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TUP - Q1 2015 Tupperware Brands Corp Earnings Call

EVENT DATE/TIME: APRIL 22, 2015 / 12:30PM GMT

OVERVIEW:

Co. reported 1Q15 local currency sales growth of 3% and EPS of $1.02. Expects 2015 local currency sales growth to be 4-6% and EPS, without items, to be $4.60-4.70. Expects 2Q15 EPS, without items, to be $1.14-1.19.

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PRESENTATION

Operator

Good morning. My name is Kayla and I will be your conference operator today. At this time, I would like to welcome everyone to the Tupperware Brands Corporation first-quarter 2015 earnings conference call.

(Operator Instructions)

I will now hand today's call over to Mr. Rick Goings. Please go ahead, sir.

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

Thank you very much. Good morning, everyone. I'm in Orlando with Nick Poucher, our Controller, and Lien Nguyen, our Head of Investor Relations. Mike Poteshman, our CFO, is on the phone from Bratislava, Slovakia where he is meeting with our global finance people. And if there's any disruption, Michael, as we've said in the past, Nick will come on and take over on that end.

As usual, everyone, you know the drill on forward outlook on slide 2, so I refer you to our Company's position. As a reminder, we're using slides that will follow along with this call and they can be found on the webcast or after the call on our site.

Turning to slide number 3, overall we're modestly pleased with the quarter. While a goodly number of countries were up, there were some disappointments, as well, and I'll talk about both.

We ended the quarter in the middle of our guidance range and above the high end of our EPS range, without the additional $0.04 negative impact of FX on EPS guidance from January. You all know this. We can't do much about FX, so we do what we can and we navigate around the rest.

Worth noting is that in spite of the increases, we had tough comparisons from last year's 7% growth, which included a much bigger contribution from Venezuela, from not only sales but it was at a much much higher exchange rate. That's why we say inside what's the rate in Venezuela. You've got to check it daily. Even with the challenging comps, though, the sales growth we achieved, it does demonstrate the strength of our business model and our diversified global portfolio, and how we can balance the puts and calls and at the same time make progress.

Let me turn to emerging markets. Sales were up 8% in the quarter. Worth noting, we had strong performance from Argentina, Brazil, China, both our South African businesses.

On the other side of that, I've got to mention too we were disappointed with. Indonesia down in the quarter. And I'll dig into that further in just a few moments. Sales in our overall established markets were down 6%, with our largest drag in a few of our European units, which I'll talk about. However, that offset a really terrific performance in quite a number of other established markets.

Globally, regarding salesforce size, we're just shy of 3 million -- 2.9 million -- up 2% versus last year. And while our advantage was about the same as we closed last quarter, we really know we have to build on this advantage.

We just had a meeting with what we call our Vision 20/20 team at the end of March and we reviewed really our plans here. You've heard us talk about, internally our strategic programs are called iROAR. But, really, the essence is recruiting and retention. At that meeting we really reviewed our recruiting plans for the second quarter, unit by unit, and we are optimistic that our initiatives will lead to strengthening sequential improvement of this advantage.

Turning to slide 4, I'm going to review some specific performance in our units. I'm going to try to add some color to what you already read in the release. Let me begin with the Americas and Brazil. It's our largest unit in South America.

They had a great fourth quarter, but also first quarter was up 46%. And it was impressive, considering they're lapping 23% growth in the first-quarter 2014. I think importantly, too, and worth noting, this increase was predominantly from higher volume generated from a larger salesforce, with only a minor contribution from pricing and timing benefits, and that's important. We continue to recruit really well there and get superb productivity. We ended the quarter with a 20% higher total salesforce count.

Still in the Americas, Tupperware US and Canada, business was up for the third quarter in a row, 7% this quarter,. And the underlying performance indicators were also strong, including an 8% increase in the salesforce size. And we continue also to see strong performance in our Canadian business.

I do want to alert you, though, that we announced this month some changes to our salesforce structure and compensation model that over time is really designed to better grow our salesforce leadership size, and that really is the key to sustained growth of our salesforce and sales. And these changes will take effect in the third quarter. We're working as much as we can to minimize the disruption but we knew we needed to make these kinds of changes.

In Tupperware Mexico, up in the quarter 1% including a big drag from lapping a business-to-business transaction last year. It's really a business-to-business brand-building transaction we do with Suriano from time to time. If I take out that B2B impact, the core business grew really up 7% with a lot of strong sales campaigns. So, our salesforce indicators of Tupperware Mexico continue to be very very positive.

Let me move to Beauty North America. Let me first comment that it's important to note that we closed our small Armand Dupree US business in April 2014. Frankly, we closed it because it was small and a disruption. And I say this because almost half the decrease in Beauty North America this quarter was from that. Without Armand Dupree the segment would have been down only 4%.

But let me dig down. Firstly, Fuller Mexico, business was off 2% in the quarter. We are continuing to see a bit of a drag from the economy and continued security issues, particularly in several regions, as well as we're working hard to build our field sales manager count, and that really is going to get us a larger salesforce and close the deficit.

It is also worth mentioning that we are seeing dramatic, and I repeat the word dramatic, discounting in the beauty space from a large beauty competitor. We're seeing offers with margins that we know are so low that they're simply not sustainable. And, importantly, we are not going to match those kinds of offers. It breaks the brand over time.

Turning to BeautiControl, down 9% in the quarter. However, we expected that because we made some changes in the business with regard to the salesforce compensation structure again, to strengthen the business for the future. And it's also to improve our value chain there.

The new plans become fully effective at the beginning of the second quarter. And together with other actions we've taken on the value chain, we should now start to see the results. Again, I hope we can minimize the disruption here but we needed to contemporize it in BeautiControl. Over time we feel good about what's happening over the last number of quarters there with our leadership team.

As I turn to Asia-Pacific, Indonesia I've already mentioned, it was down in the quarter 6%. That was a disappointment given our view of the business in January. I was just there then with the management team and I must say, there's nothing fundamentally wrong with the business but our recruiting has simply not been where it should have been, so we've lost some of our salesforce size advantage.

We have recognized this toward the end of this last year and put more emphasis on recruiting, but it just wasn't strong enough. Let me explain. The quantity of recruits really does matter. And sometimes when you press for retention, sales management can shift too much to quality.

When the recruit should always be in this kind of a business to recruit quantity and develop quality. And I want to repeat that again, it's recruiting quantity and developing quality. That really is a mantra in our business in every one of our markets. And sometimes when you put the arrow and focus on one, the other slips, and I think that's the case in Indonesia.

I'm pleased that we course corrected. We just haven't gotten a reaction. I hope we start to see some improvement here in the second quarter.

Tactically in Indonesia, one of the actions we've taken is to add some promotional rewards for the recruiter. We do this in many of our other operating units but in the past we haven't done it in Indonesia.

Our Asia-Pacific management team believes this quarter's decrease was an anomaly and they are really planning to return to growth in Indonesia in the second quarter. We hope they're right. And what I've seen is the underlying initiatives looks like they'll support it. Also, we're lapping an easier comparison, up 16% in the second quarter last year in Indonesia, following a 25% increase in Q1 2014.

Now China, up 19% driven by the number of outlets and more of our preferred customers are brand loyalists. Productivity has been balanced with more of our urban outlets. Actually, they're having a little less foot traffic but the community outlets are seeing improved productivity, so they're balancing off each other. The number of outlets is now over 4,900. That's up 16% from the end of March last year.

I occasionally get a question about the slowing economy in China that we read about in other places of the world, but to put it in perspective, remember, when China's GDP was growing double digit from 2005 to 2011, they were starting with a much much lower base. So, 6% GDP growth in China today, which is now the largest economy in the world, is worth much more than 13% growth was in 2005.

At any rate, behind all that we're confident in the growth in this unit. And as we mentioned during our Analyst Day in New York, we see China, it's a huge opportunity for growth and we're going to get it by opening new areas and introducing more initiatives to build these brand loyalist preferred customers. And also it's important to know that we are among a very small group of what are called superbrands in China. And we've achieved that without advertising.

India, another place that we're listed as a superbrand, had sequential improvement of 3 points from the fourth quarter. Yes, down modestly. As we mentioned during Analyst Day we do see continued strong potential there.

We're working on business fundamentals, especially building a stronger salesforce leadership team. This basically means unit managers and team leaders. There, what happens is you get greater retention and greater productivity from other members of the salesforce when you build your leadership team.

The modifications we made to that salesforce program last year in September, increasing the time one has to qualify, it has had impact on the salesforce size, and we ended March in India with a modest salesforce size advantage. By the way, that's the first time we've had a salesforce size advantage since second quarter 2013.

Malaysia-Singapore, I just got back this weekend from Singapore where we had some of our dynamic leaders for the future there for four days. Sales were up 6% in Malaysia-Singapore. We continued strong recruiting and building our salesforce size. A number of successful campaigns.

I'm pleased to see our units there really working on demonstrating more our products using recipes. And that led to a lot of success in some of our European businesses. We also had the benefit of sales in front of a new tax that went into effect on April 1. That could impact, we don't know yet, our second-quarter comparisons.

Still in APAC, most our Oceania businesses in Australia grew in the quarter, up 16% through larger salesforce size, especially in January. Nutrimetics Australia/New Zealand grew 9% in sales. Haven't seen that in a long time. And both units have had strong salesforce size indicators, which should lead to sales increases in the second quarter. So, good momentum from both of those.

Finally, in APAC, Korea, strong performance, up 16%. In the last eight quarters, Korea has had seven quarters of sales growth and only one down. So, that's good to see.

Now let me turn to Europe. Mixed bag there, starting with our South African businesses. Both had terrific quarters, increases starting out 17% in the quarter. We also see strong performance. That 17% was in our Tupperware business.

And Avroy Shlain was also up in the quarter with growth of 15%. By the way, that was on top of 27% growth Q1 2014. Also in the positive side, our Iberian units were up 20% in the quarter with strongest performance in Portugal.

We did see decreases in our French and German businesses, France down 14%, Germany down 11%, but each for very very different reasons. January sets the tone for our European businesses. We have a thing called the biggest party. We really load the business to get people out and active, very much like in the United States you do white sales to get people buying again in January. These aren't sales but they're activation initiatives.

France was impacted by the Charlie Hebdo incident right as we were launching these in January. Led to massive massive party cancellations and less salesforce activity. And it may be of value to share with you on a more granular basis why this happens.

When you get a party cancellation, really three things happen at a party. You see sales increase. First thing, that's what you try to do, is sell at the party. But also, you date at the party, you schedule other parties. And also about half of our recruits come from people who attended a party. All three were impacted when you get massive party cancellation.

And worth noting that France is home to almost 5 million Muslims, the largest population in Europe. BBC was just recently talking about the reported Islmaphobic incidents there are now up 70%. So, it's destabilized our business. It's delicate, it's an unfortunate situation.

Externals aside, though, there were internal levers that we're using to adjust and return to growth and I hope we see that in this second quarter. But the key is going to be keeping those parties up, growing the salesforce, and activating the new ones.

Germany, totally different story. We had a double-digit decrease in January. We believe that is mostly a result of the very very strong December sales campaign. No other way to explain it. The salesforce was somewhat fatigued.

Then February was a plus and then March even a stronger plus. So, very good with regard to momentum. But even together, they were unable to really offset that deficit we saw in January. We were able to end the quarter, though, in Germany with a 3% salesforce size advantage compared to being flat at the end of 2014. So, we really do feel we're on the right track,.

Have a terrific dynamic young management team in place. Distributors are excited again. And it's always good to see, as you go through any quarter, the momentum get stronger in the quarter, rather than slide.

Russia and CIS was also up in the quarter modestly, making three quarters of sequential improvement and the first increase we've seen since the second-quarter 2013. I'm pleased because the performance is coming at the face of some very very difficult externals. And as we noted last quarter, we have high dilutions of the salesforce due to a change in standards and we continue to build a core of active sellers. It's going to be a difficult external environment for some time given the government's lack of cooperation with the rest of the world.

Anyway, let me wrap it up and turn it over to Michael. I will say that our diversified portfolio really does help us navigate through whatever's going on in the world and at least have progress even when there are difficult externals. So, Michael, I hope you're still on.

Mike Poteshman - *Tupperware Brands Corporation - CFO*

I am. Thank you very much, Rick. As Rick highlighted, that our sales were up 3% in local currency in the quarter, the mid point of our January range. The biggest contributors to our growth were Brazil and China, with our more significant decreases coming in France and Germany. And of course Rick has gone through the main drivers of each of these units.

On a two-year stack basis, we were up 10% in sales in the first quarter, which included plus 7% last year that had the benefits of a high bolivar growth in Venezuela and a much better exchange rate that accounted for 3 points of the 7% growth versus only 0.2 points in this year's quarter. There was also about 0.5 point drag on the total Company comparison with last year from having ceased operating the Armand Dupree beauty business in the United States in the second quarter of last year.

You'll recall that we had local currency sales growth in the fourth quarter of 6%. The units that brought this down to plus 3% in the first quarter were most significantly Indonesia, Italy and France, with Tupperware Mexico turning in a much better comparison in the first versus the fourth quarter.

We had 1% less average active sellers in the quarter than last year which was the same year-over-year comparison as in the fourth quarter. The 4 point better comparison on local currency sales versus the active sellers was mainly from productivity improvements achieved in some of the units.

Looking at the total salesforce size comparison we had no change in the quarter, and were at plus 2% at the end of March. I will point out that while we have at the unit levels tended to have various puts and calls on our total salesforce size comparison, there's currently about a 2 point drag on the total Company coming from CIS. In that unit we needed to strengthen our standards and have a more structured removal approach by our distributors. We took both these actions and began to see the impact on the salesforce size in the fourth quarter of 2014, so we won't fully lap this item for a few more quarters.

Importantly, though, as Rick mentioned, we did have local currency sales growth in CIS in the first quarter for the first time since the second quarter of 2013. There was also about a 0.5 point drag on the overall Company total salesforce size comparison from Venezuela where we're intentionally looking to keep just our best sellers as we manage our volume in light of the economic and political externals in that country.

I realize, too, that some of you like to look at our active seller comparison without the Beauty North America segment. And on that basis we had a 2% advantage in the quarter, 3 points better than with all the segments included in the comparison.

Turning to slide 6, Rick also pointed out that our earnings per share at $1.02 was $0.03 above the high end of our outlook range in local currency, after mostly overcoming foreign exchange impacting our comparison with last year negatively by $0.04 more than what was included in our guidance. The dollar, too, was up 4% in local currency, although down 22% in dollars after a $0.33 drag from foreign exchange. $0.13 of this drag was from Venezuela.

The higher local currency EPS than in our forecast reflected a better than anticipated drop through in our higher sales in South America where we continue to better manage our supply chain in Brazil in comparison with how things were going in the first nine months of 2014. Also contributing was lower than expected unallocated corporate expenses. And these upsides were partially offset by sales coming in 1 point below the high end of our range and higher than forecast interest expense that came from forward points hitting us earlier in the year than previously foreseen.

Turning to slide 7, pre-tax return on sales without items at 11.8% was even with last year in local currency, and was 20 basis points better than what we had included at the high end of our January range. Still, versus last year there was a drag from translation FX of 170 basis points on the comparison. Our tax rate without items was 25.4% which was about 0.5 points over 2014 and in line with what we had anticipated.

Turning to cash flow, on operating net of investing activities we were $3 million better than last year but this was with a $17 million hit from translation FX on net income. Putting this aside, our $20 million improvement was most significantly from a higher starting point this year than last on accounts receivable that were, in turn, collected in the quarter.

Our full-year outlook for cash flow is now $180 million to $190 million, which is down $10 million from our January outlook. And here, too, translation FX is a driver as our net income outlook comes down for this versus January by about $50 million. But there's a partial offset from our capital spending estimate coming down $5 million also due primarily to the weaker rate. Our full year of CapEx outlook now stands at $70 million versus the $75 million we indicated in January.

As we had planned, we didn't do any open market share repurchases in the first quarter. We had previously assumed that we would do $50 million of repurchases this year in the fourth quarter and we've now taken that out of our outlook. As many of your know, we target a debt-to-EBITDA ratio of 1.75 times. The decision not to do the repurchases is a function of our lower expectation for cash flow and EBITDA coming from the impact of weaker exchange rates on pre-tax income.

Turning to the outlook on slide 8, for full-year 2015, our local currency sales increase range remains at the plus 4% to 6% we first set last October. This includes a plus 5% to 7% in the second quarter, which would come to a plus 10% on a two year stacked basis at the high end of our range, equal to the two year stacked increase we had in the first quarter. As mentioned, the contribution to growth in Venezuela moderated quite significantly in the second quarter last year, which is one element that makes our comparison easier following our plus 3% in the first quarter this year.

As well, you may recall that we were down significantly in Germany in last year's second quarter, it's based on where we stand with our salesforce size and trends, we expect a double-digit increase this year.

The other large sequential improvement we see is in Indonesia, turning in a mid single-digit increase in the second quarter following the down 6% we had in the first quarter. And, as Rick had mentioned, in Indonesia we were up 25% in the first quarter last year but 16% in the second quarter. So here, too, the comparison is easier. Going the other way, we expect very good growth to continue in Brazil but not the same plus 46% that we achieved in the first quarter.

At the segment level, then, for the full year we foresee local currency sales in Europe to be about even with 2014, a mid single-digit increase in Asia-Pacific, even to slightly up in Tupperware North America, even to down by a low single-digit in Beauty North America, and up in the high 20%s in South America. Versus our last update following the first-quarter results, there are improvements in the segment outlets for Tupperware North and South America, and small reductions in Asia and Beauty North America.

For the second quarter, our outlook for earnings per share without items is $1.14 to $1.19, which in local currency would be up at the high end by 11%, although down 19% in dollars after a $0.40 hit on the comparison from weaker exchange rates. This includes at the high end a pre-tax return on sales of 13.4%, which would be a 70 basis point improvement from 2014 in local currency, reflecting a 23% drop due to profit from the sales increase. There is a drag from translation FX of 190 basis points on the return on sales comparison in dollars.

Turning to slide 9, for the full year our guidance range for EPS without items is $4.60 to $4.70, which is down from our January range by the $0.30 which foreign exchange worsened to now $1.13 negative. There are also offsetting impacts of plus 3% for the amount we beat the high end of our range in the first quarter in local currency, and a negative $0.03 impact from now assuming no open market share repurchases this year. Slide 10 shows at the high end of our range this would give us a local currency EPS increase of 11% from a 24% drop through to pre-tax profit on 6% higher sales.

On slide 11, this result would give us a 13.3% pre-tax return on sales, up about 60 basis points from 2014 before a drag from translation FX on the comparison of 125 basis points. At the segment level we foresee our return on sales to be about even with 2014 in Europe and Asia-Pacific, down about 1 point in Tupperware North America, up about 2 points in Beauty North America, and up about 2.5 points in local currency in South America, but down 0.5 point in dollars.

The only change here versus our January outlook is a better result in South America, reflecting a good contribution margin on incremental sales in Brazil and good value chain management in the smaller units in the segment. Our outlook for unallocated corporate expenses of about $66 million and net interest expense of about $45 million has not changed from January, nor has our expectation for our effective tax rate without items at 25.5%.

Turning then to resin, in January we indicated a $16 million full-year benefit in 2015 versus 2014 on cost of goods sold from lower resin cost in local currency, and that we included about a third of this in our outlook. Our update now is that we foresee about $155 million of resin in cost of goods sold this year, and a benefit from lower resin cost of $6 million which is included in our outlook. We see this coming through by quarter, $2.5 million in the second, $1.5 million in the third, and $2 million in the fourth quarter.

And with that, I'll turn the call back over to Rick.

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

Okay. I think we can go open it to questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Our first question comes from Stephanie Wissink from Piper Jaffray.

Stephanie Wissink - *Piper Jaffray - Analyst*

Good morning, everyone. Thank you for all the detail, gentlemen.

Just one question, Rick on the change that you're making to your incentive structure. Can you just give us a little bit more detail, maybe what it was and what it is changing to? And then again just remind us the markets that are affected by that change. Thank you.

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

Stephanie, it's only really two markets we're talking about or two business units. One's our US business.

Let me tell you, it was about 10 years ago we made a modification to our model and our compensation in the US, which had some unintended consequences. We started paying our rebates or commissions on a monthly basis and the unintended consequence of that is it took it away from being a weekly business which is pretty much the cycle of man.

So, what we are doing is of moving it back to a weekly business again and, secondly, putting much more focus on having a place where they meet every single week, because we really believe contact competition and recognition is what drives our business. And all we have to do is do kind of an A, B split and look at those markets which had those. They have much higher levels of sales, much more profitability.

So we're going through that change and that involves a little bit different in that they're going to now need to get units and not just work only out of their homes. There will be other levels of management involved. And what we've done is we're launching it and we just did launch it in Canada first.

Hasn't been launched in the US. So I would call it, Stephanie, a learning laboratory there.

We've generally found that you try to design the best change that you can, you launch it, you refine those launches and what's working, what's not, and then you go back live with it. So we're suspending going forward until we make those changes.

We've simply had too much turnover in our US business, given our current model. Over time, it's going to mean more managers and a better earnings career. We know that from other units.

Secondly, forgive the long answer, at BeautiControl, somebody would come into the business at BeautiControl, and we'd give them automatically a keystone mark, 50% discount. In general, you would lose the highest turnover level would be the first 9 to 12 weeks in the business. So, what you ended up doing is giving your biggest discounts to people who really hadn't made the transition to a career.

So, what we do is we reduced that level to more the kind of standards in most of our companies. In most of our companies people earn around 25% when they come in the business, and as they grow, then they get higher levels of commission.

It needed to happen in this business so we could redeploy some of those into other incentives in the BeautiControl business. Management for years has been reluctant to bite the bullet. But it's more standard in the industry. Again, sorry the long answer.

Stephanie Wissink - *Piper Jaffray - Analyst*

No problem. Just one follow-up related to the beauty business in North America, specifically Mexico. You emphasized the significant discounting by a competitor.

I'm curious if that's something that you've noticed in the last quarter, the last 90 days, relative to what it was last year. And has it accelerated in the level of discounting as the quarter progressed? It seems like you were calling that out for a specific reason. So, just any more clarity there would be helpful.

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

I called it out because we, in individual meetings, Stephanie, we get asked it a lot. You'll find that in a number of markets, like Mexico, a member of the sales force may carry the brochures of different companies. We think our level is about 50% of ours will carry some other brochures of other companies.

You certainly never find that with managers in the higher levels, but you do at the low levels. So you get them moving back and forth.

And, yes, and we monitor what sales brochures are like in the competitive marketplace. And we're seeing some of their stronger brands, discounting and offers, that we've never seen in the past. And we know they're unsustainable.

So, we keep steady as she goes, and I like the direction of our business. And we're doing it building our brands and moving much more toward building skincare and fragrance. And we really own the fragrance business down there. Those are the two highest margins.

Customers are much more loyal to their skincare and fragrance categories than they are to color cosmetics, which is usually just price and palette. We'll say let all that noise happen. We're not going to play that game.

Stephanie Wissink - *Piper Jaffray - Analyst*

Fair enough. Thanks, guys. Best of luck.

Operator

Our next question is from Jason Gere from KeyBanc Capital Markets.

Jason Gere - *KeyBanc Capital Markets - Analyst*

Good morning. Hey, guys. The first question, and I definitely understand the macro issues that you're facing in some of these regions, I was just wondering if you could talk about maybe cross fertilization of best practices from some regions to the other, and how you're able to implement things that are working well in certain regions, putting aside the macro environment.

Brazil seems to be a market that's doing exceptionally well. Is there anything there that you're doing that you could bring to other markets? Just provide maybe a little bit of color just about how you can leverage the strengths across some other markets, putting aside macro.

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

Yes, an important question, Jason. I will tell you, firstly, we created a group two years ago called 20-20 and it really was -- put a group together that would look at what we believe the world was going to look like and the key drivers of the change that really were such things as urbanization, millennials, the digital age and the impact of that and the growing middle class.

We created it and we said -- we picked 20 people -- this is going to get to your answer there -- and these 20 people included not only our three group presidents, but leaders of the major markets of the world. We meet at a remote location four days and now we do it twice a year.

Jason, what's coming out of that is we don't have to centrally think of all the ideas. At headquarters, generally, not all good ideas come out of headquarters. We get these dynamic young leaders together and we agree on what are the priorities.

The intended consequence of this is the cross-fertilization. So, many of these things, they're there for four days and they're picking up on these ideas.

We try to keep big focus, so you're not all over the place. We teach them how to put them in a four-box matrix so they pick what's big impact for the markets, and still difficult to do.

We refine it, throw the resources at it. And that's what we're beginning to see out there. And what it is, two things happen -- we get better ideas, fresher ideas, and we get execution.

I will tell you, Brazil's an interesting one to talk about. Brazil came up with a new program on how they develop managers.

They came up with a new training program they call Tup City. And we just had a global meeting on that where everybody went online on that and I think we had 100 people on it. But it really is opening up.

And the final thing I would add -- so many people believe the world is all different. There are more similarities. If you get to urban young millennials, you take an urban young millennial woman, 30 years old in Beijing, she is more similar to the same woman in Boston than you ever would have thought in the past.

75% of our product line is uniform all across the world. The same kind of promotions work generally all over the world.

I think we've really opened up the business. And I feel good about the plans I see and the execution of those plans. Again, long answer but a strategic question.

Jason Gere - *KeyBanc Capital Markets - Analyst*

I appreciate the color. The next question -- then actually afterwards I do want to talk to Mike and just reiterate something that he said -- but just another question, there were some reengineering charges that were in the P&L this quarter. I was just wondering if you could talk a little bit more about maybe some of the blocking and tackling ways to improve on the cost structure, just from that.

I know that you've said and even at the Analyst Day that Tupperware's not one of those big cost-cutting stories, maybe what Avon was seven years ago when they took $1 billion out. But just wondering about how, from a cost perspective, what you're doing to improve that, and hopefully that will help leverage the sales force.

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

Mike, let me add part A to that and you be more comprehensive from the cost part B. Jason, our biggest opportunity to improve our operating margins is to improve the scale at many of our business units.

For example, BeautiControl. The US is moving nice. And Fuller has double-digit operating margins. But BeautiControl loses money.

And if I took you around the world to those units that are drags and are below the 15% target, job one to us to get our operating margins up, as Mike would talk about this, increase this 50 basis points per year, has to do with getting the sales generation and improve the value chain with those businesses. Mike, if you'd handle the other part of that.

Mike Poteshman - *Tupperware Brands Corporation - CFO*

Sure. Yes, Jason. You're right, we do work on the blocking and tackling each year and take steps. An example of that recently last couple years was we combined, under one marketing approach and one leadership structure, the Central European market.

That resulted in taking out some heads and coming up with a better front-end proposition for our sales force at the same time. So that's an example.

There's been other examples where, because of volume moving around the world, while we might be adding contract molding capacity in Indonesia and machines in Brazil, in other places it makes sense in high-cost supply chain areas to take a step back. So, it's that kind of thing.

When we look more near in, and the biggest value chain type of improvement that we're really talking about for this year is BeautiControl, which you heard us talk about, there's a little bit of cost there but it's mainly the front-end changes we've talked about and are now starting to be more explicit on, including the keystone markup change, when you start getting that that Rick talked about. That's meant to have significant value chain impact starting this year.

Jason Gere - *KeyBanc Capital Markets - Analyst*

Okay, great. And then the housekeeping for you, Mike. What was the -- I can't write as fast anymore -- interest expense, what was the change? I know it was $74 million, $75 million before. What did you say that was for the year now?

Mike Poteshman - *Tupperware Brands Corporation - CFO*

The interest was $45 million in January and now the unallocated was $66 million. And you might be thinking of CapEx. It's $70 million now and it was $75 million before.

Jason Gere - *KeyBanc Capital Markets - Analyst*

Okay. And then just the lastly on the resin, you said it was a $16 million benefit back on the fourth-quarter conference call. The $6 million number, is that what's the benefit, like the one-third coming through, or did it change from $16 million benefit to $6 million benefit? That just wasn't clear to me.

Mike Poteshman - *Tupperware Brands Corporation - CFO*

It did come down. We saw some volatility in places like Indonesia and Brazil. And there is impact around all this based on what currency you're buying in and reporting in. So that was a reduction. But of course, as you note, it wasn't all in the guidance in January.

Jason Gere - *KeyBanc Capital Markets - Analyst*

Right. Because you said before $5 million was going to be in there and now it seems like $6 million. So, actually the benefit to the P&L is more or less the same but just the magnitude. Okay, I got it.

Mike Poteshman - *Tupperware Brands Corporation - CFO*

Right. That's right.

Jason Gere - *KeyBanc Capital Markets - Analyst*

Thanks a lot, guys, I'll hop off.

Operator

Our next question is from Olivia Tong from Bank of America.

Olivia Tong - *BofA Merrill Lynch - Analyst*

Thanks. Good morning. First question, just want to talk a little bit about the makeup of volume versus price mix. First, if you could share those numbers.

And then, also, in terms of the non-volume benefit, what comes from price and mix, how much of that is price to recover FX versus just a mix up in your different regions? Thanks.

Mike Poteshman - *Tupperware Brands Corporation - CFO*

Olivia, the component of the 3% increase, we were down 1% in volume and up 4% in price. And the price, as I sort of alluded to in the prepared remarks, had to do with better productivity, really, or shows through in better productivity. We really don't look to price ahead of consumer inflation. It's not that we're looking at the FX hit and trying to offset that per se.

Of course, FX rates over time are likely to follow inflation rates because it impacts the value of one currency compared with another. And, so, over time you might expect it to work out that way, but it's not that we're targeting the FX hit per se.

Olivia Tong - *BofA Merrill Lynch - Analyst*

So how do you think about FX then in terms of trying to recapture some of the translation loss that you've had? Is it just transaction or how do you go about trying to offset that impact to your top line?

Mike Poteshman - *Tupperware Brands Corporation - CFO*

Since we produce close to where we sell, and we sell and are operating these local businesses, we don't really look at it that there's an avenue to offset translation per se. Now, of course what we're looking to do is grow the sales force in all of these places and get more volume growth over time, that even if the FX rate's a bit lower, you're going to see a nice increase.

Clearly, that happened this time, this quarter and the last several quarters in a place like Brazil. Even though the real has gone down quite a bit, the volume growth has been significant and certainly above inflation, well above inflation, and above the devaluation of the currency.

Olivia Tong - *BofA Merrill Lynch - Analyst*

Got it. Okay. And then maybe if I can move on to gross margin. That was quite a bit better than we had anticipated and I suspect there's a fair bit of FX pressure in there. Could you talk through some of the puts and takes within there, whether it be the raw materials favorability, some of the benefit from productivity, et cetera.

Mike Poteshman - *Tupperware Brands Corporation - CFO*

Yes. The gross margin went from 66.6% last year, which I'm sure you're looking at this, to 67.1%, so it was only a 0.5 benefit. The biggest component of that actually had to do with mix from Venezuela, with some of the disruption there. And you recall we had that price audit last year. We benefited from mixing away from that lower margin business.

Olivia Tong - *BofA Merrill Lynch - Analyst*

Got it. To think about it for the year, you probably still continue to see some benefit in Q2, since that didn't quite anniversary at that point. But perhaps Q3 and Q4 gross margin change probably normalizes a bit from there?

Mike Poteshman - *Tupperware Brands Corporation - CFO*

Yes, Venezuela is very small, you're right, in the second half of the year. Was already pretty small last year. The devaluation did continue since then. You heard us mention, as well, that the resin benefit that we talked about really didn't show in the first quarter, it starts in the second quarter, so that will be something that's in the future numbers, as well.

Olivia Tong - *BofA Merrill Lynch - Analyst*

Got it. Okay. And then just on North America, the Tupperware North America sales were quite a bit better than we expected. You talked a little about some of the sales force changes that you're making.

Has that started to occur already and that's what's driving that improvement in the Tupperware business? Or is there something else that we should be thinking about that drove that?

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

I will comment on that, Olivia. That was just momentum. We've had a number of quarters in a row of growth. We didn't implement these changes until April 1, and these April 1 changes were launched in Canada.

Actually, we're modulating our expectations because, the truth be known, there might be some disruption. But we know that over time it's going to be a bigger and better business taking these kinds of changes. And you generally want to make these kinds of modifications when you have a sales increase on your side, not in a declining environment.

Olivia Tong - *BofA Merrill Lynch - Analyst*

Got it. Thanks so much.

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

Olivia, let me add, too, something that you asked about FX, too. Very importantly, I think, for all of you, that we try to manage our businesses locally and our costs locally.

For example, if you get a collapse of the Mexican peso, we try to keep our costs in line there. We still pay the same at our factories, whether the peso's at 10 to the dollar or 15 to the dollar. And what we're really looking for there, and Mike alluded to this, is to keep building the brand, building the sales force and the market so that when foreign exchange may go the other way you get to harvest some of that.

I would put that same thing over to, in a Europe environment, had a tough quarter in Italy, but this new young Prime Minister of Italy made comments, that Angela Merkel didn't like, but he said he's not sad about the euro's decline -- I think it's 107 this morning, Nick -- and the low oil prices because what's going to happen, he said we're an export economy, this is going to get our factories working again, it's going to increase our people's income because we're going to start exporting these goods that we make, not only automobiles, textiles, et cetera, and over time it's going to be a better consumer environment. I happen to think he's right at that. And how we try to manage the business is by local markets over time.

We've had an anomaly the last couple of years with regard to FX because the last time we did this just a few years back when we looked at a 10-year, the puts and calls on FX, on translation, it was $0.05 negative. We think oil prices this low are probably unsustainable. It will get to the -- what do we know, though -- we think we're going to go to the $80 to $100.

And that at a point here the euro's going to go back. The euro went less than $1 at one point. It came out at $1.15 and then went below it for a while and then almost reached $1.60.

We just keep running our businesses locally, try to mitigate the impact of that, so you have strong local units. And then translation is whatever it is. Next question.

Operator

Our next question comes from Dara Mohsenian from Morgan Stanley.

Dara Mohsenian - *Morgan Stanley - Analyst*

Hi, guys. Rick, I wanted to get some more detail on Indonesia given we saw a pretty pronounced slowdown in the trends there. You mentioned the incentives and plans to address some of the issues but was hoping for more clarity on when you expect to see a positive impact from those changes, what exactly the changes are that you're implementing, and if you expect to return to growth at some point this year in Indonesia.

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

Dara, the last question, I certainly hope so, that we see that. And I don't know all or see all. But I spent a couple days there in January with Asha Gupta and Michael Tziallas, who's our Area Vice President there, and fundamentally we saw nothing wrong with the business.

I would really put it down to three things. Our business is a bit of science with a formula and a bit of art with it.

The three major things that I would talk about is two externals and one internal. Let me talk about the externals first.

They went through a change of power in the political structure there, a new President. I've known the last two. This was the first time they got a populist President.

On the positive side, the elections this last year caused a bit of disruption. We saw it those months.

But this populist President is not the Northern South American version that we're seeing in Guatemala, et cetera. This is a real practical guy. He was mayor of Jakarta. And I think it went smoothly but it is causing some disruption.

When I look to the second piece of this, the devaluation. What we've seen the last two years, devaluations continue. And this is impacting consumer purchase power. And we haven't seen that.

We had a five-year incredibly strong run in Indonesia and then you start to get a little bit of this pressure. Well, it's two things. But they don't speak -- we should be able to navigate through those.

The third piece is self inflicted. The more we talked about -- and I personally really got on management there last year about the high turnover level and they've got to start retaining more people.

I think we swung the pendulum to too much qualitative recruiting and shut the funnel at the top side of it. So, you didn't see the large numbers coming in and so we course adjusted to that.

Again, I said the formula's really recruit quantity, develop quality. So I think a combination of those three things.

Management over there -- and I just was with Asha, again in Singapore, they believe they're going to have a sales increase in the second quarter in Indonesia and in the mid single-digit range. So we're already into that second. We'll see what happens there.

I will be greatly disappointed if we don't have a sales increase there during the remainder of the year. I don't know if it comes in the second quarter or the third quarter. Fundamentally, the business is in very good shape.

Very strong leader, very strong heads in each one of the markets as far as the functional areas. Probably the most profitable distributorships in the world.

If I added one nit to it, so profitable that maybe we haven't enforced enough turnover of some of the distributors. We have distributorships there that do more than $15 million a year in sales. And when you look at them making 6% to 8% off that number in a country where the per capita income is $3,000 a year, a lot of wealthy people. We've learned from experience, if you don't have turnover on some of your distributors, in the modest area of 10%, you can start to have a group that slows down because they're rich.

Dara Mohsenian - *Morgan Stanley - Analyst*

Okay. Thanks.

Operator

Our next question comes from Sofya Tsinis from JPMorgan.

Sofya Tsinis - *JPMorgan - Analyst*

Hi. I actually also have a follow-up on Indonesia. Given the added promotional rewards that you're instituting in the market, what does that mean for longer-term profitability there? And is it currently more profitable than many of your other markets? That's the first question.

And the second, assuming that Indonesia has been one of the growth drivers for the Company, and assuming that the long-term growth rate there is slowing, what markets could actually pick up the slack? Thanks.

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

First piece of that-- and, Mike, if you want to jump in and add -- Sofya, firstly, I need to address our very low penetration levels there in Indonesia. I was just looking at the numbers of our China business, for example, just to put it in perspective, because it relates to Indonesia, as well.

For every one of these outlets there that we have, and think of the same thing, like distributorships in Indonesia, 0.25 million people. You don't need that many. We know this even from our units where we have very high penetration levels. I would say we're at the 30% penetration level in Indonesia.

Now, it's a hard place to penetrate. There's 13,000 islands there. But that doesn't speak to the trends you saw in the last couple quarters. There is so much runway left there.

Let me carry that point a bit further, Sofya, if I can, even to an established market of the world, Germany. We have 60,000 sales force in Germany. One of our goals is omni-presence. And that sales force will be a combination of those that are distributors at the top end, very career builders, managers who are full time, and then some part-time managers.

And then, what we're learning from our 20-20 group is we remove almost 100% of our sales force every year. We just saw in recent research in Germany that they miss Tupperware. They may not want to be part time, full time with us, but they still want a connection.

And that causes us to think that how we'll have penetration in a market like Germany in the future is the sales force doesn't need to be 60,000. It may need to be 200,000 with only 60,000, 70,000 that are really career, and the others that we activate at those times of the year that, from living and working in Germany that I know Germans like to buy.

Valentine's is important to them, Easter is important to them, Mother's Day is important, back-to-school is important, and Christmas is important. That you may have this other group of sales force of more than 100,000 that you only activate, and they take orders from their mother, brother, sister. It's what they do you now.

We're learning a lot of this. That was from Jason's earlier question about what we're getting from our 20-20 group. I think with technology, you're going to see us be a able to build a much bigger sales force in the future but with different grades of sales force.

Mike Poteshman - *Tupperware Brands Corporation - CFO*

Right. And, Sofya, to the more specific part of what you asked on the promotional spending and the profitability of Indonesia, it's a very good ROS business for us. And, as you know around the world we spend promotionally in all of our businesses.

This is more a matter of emphasis on what it is what we're going to spend on. So, I wouldn't expect this program to be visibly disruptive to the profitability of Indonesia.

In terms of our algorithm for growth, we were in the midpoint of our range in the first quarter, reconfirmed our full-year 4% to 6%, and have in our slide today the 6% to 8% longer-term guidance that we would hope to confirm for next year later as we get into the year. We were up 8% in the emerging markets this quarter in the first quarter, even with Indonesia being down mid single. So we continue to have places where we can improve and stay with where we were.

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

Mike, please don't ever use the term algorithm with our sales force. (laughter).

Mike Poteshman - *Tupperware Brands Corporation - CFO*

Okay.

Operator

Our next question comes from Frank Camma from Sidoti.

Frank Camma - *Sidoti & Company - Analyst*

Good morning. Just one quick question. On your thoughts on -- your cash flow's still pretty strong here and I know you've decided to not do share repurchase or at least billed it into your model for this year. But can you update us on your thoughts for future share repurchases beyond this year, what gives you more confidence in buying some shares back?

Mike Poteshman - *Tupperware Brands Corporation - CFO*

Sure, Frank. When you look at our approach to uses of cash, we've been clear that we're unlikely to do acquisitions. Of course, we fund our business and we're doing that this year with now we say about $70 million of CapEx. And we're making some operating investments this year that are included within our EPS numbers.

We then prioritize the dividend and are targeting the 50% payout of trailing EPS without items. And so we would continue in that direction. You saw that even though we were a little bit over 50% based on last year's earnings, that we didn't change the dividend and we certainly don't look to change our dividend.

And then we buy back shares with the cash flow that's left, as well as levering to this 1.75 times target. Based on everything that we've said and where we are, we'd certainly expect to be back into the share buyback game next year. We'll be more specific as we move forward as to the amount.

Frank Camma - *Sidoti & Company - Analyst*

Okay. That's very helpful. Thanks.

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

Frank, let me add to that, too. One thing that we have been working on very much so is with regard to CapEx. We're about triple the size of the Company when I joined.

We have 15 manufacturing units. And one of the things we learned, best practices, we learned from companies like Nike how they do it. Now 40%, 45% of our products are manufactured outside.

And we learned to make it a Tupperware factory. We didn't have to make the capital investment in that and we could still have the attractive gross margins.

I often used the example that when Nike went into the golf ball business, they didn't build a factory. They went to Bridgestone who had the biggest research in rubber, actually in golf balls, in the world. At the same time, Calloway built a factory.

This has enabled us to have more cash flow. That's what we're really working for. How do we keep looking at our business model new and differently so that we can return more to shareholders. The first commitment is be able to invest in our business, second is in dividends, and third is do repurchase when we can.

Frank Camma - *Sidoti & Company - Analyst*

Thank you.

Operator

Our next question comes from Michael Swartz from SunTrust.

Michael Swartz - *SunTrust Robinson Humphrey - Analyst*

Hey, good morning, guys. Just following up on Mike's comments about being back in the share buybacks next year. What is that predicated upon? Is that predicated upon you guys actually using more leverage as you think about the balance sheet or is that predicated upon the denominator in that ratio going higher?

Mike Poteshman - *Tupperware Brands Corporation - CFO*

Mike, we would expect a sales increase next year, to be able to grow our EBITDA, so that would enable the 1.75 times to have more debt. But that's assuming that we get our debt down this year to that 1.75 times target range, which we gave the guidance today of $180 million to $190 million of cash flow. The dividend that we're paying comes out to the low $130 millions, so that difference, since we're not buying back shares, is available to pay down debt.

We also have about $160 million of revolver borrowings that are denominated in euros. So, as the euro has devalued, that has gone down. Of course, that's already in the number as of the end of March.

We should have a better cash flow year next year both because of earnings and some of the things flowing through this year. When you put that all together, both the cash flow side and the leverage side with sales growth and continued earnings growth would lead towards share buybacks.

Michael Swartz - *SunTrust Robinson Humphrey - Analyst*

Okay. That's very helpful. And then just looking at the more granular guidance, and specifically around Asia-Pacific, you've outlined a number of positives in terms of Australia, New Zealand was better in the quarter, you expect Indonesia to improve, looks like India's getting sequentially better. It looks like the top line was narrowed from up mid single digits to up high single digits now, looking at up mid single digits. So, what's the offset there if other things are getting better?

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

First, I think this single-digit growth for us is disappointing. We expect it to be higher.

It gets difficult when you've gone seven years in a row and you're growing, like in Indonesia 25% per year, you're lapping some pretty difficult comparisons. But I think there's more good news than there are drags.

The big plus is not only the population that are there and then, with the exception of India, the growth of the population. China's still suffering from the one child rule. But it's where the action's going to be in the future. So I want to see us get back to.

And that very clearly is APAC's management attitude is double-digit growth. And you look at the key contributors -- Indonesia, India, China -- those are the big populations base, almost half the world's population are those. We're still trying to figure out how we're going to modify our model in Japan to really get it to be a contributor.

Korea's doing fine but it's only so big. And Australia's, there's only just over 20 million people there, so that's not going to --. And in Malaysia, Singapore, you're dealing with just north of 30 million people. So it really is defined in a fairly concentrated geography. And that makes implementation of strategy a lot easier.

Michael Swartz - *SunTrust Robinson Humphrey - Analyst*

Okay. But there's nothing in the guidance, looking at the change versus last quarter, as to any offsets to some of the positives we've heard?

Mike Poteshman - *Tupperware Brands Corporation - CFO*

Mike, it's a mixed market and our guidance on the sales for Asia is slightly more modest than it was for the full year in the first quarter. Clearly the biggest down side was from Indonesia. And we've said that we expect to put that around a mid single in the second quarter. In part, that reflects the easier comparison. That's what we put together. It wasn't expecting any other dramatic moves, no.

Michael Swartz - *SunTrust Robinson Humphrey - Analyst*

Okay, that's helpful. Thanks a lot, guys.

Operator

Our next question comes from Linda Bolton Weiser from B. Riley.

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

Hi. Not to beat the whole share repurchase issue to death, but arguably this period of time when FX is such a pressure on your earnings and on your cash flow and your stock price, theoretically it would benefit shareholders most to be buying stock now when your stock is depressed, because when you'll have the ability through cash flow and FX to be able to buy more, your stock price will be much higher. Again, I'm just questioning that again, why not more willing to put a little debt on the balance sheet now and benefit shareholders when FX is a pressure, and then do less share repurchase when FX is less of a pressure. That's the first part of the question.

Then the second part is, when you do need to cut back on CapEx, when FX is an additional pressure, when you cut back can you give some idea what you're cutting on? Maybe you can give us the breakdown between maintenance and growth cap growth CapEx.

Like this small reduction that you made, is that cutting back on growth initiatives or is that just becoming more efficient, like you said? Can you give a little more color on how you think about that? Thanks.

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

Mike, let me comment on the first part of that and you add whatever you want and handle the second part, as well.

Linda, firstly, objective of management and the Board of this Company is the sustainability of this enterprise moving forward from all of our stakeholders, from the 3 million who are sales force to all of our employees and to our stockholders. And we're not going to take short-term actions that could put that at risk.

The Board and management have put a stick in the ground after, I think, a fairly sophisticated evaluation of what is our comfort level with regard to leverage, and that's what we're operating with right now. And then when you mentioned benefit to our shareholders -- which shareholder? The one that's going to be in and out of our stock in months or the one that's going to be our European shareholders who are in our stock for five years?

We look at it for all of our shareholders out there. So, we generally do not do short-term actions that could put this Company at risk. Mike?

Mike Poteshman - *Tupperware Brands Corporation - CFO*

The other thing that the approach enables is to be consistent with the dividend and not have to come off of it if there's some small dip in earnings. So, that's part of the picture, as well.

In terms of the CapEx part of the question, Linda, the $5 million reduction really reflects the weaker exchange rates given where we're spending. It's not significant change in the projects. It's just they don't cost as much in dollars.

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

Thanks a lot, guys.

Operator

Our final question comes from Gregg Hillman from First Wilshire Securities.

Gregg Hillman - *First Wilshire Securities Management - Analyst*

Good morning. Rick, first of all, in the stores in China, or just China in general, what percentage of the sales comes from walk-ins versus the parties?

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

It depends on which unit, Gregg. The key piece of the business is they're doing classes, cooking classes there, and that is a growing percentage. You'll get to some of our units where it's 25% to 50%. Others it's early days of that. That is a growing portion of our business, though.

Greg, we've talked about this before. The typical apartment isn't big enough to really have a Tupperware party, so it is the local unit there for parties. But that's where our management team is really putting their effort because it's the most productive.

I think one of the things that shows that is about one-third of our business is now the water business, but we're now starting to see other of our products, our food preparation products, start to really come on strong there, and that's a result of demonstration of those in a cooking class.

Gregg Hillman - *First Wilshire Securities Management - Analyst*

Okay. And also what percentage of your sales is consumables in China right now? And, also, could you increase other consumables? Like, Williams Sonoma sells food items in their stores.

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

I don't know the exact number but it's got to be less than 5%.

Gregg Hillman - *First Wilshire Securities Management - Analyst*

Okay. And I was wondering if you could provide assistance to the stores in terms of, like planograms and return on square foot type of metrics, that other people do. Could you provide that kind of assistance to the individual stores to help them to increase sales?

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

Every bit of what you would see in, for example, a Starbucks here you'd see in ours there. They have to have certain signage.

We're into our third generation of what the outlets need to look like. And all that merchandising, that's what our headquarters are doing there. And we have regional offices there that are very close to these.

It really is a quasi-party plan business in locations where they can't because they can't do it in the house. But it's a demonstration and relationship business there, sold out of these bases.

Gregg Hillman - *First Wilshire Securities Management - Analyst*

Okay. And then also in China, Rick, in the urban areas like Shanghai it's very expensive. Is there any way the Company could provide assistance to penetrate deeper in certain areas that otherwise distributors might not be able to afford a store?

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

We give various configurations of those. And in the areas where they wouldn't be able to afford that, it's a smaller kind of a unit there. You get more west in China -- almost all the high per capita income population is along the coast and in Beijing -- you go west, things change dramatically. And that's where China's trying to feed a starving 800 million in that part of it. And so you'll get a modified configuration there.

Gregg Hillman - *First Wilshire Securities Management - Analyst*

Okay.

Operator

There are no more questions at this time. I hand the call back over to you, sir.

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

Okay, thank you. Thanks, everybody, for your time. We expect to build momentum this next quarter with our sales force size advantage. Remember, it's [2%] right now and we really are working hard to build off this.

As Mike said, too, we're hoping to get to 5% to 7% in local currency with full year guidance up 4% to 6%. So a very interesting time in the world. And I think it shows our business model over this past decade, we navigate pretty well through it. And I think the key to it is the leadership team that we're developing out in all of these markets. Anyway, thank you for your time.

Operator

This is the end of today's call. You may now disconnect your line.
