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TUP - Q2 2016 Tupperware Brands Corp Earnings Call

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OVERVIEW:

Co. reported 2Q16 diluted EPS, without items, of $1.16. Expects 2016 EPS, without items, to be $4.25-4.35. Expects 3Q16 local currency sales growth to be 2-4% and EPS, without items, to be $0.77-0.82.

CORPORATE PARTICIPANTS

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Mike Poteshman *Tupperware Brands Corporation - CFO*

CONFERENCE CALL PARTICIPANTS

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PRESENTATION

Operator

Good morning. My name is Nan, and I will be your conference operator today. At this time, I would like to welcome everyone to the Tupperware Brands Corporation second-quarter 2016 earnings conference call.

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

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

Thank you very much. And good morning, everyone.

Firstly, let me say apologies for the technical difficulties on our last call, and I was in Surabaya, Indonesia. We had a brownout during the call. And I am in Orlando today with Mike Poteshman, and James Hunt, the Head of IR.

As usual, you have slides that will coincide with this call. So please follow along, and please first begin by referring to slide number 2, which speaks to the Company's position on forward-looking statements.

And also let me say that in the course of running our Business, we tend to discuss our Business and its performance using metrics that are sometimes considered non-GAAP. However, those are always reconciled in the slide deck appendix.

Turning to slide 3, let's take a look at the quarter. A volatile environment, which seems to be coming more and more the new normal; however, we continue to utilize the levers at our disposal to navigate our way forward and recognize progress. We are pleased to report that we are seeing momentum starting to kick in, in a number of the units where our focus on enhanced fundamental techniques are beginning to get traction, and I will talk about those in a moment.

While results are still mixed, unit by unit, we did grow at the high end of our local currency range of 3%. We also improved the total sales force size advantage by 1 point to 5%. Now, that sales force is up to 3.1 million. While our active seller comparison was [off], it was in line with our Q1 rate of minus 2%.

Overall, the mix of sales was 7% up in our emerging markets, and emerging markets represented 66% of sales in the quarter. Our established markets were 34% of sales, and they were down 4%.

I do believe it's important to remember always here, on this global portfolio, that emerging markets represent over 85% of the world's population. So we will always have a business in established markets. You will continue to see a larger contribution from emerging markets as we expand our footprint.

Now, looking down more in the quarter, we continued to see performance that was, we would call, strong in a number of key markets such as Argentina, China, Tupperware Mexico, both of our South African businesses, and we also had a nice quarter in Malaysia Singapore, which is a large and profitable business for us and it was up 20% in the quarter. And Brazil, I think there's no other words to say, being up 41% -- that's what we would call an eye-popping increase. I would also like to point out that Indonesia had a nice 12-point sequential improvement from being down 8% in the quarter to now up 4% in the second quarter.

In the quarter, we also experienced significant drags in a couple of markets, particularly Egypt and Turkey. Turkey, we largely expected it, but not to the degree that we saw, and I will dig into that in a moment. And we can handle more of that also in the Q&A.

Our EPS without items came in at $1.16. That was $0.04 above the high end of our range, and that was despite a $0.01 hit from FX versus April guidance.

Since 2013 -- I want to speak to strategy for a moment here -- we have been talking about the approaches that we have taken to really evolve our Business with an eye toward having a bigger and more effective business by the year 2020. Part one of this strategy really involves new approaches to fundamentals of our Business. Fundamentals such as onboarding, activation, and the retention of sales force. Our goal, really, is to do these things better, new ways and differently, and to get some kind of a mid-single-digit top-line increase out of our Business.

Part two of that 2020 strategy focus is, however, focused on expanding our footprint and our reach to not only sales force but consumers as well. The objective is simply to have greater access out there to our brand and our products. That, we hope, can get this Company to a double-digit increase.

But it's going to take time. Implementation of these two parts is at various stages within our process.

And by the way, how we approach new strategy or new initiatives is we have a process that involves four steps. Number one, we design it. That takes time to really figure out the from/to.

Two, we pilot it. And we usually pilot it in a learning laboratory stage, so that you're not betting the Company ever. And it's generally, when it's an important strategy, learning laboratories are not tests, but you tweak it along the way, and that is the third piece of it -- refine it; and fourth, then we scale it up.

We have been very successful utilizing this four-step approach. We believe fundamentally that every successful business model works until it doesn't. So this constant contemporization and mindset is requisite in not only our products, our channel, but our opportunity as well.

Now, we put enhanced focus on the importance of onboarding, activation in programs in our pilot markets of Brazil and Germany, and also Tupperware Mexico, where it was implemented in conjunction, which specifically in Mexico, with several other initiatives. This year, we are working now to expand these practices. As we've read the results, we've tweaked them, and we want to now get more benefits from a wider range of our units; and therefore, we're kind of in the scale-up phase of part one.

Implementation, however, means culture change, and that requires communication, often extensive, training and as well as time for it to be -- because we are dealing with people, and for it to be embraced and executed down for the sales force. We do know that better onboarding of new consultants leads to a higher rate of activity, and that ultimately leads to better retention, more sellers selling more products.

And the results we're seeing in those markets I mentioned a moment ago, who were early long-launch sites like Mexico, Brazil, Germany, gives us confidence that we are working generally with the right formulas for other markets. Now our task is execution in these other markets.

Additionally, we are making enhancements in a number of markets to our sales manager compensation programs, with new achievement levels, as well as additional compensation and recognition. Now, our Business has always had sales manager compensation programs, but it's primarily in Brazil and Tupperware Mexico recently where they've made a more comprehensive direction of improvements, and one that causes the sales force to really say, hey, this is a real earning opportunity and a career, and one that I want.

We are also seeing, as part of the onboarding, activation and retention focus, a heightened emphasis importantly on demonstration selling of our products. Product differentiation in Tupperware requires demonstration. And the demonstration then allows us to command higher price points with better margins.

Now, at times the demonstration is one on one, as it mostly was in many markets in Latin America, in India, in Indonesia. But the demonstration also can be to a group. That is mostly what you see in Europe and often in the US, and that's the traditional Tupperware party. But it makes the opportunity more lucrative, selling to a group rather than one on one. Today, it often -- this party -- takes the form of a social situation of a -- if you will, a girls night out among friends.

And we are sometimes asked -- do parties still happen? And I've got to give you a resounding yes. While it's difficult to calculate the frequency rate, we know that one starts somewhere in the world every few seconds. So it is still an effective strategy -- group selling.

Part two of our strategies of 2020 involve extending the reach, and there's really three components there. Number one, it's the utilization of digital tools that move the needle on sales force productivity, development, and results.

I just heard from our Group President of the Americas, Patricia Stitzel, who is in Brazil today, that recently their Tupper TV initiative, which is a digital way of, really, exposure to the entire sales organization -- that 40,000 of her sales were locked in to the program. And that -- at least that was 40,000 TV sets. You don't know how many people were sitting in the room.

In China, digitally, WeChat is really a key driver of our sales force. So, more and more, we are coming out with a buffet line of digital tools to enhance the core demonstration.

The second piece of this Extend the Reach is really talking about the fractional monetization of our brand fans, we call them. We just did a study in Germany, year before last, and we found out that while we turn over a large percentage of our sales force every year, because the barriers to entry are so low, half of them said they missed Tupperware. And while many didn't want to get back actively involved in selling, they want some kind of a merchandising relationship.

So, what we're going to be working on is creating a brand ambassador level where we offer them different products at different times during the year, and we mine the relationship equity we have with them. That learning laboratory is going on in Germany as we speak.

The third piece of this Extend the Reach is -- actually speaks to the physical location. We call this moving from these large distributor warehouses to now having those, plus having smaller experience studios.

I'll give you an example -- a country like Germany now has 100 -- a little more than 100 -- traditional kind of distributorships. In the future, we will have those -- think of those as the hub -- but that each one of those, the learning laboratories, will prove out, will have four or five spokes which will be experience studios closer to the local sales organization. So, that will give us a bigger footprint.

Now, these Extend the Reach initiatives, importantly, are in the early stage of learning lab, but these experience studios will be a big part of our future elsewhere. I've spent a lot of time over the last several years in China. And I will tell you, the demonstration selling method there is a version of the Tupperware party in a geography where the typical apartment is 30 to 50 square meters for 1.5 families, and therefore, not large enough for a traditional approach to a Tupperware party.

Also, they have begun to work toward selling products which were demonstration-oriented, and they backed it up with strong digital marketing. Today, there are 5,500 studios in China. And Vincent, our Managing Director, we believe, for full penetration, we can get to more than 20,000 of these.

Now, putting these 2020 initiatives together, we're focused on building and evolving the Business for the longer term, so Tupperware is going to look different. Yes, we will still have some food storage, but food storage is less than a third of our Business today. It will be many of these new and different categories of products; products that we'll demonstrate, and we will come up with more venues for demonstrating these products.

Now, I think with our onboarding, activation, and retention programs, you're going to see some more near-term benefits, but the longer-term benefits will come from these Extend the Reach. And what we're really looking for is sustainable opportunities for growth for Tupperware Brands, and at the same time, an opportunity to engage and enhance the lives of many more people, especially women.

That said, let me turn now to some of the specifics of the quarter and slide number 4. Let me start with Europe. It was a tough quarter. There, we were down 9%; however, most of it came and was attributable to big declines in Turkey and Egypt. Egypt, after a number of years of double-digit growth, now we're constrained by both the ability to convert currency, and actually product certification barriers where they're really trying to keep imports out. And this environment has not improved.

Now, we don't expect to see any dramatic change anytime soon, but the good news is, right now, the comps get easier as we get into Q4. We're going to be more fully lapping past actions.

In Turkey, it was down a dramatic 38%. The unit continues to suffer from repeated terrorist activity and other external factors. And now we've had the attempted coup; certainly, a lot of disruption and distraction.

I must say that I even brought the Board of Directors there several years ago. We've had multiple years of double-digit growth there, and we've stayed very close to what's happening in Turkey. That said, it's not just the externals that are an issue for us.

We really need to re-tool our Business for the future by reducing our dependence on promotion, and getting more people involved in sales force leadership. And Mike and I were just talking about it -- building sales force teams, in addition to them doing personal sales.

Now, after a decade of almost double-digit growth, we truly believe that, given recent events, that we've got a hill to climb in Turkey. We've got a large group of sales force, almost all women, who -- she feeds her family out of this business -- and we think it's going to take some time to fix this.

The Erdogan government -- and we've stayed close to what's going on there -- has been moving -- ever since he came into office as Prime Minister -- have been moving away from the secular culture, which is largely, you see, north of the Bosphorus, and what was really established by Ataturk after the fall of the Ottoman Empire -- more toward an Islamic influence that you see coming out of the government in Anatolia. So we're watching this situation closely; it's a bouncing ball. But we've learned from the past, we can continue to grow our businesses in areas, even when there is major conflicts.

Let me turn to another market -- France, which was down 10%, and Germany, a more modest 4%. In both of these units, they benefited actually in the first quarter from shipments that went out around Easter, but that took them out of the second quarter. This was more meaningful in France, but we've got work to do in France, with regard to the sales force deficit that we have there.

Also, I don't need to remind you of the terrorism we're dealing with in France, which is not only horrific, but it causes challenges to the social and business environment there. It gets harder to get people to come and leave their house and come to a Tupperware party. We don't know what kind of tail there is going to be on this. We are beginning to see these kinds of actions are more the new normal.

Turning to Germany, it was a challenging month in May, particularly, in the quarter when the holidays that usually happen every spring were kind of all bunched together in one month. Now, they, of course, knew this because they know the calendar, but simply stated, their plans didn't overcome this calendar.

We were also up in the second quarter against very difficult 2015 comps. Germany was up 23% last year. The good news is we have an 8% sales force size advantage at the end of the quarter as a result of strong recruiting, strong onboarding program. And they have been really working on these iROAR programs, so it gives us momentum and confidence going forward.

In South Africa, both our businesses were up very nicely in the quarter. Tupperware South Africa, 24% up in the quarter. Big focus on the earning opportunity, and the incentives there and the opportunity really resonated with the sales force. And we had actually 32% more sellers in the quarter.

In our beauty business there, Avroy Shlain, they were also up double digit, 14%. Did a great job with regard to not only their sales force size advantage, up 9%, but some dynamic marketing programs.

For what it's worth, the real leader of that portfolio, Justin Hewett, is now been made not only as South Africa businesses as well, but he's now based in Switzerland and is an area VP. He now has responsibility also for Turkey and the Middle East. So that gives us a lot of confidence in what can happen here in the future.

I'm pleased to also report that our Russian and CIS businesses were up in the quarter 21%. A good deal of that was pricing, but that's 15% increase on last year.

Management team has done a heck of a job working to get this business back to be a solid contributor, because we had many halcyon years in CIS. They have modernized the sales force architecture with a number of the lessons that they actually learned, started looking at last year, from Brazil and Tupperware Mexico regarding manager override programs, and they have levered a larger sales force to drive activity with good solid merchandising. So I've got to say to Anton and his team there, really a great job this past quarter.

As we turn to Asia Pacific, Indonesia was up in the quarter 4%. This is a 12-point sequential improvement.

More importantly, they flipped their sales force advantage from being down 15% to now the sales force is -- were at 15 points. They were down 8% in the first quarter, and now they are up 7% as we ended that quarter -- a lot of strong additions, improved leadership development programs, and as well as they are really executing on onboarding and activation.

As mentioned during the last earnings call, that Mike finished for me, I was there. We did a multi-city tour with many thousands of people in attendance. And I saw them face to face that there is a lot of energy and excitement about Tupperware and the Tupperware opportunity in Indonesia. We've got some tough comps coming into the third quarter there, but we have a sales force size advantage and good programs in place, and Nining and her management team are one of our strongest anywhere in the world.

China, too, strong management team and strong results, 25% up in the quarter. This was the best, as far as quarterly growth, that we've had in more than two years. They increased there also their studio count 8%. We are at 5,500 studios now.

And also what was great to see was, it was 25% growth in the quarter, and the studio count is only up 8%. You see that means stronger productivity and that means better merchandising offers. We're selling more sets. We are selling more high-priced water products and even a very fancy cookware as well.

The leverage of technology, frankly, China -- nobody does it better in our -- in the Tupperware Brands universe. And we're starting to learn from them, and share elsewhere -- really outstanding results.

Malaysia, too, outstanding, and Singapore, they were up 20% over 2015, a 19-point sequential improvement over Q1. We've also now lapped the tax that hurt consumer spending and was a real disincentive this last year. They've got some issues with regard to retention of leaders in 2015, but despite these issues they have continued to maintain a strong sales force size advantage through the last 12 months.

Let me turn for just a minute to the Philippines, where you will remember we exited the fashion category recently. By the way, we exited fashion and it was the right decision because it's, A, low margin; B, requires massive inventory; and C, also requires dealing with the risks of changing fashions. We were down 13% in the quarter, and a good deal of that had to do with the exit of fashion. Without fashion, we did have modest growth in the remaining core categories, and we begin to lap fashion's exit in the third quarter and more meaningfully also in Q4.

In India, we continue to see traction in the leading KPIs on a sequential basis. We were down 15% in the first quarter, but now in the second quarter we're off only 7%. We have also launched in India a more robust version of the manager override program, and it's going to be fully implemented this quarter.

Asha Gupta, our Dynamic Group President of Asia Pacific -- she was with me as we went through Indonesia in April together. And I'm pleased to say, over this last month, she has done a power-up speaking tour through all of India. And it's important to remember she built that business in India. And they love her and respect her there, and along with Shilpa, our Managing Director, we're now working to really build a strong pool of managers who can instill new rhythm into the Business going forward. So, momentum, we hope, is on its way to coming back in India.

On to the Americas, Argentina up 27% on the quarter, but I must say a lot of that was pricing. I will point that we have seen a pullback in consumer spending in Argentina as a result of significant government subsidy reductions as they work to stabilize the economy. As you know, they've got new leadership in place in their government, a new Finance Minister who I've met in the past -- very smart people and I think you're going to see disciplined approaches to the government.

As a result though, we've had limited ability for price increases, but we have to, to protect our sales force ability to really maintain not only activity but profitability. In the long run, though, we feel good about the direction there.

Brazil, simply stated, a great quarter, up 41%. Amazingly, Paola Kiwi and her management team continue to go from great to greater in the execution of the strategies, and they are really setting the tone for many other markets around the world. Nice sales force growth and sales force leadership development, and also robust marketing.

What they have really done is they have started to really get the rhythm of the Business to be more from a recruiting standpoint, monthly pushes versus a quarterly push. And what this really means is they more effectively and efficiently onboard new sales consultants and get them activated sooner, and something we're really now evaluating to how do we more fully leverage this elsewhere?

They also continue to have strong manager promotions by leveraging the earning opportunity and the career, which is very attractive. The sales force indicators are really strong. Sales force is up 19%; managers up 21%; additions up 50%; activity up 40% -- yada, yada, yada, I mean on and on. These kinds of KPIs provide us a base of confidence for future performance.

Clearly, we are well aware of the issues, as Paola and her team are, with regard to Brazil's economy and the political turmoil. Interesting, we just did a bifurcation of where the business takes place in Brazil, between the urban markets and the rest of Brazil. And interesting, about a third of our business are in the southeast area, which was really the urban core of Rio and Sao Paulo; however, two-thirds is outside and elsewhere, where income and career opportunities are more scarce. And that really, when you consider that Brazil is about the size of the continental United States, that speaks to the future of our Business and to the opportunity.

Let me turn now to Beauty North America, BeautiControl, down 14%. We really thought we were going to get to top-line breakeven there on the sales line, but we had a soft June. We are hoping that trend moderates now as we get into Q3.

They have sequentially increased their sales force. And they are looking now to build a leadership pipeline that offers a more meaningful career opportunity. Still a lot of work to do, and we're, frankly, tired of reporting poor results, and a lot of pressure on that unit to improve.

Fuller Mexico was off 6% in the quarter. However, we do see momentum. Most all of the weakness came in April, then they started the quarter poorly, and having said that, trends strengthened as we got through the quarter.

The key to growth there is really doing a number of things. And I must say, first, I -- this is a highly profitable business unit for us, but simply stated, we have three things we've got to do.

We've got to strengthen the sales manager ranks, in terms of quantity and quality. We've got to grow our sales force -- not only get back to equal, but we've got to get a sales force size advantage. And thirdly, we've got to have more dynamic new product introductions and more mouthwatering effective merchandising.

As mentioned, it's a highly profitable business with a great future. And we can see the approach is working. All you have to do is look at what is happening with our Tupperware business in Mexico to see how strong the potential is for our kind of business in Mexico.

Tupperware US and Canada, up 1% in the quarter. Now, this was the first full quarter of the new compensation plan change in the US, and as we said in April, this is really the reason behind this. It is to incent more career-oriented behaviors, and so it requires continued growth and recruiting from our sales leaders.

This evolution in compensation and mindset change has been a significant change for many of our veteran members in the sales force. So, as expected, there has been some disruption, but overall it strengthened as we went through the quarter, and we're now starting to see some of the behaviors that we really want out of these new young leaders as they grab hold of the entrepreneurial spirit and take advantage of the opportunity.

We learned in Canada last year that it took a couple of months, but then we really gathered momentum, and now we look ahead for more progress. It's going to take more time for them to get comfortable with this new structure. We have some tough comps in the US, but I think we're well positioned for the long term. These actions were the right thing to do.

Now, lastly, let me comment on Tupperware Mexico, up 16% in the quarter. It, perhaps, has been the best example of the new fundamental initiatives of better onboarding, activation, and retention, as well as a move from brochure selling to demonstration selling. They've also had great marketing, great leadership, and incremental improvements on using digital technologies.

They have a 13% larger sales force, and they have increased activities. So they are the prototypical kind of example of best practices, and they are beginning to influence a number of other markets as well.

Anyway, with that, Mike, let me turn it over to you, and then we'll open for Q&A.

Mike Poteshman - *Tupperware Brands Corporation - CFO*

Thank you, Rick.

Turning to slide 6, as highlighted, the biggest contributors to our up 3% local currency sales in the quarter were Brazil, China, Malaysia/Singapore, and Tupperware Mexico, while the bigger decreases were in the Middle East and North Africa, from the currency conversion and product certification issues in Egypt, and in Turkey for the reasons Rick walked through.

Versus our expectations going into the quarter, we did quite a bit better in Brazil, where we had anticipated good growth coming off the 21% local currency increase in the first quarter. But with the outstanding job the team continued to do there, we were able to leverage our 19% pending total sales force size advantage to an even better 40% increase in active sellers that brought Brazil's sales in it plus 41% in local currency for the second quarter. There were several units that performed somewhat below what we had baked in at the high end of our overall range that kept us at the plus 3% overall.

Sequentially, from the first quarter, our 2-point pick-up in sales growth from 1% to 3% also reflected the very good result in Brazil that, as many of you know, was already our second-largest business unit in 2015. Along with this, the larger units in Asia Pacific, China, Indonesia, and Malaysia/Singapore also improved meaningfully versus the first quarter. Going the other way on the sequential comparison was Egypt, Germany, Turkey, and Tupperware US and Canada, all of which have been touched on as to what is going on.

On the volume versus price impacts on the sales comparison, the benefit from the higher prices was 2 points, down 1 point from the first quarter, with volume mix up a bit over 1% versus last year, a 3-point improvement from the first quarter. Our total sales force size comparison improved 1 point in the quarter to plus 5%, and we were down 2 points from last year on active sellers in the second quarter, even with the first quarter.

The mix shift among our units accounted for negative 4 points on the active seller comparison. We continued to have an outsized drag coming from Fuller Mexico where we haven't yet been able to turn the sales force size, and where, based on its model, there's a higher-than-average activity rate and a lower-than-average order size.

There is a similar effect coming from the Philippines connected with the exit of the fashion category in the second half of last year, as well as an impact from India where we lapped last year's statutorily driven change in how we use the starter demonstration kit of products. We know that many of you look at the active seller comparison, excluding Beauty North America, and on that basis we were up 3% in active sellers in the second quarter versus up 1% in the first quarter.

Diluted earnings per share without items at $1.16 was $0.04 over the high end of our range, even though the FX drag on the comparison was $0.01 worse than when we set the guidance. At the segment level, we were in line with our expectation overall, at that high end, but underneath this we did better than anticipated in Asia Pacific and South America in both sales and operating margins.

In the case of Asia Pacific, this was, in part, due to an unusually low sales force compensation expense, as we trued up in accrual. The upsides in Asia Pacific and South America were offset by lower-than-anticipated sales and operating margin in Europe. This reflected lower sales in high operating margin units, along with the levels of spending in France and Turkey. As well, while it was in our outlook, the high drop-through to profit from lower sales in Europe included abnormally low employee benefit cost last year, which we did note at the time, and this comparison had balanced this year's benefit in Asia Pacific that I just mentioned.

Unallocated corporate expenses were somewhat lower than we anticipated for some marketing initiatives, and interest expense was lower than foreseen related to the marking to market of forward contracts that flow through this line. At 24.3%, the income tax rate without items was below the 25.6% we had foreseen for the quarter, and this provided $0.02 of our upside.

We look at all three of these below segment profit benefits of timing items that we foresee flowing back out in the back half of the year. Taking all of this together, the ups and downs that net us out at the high end at the segment level, and the timing benefits and unallocated net interest expense in taxes, on a local currency basis, our EPS without items was above the high end of our range.

Now turning to slide 7, we ended up doing quite a bit better in the quarter than we had foreseen in our outlook on pre-tax return on sales without items, which, at 13.7%, was 30 basis points better than what was in our outlook and 60 basis points ahead of last year in local currency, although down 10 basis points in dollars due to the translation FX hit.

On slide 8, we see cash flow from operating activities, net of investing activities, was $25 million in the quarter. This was $9 million lower than 2015, reflecting $10 million less in net income in the quarter that included a $7 million hit from translation foreign exchange and $10 million less of Orlando land proceeds.

Our debt-to-EBITDA ratio [has been] for the four quarters ended June at 2.17 times continued at about 40 basis points over our target, which is where we stood as of March. As of our first-quarter earnings call, we expected to meet our 1.75 times leverage target as of the end of the year, and the elements that led to that expectation haven't changed meaningfully, other than we've now included in our outlook a land sale that is expected to close at the end of this month, with net proceeds of about $28 million.

With that benefit and the full-year outlook for cash flow from operating net of investing activities, we now go to $195 million to $205 million, which is up $25 million from where we were in April, and up $35 million from the initial guidance in January. Included in here, our full-year outlook for capital spending remains at $65 million.

Turning to slide 9 and our outlook, for the third quarter we foresee sales up in local currency by 2% to 4%, which brackets our second-quarter actual of plus 3%. That said, we acknowledge that the comparison is more difficult, and that we were up in sales by 4% in the second quarter of 2015, and 7% in the third quarter. The improvement in the two-year stacked trend comes most significantly from Europe, from Germany, the Middle East and North Africa, and Turkey, where the comparisons are easier in the third quarter than in the second.

We also foresee improvement in the two-year stacked comparison in Indonesia, where in the third quarter we're lapping a 12% increase last year when the other three quarters were down mid-single digit. This is based on the trends in the Business and the initiatives in place.

We closed the second quarter with a total sales force size advantage in Indonesia of 7%, after having been down 8% in total sellers going into the quarter. We also begin to start lapping the difficult comparisons in the Philippines from exiting the fashion category.

Our earnings per share range for the third quarter without items is $0.77 to $0.82, which at the high end, would be an increase of 7%. Based on current exchange rates, the drag from translation FX would be $0.02, an improvement from the $0.14 hit on the second quarter comparison with last year.

This would produce at the high end a pre-tax profit return on sales without items of 10.5%, up versus last year by 30 basis points in local currency, and 25 basis points in dollars. For the full year, we've taken up the low end of our range for local currency sales growth, based primarily on the high end result in the second quarter, and now foresee being up 3% to 4%.

The comparison with 2015 continues to benefit by 1 point from the 53rd week we'll have this year in our fiscal calendar. This week will fall in the fourth quarter.

Turning to slide 10, on earnings per share without items, given the high end of the range performance by the segments in the second quarter, and the timing benefits on top of that in unallocated corporate expenses, net interest expense, and taxes that don't flow through to the full year, we are only changing our full-year range for the $0.03 worse translation FX versus April. It is now a $0.34 of a hit on the comparison versus 2015, compared with $0.31 at the time of our April release. This sets our full-year range without items at $4.25 to $4.35, up by 8% versus 2015 at the high end in local currency.

Turning to slide 11, the high end of our earnings per share range would give us a pre-tax return on sales without items for the full year of 13.1%, up 65 basis points in local currency, which is 5 basis points better than where we stood with our full-year outlook in April. In dollars, the return on sales would be up 25 basis points.

The full-year guidance continues to include unallocated corporate expenses in the low $70 million, and net interest expense of about $45 million. The forecast for the income tax rate without items at 25.5% is also the same as in April, and compares with 24.8% in 2015.

On a segment basis, we now foresee for the full year in local currency terms, sales in Europe down 4% or 5%; and Asia Pacific up 2% or 3%; and Tupperware North America up 6% or 7%; Beauty North America down about 7%; and South America up 29% or 30%. The outlooks for Asia Pacific and South America improved versus April, and the other three segments are lower.

For segment profit return on sales in local currency and excluding items, we foresee Europe down about 1.5 points versus 2015; Asia up close to 1 point; Tupperware North America up about 0.5 point; Beauty North America down about 1.5 points; and South America up about 1 point.

Finally then on resin, our outlook in April was for a full-year benefit from lower resin costs in local currency of about $6.5 million, of which about $4.5 million was recognized in the first quarter. Our full-year outlook is now for a benefit of about $3.5 million. There was no meaningful year-over-year impact in the second quarter. None is foreseen in the third quarter, and the outlook includes a drag of about $1 million in the fourth quarter. Our outlook is to have about $135 million for resin in cost of sales for the full year, which is up $5 million from April.

And with that, I will turn it back to Rick before we go to Q&A.

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

Michael, thank you very much. And we will open it for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Beth Kite, Citi.

Beth Kite - *Citigroup - Analyst*

Super. Good morning.

I had a couple of questions on the costs and how that flows best. Mike, I know you spoke about the non-operating items and some of the reversing in the back half of the year. Obviously, the resin costs here help us with COGS, but are the other costs that are now incrementally more for the second half of the year either in SG&A or COGS? And does any of that relate to work you're having to do in the US, given how the second quarter came out? Thanks.

Mike Poteshman - *Tupperware Brands Corporation - CFO*

Sure. The timing elements that I talked about were in unallocated corporate costs, interest expense and the tax rate. All of that was on a without items basis, so they weren't non-operating but they were below segment profit. And we do, as I said, see those elements reversing back out in the second half of the year.

With respect to spending in the segments, more or less is at the segment level, reflect some investment or need in the various business units you could on some of them. We certainly do have a transition plan that's working in the US that's similar to what we did in Canada last year to bridge our sales force for success and engagement under the new compensation plan. So that's in place and that was reflected in the numbers in the second quarter; it's in the second half as well. We did invest fairly significantly in the US in the second half of last year -- in the US and Canada -- as we were transitioning in Canada and getting ready to start in the US.

In terms of in the other geographies, we had a nice result in Asia Pacific, as you saw. Part of it, that was that manager compensation expense coming through lower. But even putting that aside, the overall picture was pretty good. If you look underneath that, we did invest some within the numbers there in Indonesia, given how we needed to move the sales force and get things going. And there is some of that reflected in the second half as well.

And then in Europe, we obviously had a very high drop-through to lower profit from the lower sales. As I highlighted, to some extent that was because we lost sales in higher-margin units, but we did invest promotionally or to move things along in France. We have some of that reflected also in the second half. And then there was some elevated costs in Turkey as well, related to the more back-end of the business, which we'll start to roll out as time goes by.

Beth Kite - *Citigroup - Analyst*

Perfect. And one more quickly, if I may, Rick, on Brazil.

You talk about this -- it sounds like very much a superstar leader, and it seems so easy to say why not take some of those principles to other markets pretty quickly? Are their structure -- just in terms of recruiting, if nothing else in the time of that, more frequent, monthly versus quarterly -- are there certain structural hurdles you have of just picking some of that up -- those principles -- and taking those to markets where you could see a boost in a quicker way?

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

Beth, the core pieces of the actions of onboarding and activation and retention, I'm pleased to say are -- there are no structural barriers. And so, as markets are picking up on -- because she was very much part of this, Paola Kiwi, this 2020 team -- the markets are around the world have really been picking up on Brazil, Mexico, and even Germany. Those were our first launch sites.

The structural element -- there is one. We have a structure there where we have not only regular distributors, but what we call mega-distributors, which more relates to what I was talking about when I talked about Germany, where you have more than 100 of these distributorships and then you have these sub-distributorships. That requires some time to make that shift, and that is one of the keys of the success in Brazil of -- they have a number of mega-distributors there who are well over $20 million in sales annually, and they have under them, distributors. And the sub-distributors don't have to have inventory. They are more like commissionaires; and that, therefore, the installed capacity is usually in the hub piece there.

So it's -- we are moving, and that's what we're moving in that direction in Indonesia. That's why we spent time talking about how to make those changes there; and when we more fully get to execute on the studio approach, that is tantamount to having sub-distributors, and that's going to take a couple of years to really get it to scale. But it sure shows it works.

Beth Kite - *Citigroup - Analyst*

Terrific. Thanks very much.

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

Thank you, Beth.

Operator

Stephanie Wissink, Piper Jaffray.

Lauren Wolff - *Piper Jaffray - Analyst*

Good morning. This is actually Lauren Wolff in for Steph.

Somewhat related to the earlier question regarding costs and changes to the comp structure in the US, would you be able to describe how long generally the incentive plan changes typically take to work through before this active rep count start improving? And I'm sure there's related insight from the Canada business. And then, secondarily, and on a different note, would you be able to just go into a bit more detail on performance within the Beauty North America business? What are the hurdles you face there? And how do -- are you planning to reverse momentum?

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

Good morning, Steph.

I will handle the first piece of this; is that generally, because it involves change management and changing cultures and our distributors are not employees. They are independent contractors, so you really have to get them attitudinally to, first, do a mindset shift that they are comfortable and embrace the change. So therefore, what I've found experience-wise from living in three different of the geographies of the world is, it's also dependent on the culture of that. Canadians were fairly quick to make changes and we saw within six months new behaviors started to be embraced. Takes a little more time here in the US. Maybe there is more of an installed arrogance here and not letting go of the past.

So my hope is you will see by the end of this year they have made these changes in the US, and that they be embraced. It was really only the second quarter where they felt the first impact of it, and what was great to see is the end of the quarter was different than the beginning of the quarter with regard to performance. They're going to be having here in just two weeks their annual jubilee. Record numbers are going to be there. We've got a great leadership team in place. So I would expect us to be through it in a year.

I have seen certain markets of the year in Western Europe, though, where it takes two years; and in France, we used to always say, is the right way, the wrong way, and the French way. It's harder to do. We made a change in France and installed Michael Tziallas, who is one of our most dynamic megamarket managing directors. He's fluent in -- his second language is French. And we're already seeing a delta with regard to the attitudes of the French distributor core. So I think putting someone like him in there is going to make our ability to make this change happen quicker.

The issue in France was exacerbated, not only -- put terrorism aside -- it, as I said, that maybe some of this, I hope not the new normal, but what he has had to work through is, the government continues to look for new revenue sources and new taxation methods. And now they've come to our unit managers who now have got to make -- we've got to do different ways of covering health benefits for them, et cetera. That is all disruptive and often a disincentive to the distributors because unit managers are an employee of the distributor.

So it depends on markets. Because we are a Company that basically is run by international people and not just a group of Americans, we usually adapt culturally fairly effectively and as fast as you can for the markets that we're in. I know that's a complex way of getting through it, but this was not a one-word answer.

Michael?

Mike Poteshman - *Tupperware Brands Corporation - CFO*

Lauren, on your question about the two businesses in Beauty North America, I will start with Fuller Mexico. We were pleased, as Rick mentioned, I think, that we had a sequential improvement in a number of field managers and those other people who recruit the sellers into the business. And it's been a number of years since we've had a sequential increase like that, so we were happy about that.

The programs behind that, that are coming to benefit us over a period of time. One certain newer one is to really identify the district managers, who are above the field managers, who have been most successful and give them the opportunity to switch districts to one where we haven't done as well with filling the field managers' slots and keeping those people engaged, and to try to put some of our best leaders there in order to close those gaps. That's a fairly newer initiative. We've also been, for a bit over a year now, working to promote up more of the consultants to become field managers, which has not been our approach historically in that business. And so that has got a whole training element and program behind it that's in the ramp-up stage. We've seen with this over in the past when it was a very narrow slice of the field managers who were coming up from the ranks, if you will, that they were much more successful than the outside hires, so we're looking to leverage that.

From the sales side, we did a couple of things later in the quarter which helped get some of those better comparisons later in the quarter. One was to take the -- call it the top off the incentives -- so in the past, we might have said -- and I'm making it up -- but if you sell 1,000 pesos, you get this; if you sell 1,500 pesos, you get that. But a 2,000 pesos was the top level you could do. Now we've structured things in a way that it can keep going, so if you're continuing to be successful at higher levels, you can get more. And so that's helped on productivity side.

We've also gone after more mid-sized orders by structuring things so that the gift that you get or the prize for various things, in some cases, has an earn out. In other words, you pay a relatively low amount given what you're getting, but in that way, more people are able to participate. And we're able to pick up more mid-sized orders that are still big enough to be profitable for everybody, including us. But we have been missing some of those. So those are some of the key things that stand out at Fuller.

At BeautiControl, we had a sales force side deficit as well. And we are looking at the recruiting approach there to see what we can do with the entry to the products in order to build more excitement and more consistency with how the sales force operates. We have a lot of passive sellers at BeautiControl that we look to bring in and to develop to be more career-oriented or active sellers. So we're looking at the type of products in that new product kit that will work with the way people are entering into the business and help to promote more second and third orders because of the way that is structured.

So that is some of the things I would highlight and what we're working on.

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

Steph, let me add one thing.

I think that was comprehensive, what Mike said there, but also about this Fuller business, because we feel very good about this business. When we did this acquisition in 2005, we experienced for six, seven, eight years, high single-digit to low double-digit growth. And we experienced operating margins, a return on sales of -- our target was always 22%; it's not that high right now. But it's still double-digit, our ROS. If I turn to the impact of this Mexican peso -- and it is interesting -- in 1993, it was MXN3.5 to $1; but for most of this time, since the acquisition, it was right around MXN10. And now, what are we doing? It is MXN17? Now at MXN18 to $1 and I've got to tell you, I was surprised yesterday when we were reviewing our profit numbers in Mexico how much we still make in both of our businesses there, particularly our Tupperware business, but in our Fuller business there. And if I converted it to the old exchange rate, I actually felt better about how the business was doing.

But the biggest barrier we've really had there has been not the peso deval; it has been the actions of our key competitor there in the beauty business and the beauty side. So it helps explain why we can be up mid-teens in our Tupperware business in Mexico and be kind of flattish to down a little in our Fuller business because we have great management in place there. But we know that about half that Fuller sales force carries another brochure. And we have resisted the kinds of merchandising offers and deep discounting because it breaks the brand. Beauty is an aspirational category and we are focused more on moving toward skincare. And where we dominate is fragrance, and women consumers are more committed and loyal to those categories.

So I don't know how long they can continue to do their deep discounting there, but we do know it breaks the brand. We have said we're going to stay the course here, and that distraction, we believe, is going to go away at some point in time.

Lauren Wolff - *Piper Jaffray - Analyst*

Thank you both.

Operator

Jason Gere, KeyBanc Capital Markets.

Jason Gere - *KeyBanc Capital Markets - Analyst*

Good morning guys. I guess I have one bigger question and then a couple of tiny quick questions.

Obviously, the story has been more predicated about the macro over the last couple of years and in years past. And you're talking a lot more about the culture change. So I was just wondering how you think about the local currency sales over the next few years as you go through that culture change? I know you tried to stay away from some of the longer-term targets. I think you've talked about maybe not really talking about it as much but having it internally. But the culture change -- how you can kind of leverage that within the segments? And does that mean that the trends that we're seeing now is maybe how it plays the next couple of years, but then gradually can get back to something much stronger given the huge opportunity that still exists out there just on sheer population size?

That's the first question. The second and third ones are easier.

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

Let me comment on the first one, Jason.

Firstly, one of the things that's really attractive to us right now is the change in the sales force of the pool where we're really fishing for new sales force and new recruits; increasingly, it's those born after 1980 millennials. More of them, as I've commented in the past, is -- actually, the number is 58% -- are not looking for a job but they want an opportunity. They want more flexibility. They are cause-oriented. And so I noticed this on my trips doing these through countries, even I would contrast a country like Indonesia, where I start to see -- I can be in remote areas of Indonesia and the millennials there act like the millennials that I see in Berlin. And they are looking for this kind of an opportunity. So I think that it speaks to that we can weather through these difficult and unstable times, not only what's happening with foreign exchange but also what's happening with these other external disruptions.

I think we can make progress going forward and why the numbers of top line -- may be 3% to 5% -- the reason we are putting in place these two parts of these 2020 strategies is, part one, is to get us back to that 6% to 8%. The part two of that is really this penetration strategy where we really start to internally -- we talk about Tupperware Everywhere. That's what gets us to double digits, because the brand is known and respected and we've got to leverage it. So what we also say right now is, hey, let's make it through this difficult time. Let's be committed to this, the investment, and not only our business in the new strategies and supporting the dividend. And then some of this is going to clear in the future and then we start to get the wind at our back. So attitudinally, that's our philosophy on how we're approaching this.

Mike, you might add.

Mike Poteshman - *Tupperware Brands Corporation - CFO*

Yes, I think all that is right. The other elements, some of the more specific ones on how they could pan out, we've got these build the core initiatives in Vision 2020, if you think about onboarding and the 3 million or so people we bring in each year. We don't get a lot of longevity out of many of them right now. And if we can improve that in just an incremental way, it has big benefits. And the onboarding program goes in that direction because it's activity-based to get you up and running, and up and running means selling and hopefully bringing others into the business as well.

And so in the places where we've gotten these things going in the way we would like to have them be executed, we're seeing those kind of benefits on longevity and productivity as well. And then when you add the Extend the Reach-type things, leveraging digital, like we are quite well already in China -- but how we can take these things back and forth -- that can be other ways to get incremental growth as well.

So over time, we should execute better and that should help us build a sales force and that's what leads to our sales. And then we should see much more penetration in places like India with all the people there, and the sound business model that we have. And in China, going ultimately to these 20,000 outlets and the productivity we can get through merchandising in general, and these digital technologies that help really leverage that studio model that we have, are the kind of things that can come together for us.

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

Jason, I would add, too, to that. One thing we don't talk much about product. But we do, when we just had all of our top -- we had our top 250 distributors in Barcelona and their spouses. And we spent a good deal of time dealing with new product introductions. And it's remarkable to see how this Company has morphed for more commodity-type food storage products that the hit of that meeting was, we did an early launch of a product that's over $200, that it's stainless on the outside; and you see this is a way to grill steaks in a microwave oven. I mean it was unheard of, but we had chefs come on and we demonstrated.

We are starting to see that, when I was in China in March, the product hit there is this $1,000 water filtration system, and I'm looking to China is going to be selling more high-performance products. What that means is, it's a better earning opportunity, so that therefore we can attract new and different people and we've got some new products on the -- it's beyond the drawing board; that they are in the test phase right now, that you're going to see, that's going to help us get our average sales per sales representative up. And then you start to get back to that 6% to 8% again, because it's -- the number of sellers times what their average sale is, and I'll tell you, if they're selling a $100 product versus a $15 storage container, it matters more in their life. And their longevity and retention is better then. So it's kind of all works in concert.

Jason Gere - *KeyBanc Capital Markets - Analyst*

Okay, great. Now, thanks for the detailed color on that.

And then the last question -- just in terms of the growth you saw in Brazil, how are you guys thinking about -- I know this quarter, you will have maybe some disruption just with the Olympics going on. The World Cup was a couple of years ago, but obviously that's over a longer period of time. So just wondering how you're thinking about that? And then, in concert just in terms of Brazil, when do some of those price increases lapse? Same with Argentina. Is that further in the year? Is that into 2017? Just for modeling purposes. Thanks a lot, guys.

Mike Poteshman - *Tupperware Brands Corporation - CFO*

Sure. When we put together our outlook and looked at the trends in the business, we certainly didn't assume that we would continue to grow at 41% or more than that. So we've got a very large, a 19% sales force size advantage, with this monthly pacing on not just the new sales force additions, but converting them into active sellers. And being up 40% in active sellers -- that comes, in part, from all those recruits combined with the onboarding program and the activities that people are doing around that. So it gives us hope and the belief that we can continue to have good active sellers comparisons as well. On the one side, we're not expecting to be growing 41% or whatever or more, but we do have a strong base with the KPIs.

In terms of the Olympics, since that's being held just in Rio and locally, probably doesn't get as much interest, frankly, as the World Cup did, just based on the culture, we're hopeful that we can work around that in a reasonable way. In terms of price increases, most of Brazil's 41% growth was volume, more than most. So they have had some price increase, but it's not that big of a factor in Brazil. In Argentina, it clearly is given the inflation. We continually, in some sense lap it, but then we continue to increase prices more. We did moderate in the near end, because, as Rick mentioned, with the government reducing the subsidies there, consumer spending had taken a definite hit. We're hopeful and see some signs that the government, based on what they've said, I don't think they would revert to where they were but they might go back a little bit to somewhere in the middle. So that could help, but that's really just conjecture.

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

Let me add, too, because I think you're getting two really Important strategic points here, too, is that I alluded to, what's the new normal in the future, is that we have demonstrated that this is very much a multi-local business model. And when I say that, take it beyond the distributorship that's -- she's there in town. Take it to the individual woman that she is selling Tupperware, or one of our beauty products, and I will look at markets around the world that where they've had big disruption and commotion.

The Philippines -- one of the best operation areas of the Philippines for us is Mindanao, which is the most dangerous place in guerilla activity of the Philippines. We continue to have nice business down in that area. And she still has to support and feed the kids; they go to school.

I also look at Mexico. Look at what's happened with our Tupperware Mexico business over the past five years, where more than 100,000 people have been killed in the narco wars. There are some improvements, but not a lot. There are many cities there that are very dangerous, and yet our business continues to grow because it is a multi-local business. We have our trucks, that they go out there every two weeks. They deliver the orders. And they're back again in two weeks.

So I think it's a business structure -- we are the right kind of a structure to make it through a very unstable world. There used to be, when I lived and worked in New York City, there used to be a mattress company -- I think I may have mentioned this example to you at one time -- where they'd show a guy jumping up and down on a mattress but it had individual coils and there was a glass of wine on one of the coils and the wine didn't get knocked over. That spoke to the multi-locals.

That's kind of how our business operates, so that we can have a section of the business even within a market where there is crisis, but the rest of those, she still has to -- and then it's how she feeds her family. And as we continue to make this earning opportunity and career path better, you go into Brazil and you see the further you get away from Rio and Sao Paulo, the richer this earning opportunity is.

And when you sit there and think about in Indonesia, a typical -- well, all of our distributorships in Indonesia make over six figures per year and the per capita income is $3,000 a year. This is a phenomenal business for them. And she then teaches it down in her local markets.

Jason Gere - *KeyBanc Capital Markets - Analyst*

Great. Thank you very much, guys.

Operator

Olivia Tong, Bank of America Merrill Lynch.

Olivia Tong - *BofA Merrill Lynch - Analyst*

Great, thank you.

I wanted to ask you about reps. When do you think that the actives start to turn? Because it seems like the relationship between totals and actives has diverged relative to years past. And then specifically on North America, what do you think was really the impact of the compensation changes that you've made? What do you think the actives in total might have been had there not been a change? And when do you expect that number to start inflecting to reflect some of the changes that you've made? Thanks.

Mike Poteshman - *Tupperware Brands Corporation - CFO*

Hello, Olivia.

We do have a pretty significant mix effect that we actually named in this case, that it is in total, it was about a 4% impact; which, just to give you a better sense of what that means, is that if you look at the units individually and they're active, right, and therefore active consultants. But then take into account which units are actually moving up and down; there is a 4 percentage point drag just from which is which. And that was what I was talking about with Fuller Mexico. You've heard that over time. Because of the way that business runs, they've got a much higher activity rate than the average Tupperware business, being a brochure beauty business. And the fact that we're down there is showing through the numbers in an extra way.

That is also why we talk about what the active comparison is without Beauty North America, just to give a sense of how that's going. And that's where we were up 3 points with Beauty North America versus up 1 point in the first quarter. So those mix effects will go away when we start to have more success in Fuller Mexico. You heard us say that we had the first sequential improvement in the number of field managers in quite a while, so we're hopeful that, that's a precursor of better news to come. But we are a mix of these different models; and also, when you look at emerging versus established market businesses, you see a pretty big difference because of the level of not only demonstrations but group demonstration.

In terms of the impact from Tupperware US and Canada, since that is a party plan market primarily, it has a fairly small impact on the overall picture. If you look at the first attachment to our earnings release, you see in Tupperware North America emerging markets, we had 12,000 active sellers on average in the quarter. That is out of 700,000 for the whole Company. So it's not a huge impact on the overall picture, if I got your question correctly.

Olivia Tong - *BofA Merrill Lynch - Analyst*

The question was more around when do you think that, that active -- that improvement starts to turn in North America?

Mike Poteshman - *Tupperware Brands Corporation - CFO*

Yes, well, that's sort of the same answer is talking to the comp plan specifically. So in Canada, the pick-up, or the rebound, if you will -- it was only two or three months, and it really kicked back in. But the reason -- there were a couple of reasons why we picked Canada first. One, it's smaller and if we had to course-correct, we could do it. But also, our assessment was, we had more of the legacy leaders there that were already doing the right activities, which revolve around building a deep sales leadership organization for your group, and not as much or not only focused on wide, which is what the change in the comp plan needed to help promote. But since more of the Canadians were already there, it was a smoother transition.

In the US portion of the business, we knew that it wasn't as much the case. So that's what we're working on now. So Rick talked about in a good case with that kind of a base, maybe it takes nine months or a year -- we'll see. But that's what we're working on and that's what will be the turn when we get that sorted through the system.

Olivia Tong - *BofA Merrill Lynch - Analyst*

Got it. Thanks.

And then just following up, you talked about fixing Beauty, but where does that fit into your priorities? Because while it's been underperforming, it's not a huge piece of your business. And why does the performance in Tupperware North America diverge so dramatically from Beauty in North America? Thanks a bunch.

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

Firstly, I will say, Olivia, it's only about a third of our business and I think it's -- in a couple of those businesses, the Fuller business is very nice and profitable than -- we enjoyed -- pretty much paid for it with the profits out of it and we think that business is -- we've made the right improvements. And I think we've got some sunny days ahead there. We've improved the Nutrimetics business; nice double-digit growth in our Avroy Shlain business and Nuvo, over the time we've had it has been fine. Problem child has mostly been in our BeautiControl business there.

The divergence of the performance, I've got to say -- largely coming from my experience in the past and the beauty industry -- is, I largely, when we did this acquisition, underestimated the power of our Tupperware brand name. And I had already been with the Company since 1993. But what -- and the effectiveness of the management team had with regard to leveraging the brand name, getting into new and different categories, where we separated ourselves from the competition. I mean, when we used to have a call, when we spun the Company off, people would ask us about Rubbermaid. And our sales force already said, you put your garbage in Rubbermaid and your food in Tupperware. Well, now, we're not mostly even in food storage anymore. The more we have moved into high-tech performance, convenience kind of products that matches household needs today, the more we have really moved ourselves away from the competition there.

So somebody asked me the other day, where would you go to find similar kind of products to Tupperware? I said, usually a Williams Sonoma kind of an environment there. So I think that speaks to it.

And you can demonstrate this product, Olivia, to somebody. And I put one of our herb choppers in front of somebody, put carrots in it, and say, here, pull this three times. To do that, immediately, you-show-us results. If I bring forward a beauty product, the only one that shows immediate you-show-us results is fragrance. And by the way, we dominate in fragrance. So it's a different category. I've got to tell you, when we did the original projections after the acquisition, I got it wrong. I underestimated our ability to distance ourselves from competition with the Tupperware business, but now it's showing.

Olivia Tong - *BofA Merrill Lynch - Analyst*

Got it. Thank you.

Operator

Frank Camma, Sidoti & Company.

Frank Camma - *Sidoti & Company - Analyst*

Good morning, guys.

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

Good morning.

Frank Camma - *Sidoti & Company - Analyst*

Just one quick question on cash flow. You don't have any share repurchases built into your model, and you talked about your leverage ratio at the end. Just wondering -- could you tell us what the debt repayment assumption is built into that on a dollar basis?

Mike Poteshman - *Tupperware Brands Corporation - CFO*

Yes, we haven't split that out, because that would also lead you to EBITDA and so on. But if you think about it, we said $195 million to $205 million of cash flow before financing activities. The dividend is worth $136 million or so. And then there's not too much else going on down there.

Frank Camma - *Sidoti & Company - Analyst*

What's your yield right now, Mike?

Mike Poteshman - *Tupperware Brands Corporation - CFO*

4.5%.

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

Frank -- interesting, one of the things when we made the decision initially of what we were going to do with regard to our formula for dividend and share repurchase, it really confirmed just unprecedented strengthening of the dollar against many of our currencies out there. That we got it right, because our dividend -- we've been very committed to that dividend and we remain that way. When the time comes that we see FX -- and we've seen it go over time, you get puts and calls -- then you'll start to see us dial it up on share repurchase.

Frank Camma - *Sidoti & Company - Analyst*

Sure. Yes, historically, you've always had a pretty balanced approach; is that correct, between share repurchases and dividend?

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

Yes, I think we had a five-year period where we increased the dividend double-digit every year and we did a lot of aggressive share repurchase, so we'll continue philosophically -- I don't know exactly what our formula will be but philosophically that balanced approach is what we're looking for.

Mike Poteshman - *Tupperware Brands Corporation - CFO*

Frank, the way we characterize it, it's balance but the dividend is prioritized before the repurchases.

Frank Camma - *Sidoti & Company - Analyst*

Sure. No, I understand. You've got to keep it. Okay. Great. Thank you. That's all I had.

Operator

Sofya Tsinis, JPMorgan.

Sofya Tsinis - *JPMorgan - Analyst*

Hello guys. Two questions for me.

Coming back to BeautiControl, I wanted to understand what is actually preventing you from exiting that business, since I think it's still quite unprofitable. Last year, you made an effort to improve profitability there, but I'm not sure if you fully got there. And the second question has to do with cost savings -- whether your plan for the year is still in the $20 million to $25 million range, and where you are year to date. Thank you.

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

Sofya, first, we have, as a practice, we do not comment on acquisitions or divestitures and that's not to say it's either of that on BeautiControl. I can tell you we acquired that business in 2000. We tripled the size of it over a six-year period of time. And we've given a lot of that back over the last number of years. Very difficult environment to be in the beauty business in the US right now. And if the truth be known, we stayed committed to it because we feel we know that business, but it's taking more time than we want.

Mike, the second part?

Mike Poteshman - *Tupperware Brands Corporation - CFO*

Yes, the cost savings, things have been going really about how we would have expected on the $20 million to $25 million. Our assessment is that we realized about $6 million in the second quarter so, a quarter's worth. Clearly, when you look at the numbers, it shows through in some places and other places it's been offset. It was really designed to make sure or try to ensure that we could make our profitability numbers, even if sales didn't come in how we would like. We were able to bring up the low end of our range on sales for the full year this quarter but last quarter, you'll recall, we did drop through the whole range by 1 point. Nevertheless, we're still showing full-year improvement in pre-tax ROS without items by 65 basis points, ahead of our longer-term target that we've used in the past of 50 basis points.

So I would say, yes, it's working. It would be better if we were getting all the sales and not the other stuff going on and have it drop through completely and incrementally. But things are going as planned in that regard.

Sofya Tsinis - *JPMorgan - Analyst*

Thank you.

Operator

Michael Swartz, SunTrust.

Anna Thomas - *SunTrust Robinson Humphrey - Analyst*

Hello, everyone. This is Anna on for Mike. I just have two questions.

First, how are you thinking about emerging market growth for the rest of the year? Do you think it will look closer to the first or second quarter? And then, what are the implications for Brexit? Could you quantify the risk and exposure to the UK?

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

I will handle the second part. On Brexit, firstly, as most thinking people are around the world, we are disappointed with that decision on Brexit and we believe that over the near term, it's not going to have much of any impact on our business in Europe. Firstly, we don't have a UK business but we do believe, over time, that it's going to take a long time for them to move in this direction and it's still the jury is out, whether they will or not. So we're spending time thinking about it, obviously. From a personal standpoint, I've got to say, Anna, I think the greater concern of Brexit is that the more -- not to get into beyond macroeconomics, but to -- where the political realm. We haven't had a European war since 1945. Euroland may be sloppy but there hasn't been a war since 1945.

The Balkans was a civil war, and in the previous 45 years, before the war ended in 1945, 113 million Europeans were killed by other Europeans. So the point is, Euroland finding some way to work together and to be economically tied -- it really does matter, and when you start to see these borders and walls re-exist there, you've started to see rebuilding of CIS and their military -- Erdogan -- this is the direction that he wants to go. It's not good, overall, for the world. For the next three years, I don't think it's going to have much impact, but we certainly hope this is a different direction for the future, just for peace.

Mike Poteshman - *Tupperware Brands Corporation - CFO*

In terms of the sales outlook, of course, we were only up 1 point overall in the first quarter and with 3 points in the second. We're up 2 points in local currency year to date and our full-year range is 3% to 4%. So in order to be there for the full year, of course, we're assuming that we're going to do better in the second half. And clearly, with the size of the sales forces and the penetration opportunities and the growth profiles country by country, we've seen for a number of years now more of an opportunity in the emerging markets. So we haven't split our guidance that finely. But you have seen emerging markets well ahead of established markets in all quarters nonetheless, many years.

Anna Thomas - *SunTrust Robinson Humphrey - Analyst*

Okay great. Thank you very much.

Operator

This concludes our Q&A session. I would now like to turn it back over to Mr. Goings for any closing remarks.

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

Guys, I just want to say thanks for your time. I think this is a very unusual time in the world. I already mentioned we're trying to, all of us, ascertain what's the new normal. I think one of the things that gives us some kind of confidence on how we will navigate forward is not only the model I talked about but behind the model, or the leadership team.

And it certainly would have been wonderful if you could sit around that table and see this 2020 leadership team, that we meet. There are 20 people in the organization that we meet, and it's very strong leaders who, on average, have been with us more than 20 years, from France, Brazil, Indonesia, China, India, Germany, South Africa -- the list goes on -- and there's even a couple of Americans sprinkled in there. Together, what we do is we sit and think about, okay, what are the things that we can do that we can do with more than one market, and we come up with models that we try to say are very simple, that are consistent, and that are scalable. These have been -- this group together -- have been the architects of this program for not only the first piece of it of building off our core strengths with new initiatives that are fairly safe and may seem unremarkable. But when you can get 5%, 6%, 7% growth in a market where you've been for 50 years, it is remarkable.

And they're also helping us to really design this second thing that -- actually, we are calling this second piece New Horizon, where Tupperware is everywhere and it includes not only the studios, it includes incredible numbers of brand ambassadors out there to really monetize them. But also it's very strong digital merchandising. We still think we've got a strong future ahead. We think this is going to be a tough couple of years for the world, but we're going to navigate through it and we're going to be a good and safe investment. So thank you for your time.

Operator

Ladies and gentlemen, this does conclude today's Tupperware Brands Corporation second-quarter 2016 earnings conference call. You may now disconnect.
