

PRIMO WATER CORP /CN/

FORM 8-K (Current report filing)

Filed 07/08/10 for the Period Ending 07/07/10

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	12/28

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

FORM 8-K

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

Date of Report (Date of earliest event reported): July 7, 2010

Cott Corporation

(Exact name of registrant as specified in its charter)

Canada
(State or other jurisdiction
of incorporation)

001-31410
(Commission File Number)

98-0154711
(IRS Employer
Identification No.)

6525 Viscount Road
Mississauga, Ontario, Canada

L4V1H6

5519 West Idlewild Avenue
Tampa, Florida, United States
(Address of Principal Executive Offices)

33634
(Zip Code)

Registrant's telephone number, including area code:

(905) 672-1900
(813) 313-1800

N/A
(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:

- 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 1.01 Material Definitive Agreement

On July 7, 2010, Cott Corporation (the “Company”) entered into an Asset Purchase Agreement (the “Purchase Agreement”) with Cliffstar Corporation (“Cliffstar”) to acquire substantially all of the assets and liabilities of Cliffstar and its affiliated companies. Cliffstar, a privately-held corporation headquartered in Dunkirk, New York, manufactures, sells and distributes non-alcoholic beverages, primarily private label shelf-stable juices.

The purchase price is \$500 million in cash, payable at closing, subject to adjustment for working capital and other items. Cliffstar is entitled to additional contingent earnout consideration of up to a maximum of \$55 million, based upon the achievement of certain performance measures during the fiscal year ending January 1, 2011 as well as the successful completion of certain expansion projects in 2010. Cliffstar is also entitled to \$14 million of deferred consideration which will be paid over a three-year period.

The Company intends to finance the transaction by a combination of new debt issuance of up to \$375 million, new common equity issuance of up to \$95 million, and incremental borrowings under the Company’s asset based lending (“ABL”) facility of \$75 million. The Company expects to amend the ABL facility in connection with the transaction to increase the amount of borrowings available thereunder.

The Purchase Agreement contains representations, warranties, covenants and conditions that the Company believes are customary for a transaction of this size and type, as well as indemnification provisions subject to specified limitations. The closing of the transaction is subject to receipt of financing and other customary conditions, including receipt of required regulatory approvals. The transaction is expected to close in the third quarter of 2010. The Purchase Agreement is subject to termination if the transaction is not completed within 120 days of execution (the “End Date”). Either party may elect to extend the End Date 90 days if the required regulatory approvals are not received by the End Date.

Item 2.02. Results of Operations and Financial Condition

On July 7, 2010, the Company issued a press release announcing the execution of the Purchase Agreement and announcing its 2010 second quarter estimates for filled beverage volume (8 ounce equivalents), revenue and operating income. A copy of the press release is attached hereto as Exhibit 99.1.

Item 7.01 Regulation FD Disclosure

See “Item 2.02. Results of Operations and Financial Condition” above.

In addition, the Company provided supplemental information regarding Cliffstar and the acquisition in connection with presentations to analysts and investors. A copy of the investor presentation is attached hereto as Exhibit 99.2.

In accordance with general instruction B.2 of Form 8-K, the information in this report (including exhibits) that is being furnished pursuant to Item 2.02 or Item 7.01 of Form 8-K shall not be deemed to be “filed” for the purposes of Section 18 of the Securities Exchange Act, as amended, or otherwise subject to liabilities of that section, nor shall they be deemed incorporated by reference in any filing under the Securities Act, except as expressly set forth in such filing. This report will not be deemed an admission as to the materiality of any information in the report that is required to be disclosed solely by Regulation FD.

Item 9.01 Financial Statements and Exhibits

(d) Exhibits

<u>Exhibit Number</u>	<u>Description</u>
99.1	Press Release dated July 7, 2010.
99.2	Investor Presentation dated July 8, 2010.

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 hereunto duly authorized.

Cott Corporation
(Registrant)

July 7, 2010

By: /s/ Marni Morgan Poe
Marni Morgan Poe
Vice President, General Counsel and Secretary

EXHIBIT INDEX

Exhibit Number	Description
99.1	Press Release dated July 7, 2010.
99.2	Investor Presentation dated July 8, 2010.

Press Release



CONTACT:

Kimball Chapman
Investor Relations
Tel: (813) 313-1840
investor.relations@cott.com

COTT CORPORATION ANNOUNCES BUSINESS COMBINATION WITH CLIFFSTAR CORPORATION

- Combines the #1 private label carbonated soft drink and #1 private label juice manufacturers
- Creates a larger, more balanced business for Cott with a diversified and complementary portfolio
- Attractive purchase multiple of 4.9x Adjusted EBITDA (inclusive of tax benefits and based on pro forma run-rate cost synergies)
- Transaction is expected to be accretive on a cash basis in 2011

TORONTO, ON and TAMPA, FL – July 7, 2010 — Cott Corporation (NYSE:COT; TSX:BCB) announced today that it has signed a definitive agreement to acquire privately-held Cliffstar Corporation, the leading private label manufacturer of shelf stable juices, for cash consideration of \$500 million, payable at closing, and subject to adjustments for working capital and other items.

In addition to the \$500 million due at signing, Cliffstar is entitled to \$14 million of deferred consideration, which will be paid over a three-year period. Cliffstar is also entitled to an additional contingent earnout consideration of up to a maximum of \$55 million, based upon the achievement of certain performance measures during the fiscal year ending January 1, 2011 as well as the successful completion of certain expansion projects in 2010. Cott expects to receive a significant cash tax benefit generated from the deduction of the step-up in tax basis resulting from the acquisition of Cliffstar's assets. The net present value of this cash tax benefit is estimated to be approximately \$75 million. The closing of the transaction is subject to receipt of financing and other customary conditions, including receipt of required regulatory approvals.

"As the clear leader in private label shelf-stable juice, Cliffstar is an ideal partner for Cott as we strengthen our position in private label beverages," said Jerry Fowden, Chief Executive Officer of Cott. "A combination with Cliffstar expands Cott's product portfolio and manufacturing capabilities, enhances our customer offering and growth prospects, and improves our strategic platform for the future. Combined with Cliffstar, Cott will be a more diversified company with long-term advantages for our shareowners and retailer partners."



"In Cott, we have found the right long-term strategic partner for Cliffstar," said Stanley Star, Chairman of the Board and co-founder of Cliffstar. "Cott, like Cliffstar, has a long history of private label excellence and quality as well as close partnerships with its customers and suppliers. In addition to a strong position in juice and various new age growth segments, Cliffstar brings expertise in juice ingredients, processing and bottling that are complementary to Cott's strengths in carbonated soft drinks. I believe the combination will be beneficial for Cliffstar's employees, customers and suppliers into the future."

"We expect the combination with Cliffstar to be accretive to our shareholders on a cash basis," added Fowden. "In addition to strategic and operational upsides, the transaction is expected to generate significant tax benefits and synergies. Adjusting for these factors, we believe the purchase price is favorable relative to comparable transactions. This transaction will transform Cott into a multi-category beverage producer which we believe will benefit our customers and create value for our shareholders."

Founded in 1970, Cliffstar, a privately-owned corporation headquartered in Dunkirk, New York, is one of the leading suppliers of private label beverages and the largest private label producer of apple juice, grape juice, cranberry juice and juice-blends in North America. With \$654 million trailing 12 month revenue, Cliffstar operates eleven facilities in the United States, including five bottling and distribution operations, three fruit processing facilities, two fruit receiving stations and one storage facility, and has approximately 1,200 employees.

Financial Terms

The \$500 million payable at closing and \$25 million in anticipated transaction costs are expected to be funded by a combination of new debt issuance of up to \$375 million, new common equity issuance of up to \$95 million, and incremental borrowings under Cott's asset based lending facility of \$75 million. The specific amount of new debt and equity will be determined at the time of issuance. Cott expects to amend its asset based lending facility in connection with the transaction to increase the amount of borrowings available under such facility. Both the financing and the acquisition transactions are expected to close in the third quarter of 2010.

Expected Benefits of the Transaction

The combination with Cliffstar is expected to result in:

- A larger, more balanced business with a diversified and complementary portfolio across many categories of private label beverages, better positioning Cott for future growth.
- A broader portfolio with increased innovation capabilities and high service levels as a combined supplier across multiple beverage categories, including carbonated soft drinks, juices, and waters, as well as new age beverages

such as enhanced waters, and natural fruit beverages. The combination provides an attractive single-stop solution to the private label beverage needs of our retailer partners.

- Total identified cost synergies of \$20 million on an annualized basis (\$14 million of which are expected to be realized in 2011). The synergies are comprised of realization of economies of scale and the optimization of administrative and operational groups.
- Additional (and incremental to the above synergies) longer-term opportunities for further savings and growth within a combined customer base through leveraging of existing customer relationships and sales into new beverage categories.
- A significant cash tax benefit generated from the deduction of the step-up in tax basis resulting from the acquisition of Cliffstar's assets. The net present value of this cash tax benefit is estimated to be approximately \$75 million.
- Pro forma trailing 12 month revenue (ended Q1 2010) on a combined basis in North America of \$1.8 billion and pro forma global consolidated trailing 12 month revenue of \$2.3 billion and Adjusted EBITDA of \$246 million, or \$260 million inclusive of 2011 synergies, but before transaction-related costs and after adjusting for certain items (See attached reconciliation of GAAP operating income to non-GAAP Adjusted EBITDA).
- Transaction expected to be accretive on a cash basis from year one (cash basis accretion excludes the one-time expenses related to the transaction and the impact of non-cash items such as the amortization of intangibles after the transaction).

Cott Q2 2010 Estimates

Cott provided the following estimates of key financial metrics regarding its estimated consolidated Q2 2010 results on a stand-alone basis:

- Filled beverage volume of 207 million cases (8oz equivalents)
- Consolidated revenue of \$426 million
- Operating income of \$37 million

Cott clarified that the foregoing Q2 estimates are preliminary and actual results could vary by up to 2-3% in either direction for revenue and volume, and up to \$2-3 million in either direction for operating income.

“Overall I am pleased with the preliminary results of our second quarter performance, given the quarter saw a significant increase in much-publicized

Press Release



national brand promotional activity," commented Fowden. "While we would not typically comment in advance of final results, we hope these estimates are helpful in evaluating the business combination with Cliffstar."

Deutsche Bank Securities Inc. acted as financial advisor to Cott on the Cliffstar transaction. Drinker Biddle & Reath LLP acted as legal advisor.

Morgan Stanley acted as financial advisor to Cliffstar on the transaction. Skadden, Arps, Slate, Meagher & Flom LLP and Lippes Mathias Wexler Friedman LLP acted as legal advisors.

Conference Call

Cott Corporation will host a conference call today, July 8, 2010, at 9:00 a.m. ET, to discuss the announcement, which can be accessed as follows:

North America: (877) 407-8031
International: (201) 689-8031

A live audio webcast will be available through Cott's website at <http://www.cott.com>. The call will be recorded and archived for playback on the investor relations section of the website for a period of two weeks following the event.

Supplemental information regarding the proposed acquisition of Cliffstar is available on the financial reports section of the Company's investor relations website at <http://www.cott.com/investors>

About Cott Corporation

Cott Corporation ("Cott" or the "Company") is one of the world's largest non-alcoholic beverage companies and the world's largest retailer brand soft drink company. With approximately 2,800 employees, the Company operates bottling facilities in the United States, Canada, the United Kingdom and Mexico. Cott markets non-alcoholic beverage concentrates in over 50 countries around the world.

Website: www.cott.com

Non-GAAP Measures

Cott routinely supplements its reporting of earnings before interest, taxes, depreciation & amortization in accordance with GAAP by excluding the impact of certain items to separate the impact of these items from underlying business results. Since the Company uses these adjusted financial results in the management of its business, management believes this supplemental information, including on a pro forma basis, is useful to investors for their independent evaluation and understanding of the transaction with Cliffstar. The non-GAAP financial measures described above are in addition to, and not meant to be considered superior to, or a substitute for, the Company's financial statements prepared in accordance with GAAP. In addition, the non-GAAP financial measures included in this announcement reflect management's judgment of particular items,

and may be different from, and therefore may not be comparable to, similarly titled measures reported by other companies.

Safe Harbor Statements

This press release contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, Section 21E of the Securities Exchange Act of 1934 and applicable Canadian securities laws conveying management's expectations as to the future based on plans, estimates and projections at the time the Company makes the statements. Forward-looking statements involve inherent risks and uncertainties and the Company cautions you that a number of important factors could cause actual results to differ materially from those contained in any such forward-looking statement. The forward-looking statements contained in this press release include, but are not limited to, statements related to the Company's anticipated second quarter 2010 volumes, revenues and operating income, the anticipated timing of the transaction, the completion of the transaction on the terms proposed, the financing of the transaction on terms currently anticipated, and the potential impact the acquisition will have on the Company. The forward-looking statements are based on assumptions regarding the timing of receipt of the necessary financing and approvals, the time necessary to satisfy the conditions to the closing of the transaction, and management's current plans and estimates. Management believes these assumptions to be reasonable but there is no assurance that they will prove to be accurate.

Factors that could cause actual results to differ materially from those described in this press release include, among others: (1) the ability to obtain financing and consummate the proposed transaction; (2) receipt of regulatory approvals without unexpected delays or conditions; (3) changes in estimates of future earnings and cash flows; (4) changes in expectations as to the closing of the transaction; (5) expected synergies and cost savings are not achieved or achieved at a slower pace than expected; (6) integration problems, delays or other related costs; (7) retention of customers and suppliers; (8) the cost of capital necessary to finance the transaction; and (9) unanticipated changes in laws, regulations, or other industry standards affecting the companies.

The foregoing list of factors is not exhaustive. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. Readers are urged to carefully review and consider the various disclosures, including but not limited to risk factors contained in the Company's Annual Report on Form 10-K for the year ended January 2, 2010 and its quarterly reports on Form 10-Q, as well as other periodic reports filed with the securities commissions. The Company does not, except as expressly required by applicable law, undertake to update or revise any of these statements in light of new information or future events.

Press Release



COTT CORPORATION PRO FORMA
 NON-GAAP EARNINGS
 BEFORE INTEREST, TAXES, DEPRECIATION & AMORTIZATION (EBITDA)
 (in millions of U.S. dollars)

EXHIBIT 1

Unaudited

	Cott Corporation	Cliffstar Corporation	For the 12 Months Ended April 3, 2010
Net income (loss)	\$73.1	\$82.7	\$155.8
Interest expense, net	28.3	3.5	31.8
Income tax (benefit)	(12.2)	0.0	(12.2)
Depreciation and amortization	65.1	13.9	79.0
Net income attributable to non-controlling interests	4.9	0.0	4.9
EBITDA	159	100	259
Adjustments to EBITDA			
Restructuring	(0.2)	0.0	(0.2)
Asset Impairments	3.5	0.0	3.5
Other expense (loss on buyback of notes)	3.3	0.0	3.3
Inventory adjustments	0.0	(21.7)	(21.7)
Incentive adjustment	0.0	2.0	2.0
Adjusted EBITDA	\$166	\$80	\$246

Business Combination with Cliffstar Corporation

Transaction Summary

July 8, 2010



Cott

Forward Looking Statements

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Non-GAAP Measures









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This presentation, including the reconciliation of non-GAAP to GAAP measures, will appear on our website at www.cott.com.

Transaction Overview

- Combination creates #1 private label soft drink manufacturer with LTM 4/3/10 combined revenue of \$2.3 billion and combined Adjusted EBITDA of \$246 million (or \$260 million including 2011 synergies)
 - Cott LTM 4/3/10 revenue of \$1.6 billion, net income of \$73.1 million and Adjusted EBITDA of \$166 million
 - Cliffstar LTM 4/3/10 revenue of \$654 million, net income of \$82.7 million and Adjusted EBITDA of \$80 million
 - Combined North America LTM 4/3/10 revenue of \$1.8 billion
- Purchase price to include \$500 million cash at close and up to \$69 million in deferred / performance related consideration:
 - Earn-out consideration of up to \$55 million based on completing capital expansion plans and achieving 2010 EBITDA targets; and \$14 million deferred consideration paid over 3 years
 - Attractive multiple of 7.1x LTM Adjusted EBITDA, or 4.9x inclusive of significant tax and run-rate cost synergy benefits
 - Estimated to be accretive on a cash basis in 2011
- Financing, including fees and expenses, at close expected to consist of:
 - New debt issuance of up to \$375 million, issuance of up to \$95 million of equity, and incremental draw on existing asset based lending facility (will obtain amendment). Deferred consideration and earn-out funded via future cash flow
 - Targeting pro forma net debt leverage of approximately 3.0x and pro forma interest coverage of approximately 4.0x with priority on cash flow / net debt reduction post transaction
- Target closing in Q3 2010

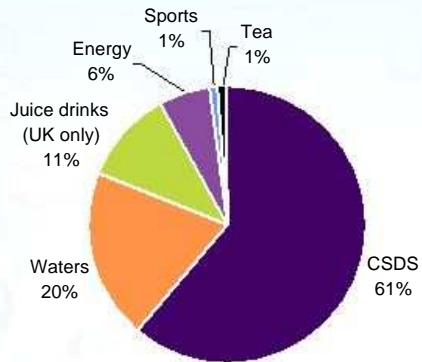
Multiple Beneficial Aspects to Combination

- Broader & more diversified beverage supplier with enhanced scale 
- Entry into more attractive category / competitive dynamics 
- Enhanced access to growth segments 
- Unique private label platform with strong geographic footprint and logistics capabilities 
- Stronger and more stable cash flow 
- Attractive acquisition price with significant tax & synergy benefits 

Transaction Transforms Cott into a Broader & More Diversified Beverage Supplier

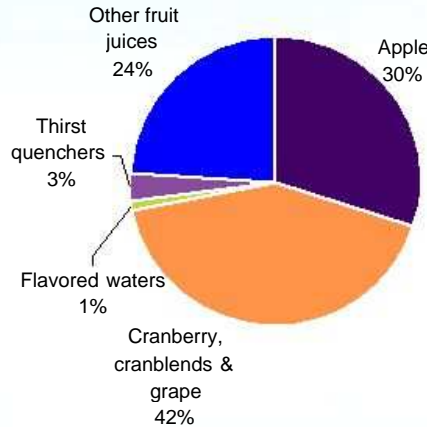


Cott standalone product breakdown



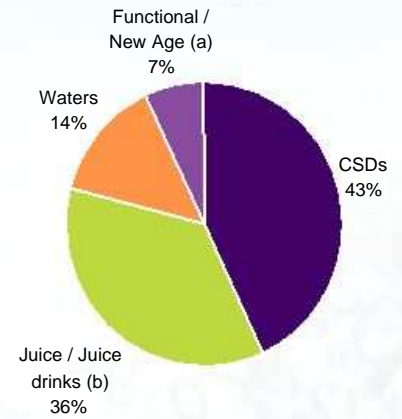
LTM 4/3/10 Revenue: \$1,593 million

Cliffstar standalone product breakdown



LTM 4/3/10 Revenue: \$654 million

Pro forma product breakdown



Pro forma revenue: \$2,246 million

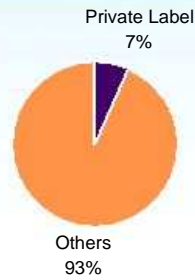
(a) Pro forma Functional / New Age includes Cliffstar's Thirst Quenchers and Flavored Water products and Cott's RTD Tea, Sports, and Energy products
 (b) Pro forma Juice / Juice drinks include Cliffstar's Apple, Cranberry, Cranblends, Grape and other fruit juices and Cott's juice drinks (UK)

Provides Entry into Juice – More Attractive Category Dynamics



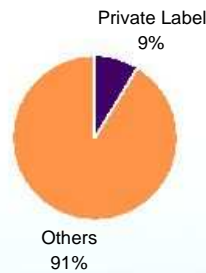
- Juice category is fragmented with 12 companies controlling ~70% of value sales
 - Significant role by co-ops
 - No player greater than 15%
- Juice is a more attractive category for PL penetration
 - Higher loyalty to brands in CSDs vs. Juices
 - Apple is 17.5% share of juice with 42.5% PL penetration
- CSDs are a challenging market
 - Top 2 players control ~70% of value sales
 - Top 3 players control ~85% of value sales
 - National brands have disproportionate pricing power

U.S. CSD value sales



Total: \$38.8 billion

U.S. CSD volume sales



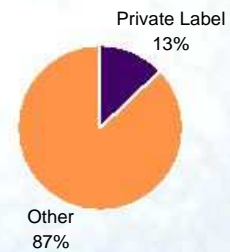
Total volume: 36.4 billion liters

U.S. Juice / Juice drink value sales



Total: \$15.7 billion

U.S. Juice / Juice drink volume sales



Total volume: 8.7 billion liters

Note: Represents U.S. off-trade market data.

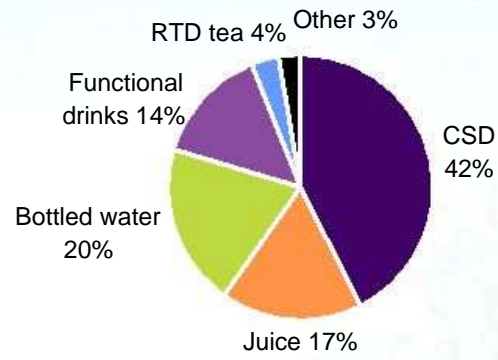
Source: Euromonitor, OC&C analysis

Provides Enhanced Capability to Access Higher Growth Beverage Segments



- Juice is a more stable category than CSDs with better growth profile
 - Growth in low-sugar, functional and super fruit as consumers switch from high sugar options
- Cliffstar offers growing position in higher growth beverage segments
 - Complementary to core juice business
 - Proven ability for innovation in product mix, packaging, etc.
 - Share growth within the category
- Fortified drinks, enhanced water, RTD teas and sports drinks to see increased buy-in for PL as category continues to grow
 - Cliffstar establishing leadership position in PL

Beverage category value sales



Total: \$91.4 billion

Note: Category value size based on 2009 U.S. off-trade market
Source: Company Information, Euromonitor, Nielsen, Mintel, Beverage Digest, OC&C analysis

Attractive Financial Impact

ATTRACTIVE VALUATION MULTIPLE

- Adjusted EBITDA multiples attractive
 - Purchase multiple 7.1x Cliffstar's Adjusted EBITDA
 - Adjusted EBITDA multiple of 4.9x (inclusive of tax benefit and cost synergies)
 - Conservative adjustments made to Cliffstar base EBITDA given 2009/10 margin improvement

SYNERGIES

- Anticipated cost synergies of approximately \$20 million with an associated cost of up to \$15 million over three years
- Savings in overheads, procurement and opportunities to cross-sell to customers
- Additional long-term synergies & cross-selling opportunities possible

EFFICIENT STRUCTURE

- Asset purchase structure allows for 338(h)(10) treatment and tax savings
 - Tax deduction for 15 years with present value of approximately \$75 million

CASH GENERATION

- Combined entity is projected to generate significant cash flow
- Focused on using ongoing cash generation to reduce debt

VALUE CREATION

- Strategic combination
 - Increases Cott's scale, relevance to retailers and balances portfolio mix
 - Expected to result in increases in top line and EBITDA sustainability
- Estimated to be accretive on a cash basis in 2011 (excludes non cash amortization)

Breakdown of Base Case SG&A and Procurement Savings of \$20 million Plus Potential Additional Cost Synergy and Cross-sell Opportunities



Identified Synergies	Synergy	Anticipated Phasing
Private Company Expenses	\$7 million	Day 1
SG&A	\$5 million	2011 – 2013
Procurement	\$8 million	2011 – 2013
Total Identified Run-Rate Synergies	\$20 m illion	
Synergies Expected to be Achieved in 2011	\$14 m illion	
Potential Longer-Term Synergies		2013 – 2015
SGA and Procurement		
Other Cost Savings/Operating Efficiencies		
Cross-Selling		

Cliffstar: Leader in Retailer Brand Ambient Juice



Headquartered: Dunkirk, NY / Founded: 1970

Business Description

- Leading private manufacturer of shelf-stable juices in North America
 - Largest producer of apple juice in North America
 - Greater than 50% market share of retailer brand shelf-stable juice
- National footprint with 11 manufacturing, storage and fruit processing facilities (highly complementary to Cott's existing 10 U.S. plants)
 - Approximately 1,200 non-unionized employees
 - Vertically integrated (fruit processing and production)

Leading market position in shelf-stable juice category

- Strong customer relationships
- #1 Apple juice
- #1 Cranberry and Cranblend
- #1 Grape juice
- Leader in functional beverages
 - First to market in category; recognized innovator

Strong Combined Geographic Footprint in the U.S.



Highlights

- State-of-the-art manufacturing and bottling/storage facilities
- Cold and hot fill capacity with proven ability to innovate
- Significant distribution and logistics system in place



Note: Cliffstar has both a production and fruit processing facility at Dunkirk

Cott Q2 2010 Estimates



Cott provided the following estimates of key financial metrics regarding its estimated consolidated Q2 2010 results on a stand-alone basis:

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Non-GAAP Reconciliation



**COTT CORPORATION PRO FORMA
NON-GAAP EARNINGS
BEFORE INTEREST, TAXES, DEPRECIATION & AMORTIZATION (EBITDA)**
(in millions of U.S. dollars)

EXHIBIT 1

Unaudited

	<u>Cott Corporation</u>	<u>Cliffstar Corporation</u>	<u>For the 12 Months Ended April 3, 2010</u>
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Net income attributable to non-controlling interests	4.9	0.0	4.9
EBITDA	159	100	259
Adjustments to EBITDA			
Restructuring	(0.2)	0.0	(0.2)
Asset Impairments	3.5	0.0	3.5
Other expense (loss on buyback of notes)	3.3	0.0	3.3
Inventory adjustments	0.0	(21.7)	(21.7)
Incentive adjustment	0.0	2.0	2.0
Adjusted EBITDA	\$166	\$80	\$246