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# EDITED TRANSCRIPT

TUP - Q1 2014 Tupperware Brands Earnings Conference Call

EVENT DATE/TIME: APRIL 23, 2014 / 2:00PM GMT

## OVERVIEW:

TUP reported 1Q14 local currency sales growth of 7% and diluted EPS, without items of \$1.31. Expects 2014 local currency sales growth to be 5-7% and diluted EPS, without items, to be \$5.66-5.81. Expects 2Q14 local currency sales growth to be 5-7% and diluted EPS, without items, to be \$1.44-1.49.



## CORPORATE PARTICIPANTS

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

**Mike Poteshman** *Tupperware Brands Corporation - CFO*

**Keith Haggerty** *Tupperware Brands Corporation - VP, Supply Chain, Americas*

## CONFERENCE CALL PARTICIPANTS

**Mike Swartz** *SunTrust - Analyst*

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**Olivia Tong** *Bank of America - Analyst*

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**Sofya Tsinis** *JPMorgan - Analyst*

**Frank Camma** *Sidoti - Analyst*

**Gregg Hillman** *First Wilshire Security Management - Analyst*

## PRESENTATION

### Operator

Good morning. My name is Tony and I will be your conference operator today. At this time, I would like to welcome everyone to the Tupperware Brands Corporation first quarter 2014 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. Rick Goings, Chairman and CEO, you may begin your conference.

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### Rick Goings - Tupperware Brands Corporation - Chairman & CEO

Thank you, Tony. Hi everybody. I'm in Hemingway, South Carolina at our 1.5 million foot manufacturing and distribution facility. I'm here today with Keith Haggerty, our VP of Supply Chain for the Americas and I've asked Keith to talk a little bit about our supply chain and our business. It's a source of competitive advantage and I think it helps for you to have a better understanding of that.

As always, Mike Poteshman, our CFO and Teresa Burchfield, our head of IR are in Orlando. I might say that if there's any disruption with regard to -- this is kind of a remote area of South Carolina with regard to phone lines. Mike, you pick it up on that end, okay? Also, Slide 2, you see -- I'm going to be bringing some slides forward. You should have those online. As usual, this discussion is going to involve the forward outlook of the business, so I would remind you, you know the running rules on that.

I'm going to try not to be redundant, as always, with what's included in our release. I'll try to keep our comments as brief as possible, only covering what we think is most important so we can spend the time on Q&A. Sales came in in the quarter, if you're looking at Slide 3, at the high end of our guidance range, up 7%. As usual, in a global portfolio, we had pluses and minuses and some looking at us, they start to see that our businesses of our markets, we've improved sequentially in a number of our markets and even more encouragingly, some of our business units have moved to the plus side. That's always good to see.

However, at the same time, as it is with puts and calls, we've had some that were plus that are now starting to feel the challenges. Particularly you have issues when you have markets that are growing very high double-digit lapping those kinds of comparisons. Now, there's always going to be the effects of this macroeconomic environment in our business and internal challenges to overcome. But we really think the major benefit of having



our global portfolio is that in spite of whatever is going on out there, you've got enough puts and calls to balance and still deliver some kind of consistent performance.

And that's the way Mike, I and the management team have really been putting together this company and growing it and managing it. The essence is our emerging markets were up double-digit, 14% in the quarter, and up to 64% of the sales mix. The established markets, while down 4%, we were pleased to see that this was an improvement sequentially over the past couple of quarters. In Slide 4 you see the balance between the segments, Asia-Pacific, about 30%, Europe, about third, and the Americas, 38% of Q1 sales. I would remind you, looking forward, to expect to see the contribution of Asia-Pacific continue to grow.

That's where the bulk of the world's population is and you will start to see that's where more and more of our sales force will be. So it will be representative of that. We entered the quarter with an expanded sales force, up 6% over the prior year and that was a nice improvement over the past several quarters. You can see that on Slide 5. We were up in all the segments here, both versus prior year as well as where we ended in the fourth quarter, excluding Beauty North America. We'll talk more about that. On Slide 6, regarding the average active sales force comparison, it was down 2% which was in line with where we were in the fourth quarter.

However, comparing active sales force to our 7% sales force increase, 6 of the 9 point difference was from a mix shift on where we got our sales. The remaining 3 points was primarily related to productivity increases in individual markets and I might add that inflation related price increases in South America, particularly in Venezuela and Argentina segment, resulted in higher sales in those business units. However, in China we don't operate with the same traditional sales force. So that can distort it. Mike can distill down on this when we go to the Q&A session.

But net-net, we're pleased with the positive development of the top line of the sales force. Turning to Slide 7 and drilling down on some of the individual units, again, I don't want to be redundant. But Indonesia, our largest unit in the world, continued very strongly. It was up 25% in the quarter and, again, it's lapping double-digit increases in the prior year. If you look at the underlying key performance indicators, which we do, that's what we monitor on a weekly basis. The sales for size, activity, the number of people in leadership levels, they were all strong and supported this kind of sales growth.

So we would say that the growth that we saw in Indonesia was really high quality. This is a well-run business and it's the fourth largest country in the world by population. Next, turning to China. We also had another tremendous quarter of growth. You'll recall, we run a hybrid model here where, because of small apartments in neighborhoods, we have outlets in the neighborhood. So what happens is often people gather in these outlets for cooking classes. In essence it's -- you might even call it the Chinese version of a Tupperware party.

We now have 4,300 of these outlets and sales were up in China 30% in the quarter. So good news there and I continue to hear when I'm on analyst meetings or doing one-on-ones concern about China's slowing economy, but we moved right through that and I think that says a lot about our entrepreneurial opportunity and the love of the brand name, which is now rated as a super brand in China. Also, while I'm in Asia, I'm pleased to report that both of our Japanese units, Tupperware and NaturCare were both up in the quarter. We do acknowledge, though, consumers were kind of spurred to increase their purchases because there was going to be a higher sales tax that began April 1, and so we saw a little dash to that in the latter part of the quarter.

Malaysia/Singapore struggled during the quarter, particularly in the early part of the quarter. However, they came back. The sales were only down 4% for the full quarter in local currency. It was driven by really a couple of things. The primary obstacles in our way were a drought in the central part of the country and the announcement of an additional tax by the government in 2015. So it kind of worked counter to what happened to us in Japan. We've got a good business there, great leadership team and I think it will be steady as she goes and you'll see more growth there in the future. India was not such a good story in the quarter. We were down 14%.

We continue to work with our distributors there to strengthen the standards of particularly the entry level sales managers in the business. They're the people that do most of the recruiting in our business. It was exacerbated this past 18 months by devaluation and compression on consumer spending, however, most of it was our fault. When you peel back the layers, last year we saw higher turnover at those levels. I think it's really a factor and I think our management team is all over it, meeting these new managers coming into the business, higher number of them and better training for them and more support for the newly reported managers.



So again, these are the primary recruiters. We put these actions in place. I think they've identified what the issues are. The market holds tremendous potential. We've, over the past seven years, had dramatic growth in India and I look forward to getting back on this double-digit growth case sooner rather than later. But I think it's going to take us a couple quarters to work through this. Moving on to Europe, star again was Turkey. In the midst of all this political and economic challenges that are going on, they were up 19% in the quarter. Also was pleased to see in this portfolio both South African businesses, Tupperware and Avroy Shlain, was happy to see them grow in the teens in the quarter.

You'll remember, in Tupperware a few years back we had some issues with counterfeiting plus some things that we needed to contemporize and focus on and we're really starting to see the benefits of those kinds of actions. We're trying to become better as a company always at anticipating when we start to see things on the horizon. That's why we -- Simon and the management team have an executive committee meeting every Monday morning. We go over what happened the previous week, what are the productivity indicators and our whole goal there is to identify changes in trends, even when they're very small, so that we can anticipate them and take the remedial actions sooner before you lose momentum in a business.

Turning to Germany, speaking of momentum, was happy to see momentum return. We were still down modestly in the quarter, low single digit, but we had an 11% sequential improvement over the fourth quarter. They were down in the fourth quarter 14%. They continue to build on their sales force advantage and now they've ended the quarter up with a mid single digit sales force size advantage. Now our focus is really getting these new recruits active and productive in the business.

Next door neighbor, France, through Germany, struggled at the start of the quarter. There's a lot of pressure on consumer spending there and governments trying to figure out what to do and consumers, they've been turning toward our opportunities. So we have been building our sales force, but consumers kind of rejected our January hostess gift. Hostesses are the key to our party business. She invites people over to her flat or her house and as a result, we don't have to spend money on advertising or retail rent and that gives us a decided advantage. But they really rejected the hostess gift in January. Sales were down in January in France 19%. The good news is they got better in the quarter.

February and March were better. So we ended the overall quarter 6% down. So we don't really have any fundamental concerns about the French business. It's well-run, have a solid distributor organization, but we've got to simply get better at anticipating even issues like is it the right kind of a hostess gift. Now, on anticipation, something that's on the top of mind to many people is the CIS in Russia. Let me take a few minutes to update you on what we're seeing in our business there.

First, let me put out of the way the Ukraine. It's really only 7% of our total CIS business. So we've seen minimum impact there from what's going on in the rest of the market there. I am pleased that while the CIS was down significantly in the fourth quarter, 30%, we saw some improvement. We almost halved that decline to 18% in the quarter. The key challenge now is we've got to rebuild the sales force size and activate them more effectively.

Additionally, I think we're down to a point of focusing on fewer things in that market but we've got to shift that business so it's less reliant on promotions, which has really been a key to their success the last couple of years since devaluation of the ruble. I've got to say, I suspect none of us had this on our planning schedules last year, what's going on now with Russia with regard to their moving into the other territories of the former Soviet Union. I suspect it's going to take us some time to work through this in the CIS.

Obviously, this tension over there, with the west particularly, is unsettling. I'll tell you what it really serves as. It's a distraction. We saw in our industry the same kind of distraction during the Gulf War in the early '30s when, for the first time ever, war was available on television in the evening and it was harder to get people active. So it's a bit of a distraction now, but we work through these things.

I look back at our business in Egypt and we were up 100% the week after the revolution. So it's resilient and because people, our people are local patriots in their country and she's still got to earn a living. So we have good levers to press. Speaking of disruption, let me turn to South America and Venezuela. Yes, we were up 100% in the quarter. And yes, we even had volume increases in the quarter, but most of this increase really was from pricing. As you know, we updated our monthly currency update. We are taking a 42% devaluation for the remainder of the year.

Mike will go through this, but even excluding Venezuela, the Americas, South America was up 20% in the quarter, largely driven by our business in Brazil, who very much like Indonesia, is lapping very strong double-digit last year, but was still up 23% in this quarter. And most of that I was



pleased to say, coming from volume. Our Argentine business also continues to grow. That was largely, when we did the Sara Lee acquisition. That was a beauty company. That was 100% beauty.

Now we're dealing with -- price is driven by higher inflation and I am pleased to see that it's also being impacted because now our sales force is selling higher price point Tupperware products. As a matter of fact, in this very short period of time, 70% of our sales in Argentina are now from Tupperware, where we're much easier to differentiate than in Beauty. I was just there a week before last and I was pleased to see this continuing shift. It says a lot for our business future there.

I also took time there, met with one of their senior economists and a former finance minister in the former administration. While critical of the current administration, there will be a change this next year and I feel good about some of the underlying macroeconomic levers for Argentina in the future. Turning to North America, Tupperware North America, Mexico was up 12%. That included 6% B to B. We do wonderful business with a large firm called Sariano that uses Tupperware for customer loyalty programs.

In each one of these things there's a bounce-back coupon to Tupperware which causes people to want to complete their set, so it really, it's a wonderful way of one channel helping another channel of our business and they bounce back to come to a Tupperware party. Our Tupperware US and Canadian businesses were down 8% in the quarter. Now, we estimate about half of this negative came from party cancellations due to severe weather. So we're focused heavily on how to activate the sales force here, but it was still a difficult quarter.

I also want to say that we've got some work to do. We had a meeting with management, Simon and I, with the senior management of the US and we've been working on it for the last couple months. We believe that in North America we've got some work to do on our overall North American business model and we'll keep you in the loop on this. Frankly, when we shifted our sales force structure some years ago, it was for the right reasons but we're seeing some, what I would call, unintended negative consequences. We're going to have to address them and that may cause some lumpy performance over the next couple of years.

But it's simply too important a market for us with regard to the size of the consumer marketplace, the love of our brand here and the entrepreneurial spirit. So I want to see going forward, before I leave this, US and North American business be a much higher percentage. Even though it's only 5% of the world's population, it ought to be bigger for us so we're going to put extra attention. Turning to Beauty North America, sales in our Fuller business, while down in the quarter 9%, they were sequentially better.

We improved from the 11% in the fourth quarter and we began to achieve better activity and productivity from our sales force. I've got to say, we just had this past week the biggest week that business has had in several years. I believe, and I'm down there with Simon every other month, we're working on the right kinds of things. We're beginning to fill the sales force management gap positions that we have and working on increasing the retention level of these sales managers.

I think at the same time we're capturing better activity and order numbers and we're seeing improvement there. So positive drum beats, I believe, looking forward and while you heard me say I have concern for the CIS moving forward this year, I'm opposite when I'm thinking about the Fuller business. We've got a lot of work to do, very competitive environment in Mexico, incredible competition and wild pricing discounts by competitors, but we're navigating through it and I think we're going to have a good year there.

BeutiControl struggled again in the quarter, new management team seems to be doing a good job. The mood is better than the results are, I've got to say. Got a lot of work to do and I'm not going to spend a lot of time. I'm looking forward to the time when I can report positives on BeutiControl. What we took away was a recruiting bonus trip that we think was ineffective, but it did impact some of the recruits versus last year. I do want to mention that we got together, the senior management team, and did a strategic review last year of all of our business units.

It's been quite a few years since we did these Sara Lee acquisitions. Clearly, that acquisition was focused on Beauty and Beauty particularly in the Mexican business and the rest we said were kind of gift with purchase. But they take time to manage, these businesses, so we made a decision. If we were going to kind of clean up some of these businesses because they -- the small ones dilute resources, they take us not only financially, they dilute resources, but management's time.



So last year we closed that small UK business, the Greek business which were single digit businesses, and we made a decision also in the first quarter and we took the action to shut down this Armand Dupree business that was only running in Mexico. It was a very small business, but it was distracting. Let me make a couple other comments before I turn it over to Mike. I want to update you, I talked about a strategic initiative at our last earnings where we brought together some of our really high pot individuals with a whole objective of what do we need to do to move this company to the next level. For us, we said that stick in the ground was \$5 billion in sales.

So we brought together, starting in the fourth quarter, this revenue generation team that was really 20 of our high pot people, but we've got many high potential people. We wanted it to be representative of different functional areas, different areas of the world. This is a group kind of 35 to 45 years old. They represent the future. We met again this quarter. Each time we meet it's for about four days and we dig deep. I want to give you kind of some the inputs or outputs of that as a result of this time together.

First thing, we believe very strongly that Tupperware Brands has significant runway with minor modifications to our current business model to get this company to \$5 billion. And most of this growth will come from a combination of geographic penetration and expansion in markets where we now have beachheads, plus and importantly, enhancing the effectiveness in expanding our sales force numbers and their productivity and success. And specifically, under that, we basically have an attitude that there is not an inexhaustible supply of recruits in the world and they need to be treated as a precious resource.

So we're focusing on four things. Firstly, on recruiting, more effective and targeted recruiting. Secondly, on-boarding new recruits with better support and really utilizing the technology that's available now from the digital age. I might tell you, what we've learned from doing very much like a Rosetta Stone iTUP program in Germany, dramatic impact when she can attend face-to-face training plus she's got online support for training. We see what happens, her average number of parties that she holds goes up, the average party is bigger and the retention level is dramatically increased. We're refining that and we're going to be rolling that out. So that's the on-boarding.

Third, the activation level. We're working on ways and we're experimenting with how do we activate somebody sooner and get her activated, we call it kind of take you by the hand activation, and hold that first party. And finally, retention. We're really starting to set targets with regard to not only recruiting goals each year, but really starting to begin to recognize and reward for retention techniques and we know the importance of retention.

There are three things that really drive retention in our business. Contact. That means getting together on a regular basis. Competition. We know even this friendly competition, it gets people operating at higher levels. And recognition. A lot of people come into our business initially for income, but so many stay for recognition and relationships. We're going to be working to refine these, but we've got the best and the brightest working on this.

Final thought before I turn it over to Mike and then Keith, we started more than a dozen years ago. I started doing retreats around the world, starting with 25 people at a time and we basically talked about it being managing director or CEO training. We have relaunched this with a whole group of new people. We just held our first one outside of Milan and we're going to be doing three more this year where it's just me on a stool in the center of the room. They've got all kinds of pre-reads. So think of it as an advanced management program in our industry and at the end of the day they present to us, what does it take to get this company to \$5 billion.

What would they do if they were CEO. What's important about this is we rarely ever have to recruit leadership from the outside. We get people into our business. We develop them. We move them around different functional areas and even different countries and then we launch them into a business. It's been one of the keys to our success of this consistent growth over the last decade and in the next four or five years that I'm here most of Simon's time is on day-to-day operations of the business. Mine is on strategy and developing the next levels of leaders who will run this company. With that, I'll turn it over to Mike.



**Mike Poteshman** - *Tupperware Brands Corporation - CFO*

Okay. Thank you, Rick. You saw in our release and Rick also highlighted that we came in on sales at up 7% in the quarter in local currency. That was the high end of our range. Our biggest contributor to the increase was Venezuela which gave us 3 points versus last year and 2 points of an upside versus what was in the high end of our outlook.

Putting aside the upside versus our outlook from this unit, which clearly is a strange case right now, we would have been at the low end of our sales range. The other larger contributors to our increase versus 2013 were Brazil, China and Indonesia. Our only unit with a dollar decrease in the same range as the large positive contributors was Fuller, Mexico. Versus the high end of our guidance in addition to Venezuela, the notable units included China on the positive side, and Malaysia/Singapore and Tupperware Mexico on the minus side.

In the case of Mexico, a portion of this came from lower than expected B to B sales and Rick has walked through the main drivers and issues associated with our performance in the units that moved us most significantly versus last year and our outlook. Looking at Slide 9, our diluted EPS without items at \$1.31 per share was \$0.13 above the high end of our range. The foreign exchange rate impact on the year-over-year comparison at negative \$0.12 was \$0.02 better than the minus \$0.14 that was in the outlook when we gave it in January.

Our higher than forecast sales in Venezuela and a good return on sales there which reflected price increases and that it wasn't necessary to spend heavily promotionally to make the sales, gave us another \$0.07 of our upside versus the high end of our guidance. Our other units gave us the remaining \$0.04 upside with the better than expected drop-through from sales mainly reflecting lower than foreseen good value chain management in China. Our tax rate without items at 25% was 1.1 points above last year or \$0.02 drag versus 2013, but in line with our forecast.

From an analytical point of view, again, thinking through the Venezuelan impact, while we had the big \$0.07 upside versus our outlook from that unit, putting that in the better FX aside we still would have been \$0.04 above the high end of our EPS range with sales at plus 5%, the bottom of our range. Versus last year, on slide 10, you'll see that our diluted earnings per share without items was up 11% in dollars and 24% in local currency. Turning to slide 11. We had a good improvement in our operating margin which at 15.2% was up 120 basis points in dollars, even after a 50 basis point drag from translation FX.

All of our segments performed well in terms of the drop-through of profit on sales, but particularly so in Europe from the lower supply chain costs I just mentioned and in Tupperware North America from improved gross margin and promotional spending management. As well, in Asia, we overcame an accrual true-up benefit last year with a good result in China. Our pretax ROS without items was up 70 basis points versus last year in dollars and 130 basis points in local currency after the 50 basis point drag from higher interest, mainly from the termed out senior notes that we sold last March.

Lower diluted shares outstanding contributed 7 percentage points of our EPS increase. Turning now to our cash flow. We had a \$29 million outflow from operating and investing activities. This compared with positive \$5 million in last year's first quarter which included a \$9 million in-flow associated with our sale of senior notes and a timing related hit from cash taxes versus last year. In terms of comparison, 2012's first quarter was more normal and we had an outflow of \$43 million, so even more than this year.

Looking forward on slide 12, we have not changed our full year outlook for cash flow from operating activities net of investing activities which is to be in the range of \$250 million to \$260 million. Versus our January guidance, we raised our net income without items by \$8.5 million. But there is a partial offset from the cash impact of the devaluation of inventory in Venezuela on the March balance sheet that will sell at the weaker rate in the second and third quarters.

We're also raising our guidance for capital spending from about \$70 million in January for the year to now about \$75 million, reflecting some spending in Venezuela that in a way is a hedge against the currency by owning more tangible assets. As far as shares go, we made the planned \$10 million of open market repurchases in the first quarter. We've included in our outlook a similar amount in the second quarter and have continued to include \$185 million for the full year, heavily weighted to the fourth quarter.

Worth highlighting is that in setting the \$185 million of repurchases in January, we considered the impact on our EBITDA, of a possible devaluation in Venezuela, which is why what has now happened there hasn't impacted our repurchase expectations for 2014. As part of this, while the balance

sheet related devaluation hits the \$13 million pretax in the first quarter, and the \$6 million we'll record in cost of sales in the second and third quarters, will impact our EBITDA as calculated under our debt covenants for purposes of our 1.75 times EBITDA leverage target. We're putting this aside in coming up with our repurchase plan since it will roll off after one year.

This item is the main reason why our leverage is laid out in the last press release attachment page shows our position for the most recent four quarters at 1.93 times, a bit above our target. Turning now to our outlook on slide 13. You've seen in our release that we've gone with a 5% to 7% local currency sales increase range for the second quarter and full year. Versus the first quarter results, at the high end we expect to do better in Asia and Beauty North America and that will be balanced by Venezuela coming down to a more normal level of local currency growth and accounting for a lower share of total sales due to the weaker exchange rate.

On diluted earnings per share without items for the second quarter we have a range of \$1.44 to \$1.49. This is versus \$1.46 in 2013, but includes a \$0.13 drag on the comparison from weaker foreign exchange rates including the 42% devaluation in Venezuela. As a result, at the high end of our range, we'd be up 12% in local currency and 2% in dollars. Looking at slide 14, as you've seen for the full year we've increased the high and low end of our range by \$0.15 to \$5.66 to \$5.81. The \$0.15 includes the \$0.13 by which we beat the high end of our first quarter guidance along with a \$0.04 better picture on foreign exchange for the second through fourth quarter versus what was in our January outlook.

On the right side of the slide you'll see that in January for the full year we had a \$0.44 negative impact on the comparison with 2013, and for the full year that now stands at minus \$0.38. While versus our January guidance movements in currencies other than the Venezuelan Bolivar gave us an \$0.18 benefit, this was partially offset by a \$0.12 hit from the weaker Venezuelan rate on our operating activity for the last three quarters of 2014. There is also a negative \$0.02 impact on the new outlook range from assuming a couple hundred thousand more diluted shares than in January. On slide 15 you'll see at the high end of our range this would give us a full year increase in EPS of 7% in dollars and 15% in local currency.

Turning to slide 16. Underneath this at the high end of our range, our 2014 improvement in operating margin is about 50 basis points in dollars and 90 basis points in local currency. While after a higher interest expense our pretax ROS improvement shows about 25 basis points in dollars and 70 basis points in local currency. In our January guidance we had no improvement versus 2013 in our full year pretax ROS. The 25 basis points by which our outlook has now improved comes about 6 basis points from less translation FX impact with the rest from our segment. In the first quarter, we were about 100 basis points better than in our outlook on segment profit ROS. Some of this was coming from Venezuela.

We haven't assumed significant differences in our segment profit ROS for the second through fourth quarters versus what we had in our outlook in January. Our full year outlook for unallocated corporate expenses is now about \$62 million versus \$67 million in our guidance in January, which mainly reflects cost savings initiatives and net interest expense is now about \$46 million versus \$40 million to \$41 million in January, mainly reflecting more cash flow hedges with their associated interest costs and to a lesser extent higher average borrowings.

The benefit included in our EPS outlook from lower shares is 4 to 5 percentage points. On a segment basis for sales, we now foresee being up or down slightly in Europe and Tupperware North America in local currency, up high single to low double digits in Asia, down high single digits in Beauty North America and up close to 30% in South America. On segment profit return on sales, we foresee slight improvements in Europe and Asia, being up about 1 point in Tupperware North America and South America, and a decrease of a couple points in Beauty North America.

And finally, on resin, in the first quarter of 2014 we had a negative impact in cost of sales from higher costs of \$4 million. Our current expectation for the full year is it will have about \$190 million run through our cost of sales and that in constant currency it will cost us about \$12.5 million more than it would have in 2013. And this is up a couple of million dollars from where we were in January. So with that, I'll turn the call back over to Rick.

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

Thank you, Michael. Hey, I got a note that -- thank you, Theresa -- that I misspoke when I was talking about this little Armand Dupree business. We have it in Mexico and we had an idea of in 2009, let's launch a small beauty business utilizing that Armand Dupree brand that we sell in Mexico utilizing and leveraging the large Mexican population in California. We got early on good trends with that, but we just made a decision this last year that it just wasn't worth the incremental effort when we have so many significant population markets in the world where the opportunity for us for us to grow is much better. So that's what we closed in the quarter.

Obviously, in our Mexican business, Armand Dupree is our premier line and really we're moving more of our skin care business and the fragrance business to the Armand Dupree line and if somebody looks at our brochures, you see the Armand Dupree name on the cover. It's a sub-brand, getting bigger and bigger. So we're really shifting away from Fuller and more to Armand Dupree and we really like the way that brand is developing. But if you were going to start a Beauty business from scratch and you were to think about geography, you wouldn't open it in Western Europe and you wouldn't open in the US.

Simply too many difficult externals to start from scratch. I don't know why we didn't realize that, talking to myself early on. Keith, I want to turn it over to our VP, really of supply chain to begin to speak. By the way, I'm sitting here with Yolanda Landono. Yolanda's in charge of our global citizenship initiative. She's a senior officer and originally from Colombia. All I can tell you is when you hear from Keith, I understand Yolanda, who is from Colombia originally better than Keith who is from Rhode Island. So Keith, I hope they get it.

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**Keith Haggerty** - *Tupperware Brands Corporation - VP, Supply Chain, Americas*

Thank you, Rick. Good morning everybody. Importantly, over the past 20 years we have evolved from a manufacturing company to a supply chain organization that provides products and services to our sales organizations. I'd like to turn to slide 18. You can see the map. The blue dots represent our Tupperware manufacturing facilities. The red dots are our Beauty facilities and 50% of our products are manufactured at these locations.

Now, this supply chain really provides us with a competitive advantage in five areas. First, and foremost, quality, which is a cornerstone of our Tupperware brand. Flexibility to respond to the needs of our market rapidly. Costs, we always strive to develop, manufacture, source and distribute products at a cost effective way. Fourth is customer service is very important to us. We strive to have perfect customer service. We typically average 98% or higher on our order fulfill time to deliver our products on time.

This is really critical to our sales force with them building momentum within all of their businesses around the world. And then finally, development of innovative products, where we use the highest quality materials. For example, we inject LCP which is a liquid crystal polymer in France for our Ultra Pro Line which is intended for use in ovens. Turning on to slide 19.

Strategically, we manufacture products where we have a technical advantage and then also we select and source products from partners who provide us with an expertise that we mainly don't have or we don't care to invest in. In some of these expertise we ultimately bring in-source. It's a product that would give us an advantage in cost, quality and flexibility. Recently, we decided to mold eco bottles in Asia-Pacific and France where initially this product line was outsourced. We have 40% of our products that are manufactured by third party source suppliers. We have six strategic suppliers.

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**Mike Swartz** - *SunTrust - Analyst*

Keith? Okay. They'll problem I robbery come probably come back on in a minute. Until they do we can turn it over, Tony, to Q&A. Tony?

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## QUESTIONS AND ANSWERS

### Operator

(Operator Instructions).

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

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**Jason Gere** - KeyBanc - Analyst

This is really a question for you, hey, Mike. I guess it's a for you until Rick gets back on. But the first question, obviously 2014 is shaping up to be a year of a lot of volatility with Venezuela and the pricing, the weather, the political stuff out there and it's good to see you guys obviously delivering within that 5% to 7%. As you think about the business longer term, when you look at Asia-Pacific and South America and the growth you're seeing in the law of large numbers come in, can you talk -- I think Rick has kind of publicly stated that he wants emerging markets to be 80% of sales or some number along those way. So I was wondering if you could just talk about how you see keeping that 5% to 7% growth intact. Is it more about the geographic expansion, the growth of the middle income consumer? Is it more about productivity? And then within that, how big is India to play into those endeavors?

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**Mike Potesman** - Tupperware Brands Corporation - CFO

Sure. Well, as we look at things going forward and as we've talked about, there's a huge population size among the emerging markets that we've only begun to tap. So we've seen this great growth in Indonesia, the fourth largest population country in the world. India, you mentioned, is not one of our units that had more than 100 million sales, nor was China in 2013.

So these are all places where we're continuing to build out our system in and of itself but then there's also the good growth dynamics in terms of GDP in general and GDP per capita, all of which will play into our premium position product line. So that's all terrific. And then of course in emerging markets, the earning opportunity that we can offer is outstanding. It's very good in the established market units, but it's even more so in the emerging markets and together with what will be a slowly evolving retail infrastructure in those regions, we think we have a long way to go.

So when we look at it longer term, meaning in 2015 forward, we talk about being at around a 10% growth in the emerging markets. We were up 14% in the first quarter and just a low single in the established markets and, yes, we were down four in the first quarter. So we really see, to your point on the law of large numbers, some moderation in the emerging markets, not because they won't have a lot of incremental sales, but because the base does get larger over time.

At the same time, we're very much of an and business and we can succeed and do in many established markets and we're looking to execute and find ways to drive more consistent growth among the established markets. We think we'll be able to do that. But given historical trends and so on, we only call it at a low single digit in that 2015 and forward guidance. That's really how we look at it.

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**Jason Gere** - KeyBanc - Analyst

Okay. And then just with the pricing in Venezuela, I think you were saying that it would -- the contribution would lessen as the year goes on. Can you just kind of elaborate a little bit on that? Is there any risk that the pricing that you're getting doesn't stick and you have to kind of reverse that. Could you just maybe provide a little more color on that since it's a pretty big contributor to your organic sales for this year.

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**Mike Potesman** - Tupperware Brands Corporation - CFO

Sure. Yes, the reason that it will or one big reason why it will contribute less going forward is not so much the dynamics in the country as much as now that we're using a currency that's worth 42% less, or getting reported at 42% lower, those local currency increases just don't, from a mix point of view, contribute as much. So the price increases that we've put in certainly have stuck. We had a good ROS in the first quarter there and regardless of what the currency is translated at, they operate in Bolivars, right.

So we had a good ROS there because people wanted to buy tangible products. They wanted our products. We support the sales force and have a good sales force size there. We also didn't have to do as much promotionally, so that sort of thing probably will continue. The share of the business is just smaller because now it's 42% less from the currency versus what it otherwise would have been at that old rate.

So that's really what we're talking about. We mentioned that for the segment that we grew, it was 22% in the first quarter in local currency without Venezuela. So we don't expect to have this 47% growth that we had for the segment overall in the first quarter because of the exchange rate. But we still expect to do very well and that's why the guidance is to be up about 30 for the full year in South America.

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**Jason Gere** - *KeyBanc - Analyst*

Okay. That's great. The other question I have is, and obviously it's one that everybody comes back to, but if you look at BeautiControl and you look at Fuller Mexico, from an operating profit standpoint, the contribution looks like it's going to be \$10 million, \$11 million this year. The sales are still negative, but they're trending in the right way. I know you're ceasing the operations of Armand Dupree. At what point do you think bigger about this business strategically. Is it worth all the time and effort for such a small contribution to the overall pie and clearly \$11 million hopefully would be kind of trough profitability. But I was just wondering if you could provide a little bit more color on that.

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**Mike Poteshman** - *Tupperware Brands Corporation - CFO*

Sure. We see a lot of opportunity in these businesses and really we're working to turn the sales force size numbers because that will be the precursor to being able to grow the business. We did, in Fuller Mexico, improve in the sales force size comparison sequentially in the first versus fourth quarter by 3 points to still down 9. And we're also a bit better in sales at down 9 versus down 11 in the fourth quarter. So it's a little bit slowly but surely and when we look at the field manager force, the people who do the recruiting, we're also starting to see, sequentially, a little bit of a better story. But it clearly isn't where it should be.

We're feeling better about things as we move forward and Fuller Mexico is one of the reasons or one of the ways that we see being in the 5% to 7% range in the second quarter where without the big Venezuela upside we were at the low end of our range in the first quarter. So Fuller Mexico is one of the places. In BeautiControl we have a new leader in there as of towards the end of last year who's, from a qualitative point of view, much better engaged with the top end of our sales force and we think running things in a way that's going to have everybody on-board and on the same wavelength and there too we expect to see better sales force size comparisons.

Certainly we didn't see much of a better situation in the first quarter, but as Rick mentioned in the prepared remarks we did have a very high cost and effect in terms of bringing in numbers, recruiting trip campaign in the first quarter last year that ultimately we didn't find to be effective among the sales force that we brought in. So we were less aggressive this year, we think prudently, and we should see the benefits of that as we move forward. So we see --

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

Mike, we're back on the line. We have no idea when we were cut off.

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**Mike Poteshman** - *Tupperware Brands Corporation - CFO*

Okay. Rick, we just moved into the Q&A, if that's okay. So Jason, we see opportunity in both those businesses in Beauty North America and we're looking to capture it starting with the sales force.

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**Jason Gere** - *KeyBanc - Analyst*

Okay. Great. Thanks, Mike and hey, Rick.



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

Hi, Jason, how are you?

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**Jason Gere** - KeyBanc - Analyst

Good.

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**Operator**

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

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**Olivia Tong** - Bank of America - Analyst

Thank you. Appreciate it. That was a nice size beat on both the top and bottom line this quarter. As you mentioned, you would have come in at the bottom end of the sales range if not for Venezuela. At least for the very near term can you talk about the sustainability of sales growth going forward, particularly as the comp gets 2 points more difficult in Q2. Especially as you noted some of the things that you plan on changing, changing some of your plans around North America and things like that which sound like it might require a step back before stepping forward.

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

Olivia, hi. Rick. I'll answer part A of that and have Mike give you backup. You've got more of the data there than with me, Mike. We had a number of the markets that were really the drag and you really do see the CIS that very significant down number in the first quarter. The India number, the US number, our hope -- we're still sticking on our full year numbers here and I think you're going to see some improvement in some of these others. I'm more confident probably on India than I am CIS there. I know we're doing the right kinds of things in our North American business.

So I think when you take away some of those that have really been hurting that top line, we haven't made any decision to do anything but stay committed to the numbers that we have this year. So this would have been the perfect time if we had any feeling and we have in a number of our markets, we have three and some cases, five weeks outlook going forward. I could take a market like Germany and we can see with probably 80% certainty what's in the sales force books with regard to parties up and we know what the average party is. So here we are toward the end of April and we're looking even into mid-May and so that's why normally, Olivia, if we didn't have some kind of confidence in that we would have changed our numbers on that. Mike, would you add?

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**Mike Poteshman** - Tupperware Brands Corporation - CFO

That's right. As we look at the full year, places like CIS, the comparisons get much easier later in the year. India is the same way, a couple of the markets that Rick mentioned. In the near term, just looking at the second quarter, I mentioned in the last response to the last question that Fuller, Mexico is one of the places where we expect sequential improvement. Two of the other bigger ones second quarter versus first quarter are Malaysia and Tupperware France.

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**Olivia Tong** - Bank of America - Analyst

Got it. Thank you. And then just a follow-up on that. Can you provide some detail on what changes you're actually planning to make over the next several years in North America to drive that improvement in sales? Do you think that there needs to be a bigger restructuring program, for example and what kind of improvement should we expect to see as a result?

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

Olivia, I'm not at all thinking of any restructuring in the US, but when I talked about the -- I would call it a collateral impact of some of the changes we made in the US business, there's really three primary areas that I'm seeing that unintendedly bonuses, the business moved more from a weekly business to a monthly business because that's what bonuses were paid off of, monthly, and a lot of the promotions were monthly. That, if I was sitting here grading papers, mistake. You don't do that.

The rhythm of a week, one of the keys of success of this company for so many years is there's an assembly on Mondays and we meet every week. I always kidded you and I when we've been together. You take all the religions of the world and I don't care what the belief system is, they either meet Friday, Saturday or Sunday and they meet weekly. So we've got to weigh the rhythm. We've got to get that back.

Next place. We really, as we move to this new model, a lot of our former distributors moved out of their locations so there wasn't a place to get together. And that's where you do contact competition and recognition out there. So I'm not even going to get into the third. Those are the two primary things that we need to work on and it's a question of you how do we make that kind of a shift. I don't see it as a restructuring, but it is a head turn for some of our people because it is requisite in our business that it be weekly, that there be a place that they meet in the business.

The final thing I will mention, there was more when they got away from place, slippage in the percentage of the business that was party business, which was actual -- rather than doing one on one selling, the actual holding of a party. I'll give you an example of how well I that works when it's done right. Our business in Belgium, the average party size is \$900 and Belgium, particularly the French section of Belgium, isn't that wealthy. That's the highest party average we have in the world. Most of Europe, it's \$400.

Well, when she makes 30% commission, so she can make \$300 a party, start to think of what she makes when she does three parties a week. She makes \$50,000 a year. So when you get away from the party you corrupt the earning opportunity. So when you say weekly, place and party, those are the three areas where we've had collateral slippage when we went to the new kind of structure program. So you don't have to go do a restructuring program, but it's a head turn and you start saying this is the way we're going to run the business here.

I might add, this is the key to the success of our Indonesian business. You would think Nining Pernama and the Indonesian team were Swiss or German because typical distributor has five meetings a week. Training is done this way. Recognition is done this way. The husband is involved in the business and you will sell via a party. It's our core method and I would say the key to our business is a model and the key to growing it is a replicatable model. I've often said, the typical restaurant goes broke in five years.

You rarely ever see a McDonald's close. They have a formula. They say, in the old days when we didn't have cell phones, you never saw a public phone in a McDonald's or a game machine. Why? It encourages loitering. So every time they had a reason why they did this, it was for intended consequences. And Olivia, my finger prints were all over the change on this model in the US, missed it. Boy, you don't drown when you fall on the water, you drown when you stay there. So we're going to fix it. But that's going to be the focus and it could be a little lumpy. Forgive the long answer.

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**Olivia Tong** - *Bank of America - Analyst*

No, no worries. Got it. Just one last question on can you break out the sales impact volume versus price for the quarter and what you expect for the full year? Thanks.

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

Mike?

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**Mike Poteshman** - *Tupperware Brands Corporation - CFO*

Sure. Yes, Olivia, when we look at it including, because of the big impact from price in South America, close to all of our increase net-net was coming from price. When we look at it, though, market by market, there's quite a few businesses, as you'd expect, that had very good volume. Those included growth. That includes Indonesia, Brazil, actually Venezuela had good volume growth as well. Obviously there was some others that offset it. We've talked about Fuller Mexico, Tupperware US and Canada and a couple of others.

When we look at it, we realize that of course, while we price in line with consumer inflation, oftentimes wage and salary increases can lag. While we get the sales because of the price increases, we're probably taking somewhat of an impact on volume from the price increases. If in turn things or when they settle down and prices are going up at a more normal rate for a couple of quarters, then we'll likely get more volume, but we won't have as much price. In that sense we would expect the picture to be sustainable.

We don't really forecast, per se, price versus volume going out, but we expect all of our units to be growing volume, clearly that's a big part of why we're here. The other thing I would just point out is that from a contribution margin and a profitability point of view you might expect that if you're getting your sales through price increases and you're pricing in line with consumer inflation, that your cost structure would also be going up somewhere around the same way and that you wouldn't be able to get incremental profitability to your ROS. But we were able to do that in the first quarter. So we're pleased that we're running our product mixes and so on in a way that it all fits together and works for our business and we think we'll obviously make that 5% to 7% for the full year.

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**Olivia Tong** - *Bank of America - Analyst*

Got it. Thanks. Just one last thing on Venezuela. Would you expect volume increase in Q2 to Q4 for the rest of the year?

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**Mike Poteshman** - *Tupperware Brands Corporation - CFO*

We're actually not going for significant volume including because of just the way the situation is with being able to access funds and so on. So we actually started in April allocating the volume available in the business to the distributors so that we wouldn't be in a position of having to put more hard currency into the country.

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**Olivia Tong** - *Bank of America - Analyst*

Got it. Thanks so much.

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

Olivia, I might comment on Venezuela. We've got almost 20,000 sales force. We're committed and she still has to -- she's the primary bread winner. We're committed to keeping her in business. That's why some companies have said just abandon Venezuela. They have the most significant oil reserves in the world. At some point this is going to mitigate. So we're just trying to keep this life support going to our Venezuelan business.

I'm hoping we get some nominal increases in Venezuela above pricing and I was pleased that Mike and the team were able to negotiate some dollars so that we could in fact invest in some more raw materials to keep our production facilities going there. But the guys have had a lot of experience dealing with these kinds of environments. Never fun, but we generally learn how to navigate through it. Most everyone's that's dealing with this are locals and so they understand their local economy.

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**Operator**

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

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**Mike Swartz** - SunTrust - Analyst

It's actually Mitch in for Mike. Just looking at France and Germany in more detail, can you comment on your overall level of visibility in those markets?

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

Yes, those two markets probably have, Mitch, our most sophisticated trending systems in the world, where we're connected to distributorships and we see what's -- a salesperson or a sales consultant there has what's called a date book and we can look into their date books so that in a typical distributorship there will be 20 distributors assigned to a regional sales manager. A regional sales manager -- structure is part of the answer here. A regional sales manager will have these 20 distributors.

The regional works for the company and we look out into those distributorships for what's the party lineup next week, the week after, the week after that and in Germany, as a matter of fact, it goes out five weeks. Parties are usually a traditional size. So you can sit there and say okay, I understand what the parties are up. I understand our normal cancellation rate, the size of the party, here's what the business looks like. If you get week three out and you see wait, we don't have enough parties up at \$400 a party, you know you need to date more parties.

You can then drop in some kind of a promotional shift to get it up in that. So you always have these levers at your disposal. I really do believe that those are a couple of our businesses that are the best at these levers. So that gives us a lot of visibility. Now, sometimes you drop something in and it still doesn't work, like what they had in France, the hostess gift didn't work and what they put in didn't work. So we missed an element. But it doesn't happen often.

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**Mike Swartz** - SunTrust - Analyst

And then shifting gears back to the Fuller business, it seems like you're pleased with the overall progress you're making there. But can you comment on the competitive environment, has it strengthened since the fourth quarter?

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

I think it's continued. I was there last month. It's continued about the same. I mean, absolutely crazy levels of discounting, particularly by the large beauty company, which starts with an A. And we said we're not responding to that. What it does, is it dissipates the earning opportunity when you get into that of both the sales force and you. Now, we do know the impact on us near term is that at some times you'll have 50% of the sales force which will carry their brochure and they'll go show whatever is best deal of the month and it makes -- because it's more a channel there than a brand and over the short term that hurts.

Long term, I think this competitive approach that they have is absolutely unsustainable out there. And I'll tell you what, we're going to, the way to win there is with our Armand Dupree, take them consumers, women in general all over the world are much more dedicated to her skin care brand and her fragrance brand and so how you win her over is skin care and fragrance and you don't play the game so much with lip and nail, which are basically go to most women around the world, that drawer in the -- I know it exists with Susan at our house and you find different -- it's by price and palette, lip and nail. So it's messy.

I've got to say, what I love about what our guys are doing there, is we're trying to grow with the growing middle class. The shift to more professional sales management. If I was to say, Mitch, the biggest issue we had with our business there, high turnover of field sales managers and we believe they were fishing in the wrong pool. We had almost no turnover of field sales managers when we recruited her from the ranks of our Fuller business.

So I basically put a stick in the ground and I say no more recruiting people from the outside to be field sales managers. Your bias has got to be inside, even if it takes longer. We're not going to get the turnover of the field sales managers. Have one of our best management teams in the world



there, Louis Victoria and his team. Mood's great there. We have great relations with the government. So I feel good about the Fuller business and we still -- we make a lot of money with Fuller. I want to see it back up in the north of 20% ROS level, Mitch.

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**Mike Swartz** - *SunTrust - Analyst*

Okay. And last one if I may. Sorry if I missed this earlier. Mike, could you quantify the impact that Venezuela pricing inflation impact has on the 2014 sales guidance?

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**Mike Poteshman** - *Tupperware Brands Corporation - CFO*

In the first quarter, the pricing impact in South America was in the 60% range and a heavy piece of that was Venezuela. We haven't talked about pricing in Venezuela individually.

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**Mike Swartz** - *SunTrust - Analyst*

Okay. Thanks, guys.

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**Operator**

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

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**Connie Maneaty** - *BMO Capital Markets - Analyst*

In Venezuela there's supposed to be a 30% cap on profit margins. So with the price increases you've taken, are you at that limit or do you think you still have a little bit more flexibility?

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**Mike Poteshman** - *Tupperware Brands Corporation - CFO*

Connie, we understand that rule to be on, A, on a statutory basis and B, on net income return on sales. So we're well within that rule.

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**Connie Maneaty** - *BMO Capital Markets - Analyst*

Okay. Fine. That's all I had. Thanks.

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**Mike Poteshman** - *Tupperware Brands Corporation - CFO*

Thank you.

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**Operator**

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



**Sofya Tsinis** - *JPMorgan - Analyst*

Malaysia Singapore business throughout the quarter, I wanted to understand whether you think they will return back to double-digit growth during this year or just turn positive through the year and how the rep growth is actually trending there.

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

Sofya, I think your mic wasn't on for the beginning of the question. Could you say it again?

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**Sofya Tsinis** - *JPMorgan - Analyst*

I just wanted to understand what level of improvement you saw in Malaysia-Singapore throughout the quarter and whether for the year you're expected to return to double-digit growth like we've seen previously and how the rep count trended throughout the quarter.

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**Mike Poteshman** - *Tupperware Brands Corporation - CFO*

Sure. The rep comparison is quite good in Malaysia, but we also need to have a better focus or get better result on activity there. We're in a strong position in terms of the total seller comparison versus last year. I would say that within our guidance, yes, we would expect to be in double-digits in Malaysia, but we'll have to see after being down in the first quarter. I mentioned on one of the other Q&As that we do expect a big sequential improvement starting in the second quarter.

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**Sofya Tsinis** - *JPMorgan - Analyst*

Okay. Just my other question, you said that some of the earnings upside during the quarter was driven by lower supply chain cost. I wanted to understand, is there an increased focus in general on profitability just given that some of the sales growth you're seeing in traditionally stronger markets have decelerated recently?

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**Mike Poteshman** - *Tupperware Brands Corporation - CFO*

Well, I would say yes. It's more in light of some of the cost pressures including because of transaction FX and buying things across borders that we've undergone a thorough process to look at where can we be more focused in our spending. And it can turn into just be timing that we have things that would be good to do but we see how things are going.

Then where we can afford to make these sorts of investments that might pay off more in the intermediate term, then we go ahead and do them. We saw some of that come through in the first quarter. We mentioned that we were better than expected in our unallocated corporate expense and some of that had to do with what we were doing on spending. Certainly that came through. That's an endeavor that goes all the way through all of our units to have a look at what we can do.

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**Sofya Tsinis** - *JPMorgan - Analyst*

Okay. Thanks.

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**Operator**

Your next question comes from the line of Frank Camma from Sidoti.

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**Frank Camma** - *Sidoti - Analyst*

Just a quick follow-up question from your prepared comments. On the expenses that were just mentioned, the supply chain expenses, are those sustainable and could you just clarify, you said Europe and China. Was there somewhere else?

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**Mike Poteshman** - *Tupperware Brands Corporation - CFO*

The supply chain upside versus what we expected was in Europe. In China it was more fixed cost leverage and continuing to do a good job at selling products that are at pretty high price points. We did roll through those benefits in Europe to the full year. We didn't necessarily build in additional incremental upside to what we were already expecting. So we've done a good job there. You've seen that we had a small sales increase and so we benefited from having a little bit more volume through the plant, but we haven't assumed a big incremental upside as we go through the whole year.

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**Frank Camma** - *Sidoti - Analyst*

Okay. That's really all I had.

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**Operator**

Your final question comes from the line of Gregg Hillman from First Wilshire Security Management.

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

Hey, Gregg.

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**Gregg Hillman** - *First Wilshire Security Management - Analyst*

Good morning. What percentage of food storage is overall sales and how that compares in the emerging markets versus established markets?

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

Very clearly, 20 years ago food storage was the entire company. It was 90% of sales. Now, here it's less than 33% of sales. However, what happens in an emerging market, it will be a higher percentage of sales. She generally comes into the business -- so let's take a market like an Indonesia -- and the two categories she'll focus on initially would be food storage and serving. That's kind of the main end. Because the serving products, usually at the same time they will help it, not only just pure serving but it will help from the ambient environment protect the food from insects, heat or cold, so they work like hand in glove, food storage.

What we see is within emerging markets, you see an urbanization going on. So we'll go stay back in Indonesia, you go to Jakarta and the closer you get to the cities, the more highly educated our sales force is. As a matter of fact, our most recent study showed that about 40% of those who were part of a study we did had some college. She then is more interested in migrating toward products that would be hot sellers in Germany. We have a product called a Quick Chef which is a food processor. She'll do that. She's more likely to have microwave products.

So what we've learned to do, even in India, we will have almost modified product lines within a country to bifurcate those different segments. This is why every country has a head of marketing in it. Every regional area of the world has a head of marketing. For Asia-Pacific that's in Singapore. I was just in Italy with their head of marketing for Indonesia. She's very much in tune so that distributors will in fact modify their product line based on the consumers.

But that's an important question and almost if you shift -- I've used the example of Apple, how in 1996 when Steve came back it was all either laptops or desktops. Then the migration now like a hub and spokes to iPods, iTunes, iPhones, iPads, Apple TV products and accessories. There you're left within a typical \$36 billion quarter, \$4 billion to \$5 billion will be computers. You're going to see that same thing continue with us. Something that's interesting too is the shift in our product line as I travel around the world. We're moving more from food storage to, as women get more sophisticated, more urbanization, to more expensive and more effective products for us to demonstrate.

As I used the example, 20 years ago in France you had a typical Tupperware product there was \$10 to \$15. Now our best selling products there are, in US dollars \$100 to \$150. Now, what does that mean? It means lower units but she makes more bang for the buck. She does a party and five of the women buy EUR150 product. This was -- it makes it a better full-time job for her. So it goes hand in glove and we really manage it like categories. Again, sorry for the long answer, but a very strategic question.

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**Gregg Hillman** - *First Wilshire Security Management - Analyst*

And then finally, Rick, in terms of the United States and emerging markets in general, what can you do to get people to cook more at home in terms of aligning yourself with other groups? I guess in the health area, to promote energy and weight loss for example. Like the Daniel plan. I guess my question might be a little bit confusing, but I take it -- somebody's going to the grocery market and doing frozen food is less healthy than cooking your food at home. What can you do in the United States to get more people to cook at home?

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

What we're seeing is when people see value for money and the biggest thing, particularly with more than 60% of women working, she's looking for really great food that doesn't take a lot of effort. That's why I would tell you the product that has been just a blow-away success has been our micro steamer in the US which really converts a microwave oven into a steam oven and all I have to do is take somebody and put it in. I did this with Colin Powell at his house.

You take and you put broccoli in the bottom, you put salmon on the top, a little teriyaki sauce. No microwaves ever touch that food. It is as healthy and low calorie a meal as you can get. And she could go sit in the other room, play with the kids and have a glass of wine or none of the above. You're seeing us move more toward -- that was the last point Keith made -- differentiated products.

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**Keith Haggerty** - *Tupperware Brands Corporation - VP, Supply Chain, Americas*

Gregg, that's really a message we bring forward through our sales force because we're proponents of exactly what you're talking about, through the 2.9 million people.

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**Gregg Hillman** - *First Wilshire Security Management - Analyst*

Okay. Great. Thank you. I take it your cook books promote healthy recipes and whatnot too.

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

Absolutely. Healthy recipes are something we make available, but it's on a self-selection basis. You're living in the land of here and in Mexico obesity. Okay. We present cook books and people self select.

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**Gregg Hillman** - *First Wilshire Security Management - Analyst*

Okay. Thanks, Rick.

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

Tony, that's it?

**Operator**

That is all the questions, sir.

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

Okay. One final thing. I don't know when I was cut off. I was thanking Keith. I'm here in this facility and as I said we've got what, 17, Keith, around the world. We had this many when I joined the company and the shift is that many of these are now newer facilities now. We closed ones but we were not in the interest of building factories around the world which is one of the reasons we've been able to increase our share buyback and to keep increasing the dividend because the company's triple the size now and we've had just a modest increase in our CapEx and that's been the intentional, learning from the Nike model.

This facility I'm at also that I want to comment on because we don't really beat our chest about how good our people on supply chain are, but I'm in a facility that is the equivalent in size in rural South Carolina to 22 football fields. We're the only really place for people to work here. By the way, I was there yesterday at the Boys and Girls Clubs which we opened here and it's the only place for kids to go during spring break and it was packed. When I first visited this facility, there were 1,200 people working here and we did about 25% to 20% the volume we're doing today.

Today we only need about 250 people to do four to five times the volume, which has kept our efficiency so much in line. If you walk through this place it's Austrian Engel machines. You would think it's a pharmaceutical facility and when you walked into the room to see the people working on our molds which can be \$1 million each, you would be thinking they're making O-rings for a space shuttle that work. We can be guilty of over-engineering our products but that's why people love the brand. Our seals are class one seals and our products are guaranteed for life.

So I think we're on track for a decent year this year in spite of all the things that are going on. Our guys are navigating through it and we thank you very much for your interest and this strategic level of questions that we got today, very impressive. So we're doing more than filling out a spreadsheet on the quarter. We have more and more analysts that follow us that really are strategically engaged in evaluating and understanding our business and you are appreciated. Thank you.

**Operator**

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

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