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PRESENTATION

Operator

Good day, and thank you for standing by. Welcome to the Tupperware Brands Corporation First Quarter 2022 Earnings Conference Call. (Operator Instructions) With that, I would now like to hand the conference over to your speaker today, Alexis Callahan. Thank you, and please go ahead.

Alexis Callahan - Tupperware Brands Corporation - VP of IR

Thank you, operator. Good morning, and welcome to Tupperware Brands First Quarter 2022 Earnings Conference Call. Joining me today are Rich Goudis, Executive Vice Chair; 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 first quarter of 2022, 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, May 4, 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-K for 2021, subsequent filings with the SEC and in our press release filed this morning.

Please review the forward-looking statements disclosure on Page 3 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'll 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, Rich.

Richard P. Goudis - Tupperware Brands Corporation - Executive Vice Chairman

Thank you, Alexis. As you've seen in our earnings release, we had a very disappointing quarter. While we expected our turnaround plan would not be linear and would at times be difficult to predict, this quarter's results were lower than we had expected on both top and bottom line based on a number of internal and external factors. Revenue was lower, and we had gross margin and operating margin erosion versus last year. Our top line performance was impacted by poor service levels, continued technology issues, business model changes and, quite honestly, revenue assumptions that just didn't materialize when we expected.

These internal issues, when combined with global events, such as the COVID shutdowns in China and the knock-on effect of the Russian invasion of Ukraine, resulted in a 14% decline in our top line. Our year-over-year margin suffered for many reasons as well. The primary contributor was the result of inflationary cost increases not yet offset by price increases, a timing disconnect that we identified during the fourth quarter earnings call, coupled with volume-related impacts such as lower contribution dollars and higher inventory and receivable reserves.

Additionally, we had higher freight expense in an effort to improve service levels on delivery of high-demand products in the U.S., higher investments in our omnichannel capabilities and FX losses. Much of this happened after we issued annual guidance for the first time in over 2 years and initiated an accelerated share repurchase program to buy back $75 million of our stock.

The quarter's lower profitability also indicates a higher breakeven point than we had a year ago after our aggressive right-sizing. As you know, we are making investments to both fix our core business while we make new investments to open up an omnichannel business. With lower-than-expected contribution from our direct selling business in the quarter, our profitability was dramatically affected. In the long term, this cost structure can only be justified if we are successful in driving revenue growth.

To that end, we continue to make progress in turning around our core direct selling business as seen in Mexico, which was up 7%. Mexico's leadership team has embraced a more analytical approach to the business and is effectively using these insights, coupled with the input from our independent sales force, to make decisions that are driving growth.

We believe other countries are embracing and learning to use the same analytical approach, and this gives us confidence that we will not only be able to stabilize our core direct selling business but that we can actually sustainably grow it. We are also continuing to make progress on our strategic efforts to open up the Tupperware brand to all consumers.

In preparation for this channel expansion, we made progress in talent acquisition, packaging, systems and key account relationships to open more doors to accelerate growth into new channels. The more work we do to turn around the business, the more we invest in new capabilities, the more buyers we meet and the more consumer insights we capture, our excitement and confidence grows to reintroduce Tupperware to consumers around the world.

Before I turn the call back to management, let me reiterate: these first quarter results are not acceptable to us, and we take full responsibility for this poor performance. Management has been digging in deeper to further understand the root causes for its missed revenue assumptions, modifying strategic and investment decisions to fix any foundational issues, and they are making the necessary changes to help improve profitability.

Now let me turn the call over to Miguel.

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

Thank you, Rich, and good morning to everyone. It was clearly a challenging and disappointing quarter. I will first expand on the comments Rich made and then walk you through the key drivers of our results, as well as provide updates on the business and the status of our turnaround plan.

Today's results and our reported performance in the first quarter show we have a lot more work ahead of us in order to turn this iconic brand around. Results came in well below expectations, and we can pinpoint a combination of both internal and external causes.

Starting with the macro external factors. This has been another challenging quarter for most consumer goods businesses, particularly those with significant international exposure as well as for most direct selling businesses. Late in the quarter, the Russia and Ukraine conflict impacted consumer confidence and sales force activity in most of Europe.

Also, strict lockdowns in China caused by the outbreak of COVID basically shut down many cities in the country for the last 3 weeks of March. Additionally, our year-over-year profitability was significantly impacted by inflationary pressures, particularly an increase in the cost of resin, factoring efficiencies and higher freight and sourced product costs. Internally, sales were impacted by demand planning, service and systems issues, lower buying ahead of announced price increases than what we anticipated, inefficient promotional activity, and outdated field management processes.

I should also note that the lack of in-person gatherings and incentive trips for 2 years now is increasingly weighing on direct selling efforts as these events have historically energized sales force members, boosting both liquidity and productivity. Profitability was significantly impacted by the extreme lag between rising input costs and when and how quickly we determined to increase prices to offset those cost increases.

Because much of our miss versus our expectations came in late in the quarter, wouldn't have time effectively to react and modify our investments in the turnaround plan. These investments, including upgrading systems and processes, were material in the quarter.

In terms of performance by region, all 4 reported segments were down year-over-year with the greatest impact coming from Europe and Asia Pacific, with those 2 regions responsible for 70% of the decline in sales. In terms of performance of our top 4 markets, China was heavily impacted by lockdowns due to the Omicron variant and all of Europe was impacted by the Russia and Ukraine conflict.

The U.S. and Canada were down 25% and had tough comps. Additionally, it experienced lower buying ahead of price increases, lower inventory sell-through, and experienced significant service issues in demand and sale force systems, although I should note that the U.S. and Canada grew 38% on a 2-year stack. We are making fundamental and rapid changes in the market, including 10% price increases effective in early May, which is the first time we've taken pricing actions in quite some time. These changes that have been communicated to our sales force and we believe they will result in a more sustainable direct selling business.

Mexico was a bright spot in this quarter, up 7% year-over-year, driven by changes we made to improve and optimize our direct selling business, and it is up 27% on a 2-year stack. Our confidence in stabilizing our core direct selling business is seeing a strong performance in Mexico. Brazil was down 11% year-over-year, which was in line with our expectations and largely due to challenging economic conditions in the country, and therefore, performance could be volatile throughout this election year. On a 2-year stack, however, sales were up 29%.

Other business expansion channels include our retail studio model, which are physical store locations as well as our B2B loyalty programs with retailers. Studios markets outside of China grew 7% in the quarter, led by the expansion in Korea.

While our B2B programs delivered $8 million in revenue, more than double last year's contribution in the same quarter, it would have been even higher but for one European program shifting from Q1 to Q2. And last, but certainly not least, we continue to prepare for retail expansion in the second half of our turnaround.

As we mentioned on our last call, we've invested in talent to develop and grow retail partnerships, partnered with third-party distributors across the globe, implemented technology tools and developed specialized packaging and labeling. All of these capabilities are new to Tupperware, but necessary to compete in channels outside of direct selling. We look forward to sharing progress on this front.

While the results of the quarter were below expectations, we're identifying and taking immediate actions to address a number of these items. First, we had planned to raise prices, as mentioned last quarter, with most of them taking effect in the second half of the second quarter.

Now we're choosing to be even more aggressive to ensure that price increases we're taking us sufficient to maintain gross margins, while inflationary pressures continue. We're closely monitoring continued cost increases, and we will be proactive to take prices going forward. Second, we're continuing to evolve our demand planning process to improve visibility to demand signals and supply chain capabilities.

This will help with many of our service issues we've experienced in the quarter related to overselling popular items like the Wonderlier Bowl that was featured on the Amazon series, The Marvelous Mrs. Maisel. And on our #1 seller in Mexico, the Eco water bottle. Service continues to be a key area of focus for us. Third, we're intensively focused on selling through excess inventory to improve communications and visibility with opportunities in both our direct selling and our business expansion channels.

Fourth, we have evaluated our hedging strategy and long-term intercompany loans with outside advisers to ensure we limit our FX exposure. Fifth, we're utilizing data to implement segmenting promotional activities and customer referral programs across the globe to boost recurring and retailing activity. And lastly, although we cannot control macro factors like COVID lockdowns or the conflict in Ukraine, we can respond and right-size the business to manage profitability.

To that end, we have restructured our organization in both Europe and Asia Pacific in recent weeks in an effort to de-layer our leadership and bring them closer to the business. And we're in the process of making right-sizing decisions given the current volumes in these markets. We feel these changes will enable our market leaders to react and move more quickly in the directions they see fit locally.

All in, we're taking this opportunity to reiterate our commitment and aggressively refocus our efforts on improving certain elements of our core direct selling business that this quarter illuminated. One element that is foundational is technology. For decades, this company has been run as a very decentralized organization and has significant structural and technical debt. Many of our systems need to be upgraded, become more centralized and less customized, and be more compatible across markets. We are actively working on this with significant expenditures in the quarter.

Again, our turnaround efforts still require a lot of work, but we continue to make progress towards these enormous and important undertakings. And lastly, on the topic of technology, we're continuing to address the issues with our sales force system, especially in the U.S. and Canada, and we're working to resolve them as quickly as possible.

On the ESG front, we made donations of $1 million to the World Central Kitchen and American Red Cross to support relief efforts to those impacted by the crisis in Ukraine. Many of our global markets have separately initiated their own support efforts, donating aid items and delivering them to those in need. We continue to make great progress in this important area.

Given this quarter's performance, we acknowledge that we have greater uncertainty and lower visibility than previously anticipated. As Rich already mentioned, we are, therefore, withdrawing our previously issued guidance. I should note that we're not taking the decision to pull guidance lightly.

However, we feel that it's of paramount importance to be transparent about our current state of as possible, to share with you all the moving pieces that are currently impacting our financial performance and to inform you of what we've learned and what we're doing to address each of these items. We're also taking this opportunity to acknowledge that this turnaround plan, while still the right one and one that we believe will ultimately be successful, still requires a lot more work.

We're effectively building an entirely new company, quite literally building a ship while piloting it. It will take time to strengthen our teams, processes, and systems, but we remain confident that we will get it done. The changes we're making in our core direct selling business are comprehensive in nature and are being implemented rapidly to create a more predictable and sustainable business. Simultaneously, we are creating a new omnichannel focused business.

So there will necessarily be some nonlinear financial performance as we try to do what has not been done in direct selling, taking a direct selling brand omnichannel. However, as these changes take root, our confidence builds that this strategy will pay off. And regardless of the near-term noise, we continue to believe that our strategy remains the right one.

Our products are superior, our brand is iconic and consumer demand is still strong. So increasing consumer access to our beloved Tupperware products remain the strategy, and we're currently executing on the strategic initiatives required to achieve this. The plan is four-fold: improving and then optimizing our core direct selling business by increasing service levels, providing the right products and using data; opening and expanding into new channels; reintroducing our brand to consumers; and entering new product categories where consumers give us permission to be.

I am confident that we will transform our iconic brand and that we will build a more predictable and profitable company. In summary, while disappointed with our first quarter performance, we're taking immediate actions to improve our business to address what is within our control. I'm confident that despite the ongoing impacts of COVID and the Russia-Ukraine conflict, we would have had a stronger quarter and that the organizational adjustments and fundamental changes we are making to the business will better align our organization to our growth strategy and priorities, and that going forward, we will be much stronger, more efficient and a more profitable company as a result.

And lastly, one final update. After a lengthy and thoughtful search, I'm pleased to announce that we have hired a new Chief Financial Officer to join the Tupperware executive team. Ms. Mariela Matute will be joining us later this month. Mariela is a seasoned finance executive who comes to us with more than 20 years of experience in senior leadership roles and who has blue chip experience in the technology, consumer and manufacturing sectors, as well as in turnaround situations. We look forward to her contributions towards strengthening our financial foundation and enabling us to continue to grow and expand.

I also want to take this opportunity to say a big thank you to Sandra Harris, who has been serving as both Chief Financial Officer and Chief Operating Officer for more than a year and will transition the CFO role to Mariela.

We thank Sandra for her many contributions to right-size this organization and bring it to its current state of health. She will now be able to dedicate all her time towards optimizing operations and systems as COO, and we look forward to her focus on this important area of our business.

I will now turn the call over to Sandra to discuss our first quarter financial performance in more detail.

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

Thanks, Miguel. I look forward to focusing on Tupperware's operations and supply chain on a go-forward basis. There is opportunity to improve efficiency and optimize our operations across the entire organization, and I'm excited to continue to enable our turnaround journey.

During the quarter, we opted to make significant investments in business expansion, our global sourcing office, and IT, all of which are an advance of the anticipated sales that will come from new channels in future periods. Those investments, coupled with the unforeseen lockdowns in China and the effect stemming from the Russia-Ukraine conflict, contributed additional pressure on profitability in the quarter.

Before we begin our discussion of our financial results, a quick reminder, we made an accounting change in the third quarter of last year to classify our sold and held-for-sale beauty and personal care businesses has discontinued operations, which is consistent with our strategy to focus on the performance of our core business and expansion efforts. Therefore, our comments today reflect results from continuing operations only.

For the first quarter, net sales were $348 million, representing a decrease of 14% compared to last year, driven by both internal and external factors, as previously mentioned. From a top line perspective, our sales were primarily impacted by 3 main drivers: first, weakness in our European business caused by lower sales force activity and service issues which were exacerbated by regional disruption and lower consumer sentiment caused by the conflict of Ukraine.

Second, weakness in several of our larger markets in Asia Pacific, exacerbated by strict Omicron-related lockdowns in China during the last 3 weeks of March. And third, demand planning issues, namely the opportunity we have to improve demand forecasting and better coordinate promotions with available products, as well as service in general.

B2B loyalty program revenue in the quarter was $8 million, up from $4 million last year. We also sold through 15 B2B channels in the quarter as compared to 6 last year. These are great indicators that our strategic focus in this area of working.

Turning to sales performance by region. We'll next discuss each of our 4 regions, including specific performance in our largest markets. In Asia Pacific, net sales decreased by 15%. China, which was down 24% in the quarter, was severely impacted late in the first quarter by strict lockdowns caused by the recent COVID outbreak in the country and China's Zero-COVID policy acutely affecting the last 3 weeks of March, essentially shutting down all economic activity in many cities.

Performance was also impacted by studio closings and fewer new openings. China continues to be an important market for the Tupperware brand and stabilizing our business there as one of our priorities in 2022. The remainder of the Asia Pacific region, excluding China, was down 8% in the quarter, driven by lower sales force recruitment and productivity due in part to COVID lockdowns, sales model changes, as well as underperforming Raya holiday promotions. In Europe, net sales decreased by 19%, driven primarily by lower sales force activity. Both recruitment and activity in the region were impacted by lower consumer sentiment and overall disruption due to the Russia-Ukraine conflict.

Sales in the region were also impacted by a delay in one B2B arrangement that was pushed from Q1 to Q2. Going forward, we also expect the organizational changes made in this market will help.

In North America, net sales decreased by 14%. Net sales in the U.S. and Canada decreased by 25%, driven by lower buy-ahead of planned second quarter price increases, product mix along with technology and service issues. A bright spot in the quarter, however, was the success of our Wonderlier vintage bowl collection after being showcased on Amazon's recent pop culture hit, The Marvelous Mrs. Maisel. And beyond the positive impact it had on sales, it was also a great branding opportunity for Tupperware here in the United States. Net sales in Mexico increased by 7% in the quarter, driven primarily by higher recruitment and productivity.

In South America, sales decreased by 2% in the quarter. Net sales in Brazil were down 11%, driven by challenging economic conditions impacting recruiting.

Now moving down the P&L to margin. Gross profit in the first quarter was $222 million or 63.8% of net sales, which represents a decrease of approximately 720 basis points compared to last year, primarily driven by inflationary pressures as well as an increase in obsolescence reserves. We mentioned on our last call that we were in the process of announcing price increases, that the vast majority will become effective in the second quarter and that they would not help to offset cost increases until the second half of the year.

As Miguel mentioned earlier, most of these increases are now in various stages of implementation. However, despite the fact that they are in process, they nevertheless significantly lagged the rise in input costs that have already hit. Going forward, we will be proactive in taking pricing actions in order to protect margins. It's also worth noting that much of our business still relies upon physical printed catalogs which are printed only a few times in a year in many markets, causing changes to be slow. Regardless, this lag has significantly contributed to the margin compression we've seen in the last 2 quarters.

Although SG&A on an absolute basis was down year-over-year, as a percentage of sales, it was 58.4% in the first quarter compared to 53.4% last year. The percentage increase was driven by lower fixed cost coverage due to lower volumes, a higher allowance for credit losses, a $3.1 million enterprise award in the local China government received in the prior year period and higher third-party warehousing costs to improve service.

We also made IT and business expansion-related investments to support our omnichannel efforts, such as EDI to support retail and professional services associated with tax strategies that we continue to implement. Adjusted EBITDA for the first quarter was $29 million or 8% of sales, which reflects the impact of lower sales, higher input costs, the latency of pricing action implementation and higher investment spend, all previously mentioned.

We've also continued to enhance our treasury strategy, specifically around foreign exchange and cash management. Our first quarter operating tax rate was 52.5% as compared to 31.8% in the same quarter last year. Our operating tax rate was driven by our lower global earnings and increases in U.S. losses, which do not currently produce a U.S. tax benefit.

Now earnings per share. Adjusted earnings per share was $0.12 in the first quarter compared to $0.81 last year, driven by all factors previously mentioned. Our accelerated share repurchase positively contributed approximately $0.01 to adjusted EPS in the quarter.

Turning now to cash flow and the balance sheet. On a reported basis, operating cash flow net of investing was negative $47 million compared to negative $7 million last year, reflecting lower cash flow from operations driven by lower earnings, combined with an increase in working capital. We ended the first quarter with a healthy cash balance of $246 million and a total debt balance of $810 million. At quarter end, our consolidated net leverage ratio was 2.9x, which remains below both historical and required covenant levels.

In regard to capital allocation, as previously mentioned, we are pleased to have made significant progress over the past 2 years in strengthening our balance sheet, refinancing our debt, investing in the business and selling noncore assets.

After paying down debt and investing in the business, our next priority in terms of capital allocation is returning value to shareholders. Our Board authorized a $250 million share repurchase program in June of last year. And in the third quarter of 2021, we returned $25 million to our shareholders through buybacks. On February 28 of this year, we announced a $75 million accelerated share repurchase program. We're continuing to execute on that program and expect it to be complete by the end of June. We repurchased and retired 3.4 million shares of common stock immediately upon announcement and the remaining number of shares repurchased will be a function of the volume weighted average price across the term of the program. We currently have another $150 million of capacity remaining under our original $250 million Board authorization available to us. And we will continue to look for opportunities to effectively and efficiently deploy capital.

Despite our first quarter results, we remain committed to our capital allocation strategy of paying down debt as needed, investing in the business and returning value to shareholders. I should note that given the ongoing uncertainty in China and the conflict in Ukraine, uncertainty regarding the execution and timing of certain business expansion efforts in the second half of the year, the magnitude of the changes we're making in our core business, pricing actions largely hitting in the last half of the year, consumer spending trends given the current inflationary environment, as well as reliance on our current cash flow strategies, we will continue to monitor liquidity and will adjust our capital allocation framework as appropriate.

In summary, it was a disappointing quarter, and results came in well below expectations, especially late in the quarter when we had little time to react. That said, we have either already taken action or have plans in place to address many of the issues within our control and to better manage against those that are outside of our control. We believe these fundamental changes we're making to our business will enable us to operate more effectively and efficiently going forward.

And with that, let's move to Q&A.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question comes from the line of Anthony Lebiedzinski from Sidoti & Company.

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

So first, just looking at the quarter. So you called out obviously March being a tough month, but just wondering if you guys could provide any sort of additional color as to the cadence of the monthly sales? I mean, how much worse were the March sales versus what you were experiencing in January and February? And then there is any way you can comment on what you've seen thus far in the second quarter that, that would be helpful as we try to assess to -- how we should think about the rest of the year as far as updating our models?

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

Yes. So Anthony, this is Sandra. So obviously, we talked to you at the end of February, and we were pretty compelled to give guidance at that time. And what we were seeing that wasn't indicating what definitely occurred in March. And so what happened between February and March, there were many things that happened. As we talked about on the call today, Russia invading the Ukraine had a big impact on our European businesses, not just specifically our businesses, obviously in Russia and Ukraine, but across the entire region in that area. The other thing that was completely unanticipated is, if you've obviously followed the news, the China situation happened late in the first quarter or largely the last 3 weeks of the month, significant lockdowns and shutdowns, which we didn't anticipate.

It is where the external factors, we also had in March aggressive promotional programs in several different regions. I mentioned Raya holiday in Malaysia, which typically performs really well, and it just was softer this year. And then we also had anticipated that in advance of the price increase announcement that we had that the U.S. would have -- some buy ahead. And then I mentioned the one significant B2B program that was in Europe, it just shifted based on timing with everything that's happening in Europe from Q1 to Q2. So what I would say is that largely what happened in the quarter really did happen between the last time we spoke to you in February until the end of March and it all happened at the same time, unfortunately.

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

Right. Okay. And then as far as Q2 thus far, can you give us any comments? Is it kind of similar to what you're seeing in March? Or has there been any relative improvement?

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

So Anthony, this is Miguel. So as you know, we normally don't give guidance, but the nature of direct selling in our markets are like this is, the worst thing that can happen to any direct selling company are distractions. And we're facing a lot of distractions right now external, obviously, the war and COVID in APAC, but also we had our first share of internal distractions around service and systems. So it's a combination of things that we believe are transitory, but they're still with us. Today, we're still -- we still have it. So we see pretty much the same trend at least in the beginning of the quarter.

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

Got it. Okay. And then as far as the price increases, so your products are generally premium-priced already. As you look to implement the price increases, how are those price increases versus competition? And what is your concern about whether consumers will actually be able to -- certainly, as far as those price -- higher prices, what the reaction will be as far as elasticity of demand? How do you guys think about that?

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

So Anthony, fortunately, we have a lot of experience increasing prices in many parts of the world because that's just the nature of our business. And we -- obviously, we take into account all the elasticity in all the markets. I'm going to say that the one new market or the one that we haven't increased price is the U.S. So that is -- that we don't have as much as history, but we tend to price with the competition. And we're seeing that the competition also is having the same inflationary pressures as we have. So in the countries that we've got, we have had no surprises on that front.

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

Okay. And then you mentioned that you have had success in Mexico, so what would be a reasonable timeframe as to when you would expect to replicate the success in Mexico to other parts of your business? Any sort of ballpark estimate?

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

Yes. Yes, absolutely. So it varies by country, right? There are some countries that we have more senior management like Brazil, and they're getting closer and faster to those -- to that benchmark. And there are some other ones that, to be frank, we're still in the early stages.

So it's going to -- you're going to see countries coming and developing a little by little. But again, the key point here is the elimination of distractions because every single distraction around service, around systems or around conflict takes away time from recruiting and retailing, which is our basic part of our business. And then as I mentioned in the call, we haven't had in-person meetings or incentives in many parts of the world. We're starting to have it, and we see a positive effect. So we're going to have it pretty soon in the rest of the world because this is -- and we feel this is the time that we need it.

So they're going to come little by little. Some of them are going to be way faster than other ones. You can imagine, obviously, we're prioritizing the bigger countries to make sure that we have the fundamentals in place.

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

Got you. Okay. And the last question for me. So you mentioned that many of your systems outdated. So given the changes that you're looking to do within the business, what's the estimated cost of the new systems? And how long do you think this will take to get the systems to be where you want them to be?

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

Yes. I'll just point generally overall about our systems. So yes, I mean, we have 75 years of technical debt that we're working with, specifically to the system issues in the U.S. That technical debt creates complexities every time a new release comes out of the system and solution. And then because our business is definitely unique and different in many areas, the customizations also create the complexities as upgrades happen. So that's what we continually are struggling with here and the U.S. business is managing upgrades to products with the deep level of technical debt that we have to support the systems in going forward.

So I mentioned in the quarter that we had investments, we're continuing to make those investments in IT. We disproportionately shifted those to support the retail businesses. So we have been implementing solutions with digital as well as getting ready for the retail channels. And so we've made investments in things like EDI, which are fundamental for those businesses, invoicing and order taking that comes with a different channel, a different business, we've made those investments over Q4 and into Q1.

And it's one of the reasons that, obviously, with the decline in sales, those investments are ahead of the sales that will come for our business expansion, which will happen more in the second half of the year. We haven't disclosed the dollar value yet, but obviously, there would be significant investment in the future to truly take out all the technical debt. So we're being very strategic in changing out the systems and solutions, enhancing our infrastructure in the areas that make the most difference, which is our big markets and in the markets that definitely are moving toward multichannel and the markets that are most profitable and growing.

Operator

(Operator Instructions) Our next question comes from the line of Doug Lane from Lane Research.

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

Miguel, I'd like to say on the live meetings, I think that's an important part of this whole model, of course. And I just want to -- try to get more specific in have you had live meetings yet? Have you started and did you have any in the first quarter? And what is kind of the schedule for your larger meetings for the rest of the year? If you could just put a little bit more color on that?

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

Yes, absolutely, Doug. Yes, we started. We started with smaller meetings in the major markets. We've started in the U.S. a couple of weeks ago, in Mexico a few weeks ago also, but now we're getting ready for the big ones to come in the summertime.

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

And that would be in Europe, in North America, in Asia? There's no regions that goes...

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

Yes. It's going to be everywhere. Absolutely, yes.

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

Okay. That's helpful. And then another large direct seller indicated -- with the global footprint indicated a sharp slowdown in April from an already weak March. And you clearly had a weaker March than you anticipated. Can you at least directionally help us out here and give us some color on how April was relative to March?

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

Yes. What we're seeing is it's a similar trend as the one that we saw in March. Again, I'll go back to the distraction. So the world hasn't changed. And once we start seeing a little bit of less restriction in COVID in China or less COVID inflections in APAC, and we start recovering normality or if we get a solution of people in a way get used to the complex in EMEA, then all these things take away time from our activities.

If anything, we can point to Americas -- Latin America to perhaps be a little bit better. The one big question that we always have in Americas is service and products because you know that we offer many products with a lot of frequency. We changed those with a lot of frequency. So sometimes it becomes a challenge to keep up with a good service.

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

Okay. And if I just -- one last comment. Can you touch on Russia and Ukraine, how much of a business do you have there? And what specifically do you see -- how has that impacted your outlook for this year?

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

Yes, I'll start with the financial piece, and Miguel can address the business itself. The Russia-Ukraine and we put Pakistan in that as well is about 2% to 3% of our revenue, so it's not overly significant.

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

Yes. In terms of the business in general, again, it's an emotional impact that you have in people, right? And obviously, you have people in both sides of the conflict. And then just by that fact, people talking about that instead of talking about our products, that is time that they're not doing our activity. So that is -- the most current that the event is, the more time it takes from our activity. But the aftermath of that is even more in pressure in our cost or more pressure in the pricing, which could impact even more the consumer sentiment in Europe. So that's what could be unfolding in EMEA.

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

Yes. And Doug, just one last financial point. We did take reserves and impairment related to the Ukraine. It was only $400,000 in the quarter.

Operator

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

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

So I was just curious, what is the status of your planned entry into the retail market in the U.S., which I think you were planning for the second half of the year? Are you proceeding with that? And can you just give us an update there?

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

Yes, absolutely, Linda. Yes, we are proceeding with our plans. We expect to see some activity towards the end of Q3 and full-time, full-blown in Q4.

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

And what would be the timing of when you might announce to your retail partner or partners would be? When will we hear about that?

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

I think it's going to be as soon as we have a P.O. and we have everything final. And I think that could be the timing. It could be probably in about a summertime about 2 or 3 months.

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

Okay. And then I'm just curious, I know there's a lot of stuff going on in Europe, but I'm just curious about the U.K. I know that you had entered the U.K. regular retail with a partner. Like is that product being sold at retail in the U.K. currently and how is that going?

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

So we're not in retail yet. The way we're approaching the U.K., we had an option of going in and out with a few products or going as part of their lineup. And we -- since we want to build a sustainable business there, we're going with a lineup. And obviously, we need to follow their seasonality and the timings and so on.

And we might be -- we're going to be there probably in Q4, the latest Q1 of next year. And the rest of the activity that we are doing is in other channels, which is in direct response, which has had great response from us and every single research that we do around consumers, brand and everything around in the U.K. is very, very positive. All the partners that we have, they're always very excited. Everyone is very excited with us going into the U.K.

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

Okay. And then just on Russia. I mean, you sized it up, but just to be clear, I mean, are you operating or is it shut down? Do you have any people located there? Or like is that just completely not operating currently in Russia?

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

We are operating. We're not closed. So -- and we're trying to make it a self-sustainable business.

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

Okay. And then just in China, I mean, you already have big declines there. So even though you had -- I think it was down 24% or something, I mean, that's maybe not that much worse than what we would have projected anyway. So I'm just curious how much worse was it just because of the shutdowns? Is there any way to size up, say, maybe what you had planned versus what it actually was, just to give us a sense of how the impacts are happening there?

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

So actually, January and February were ahead of our expectations. We were opening up more studios and retail activity was higher than what we were anticipating at the beginning of the year, but everything unraveled towards the end of March. And we estimate an impact of around $1.5 million to $2 million in sales per week in China.

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

Okay. That's helpful. And then just on China for a minute. You did put a new management in place, I believe. And so I think you're hopeful that apart from the shutdown that you can kind of start to see things improve. Do you feel like there's a plan in place? Or are you still formulating the plan? And another company, Estee Lauder actually said that they think there will be lifting of restrictions in China in mid-May. Are you hearing a similar thing?

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

So we are hearing that they are releasing little by little in different cities. So we don't really have a specific time. I think it's going to be a gradual process. In terms of our management there, we feel very, very confident. We liked the results that we saw in October and in November and December, January and February. But this was obviously a big thing that we were not thinking about. And obviously, as you point out, China's contribution to the overall company is key and it's very important for our plans. We know that we have local manufacturing, we have 5,000 retail locations and there's a need for a product, right, because there's, I think, middle class of 300 million Chinese that are waiting for our products.

Operator

(Operator Instructions) We have no further questions at this time. Mr. Fernandez, please go ahead for any closing remarks.

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

Thank you very much. In closing, the first quarter of 2022 was full of challenges, both external and internal in nature and our results reflect that. We have not only addressed or put plans in place to address a number of those issues, but we have learned a great deal, and we will be a stronger company as a result. We acknowledge the setback this quarter represents and the time delay that it causes. However, we reiterate our turnaround client commitment to improve those areas within our core business, which will serve us well going forward. Our strategy remains the right one, to increase consumer access to our iconic Tupperware brand, and I have unwavering confidence in our ability to achieve our goal of making our business as big as our brand.

I want to thank the entire Tupperware team, our salesforce, our associates, our Board and our executive team for their tireless effort and commitment to our vision of making this company as big as our brand. This is a trying moment for all of us. However, I know that we will be stronger for it and believe that we will ultimately succeed.

Thank you for being with us today. I look forward to speaking with you soon.

Operator

This concludes today's conference call. Thank you all for participating. You may now disconnect. Have a great day.
