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PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by. And welcome to the Tupperware Brands Corporation's Fourth Quarter 2020 Earnings Conference Call. (Operator Instructions) Now I'd like to hand the conference over to your speaker today, Jane Garrard, Vice President of Investor Relations. Please go ahead.

Jane Garrard - Tupperware Brands Corporation - VP of IR

Welcome to Tupperware Brands Fourth Quarter 2020 Earnings Conference Call. With me on today's call are Miguel Fernandez, our President and CEO; and Sandra Harris, our Chief Financial and Operations Officer.

Earlier this morning, we issued a press release announcing our financial results for the fourth quarter ended December 26, 2020. The press release is available on our company website on our Investor Relations page. We will begin with our safe harbor statement.

During the course of today's call, we will make forward-looking statements that are subject to risks and uncertainties as described in our press release and in our SEC filings. You should listen to today's call in the context of that information. We will also discuss some of our results for the quarter on a non-GAAP basis. Reconciliations between GAAP and adjusted measures can also be found in our press release. Any reference to sales in this discussion today is referring to local currency sales, which compares results between periods as if current period foreign exchange rates had been the exchange rates in the prior period. You can access the release and our forward-looking statement language through the Investor Relations section of the company website, where you can also access a webcast replay of this call later today.

I will now turn the call over to Miguel for his remarks.

Miguel Angel Fernandez - Tupperware Brands Corporation - President, CEO & Director

Thank you, Jane, and good morning, everyone. In 2020, we started down a path to modernize the Company. Let me summarize key wins for us in 2020. We rightsized our business with gross cost savings in excess of \$190 million. We revamped our leadership team and reorganized the company. We strengthened our balance sheet, improved cash flow and restructured and refinanced our debt. We initiated a new growth strategy to unlock the power and consumer acceptance of our brand. We started executing on our new defined purpose to "nurture a better future every day", putting our environmentally friendly, reusable message front and center. As a result of this performance, we have now achieved three quarters of improving performance on our way to turn around the company. With sales growth of 20% in the last two quarters, we believe we've changed the negative trends of prior years. COVID-19 was an unexpected disruption that we all had to deal with in 2020.

On the negative side, we estimate a negative topline impact of about \$62 million due to forced closures and other restrictions. But, on the positive front, for us, we saw a new consumer trend emerge around the world. In 2020, more people have been staying home due to a pandemic, which led to more cooking at home, more time in the kitchen and more of an awareness to prepare food, minimize food waste and decrease their use of products made with single-use materials. Tupperware products were a solution to these consumer needs. To overcome the restrictions related to the global pandemic, our sales force accelerated their adoption of detailed tools and methods. As a result, they were able to modernize how they reach and service their customers, and how they demonstrate our innovative products.

A key strategic shift for us in 2020 was that our sales force realized that geography was no longer a hindering factor in growing their businesses. By utilizing social media platforms and digital tools, they've been able to reach beyond their physical neighborhood and leverage the expansive reach of their on-line social network. While it is still early in their transition to embracing digital selling tools and methods, we're confident we can build upon the successes gained in 2020, and accelerate widespread adoption in 2021. We believe a more digitally equipped sales force will enable greater engagement and increase productivity as we move forward with our other growth initiatives.

Let me highlight a few of our key markets. In the U.S. and Canada market, sales increased 83% in the fourth quarter. Because of service improvements during the quarter, the company's backlog dropped \$21 million. This backlog attributed 47% of the sales growth, leaving a sales increase of 36% without it. The U.S. and Canada sales force continue to embrace detail demonstration tools for more efficient and productive selling situations, and they are currently testing our new VTUPP online party tool. Our product innovation continues to appeal to our consumer needs for preparing healthy food efficiently and reducing energy waste. We featured two products in the fourth quarter, including a two-speed hand mixer, which can whip and mix manually without use of electricity and the hand spiralizer, which spiralizes vegetables quickly and easily. Tupperware Mexico contributed sales growth of 8% in the fourth quarter. Mexico grew 9% in average active sales force behind the increased use of mobile apps and a program of targeted promotions. During the quarter, products contributing strongly to sales included three on-the-go products, two new water bottles and on-the-go coffee cup, demonstrating that our brand has permission to sell products outside just food storage.

In Brazil, sales increased 58%, which was achieved through a coordinated use of data, merchandising, products and communication. The top featured products in Brazil were similar to Mexico in the on-the-go category including new water bottles and lunch kits. The entertaining category contributed strongly to sales in the fourth quarter as well.

And lastly, a key market for us, China, declined 11%. A contributing factor was a decrease of 609 studios to end the year at around 5,700. We believe China could be a key growth driver for us as we plan to expand into new product categories and channels. We are happy to welcome our new President of China and Vietnam, Ken Yeung, who joins us from PepsiCo. Prior to his stand at PepsiCo, he led a number of business at JD.com and spent 10 years with Walmart before that. We believe Ken's experience will help us expand our retail studio presence in China, accelerating new product innovation and increased focus on a transformational e-commerce strategy.

As we move into 2021, we will accelerate our consumer-centric focus and in everything that we do. With this in mind, we recently announced internally that we are realigning our resources against priorities that will help us drive our future. To expand the availability of our products around the world, and reach consumers where they choose to purchase, we've organized our commercial efforts into two streams: the traditional direct selling business and the new Omni-channel business expansion.

Patricio Cuesta, our worldwide commercial President, who has over 16 years of experience running direct selling markets and regions, will lead our direct selling business, and will continue to focus on improving the core. This includes, increased use of data analytics to help us make better decisions, pushing our digital transformation to create a seamless experience for our sales force to become more efficient and productive. And expansion into new products and categories giving our sales force the opportunity to excite existing customers and attract new ones. With these efforts, we believe we can create a more sustainable and predictable business.

Hector Lezama, President Commercial Business Expansion, will lead our Omni-channel strategy. He brings deep international experience in developing various business models that support and complement our current direct selling model. I'm confident in the ability of our new leadership team to execute on our priorities. Our focus in 2021 will be to expand the skill set in the company to be more data-driven and explore new channels of distribution avoiding a potential conflict with our current direct selling channel by introducing Tupperware sub brands and/or penetrating into

different product categories, where we know the consumer gives us permission to enter. We believe the execution of these priorities will create meaningful value for our shareholders for years to come.

Now let me turn the call over to Sandra Harris, our CFO and COO, for a review of our financial statements.

Cassandra E. Harris - *Tupperware Brands Corporation - CFO & COO*

Thanks, Miguel. Our turnaround plan accelerated as we moved through 2020 and is now well underway. In 2020, we established a firm financial foundation by rightsizing the cost structure, refinancing the 2021 debt obligations, improving liquidity, centralizing the finance and accounting organization and strengthening our control environment. Our fourth quarter sales improved 20% compared with last year. The majority of our markets posted improved sales in the quarter; North America increased 50%, South America increased 55% and Europe increased 8%. Asia declined in the quarter, down 5%, China was a major contributor. In the last three months, we have established new leadership in strategically important markets in Asia that we believe will drive future growth.

The year started with weak sales trends from 2019 carrying into the first quarter coupled with the most significant impacts of COVID-19, resulting in sales declines in the high teens for the first quarter and a second quarter with high single-digit sales declines.

In the second half, the pivot in the business was evident, with growth of 20% in both the third and fourth quarters, finishing the year 3% higher than 2019. If you exclude the net negative impact of COVID-19, revenues would have exceeded the prior year by 7%. We believe this performance is evidence that the actions of our turnaround plan are beginning to take hold, and with two months completed in the first quarter of 2021, we are seeing continued strong revenue growth in the low to mid-teens compared to our easiest comps in 2020.

Turning now to profit, gross margins in the quarter improved 500 basis points to 68.2%. 240 basis points were attributable to favorable manufacturing costs reflecting efficiencies due to higher volumes. 220 basis points are related to turnaround plan cost savings and 40 basis points were from lower resin cost.

SG&A as a percentage of sales was 54.1% in the quarter, reflecting an improvement of 520 basis points year-over-year, reflecting the benefits from our rightsizing cost savings. This improvement is even more significant, considering an increase in our bonus accrual due to progressively improved performance and higher distribution expenses, primarily in the U.S. and Canada related to small package surcharges, small order sizes and increased demand. Adjusted segment profit of \$106 million or 21.7% of sales improved 1,090 basis points versus prior year of 10.8%. Three of our regions all achieved operating returns in excess of 25%, while North America, representing 31% of our revenues in the quarter, ended the quarter at a 10% return on sales, but delivering \$15.4 million of profit versus a loss last year. This shift in country mix to lower margin regions can impact the overall company adjusted segment margins. Overall for the quarter, adjusted income before taxes improved over 189% to \$68.1 million.

Before I discuss EPS, let me take a few minutes to address the abnormally high tax rate, 72.9% effective rate for the quarter. As we noted during the Q3 call, we expected that our fourth quarter tax rate would be unusually high due to the timing of certain non-operating events associated with the sale of noncore assets and early retirement of debt. In the third quarter, our tax rate was lower due to the benefit from GILTI credits and foreign tax credits used to offset the tax liability related to the gain on the debt extinguishment.

The full year effective tax rate of 47% improved significantly from the 88% in 2019. In 2020, our operating tax rate for the year was also 47%. As part of our turnaround plan, we have started the implementation of a 5-year tax strategy that we expect will result in an overall effective tax rate for 2021 in the mid-30% range and even lower in 2022. You can expect some volatility in the ongoing operating tax rate within the quarters based on the timing of various noncore asset sales and country mix.

Now to EPS. For the quarter, GAAP diluted EPS of \$0.41 compared to a loss of \$1.47 in 2019. The improvement is reflective of the benefits from the turnaround plan cost savings, profitable growth in the quarter, and a gain on sale of noncore assets, partially offset by higher unallocated and operational expenses and taxes.

Operationally, adjusted EPS was \$0.14 versus a \$0.69 loss last year. While we achieved our planned turnaround cost savings in the quarter, the quarter included \$0.13 of incremental annual incentive plan accruals due to exceeding the original operating plan, additional, pandemic-related FedEx surcharges of \$0.07, \$0.03 for additional inventory reserves in Mexico and \$0.11 related to the absence of a China government grant normally received in the fourth quarter, negatively impacted the EPS. We do expect that the grant will be received in the first quarter of 2021, albeit at a lower amount. Additionally, as mentioned, the quarter was heavily impacted by an unusually high tax rate.

We indicated last quarter that at a sales level of \$475 million, we would expect EPS in the range of \$1 to \$1.20 and an operating tax rate of 28%.

We reassert that this is a normalized adjusted EPS for those assumptions. The items discussed above, affected the quarter by \$17 million or \$0.34. If the current quarter's results were adjusted for these items and at an operating tax rate of 28%, the EPS would have been higher by another \$0.68, delivering \$1.16 versus the \$0.14 adjusted EPS. Based on the timing of our tax strategy work, we anticipate we can achieve the assumed tax rate of 28% in 2022.

Before we discuss the strength of our balance sheet, net income for 2020 was almost \$100 million better than the prior year as we delivered \$192 million of our \$180 million planned turnaround cost savings goal.

As a reminder, 75% of these cost savings are expected to annualize in 2021 as some of the savings were pandemic-related and will be required to be reinvested to support 2021 sales growth.

Let me now address improvements in liquidity and our efforts associated with strengthening our capital structure and reducing our debt. Free cash flow was \$89 million in the quarter and \$198 million year-to-date, representing a \$137 million improvement over last year. Improved profitability and working capital were major contributors. We achieved an inventory turnover improvement of 18 days and the DSO improved to 21 from 24 in 2019.

Additionally, the year included \$59.4 million in proceeds from sale of non-core assets, partially offset by capital expenditures of \$27.9 million. We do expect capital spending to return to normalized levels of \$60 million to \$70 million in 2021, as we look to accelerate product innovation, and we, therefore, believe you can expect a 2021 free cash flow similar to 2020. In December, we successfully retired the remainder of our \$600 million, 4.75% senior notes with \$275 million term loans and cash on hand.

At the end of the quarter, our debt balance was \$702 million versus \$875 million last year, and we ended 2020 with a debt-to-EBITDA ratio of 2.99 versus 3.61 last year and well below our covenant requirement of 4.5.

As part of our turnaround plan, we are committed to exiting and divesting noncore assets. Already in 2021, we completed the sale of Avroy Shlain beauty business on February 26 for approximately \$34 million, and we closed on the sale of a plant in France for USD 9.4 million, with the receipt of proceeds spread through the third quarter of 2021. We will use the proceeds to eliminate debt, further strengthening our balance sheet.

On February 12, we filed an 8-K regarding our ongoing plans to divest of excess noncore land in Orlando. We continue to work with the O'Connor Group or others on divesting the remaining Orlando real estate valued at approximately \$40 million.

We believe that the results reported today provide proof that our initial efforts to turn around the company are working, restoring growth to our core business, rightsizing the company and strengthening our balance sheet to support future growth.

As a result, we believe we are creating a stronger, more competitive company for the future. I will now turn the call back to Miguel for another update.

Miguel Angel Fernandez - *Tupperware Brands Corporation - President, CEO & Director*

Thanks, Sandra. Today, we also announced the appointment of three new board members effective March 15th. We're excited to add these new members whose strength and experiences we believe will improve our ability to successfully execute our 3-year growth strategy. I will now turn the call back over to Q&A.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Your first question comes from the line of Linda Bolton-Weiser from D.A. Davidson.

Linda Ann Bolton-Weiser - *D.A. Davidson & Co., Research Division - Senior Research Analyst*

Congratulations on a strong quarter. I guess my first question has to do with topline growth, which was very strong in the quarter, and it did exceed our expectations. However, it did slow a bit from the third quarter and it looks like mainly Europe was the area where the growth actually slowed. Can you talk about whether that was pandemic closures or any particular market in Europe? And also Asia was a little -- was kind of where -- was spent in the third quarter as well. So was that something other than China in Asia?

Cassandra E. Harris - *Tupperware Brands Corporation - CFO & COO*

Linda, thanks. Yes, this is Sandra. So for Europe, the difference between Q3 and Q4 was predominantly related to B2B business. In Q3, we had almost \$11 million of B2B that did not happen in Q4. And so that's the largest difference in Europe. If you actually look at the core business, the growth was relatively the same. And the profitability also improved in Europe. And then for APAC, and maybe I'll let Miguel expand upon what we're doing there. Yes, China had an impact, but we still do have some continued challenges in other parts of Asia, specifically in Indonesia. And in both locations, we've made strategic choices on leadership. So I'll turn that over to Miguel to talk about what we're doing in Asia.

Miguel Angel Fernandez - *Tupperware Brands Corporation - President, CEO & Director*

Yes, Linda, so as Sandra was saying, we're facing challenges in various markets in APAC. We recently announced leadership changes pretty much in the biggest markets in APAC. I think there were 4 of them or 5 of them. The other big market in APAC that got impacted by COVID was Philippines because as you know, we have mainly a retail type of a model, and those are the ones that got hit greatly by COVID. But other than that, we're consistent with our strategy of -- and the one that we've been talking about and the one that we have in other countries that we know that are working. We just need to have the right players so we can execute appropriately in those countries.

Linda Ann Bolton-Weiser - *D.A. Davidson & Co., Research Division - Senior Research Analyst*

Okay. And then can you just talk about -- I mean, you've talked about kind of going a little bit more to a good, better, best pricing strategy to capture more consumers. Are you implementing that kind of starting out in 2021? And if so, would that be expected to impact gross margin in 2021. You had very good gross margin performance here in the fourth quarter. So kind of what can we expect along the -- in that line in 2021?

Miguel Angel Fernandez - *Tupperware Brands Corporation - President, CEO & Director*

So we already started with some pilots around the world. And we've seen a lot of positive momentum and positive response. Obviously, in some cases, the gross margin gets a little bit lower, but we've been able to offset it even more with higher volumes. So one important factor is that the sales force ends up making a lot more money even with the same amount of efforts, which was key for us. And with achieving these new price

points, we're actually becoming more relevant because our products are getting to more consumers in every single experiment or pilot that we did around the world. So this is something that got us very excited and we're going to continue to do. And obviously, we're learning through the path, but very excited with the pilots that we've run so far.

Linda Ann Bolton-Weiser - *D.A. Davidson & Co., Research Division - Senior Research Analyst*

Okay. And then you've done really great on the cost reduction in 2020 and your margins have come around very nicely really across the board. Are there additional actions that you're looking at? I mean you've talked about being able to maintain margins kind of going forward, but are there additional actions that you're kind of looking at longer term? And are you looking at more like ongoing productivity or maybe another cost reduction program or what's kind of the thought there?

Cassandra E. Harris - *Tupperware Brands Corporation - CFO & COO*

Yes. So Linda, what we talked about is that 75% of the cost savings would carry into 2021 and annualize. The other 25% were largely related to the furlough programs and other reductions in travel and incentive trips and things of that nature that will start to come back on as we start to see some relief from COVID. So we did assume that 25% of that would come back into the business's cost for 2021. The other thing that I think we've reiterated is that we do need to invest in the business. And so our intentions are that we're carrying forward that cost savings and the future investments that we're making in the business, and we do need to make investments in our continued digital strategies. That's really what contributed to the growth in the quarter and quite frankly, the last half of this year, we have investments that we want to make to continue offering great products that excite consumers, and we'll also be working through other investments that are focused on this new business expansion that we're working on.

With that said, we are very committed to continuing our efforts. We've realized that the SG&A percent is still very high. And so we're continuing to focus on leveraging throughout the business, and where we can. We have a global business services initiative that we've been working on as we started to separate the back-end functions from the front-end functions. And we're starting to stand those up in 3 different geographies around the world, and we do expect that we'll be able to skill the organization at a more efficient and effective cost and leverage costs across the board. We also know that we had challenges this year in supply chain. So we're committed to -- to the extent we can, the whole world is being impacted by the FedEx surcharges. And so those types of things, we can't necessarily affect, but what we can do is become more efficient and effective within our distribution footprint, within our manufacturing footprint, and we'll continue to look for opportunities to optimize in that way.

The other thing, and I'll see if Miguel wants to expand on it further, but we're also looking at segmenting our customer set, right, and offering different promotional cadences between what a preferred buyer is versus a business builder. And that will also have an impact on our margins as we offer different promotions to the different segments of our business. So Miguel, do you want to expand on that?

Miguel Angel Fernandez - *Tupperware Brands Corporation - President, CEO & Director*

Yes. Everything is based out of our segmentation strategy. With the use of data, we're understanding who's here for the business and who's here for the product. And with that knowledge, we've been able to segment promotions, which, obviously, the return of those investments is way higher. So you can argue that a good way to lower SG&A just by increasing the top line and being a lot more sophisticated in the promotion strategy that we are carrying around the company. And that's -- again, that's one of the things that has been getting a lot of traction, and we see a lot of promising results in the initial efforts that we've done around the markets.

Cassandra E. Harris - *Tupperware Brands Corporation - CFO & COO*

And then, Linda, one final comment. Historically, we've noted that our B2B businesses are more profitable. And as we move toward more business expansion in our business, we do anticipate that, in general, those would deliver a higher margin.

Linda Ann Bolton-Weiser - *D.A. Davidson & Co., Research Division - Senior Research Analyst*

Great. And then finally, do you have an outlook for your plastic resin costs in 2021?

Cassandra E. Harris - *Tupperware Brands Corporation - CFO & COO*

Yes. We are seeing some slight increases in resin costs. We anticipate that we can offset those through other cost savings throughout the supply chain and/or through pricing in specific markets. They're relatively small single-digit increases, but we are seeing some increases in resin.

Operator

Your next question comes from the line of Steve O'Hara with Sidoti & Company.

Stephen Michael O'Hara - *Sidoti & Company, LLC - Research Analyst*

I was hoping, just in terms of the free cash flow outlook for next year, is that just -- I just want to make sure I understand what you're including in that. It's kind of operating cash flow and then any disposals on property and so forth, less Capex, what the cash position is?

Cassandra E. Harris - *Tupperware Brands Corporation - CFO & COO*

Yes, Steve, free cash flow is our operating cash flow net of investing, so it include all the cash flows coming from operations. And then as I noted in the commentary, we do expect to return to a more normal capital expenditure level. So we spent roughly \$28 million this year, and we intend to go back to somewhere around \$60 million to \$70 million in 2021. But yes, we still do believe that through our continued work on working capital and also through the growth of the company and the operating cash flow improvement that we can deliver roughly around where we ended this year in that \$200 million range.

Stephen Michael O'Hara - *Sidoti & Company, LLC - Research Analyst*

Okay. And then just on the outlook for divestitures, things like that. I mean, what are you baking in next year for that or for this year, I guess, -- on that line?

Cassandra E. Harris - *Tupperware Brands Corporation - CFO & COO*

Yes. So I'll reaffirm our commitment. I mean, we want to focus on our core business. We made the announcement that we successfully divested in 2021 of our Avroy Shlain. We continue to look at all of our noncore assets, even our real estate, which we'll continue to make efforts on. We have learned that, obviously, it's unpredictable as to when transactions can close, especially in a COVID world. There's a lot of administrative work that delays timelines around those. And so at this juncture, it's still part of our strategy and our goal, but we haven't necessarily predicted the timing around the remaining sale of the land here in Orlando nor our future divestitures.

Stephen Michael O'Hara - *Sidoti & Company, LLC - Research Analyst*

Okay. Okay. That's fair. And then just wanted to jump back to the unallocated expenses. I think you laid out kind of what was in there. But could you just remind me, just on the gross, it looks like it's \$30.3 million, and that's up, obviously, almost 3x from last year and I'm just kind of curious what's in there exactly? And I mean, is that -- what's sort of ready to think about unallocated going forward?

Cassandra E. Harris - *Tupperware Brands Corporation - CFO & COO*

Yes. So one of the largest components year-over-year of that is that, obviously, based on the performance this year, we are able to pay out our annual incentive program, which is something that hasn't been done in over 2 years for Tupperware. So the performance became evident during the second half, and we had to modify quickly our reserves, which is why there was a \$0.13 impact on EPS in the fourth quarter of this year versus last year for that annual incentive plan. So that's probably the biggest increase. We have made investments in more in the unallocated area as we separated the back end from the front end. So you heard the announcement of the commercial leaders like Patricio and Hector. And so we are building centers of excellence around digital and other items that would fall in unallocated, but over time, that cost would come back out of the markets as we work on a more standardized approach for that.

So those are really the 2 biggest components, I think, in unallocated. And yes, we hope and anticipate that our annual incentive plan continues. And obviously, on a go-forward basis that would be built into our 2021 numbers as we develop that. It was just something that was not expected as we entered into this year. And so it was a delta.

Stephen Michael O'Hara - *Sidoti & Company, LLC - Research Analyst*

Okay. Okay. Okay. So yes, I mean, I guess, does it make sense to think about that line as kind of a percent of sales or segment profit or -- I mean, \$32 million in '19 is 60 cents per share. I mean, is something kind of -- what's the difference, maybe the better way to think about it in terms of if results improve in 2021, you get more performance-based comp and things like that and growth initiatives? Is that maybe not as high as this year because of the step-up or the accrual was behind?

Cassandra E. Harris - *Tupperware Brands Corporation - CFO & COO*

Yes. I mean, I can tell you that traditionally, obviously, we reported the unallocated is the Tupperware method. I would tell you that my focus is more on the SG&A since the majority of that unallocated sits in our SG&A numbers. So the fact that this year, we continue to improve our SG&A. For the quarter, last year, it was at 59.3%. We dropped to 54.1%. And then -- and for the full year, we've also had improvement from 55.6% to 54.5%. So again, we've acknowledged before that being in that 50% range is not where we'd like to be. So we'll continue to make efforts on that and unallocated is a part of that. And so we're balancing this now on a global basis versus where in the past that unallocated was largely what was considered worldwide, but we're looking at it from a holistic global perspective of continuing to optimize our costs.

Stephen Michael O'Hara - *Sidoti & Company, LLC - Research Analyst*

Okay. And I mean, you said 50% range isn't where you want to be. I mean is there -- what is kind of the long-term thinking around where that would get to everything offering as you hope and the -- I don't know if peers are -- range peers are in. But I mean, is there a way to think about that longer term? What level SG&A could get to?

Cassandra E. Harris - *Tupperware Brands Corporation - CFO & COO*

Yes. And I think I may have said in the past, Steve that I mean, over a 3- to 5-year period, we anticipate that we get into the 40s %. That's where we would like to be and not hanging out in the 50s, but we are going to reinvest in the business. And so we're trying to balance that as we reinvest and make those digital investments, the investments we're making in the segmentation work. And so we would like to be in the 40s over our strategic long-term plan period, but we're going to balance that so that we can continue to grow this business on the top line.

Stephen Michael O'Hara - *Sidoti & Company, LLC - Research Analyst*

Okay. Great. And then maybe just last on the -- I think last quarter, you guys noted some supply chain issues. But I didn't hear -- I mean, it sounded like you guys fulfilled the backlog in North America, and that was a boost. So did something happen kind of intra-quarter that relieved those issues or are there still supply chain issues going forward, but maybe they're less acute?

Cassandra E. Harris - *Tupperware Brands Corporation - CFO & COO*

Yes. No, we're excited that we were able to make significant progress on our backlog. Again, the backlog was created by basically 3 reasons: I mean, one, the increase in demand was outside of what we had been able to forecast and that's really positive. The other thing is that just within our distribution network, the change in the business model and also to meet the backlog, and this is what caused the increase in distribution expense is that we're shipping whenever it became available. So since the demand created product shortages, we were shipping more packages as soon as we could get them to ensure that we continue to delight our sales force. And so that's something that added to it. And then the other piece of the backlog is just investing in new leadership and new talent in the supply chain that understand what consumers want and how we need to improve every day in our distribution centers on the efficiencies of how we pick, pack and ship.

And so that new leadership came onboard in the fourth quarter. And you saw the results that \$21 million of the backlog got shipped in the fourth quarter. And so we continue to see those efficiencies and improvements happening as we invested in that new leadership.

Operator

Our next question comes from the line of Wendy Nicholson with Citi Bank.

Wendy Caroline Nicholson - *Citigroup Inc., Research Division - MD & Head of Global Consumer Staples Research*

First 2 questions, just housekeeping. Sandra, did you offer a sort of a target tax rate for 2021?

Cassandra E. Harris - *Tupperware Brands Corporation - CFO & COO*

Yes, I did. It was -- we're going to be in the mid-30s is what we're predicting for 2021.

Wendy Caroline Nicholson - *Citigroup Inc., Research Division - MD & Head of Global Consumer Staples Research*

Got it. Perfect. And then just regarding the dividend. I know you suspended that, which made sense, but obviously, you've made huge progress on debt paydown. Any plans to reinstate the dividend?

Cassandra E. Harris - *Tupperware Brands Corporation - CFO & COO*

Our priority right now, Wendy, we have -- obviously, we're excited about the turnaround plan. As part of the turnaround plan. Our goal was to rightsize this business and also start to grow the topline. So our first priority is reinvesting in the business and so we'll do that. With the sale of the noncore assets, we're committed to paying down our debt even further. So we've made tremendous progress on our overall debt load, obviously, improving our leverage ratio every day, but we'd like to become a much healthier company from that perspective. And so we've committed -- and also the term loans obviously have a higher interest burden on them. So as we sell the noncore assets, our focus there is to start to pay down the debt and then hopefully, we'll renegotiate that to a healthier level at the right point in time. Once we do those two, then we're absolutely open to looking at concept of share buybacks or dividends, but it would be in that order.

Wendy Caroline Nicholson - *Citigroup Inc., Research Division - MD & Head of Global Consumer Staples Research*

Fair enough. Okay. And then, Miguel, for you, maybe sort of bigger picture, strategic question, just thinking about the benefit that the business clearly saw during COVID and some of the things that you're working on in terms of new products and all of that good stuff. Just as we think kind of high level about a revenue outlook for 2021. I know you don't want to give too much in the way of guidance at this point, but is there any reason we shouldn't think of kind of close to \$2 billion as a reasonable topline forecast for 2021, just taking the puts and takes of some tough comps in some markets, all that kind of good stuff, but high level? Are we still running at that kind of \$480k, \$490k in sales per quarter in your mind?

Miguel Angel Fernandez - *Tupperware Brands Corporation - President, CEO & Director*

So Wendy, you're not going to like my answer, but because you know that we don't -- we're not giving guidance, but what I can tell you is that the things that we implemented, the ones that you know, investing in digital and making sure that there's adoption there, where as Sandra said, we're investing in that. We're investing in new products. We're investing in the brand. We're investing in the data. And all those things are getting traction. So we are very confident and feel really good about all the things that we are inputting into the system. Obviously, for the last part of the year, we have a difficult comps but overall, for a big strategic point of view, we're on course. We're exactly where we want to be, probably even a little bit ahead of where we expected to be at the very beginning. So we're very excited about the future, and that, I guess, it's it.

Cassandra E. Harris - *Tupperware Brands Corporation - CFO & COO*

Yes. And Wendy, just to reiterate what I said is that for the first 2 months, we are seeing the low to mid-teens in the first quarter, but that is our easiest comp of the year. And so as we go throughout the year, we would expect that those comps get much more difficult, but that's where we're tracking at this juncture.

Wendy Caroline Nicholson - *Citigroup Inc., Research Division - MD & Head of Global Consumer Staples Research*

And can you -- and again, I don't mean to push. But just in terms of maybe in the U.S., where there are some parts of the country that are really kind of back to normal for the most part, people have gone back to work, people are back in school, et cetera, et cetera. Can you talk about it? Do you have any visibility into those areas or those regions? Are your sales still running up that strongly? I'm just -- I think bottom line, what we're all worried about or thinking about is as people go back to their normal day job, is -- are they going to leave their part-time job selling Tupperware. So that's kind of what we're all thinking about?

Miguel Angel Fernandez - *Tupperware Brands Corporation - President, CEO & Director*

So let me just -- let me tell you something. So hopefully, it helps. One of the key reasons why we experienced this great growth during last year was, obviously, the difference in consumer behavior, but also the adoption of digital tools from our sales force. And as you've heard me saying before, this is like the horse and the car. Once people start trying the car and they saw that it was safer, it went up further and faster, they never went back to the horse. So it's the same with a lot of segments of our sales force. They are using the new tools. They're falling love with the new tools, and they realize that they're more productive and efficient so there's no reason why they would go back to the old way of doing business. And that's why we keep on investing and saying about the digital world because that actually improves the whole Tupperware proposition into any market, not only the U.S., because with less effort, you can actually earn more from the sales point of view.

Operator

And we have a follow-up question from Steve O'Hara with Sidoti & Company.

Stephen Michael O'Hara - *Sidoti & Company, LLC - Research Analyst*

Yes. Just going back to free cash flow forecast for 2021. I'm just curious, I'm not sure, did your guidance include some level of disposals or does that guidance for free cash flow only include the CapEx?

Cassandra E. Harris - *Tupperware Brands Corporation - CFO & COO*

Yes. So I'll just say it again that on the divestiture side of any of our businesses, at this point, we have not predicted the timeline associated with that. We're still focused on it, but we're not necessarily including any type of proceeds from continued divestitures other than the ones that we talked about, I mean, obviously, our sale of Avroy Shlain fell into 2021. So we provided that number at around \$34 million of proceeds. And then we did have the sale of a French manufacturing site in February, and it was roughly around \$9 million but that cash proceeds will come over the course of 3 quarters, which is what we agreed to with the potential acquirer. So we closed the deal. It's just the \$9 million will come over 3 quarters.

Operator

All right. That concludes the Q&A session of today's call. I'll hand the call back over to Miguel Fernandez for final remarks.

Miguel Angel Fernandez - *Tupperware Brands Corporation - President, CEO & Director*

Thank you. I'm pleased that we finished 2020 stronger than initially expected. I feel confident that we are now entering to the foundational stage of our turnaround plan, where we can begin executing our vision for the company. We expect to build a consumer-centric company, one that is stronger, more resilient with the right processes, technologies and mindsets in place to expand our iconic brand into the future. Thank you very much for your time today.

Operator

Thank you, presenters, and thank you, ladies and gentlemen, for joining us on today's call. You may now disconnect.

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