TUPPERWARE BRANDS CORP
Form 10-Q
May 10, 2007
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

x **Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the 13 weeks ended March 31, 2007

OR

¨ **Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the Transition period from ______ to ______

Commission file number 1-11657

TUPPERWARE BRANDS CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	**36-4062333**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
14901 South Orange Blossom Trail, Orlando, Florida	**32837**
(Address of principal executive offices)	**(Zip Code)**

Registrant s telephone number, including area code: (407) 826-5050

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨.

Indicate by check mark whether the Registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes x No ¨.

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x.

As of May 7, 2007, 61,464,683 shares of the Common Stock, $0.01 par value, of the Registrant were outstanding.

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TUPPERWARE BRANDS CORPORATION

CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

(Dollars in millions, except per share amounts)	**13 Weeks Ended March 31, 2007**	**13 Weeks Ended April 1, 2006**
Net sales	$ 456.9	$ 423.7
Cost of products sold	161.2	148.2
Gross margin	295.7	275.5
Delivery, sales and administrative expense	257.6	241.2
Re-engineering and impairment charges, net	2.8	2.1
Gains on disposal of assets	2.5	
Operating income	37.8	32.2
Interest income	1.1	2.3
Interest expense	11.8	13.2
Other expense	0.9	0.5
Income before income taxes	26.2	20.8
Provision for income taxes	6.6	4.8
Net income	$ 19.6	$ 16.0
Earnings per share:		
Basic	$ 0.33	$ 0.27
Diluted	$ 0.32	$ 0.26
Weighted-average shares outstanding:		
Basic	60.4	60.1
Diluted	61.9	61.4
Dividends per common share	$ 0.22	$ 0.22

See accompanying Notes to Consolidated Financial Statements (Unaudited).

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TUPPERWARE BRANDS CORPORATION

CONSOLIDATED BALANCE SHEETS

(Unaudited)

(In millions)	March 31, 2007	December 30, 2006
ASSETS		
Cash and cash equivalents	$ 74.6	$ 102.2
Accounts receivable, less allowances of $24.8 million in 2007 and $22.8 million in 2006	151.0	144.8
Inventories	251.6	232.7
Deferred income tax benefits, net	53.1	57.9
Non-trade amounts receivable, net	28.9	23.0
Prepaid expenses	31.5	26.0
Total current assets	590.7	586.6
Deferred income tax benefits, net	248.6	243.9
Property, plant and equipment, net	253.8	256.6
Long-term receivables, net of allowances of $18.8 million in 2007 and $17.6 million in 2006	39.5	41.2
Trademarks and tradenames	198.7	199.0
Other intangible assets, net	37.2	40.7
Goodwill	310.7	312.6
Other assets, net	33.4	31.5
Total assets	$ 1,712.6	$ 1,712.1
LIABILITIES AND SHAREHOLDERS EQUITY		
Accounts payable	$ 128.2	$ 127.1
Short-term borrowings and current portion of long-term debt	1.3	0.9
Accrued liabilities	262.4	253.6
Total current liabilities	391.9	381.6
Long-term debt	656.2	680.5
Other liabilities	241.0	249.5
Shareholders equity:		
Preferred stock, $0.01 par value, 200,000,000 shares authorized; none issued		
Common stock, $0.01 par value, 600,000,000 shares authorized; 62,367,289 shares issued	0.6	0.6
Paid-in capital	29.0	26.2
Subscriptions receivable	(2.7)	(3.3)
Retained earnings	613.2	613.9
Treasury stock 1,227,591 and 1,805,803 shares in 2007 and 2006, respectively, at cost	(31.3)	(46.1)
Accumulated other comprehensive loss	(185.3)	(190.8)
Total shareholders equity	423.5	400.5
Total liabilities and shareholders equity	$ 1,712.6	$ 1,712.1

See accompanying Notes to Consolidated Financial Statements (Unaudited).

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TUPPERWARE BRANDS CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(In millions)	13 Weeks Ended March 31, 2007	13 Weeks Ended April 1, 2006
Operating Activities:		
Net income	$ 19.6	$ 16.0
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	15.6	19.1
Equity compensation	1.3	1.5
Amortization of debt issuance costs	0.8	0.5
Net (gain) loss on disposal of assets	(2.0)	0.4
Provision for bad debts	2.7	0.5
Net impact of writedown of inventories and change in LIFO reserve	2.2	1.2
Non-cash impact of re-engineering, impairment costs and loss on disposal	0.4	
Net change in deferred income taxes	2.4	(0.7)
Changes in assets and liabilities:		
Accounts and notes receivable	(5.9)	(15.0)
Inventories	(19.6)	(9.7)
Non-trade amounts receivable	(3.3)	2.4
Prepaid expenses	(5.5)	(0.8)
Other assets	(1.8)	0.5
Accounts payable and accrued liabilities	12.1	(8.0)
Income taxes payable	(6.2)	(6.8)
Other liabilities	(3.0)	2.0
Net cash impact from hedging activity	(1.2)	0.7
Other	(0.3)	0.4
Net cash provided by operating activities	8.3	4.2
Investing Activities:		
Capital expenditures	(10.3)	(12.4)
Purchase of international beauty businesses		(79.8)
Proceeds from disposal of property, plant and equipment	0.8	0.7
Net cash used in investing activities	(9.5)	(91.5)
Financing Activities:		
Dividend payments to shareholders	(13.3)	(13.3)
Proceeds from exercise of stock options	9.8	3.0
Proceeds from payments of subscriptions receivable	0.1	0.1
Repayment of long-term debt	(25.0)	(10.0)
Net change in short-term debt	0.1	(0.7)
Excess tax benefit recognized upon exercise of stock options	0.7	
Net cash used in by financing activities	(27.6)	(20.9)
Effect of exchange rate changes on cash and cash equivalents	1.2	0.9

Net change in cash and cash equivalents		(27.6)		(107.3)
Cash and cash equivalents at beginning of year		102.2		181.5
Cash and cash equivalents at end of period	$	74.6	$	74.2

See accompanying Notes to Consolidated Financial Statements (Unaudited).

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TUPPERWARE BRANDS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Note 1: Summary of Significant Accounting Policies

Basis of Presentation: The condensed consolidated financial statements include the accounts of Tupperware Brands Corporation and its subsidiaries, collectively Tupperware or the Company , with all intercompany transactions and balances having been eliminated. These condensed consolidated financial statements and related notes should be read in conjunction with the 2006 audited financial statements included in the Company s Annual Report on Form 10-K for the year ended December 30, 2006.

Certain prior year amounts have been reclassified to conform with current year presentation.

These condensed consolidated financial statements are unaudited and have been prepared following the rules and regulations of the United States Securities and Exchange Commission and, in the Company s opinion, reflect all adjustments including normal recurring items that are necessary for a fair statement of the results for the interim periods. Certain information and note disclosures normally included in the statement of financial position, results of operations and cash flows prepared in conformity with accounting principles generally accepted in the United States of America have been condensed or omitted as permitted by such rules and regulations. Operating results of any interim period presented herein are not necessarily indicative of the results that may be expected for a full fiscal year.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ materially from these estimates.

Note 2: Shipping and Handling Costs

The cost of products sold line item includes costs related to the purchase and manufacture of goods sold by the Company. Among these costs are inbound freight charges, purchasing and receiving costs, inspection costs, internal transfer costs and warehousing costs of raw material, work in process and packing materials. The warehousing and distribution costs of finished goods are included in the delivery, sales and administrative expense line item. Distribution costs are comprised of outbound freight and associated labor costs. Fees billed to customers associated with the distribution of products are classified as revenue. The shipping and handling costs included in delivery, sales and administrative expense for the first quarter of 2007 and 2006 were $20.5 million and $18.2 million, respectively.

Note 3: Promotional Accruals

The Company frequently makes promotional offers to members of its independent sales force to encourage them to fulfill specific goals or targets for sales levels, party attendance, recruiting of new sales force members or other business-critical functions. The awards offered are in the form of cash, product awards, prizes or trips.

The Company accrues for the costs of these awards during the period over which the sales force qualifies for the award and reports these costs primarily as delivery, sales and administrative expense. These accruals require estimates as to the cost of the awards based upon expected achievement and

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actual cost to be incurred. During the qualification period, actual results are monitored and changes to the original estimates are made when known. Total promotional and other sales force compensation expenses included in delivery, sales and administrative expense for the first quarter of 2007 and 2006 were $83.0 million and $71.0 million, respectively.

Note 4: Inventories

	March 31, 2007	December 30, 2006
	(in millions)	
Finished goods	$ 165.3	$ 156.8
Work in process	20.4	17.5
Raw materials and supplies	65.9	58.4
Total inventories	$ 251.6	$ 232.7

Note 5: Net Income Per Common Share

Basic per share information is calculated by dividing net income by the weighted average number of shares outstanding. Diluted per share information is calculated by also considering the impact of potential common stock on both net income and the weighted average number of shares outstanding. The Company s potential common stock consists of employee and director stock options and restricted stock. Restricted stock is excluded from the basic per share calculation and is included in the diluted per share calculation when doing so would not be anti-dilutive.

The common stock elements of the earnings per share computations are as follows (in millions):

	13 Weeks Ended March 31, 2007	13 Weeks Ended April 1, 2006
Net income	$ 19.6	$ 16.0
Weighted-average shares of common stock outstanding	60.4	60.1
Common equivalent shares:		
Assumed exercise of dilutive options and restricted shares	1.5	1.3
Weighted-average common and common equivalent shares outstanding	61.9	61.4
Basic earnings per share	$ 0.33	$ 0.27
Diluted earnings per share	$ 0.32	$ 0.26
Potential common stock excluded from diluted earnings per share because inclusion would have been anti-dilutive	1.6	1.6

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Note 6: Comprehensive Income

In addition to net income, comprehensive income included certain amounts recorded directly in equity. The components of comprehensive income, net of related income tax effects, for the respective periods, were as follows (in millions):

	13 Weeks Ended March 31, 2007	13 Weeks Ended April 1, 2006
Net income	$ 19.6	$ 16.0
Foreign currency translation adjustments	7.8	8.9
Deferred gain on cash flow hedges, net of tax provision of $0.1 and $1.2 million for the first quarters of 2007 and 2006, respectively.	0.2	2.2
Net equity hedge loss, net of tax benefit of $2.5 and $1.4 million for the first quarters of 2007 and 2006, respectively.	(4.5)	(2.6)
Minimum pension liability, net of tax provision of $1.1 million and $0.1 million for the first quarters of 2007 and 2006, respectively.	2.0	0.4
Comprehensive income	$ 25.1	$ 24.9

Accumulated other comprehensive loss is comprised of pension liabilities, foreign currency translation adjustments and hedge activity as disclosed in Note 9 to the consolidated financial statements.

Note 7: Re-engineering Costs

The Company recorded $2.8 million in re-engineering and impairment charges during the first quarter of 2007. The first quarter charges were primarily for ceasing production in the Company s BeautiControl North America manufacturing facility in Texas in conjunction with moving into a new facility located nearby. The purpose of the move was to provide a more efficient manufacturing layout, as well as capacity for continued growth and the ultimate consolidation with distribution. The costs recorded related to the impairment of assets that would no longer be utilized and were not salable, as well as costs for lease and related payments still due on the former facility. The bulk of the remaining costs related to headcount reductions totaling 29 positions located in Japan, Mexico and Australia with the Japan reductions being the most significant as a result of the consolidation of distribution facilities of the Company s two Japanese operating entities.

In 2006, re-engineering and impairment charges of $2.1 million for the quarter were primarily related to severance costs incurred to reduce headcount by approximately 170 in the Company s Canada, Belgium and Philippines operations. A majority of the reductions were in the Philippines and were the result of the Company s decision to stop manufacturing there as well as the elimination of administrative positions.

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The balances, included in accrued liabilities, related to re-engineering and impairment charges as of March 31, 2007 and December 30, 2006 were as follows (in millions):

	March 31, 2007