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TUP.N - Q4 2021 Tupperware Brands Corp Earnings Call

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PRESENTATION

Alexis Callahan - *Tupperware Brands Corporation - VP of IR*

Thank you, operator. Good morning, and welcome to Tupperware Brands Fourth Quarter and Full Year 2021 Earnings Conference Call. Joining me today are Miguel Fernandez, President and CEO; and Sandra Harris, CFO and COO. We will all be available for Q&A following our prepared remarks.

Earlier this morning, we issued a press release announcing our financial results for the fourth quarter of 2021, which is available on our Investor Relations website. In addition to today's press release, we have also published supplemental materials to accompany our prepared remarks, and both items can be found on our Investor Relations website.

Let me remind you that the following discussion and our responses to your questions reflect management's views as of today, February 23, 2022, and may include forward-looking statements. Actual results may differ materially from such statements.

Additional information about factors that could potentially impact our financial results is included in our Form 10-Q for the third quarter of 2021, subsequent filings with the SEC and in our press release filed this morning. Please review the forward-looking statements disclosure on Page 4 of today's press release.

Please note that all references today are being made on a constant currency basis, which reflects the application of the current period foreign exchange rate to any prior period results, enabling comparisons excluding the impact of foreign exchange rate fluctuations. Please also note that all references, unless otherwise noted, are being made on a continuing operations basis.

During this call, we will discuss certain non-GAAP measures, including those we refer to as normalized measures. Additional disclosures regarding these non-GAAP measures, including explanations and reconciliations of these measures to the most comparable GAAP measures, can be found in today's press release, which has been posted to our Investor Relations website.

A replay of this call will be available on our Investor Relations website later today.

And with that, let me turn the call over to you, Miguel.

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

Thank you, Alexis, and good morning, everyone. It is great to be here with you today to share our fourth quarter and full year 2021 results.

As we ended 2021, we passed the midway point of our 3-year turnaround plan. In 2020, our priority was to stabilize the company. In 2021, our priority was to build a foundation for omnichannel growth. And in 2022, we will expand our efforts and increase our investments to make our products available to consumers wherever they choose to shop. And while we focus on building a strong foundation in 2021, we reported both top and bottom line growth in 2020 and in 2021.

Most important to me and to our Board at this point are our accomplishments, what we've learned, and what we see ahead of us in the second half of our turnaround plan.

First, what has been accomplished. We had to right-size our cost structure to survive in 2020, carry that fiscal rigor into 2021 and successfully stabilize the company. We reorganized and upgraded talent to help us fix and stabilize our direct selling business. We have brought into the company new talent with retail and CPG experience to help us build an omnichannel business.

We restructured our debt twice, first, to provide a bridge loan in late 2020, and again in late 2021, to provide critical funding for growth, increasing our financial flexibility and reducing our cost of capital. We divested non-core assets and reclassified the company's beauty business as discontinued operations in our financials as we work to complete remaining sales transactions in 2022.

We implemented proven methods of operations, utilizing data and techniques to revamp our core direct selling business. We started building new capabilities to open up our iconic brand to new channels of distribution, with the goal of dramatically increasing consumer access to our products.

And we have been working with retailers around the world to take limited amount of products into new channels, and we closed the year ahead of our objective of $50 million in B2B revenue, which is product sales sold through retailers in their loyalty programs.

We accomplished top and bottom line growth in 2021, while continuing to execute on our turnaround plan. Additionally, we made important changes and investments while navigating unprecedented operating conditions, such as COVID lockdowns throughout the world.

And our gross profit was dramatically impacted both by higher resin prices and logistic costs. Yet despite these outside distractions, we delivered growth in 3 of our 4 regions, with APAC being the outlier, as it was the hardest hit by the most recent COVID variant.

2021 performance was a tale of two halves. Through the first half of 2021, we were ahead of our internal expectations and really seeing the initial benefits of using direct selling methods that we know are successful.

During the second half of the year, we were negatively impacted by disruptions driven by COVID lockdowns, particularly in our developing markets, where we know there's a lower digital adoption, a system issue rolling out a new sales force technology platform in the U.S. and Canada, and high resin and transportation costs, as well as other inflationary pressures.

That said, we managed controllable expenses as we are exercising more discipline in our spending. While we acknowledge cost pressures, we feel that our local manufacturing model has proven to be an advantage in the current supply chain climate.

We ended the year up 1% on revenue and more than 50% on adjusted income. Given the unknowns of COVID and all that we have accomplished to develop a stronger and scalable foundation, we are pleased with the progress our teams are making to prepare for an omnichannel future. Additionally, as you know, we were up against very difficult comps in the second half of the year.

I'd also like to mention a few noteworthy recent achievements. We continue to focus on introducing new more sustainable materials to our product lines, new products designed to solve consumer needs identified by data and insights, and a refined product strategy tied to our renewed purpose to help consumers reduce food waste and eliminate the use of single plastic products and packaging.

In 2021, the ECO+ Coffee To-Go Cup received the Fast Company's 2021 Innovation by Design Award and the Green Good Design Award. The Handy Spiral also received high honors by the 2022 German Designer Award. We introduced a freezable reusable bottle that, when frozen, offers up to 8 hours of fresh, cool water for consumers on the go. We also launched our Universal Cookware set, a product line developed for small kitchens and spaces.

In 2022, we will expand the glass bakeware and storage category given the current needs of today's consumers. With our purpose to nurture a better future, in 2021, we brought to life a collaboration with Terra Cycle's circular reuse platform called Loop, producing a one-of-a-kind reusable packaging container option for Tim Hortons and Burger King.

Lastly, we continue to make progress in our ESG efforts. We published our 10th annual sustainability report in the fourth quarter, which highlights the degree to which sustainability is woven into our culture and ethos.

For the first time ever, we conducted a materiality assessment intended to guide our efforts towards the ESG targets, the most important to many of our stakeholders. The new report includes first-time social and governance goals, a new established 2025 and 2030 environmental target, including 90% absolute reduction of greenhouse gas emissions by 2030.

As a testament to our sustainability efforts, we're recently recognized by Newsweek as one of America's most responsible companies in 2021 for our commitment to people, planet and environmentally responsible products.

And last month, we renewed our partnership with the National Park Foundation, providing a $2 million multi-use donation to create meaningful impact across the National Park system.

As we head into 2022, and the second half of our turnaround plan, we believe our strategy is the right one: to make the company as big as our famous brand. We will continue to fix our core business, continue to enter into new product categories, and continue to open and expand into new channels, all of which we believe will transform this iconic brand.

In our core direct selling business, we're using a more data-driven approach to making better and smarter decisions. This includes segmentation of how we look at our sales force and our customers to personalize their experience with Tupperware and, in some cases, introducing preferred customer loyalty programs in our biggest markets.

We're also turning around unprofitable markets through changing our sales models and supplementing with business expansion strategies. When we started the turnaround plan, we had 18 markets that were losing money. By converting these markets to a more omnichannel approach, this 18 formerly struggling markets now represent over $180 million in revenue and are contributing over 14% operating profit return on sales.

As I talked about in prior earnings calls, using importers is one of those models we're using more broadly to both expand sales and improve margins. At the end of 2021, revenue from importers was almost $70 million, up 12% from last year.

Our retail studio markets, excluding China, grew 19% in 2021, while our B2B loyalty programs achieved $56 million in revenue, over 50% higher than last year.

In 2021, we continue to create the foundation for transforming a business that has been a pure direct selling business for more than 75 years. We continue to learn as we go and readjust and make investments to accomplish the goal that we set from the very beginning of the turnaround plan.

We're doing something no company has done before in taking a proved direct selling organization and going omnichannel. This transformation will take time to execute organically, but we've made progress in 2021 through the expansion of importer, studios and B2B loyalty programs. We believe we are laying the foundation for further retail expansion as we enter into the next half of the turnaround.

We know the real prize is opening up consumer access to our products in a major way, and that means meeting consumers wherever they shop. Therefore, in 2021, we invested in retail talent to develop and grow retail partnerships, expand with third-party distribution partners across the globe to improve service levels, implemented digital tools to support the retail business and enhance packaging and labeling.

We also onboarded a new product team and established a new sourcing and supply chain center of excellence in Singapore and developed a sub-brand specifically for this channel.

In summary, significant progress has been made in 2021 to build a foundation that can support both a direct selling business and the omnichannel business. We are confident that we will be sharing exciting expansion news with you throughout 2022, as we win our way into retail accounts in markets like the U.S. and the U.K., just to name a few.

Our focus in 2022 is globalizing direct selling best practices, accelerating new product development, increasing consumer access through omnichannel efforts, including expanding product access in the U.S. and Canada, and stabilizing in China. The entire Tupperware team, our sales force, our associates, our Board and our executive team is excited about the future.

I will now turn the call over to Sandra Harris, our CFO and COO, to provide a full report on the quarter as well as share our thoughts on the year ahead.

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

Thanks, Miguel. We've made meaningful progress in 2021, despite some challenging headwinds in the second half of the year, while continuing to execute on our turnaround plan and lay the groundwork for future expansion and sustainable growth.

In 2021, we invested in the business to fix the core and set the foundation for expanding into more channels. We refinanced the debt for more flexibility with more favorable terms, continued our efforts to divest of non-core assets, significantly improved our tax rate, and remediated the material weakness within our Mexico operations.

Now to our financial results. As a reminder, we made an accounting change last quarter to classify our sold and held-for-sale beauty and personal care businesses as discontinued operations, which is consistent with our strategy to focus on the performance of our core business and expansion efforts. Therefore, during this call and on a go-forward basis, our comments will reflect results from continuing operations only.

For the full year 2021, we posted revenue of $1.6 billion, which represents an increase of 1% compared to 2020. As Miguel mentioned, we were outpacing our plan during the first half of the year. Then in the second half, we had to manage through the impact of restrictive COVID lockdowns, especially in Asia and Europe.

We also were challenged in the second half in the U.S. and Canada business with the implementation of a new sales force tool, but still managed to achieve an all-time high for revenue in this market in 2021.

We also grew in 3 of our 4 regions for the full year, with Europe up 2%; North America up 6%; South America up 20%; and APAC was down 11%, mainly due to China.

Business expansion, which includes B2B loyalty programs, importers, studios, and retail, is now approximately 20% of our revenue. We're pleased to report that the B2B loyalty revenue was $56 million for the year, exceeding our stated goal of $50 million for 2021 and $37 million in 2020. Miguel also mentioned the significant progress we've made in importers and studios outside of China.

For the year, 3 of our big 4 markets posted growth, with the U.S. and Canada up 2%; Brazil up 9%; and Mexico higher than last year by 13%. China was the only big 4 market that did not grow and was down by 21%, heavily impacted by fewer studio openings, impacts of lockdowns due to COVID and leadership changes throughout the year.

For the year, gross profit was $1.1 billion, flat compared with last year. However, gross margin was 66.7% as compared to 67.5% last year. The decrease of 80 basis points was driven primarily by higher resin costs of 200 basis points, partially offset by manufacturing efficiencies in the first half of the year.

Adjusted EBITDA was $290 million, or 18.1% of sales, relatively flat on a reported basis. Excluding the foreign exchange impact, EBITDA would have been lower due to the gross profit impacts I just spoke about.

We continue to improve SG&A, despite higher distribution and freight, and incremental investments.

Adjusted earnings per share was $3.25 as compared to $2.15 last year, as reported.

In 2021, we had 2 favorable one-time items for the year: $0.15 related to a favorable ruling from the courts in regard to a Brazil non-income tax matter; and $0.05 for a China grant, which are being partially offset by a deferred tax asset adjustment of $0.10 that we'll talk about in a minute.

Adjusted for these one-time items and for tax items in both periods, adjusted EPS was $3.15 for 2021 compared to $3.33 for 2020. The decrease was primarily driven by higher resin costs of $0.47; and investments of $0.24; partially offset by $0.53 of favorable manufacturing efficiencies, tighter cost controls and lower interest.

The operating tax rate was 21.9% versus 45.5% in 2020. As we noted in prior calls, we made significant investments in 2021 to accelerate our tax strategies in an effort to achieve our goal of sub-30%, aligned with our peers and our global operating structure. You can reference the bridge of our adjusted earnings per share in the presentation posted this morning with our earnings release.

Next, turning to performance for the quarter. Overall, the fourth quarter was heavily impacted by COVID lockdowns, especially in Asia and Europe. It also had the highest resin cost for the year and a one-time tax adjustment that I'll discuss in more detail in a few minutes.

For the fourth quarter, net sales were $395 million, representing a decrease of 10% compared to last year. The impact of the Omicron variant of the COVID-19 was significant in the quarter, with partial or country-wide lockdowns in various markets affecting our operations, particularly in Asia Pacific and Europe. Excluding the COVID impact, net sales would have decreased 2% in the quarter.

Also, coming off a strong second half of 2020, we were facing tougher comps in Q4, particularly in the U.S., due to over $25 million of backlog from previous quarters being shipped in the fourth quarter of the prior year. On a 2-year stack, fourth quarter revenue increased by 6%.

Q4 was the strongest quarter for B2B loyalty program revenue, with $20 million of the full year $56 million and representing an increase of $15 million compared to the same quarter last year.

Turning now to sales performance by region, including specific performance in our largest markets. First, in Asia Pacific, sales decreased by 10%. The slowdown in China, which was down 14% in the quarter, was driven by COVID lockdowns related to resurgence challenges as well as studio closings and a slower pace of new openings, partially offset by the successful entry into small kitchen appliances in this market. We also made an important leadership change and believe that we have the right person now in place.

China remains an important market for the Tupperware brand and holds significant potential for future growth. We will continue to prioritize the revitalization of this important market, including through new product innovation, upgrading the look and feel of our physical studio locations and investments in digital and e-commerce platforms.

Excluding China, the remainder of the Asia Pacific region was down 9% in the quarter, as we saw continued impact from lockdowns driven by the pandemic in Malaysia, Indonesia and the Philippines, which significantly impacted sales efforts, particularly as digital adoption is low in many of these markets.

We think there is significant opportunity to improve performance within the region as we focus on increasing digital adoption. Excluding the impact of COVID, sales in the Asia Pacific region would have decreased by 2%.

In Europe, sales decreased by 7%. While sales were lower overall, $13 million of the $20 million B2B in the quarter was in this market, at significantly higher profit margins. European emerging markets were severely impacted by the lockdowns due to the Omicron variant of COVID-19, as this market relies heavily on physical gatherings, resulting in lower recruitment and productivity. Excluding the impact of COVID, sales in Europe would have decreased by 3%.

In North America, sales decreased by 12% in the quarter, with the U.S. and Canada decreasing by 29%. The decrease in the U.S. and Canada was driven by tougher comparables due to a large backlog shift in the fourth quarter of 2020 that did not reoccur in 2021. Adjusting for this, sales in the U.S. and Canada would have increased by 11%.

Sales in Mexico increased by 22% in the quarter, 5% from B2B, while the direct selling growth was driven by higher engagement and productivity, due largely to the implementation of our proven direct selling methods, segmenting our sales force and sharing best practices, as well as returning to in-person events during November and December as lockdowns were lifted in this market.

We believe the success in Mexico reflects our efforts, methods and tools that we are also implementing in markets around the world to stabilize our direct selling business.

In South America, sales decreased by 10%. Sales in Brazil were down by 21% driven by challenging economic conditions, including household debt levels and the expiration of the government stimulus in October, all of which contributed to lower levels of recruitment and productivity.

Due to macro environment conditions and the upcoming October 2022 presidential and general elections, we do expect this market to remain challenging for the next few quarters.

Moving now to profit for the quarter. Gross profit in the fourth quarter was $241 million, or 61% of net sales, a decrease of approximately 740 basis points compared to last year, largely driven by inflationary pressures.

Of the total, approximately 250 basis points was due to higher resin costs, with the balance being a mix of downtime and manufacturing inefficiencies due to lower volume and higher inventories, higher inventory reserves, and market and product mix.

In the first half of the year, we were offsetting the resin impact through manufacturing efficiencies. However, as volumes began to decrease in the second half, we were no longer able to offset the impact and could not respond fast enough on pricing due to the nature of our catalog-based business.

We believe that inflationary pressures will persist throughout 2022, and we will look to raise prices to offset the dollar impact, being mindful of relative market dynamics. We will also continue to look for opportunities to reduce cost and increase efficiencies where possible.

From an inventory standpoint, we ended the year at a higher level than we had anticipated due to the softness in sales, and we will work to reduce that balance as we move through the first half of 2022.

I should note that our ability to manufacture locally continues to be an advantage in the current supply chain environment, avoiding costly and time-consuming shipping delays.

Our SG&A as a percentage of sales in the fourth quarter was 52.3% versus last year of 52.1%. In the quarter, we made approximately $6 million of strategic investments, including information technology, new talent for products, sourcing and business expansion to support future growth, and the tax investments to achieve a sub-30% tax rate.

Adjusted EBITDA for the fourth quarter was $47 million or 12% of sales, reflecting the higher resin costs and investments just discussed.

Our fourth quarter operating tax rate was 40% versus over 80% in the same quarter in 2020. During the fourth quarter of 2021, as part of a tax control design reassessment, we identified a deferred tax asset balance for stock compensation that included amounts associated with expired or forfeited awards and other amounts or awards with no expected tax deduction.

These were out of period and related to prior years that are recorded in the fourth quarter of 2021. We also recorded a reserve related to transfer pricing in the quarter, which is also part of our comprehensive tax planning strategy.

As a reminder, the 2020 Q4 tax rate was impacted by the sale of the Orlando property and early retirement of debt. As I stated earlier, on a full year basis, our operating tax rate was 21.9%, so as you can see, we've made great progress toward our goal of sustainably lowering our tax rate and achieving our goal of sub-30%. It's clear that our tax planning strategies are working.

Now to earnings per share. Adjusted EPS was $0.38 in the quarter compared to $0.22 last year. Adjusting both years for the tax impacts, adjusted EPS would have been $0.49 per share versus $0.89 per share in 2020.

In 2021, higher cost related to resin, manufacturing inefficiencies and higher inventory reserves resulted in a negative impact of $0.27, while lower profit on reduced sales was $0.12.

Turning now to other notable financial matters for the year. On a reported basis for the full year, operating cash flow net of investing was $130 million compared to $198 million last year.

As we previously discussed, cash flow benefited last year by aggressive cost savings actions, including pandemic-specific actions such as furloughs and significantly lower spending on inventory and higher payables in order to preserve cash.

For 2021, cash flow was impacted by investments we made in the inventory in an effort to improve service levels, given current global supply chain issues, while also reverting to a more normalized level of capital spending.

Moving to the balance sheet. We ended the quarter with a healthy cash balance of $267 million, which compares to $134 million last year, and we ended the quarter with a total debt balance of $712 million.

At year-end, our consolidated net leverage ratio was 2.1x, well below both historical levels and our required covenant of 3.75x.

We mentioned on our last call that we would look to favorable market conditions to present opportunities to further improve our capital structure, and I'm pleased to report that we were able to do just that in the fourth quarter by refinancing our credit facility, reducing our cost of debt, improving liquidity and extending our maturities.

Our new $880 million credit facility consists of a 5-year $480 million revolving credit facility, a 5-year U.S. dollar term loan of $200 million and a euro term loan of EUR 176 million.

The entire facility extends maturity out by 2.5 years to 2026, increases liquidity by approximately $100 million through a higher level of revolver capacity and reduces the interest rate on our term loan by more than 6 percentage points.

In addition, the new facility resets our financial covenants to enhance operating flexibility, including capital allocation flexibility and leverage ratio calculation on a net basis, allowing for up to $100 million of cash to be applied toward debt balances.

We are also pleased to have the support of a new lead bank and banking syndicate, which is comprised of 10 banks and led by Wells Fargo.

We are also pleased and have made significant progress over the past 18 months in strengthening our balance sheet, refinancing our debt, investing in our business and selling our non-core assets. In June of 2021, our Board authorized a $250 million share repurchase program. And in the third quarter of 2021, we returned $25 million to our shareholders under this program through stock buybacks.

This $25 million was the maximum amount of share repurchase allowable under our prior credit facility covenants. Under our new credit facility, we are no longer subject to the same restrictive covenants as long as we remain below certain leverage thresholds.

Therefore, as we continue to generate strong cash flow, and given our confidence in our future growth trajectory, given the enhanced flexibility we now have to utilize this facility, we may opt to more aggressively support the stock at current levels, always being mindful to deploy capital as effectively and efficiently as possible.

While we remain in a challenging operating environment and are only at the halfway point of our 3-year turnaround, we feel we have sufficient visibility to provide a more tangible view into the coming year. Given the uncertainty that COVID, inflationary pressures, volumes in response to pricing actions and a host of other variables, we will only be providing our view on profitability and cash flow for 2022 at this time.

We previously shared that at a quarterly run rate of [$475 million] (corrected by company after the call) of revenue and a tax rate of 28%, we believe we could sustainably deliver quarterly adjusted earnings per share of approximately $1 to $1.20. That range was provided prior to the reclassification of our beauty businesses to discontinued operations. If we adjust that range to reflect continuing operations only, we believe a reasonable quarterly range to be approximately $0.85 to $1, which assumes a tax rate in the mid- to upper 20s.

As we move into the expansion stage of our turnaround plan, which will require further investments, and given the persisting uncertainty of the pandemic, we believe that for 2022, adjusted earnings per share will be approximately $0.65 to $0.80 per quarter, reflecting $0.05 to $0.20 per share per quarter lower than the normalized estimate. You can also see this guidance in the presentation posted in the materials for this release.

We also believe that 2022 will be another tale of two halves, the trending opposite of 2021, with tougher comps in the first half exacerbated by COVID and persistent cost pressures, followed by relatively easier comps in the second half. We also expect our pricing actions to catch up with cost increases by the second half and for results to benefit from business expansion efforts that began to take root in the latter part of the year. Therefore, we expect the second half to be our stronger half for 2022.

Our cash flow expectations follow a similar story line. We had originally shared that normalized annual free cash, which we define as operating cash flow net of investing cash flow, to be approximately $200 million. Adjusting for discontinued operations, that normalized number now moves to a range of roughly [$180 million to $220 million] (corrected by company after the call) on a continuing operations basis.

For 2022, we anticipate a similar range of between [$120 million and $160 million] (corrected by company after the call) given anticipated investments into the business for our turnaround plan.

Lastly, and as we alluded to last quarter, we look forward to conducting an in-person Investor Day this year. And given the current COVID trends, we've decided to push it to the second half of 2022, hoping to meet face-to-face to share many of exciting initiatives that are underway and designed to leverage our brand, expand our distribution and reach more consumers than ever before.

We'll also provide a more comprehensive view into the business, strategy and tangible proof points of progress, as well as a longer-term framework and outlook. Look for more details in the coming months.

Looking back, throughout 2021, we continued to fortify our financial foundation, which enables us to strengthen our core business, while also increasing consumer access to our products by entering new sales channels and product categories.

Despite a year of challenging and rapidly changing operating conditions, we held firm to our plan and executed on a number of important strategic initiatives that further strengthen our capital structure and position us well for future growth.

We refinanced our debt at very favorable terms, sold additional non-core assets and announced the opening of a new global sourcing and supply chain center in Singapore. We are entering the new year on solid footing, and we believe that our consistent execution will result in a stronger, more resilient and durable business capable of delivering long-term sustainable growth and value.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Your first question comes from Anthony Lebiedzinski from Sidoti.

Anthony Chester Lebiedzinski - *Sidoti & Company, LLC - Senior Equity Research Analyst*

So first, just looking at the fourth quarter, there was a rather wide divergence when I look at the sales force numbers between the Americas and Europe and Asia Pacific. Is this only due to COVID? Or is there anything else going on?

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

Anthony, this is Miguel. So the main reason is COVID. Definitely, we got a big headwind in Asia and EMEA, but also you see the difference, let's say, with Mexico because we're going to call Mexico the leader market in direct selling.

So a lot of the good methods and practices that we know that work have been implemented in Mexico, and that's why you see so much positive in Mexico and a different story in EMEA and APAC.

Anthony Chester Lebiedzinski - *Sidoti & Company, LLC - Senior Equity Research Analyst*

Got you. Okay. And then in terms of the strategy to stabilize China, I know, Sandra, you mentioned that there's a change in leadership. Is there anything else you can share with us as to what you're looking to do to stabilize China?

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

Yes, absolutely. So obviously, we have the new leader there. But before, when we were opening new stores or outlets around China, it was more of an entrepreneurial type of letting the entrepreneur do it by themselves.

Now we're providing a very professional guidance around the look and feel of the store, the location of the store. We obviously hired the best in the world in retail to help us develop those, I guess, guidelines to have for the entrepreneur to follow. So that is going to maximize or at least elevate our chances of success of each of the outlook -- of the outlets that we have in China.

Also we're -- as Sandra mentioned in her speech, we're doubling down in innovation, new products and -- mostly in the small kitchen appliances that we know have a lot of traction in China.

And finally, the biggest one is e-commerce, right? And we're enabling all the stores and everyone there to start operating also through an e-commerce that we know that is -- it's a big part in China, more so under these conditions around COVID.

Anthony Chester Lebiedzinski - *Sidoti & Company, LLC - Senior Equity Research Analyst*

Got you, and then I guess, last question for me. As far as the timing of the new products and new sales channels, is that going to be mostly back half driven of this year? Or can you give us a little bit more color about your strategy with that as far as also product pricing and just timing? That would be very helpful.

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

Yes. The timing, just in one word, is in the second half of the year. We're setting the foundation to get ready and make sure that we're ready for these other channels. And we're -- in essence, we're building a company, a new company that serves these other channels.

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

And Anthony, I think you asked about pricing, too. So pricing actions are going to happen in the first half, but the timing of the new channels and products is as Miguel stated.

Operator

Your next question comes from Doug Lane from Lane Research.

Douglas Matthai Lane - *Lane Research - Principal & Director of Research*

Can you talk a little bit about where we are with in-person meetings? Are you able to hold in-person meetings yet anywhere? Or are you still pretty much locked down on that front? And towards that end, how does that look for 2022 in resuming live meetings, assuming that you have it yet?

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

So Doug, this is Miguel. We're going to start full swing in Q1. We're starting already. Mexico already started in Q4, and we attribute some of our success in Mexico, the fact that we're having people together. But basically, we're going to start in Q1 and so on. It depends on the country, but that's our intention.

Douglas Matthai Lane - *Lane Research - Principal & Director of Research*

Okay. Good. Also in Mexico, I noticed that you have an agreement to sell Fuller there. Has any terms been disclosed? And I assume that's going to be a cash deal.

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

Yes, Doug. So we are under an agreement to sell Fuller, and we expect that, that will finalize in the first part of March. We've received the clearances that we need from the competitive commissions, and it's moving forward. And yes, it will be a cash deal.

Douglas Matthai Lane - *Lane Research - Principal & Director of Research*

Okay. That's helpful. And then can you give us any early learnings from the venture with Tim Hortons in Canada? So what's the -- just what's the receptivity of consumers to putting a deposit down on a food container?

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

Yes. We're still in a pilot phase. The feedback that we've received so far is positive, but we're still in limited amount of stores. But so far so good.

Douglas Matthai Lane - *Lane Research - Principal & Director of Research*

Okay. And then I'm obviously interested in the multichannel strategy, and so you mentioned retail in markets like the U.S. Can you just give us a little bit more color on how you're going -- you're looking to approach retail, keeping in mind the potential channel conflict with your direct selling sales force?

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

Yes, absolutely. So the first step is, obviously, we -- as you know, we're going to launch products with a different sub-brands, so it's going to be Tupperware Essentials.

Then another one is that we're going to be doing products that could be part of a collection. So you're going to find 1 or 2 products in the retailer. And the rest of the collections, you're going to find it in the direct selling.

So that's how we're going to make both channels to be synergistic. Also obviously, we're sharing and developing all this plan in conjunction with the sales force and with the leaders in the sales force, so they know what's coming and how we're trying to approach it.

What we found in some other countries is that the Tupperware brand becomes on top of mind. So customers that used to purchase from one of our direct sellers in the market, they go to the retail, they see the product, they see one SKU and then they call their old friend to buy other products because, obviously, in the retailers, we're going to be able to sell 10 to 12 SKUs, whereas we carrying a catalog of over 180 SKUs.

So it's a combination of those sales force, the ones that we believe are going to minimize the conflict. And we're very happy because in 3 countries, in Mexico, in -- some in Europe and some in APAC, we already did it and it's working really well. In some cases, even last year, around 40% of the profits came from these other channels with no direct impact into our direct selling channel. So we're very excited about that.

Douglas Matthai Lane - *Lane Research - Principal & Director of Research*

Okay. And just one last thing. You mentioned the B2B was $56 million in 2021. And historically, that's been a bit of a lumpy figure. So from where you sit today, do you expect 2022 to be at or above that level of $56 million?

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

Yes, absolutely. We see it at least 30%, 40% above that number.

Operator

(Operator Instructions) Your next question comes from Linda Bolton-Weiser from D.A. Davidson.

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

Just a couple of housekeeping things. But what's the tax rate that you're assuming in your EPS guidance for 2022? And can you give us an estimate of interest expense?

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

Yes, Linda. So we're assuming a mid- to high tax rate. Previously, we had quoted 28%, but we're ranging at mid- to high 20s at this point.

And then in regard to the second question on interest, based upon our new, it's actually in the presentation we posted to the website. You can see the difference in interest rates. It's about half of where our interest expense has been trailing, with our new debt agreements that we just entered into. It's around $15-plus million a year, I think.

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

Okay. And then -- so maybe I missed it, but have you given a constant currency sales growth estimate for the year? And I mean, by my projections, I'm still assuming kind of down double digit in the first half and maybe some growth in second half. But for the full year, do you think the constant currency revenue can grow or not?

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

Yes. We -- that's the one thing we chose not to guide on, Linda, just because of all of the uncertainty that still exists with the pricing changes, how much of it will impact volume.

We do -- reminding everybody, we're 80-plus percent international for Tupperware. And even though things in the U.S. are getting better with the pandemic, we talked about the Q4 impacts that we had, and some of that's continued into Q1.

So a lot of those uncertainties is making us more cautious around providing a sales number, but we did feel that we could control profitability and expenses more, depending upon where their sales are. And so we do feel confident in the EPS guidance and cash flow guidance we provided.

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

Okay. And just in terms of the pricing, I mean, are you -- can you give us a little more color? Like, is it across the board? Is it a certain percentage of SKUs?

How long will it take to flow through the system? Is it certain geographies? Can you give us like a little more color on the pricing actions?

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

Yes. Linda, this is Miguel. So pretty much, it's across the board. And obviously, we're going to take advantage of new products to make sure that we price accordingly.

We literally started pricing in -- towards the end of Q4. But absolutely, every single market is increasing prices effectively in Q1. And there's a few of them, very little portion of them in Q2, but in all of them, we're going at least with the rate of inflation.

And again, we're going to be opportunistic, and we find a way to -- through new products to price and obviously grow our gross margins. We'll take a bunch of that.

But you have to remember that we're pricing against to market, so we don't want to price ourselves out of the -- of our competitive scenario. We know that we are a premium brand. We always want to be around 15% to 20% above competition because of our quality of our products. But again, it's a balance, right?

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

Yes. And Linda, I want to route back on that last question quickly and just clarify one thing. I think you actually said it yourself. But we do want to emphasize that due to the tougher comps in the first half, we do expect the sales to be more back-end loaded. So I did want to make sure that I emphasized.

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

Okay. And then I believe you had launched in the U.K. already, if I'm not mistaken, in the fourth quarter. Can you just give us an update on how that initiative in the U.K. is going?

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

So it's going great. We started, as you said, in Q4. Now we are expanding. We -- if everything goes as planned, and everything is going as planned, we're going to be in the major retailers in the U.K. probably in a quarter or 2 from now.

But not only the retailers, we're also in DTR and other channels. Our brand is showing that it's very strong, and it has a lot of acceptance with the consumer. So everything is looking just as good as we thought about.

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

So just to be clear, you are in some retailer in the U.K. in the fourth quarter.

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

No. Well, yes, but with very limited amount of products. You're going to see a meaningful and material sales probably towards Q2 and Q3 of this year.

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

Can you say which retailer in the U.K. you're in?

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

We -- I don't think we can just yet. But as soon as we sign the last letter, let's just put it away, we'll announce it. And you'll know pretty fast. But...

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

But I thought you just said that the product is in the store in the fourth quarter. You said the product was in the store in the fourth quarter.

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

So -- well, no. The DTR is the one that is in the U.K. market. The retail, the physical store is going to be in the next few weeks. So just think about the major retailers in the U.K., and that's where we're going to be.

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

Okay. And then I guess -- also I guess, I was curious about just on the resin cost. Are resin cost for you, like, still going up year-over-year? Or are they stabilized?

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

Yes. So it's a 2-part answer, Linda. So the resin cost is tied predominantly to the indices, which have been going down. But then on top of the index factor, there's also the factors of logistics and freight and the adders to get the resin to the market.

So what we saw in 2021 was clearly the impact of what was happening in the indices. In 2022, we do expect a 5% increase in resin, but it's predominantly tied to the pressures that are happening related to the logistics and adders that go on top of the indices as it comes into the business.

So a 5% increase on resin cost equates to about 1.5% of an increase in cost of goods sold. And then our total cost of goods sold, we're estimating, in line with many others that you probably heard, is around 8% to 10% with other inflationary factors that are happening throughout supply chain, including increases in our source product, which is more than 40% of what we buy.

Those are going up in line with what others are seeing, around that 8% to 10%. And then we also are expecting more pressures on logistics and freight and other inflationary factors like wages and factories and things of that nature. So roughly 8% to 10% as we look towards 2022.

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

Okay. And just one more question on the U.S. retail launch. I think you said in the second half. Did you say just a couple of items? So are you talking about just like a very few number of SKUs? Are you talking about a whole range of items at retail?

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

We're talking about -- specific to -- with one of the major retailers in the U.S., 16 SKUs, pretty much in the categories that you know that we're very strong at. And that -- the way we see it, this is the first step of many. We're going to expand our presence in that category and then into different categories.

Operator

There is no further questions at this time. I would now like to turn the call over to Miguel Fernandez.

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

Thank you. In closing, 2021 was a year of challenges, but we continue to execute against our turnaround plan, making fundamental changes and investments necessary for our unprecedented transformation.

We're proud of our progress and enter the second half of our year in the turnaround on a strong foundation that will enable us to enter into new channels and product categories and increase consumer access to our iconic products. Our goal is to make this business as big as our brand, and I have confidence in our ability to achieve that.

Thank you for your time today, and I look forward to speaking to you pretty soon. Thank you.

Operator

This concludes today's conference call. Thank you all for joining. You may now disconnect.
