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EDITED TRANSCRIPT

TUP - Q4 2013 Tupperware Brands Earnings Conference Call

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OVERVIEW:

TUP reported 4Q13 YoverY local currency sales growth of 5% and diluted EPS, without items, of $1.81. Expects 2014 local currency sales growth to be 5-7% and diluted EPS, without items, to be $5.51-5.66. Expects 1Q14 local currency sales growth to be 5-7% and diluted EPS, without items, to be $1.13-1.18.

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CORPORATE PARTICIPANTS

Rick Goings *Tupperware Brands Corporation - Chairman and CEO*

Mike Poteshman *Tupperware Brands Corporation - CFO*

Michael Tziallas *Tupperware Brands Corporation - Managing Director, Italy*

CONFERENCE CALL PARTICIPANTS

Jason Gere *RBC Capital Markets - Analyst*

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

Dara Mohsenian *Morgan Stanley - Analyst*

Connie Maneaty *BMO Capital Markets - Analyst*

Sofya Tsinis *JPMorgan - Analyst*

Olivia Tong *BofA Merrill Lynch - Analyst*

Mike Swartz *SunTrust Robinson Humphrey - Analyst*

PRESENTATION

Operator

Good morning. My name is Audrey, and I will be your conference operator today. At this time, I would like to welcome everyone to the Tupperware Brands Corporation fourth quarter 2013 earnings conference call.

(Operator Instructions)

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

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

Thank you very much and good morning, everyone. I'm in Rome, Italy after a week at the World Economic Forum in Davos. I'm here with our Country President, Michael Tziallas. We're in the midst of a four-city sales force seminars all over Italy and down into Sicily. Later in the call, I've asked Mike to talk with us about what he's been doing to bring new levels of growth to our Italian business. Mike Poteshman, our CFO, and Teresa Burchfield are there at our headquarters in Orlando. Forgive me if you -- if you'll hear sirens from time to time. This is Rome, and if we get cut off for any reason, Mike, as always, I would ask you to just continue the call. Sometimes things work wonderfully well here and not so good at other times.

On slide 2, we've got slides here as usual. Some of our discussion is going to involve the future outlook of the business. You know the drill here on forward-looking statements. If you'll turn to slide 3, the top line of the fourth quarter. We're pleased, came in with another quarter of growth, 5% in local currency. There were, as always, puts and calls.

I'll get into those but as a group, what you see is the strength of our emerging markets contributed 63% up in the quarter. Excuse me, 63% of our sales and up 12% in the quarter. Established markets, while we were down a bit, they did improve sequentially to minus 5% because they were down about 8% in the third quarter and from an earnings per share standpoint, we came in at $1.81. That was $0.02 off the low end of our range that we gave, but we had $0.03 more negative hit from foreign exchange, so we did come in within our guidance. And I must comment here. We manage our business in local currencies. We pay incentives to our Management in local currency and then we work our butts off at our headquarters and our regional offices to mitigate the negative foreign exchange translation FX. Mike will get in to that.

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We're pleased that our full year cash flow came in at $263 million, was way ahead of our guidance and also particularly pleased in the way we're returning cash to our shareholders. And this combination of doing it by raising dividend and share repurchase, often on these individual meetings we'll ask -- why we have this particular kind of mix, and it's -- it basically is for this reason.

You don't do it all in dividends because I never want to have a time we reduce -- have to reduce a dividend because things are happening in the world that you can't support it, and yet if we feel that we get to a certain point and there's enough cash, we'll buy in shares. It gives us a relief valve and Management the flexibility of what to do. Mike's going to give you more texture on that in just a minute.

On slide 4 as you see, currency has an impact on our top and bottom line results. Got to keep in mind over 90% of our sales and earnings were generated outside the United States in this past year. And in line with our continuing effort to provide transparency to our business with a lot of input from many of you as we've done one-on-one IRs, we've said -- hey, how do we help. And you've asked how can we help keep you more informed on the translation impact, so we started providing monthly guidance in November with our flows, and we update that at the end of the fiscal month. We've had a lot of positive feedback on that because we see which markets and which currencies and we want to give you that update on a regular basis. So we hope you find it as useful as we believe it is.

Let me comment on the results by first discussing our total sales force which is the driving metric of the direct sales company. We ended the year with knocking on the door of 2.9 million sellers, up 4% versus 2012, and that was 4% improvement over where we ended the third quarter. This puts us in a much better position coming out of the gate in 2014. Sales force size continues to be the driver of sales.

In slide 5, I wanted to give you a little bit more texture on what we do with regard to moving our sales force ahead in the future. We have four elements that really contribute to this process. We basically call it ROAR, recruiting, onboarding, activation, and retention. I briefly commented in the third quarter on this but let me spend just a couple more moments.

Recruiting is and always is the life blood of a direct selling company and a key focus. There was a 4% improvement in the quarter, longer term, though, we need and want to see it higher. We're really working like mad to get it in to the mid- to high-single-digit range and then to really bridge over into double-digit growth, so that's behind the scenes what we're working on. It's not enough just to bring an individual into the business.

This next piece, onboarding, is really important, and it's designed to get these new recruits into the business and start feeling the business. One of the causes for sales force turnover is that individuals really never get started. So our focus, which we have been, is to ensure we have the training and the coaching programs in place which are vital to onboarding. I've mentioned in the past we beefed up our training programs.

We've even launched in a number of markets -- a Rosetta Stone online training program called iTUP. Not meant to replace face-to-face training and coaching, but when she goes home in the evening, and she wants to find out more about a particular product to enhance her confidence level, she can -- just like a Rosetta Stone program, go online and get feedback to that, and it's very interactive. It's to some degree like playing Words With Friends on it. We've had wonderful results where we compare someone who went on iTUP, her party average, her activity level to someone who hasn't.

And importantly, we're certain to recruit more millennials and this is how many of them get their information. You know, I kidded with this newer generation, I've tried to give a number of my kids a new watch and they said -- Dad, what do I need a watch for. I have my iPhone, and it keeps better time. So we really keep working to make our business more in tune with the new kind of people we're recruiting.

That third piece activation, that's helping that new recruit, hold her first party, and the host is almost always a friend of hers. She invites her friends, neighbors, and relatives over to her house, and this, by the way, is a way that our channel of distribution is really enhanced over retailing because we never pay rent, is what retailers pay. That's given to the sales force. That's where the commissions come from and we never paid for advertising, but this activation is the key. If we can get her tasting income and success and earning money out of the gate, she feels better if she's in a relationship, her spouse or significant others, all of a sudden move to a point of support. So we're working on this activation as well.

The payoff is this fourth piece is retention of the sales force and it means increasing the longevity. We've done studies if you can keep her in the business another couple of campaigns, it's a very strong payoff, and how we do this is focusing on contact with her. It's getting her to the assemblies,

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getting her to come to additional training sessions. It's competition -- friendly competition, and it's recognition. So we do all this to help her. We continue also to try to offer innovative products and compelling promotional situations and, you know, that gets them much more excited.

Finally, what we do to measure whether all this is working is we measure the active sales force. We assess its quality. I was pleased to see in the -- in this last quarter, while we were off 2% on average active sales force, this was a 3 percentage point improvement versus the third quarter comps. So it appears these programs are kicking in and working.

To understand better our active sales force, we've included information on slide number 6, and if you've got any questions about slide 6, please ask Mike about it later because ours didn't come through on the computers over here, but I saw it earlier before I left. When comparing active sales force and our sales increase percentage, there was a 7% difference in the quarter. It's worth noting that here we lapped a change in measuring active sales force members in the US and Canada. We used to have a longer time period. Now it's a different time period, and that was a drag in the third quarter.

So about 6 percentage points of this change was from mix that is less sales force from Fuller Mexico, which by the way, doesn't use parties. It's one-on-one selling, and they have a lower average order, and a 1% of this was actually improved productivity in a number of markets. It included not only some markets in Asia, but it also included some of the inflationary pricing actions that we had to take in Latin America.

In slide 7, getting into the market performance, let me go through firstly the top performers and I'm going to hit on the emerging markets first. It's 87% of the world's population, and it is driven mostly by the growth of the middle class, and that's mostly driven by the growth of women in the work force. We are -- we're pleased that this growing middle class starts to buy from Tupperware, not just food storage but our premium products and they want aspirational brands like Tupperware.

In Asia-Pacific, Indonesia really led the way. It's our largest Tupperware business unit and it grew over 30% in the fourth quarter, and they've consistently been up at this level all year. Regarding Indonesia, I think it's worth noting the Global Fairness Initiative approached us a couple years ago about doing a study in Mexico to see the impact of our business there. But they also wanted to take a look at this quarter of a billion population, largest Muslim population market, so we said go for it. We did it -- they did it independently the first part of this year.

Let me give you a quick top line of what they found. It found number one that the individuals involved, the women involved in Tupperware in Indonesia, they increased their income and their financial situation improved significantly, and here we're talking about people that didn't have houses now have houses. Didn't have transportation. Initially, they get scooters and then they get cars.

We're talking about many women here who had not much education at all. Now their children are graduating from college. A very significant shift is made in just one generation. Second, we found big movement in her self-image and her confidence level by involvement in our business and, you know, many actually move to a point that they not only have self-confidence but their self-image is they're a leader.

Thirdly, big improvement in personal relationships, and this starts from the very basic in a world where one of three women is involved in domestic -- or a victim of domestic abuse, he moves from actually a relationship where it was an aggressive relationships, to appreciation, to actually supporting her. Now that wasn't the case in all of them, but throughout with her relationships, it got better with their husbands. We even saw some anecdotes because these were hour-long interviews where neighbors would talk to their wives and say -- why don't you get involved in Tupperware because he heard from the husband of the woman who lived next door.

That almost never happens, and it's terrific to see it. But also the change with her relationship with her children. She becomes the role model and finally, her attitude with regard to giving back and support in her community, big changes there. So it once again proved this is why governments like us and why even if somebody doesn't stay in Tupperware, it was a good experience for them.

Indonesia has a quarter of a billion population. We have a lot of runway left, have a sales force there of about 200,000, so we're well-positioned for future growth. Also in Asia-Pacific, China again up double-digits, 21% in the fourth quarter. After so many people are talking about China slowing. It's still between 7.5% and 8%, the GDP will grow there and we've been up every one of the quarters this last year over 20%.

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By the way, we continue to get a bigger business there in the water business, and they had great success selling very high priced, $1,000 water filtration system. And what I'll tell you I'm really pleased with in China is we have a very high ROS, so it's a very profitable business and you've seen the disruption with many quote-unquote direct sellers and multilevel marketers there with regard to the attitude of their business models. We have a very well-supported business model and very good relations with the government.

Malaysia/Singapore, up 17% in the quarter. Got a dynamic young leader just took over. She's been in training for quite a few years as we retired David Wong, who just did a fabulous job as our Managing Director there over many, many years.

Happy to report, too, as I move to Europe -- Turkey, a dynamic woman runs our business there. We were up 24% in the quarter, and you know, there's some disruptive activities going on politically in Turkey with protests, but our business is up. Up in South Africa, up 28% in the quarter after a couple of years of struggling. I think they got their formula back on.

My mother always used to say, you don't drown when you fall in the water. You drown if you stay there. We've got a terrific Management team there and they've got this formula back on track again. I didn't expect this kind of growth per quarter every quarter but I will be pleased to see it returning to this growth. We've got a significant size advantage now in our sales force, and we did have to invest to get back to that growth and Mike will talk about that.

On the Americas, Tupperware Mexico, up double-digit in the quarter, 14% and that includes 8 points from a B2B program that we did that was really a brand enhancing program, fulfillment program we did with [Saroyano]. Argentina up 30%. Venezuela up 50%. Got to say most of that in Venezuela is due to pricing. A little bit of it is in Argentina. And Brazil was up 19% in the quarter.

If I turn to established markets, France back on the grow again. It was modest but it was still up a couple of points in the quarter, and had a lot of dialogue with the French at Davos, as you know, the attitude has shifted greatly toward Hollande, their President. So a lot of disruption going on in France but we saw a 15% improvement on how they did in the third quarter.

And you'll notice that the government announced a personal income tax increase while most of the people were on vacation late in the summer, and that caused sales force to temporarily lose their focus on the business. There was a lot of disruption going on. We're refocused. We're growing our active sales force, and we're pleased to see some positive momentum.

Also grew markets like Italy, Austria, and Belgium in the quarter. These are mid-sized businesses, but important nevertheless. Michael Tziallas, our Country President, he's going to speak more to Italy in a moment. Now, let me turn to some of the businesses where we had issues in the quarter. You know, after a decade of just solid growth in India, we've -- the business has grown tenfold there over the last nine years. Had a tough second half of the year and that continued in the fourth quarter where we're just, you know, modestly up single-digit. We're up about 20% in each of the first two quarters.

Now what's going on is some of this is macroeconomics. Some of it is really a story of the lack of contribution at the normal run rate from our big Southern distributors. We've got to, you know, do some things there to get better contact with our sales force there and some good old blocking and tackling of direct sales fundamentals. And it may take us a couple quarters to really -- to really navigate through this, but we have lots of potential.

As we stated a couple quarters ago, we're in about 65 cities in India, and if you were to ask what percentage penetration do we have, our best estimate is about 15%, so we've got a lot of room left to grow in India, but we want to do it right. We've got to tweak some of the elements, and so we're not going to buy [sales out] until you may see our top line be off a little bit over the next couple quarters.

Our German business, it was off 14% in the quarter. I'm going to be there Friday night. We have one of our best Management teams in any of our markets there. I was pleased, though, that this was a 6% improvement over the third quarter. On the very positive side, we closed the gap in the sales force deficit to now we have a sales force advantage as we ended the year, and that's going to be a key to how we do in 2014.

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First couple of weeks in January, by the way, we have this thing called big weeks. It was kind of derailed last year by weather and some kind of weak promotions, and I'm pleased to say with most of January under our belt, better trends in Germany. We also increased the sales force activities and the parties and it resulted in increased sales. It's too early to sit there and declare victory. We were pleased. Weather last year, which was very difficult, is moderated so it limited the number of parties that were canceled, still have some weeks to go but the direction from current trends looks much more favorable for Germany, very large and very profitable business.

Turning to the CIS, our Russian business, this was really my sad point for the quarter. It struggled, was down about 30% in the quarter, and here is what's, you know, mostly behind it. We've had some changes we had to make there, but there were some externals that really just didn't catch us by surprise, but really we've done better navigating through such government changes in tax in other markets than we did in CIS. What happened was the change they came up with a new entrepreneur's tax where if you were a seller, you were required to register and pay higher taxes.

And I'll tell you what happens in these kind of -- when they're fairly sexist markets. She comes home and says she has to register. He tells her stop doing this, and so you start to get turnover. The manager group is a very productive group there. They do most of the recruiting and motivating, and we initially thought this change wouldn't be that impactful, but it was.

The good news is the Russian government -- they're able to do these things. The law was changed now, and they've reverted back at the beginning of 2014 to the way it was before. But now we've got to go through this whole process of rebuilding that manager force, and it's going to take some time to do it. But we feel good about that. We've done this before in other markets. Michael, I'm looking at you, prior to -- you know, right early on in Austria we had to go through those changes. Let's see if -- how long it's going to take us here doing this in CIS.

Tupperware US and Canada down modestly 3%. I think we've got the right leadership in place, the right initiative in place. We just need to get momentum on our side in that market. And I think if we can see, you know, and we don't want to buy sales here. We're moving away from doing big discounted kind of things to get consumers to spend money, although Brits and Americans tend to react best to that, it's not the best thing for brand building.

The Fuller Mexico business, we saw deep, deep discounting from Mexico's largest direct seller and it's impacting our business performance. However, we're staying the course with regard to building our brands, and we think that's the right approach, particularly because we're looking for as this middle class emerges in Mexico, we want them to really be lured to our products. We did see recruiting and activity in the sales force pick up as we got in to the quarter, but, you know, it's going to be navigating difficult waters in Mexico, and we're not going to get into that game with the -- with this other direct seller.

BeautiControl, what do I say? It continues to struggle. I will say this, we brought in one of our best and brightest and dynamic young leaders. The guy who really was in charge of turning around our beauty businesses in Australia. He's been in the saddle there for less than a quarter, and we've already seen a huge change in not only attitudes but positive momentum in our recruiting as well, and that's going to be the key.

If we look to 2014, we've got confidence in our guidance, which is really calling for top line of 5% to 7% local currency, EPS growth in the low teens without items. Mike is going to provide you more detail. Some might ask when we expect to get back to the 6% to 8% local currency sales guidance. Well, we built 5% to 7% in our base case in our markets as we closed 2013. We continue to expect improvement in our underperforming markets, and we don't have to hit on all cylinders to get to the top of our range. We have several larger markets. We will continue to work on progress and growth, but we haven't seen that [the warm] turn yet like we've seen in South Africa, for example. And we've taken that into consideration, back to rather under promised and over delivered.

On slide 8, you can see we increased the dividend again this year. It was up 14% in 2010, and we moved to 20% in 2011 and 2012. We're maintaining this 32% payout ratio in trailing EPS. And in 2013 we increased the payout ratio to 50% and increased the dividend to 72%. Now we're increasing another 10%. That is $0.68 per share. Along with our 2014 share repurchase plan, this is showing our commitment to really returning cash to our shareholders. Mike, let me turn it over to you in Orlando again, and then we'll bounce back here to Michael Tziallas in Rome.

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Mike Poteshman - *Tupperware Brands Corporation - CFO*

Thank you, Rick. As highlighted in our release and by Rick, we came in with fourth-quarter sales up 5% in local currency, compared with our outlook range of plus 5% to 7%. Versus last year, the biggest contributors to our growth were Brazil, Indonesia, Tupperware Mexico, and Venezuela, while our most significant decreases were BeautiControl, in the CIS, in Germany, and by Fuller Mexico. Rick has talked through the highlights of what we have going on in each of these units.

Versus the high end of our range, our bigger upsides in sales were by Tupperware South Africa and Venezuela, while we were down more significantly versus what we had included at the high end in Brazil where we were still up significantly versus last year just not by as much as we had foreseen, and we were down in the CIS, Tupperware United States and Canada as well.

Looking at our largest markets, there was no change in 2013 in the list of businesses where we sold $100 million or more. These were France and Germany in Europe, Brazil, both Mexican units, and Tupperware US and Canada in the Americas, and Indonesia and Malaysia/Singapore in Asia. Among this group, Indonesia joined Fuller Mexico as a unit with more than $200 million in Company sales, and as Rick said, was in fact our largest business unit in 2013.

On slide 10, you can see that our diluted earnings per share without items at $1.81 was $0.02 below the low end of our range but this reflected $0.03 worse of an impact from exchange rates compared with when we gave our guidance. We did lose some return on sales in our segments versus what we had expected to do, and this came most significantly in Brazil and in Malaysia.

In the case of Brazil, we had a higher than expected take-up on more heavily promoted items. We're seeing the impact of higher resin costs in local currency, and we're working to handle higher costs associated with outsourced production as we've grown. In Malaysia, we also had a big take-up on a promotional offer and we had higher than expected costs from an incentive trip. There was an offset to this in unallocated corporate expenses mainly due to lower than foreseen management incentive expenses and our tax rate benefited us by $0.03 versus the rate we included in our outlook. Although I will note the rate for the quarter without items was still about 1 point above last year. Versus last year, our diluted earnings per share without items was up 12% in local currency and 6% in dollars.

Our pretax return on sales was 17% in the quarter. This was down 20 basis points from last year's fourth quarter in dollars, but setting aside an approximate 25 basis point negative impact from translation FX, and about 35 basis points from the negative impact of higher interest -- there was primarily associated with the longer term debt we sold in March 2013 in our raised leverage profile. Our pretax ROS would have been up by about 60 basis points.

This reflected lower on allocated expenses associated with the lower incentive costs, offsetting the impact of the higher costs in Brazil, and some difficult comparisons in Europe versus last year. This included lapping an accrual true-up in France in 2012, aggressive spending by Tupperware South Africa to grow and motivate the sales force, and elevated costs in CIS in light of the motivational issues surrounding the entrepreneurial tax in that unit that Rick talked about.

Turning to our cash flow, we had quite a good year coming in with $263 million of cash from operating activities net of investing activities. We were above our range we gave in October where the high end was $250 million, which most significantly reflected lower receivables in light of our sales levels and their timing. Our cash flow also compared favorably with 2012 when we had cash generation of $234 million. We repurchased in the open market in the quarter as planned: $75 million worth of stock, buying 832,000 shares at an average cost of $89.97 per share, and for the full year we had $375 million of open market repurchases buying back 4.6 million shares at $82.25 apiece.

Looking forward on these items for cash flow from operating activities, net of investing activities, in 2014 our outlook range is $250 million to $260 million. This is built up in relation to our net income with assumptions for working capital growth in light of expected sales growth and capital spending of $70 million, which would be about $15 million more than depreciation.

As for share repurchases, about half of our $375 million open market repurchases in 2013 related to going from being at about 1.35 times debt to EBITDA leveraged as of the end of 2012, as we aimed at our new target of 1.75 times at the end of 2013. As laid out in one of the attachments on our press release, as of the end of 2013, we were actually 1.8 times on this measure. Our full-year repurchase expectation for 2014 is to do $185

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million, of which most will be in the fourth quarter consistent with our pattern of cash flow generation and considering our dividend payouts that happen every quarter. In that light, we've included in our outlook $10 million of repurchases this quarter.

On slide 11, you are seeing that we increased our dividend today. That increase was in line with our announced approach to pay off 50% of our diluted EPS without items. This is part of our overall capital allocation strategy to, of course, first fund our operating needs to then fund the dividend and then with remaining cash flow availability and in line with our leverage target to repurchase shares. In 2014, dividends and share repurchases together would lead to over $6 per share going to our shareholders.

Turning to our outlook in slide 12, you've seen in our release that we have gone with a 5% to 7% local currency sales increase range for the year. As Rick highlighted, we continue to believe that over the intermediate term from 2015 forward, that we'll grow our sales in the 6% to 8% range but given our fourth quarter results our current sales force size advantage and the trends that we see, we have concluded that the right range for this year is the plus 5% to 7%. The longer term expectation still contemplates about 10% growth by emerging markets and a low-single-digit growth by our established markets, which is what we've said previously.

On slide 13 in terms of our earnings per share, our full year diluted range without items is $5.51 to $5.66. This includes about a 50 basis point improvement in operating margin and local currency, offset by hits from translation FX and from higher net interest expense until we lap our March 2013 sale of the $200 million of senior notes due in 2021. Taking it all together, at the high end of our range due to the offsetting factors, this would put our pretax return on sales in dollars at 14.1%, the same as 2013. We've included in our outlook a 25% income tax rate excluding items, which is up from 23.8% in 2013. As we've said before, we expect our rate to rise over time by a few percentage points to 27% or 28%.

Also on the 2014 versus 2013 EPS comparison, there is between a 4 and 5 percentage point benefit in 2014 versus 2013 from less diluted shares coming from repurchase activity from 2013 having a full-year impact and from the partial year's impact of 2014 repurchases. At the high end of the range, there would be a 13% increase in local currency diluted EPS without items and a plus 4% in dollars after a now $0.44 hit from foreign exchange rates on the comparison. Included in the full year guidance is net interest expense of $40 million to $41 million versus $38 million in 2013 and unallocated corporate expenses of $67 million compared with $62 million in 2013.

On a segment basis, we received local currency sales comparisons of even to up 2% in Europe. A high-single-digit to low-double-digit increase in Asia. A mid-single-digit increase in Tupperware North America, a mid-single-digit decrease in Beauty North America, and an increase in South America of about 20%. We've received modest improvements and return on sales in local currency in all of our segments other than foreseeing a decrease in Beauty North America from negative volume leverage.

I would like to take a minute to go through how our assumptions flow through to get to our EPS guidance. As laid out in slide 14, we start with our prior year actual result. We then add or subtract the FX impact on the comparison with the current year in order to state the prior year number at the current year's rates. Since this is where the rates actually are, we consider this starting point to be where we need to work from. You can see on this slide the $0.44 negative impact from rates for 2014. We then have an increase from the impact of higher sales, an increase from the impact of improved return on sales, a negative impact in this case from the change in our tax rate, and an increase from having lower diluted shares.

Turning to the first quarter outlook, we also foresee a local currency sales increase in the 5% to 7% range with a diluted EPS range without items of $1.13 to $1.18. At the high end, this would be up 13% in local currency and even in dollars, after a $0.14 negative impact on the comparison from FX.

Slide 15 lays out the elements we've spoken to in our longer range outlook. Then finally on resin in the fourth quarter of 2013, we had a negative impact in cost of sales from higher resin costs of [$4 million]. This was $1 million more than what was in our guidance and brought the full-year impact to negative $7 million. Our current expectation is that we'll have about $175 million run through our cost of sales in 2014 in constant currency, and that it will cost us about $10 million more than it would have in 2013. About $4 million of this was in the first quarter and then it goes down from there. And with that, I'll turn the call back over to Rick.

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

Thank you, Mike. I know it goes without saying, all these movements of these different currencies in the world could kind of make somebody go blind. We're used to dealing with it and the number one way to deal with it is you manage your business in local currency. You come up with hedging strategies where you try to mitigate what can happen with regard to translation. We try to source locally our products and we try to [specifically] even our raw ingredients in many of our markets.

We hedge known transactions, but I'll tell you, the only experience we've ever had in hedging translation was in the mid-1990s, and was it a mistake. We'll never do it again. That's why most companies don't do it. We do know that over time, it generates neutral, although is this is -- we did one study over a 10-year period. I think it was at a nickel all up over that 10-year period of time, but it's a difficult year with regard to that, but not when you manage your business in local currencies.

I'm going to turn it over to Michael Tziallas. The reason I want to have our country -- and I've done this now and I'm in India, Brazil, Africa, numerous countries. The reason I want you to hear from some of our Managing Directors is I don't want to take them out of the field to come to an Analyst meeting where we do a show and tell, but when I'm in these markets, it doesn't take more than a couple hours of their time for them to be part of this. One of the reasons I want you to hear from these people is all a company is, is a collection of people, and I think we've got some of the best and brightest and we've been working on it, for my 20-plus years with this Company, and it's to illustrate the strength of our Management teams.

I've got to tell you a direct sales company shouldn't -- it's such a unique industry. If a company has to recruit leadership people from the outside, they're doing something wrong. You've got to grow from the inside. Rarely do we get managing directors passed in their early 30s. They grow up functionally. Then they get cross functional training to become general managers and we move them on. For that reason, we've got five. I'll be here another five years or so. We've got five succession candidates for me, only one good American from all over the world and they will have been in different positions from functional positions, to running portfolios of small markets, to big portfolios by the time they get the nod as CEO.

Michael Tziallas is Managing Director here in Italy. Mike's in his early 40s, and yet he's got 18 years with the Company. He has had his ticket punched in our Greek business, in Switzerland, in our German business where he was Head of Marketing. He was most recently the Head of our Austrian business and led that business to incredible double-digit growth. And now he's running our Italian business since 2011. Mike, let me turn it over to you and share a little color on our business here.

Michael Tziallas - *Tupperware Brands Corporation - Managing Director, Italy*

Thank you, Rick. I'm very happy to share with you what I think have been the key changes that have enabled Tupperware Italy to go from literally slow to no growth in sales to a high-single and double-digit increases that we have achieved over the past three years.

In slide 17 has several key facts about Italy as a country, which I think are very important for you as well as our business model. Italy has a population of around 60 million. It is ranked fourth largest economy in Europe and is also -- and this is very real relevant to us, fourth largest direct selling country in the world. It is a culinary country with an appreciation for quality.

The people in Italy tend to be highly communicative with a strong sense of family, friends, and high emotions. I would say that this creates a great environment to enable Tupperware to perform well here. We have had a presence in Italy for 50 years. I have to say that Italy is one of the first markets that Tupperware entered 50 years ago. However, unlike a number of our European markets we didn't really have the right formula for the markets. We had a large number of small home distributors and less of a focus on the culinary culture and the part which is for us, of course, the preferred selling method. With the changes I will be discussing that we have recently implemented, we think we now have the right formula.

As a result, we are attracting, recruiting, and retaining people in our sales force that appreciate quality products that can be easily demonstrated in a fun and a relaxing atmosphere while at the same time providing a very dynamic earning opportunity. Just to give you a good idea of the progress we've made over the past three years, that I have been here in Italy, here are some important statistics. Tupperware Brand awareness in Italy is around 80% today. We performed marketing research last year. It used to be 40% three years ago.

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However, the actual penetration, meaning households that own a piece of Tupperware, is only around 45%, and I say only because for a European family, that is quite low. We estimate the percentage of sales coming from parties is now around 70%, up from 50% three years ago. This has been achieved through continued focus and training to the party which is the preferred selling method for our Italian Tupperware business. And because of that, our party average are just under $400 today, up over 60% but what used to be three years ago.

Looking at slide 18, you can see that our sales office is in Milan in the Northern region of Italy. We have today 48 distributors of which 28 are mega distributors, which are the same as traditional distributors but much larger and tend to be much more profitable. We function under the same distributor model that most of Europe does with distributors supported by team leaders and unit managers, and [most important today] a total sales force of 30,000 consultants. The colors on the map get darker, you will see that on the slide, just to illustrate higher sales volumes. Our higher volumes clearly come from the North area of Italy and the Deep South area of Italy. And as you see by the lighter shading in the center lies an important area for growth opportunity.

If you go to slide 19, you see an example of one of our distributors. The average size of our distributors has increased 75% versus three years ago. We have to have a [strong] distributor base, reducing the number of distributors by creating fewer but pursue larger mega distributors. These mega distributors have a stronger purpose and sales force growth and leadership development through strategic initiatives, training, and personal development but on the same hand side, they have the ability to invest with us in the growth of our Italian business.

On slide 20, I would also like to take a moment to talk about our use of our celebrity chefs in Tupperware Italy. You know very well that the Italians are fashionable people and image is very important. We are really using our Chef Mattia Poggi to help change the Company image to new, fresh, young, and modern. We have found utilizing Chef Mattia in our catalogs and recipe booklets, as well as at large and small social events, help excite the sales force.

[I would now say about] the fifth year, I remember one of my bosses once said -- in Austria it takes about five years for the people to implement the blueprint. In Italy, they have fashion shows every six months so you better be fresh every six months. And that's what we are trying to do now with our celebrity chefs, and we are trying also to reinforce our promotions locally, inviting sales force to perform and to attend cooking classes and training shows with Mattia Poggi.

In slide 21, gives you an idea of what items are currently included in our sales force demonstration kit. The demonstration kit in our business is very, very important. The product that you are offering to a new consultant is not only a reward, it's actually the path to her successful career. On the left side of the slide, we show some of our top products in 2013. You can see that most of these are parts designed to be demonstrated at the party and reinforce our culinary culture.

If we want to see a little bit of the road ahead for Tupperware Italy, on slide 18. Even though today our brand awareness for Tupperware Italy is around 80%, our business is mostly focused in the Northern and not Southern areas. As I mentioned penetration for Italy is only around 45% and we have very low penetration in the center of Italy. I can mention an area, I think you'll know. Tuscany is not only a dream destination for vacation, it's also the richest area of Italy and also the most culinary area of Italy. For us the last 50 years has been an area that unfortunately we have not been able to enter. Over the next five years, we will open four new distributors in this region to start recruiting sales force and growing sales with a strategy that we are applying from 2014.

We will also focus on an urban strategy for penetration in Milan, Rome, and Napoli, focusing on products that help busy working women by making their lives easier, but also making sure that our product and our opportunities is much more easier for people who live in big cities. And like other established markets, we will continue to look for new products and new product [distributors] that will help us excite our sales force and grow our business. And now I will turn it back over to Rick.

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

Michael, thank you very much. Before we open it to Q&A, let me make a couple comments that I think are relevant to our business with some of the discussions that went on at the World Economic Forum in Davos. As you know, pretty much the stage at Davos is represented by markets from around the world and lots of discussion on what are some of the most significant issues. Of the five top items we talked about, two of the items

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really hit our sweet spot, and there's a lot of conversations about the growing gap between have and have-nots in the world. The growing affluent classes and those who have very little. Our business, and there was conversation on this, our business model really is set up to assist that.

Most of the new job creation is not coming from traditional methods and they're looking for more entrepreneurial growth and that's what we do. The millennials, at the same time, are also looking to become entrepreneurs, and we are well-positioned, particularly in the emerging markets -- in this middle class, people that want to have a different lifestyle. She can come into Tupperware, we will finance her. She can move up to becoming a manager, a team leader, or a distributor. So it really is beginning to work there. But adding on to what Michael said, we have big meeting rooms today, [gold] yesterday in Milan with more and more as I look out into the audience, younger women that are even here in established markets, looking to become entrepreneurs.

So I think we're at a sweet spot and this is going to assist us in Tupperware in the future. The second thing we're talking a lot about at Davos is the continuing subject of gender parity. Even the President noticed, in watching his State of the Union, even brought this up last night. I'm very pleased with what we're doing with regard to this. You heard my comments with regard to the Global -- the Global Fairness Initiative studies in not only Mexico but Indonesia. But I'm pleased with the direction we're taking, not only within the sales force in growing numbers of women but in our Management team as well.

As I joined the Company, we had basically one woman as a Managing Director. I'm pleased to say a growing number of our Officers and Leadership Team are women. Of our Group Presidents, two of our three Group Presidents now are women. The Head of the Americas is a woman, the Head of Asia-Pacific, and we're not doing this to check the box that they're a woman. We're doing it because these are dynamic leadership people.

As I look into our markets, Malaysia/Singapore, the President of that business a woman. Indonesia, both of our Beauty businesses in South Africa, in Australia, in France, run by women. Venezuela, Brazil, Argentina, Czech Republic, Poland, and even Muslim Turkey, very interesting. Two of the largest Muslim populations in the world, Indonesia and Turkey, both of those are run by women. So one of the things I think that is most important about Tupperware and the key to our competitive advantage is we are focused on growing talent, and we're seeing it, and that's what's contributing to our results.

Mike, we'll turn it over to Q&A, and again, the hard questions go to you.

Mike Poteshman - *Tupperware Brands Corporation - CFO*

Got it.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Your first question comes from the line of Jason Gere with KeyBanc Capital Markets.

Jason Gere - *RBC Capital Markets - Analyst*

Okay. Thanks. Good morning, guys. I guess I want to talk a little bit about the margin side of the business. Obviously, the top line you still hit that sweet spot of that, you know, that mid- to high-single-digit organic sales, but it just feels that the cost of doing business in a lot of your markets is getting a lot more challenging. So I guess the question I have is, what are you doing like internally within the Company to kind of challenge, you know, your employees to find more cost cutting or have you thought about anything more on a broader scale like some of your competitors have

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done to maybe find more cost cutting that it gives you more flexibility to, you know, to reinvest in the business as you need without kind of impairing some of the EPS as we're seeing, you know, fiscal 2014 may be shaping up to be that way?

Mike Poteshman - *Tupperware Brands Corporation - CFO*

Yes, Jason we're doing quite a few things. So let me run through that, and first to point out that in the fourth quarter 2013, while we did have a drag from this translation FX and from the higher interest expense, our local currency margin from operations was up about close to 40 basis points, so not too bad there before those drags.

In terms of what we're doing to manage our businesses, in light of the environment as we did our planning for this year, we were more careful to look for near-term payoffs from our strategic investments. You've heard us talk before about how we split the drop through on higher sales between what we're going to keep and what we're going to invest. We were very cognizant of the external situation and what was going on with our businesses there. That's number one. More specifically, while we're not doing the kind of broad based reengineering that you were sort of alluding to, we are looking closely on a market-by-market basis on where we are with our value chains and benchmarking across our units to be specific on where we need to improve things.

You've heard us talk before about the greater opportunity normally in our DS&A lines, or SG&A as you might think of it, and that's because a greater proportion of those costs are fixed. We're looking to get more leverage and more effective promotions as an example to be able to come out on the other side. But it is much more in a market-by-market basis.

Jason Gere - *RBC Capital Markets - Analyst*

Okay. And then as you look at the margins, the ROS for this year being flat, can you kind of parcel out between gross margin and SG&A? I mean, if the organic sales are going to be in that 5 to 7, I would think there would be some SG&A leverage in the model. I was just wondering as you talked about some of the commodities and things like that, can you maybe give a little bit of color just between gross margin, SG&A, how we should think about that?

Mike Poteshman - *Tupperware Brands Corporation - CFO*

Sure.

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

Let me take the first part of that Mike, if I may. Hello, Jace, how are you?

Jason Gere - *RBC Capital Markets - Analyst*

Good.

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

The first piece, we're -- our guys have done a great job with regard to gross margin. That's not where we're really moving. And the biggest thing that I want to point out in a direct selling company, it is really important that we continue to move this top line of the business and grow. When you see direct sales companies really focusing on, mostly on expense reduction on it, it's because they're having problems growing their top line of the business. It's a big warning signal.

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For us, I'll tell you are this thing that we could impact our margins on is not our SG&A. It is our weak sister markets right now where we used to -- you know, we have a benchmark in there of an ROS at 15%, but I can take you through starting with our Fuller business where we've had to invest more in our Fuller business and we always averaged a 22% ROS. You know, that's down and we've got to get that business growing again, and it's not the next quarter head that we're going to be in a reactive position to what the market leader there is doing. Yet, we're unwilling to get into a discount battle there, so that's impressive.

But there are a number of markets that are less than our 15% range. We don't have to hit on all cylinders to get the kind of double-digit growth, to get into that mid -- into that 14% area of pretax earnings, but we've got to get some of these weak performers, you know, CIS, Fuller, BeautiControl, these US businesses, we've got to get these businesses operating at plus 15%. Mike?

Mike Poteshman - *Tupperware Brands Corporation - CFO*

Right. And Jason, to address a little bit of what you said on the broader part of it, on gross margin, we -- I highlighted that the resin impact that we see year-over-year in cost of sales is about $10 million, and so we go against that by managing the mix of products we're selling and the promotional structure that we're using, and then we do also price in mind with consumer inflation and so that is meant to come together and get a better result, and it's a risk point. It's a unit-by-unit process where we aren't performing well, and in some cases our margin is not a size it should be, and there we need to do more to have a better outcome in those specific units.

Likewise on the DS&A line, there's some costs that are in non-local currency so we have to manage those and that's considered in our outlook, but with more of our -- a higher share of our costs in that caption fixed, in those units where we're struggling, a lot of times that's where the leverage needs to come from is more on the DS&A line.

Jason Gere - *RBC Capital Markets - Analyst*

Okay. Great and then just --

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

Don't expect us then to have any reengineering. We feel good about our business model. We feel bad with how some of our units are doing, and that's where we're throwing a lot of resources at time and energy, yet those businesses perform in the right way.

And I guess the -- my experience has been okay, you're going to see just like South Africa and a number of these, you're going to see them move back into the winner circle here as we move forward, but you're going to see some new ones crop up enough, and we're trying to become better at anticipating these markets before they go into a decline, and I think we're getting much better as a Company and as a management team at that. But it is eternal vigilance.

Jason Gere - *RBC Capital Markets - Analyst*

Okay. I guess just one follow up question then I'll hop off the call. Just wondering about, you know your guidance on Asia saying it's going to be up high single digit to low double digit, and I guess I've always kind of viewed Asia as a lot of growth opportunity there, the emergence of the middle class. You know, as you look at 2014, within this guidance, can you see a scenario where there would be a re-exploration in 2015 so, you know, maybe 2014's guidance reflects some of the near-term fear and trepidation that's out there, but there should be stronger growth, I think, over the next couple of years.

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Mike Poteshman - *Tupperware Brands Corporation - CFO*

Yes, Jason, I think one of the elements -- I know one of the elements that's in there, we were up 12% in the fourth quarter and did very well for the year to your point, and one of the ones that's dragged us in the third and fourth quarter that we've talked about is having India up only low single digits, and clearly when we look at the opportunity there, it's not one of the markets where we're yet over $100 million in sales, but with the population, the rising middle class, the things you've talked about, that's a huge opportunity that we've talked about before. So, yes we should see better results there going forward.

When you look at the share of the businesses, the share of sales from businesses that are in emerging markets in Asia, which again, I know is what you're going towards, it's very high towards the emerging markets, so we should see, you know, all things equal, a greater share of growth coming from places like Asia and South America, which is what we've seen.

Jason Gere - *RBC Capital Markets - Analyst*

Okay. Great. Thank you very much for the color, guys.

Operator

Your next question comes from the line of Linda Bolton with B. Riley.

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

Can you just talk about in terms of the currency hits to your sales and profitability, I mean a lot of the other multi-nationals are suffering from the same thing, but in many cases they are hoping to price up to be able to offset some of that. It doesn't seem like you're including that at all in your thinking, and I'm wondering why because I always understood you had probably more pricing power because you're a direct seller and you sell kind of high end goods that are not priced -- based on price. Can you talk about why you can't price a little bit more to offset the currency?

Mike Poteshman - *Tupperware Brands Corporation - CFO*

Linda, our approach has been to really price in line with consumer inflation, and that's to protect the earnings of the sales force and in light of the good value of our product and the fact that people aspire to our product. So you've seen that our assumptions in local currency are for this 5% to 7% growth and double digits on EPS, so we're getting, you know, what the market has, market-by-market in terms of price increases but we don't really see that as an avenue to offset translation impacts.

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

Okay. And then just looking at the profitability of Beauty North America in the quarter, and I'm sorry, I missed the first part of the call. Maybe you talked about it, but you're really down to very small level of profit, so I'm assuming BeautiControl is in the red, losing money at the operating profit line. And I would think that Fuller Mexico is probably declined quite a bit also in profitability, so I mean you're really on the verge of being lost, making a loss in this area, so can you just talk further about how long you're willing to give this a chance to go, especially BeautiControl which you've been on the third manager at least in recent years there?

Mike Poteshman - *Tupperware Brands Corporation - CFO*

Rick?

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

Oh, yes. Perfect. Linda, on the other part of your question, I just want to reiterate what Mike said on the translation. We do have that pricing power in markets but and we manage it and we manage these businesses in local currency, but at the end of the day, our issue is when you've got to convert it back to US dollars, that's where we get hit, and we use our pricing power but what you're really seeing is in Indonesia, you know, that they will be down 14%, Brazil, Turkey, and then the South African rand that has been normally at 8 to 9 go to 11. When all that happens, that really doesn't deflect our pricing power. That just reflects translation to us, and that's confusing but they're two different stories. Okay.

Now back to your other question. There are two parts to that. I feel very good about the Fuller business there. We could -- I mean, we're -- we have a very nice mid-teen ROS in our Fuller business. RSU, and I want to see that get back to north of 20%, but we can't do it right now given the sensitivity of pricing, given the big discounting going on with the other big direct sellers. We're -- so this is -- you know, we're not going to play that game. We've got a very good management team on the ground, and we've just got to, you know, stay the course there.

BeautiControl has been such a disaster for us, and you're correct. We've been through three general managers there, and we are in the red in BeautiControl, but we are committed to that business. It's a very good product line. It's a very good market. We tripled the size of that company since we bought it and have now given almost all of that back, but we're going to put a stick in the ground and it's a market in that kind of a segment we believe worth being in, and we utilize a lot of the R&D from some of the other units to drop into BeautiControl and then we translate it into some of our other Beauty units from BeautiControl.

So it's important us having the South African business, we've got the one in France, the one in South Africa, and Beauty is important to us most importantly for Latin America where they spend more than $20 billion on beauty products. BeautiControl, you know, it contributes in other ways. I want to see it get back to growth. It's got a good sales model, and I want to see us do a better job at executing, but I'm as disappointed as you are. No, I'm more disappointed than you are.

Mike Poteshman - *Tupperware Brands Corporation - CFO*

Next question?

Operator

Your next question comes from the line of Dara Mohsenian with Morgan Stanley.

Dara Mohsenian - *Morgan Stanley - Analyst*

Good morning. Rick, the emerging markets growth was clearly still robust in Q4 although it did slow sequentially and there's been some concern, obviously, in January with some of the volatility we've seen in emerging markets, so I was just hoping for a bit of perspective on if you believe softer macros rows in emerging markets are impacting your business, the potential risk as you look forward to 2014 and just kind of your level of visibility in those emerging markets.

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

Yes, the highest level of risk right now that we have personally, I'm going to take it, the -- I can't do it globally. You almost have to look at areas of the world and then markets within those areas. For Asia-Pacific, the concern is not China. We've got a very strong business model there. I think our new product program and new categories we've gotten into particularly with water is going well, and we've shown our ability to be able to sell higher priced, more exotic products where there isn't a lot of competition.

The one I worry about more right now is I want to get to almost to step 2 in India. It actually would be step 3. Our first decade in India took a lot of time. They had never seen any -- the only food storage category that was there was people buying tins. So we had to go in the ground and really

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start to educate consumers, food storage matter, and sealable food storage matters even more. Stage 2 of the business there, Asha took over and we really got into more sophisticated products, more sophisticated direct selling techniques, better, you know, and then we expanded the product line dramatically. We've got to tweak it and to get step 3. What we lack there is some direct sales fundamentals that work in other Asian markets.

Indonesia is much better with regard to contact programs than we see in India. I mean if you're a distributor in Indonesia, you hold five separate meetings a week. You hold a Monday morning assembly. There is a manager meeting that goes on. There is a new product session every single week. I go through the whole -- you would think the Indonesians are Germans. They have really got -- they call it the blueprint, as a matter of fact. They've been better at executing that than we've had in certain parts of India where the business is a bit looser with regard to direct selling standards. And I know that's what management is really working on.

Product line is fine. Yes, there's some macro stuff going on, but you know, when you have India come in at single -- modest single digit third and fourth quarter, that's a dampener. That's about the only ones in Asia that I have concern on. I think you're going to see it continue in Indonesia. The only issue in Indonesia now is their currency. The rest of it, you know, China, we can send you to believe they'll have double-digit growth there. We've had some bumps in Malaysia, but I think we'll get through that. Philippines, we were impacted by the horrific storms there, but fine, let me go to Latin America.

The big story is our Brazil business. We continue to be up double digit in Brazil, but you're starting to see around the edges, you know, Venezuela, who knows, you know, Mike and I keep talking about the impending devaluation in Venezuela. We stay in that market because we've got a sales force and we're not going to abandon them, but Argentina recently, even though we're adding dramatic increases in Argentina, the government's fiscal policy is a bit shaky right now. And I go to the emerging -- the markets of Africa. We're back on track again there. I feel the right direction in our Eastern European businesses; Turkey's up strongly. I think we've finally got somebody dynamic running our Polish business, which is a huge direct selling market, and we've never done anything with it.

And we've got to get through this pig running its way through the python in CIS with regard to getting managers back engaged. So you know, Dara, I've been to most of these places in the last six months. That's kind of my bird's eye view of it. Some disruption but a lot of order out there as well.

Dara Mohsenian - *Morgan Stanley - Analyst*

Okay. That's helpful. And then Mike, I know you discussed your forward pricing strategy, but can you also help us parse out how much of the local currency sales growth in Q4 was driven by pricing versus volume, particularly down in Latin America given the large pricing in Venezuela and if that was any different than the year-to-date rate through Q3 in terms of pricing.

Mike Poteshman - *Tupperware Brands Corporation - CFO*

Yes, the pricing and impact in South America was pretty big in the fourth quarter. As we looked at it, it was about three-quarters of the increase there. That had to do with Brazil having good volume but not as much volume as the third quarter and earlier in the year. When we look at the overall picture on the full year, it was probably somewhere around, for the whole company, half pricing-half volume. And so that reflects pricing decisions on a market-by-market basis at different points in time rolling through the numbers. So from the past and that will be the case going forward as well.

Dara Mohsenian - *Morgan Stanley - Analyst*

Okay. And did that pricing build sequentially throughout the year or it was pretty consistent?

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Mike Poteshman - *Tupperware Brands Corporation - CFO*

Well, there was a bigger impact in the fourth quarter clearly in South America which is where we have the biggest pricing impact, then earlier in the year I think you said we were around 60% in the third quarter, maybe two-thirds in the second so it wasn't -- it was a little bit higher but not dramatically.

Dara Mohsenian - *Morgan Stanley - Analyst*

Okay. That's very helpful. Thanks.

Operator

Your next question comes from the line of Connie Maneaty with BMO Capital Markets.

Connie Maneaty - *BMO Capital Markets - Analyst*

Good morning. I have a housekeeping question and then another one. Did you give -- I'm not sure if I missed it or not, the FX impact on earnings in 2013 and what the organic EPS growth was?

Mike Poteshman - *Tupperware Brands Corporation - CFO*

Yes, the EPS impact in 2013 was $0.21 and the full-year organic EPS growth was 12%.

Connie Maneaty - *BMO Capital Markets - Analyst*

Okay. Great. Also in Venezuela, I appreciate the -- that you've quantified what the impact of a full devaluation to the black market rate would be, but if the devaluation is 50%, is this a linear relationship? Is there a way for us to figure it out?

Mike Poteshman - *Tupperware Brands Corporation - CFO*

Yes, I think it would be linear.

Connie Maneaty - *BMO Capital Markets - Analyst*

Okay. So 50% is like $0.16, and 100% is $0.32, right?

Mike Poteshman - *Tupperware Brands Corporation - CFO*

Yes, something like that. Right.

Connie Maneaty - *BMO Capital Markets - Analyst*

Okay. And then I just have one final question. That is on Indonesia with its really extraordinary growth. What are the things that you see that could either slow the growth a little bit or what are the trouble signs, if any, in that market?

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Mike Poteshman - *Tupperware Brands Corporation - CFO*

Well, the first thing that we always look at, and I'm sure Rick will have input too, the first thing we always look is how are we doing with the sales force size and we did end the year there with a greater than 20% sales force size advantage so certainly the right kind of thing. We've also had good activity with that sales force and in fact, have put in higher prize levels and things as we work that business and that's allowed us to get productivity as well. So really what we look at first and foremost is how is the recruiting going. Are we getting a good sales force advantage and then are we turning them into actives and then the next step or, you know, it should happen at the same time, is are we getting the right kind of productivity.

From a longer term point of view, we look at how are we running our distributor structure, do we have the right number of distributors, and underneath them team leaders, who are people who have developed sales force managers which is a sales force manages our first levels of sales force leadership. Those team leaders are key because it gives more leverage to the distributors without having to add a lot in that way. And distributors, they would have a higher cost structure for themselves. So we've been running all of that very well in Indonesia. We work closely on the supply chain as well to be able to supply, and we've been able to bring that together well, and we keep working on those details.

Connie Maneaty - *BMO Capital Markets - Analyst*

And then just finally, is Indonesia now your second largest market after Mexico and where did its sales end up for the year?

Mike Poteshman - *Tupperware Brands Corporation - CFO*

Well, it was over $200 million in sales and so it joined the other unit that we have with more than $200 million is Fuller Mexico. It's not larger than Mexico in total, no.

Connie Maneaty - *BMO Capital Markets - Analyst*

Okay.

Operator

Your next question comes from the line of --

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

It's our largest Tupperware business. Germany is second, but as a market, Mexico that's because it's our Fuller business and our Tupperware business. Both are extremely profitable.

Connie Maneaty - *BMO Capital Markets - Analyst*

So Indonesia passed by the US here. Is that right?

Mike Poteshman - *Tupperware Brands Corporation - CFO*

No, I don't think that that's right when you consider BeautiControl and Tupperware US and Canada together.

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Connie Maneaty - *BMO Capital Markets - Analyst*

Okay. Thanks.

Operator

Your next question comes from the line of Sofya Tsinis with JPMorgan.

Sofya Tsinis - *JPMorgan - Analyst*

Hi, thanks. I just want to talk on Fuller Mexico. I understand that you would like to get some margins over 20% but is that a realistic assumption given the competitive environment hasn't really eased for a number of years and when do you really think you could reach an inflection point in that business or potentially make other decisions about it? Thank you.

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

We had 22% margin -- over 20% margin for the first seven years, I think, that we owned that business down there, and you know, and then competition, mainly Avon with crazy pricing. We know some of their pricing is on products that are hardly 20% gross margin. How long can you continue to do that? We're not going to get into that with them. We've got a profitable business down there. It's interesting when we sit there and look at our business, we say what are our issues down there. We just did a marketing review, very strong marketing team, feel very good about our cosmetics, fragrance, and toiletry business.

Our gift business looks very good, really decent margin. We dominate really in fragrance because we have higher concentrations in our compounding in our fragrances. We've been moving all of our businesses more from a Fuller branding standpoint to our Armand Dupree which is really the sub-brand that is a prestige brand and is what women would really rather have. It's our upper brand of that. Marketing looks good. I like what they've done with regard to our distribution side of the business. Cost structure is decent. Our issue, as a big lever for us right now, is on the sales management side of it. We still don't have -- we have too high a turnover of our field sales managers. We still have a gap in the size of the sales force.

Most of that is going to be on the sales force size is make it easier when we don't have a competitor that's doing this kind of pricing. So we're not going to get into that. Somebody once said to me never get into a fight with a pig. A, you'll get dirty and B, the pig likes it. So we're going to put our stick in the ground and keep running our business because we're going to be a quality brand down there. I mean, I hope we can be back there in two years to that, but it may take longer but we're solidly in a nice position there with regard to what we've done with our branding and I think we're really strengthening the sales management side of it. What usually happens is when somebody gets into the discount game after a point in time, they either give up or they go out of business, and we're not going to engage in that strategy.

Operator

Your next question comes from the line of Olivia Tong with Bank of America Merrill Lynch.

Olivia Tong - *BofA Merrill Lynch - Analyst*

Thank you. Good morning. I wanted to talk a little bit about iTUP. Can you help me understand, is that meant to be an addendum to existing training programs or potentially a replacement in some cases? And I ask that in tandem with the commentary around Indonesia doing better than India because of the high contact and the improved contact in Indonesia relative to India. Thanks.

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

Yes. Hi, Olivia.

Olivia Tong - *BofA Merrill Lynch - Analyst*

Hi, Rick.

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

First thing, not a replacement. Never, never a replacement. It is interesting, I was showing a group this morning, if you did a thermometer like on when intimacy at lower end is not intimate, cold, high intimate at the top. At the bottom end is Twitter, then texting, then email, then a letter, then a telephone call, then face-to-face contact. Contact is key in our business. Contact really is the greatest cause of keeping people active in our business. Nothing can ever replace us having assemblies at our distributorships out there or is it going to replace training face-to-face. As a matter of fact, my wife says it's brighter than me on this that social networking has become antisocial actually where people are looking for this.

iTUP is really a way of having an additional method that if you went to the training session, Olivia, and then you want to get ready -- you really want to bolster and have -- it's almost like students prepping for their SATs by taking an SAT course. You could go on to iTUP and it would take you, first of all, there's a whole section on getting started. How to come up with your list of your first parties. How you do a memory jogger list, and it's interactive. You do this, it gives you feedback, and then you go to the next step.

Then it says how to make the phone calls and do the invitation. So you've got that in a class but this is really in addition to it. And then when you decide, okay, the kind of products I want to focus on are for busy working women, the ultra plus or micro gourmet steaming systems, you can sit there and take that online and with iTUP, and so you can tell the stories. You understand here are the different menus you could do. So what it ends up doing is really the supplement to the learning you've got and a support. And I'll tell you, the average activity level and party size when we first launched it in Germany was just astounding there.

Now to Indonesia, that I'm pleased to say, Olivia, is the market who is leading with iTUP for Asia. They're the ones who are designing it, and they've done everything else with regard to their standards of correctly; we feel that they're going to do the right thing there. It's going to take us this year to get this implemented, but I've got a senior management team that are, we call them the 20/20 vision group. Michael's on that. Mike Tziallas here is on that group, and we've already met for about a week on these subject of recruiting, onboarding, activation, and retention, and Michael, we meet again in March, don't we?

Michael Tziallas - *Tupperware Brands Corporation - Managing Director, Italy*

March.

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

March we get back together. We're really looking -- how do we turbo charge this thing to a program that we can get implemented everywhere. Sorry for the long answer Olivia, but an important question.

Sofya Tsinis - *JPMorgan - Analyst*

Thank you for the color. Appreciate it.

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Operator

Your next question comes from the line of Mike Swartz with SunTrust Robinson Humphrey.

Mike Swartz - *SunTrust Robinson Humphrey - Analyst*

Good morning, guys. Just wanted to touch on the outlook for Beauty North America. I know we've gone through it here in detail but just in terms of, you know, the guidance being down mid single digits, you know, in light of the two years of kind of high single digit, low-double-digit decline we've seen, I mean how much visibility do you have that that can improve and are you basing that upon, you know, some kind of sales force closing that gap or greater productivity?

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

Mike, let me comment first piece and you end up the second piece. Firstly because where we really had the visibility is down at the unit level. I will speak to a market -- I'll be Friday afternoon in Germany and Michael Tziallas here is Head of Marketing there. We have -- we can see into a distributorship and there in Germany, there's 135 distributorships. We can see into her books, and we can see what the party lineup is, which means gets right down to, oh, what do the demonstrators have in their party lineup.

We can see out about five weeks in Germany, but it's interesting. Five weeks out, it's a little fuzzy on week 4 and 5. You get about week 3 out and you start to have 75%, 80% certainty that you feel it's pretty good so that what that enables you to do Mike, is if you see that the part -- we know what the party average is, it's a math formula. For example, here are the party averages, $400. You know what kind of party lineup you have set up there. You just do the math on it and you say, uh-oh. We're missing some parties, and that's the way our guys talk about it. So they would drop in two to three weeks before that. They would drop in some kind of promotional incentives to get -- they need to make, for example, 10,000 more parties.

What are you going to do to get it? You have a sales force of 60,000. You sit there and you understand, I know what to do. And that's where the marketing lever puts it now. Sometimes what you'll have, like last year, weather would come in and all of a sudden devastating storms came in. Huge party cancellations. What you try to do is re-book those parties but you lose some of them. Sorry to get so granular but we manage this business, for example, by a country and then in the country, they manage it down to -- how many regions are there there?

Michael Tziallas - *Tupperware Brands Corporation - Managing Director, Italy*

Four.

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

And how many in Germany?

Michael Tziallas - *Tupperware Brands Corporation - Managing Director, Italy*

Eight.

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

Eight regions and under those eight regions, each one of those regions have about 15 to 18 distributorships. And so you manage it right down to that. That's why you get granular and that's why we have pretty good predictability. Now on a macro level, the biggest thing we will manage from visibility size of sales force, and that's why there was a huge push with week 48 of the year, the 52 weeks in a year, you figure out is the first week

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of December. All across the world to reach a certain recruiting level and we did reach that recruiting level because what that sets the tone for is what kind of first quarter we're going to have because you get the size of the sales force up.

You get those people trained and active. You hope weather doesn't, in Europe for example, absolutely undermine you. Now, the offset to weather in Europe is the southern hemisphere. It's the middle of summer for them, and the more Asia-Pacific comes on, when people ask me what's your biggest hedge against bad weather in Germany, Indonesia is because it's the middle of summer for them in that southern hemisphere.

Mike Swartz - *SunTrust Robinson Humphrey - Analyst*

Okay. Thanks. And just I guess in terms of the -- some of the competitive activities you talked about in Mexico with one of your largest competitors, did that actually accelerate from the fourth quarter and how does that look kind of you know as you see it now in January?

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

I can't give you January but I can tell you I do know it accelerated in the fourth quarter. Mike?

Mike Poteshman - *Tupperware Brands Corporation - CFO*

Yes, the feedback we've had on the beginning of the year is that there's a higher level of price discounting going on, a greater number of low price product offers and more aggressive recruiting promotions, call it, so the prize that somebody gets for recommending somebody into the sales force. That's not by us but by the competition.

Mike Swartz - *SunTrust Robinson Humphrey - Analyst*

Right. Okay.

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

And Mike, for you to get the granular nature of it there in a country like Mexico, we will have, you know, we have this very significant sized sales force, but our weighted estimates is 50% to 60% of our sales force carries competition's brochures, and when you see one or the other selling this thing, giving it away, that impacts us. She doesn't -- she's not active with us then.

Mike Swartz - *SunTrust Robinson Humphrey - Analyst*

Okay. Thanks for the color, Rick. Thanks, Mike.

Operator

Ladies and gentlemen, we've reached the allotted time for questions. I would now like to turn the call back over to Mr. Rick Goings for closing remarks.

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

Thanks everybody for your time. We look forward to bringing you up-to-date. I hope some of this currency settles out and I think the thing I most want you to understand is we're working very, very hard with a couple of these problem markets to get them contributing at this ROS level. That's

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what's going to lead us to this, not only this mid-teen contribution margin pretax, but it is also going to lead us to that climbing this 50 basis points for year end getting more productive in the future. Anyway, thank you very much for your time.

Operator

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

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