year fix, I mean what year should we look at this as, two? Four?

Rick Goings - *Tupperware Brands Corp - Chairman & CEO*

Until which?

Mike Poteshman - *Tupperware Brands Corp - EVP & CFO*

How far along are we in the fix out of the five years?

Rick Goings - *Tupperware Brands Corp - Chairman & CEO*

Yes, I'd say we're at second year into it. It was obviously, significantly pushed back, any momentum by the natural disasters a couple of years ago.

Operator

Greg Hillman, First Wilshire Security Management.

Gregg Hillman - *First Wilshire Securities - Analyst*

Rick, could you talk about whether you -- the local country managers could be given more authority to introduce products themselves or source products themselves for their countries that they think will do well, as opposed to have everything being centrally controlled by some marketing head in Orlando?

Rick Goings - *Tupperware Brands Corp - Chairman & CEO*

Yes, well it is -- that's what it's like. I mean there is a -- here's how we're structured. Firstly, and it's interesting, I gave that presentation in Europe just a couple weeks ago. Every one of our managing directors of a given country, they are responsible for not only looking at the products that come out of our regional offerings but also bringing products forward. We bring it right down to the distributor level. We want the distributor ideas on where do new products -- where should we be going in the future? Not only with regard to individual products but new categories. I sat through a three-hour presentation on innovation with our headquarter' s team about a month and a half ago, and I was just so pleased to see the spawning of ideas that is coming from everywhere in our organization. Greg, they aren't just here, here's the products you're going to sell. I'm telling you, I'm sitting here in Manila, Philippines looking at three different eco-water bottles. These eco-water bottles, those were created by our management team in India and they're now sold all over the world. The hot selling product that's called Quick Chef that was really a food processor that was spawned out of our Filipino business about seven years ago. It was their idea. When I'm there in a market, like yesterday morning, I'm doing new product review meetings. It's amazing to see the ideas they bring forward, but here's how the organization is structured.

Every market has distributors. Take, for example, Germany. There's 135 of them. That's 135 buildings all over Germany where every Monday morning on average there's 480 sales force in every distributorships. Do women have the tendency to give you their opinion on products? You bet. They bring in the ideas to the distributorship. The distributors, there's a regional manager for every 20 distributors and those regional managers, they report up into a head of sales. Every country has a head of marketing who reports into an area head of marketing, and that area head of marketing reports into a global head of marketing. Greg, as much flows in as flows out with regard to ideas. 25% of our sales must come from new products. Where do we look for those new products? Everywhere.

Gregg Hillman - *First Wilshire Securities - Analyst*

Okay. Thanks and just a couple follow-up questions. The water filter in India, is that the same one that's in China?

Rick Goings - *Tupperware Brands Corp - Chairman & CEO*

No.

Gregg Hillman - *First Wilshire Securities - Analyst*

It's a different one?

Rick Goings - *Tupperware Brands Corp - Chairman & CEO*

Different technology, yes.

Gregg Hillman - *First Wilshire Securities - Analyst*

Okay. For the storefronts in China, who pays for that? It's just a local distributor pays for the cost of the store front?

Rick Goings - *Tupperware Brands Corp - Chairman & CEO*

Yes, the local -- she can have one, but she can have up to 15 of them. Yes, it's our signage. It's hers. By the way, she just can't come to us and say, oh, I want to have one of these. She has got to earn her way up for that, working in one of our outlets there, show she's competent there. She's got to go through an intensive training, and then she's got to show she's got capital resources to have it open three to six months. No, it's a wonderful business model that we created in China.

Gregg Hillman - *First Wilshire Securities - Analyst*

Okay. Great. Finally, Rick, about brands in Mexico. I was just wondering, what is -- basically wouldn't you get itemization of brands when there's other premium fragrances in the world, like Channel coming into Mexico and being sold in Wal-Marts? Since the retail, in the infrastructure, the retail infrastructure is improving in Mexico rather? How would that play out in Mexico or any country in the developing world? Would that tend to decrease the value of the Armand Dupree brand over time?

Rick Goings - *Tupperware Brands Corp - Chairman & CEO*

If we were a pull business it was, but we're a push business. She sends -- she sells to her friends, neighbors and relatives and it's recommendation selling. We can, as a matter of fact, because in our value chain, we don't have what a retailer has, rent. And, we don't have advertising in it, so for fragrances, for example, Greg, we can use higher compound percentage levels, which means at 5.00 in the afternoon somebody is saying to her, wow, you smell good. She put that on at 6.00 in the morning. We've learned how to do that and until the -- moving into the retail infrastructure -- I just put it this way. Look at our business, for example in France, Carrefour is -- that's their home course in Carrefour there. They're down in sales. We're up, and we're the biggest seller of cook books. A direct sales organization is vibrant and vital if you have a sales organization that loves the products, is passionate about them and sells to their friends, neighbors, and relatives. So, we'll transcend that. I'm not worried about Wal-Mart.

Gregg Hillman - *First Wilshire Securities - Analyst*

But in a more mature market it's hard to sell beauty -- harder to sell beauty in a multi-level sales organization, like is happening in North America right now.

Rick Goings - *Tupperware Brands Corp - Chairman & CEO*

Yes, but I mean we're not a multi-level marketing organization. I mean we do -- I mean, I think it's here-- if I'm starting a beauty company right now, would I do it in Western Europe or the US? No. It's harder.

Gregg Hillman - *First Wilshire Securities - Analyst*

Okay.

Rick Goings - *Tupperware Brands Corp - Chairman & CEO*

If I'm in it, can you make it successful? Absolutely, but it's a harder market.

Gregg Hillman - *First Wilshire Securities - Analyst*

Okay. Thanks for your comments.

Operator

That was our final question. I would like to turn the call back over to Management.

Rick Goings - *Tupperware Brands Corp - Chairman & CEO*

Yes. Everybody thank you for your time. We'll work through this new structure on how we present it, but I just don't want us reading scripts to you. I want to be able to cut to the things you guys really want to talk about, so many things about the quarter we were happy with. Some things we weren't happy with, but I will tell you now for seven or eight years now, every one of these quarters continues to get better. I've got to tell you the strongest feeling I have about the Company is that we're not concentrated in any one area. 1996, it was all about Germany. We still loved our German business, and it's important, but we have so many engines that I have confidence in this future growth of not only sales but profit in the future. Thank you, everybody, and guys back in Orlando, thanks.

Operator

Thank you. That does concluded today's Tupperware Brands Corporation second quarter 2013 earnings concerns call. You may now disconnect.