

# PRIMO WATER CORP /CN/

## **FORM 8-K** (Current report filing)

Filed 10/20/04 for the Period Ending 10/20/04

Address	4221 W. BOY SCOUT BLVD. SUITE 400 TAMPA, FL, 33607
Telephone	813-313-1732
CIK	0000884713
Symbol	PRMW
SIC Code	2086 - Bottled and Canned Soft Drinks and Carbonated Waters
Industry	Non-Alcoholic Beverages
Sector	Consumer Non-Cyclicals
Fiscal Year	12/02

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**UNITED STATES SECURITIES AND EXCHANGE  
COMMISSION**  
WASHINGTON, D.C. 20549

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**FORM 8-K**

**CURRENT REPORT**  
**Pursuant to Section 13 or 15 (d) of the Securities Exchange Act of 1934**

Date of report October 20, 2004  
(Date of earliest reported event)

**COTT CORPORATION**

(Exact name of registrant as specified in its charter)

CANADA	000-19914	None
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(State or other jurisdiction of incorporation or organization)	(Commission File Number)	(I.R.S. Employer Identification Number)

207 Queen's Quay West, Suite 340  
Toronto, Ontario M5J 1A7  
(Address of principal executive offices) (Postal Code)

(416) 203-3898  
(Registrant's telephone number, including area code)

N/A

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(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

**ITEM 2.02 RESULTS OF OPERATION AND FINANCIAL CONDITION**

On October 20, 2004, Cott Corporation issued a press release announcing its financial results for the three and nine month periods ended October 2, 2004. This press release is furnished herewith as Exhibit 99.1 of this Form 8-K and is incorporated by reference into this Item 2.02 as if fully set forth herein.

**ITEM 9.01. FINANCIAL STATEMENTS AND EXHIBITS.**

(c) 99.1 Press Release dated October 20, 2004 announcing the Company's earnings for the three and nine month periods ended October 2, 2004.

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

**COTT CORPORATION**  
(Registrant)

*Date: October 20, 2004*

*/s/ Raymond P. Silcock*

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*Raymond P. Silcock*  
*Executive Vice President &*  
*Chief Financial Officer*

## EXHIBIT INDEX

Number	Description
99.1	Press Release dated October 20, 2004 announcing the Company's earnings for the three and nine month periods ended October 2, 2004.

## EXHIBIT 99.1

### COTT REPORTS RESULTS FOR THIRD QUARTER

- SALES UP 13.5% IN THIRD QUARTER
- \$0.31 EPS DOWN 14%
- FULL YEAR EPS GUIDANCE REVISED
- ANNOUNCES TWO NEW ACQUISITIONS

(All information in U.S. Dollars)

TORONTO - OCTOBER 20, 2004- Cott Corporation (NYSE:COT; TSX:BCB), today reported record sales for the third quarter ended October 2, 2004. The retailer brand soft drink manufacturer announced that sales for the quarter rose by 13.5% to \$442.4 million. Excluding the impact of foreign exchange sales were up 11% from year ago, an increase of 7% when acquisitions are also excluded. Net income for the quarter was \$22.1 million, a decrease of 14% from last year and diluted earnings per share were \$0.31 vs. \$0.36 last year, a decline of 14%.

"A strong top line in the US, driven by the continued growth of retailer brands there, helped drive our third quarter sales to new highs." said John K. Sheppard, Cott's president and chief executive officer. " However, as growth continued to exceed our original expectations we saw higher than expected logistical and manufacturing costs in the US again this quarter. Our number one priority is in getting these costs back in line."

Cott also announced, that on an interim basis, Sheppard would be taking on day-to-day responsibility for the US business unit, in addition to his CEO duties, while a search is conducted for a president of the US business unit. In a related move, Paul Richardson, previously responsible for the US business unit, was named to the position of EVP, Global Sourcing, where he will continue to make an important contribution.

"This is the right move for the US business and for our shareowners." said Frank E. Weise, Cott's chairman. "John has a demonstrated track record of sustained success in the US, which saw strong sales, earnings and market share growth under his leadership."

The Company reported that sales for the first nine months of the year rose to \$1,277 million, up 19% from prior year, up 12% excluding the impact of foreign exchange and acquisitions. Net income increased 10% to \$66.9 million from \$60.8 million in the same period last year. Earnings per diluted share rose 8% to \$0.93, as compared to \$0.86 for last year's first nine months.

#### **THIRD QUARTER 2004**

Sales for the third quarter were \$442.4 million, an increase of 13.5% from the same period last year, up 11% excluding the impact of foreign exchange. The Company's U.S. business unit reported a 19% increase over the same period last year, an increase of 13% excluding acquisitions. Sales in the U.K./Europe business unit rose by 7%, down 5% excluding the impact of foreign exchange, while sales in Canada declined 10%, a decrease of 15% excluding the impact of foreign exchange. Sales in Mexico were \$10.8 million, up from \$6.9 million in the prior year.

Gross margin of 16.0% was below the prior year's 19.3%, principally due to higher logistical and plant production costs, including additional co-pack fees, inter-plant shipping costs and higher manufacturing costs. Operating income decreased by 18% to \$37.9 million. Income taxes for the third quarter of \$8.3 million, were favorably impacted by a \$2 million reduction in accrued tax liability.

## **NINE MONTHS 2004**

For the first three quarters of 2004 sales rose 19% to \$1,277 million, up 16% excluding the impact of foreign exchange, an increase of 12% when both foreign exchange and acquisitions are excluded. The U.S. business unit reported a 21% gain versus the same period last year, 14.5% excluding acquisitions, while in the U.K./Europe sales were up 21% for nine months, up 7% excluding the impact of foreign exchange. In Canada, sales increased by 1%, but decreased 5% after foreign exchange is taken into account. Sales in Mexico were \$29.6 million for the nine months as compared to \$16 million for the prior year. Earnings per diluted share in the first nine months of this year grew by 8%, reaching \$0.93 vs. \$0.86 per diluted share last year.

Gross margin was 17.8% for the nine months compared to 19.4% for the same period in 2003, impacted by manufacturing and logistics costs. Operating income increased 5% to \$121.5 million.

Operating cash flow for the first three quarters of 2004, including capital expenditures was \$31.6 million compared with \$73.1 million for the same period last year. The cash generated was primarily used to fund acquisitions.

## **ACQUISITIONS**

Cott today announced that its U.S. subsidiary, Cott Beverages Inc., has acquired certain of the assets of Metro Beverage Co., a soft drink manufacturer based in Columbus, Ohio and of Elan Waters, Blairsville, Georgia. These acquisitions are expected to add \$15 million a year to Cott's sales. They will provide additional production capacity to help the Company address US manufacturing requirements and ensure sufficient capacity for 2005. These acquisitions increase the number of bottling plants to 11 in the US and 21 worldwide.

## **2004 OUTLOOK**

For the full year 2004, the company revised its earnings guidance. EPS is now expected at \$1.15-\$1.19, down from the \$1.23-\$1.27 previously announced, and EBITDA is anticipated to be between \$210 and \$215 million, down from prior guidance of between \$220 and \$225 million. Sales growth is still expected to be between 16% to 19%, and CAPEX will amount to \$65 million for the year.

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## **THIRD QUARTER RESULTS CONFERENCE CALL**

Cott Corporation will host a conference call today, October 20th, 2004 at approximately 2:00 PM ET to discuss these results.

For those who wish to listen to the presentation, there is a listen-only dial-in telephone line, which can be accessed as follows:

North America: 800-814-4890

International: 416-640-1907

## **WEBCAST**

To access the conference call today over the Internet, please visit Cott's website at <http://www.cott.com> at least fifteen minutes early to register, download, and install any necessary audio/video software. For those who are unable to access the live broadcast, a replay will be available at Cott's website following the conference call until November 3, 2004. Third quarter 2004 supplementary financial information for the conference call is available in Investor Relations/Financial Reports section of Cott's website.

## **ABOUT COTT CORPORATION**

Cott Corporation is the world's largest retailer brand soft drink supplier, with the leading take home carbonated soft drink market shares in this segment in its core markets of the United States, Canada and the United Kingdom.

## **NON-GAAP MEASURE**

EBITDA is defined as earnings from continuing operations before interest, income taxes, depreciation and amortization. Cott uses operating income as its primary measure of performance and cash flow from operations as its primary measure of liquidity. Nevertheless, Cott presents EBITDA in its filings for several reasons. Cott uses multiples of EBITDA and discounted cash flows in determining the value of its operations. In addition, Cott uses "cash return on assets", a financial measure calculated by dividing Cott's annualized EBITDA by its aggregate operating assets, for the purposes of calculating performance-related bonus compensation for its management employees, because that measure reflects the ability of management to generate cash while preserving assets. Finally, Cott includes EBITDA in its filings because it believes that its current and potential investors use multiples of EBITDA to make investment decisions about Cott. Investors should not consider EBITDA an alternative to net income, nor to cash provided by operating activities, nor any other indicators of performance or liquidity which have been determined in accordance with U.S. or Canadian GAAP. Cott's method of calculating EBITDA may differ from the methods used by other companies and, accordingly, Cott's EBITDA may not be comparable to similarly titled measures used by other companies. A reconciliation of the Non-GAAP financial measures is available in the Investor Relations/Financial Reports section of Cott's website.

## **SAFE HARBOR STATEMENTS**

This press release contains forward-looking statements reflecting management's current expectations regarding future results of operations, economic performance, financial condition and achievements of the Company. Forward-looking statements, specifically those concerning future performance, are subject to certain risks and uncertainties, and actual results may differ materially. These risks and uncertainties are detailed from time to time in the Company's filings

with the appropriate securities commissions, and include, without limitation, stability of procurement costs for raw and packaging materials, adverse weather conditions, competitive activities by national, regional and retailer brand beverage manufacturers, the Company's ability to develop new products that appeal to consumer tastes, the Company's ability to identify acquisition candidates, successfully consummate acquisitions and integrate acquired businesses into its operations, fluctuations in currency versus the U.S. dollar, the uncertainties of litigation, loss of key customers and retailers' continued commitment to their retailer brand beverage programs. The foregoing list of factors is not exhaustive. The Company undertakes no obligation to publicly update or revise any forward-looking statements.

## **COTT CONTACTS**

Edmund O'Keeffe Tel: (416) 203-5617

**COTT CORPORATION EXHIBIT 1**  
**CONSOLIDATED STATEMENTS OF INCOME**  
(IN MILLIONS OF US DOLLARS EXCEPT PER SHARE AMOUNTS, US GAAP)  
**UNAUDITED**

	FOR THE THREE MONTHS ENDED		FOR THE NINE MONTHS ENDED	
	OCTOBER 2, 2004	SEPTEMBER 27, 2003	OCTOBER 2, 2004	SEPTEMBER 27, 2003
SALES	\$442.4	\$389.8	\$1,277.0	\$1,073.2
Cost of sales	371.4	314.7	1,050.1	864.8
GROSS PROFIT	71.0	75.1	226.9	208.4
Selling, general and administrative expenses	33.3	29.1	106.1	93.2
Unusual items	(0.2)	-	(0.7)	(0.8)
OPERATING INCOME	37.9	46.0	121.5	116.0
Other expense (income), net	-	(0.6)	0.3	0.8
Interest expense, net	6.4	6.8	19.6	21.1
Minority interest	1.0	0.8	3.2	2.1
INCOME BEFORE INCOME TAXES AND EQUITY LOSS	30.5	39.0	98.4	92.0
Income taxes	(8.3)	(13.3)	(31.2)	(31.1)
Equity loss	(0.1)	-	(0.3)	(0.1)
NET INCOME	\$ 22.1	\$25.7	\$ 66.9	\$ 60.8
VOLUME - 8 OZ EQUIVALENT CASES	302.0	293.0	900.7	768.4
NET INCOME PER COMMON SHARE				
Basic	\$ 0.31	\$ 0.37	\$ 0.94	\$ 0.88
Diluted	\$ 0.31	\$ 0.36	\$ 0.93	\$ 0.86

**COTT CORPORATION EXHIBIT 2**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(IN MILLIONS OF US DOLLARS, US GAAP)  
**UNAUDITED**

	FOR THE THREE MONTHS ENDED		FOR THE NINE MONTHS ENDED	
	OCTOBER 2, 2004	SEPTEMBER 27, 2003	OCTOBER 2, 2004	SEPTEMBER 27, 2003
<b>OPERATING ACTIVITIES</b>				
Net income	\$ 22.1	\$ 25.7	\$ 66.9	\$ 60.8
Depreciation and amortization	14.7	13.0	44.7	37.9
Amortization of financing fees	0.2	0.2	0.5	1.5
Deferred income taxes	2.4	3.6	6.7	10.1
Minority interest	1.0	0.8	3.2	2.1
Equity loss	0.1	-	0.3	0.1
Other non-cash items	0.2	0.4	0.8	-
Net change in non-cash working capital	17.5	15.3	(47.9)	(4.5)
Cash provided by operating activities	58.2	59.0	75.2	108.0
<b>INVESTING ACTIVITIES</b>				
Additions to property, plant and equipment	(21.2)	(7.0)	(43.6)	(34.9)
Acquisition of production capacity	(3.8)	-	(3.8)	-
Acquisitions and equity investments	-	1.0	(17.7)	0.5
Notes receivable	-	(2.5)	-	(2.5)
Other investing activities	0.7	(0.3)	3.8	(0.2)
Cash used in investing activities	(24.3)	(8.8)	(61.3)	(37.1)
<b>FINANCING ACTIVITIES</b>				
Payments of long-term debt	(0.7)	(38.5)	(3.2)	(88.2)
Short-term borrowings	(22.9)	(4.6)	(16.5)	19.7
Distributions to subsidiary minority shareowner	(2.1)	(1.1)	(4.3)	(2.8)
Issue of common shares	2.9	1.0	12.8	6.7
Other financing activities	(0.1)	(0.1)	(0.3)	(0.3)
Cash used in financing activities	(22.9)	(43.3)	(11.5)	(64.9)
Effect of exchange rate changes on cash	0.4	0.2	0.2	0.1
NET INCREASE IN CASH	11.4	7.1	2.6	6.1
CASH, BEGINNING OF PERIOD	9.6	2.3	18.4	3.3
CASH, END OF PERIOD	\$ 21.0	\$ 9.4	\$ 21.0	\$ 9.4

**COTT CORPORATION EXHIBIT 3**  
**CONSOLIDATED BALANCE SHEETS**  
(IN MILLIONS OF US DOLLARS, US GAAP)

	UNAUDITED OCTOBER 2, 2004 -----	AUDITED JANUARY 3, 2004 -----
ASSETS		
CURRENT ASSETS		
Cash	\$ 21.0	\$ 18.4
Accounts receivable	185.7	148.8
Inventories	127.1	94.4
Prepaid and other assets	10.3	5.5
	-----	-----
	344.1	267.1
PROPERTY, PLANT AND EQUIPMENT	333.5	314.3
GOODWILL	82.1	81.6
INTANGIBLES AND OTHER ASSETS	237.8	245.8
	-----	-----
	\$997.5	\$908.8
	=====	=====
LIABILITIES AND SHAREOWNERS' EQUITY		
CURRENT LIABILITIES		
Short-term borrowings	\$ 61.7	\$ 78.1
Current maturities of long-term debt	0.8	3.3
Accounts payable and accrued liabilities	158.8	140.5
	-----	-----
	221.3	221.9
LONG-TERM DEBT	272.5	275.7
DEFERRED INCOME TAXES	46.7	40.5
	-----	-----
	540.5	538.1
MINORITY INTEREST	24.5	25.6
SHAREOWNERS' EQUITY		
Capital stock	285.5	267.9
Retained earnings	150.2	83.3
Accumulated other comprehensive income	(3.2)	(6.1)
	-----	-----
	432.5	345.1
	-----	-----
	\$997.5	\$908.8
	=====	=====

**COTT CORPORATION EXHIBIT 4**  
**SEGMENT INFORMATION**  
(IN MILLIONS OF US DOLLARS, US GAAP)  
**UNAUDITED**

	FOR THE THREE MONTHS ENDED		FOR THE NINE MONTHS ENDED	
	OCTOBER 2, 2004	SEPTEMBER 27, 2003	OCTOBER 2, 2004	SEPTEMBER 27, 2003
<b>SALES</b>				
USA	\$325.3	\$274.4	\$ 938.8	\$ 779.0
Canada	49.8	55.3	144.5	142.8
UK & Europe	51.1	47.6	145.5	120.7
International	15.5	12.0	46.3	29.7
Corporate	0.7	0.5	1.9	1.0
	-----	-----	-----	-----
	\$442.4	\$389.8	\$1,277.0	\$1,073.2
	=====	=====	=====	=====
 <b>OPERATING INCOME (LOSS)</b>				
USA	\$ 29.8	\$ 34.6	\$ 100.8	\$ 95.8
Canada	2.9	6.2	9.6	13.1
UK & Europe	4.4	3.9	9.8	6.6
International	1.9	1.3	8.4	4.5
Corporate	(1.1)	-	(7.1)	(4.0)
	-----	-----	-----	-----
	\$ 37.9	\$ 46.0	\$ 121.5	\$ 116.0
	=====	=====	=====	=====

**COTT CORPORATION EXHIBIT 5**  
**SUPPLEMENTARY INFORMATION - NON GAAP MEASURES**  
(IN MILLIONS OF US DOLLARS)  
**UNAUDITED**

	FOR THE THREE MONTHS ENDED		FOR THE NINE MONTHS ENDED	
	OCTOBER 2, 2004	SEPTEMBER 27, 2003	OCTOBER 2, 2004	SEPTEMBER 27, 2003
NET INCOME	\$22.1	\$25.7	\$ 66.9	60.8
Depreciation and amortization	14.7	13.0	44.7	37.9
Interest expense, net	6.4	6.8	19.6	21.1
Income taxes	8.3	13.3	31.2	31.1
EBITDA	\$51.5	\$58.8	\$162.4	\$150.9

**FOR THE YEAR ENDED JANUARY 1, 2005 -- GUIDANCE**

NET INCOME	\$83 - \$87
Depreciation and amortization	\$60
Interest expense, net	\$26
Income taxes	\$41 - \$42
EBITDA	\$210 - \$215

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**SAFE HARBOR STATEMENTS**

This document contains forward-looking statements reflecting management's current expectations regarding future results of operations, economic performance, financial condition and achievements of the Company. Forward-looking statements, specifically those concerning future performance, are subject to certain risks and uncertainties, and actual results may differ materially. These risks and uncertainties are detailed from time to time in the Company's filings with the appropriate securities commissions, and include, without limitation, stability of procurement costs for raw and packaging materials, adverse weather conditions, competitive activities by national, regional and retailer brand beverage manufacturers, the Company's ability to develop new products that appeal to consumer tastes, the Company's ability to identify acquisition candidates, successfully consummate acquisitions and integrate acquired businesses into its operations, fluctuations in currency versus the U.S. dollar, the uncertainties of litigation, loss of key customers and retailers' continued commitment to their retailer brand beverage programs. The foregoing list of factors is not exhaustive. The Company undertakes no obligation to publicly update or revise any forward-looking statements.