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TUP - Q1 2017 Tupperware Brands Corp Earnings Call

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OVERVIEW:

TUP reported 1Q17 YoverY local-currency sales growth of 6% and adjusted EPS of $1.01. Co. expects 2017 sales growth of 2-4%. 2017 EPS, excluding items, is expected to be $4.70 at the high-end of the range.

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PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by, and welcome to the Tupperware Brands Corporation First Quarter 2017 Conference Call. Thank you.

It is now my pleasure to turn the conference call over to Mr. Rick Goings, Chairman and CEO. Please go ahead, sir.

E. V. Goings - *Tupperware Brands Corporation - Chairman and CEO*

Thank you very much, and thank you. Good morning, everyone. I'm in the Hainan Province, China, in Sanya here, attending an important Tupperware China event. Mike Poteshman is there in Orlando as well as James Hunt, our Head of Investor Relations. If for some reason we lose the connection here, and that has happened before, Mike will pick it up on that end.

As usual, we're going to use some slides to go along with our prepared remarks, and that begins with our comments on forward-looking statements at Slide 2.

Let me turn to Slide 3. We are pleased to report that the -- both the first quarter sales and EPS came in above the high end of our February guidance. In the quarter, we saw continued strength of our businesses in Brazil and China. They were the real main contributors, though I'm also happy to highlight the solid performance in a number of other markets, Tupperware Mexico, South Africa, United States and Canada. Also, there were other businesses in the portfolio sequentially that improved on their run rate, and they also helped us take us to a number above the guidance range. I'm going to touch on some of those in a moment. But it's good to see a number of markets moving in the right direction.

All in, local currency sales grew 6%, which was 3 points better than our February guidance and a 7-point sequential improvement for Q4 after adjusting for the extra week. Also, it is -- it's really good to see that we've now raised our full year sales outlook by 1 point. Mike is going to get into that a little bit later. Emerging markets contributed 2/3, 66% of sales in the quarter and grew by 9% in local currency, while the established markets were flattish, actually they were down 1%, which was, though, sequential improvement during -- compared to Q4.

As mentioned also in our February call, at the onset of the year, we communicated to all of our global management team somewhat of a call to action to see innovation with regard to new sales force expansion strategies, and we spent a lot of time on that in December and January. And I'm pleased to see that we're off to a good start. The sales force was at 3.2 million at the end of March, and that's a 5-point advantage year-over-year and a 4-point sequential improvement from Q4. Active sellers were down just 1%. This also was sequential improvement. Again, it seems like with all things, I'll let Mike get more in detail in that and give you some insights.

Continuing with our focus on performing even better on the bottom line than the top line, our adjusted EPS came in at a $1.01, which is $0.07 above the high end of the guidance. This includes $0.02 of foreign exchange benefit versus the February outlook. And compared with 2016, this was an 11-point increase in both dollars and in local currency. So it's a really nice strong start to 2017.

Anyway, let me go forward and drill down on some of the key drivers and turn to Slide 4. In the Americas, our largest business unit, Brazil was up 24% in the quarter. We already consider them best-in-class at sales force expansion. However, they continue to innovate with new strategies that really are helping generate a larger number of leads that they convert into sales force additions. We've spoken before of their consistent, disciplined process to build their sales force. And they really get this done by never taking the focus off monthly recruiting pushes. Also, a highly successful approach like they use in Brazil is now being migrated to other business units within the portfolio, and the management team in Brazil has also done a fine job of upgrading the process and getting productivity by utilizing more demonstration selling and some new digital technologies.

On the recruiting side, this enhanced approach in Brazil involves giving prospects an opportunity to get into the business, earn an easy commission if they share the product with 5 friends by simply passing along a video. It's almost breaking down the barriers to entry, and if she meets this, she then gets to join the sales force and she comes in, she already has confidence because she has already tasted success. So it's more a question of sharing products with relationships than it is selling. The approach accelerated the additions that were already at a high level. In fact, during Q1, Brazil set all-time recruiting records. They now have a 23-point sales force size advantage. And this is also important, they maintained an activity rate and that really illustrates the substance behind the overall approach, including better onboarding of these new sellers and also better marketing and merchandising. So they are really converting new recruits. Very illustrative of where we're going is also the use in Brazil of digital strategies that really support the relationship selling that we're doing, and it is helping us to build an effective contact platform and also given there are more business tools that support the women who are building businesses there in Brazil.

Turning to another strong performance, United States and Canada, 14% up in the quarter and that was good news, which was on top of a challenging 9% comp in 2016. In our last call, I spoke with you about their powerful Q4 recruiting. Well, they correlate that into momentum and a good start to 2017 through real coordination of the recruiting campaigns, the sales force incentives and the product marketing programs. So they've lapped the compensation program changes that was launched about a year ago. And while certain segments of the sales force are still adjusting to the new standards and the new processes, the successful recruiting activities in Q1 and the 8% sales force advantage, I think that should insulate the business against any turbulence as we continue to work our way through this conversion of a new and different kind of a compensation. The comps in the back half of the year are a bit more challenging, but we have momentum on our side and a strong leadership team.

Let me turn southward to Mexico. Tupperware Mexico came in very nicely in Q1, up 15% after a very modest Q4 that was really due to tough comparisons and shaky externals following the U.S. election. Still they were in Q1 up against really tough comps, plus 21% in Q1 2016, and yet they blew the doors off that. Management there did a great job activating the sales force. And they really leveraged the whole theme of confidence becomes you that is a strong pillar of our brand, especially there in Mexico. And they did a great job with regard to our iROAR onboarding activation and retention. So they've now got a nice double-digit sales force size advantage. And with negative externals in Mexico seemingly settling down and the peso regaining some of its lost value, we continue to have confidence in our growth opportunities for our Mexican businesses.

Now again talking about tough externals, Argentina continues to balance inflation-related price increases against stagnation in consumer spending and consumption. KPIs were holding their own. They are still positive. Management team is focused on maintaining growth and profitability.

Q1 performance in our North American Beauty business however wasn't good. It was down. I'm pleased to say with Fuller Mexico, yes, it was down [9%] (corrected by company after the call), and yet we're seeing some signs that are really positive and precursors to what could be ahead. Very strong recruiting and even better retention rates. And as a matter of fact, they have chipped away at a very strong double-digit sales force size deficit. So now the deficit is just 3%. And now, there were more active sellers, reflecting the initiative to allow smaller order sizes, and again, breaking down the barriers to entry. Also, underway in Fuller are plans to expand the product line. We've been really too narrow with our cosmetics, fragrance and toiletry lines, and we're as much a channel there as we are a beauty brand. And we're expanding this really to meet the interests of our target consumers in Mexico.

Also, we were very pleased to name a new Managing Director, Evaristo Hernandez, who during his career had previously served as Head of Marketing in Fuller there in Mexico, was also head at one point -- Head of Sales and frankly, a couple of years back, we moved him to Orlando and had him focused on global roles and we decided, hey, that Fuller business needs what Evaristo has with regard to a skill set. So he is back there. He is revitalizing his sales and marketing team. And he is really focused on creating, executing, we think, dynamic strategies to regain the breadth of the line that the Fuller name should really carry. Our focus really there is enhance morale, expansion of the sales force and much more dynamic campaigns. And he has experience in doing this. So we're optimistic about the contribution Fuller is going to make in the future, yet there is work to do. But sequential improvement. Every single month of the first quarter got better than the previous month, so that really bodes well for our confidence.

BeautiControl, it was an issue in the first quarter, down 23%. At present, we're evaluating just what role BeautiControl will play in our overall portfolio going forward. Now I realize you may have further questions, but at this point, we are firm in saying that's all we have to say and all we're willing to say as we go through this evaluation process.

Turning our attention to Asia Pacific. China has again led the way with an outstanding result, up 38% in the quarter. I spent all day doing business evaluation meetings with that management team here. And tomorrow, we'll have just under 1,000 of our studio leaders here. The studio count is up to 5,600. And we really had a focus this last year of shifting to locations, to larger and residentially sited studios. And by the way, so many people in China live in high rises. That's the first thing that shocked me when I moved to Asia Pacific and Hong Kong in the late 80s. There's a lot of land in China, but everything in the west is mountains and no one can really live there. So the cities are really high-rise cities, and where we are moving to is having studios on the first floors of these high-rise facilities. Proximity matters because of congestion. Even on this island, Hainan Island that I'm on, 30 million people live here. So proximity matters. So we're focused on getting these studio locations better sited. Also, they're growing the studios membership base, which is up 39% year-over-year. And while the majority of sales at the studios is really unique big-ticket items, very much like the water filtration system we discussed in the past, I'm pleased to see, and just reviewed it today, a growing sales contribution coming from social media communication platforms. Mainly here in China, it's called WeChat. While you can't get Facebook here and hardly can you get Google, and you can't get I -- excuse me, YouTube, WeChat everybody has. And members can enjoy really relevant things on WeChat, recipes, homemaking tips, product offerings, and it keeps our member base engaged and really builds big relationships. Promotional campaigns also via this e-commerce channel are designed to drive foot traffic into these studios for further demonstrations and for cooking class. And the business is only beginning to realize its potential. And I have been so pleased the last 2 years to see incredible productivity gains per studio, and that means our studio leaders are really making money.

Let me turn to Indonesia. A tough quarter, but some improvement. They were down 10% in the quarter. This was sequential improvement versus Q4. In our February call, we cited a few elements that we've acted on to get this business growing at the rate we're used to. Firstly, our efforts to build team leaders under distributorships where they have separate meeting locations. That's been in the past moving too slowly. I'm pleased to say, it's picking up. Now, we're starting to grow the number of sites, and that really helps grow the business. We're also adding diversity to the product line. In the second quarter, we moved forward on this initiative, and you are going to see more in the months ahead. We also are continuing to use more demonstration selling than we've ever done in the past in Indonesia. And as a matter of fact, we now in our starter kits include demonstrable products. One quick example of a recent campaign, it really showed the sales force how to use our Turbo Chopper to demonstrate how to make a local salsa, and it's been very well received. And importantly, it gets our sales force comfortable with demonstrating products. And that gets you away from other kinds of promotions that can impact margins.

Finally, the recruiting focus continues. They have adapted to some of the style approaches that we've used in Brazil. It's promising that the sales force deficit in Indonesia has narrowed over these past 3 months from a deficit of 15% to just 2%. So they are really gaining on it. Still have work to do. And by the way, the timing of Ramadan now, it's going to be in the second quarter. As you know, it moves each year. That won't be helpful, and it may delay some of the full benefits of the heavy lifting our Indonesian people have been doing, but we're optimistic that you'll see more of this begin to pay off in the second half of the year.

Also moderating their downside in the first quarter was India. They were only off 6%, and that's an 8% sequential improvement. India is going to be a significant player in our long-term plans with over 1.3 billion people. Despite the ongoing disruption with externals, our management team has -- beginning to really stabilize their KPIs. And that was really disruptive, the demonetization, and it really didn't uncover anything. We were talking to some members of management today from India, and we believe all of the big money that they think was being hidden is still where it was in Swiss bank accounts and has really largely impacted consumer spending, that government policy. I think India too has now got a good locked-in expansion strategy, using a lot of the best practices they learn from other markets. So I think we're going to see progress there.

Before I move on from Asia Pacific, let me also mention Malaysia/Singapore and the Philippines. Each of these markets were up mid-single-digits, 7%, in fact, in Malaysia/Singapore, they continue also to carry a double-digit sales force size advantage, and that bodes well for momentum in the future. They also have -- they are a Muslim country, face the Ramadan timing issues in Q2 same as Indonesia. By the way, people said what does that impact. Well, during Ramadan, people fast. They have only one meal in the evening, and that really does impact normal routines and schedules. And then finally, again Philippines. It's good to see them on the grow. We've got to work there, very much like we've done with our Fuller business though, to offer a more differentiated product line, because we're very much a channel of distribution once you get outside Metro Manila.

Finally, let me turn to Europe, Africa and the Middle East. This segment as a whole was down 2 points. We're working very hard in this part of the world to modernize our business model including create a conversion to more nonstocking distributors. And that really does mean that -- less administrative responsibilities, a better value chain, and at the same time, we've got to strengthen what our managers can earn. In our February call, we noted that Germany had a good start in January. However, we didn't see that momentum continue through in February and March. Although after being down double digit in Q4, they had a 12-point sequential swing in Q1, but that still was a modest 2% increase, and we're hoping to see that get better. They are currently focused on building the sales force through these iROAR onboarding activation and retention strategies. And that modernization, contemporization is in effect as well.

In France, really difficult quarter for a number of reasons, some internal and some external. They were down 16 points. And some of this drag was related to the timing of Easter in 2016, where they benefited from earlier Easter. You ship in Q1, so the products when they fall into Q2, you don't get that. Most of it really though in France was related to lower productivity and the negative impact from changes we had to make in the compensation plan of team leaders. Frankly, they implemented the wrong kind of a team leader compensation program more than a year ago. Recruiting though, it's nice to see picked up at the end of the quarter.

Turkey, I was there in March, was also a drag in the quarter. If any of you were reading any newspapers or The Economist, clearly the political tension you've been reading about is not helping our business there. Also, I've got to say that we did a price increase in Turkey, and we also modified the incentive standards during the quarter. And looking back [and to see the] evaluation we just did, they really could have executed this and handled it a lot better, and it wouldn't have been so disruptive. But I've got to say, I was there in March, I saw every one of the distributors, and plus we had 600 of their dynamic managers. And I have got to tell you, in spite of what you may read about Erdogan, when you see the power of Turkish women and their resolve, their commitment and their passion, I think everything is going to be fine.

Lastly, let me comment on South Africa, and I was just there 10 days ago, outstanding performance, up 35% in the quarter and now they've got a 31% sales force size advantage. And -- so they've really done a fabulous job. And they are also getting these people onboarded and activated the right way. As I have highlighted Q4, one of the key drivers there is, under distributors, they have sub-distributors, which we call team leaders, and this really is a low-cost way for her to build a serious business. And with 53 million people, 50 million are black, particularly the black South Africans need and want an opportunity. And the Tupperware business opportunity is such a sweet spot, and it resonates with them because the first place they really spend money is kind of on Maslow's hierarchy of needs: food, clothing and shelter.

Now as I said, I was there 10 days ago, saw their sales force. They are committed. The dark cloud, however, I've got to say about South Africa, is the Zuma presidency. Protests were going on even as I was there. Even his own ANC, the African National Congress party, has lost faith in him. He fired more than a dozen ministers over the last month. And from the incredible leadership of Nelson Mandela to the brains of Thabo Mbeki, who preceded -- or followed him, now the country is in the hands of a Zulu with a third-grade education, and it doesn't bode well for the future of that country. The strength though is there is enough good people there, that there will be a change in some of these government policies going forward.

Michael, I'll turn it over to you.

Michael S. Poteshman - *Tupperware Brands Corporation - CFO and EVP*

Thank you, Rick. Rick's highlighted the units that most significantly moved our first quarter results versus 2016. Our sales were about $15 million over the high end of our guidance, and the main upsides were in China and the United States and Canada. In both cases, we had forecast good growth, but at plus 38% and plus 14%, respectively, they did meaningfully better. On the sequential improvement from the fourth quarter, when we were down 1% in local currency sales without the extra week benefit, as we have foreseen, there were big contributions from Indonesia and

Germany that Rick touched on, with some drag from Brazil, which is our largest unit and where we were up a great 24% in the first quarter, but an even better 32% in the fourth. Rick mentioned that we have assessed that about 1 point of our 6% local currency sales growth in the first quarter came from the net favorable impact of timing related to starting this year on January 1 compared with last year starting the day after Christmas, partially offset with Easter and the promotional timing impact in Turkey. Still, the underlying trend was clearly much better in the first quarter than the fourth and better than we expected. And this led, I think, to increase our full year sales outlook range 1 point to plus 2% to 4%. Recall that this is net of having a 1 point drag on the full year comparison from having 1 less week in 2017 than 2016.

Looking at volume, mix and price increase contributions to the 6% first quarter sales growth, 4 points was from volume mix, 8 points better than minus 4% from the fourth quarter without the week, and 2 points was from higher prices compared with plus 3 points from price in the fourth quarter. On the sales force statistics, Rick noted a nice 4-point improvement in the total sales force size comparison in the first quarter to plus 5%. This came most significantly from good execution by Tupperware South Africa, better retention in Indonesia from improved onboarding and good activity with those added to the sales force in the fourth quarter and good retention by Fuller Mexico on the strength of better contact with the sales force members and from the initiative that will allow smaller orders to enable us to reach more categories of consumers. The sequential improvement from minus 8% on the average active seller comparison in the fourth quarter to minus 1% in the first reflected most significantly an estimated 6-point benefit from the flow of the weeks in light of the 53rd week in fiscal 2016, meaning not having the week between Christmas and New Year in the first quarter average. Also contributing was a better sales force recruiting comparison in Indonesia and the stronger promotional programs there, together with a higher activity rate of Fuller Mexico also in connection with the initiative to open the gate to smaller-sized orders.

Consistent with what we've been seeing, the main contributors of local currency sales being up 6% in the quarter with 1% less average active sellers reflected the terrific growth in China, where we operate under the outlet model without a sales force; the mix benefit from the fast growth in Brazil that has a larger-than-average order size; and the mid-2016 change in the sales force manager commission approach in India that has led to less splitting of orders; and along with all of this, the 2-point benefit from higher prices.

On Slide 6, diluted earnings per share without items at $1.01 was $0.07 above the high end of the range, which included a $0.02 benefit from stronger foreign exchange rates. The $0.05 local currency upside reflected the higher sales, particularly as noted in China and the United States and Canada. On top of the sales upside in China, the gross margin management and leverage on fixed cost came in better than we have foreseen. Unallocated corporate expenses were better than expected, which we see as a timing benefit that will come back out as we move through the year. Against these upsides, the profit comparison versus sales was pure -- was poor in Europe, much of which related to the structure of sales offers and promotional spending in France in an effort to improve the top line.

On Slide 7, putting all of this together, this meant that our pretax return on sales without items improved 80 basis points over 2016, 40 basis points more than had been in our outlook.

Turning to gross profit and distribution, selling and administrative expenses. The gross profit percentage was good at 68.0%, although 0.4 points below 2016. Half of this was from the mix impact associated with movements in FX rates, with small ups and downs accounting for the rest. DS&A was 100 basis points lower than last year, coming in at 53.9%. Here there was a 20 basis point benefit from mix associated with FX. The other 80 basis point improvement came most significantly from better net leverage on promotional spending coming from several of the units, along with the offset from France already mentioned that dragged down of return on sales in Europe.

On Slide 8, cash flow from operating activities, net of investing activities came in at a $33 million outflow in the quarter, a little lower than we expected and $16 million worse than last year, reflecting timing differences in receivables and payables and higher cash taxes in connection with the fiscal calendar. Our outlook for the full year has come up $5 million in light of the higher net income outlook and now stands at a $190 million to $200 million. It continues to include $70 million of capital expenditure.

On Slide 9, turning to the outlook for sales and profit. In the second quarter the 4% local currency sales growth at the high end of our range would put us at a 2-year stacked growth rate of 7%, which is where we came in, in the first quarter with the 6% increase on top of a 1% increase last year. Sequentially versus the plus 6% growth in the first quarter, the plus 4% in the second quarter most significantly reflects good growth continuing in China, but not at the 38% rate achieved in the first quarter.

Net income without items at the high end of the range is up 5%, about in line with the sales growth, reflecting giveback of some of the timing benefit in unallocated expenses from the first quarter and close to $1 million more in interest expense against a relatively low number last year associated with forward points on hedging activities.

On Slide 10, pretax return on sales without items shows 60 basis points higher than the second quarter of 2016 at the high end of the range. For the full year, the 1-point improvement in the sales range to plus 2% to 4%, that again is after a 1-point drag from having one less week than 2016, primarily reflects the upsides versus the first quarter guidance flowing through to the year. The earnings per share outlook excluding items is up [$0.20] to [$4.77] (corrected by company after the call) at the high end, reflecting the flow-through of the $0.05 local currency upside from the high end of the first quarter guidance, together with $0.14 of a lift from more favorable exchange rates that now put us at plus $0.08 on the full year comparison with 2016 compared with minus $0.06 when we gave the previous guidance on February 1. This outlook continues to include unallocated corporate expenses in the low $70 million and net interest expense of $45 million.

Finally, on resin, we foresee a full year impact of negative $10 million versus the previous outlook for a $9 million hit in cost of sales. The first quarter included just a minor drag and the full year hit will come through about evenly in the second, third and fourth quarters.

And so with that, Seneva, we will turn it over for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) And our first question comes from the line of Jason Gere.

Jason Matthew Gere - *KeyBanc Capital Markets Inc., Research Division - MD and Equity Research Analyst*

Couple of questions. I guess, the first question I'll lead off with is, the balance this quarter between price and volume was a lot more balanced than, I guess, we've seen in the past couple of quarters. Can you just talk about pricing and what -- given that a lot of your currencies have actually started to move in your favor, how much as the year progresses will the price roll off? Where are you able to get kind of price, maybe through new innovation, some of the products out there? And how we should think about, as we head to the back half of the year, where there were some tougher comparisons, just the level of volume kind of helping that versus maybe what pricing might be still in the plans for this year?

E. V. Goings - *Tupperware Brands Corporation - Chairman and CEO*

Jason, this is Rick. I'll answer the first part of that and, Mike, you can cover what I haven't covered. The overall strategy, firstly, for the last couple of years, Jason, is really to move more toward getting -- not exiting food storage, but as a category, it's the most commoditized category. So even when we say improved storage, we go for more highly differentiated kind of food storage products like FridgeSmart, for example, which almost doubles the shelf life of produce but -- so that's been really the strategy, to find more white space on products that are differentiated, where its features and benefits enable us not to have pressures with regard to pricing. China here is a case in point that -- my goodness, we're selling $300-per-piece items in our studios here and still I think the number one in total dollar volume sales product we have globally is the water filtration at $1,000 a pop. So the more we do that, it basically insulates us some from what's happening with regard to competition and pricing pressure. Additionally, I'd say, it also leverages the power of the earning opportunity. I used to say that to sell a $3 lipstick versus selling a $100 MicroGourmet steamer takes about the same amount of time and she makes ever so much more. So -- and then secondly, to go with that features and benefits, we had to get better at demonstrating. And so the example, Jason, I used in Indonesia was with an Herb Chopper. They are selling a $40 or $50 product versus -- that actually use shows results, versus a $12 food storage product. So with regard to product differentiation, this is the strategy of the company, to move away, almost in the way -- and Mike I'll turn it over to you, almost in the way Apple moved away from basically being laptops and desktops, which both became commodities, and moved toward these products that are [$700,000 or $800,000] products, where they don't have the same kind of competition. So that is our strategy. Would you add to that, Mike, please?

Michael S. Poteshman - *Tupperware Brands Corporation - CFO and EVP*

Sure. The mix benefit that Rick is talking about help us in a couple of ways as it would relate to the volume mix versus pricing. One is the introduction of the more differentiated products, where we're having initial pricing that in concept might be higher than it was a year ago or not, but it is higher than the average price points in many cases. And that really comes through in the volume mix. And then the move towards more demonstration in our businesses also lead us to higher price-point products that would come through in that portion of the split of our sales growth between price and volume mix. As it relates to the price component itself that you were asking about, you'll see -- as has been the case, but you'll see when our 10-Q comes out, that our bigger pricing benefits came in the South America and the Beauty North America segment. And there, we do continue to see some inflation. So the overall price benefit in the first quarter here was 2 points, it was 3 in the fourth quarter. I'd expect that as we continue to price in line with inflation and think about where our businesses are, that we'll continue to see a contribution from price, but it's relatively modest. So clearly the bigger swing this quarter versus last sequentially was the volume mix. And that's what we're looking to drive through a larger sales force.

Jason Matthew Gere - *KeyBanc Capital Markets Inc., Research Division - MD and Equity Research Analyst*

Okay. And then maybe that will lead into my next question. So I guess, I'm just trying to think about the macro versus the micro. So the micro seems to be lot of initiatives, whether it's the digital strategies or the onboarding starting to take hold in a number of good markets. And I guess, I'm trying to think about the macro because as you see other multinationals out there, emerging markets still seems like it hasn't really improved that much. Maybe not getting worse, but maybe not getting that much better. So this quarter, you did 9% emerging markets growth, albeit I think it was -- about a year ago, it was very, very depressed. But how do you think about, I guess, one, how the macros are kind of playing into the -- your -- I guess, your guidance for organic sales versus the micro? And then secondly, whether or not -- is it really more mid-single digit type of emerging markets growth? Or do you think that high single digits can be sustained given both the macro and the micro that you are working on simultaneously?

E. V. Goings - *Tupperware Brands Corporation - Chairman and CEO*

I'll handle, again, one part of that. Michael, you can add what I miss. Very interesting firstly with regard to shifts that I see, macros that are happening. So many people talk about China, is China going to slow down? They talk about -- now, you heard China had a -- as a country, first quarter was 6.5%. And what many people don't understand, it's 6.5% times a much larger economy than ever -- than was a decade ago. The other factor is, and it's interesting -- I was telling them before the call began, we're having this meeting here in Sanya. Sanya, most people on this call I'm sure have never heard of it before. It's in this Hainan Province. Hainan Province is an island, 1 hour north of Hong Kong and 30 million people live here. It's a resort kind of property. I'm at an MGM Grand here. And I interviewed the hotel manager yesterday. And this just helps, Jason, as far as what's going on in some of these macros, in some of these kinds of markets. I said, "My God, the average entree at lunch is $30. Who can afford this?" And he said, "All of our customers are basically Chinese. We get about 10 Europeans a month." Well, I said, "Well, who can afford this?" And as we discussed, he said, "5% of the Chinese have money." But when you hold 5% x 1.3 billion, that's a country -- that's 65 million people there. And that's who -- that's who loves our products. And the other thing that's helping us so much in many of these markets, if somebody turned the clock back to 1960 and who sold Tupperware, it was my mother. It was somebody who wanted to earn part-time money, the family wanted a second car. She maybe worked. She was Rosie the Riveter during the war. But that's who sold Tupperware. Who now is selling and who I will be seeing tomorrow in there, she is 34 years old. She has got a college education. She wants to do this because she's an entrepreneur and she doesn't want a regular kind of a job. I see the same thing 10 days ago in Africa. I've seen a changing face of our sales force, and that sales force sells to their friends, neighbors and relatives who reflects them, which this enables, to your first question, them to sell higher-price products, where use shows results. I think this is going to be in our benefit in not only China, but in emerging Africa, in Indonesia, and if they ever get their act together, the country, in India. The problem with India versus China, too much democracy, nothing is standardized. And if somebody wants to say, what's the secret to China? China is just a big Singapore, and there is hardly a country in the world you can visit where they don't have drugs, they don't have crime, it's cleaner. Now it is a benevolent dictatorship to speak of, but it works with that centrally planned economy. So Mike, you carry it back to the other less esoteric comment.

Michael S. Poteshman - *Tupperware Brands Corporation - CFO and EVP*

Yes, Jason. You've heard us say before probably, when we think about micro versus macro, that fortunately in our kind of a business, where we're a go-to with the sales force, that we can -- macros matter and they are better sometimes and worse sometimes. But our go-to strategies and the things that make that up allow us to do well in any reasonable set of external factors. And I think we're continuing to see that. So if you look at the big drivers in the first quarter, they weren't all good, but we did very well in Brazil where the externals are not great; China, where the externals are pretty good, but there is some pressure on consumer spending. We did much better in Tupperware Mexico; very well in South Africa, where the externals are not necessarily great either. But on the other hand, we were down at Fuller Mexico, although better than the fourth quarter; also down in Indonesia. So we talk a lot and you heard Rick talk today about the things we're doing in the markets that we're not doing well or as well as we would like, and that goes to this push aspect and the levers that we have. So I think the story continues that the things that we're doing in the micro level matter more in our business than macro. But they are related and the things we need to do micro are related to what's going on in the macro, and we certainly don't live in a vacuum. In terms of how do we think about the 9% growth in the emerging markets in the first quarter and how we flowed that, while we don't make an explicit split in the way we give our guidance, the high end of our range for the full year is at the 4%, and we were up 6% in the first quarter. So we tend to see that when we look out at our very fast large-growing markets, we don't necessarily always see those trends continuing as strongly. And the one thing that I noted in the prepared remarks was that sequentially in the second quarter, we're still projecting very good growth in China, but not at the 38% that we had in the first quarter. So we would expect to see some of that, but sometimes we're pleasantly surprised, as you know, and can have an extended run in some of these big emerging markets where we are just really able to go on all cylinders.

Jason Matthew Gere - *KeyBanc Capital Markets Inc., Research Division - MD and Equity Research Analyst*

Okay. And if you don't mind, squeeze in just on that last point you were saying, just like last quarter, I think you talked about January being off to a strong quarter. Just wondering if there is any type of color you can provide on April. I know you did say that there was like a pull-forward you saw in the first quarter. But I was just wondering if there is any change that you're seeing in terms of April versus how maybe the first quarter ended.

Michael S. Poteshman - *Tupperware Brands Corporation - CFO and EVP*

Yes, I guess, I would categorize that we're fine with how we started in April. There is not so much of pull-forward having to do with the weeks, but there is the Easter impact and exactly how that flows through in different of our business units. So we certainly considered the first couple of weeks that we had visibility on, on setting the 2% to 4% range that we gave for sales in the second quarter. So we're always going for the high end.

Operator

And our next question comes from the line of Beth Kite with Citi.

Beth N Kite - *Citigroup Inc, Research Division - VP and Analyst*

I wanted to first touch on Brazil and China. I think when Rick spoke about Brazil, he described some sharing tactics kind of newly deployed for direct sales. Can you just go back to that and explain that a bit more?

Michael S. Poteshman - *Tupperware Brands Corporation - CFO and EVP*

Sure. I think what you're referring to and what Rick was referring to is, in our monthly recruiting push approach that we've been under there actually every 4 weeks, we've extended that with something called the Tupperware Challenge, where the prospective sales force member can forward a video of a product demonstration, and if she is able to sell 5 products, enter the sales force in that way. So she is contacting the people in her social media circle and leveraging this demonstration video to get started in the business. Is that what you think...

Beth N Kite - *Citigroup Inc, Research Division - VP and Analyst*

Yes, that helps. So it's kind of a preemptive measure before you officially kind of sign on as a sales force member. Is that a way to think about it?

Michael S. Poteshman - *Tupperware Brands Corporation - CFO and EVP*

I wouldn't call it preemptive, but it's a way to engage. So the Brazilian team does a great job of generating a huge number of leads for -- with this, what we call the D-Day recruiting approach. So really what's going on, on that D-Day is everybody is out, from the people in the office and -- symbolically, and the people in the large sales force, and really knocking on doors, contacting people they know and generating leads that we then look to bring into the sales force over the coming weeks. And one way that we're now doing that is through this Tupperware Challenge, which is a way for these prospects to engage in the business by selling product through this demonstration to their friends, neighbors and relatives through this technological way.

Beth N Kite - *Citigroup Inc, Research Division - VP and Analyst*

Got it. Okay. And then for China, apologies if I missed it, but with there a number of studios sited this quarter? And sort of how does that change year-over-year and quarter-over-quarter? And then for the full year, what growth of studios are you forecasting in China? I understand there is a lot of great productivity growth going on, but I'm just curious as to the extent of new studios you might see there?

E. V. Goings - *Tupperware Brands Corporation - Chairman and CEO*

Mike, I'll handle the first part of that. Yes, I think the number in the quarter was up 3%, wasn't it Mike?

Michael S. Poteshman - *Tupperware Brands Corporation - CFO and EVP*

Yes, 3% to 5,600. That's right.

E. V. Goings - *Tupperware Brands Corporation - Chairman and CEO*

Yes, but what we were really doing this last year was while the focus has been on expansion of sites over the previous years, we really got going here about the year 2000, where the business really started to have this model and moved forward. And I think we've had a 30%-plus CAGR since then. But it was grow the number of sites, it was the first thing we really worked on. Last year, there was a shift, and the shift said two things: Number one, we needed to shift from some of these somewhat remote locations to more a city location where it was on the first floor of that high rise; and secondly -- so that said, take some of the focus on just growth of number of locations. But just for now, because I looked at the numbers over the next 4 years, and they are planning double-digit growth per year in the number of locations. But in 2016 and '17, it was more a shift in where these are located. And what we're seeing -- two things that have happened with that, that confirm that it was the right thing to do: the success level of new studios has gone way up; and secondly, this incredible increase in the productivity of it. For us to be up, what, 39%, Michael, in the quarter and only 3% more [same] studios, that says, wow, this was the right decision. But expansion is still the idea going forward. We have said in the past, there is the opportunity for 20,000 locations. I looked at the numbers today. We may not have to get there. If we're building units that are as big as these are right now and productive, we may only need 15,000 to 17,000 to get full access to the consumer base.

Beth N Kite - *Citigroup Inc, Research Division - VP and Analyst*

Terrific. That's super helpful. I just had one last question then on the Beauty business. Understanding that some of the BeautiControl is under review, for the Fuller business, where you are seemingly kind of doubling down on that with new management and some new strategies, sort of how will that impact profitability here in 2017? Sort of how long are -- do you envision the time frame to be before you can potentially turn the sales in the Fuller Mexico business?

E. V. Goings - *Tupperware Brands Corporation - Chairman and CEO*

Well, I'm going to be disappointed personally -- I've been deeply involved in Fuller over the last number of months. And Michael, I and Luciano Garcia made the decision that let's send Evaristo there. That was a question of sending one of our most seasoned leaders who knows this business. Doubling down is not a bad way to put it either. It's that it's so damn good a business, the brand name is so well known that this last couple of years have been really difficult with the business. And I think part of the culprit was us, that we got too purist in our product approach, so focused on higher-price cosmetics, fragrance and toiletries that we missed some of the other categories that would enable her to get a higher average order. And we started to sit there and say, hey, we're one of the leaders in that market, let's start acting like it. And so we've got a threefold strategy that I mentioned. Basically it's morale, coverage and campaign energy. Coverage means expanded sales force. And every one of the associates down there has a little signal of a gold flame on their lapel, and it talks about a proud tradition and an even brighter future. So we're actually quite charged about what's ahead for us. Competition is having a very difficult time down there. Now back to your question. Again, I'm going to be disappointed if you don't see progress in the second half of the year in Fuller. It's a very profitable business, but we were used to, the first 5 years we owned it, getting a, what, Michael, a 22% ROS. We used to talk about it and I want to get back to those kinds of -- I want to get a top line there that is in the mid- to high single digits and a double-digit ROS. And it's a good place to win, and we know that business.

Operator

And our next question comes from the line of Frank Camma with Sidoti.

Frank Anthony Camma - *Sidoti & Company, LLC - Analyst*

I didn't -- Rick, I didn't hear you talk much, maybe I missed it on -- specifically on Tupperware North America. I mean, granted it's a smaller part of the business. But specifically in the U.S., given the increase there and the challenge for just direct selling as a whole, can you talk a little bit about that, like what may have impacted the results there?

E. V. Goings - *Tupperware Brands Corporation - Chairman and CEO*

Yes, Frank. First of all, good to talk to you. And I'll tell you what's happening there. It really -- they have -- we've got an incredible leadership team there. They have gone through the challenge of contemporizing the business, and that includes not only leveraging new technology out there. They are probably the most in -- connected with the sales force of any of our businesses worldwide. They have a thing called Tupper TV. If somebody -- so, I mean, tens of thousands will be connected to that Internet television channel, and we've got dynamic leadership there. And we not only do training, but product promotions. So if somebody is running a little distributorship in Whitefish, Montana, she feels connected right to headquarters, right to Stein Ove, right to the head of marketing and sales. When we're holding big events, those things are broadcast everywhere. So all members of the sales force can do it. They moved the compensation program in a way, where basically legacy kind of people could sit on -- kind of back and collect a check on what they did in the past. What they've got to do is be really building new leaders for the future. And the management team has done a wonderful job of executing on this. As I said, we're lapping these changes. Some of the people didn't make the changes, but the ones -- the new ones who are so excited about it are out there and they're filling the gap and we're getting double-digit increases. And the other thing I talked about earlier, you are seeing the shift as who is coming in to sell Tupperware and to build the Tupperware business. She is younger. She wants to be an entrepreneur. The barrier to her needing resources isn't there anymore. We bring her in to Orlando. We train her how to do it, and she goes back and builds her business. And every time we see the groups come in who are being trained as the new field sales leaders, they are getting younger and younger and they are more entrepreneurial. So it's a fabulous transition. As a matter of fact, they are doing so well with it that we had Stein Ove and the management team bring in four of our managing directors from Europe to sit there and show them, here's what can happen in a market where many direct selling companies in the U.S. are having issues and almost no one is having double-digit increases.

E. V. Goings - *Tupperware Brands Corporation - Chairman and CEO*

Mike, do you want to add anything on that?

Michael S. Poteshman - *Tupperware Brands Corporation - CFO and EVP*

No.

Operator

And our next question comes from the line of Olivia Tong with Bank of America.

Olivia Tong - *BofA Merrill Lynch, Research Division - Director*

I just want to talk a little bit about the sales force, because you obviously accelerated the total sales force number nicely this quarter. But what are you doing differently to ensure a better conversion to actives? Because we've had times in the past where you've managed to accelerate that number, and then it will last for 1 quarter or 2 and then it sort of decelerates again without really making too much of a needle-moving moment on actives. So just that would be my first question.

Michael S. Poteshman - *Tupperware Brands Corporation - CFO and EVP*

Well, I mean, certainly, Olivia, you've heard us talk about onboarding is key for us, I'd say, broadly. And that's meant to change things over time from where we have been in the past by being more consistent with the approach, more thoughtful that we're getting it right market-by-market, and that we're importantly coming up with training and communication tools to give it depth and consistency. So that should help us get more people started through the activities that will allow them to be -- do well in their business better, and then that will lead to some longevity. And when you're going up against 3 million-or-so sales force additions per year, that can pay off very well. In terms of some of the specifics in the quarter, Fuller Mexico was -- made a nice contribution in terms of the total sales force size comparison. So we're still not in plus, but we're better than we have been, and also on actives. And that reflected in part the strategy to broaden both our product line, to be -- to start to move towards more categories, although that's early in execution still, but also to allow for smaller order sizes to be able to address more of the sales force population and also on the consumer side. So that should be the sort of thing that could continue well. A couple of the other places where we had nice net additions were in South Africa. And that's really good execution in that business. We have been able to grow the leadership part of the sales force. And so that sort of thing should have longevity. Indonesia as well. And frankly, that was -- reflected a lot these activity-driving programs at the beginning of the quarter that really helped us maintain connection with the fourth quarter recruits that we talked about in our prepared remarks. And so that's the kind of thing where you do have to see if you can activate them again the next quarter. And it's not just that fourth quarter group, there is a group in the first quarter as well. So it's not like you only have one chance. But that's one of the places where you can see more volatility. And then in India, while the comparison is not great after the change in the direct selling regulations, it's starting to flatten out a bit. And so that's another element that's hit us pretty significantly over the last few quarters in terms of a drag. It should straighten itself out. So I realize those are specifics to this quarter. But those are the sorts of things that we have where there should be elements in our business that have legs and longevity to them. But you're right, there are cases where there is more volatility and ups and downs in particular business units.

Olivia Tong - *BofA Merrill Lynch, Research Division - Director*

Got it. And then just can you talk a little bit about the improvement in the selling and admin expense, just to sort of parse out the key drivers? Because that's obviously been pretty decent, along with your most recent 2 or 3 quarters. And specifically in terms of two regions, Europe, you've talked in the past about the need to cut overhead, and so specifically in that market, where do you stand on that? And then North America, how much of that improvement in the margin is a function of changes in strategic spend? And then also, is your average sales force member, are they making more or less than they were a year ago?

Michael S. Poteshman - *Tupperware Brands Corporation - CFO and EVP*

Okay. There is quite a bit in there, but the 100 basis point improvement that we had in DS&A in the first quarter, you heard 20 basis points came from mix. And what we mean by that is, we have different expense characteristics and returns on sales and difference of our business units. And as the FX moves, that can move the percentage because sales is hit in a different way or benefited in a different way than the profit. And so we got a 20 basis point improvement from that, which is nice. You've heard us talk the last few years about drag. The biggest impact more operationally was better leverage net-net on promotional spending. And that, as we know and you know, is an important element for us because we do spend a lot on promotions, and we should. The key is to get the right kind of leverage out of them. And so, in the places where we got the good growth, we did tend to see a good leverage on that spending, and you would expect that. But then in some of the other places, we were able to do a better job on a case-by-case basis. In terms of North America specifically, we did get good sales growth there. So there was the scope for volume leverage. We did see in Mexico some drag from the cost of resin because it's priced in dollars. And the peso, although it's improved since the election, has been down year-over-year. So on the gross -- that's on the gross margin line, there has been some drag there. In terms of changes to the business models, in Europe, we have taken some steps there. But clearly there is more to do, and it's not a kind of a global or one thing that we're doing. So it's more business unit by business unit, and then as well as in some of the admin centers in the supply chain. So it's fairly broad based and has initiatives that are moving at different speeds. So it's -- if you look at what we said in terms of guidance for this year, it's not that we baked in a huge improvement this year.

Operator

And there are no further questions at this time.

Michael S. Poteshman - *Tupperware Brands Corporation - CFO and EVP*

Okay. I understand that Rick fell off from China. So I'll just close by saying, thank you very much for participating today. I know it's a busy week, busy couple of days in terms of companies releasing. So we appreciate you being on and your questions and for your interest in Tupperware Brands. Thanks very much.

Operator

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