

**United States**  
**Securities and Exchange Commission**  
Washington, D.C. 20549

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**FORM 10-Q**

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

For the quarterly period ended: **April 1, 2023**

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: **001-31410**

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**PRIMO WATER CORPORATION**

(Exact name of registrant as specified in its charter)

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**Ontario**  
(State or Other Jurisdiction of  
Incorporation or Organization)

**98-0154711**  
(IRS Employer  
Identification No.)

**1150 Assembly Dr.**  
**Suite 800**  
**Tampa, Florida**  
**United States**

**33607**

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code: **(813) 544-8515**

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Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Shares, no par value per share	PRMW	New York Stock Exchange Toronto Stock Exchange

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer   
Non-accelerated filer

Accelerated filer   
Smaller reporting company   
Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class  
Common Shares, no par value per share

Outstanding at May 1, 2023  
159,134,534

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**PART I – FINANCIAL INFORMATION**

**Item 1. Financial Statements (unaudited)**

**Primo Water Corporation**  
**Consolidated Statements of Operations**  
*(in millions of U.S. dollars, except share and per share amounts)*  
*Unaudited*

	<b>For the Three Months Ended</b>	
	<b>April 1, 2023</b>	<b>April 2, 2022</b>
<b>Revenue, net</b>	<b>\$ 546.5</b>	<b>\$ 526.1</b>
Cost of sales	<b>218.2</b>	226.5
<b>Gross profit</b>	<b>328.3</b>	299.6
Selling, general and administrative expenses	<b>303.5</b>	278.3
Loss on disposal of property, plant and equipment, net	<b>1.3</b>	1.7
Acquisition and integration expenses	<b>2.0</b>	4.3
<b>Operating income</b>	<b>21.5</b>	15.3
Other (income) expense, net	<b>(6.3)</b>	2.7
Interest expense, net	<b>18.8</b>	16.9
<b>Income (loss) before income taxes</b>	<b>9.0</b>	(4.3)
Income tax expense	<b>3.2</b>	2.4
<b>Net income (loss)</b>	<b>\$ 5.8</b>	<b>\$ (6.7)</b>
<b>Net income (loss) per common share</b>		
Basic	<b>\$ 0.04</b>	\$ (0.04)
Diluted	<b>\$ 0.04</b>	\$ (0.04)
<b>Weighted average common shares outstanding (in thousands)</b>		
Basic	<b>159,726</b>	160,928
Diluted	<b>160,781</b>	160,928

The accompanying notes are an integral part of these consolidated financial statements.

**Primo Water Corporation**  
**Condensed Consolidated Statements of Comprehensive Loss**  
*(in millions of U.S. dollars)*  
*Unaudited*

	<b>For the Three Months Ended</b>	
	<b>April 1, 2023</b>	<b>April 2, 2022</b>
Net income (loss)	\$ 5.8	\$ (6.7)
Other comprehensive loss:		
Currency translation adjustment	(6.6)	(0.1)
<b>Comprehensive loss</b>	<b>\$ (0.8)</b>	<b>\$ (6.8)</b>

The accompanying notes are an integral part of these consolidated financial statements.

**Primo Water Corporation**  
**Consolidated Balance Sheets**  
*(in millions of U.S. dollars, except share amounts)*  
*Unaudited*

	April 1, 2023	December 31, 2022
<b>ASSETS</b>		
<i><b>Current assets</b></i>		
Cash and cash equivalents	\$ 96.5	\$ 122.6
Accounts receivable, net of allowance of \$21.1 (\$20.6 as of December 31, 2022)	263.3	258.6
Inventories	104.3	112.1
Prepaid expenses and other current assets	52.1	44.7
<b>Total current assets</b>	<b>516.2</b>	<b>538.0</b>
Property, plant and equipment, net	723.4	714.4
Operating lease right-of-use-assets	194.0	198.6
Goodwill	1,297.8	1,293.0
Intangible assets, net	887.9	894.7
Other long-term assets, net	27.3	28.3
<b>Total assets</b>	<b>\$ 3,646.6</b>	<b>\$ 3,667.0</b>
<b>LIABILITIES AND EQUITY</b>		
<i><b>Current liabilities</b></i>		
Short-term borrowings	\$ 245.9	\$ 212.3
Current maturities of long-term debt	16.8	17.5
Accounts payable and accrued liabilities	391.6	425.1
Current operating lease obligations	34.4	35.7
<b>Total current liabilities</b>	<b>688.7</b>	<b>690.6</b>
Long-term debt	1,292.2	1,283.8
Operating lease obligations	170.6	174.5
Deferred tax liabilities	171.5	170.0
Other long-term liabilities	67.1	65.2
<b>Total liabilities</b>	<b>2,390.1</b>	<b>2,384.1</b>
<i><b>Shareholders' Equity</b></i>		
Common shares, no par value - 159,260,862 (December 31, 2022 - 159,752,299) shares issued	1,283.3	1,283.2
Additional paid-in-capital	86.2	91.3
Accumulated deficit	(24.2)	(9.4)
Accumulated other comprehensive loss	(88.8)	(82.2)
<b>Total shareholders' equity</b>	<b>1,256.5</b>	<b>1,282.9</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 3,646.6</b>	<b>\$ 3,667.0</b>

The accompanying notes are an integral part of these consolidated financial statements.

**Primo Water Corporation**  
**Consolidated Statements of Cash Flows**  
*(in millions of U.S. dollars)*  
*Unaudited*

	<b>For the Three Months Ended</b>	
	<b>April 1, 2023</b>	<b>April 2, 2022</b>
<b>Cash flows from operating activities:</b>		
Net income (loss)	\$ 5.8	\$ (6.7)
<b>Adjustments to reconcile net income (loss) to cash flows from operating activities:</b>		
Depreciation and amortization	62.4	61.2
Amortization of financing fees	0.8	0.9
Share-based compensation expense	2.3	3.3
Provision for deferred income taxes	0.8	1.6
Gain on sale of business	—	(0.4)
Loss on disposal of property, plant and equipment, net	1.3	1.7
Other non-cash items	(6.7)	2.1
Change in operating assets and liabilities, net of acquisitions:		
Accounts receivable	(2.9)	(11.9)
Inventories	2.1	(11.1)
Prepaid expenses and other current assets	(4.9)	(6.2)
Other assets	(0.1)	(0.7)
Accounts payable and accrued liabilities and other liabilities	(26.6)	(10.2)
Net cash provided by operating activities	<u>34.3</u>	<u>23.6</u>
<b>Cash flows from investing activities:</b>		
Acquisitions, net of cash received	(7.5)	(0.3)
Additions to property, plant and equipment	(53.7)	(38.6)
Additions to intangible assets	(2.7)	(2.5)
Proceeds from sale of property, plant and equipment	0.2	0.4
Other investing activities	2.2	0.5
Net cash used in investing activities	<u>(61.5)</u>	<u>(40.5)</u>

<b>Cash flows from financing activities:</b>		
Payments of long-term debt	(5.0)	(4.5)
Proceeds from short-term borrowings	61.0	—
Payments on short-term borrowings	(33.2)	—
Issuance of common shares	4.3	1.2
Common shares repurchased and canceled	(19.3)	(1.8)
Dividends paid to common shareholders	(12.8)	(11.3)
Payment of deferred consideration for acquisitions	(0.8)	(0.1)
Other financing activities	6.1	3.9
Net cash provided by (used in) financing activities	0.3	(12.6)
Effect of exchange rate changes on cash	0.8	(0.9)
<b>Net decrease in cash, cash equivalents and restricted cash</b>	<b>(26.1)</b>	<b>(30.4)</b>
Cash and cash equivalents and restricted cash, beginning of period	122.6	128.4
Cash and cash equivalents and restricted cash, end of period	\$ 96.5	\$ 98.0
<b>Supplemental Non-cash Investing and Financing Activities:</b>		
Dividends payable issued through accounts payable and accrued liabilities	\$ 0.2	\$ 0.2
Additions to property, plant and equipment through accounts payable and accrued liabilities and other liabilities	20.7	24.2
Financing lease right-of-use assets obtained in exchange for lease obligations	1.6	2.7
Operating lease right-of-use assets obtained in exchange for lease obligations	5.6	5.5
Inventory transfer to property, plant and equipment	6.9	—
<b>Supplemental Disclosures of Cash Flow Information:</b>		
Cash paid for interest	\$ 5.3	\$ 3.5
Cash paid for income taxes, net	1.2	1.0

The accompanying notes are an integral part of these consolidated financial statements.



**Primo Water Corporation**  
**Consolidated Statements of Equity**  
*(in millions of U.S. dollars, except share and per share amounts)*  
*Unaudited*

	Number of Common Shares <i>(In thousands)</i>	Common Shares	Additional Paid-in- Capital	(Accumulated Deficit) Retained Earnings	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
<b>Balance at January 1, 2022</b>	160,732	\$ 1,286.9	\$ 85.9	\$ 16.4	\$ (69.1)	\$ 1,320.1
Net loss	—	—	—	(6.7)	—	(6.7)
Other comprehensive loss, net of tax	—	—	—	—	(0.1)	(0.1)
Common shares dividends (\$0.07 per common share)	—	—	—	(11.5)	—	(11.5)
Share-based compensation	—	—	3.3	—	—	3.3
Common shares repurchased and canceled	(114)	(1.8)	—	—	—	(1.8)
Common shares issued - Equity Incentive Plan	432	6.1	(5.3)	—	—	0.8
Common shares issued - Employee Stock Purchase Plan	25	0.4	—	—	—	0.4
<b>Balance at April 2, 2022</b>	<b>161,075</b>	<b>\$ 1,291.6</b>	<b>\$ 83.9</b>	<b>\$ (1.8)</b>	<b>\$ (69.2)</b>	<b>\$ 1,304.5</b>

	Number of Common Shares <i>(In thousands)</i>	Common Shares	Additional Paid-in- Capital	(Accumulated Deficit)	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
<b>Balance at December 31, 2022</b>	159,752	\$ 1,283.2	\$ 91.3	\$ (9.4)	\$ (82.2)	\$ 1,282.9
Net income	—	—	—	5.8	—	5.8
Other comprehensive loss, net of tax	—	—	—	—	(6.6)	(6.6)
Common shares dividends (\$0.08 per common share)	—	—	—	(12.9)	—	(12.9)
Share-based compensation	—	—	2.3	—	—	2.3
Common shares repurchased and canceled	(1,278)	(11.6)	—	(7.7)	—	(19.3)
Common shares issued - Equity Incentive Plan	760	11.3	(7.4)	—	—	3.9
Common shares issued - Employee Stock Purchase Plan	27	0.4	—	—	—	0.4
<b>Balance at April 1, 2023</b>	<b>159,261</b>	<b>\$ 1,283.3</b>	<b>\$ 86.2</b>	<b>\$ (24.2)</b>	<b>\$ (88.8)</b>	<b>\$ 1,256.5</b>

The accompanying notes are an integral part of these consolidated financial statements.

**Primo Water Corporation**  
**Notes to the Consolidated Financial Statements**  
**Unaudited**

**Note 1—Business and Recent Accounting Pronouncements**

***Description of Business***

As used herein, “Primo,” “the Company,” “our Company,” “Primo Water Corporate,” “us,” or “our” refers to Primo Water Corporation, together with its consolidated subsidiaries. Primo is a leading pure-play water solutions provider in North America and Europe and generated approximately \$2.2 billion in annual revenue in 2022. Primo operates largely under a recurring revenue model in the large format water category (defined as 3 gallons or greater). This business strategy is commonly referred to as “razor-razorblade” because the initial sale of a product creates a base of users who frequently purchase complementary consumable products. The razor in Primo’s revenue model is its industry leading line-up of innovative water dispensers, which are sold through approximately 10,000 retail locations and online at various price points. The dispensers help increase household and business penetration which drives recurring purchases of Primo’s razorblade offering or water solutions. Primo’s razorblade offering is comprised of Water Direct, Water Exchange, and Water Refill. Through its Water Direct business, Primo delivers sustainable hydration solutions across its 21-country footprint direct to customers, whether at home or to businesses. Through its Water Exchange business, customers visit retail locations and purchase a pre-filled bottle of water. Once consumed, empty bottles are exchanged at our recycling center displays, which provide a ticket that offers a discount toward the purchase of a new bottle. Water Exchange is available in approximately 17,500 retail locations. Through its Water Refill business, customers refill empty bottles at approximately 23,500 self-service refill drinking water machines. Primo also offers water filtration units across its 21-country footprint.

Primo’s water solutions expand consumer access to purified, spring and mineral water to promote a healthier, more sustainable lifestyle while simultaneously reducing plastic waste and pollution. Primo is committed to its water stewardship standards and is proud to partner with the International Bottled Water Association in North America as well as with Watercoolers Europe, which ensure strict adherence to safety, quality, sanitation and regulatory standards for the benefit of consumer protection. Environmental stewardship is a part of who we are, and we have worked to progressively achieve carbon neutrality throughout our organization. Our European operations have maintained carbon neutrality for more than eleven years, and our U.S. operations achieved carbon neutral certification in 2020 under the CarbonNeutral Protocol, an international standard administered by Climate Impact Partners. In 2021, the Company achieved carbon neutrality on a global basis. In late 2021, Primo announced its planned exit from the North American small-format retail water business. This business was relatively small and used predominantly single-use plastic bottles. The exit from this category is estimated to reduce single-use retail water bottles from our production environment by more than 400 million, annually, while also improving overall margins. The exit was completed during the second quarter of 2022.

During the second quarter of 2022, our Board of Directors approved the exit from our business in Russia, which was completed during the third quarter of 2022.

***Basis of Presentation***

The accompanying interim unaudited Consolidated Financial Statements have been prepared in accordance with the instructions to Form 10-Q and Article 10 of Regulation S-X and in accordance with U.S. generally accepted accounting principles (“GAAP”) for interim financial reporting. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair statement of our results of operations for the interim periods reported and of our financial condition as of the date of the interim balance sheet have been included. The Consolidated Balance Sheet as of December 31, 2022 included herein was derived from the audited Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2022 (our “2022 Annual Report”). This Quarterly Report on Form 10-Q should be read in conjunction with the annual audited Consolidated Financial Statements and accompanying notes in our 2022 Annual Report. The accounting policies used in these interim Consolidated Financial Statements are consistent with those used in the annual Consolidated Financial Statements.

The presentation of these interim Consolidated Financial Statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the Consolidated Financial Statements and accompanying notes.

### ***Changes in Presentation***

During the second quarter of 2022, we reviewed and realigned our reporting segments to reflect how the business will be managed and evaluated by the Chief Executive Officer, who is the Company's chief operating decision maker. Following such review, certain of our businesses previously included in the Rest of World segment (now renamed "Europe") were realigned between the Europe reporting segment and the Other category. Our two reporting segments are as follows: North America (which includes our DS Services of America, Inc. ("DSS"), Aquaterra Corporation ("Aquaterra"), Mountain Valley Spring Company ("Mountain Valley") and Legacy Primo businesses) and Europe (which includes the European business of Eden Springs Netherlands B.V. ("Eden Europe"), Decantae Mineral Water Limited ("Decantae") and Fonthill Waters Ltd ("Fonthill") businesses). The Other category includes the Israel business of Eden ("Eden Israel"), Aimia Foods Limited ("Aimia") and John Farrer & Company Limited ("Farrers") businesses, as well as our corporate oversight function and other miscellaneous expenses. Segment reporting results have been recast to reflect these changes for all periods presented.

### ***Significant Accounting Policies***

Included in Note 1 of our 2022 Annual Report is a summary of the Company's significant accounting policies. Provided below is a summary of additional accounting policies that are significant to the financial results of the Company.

#### *Cost of sales*

We record costs associated with the manufacturing of our products in cost of sales. Shipping and handling costs incurred to store, prepare and move products between production facilities or from production facilities to branch locations or storage facilities are recorded in cost of sales. Shipping and handling costs incurred to deliver products from our branch locations to the end-user consumer of those products are recorded in selling, general and administrative ("SG&A") expenses. All other costs incurred in the shipment of products from our production facilities to customer locations are reflected in cost of sales. Shipping and handling costs included in SG&A expenses were \$140.2 million and \$127.3 million for the three months ended April 1, 2023 and April 2, 2022, respectively. Finished goods inventory costs include the cost of direct labor and materials and the applicable share of overhead expense chargeable to production.

### **Recently adopted accounting pronouncements**

#### *Update ASU 2020-04 – Reference Rate Reform (Topic 848)*

In March 2020, the FASB issued guidance which provides expedients and exceptions to account for contracts, hedging relationships and other transactions that reference LIBOR or any other reference rates expected to be discontinued because of reference rate reform. This guidance is effective as of March 12, 2020 through December 31, 2022 (updated to December 31, 2024 by the December 2022 issuance of Accounting Standards Update ("ASU") 2022-06) and may be applied prospectively to contract modifications made and hedging relationships entered into or evaluated on or before December 31, 2024. We elected to apply the debt agreement expedient and therefore will account for debt agreement amendments as if the modification was not substantial and thus a continuation of the existing contract. Effective January 13, 2023, we entered into the Second LIBOR Transition Amendment to the Credit Agreement, which transitioned the credit agreement from LIBOR to the Secured Overnight Financing Rate ("SOFR"). The amendment did not have a material impact on our Consolidated Financial Statements.

#### *Update ASU 2021-08- Business Combinations (Topic 805)*

In October 2021, the FASB issued guidance that requires entities to use principles in ASC 606 to recognize and measure contract assets and liabilities in revenue contracts acquired in a business combination rather than fair value. For public entities, this guidance is effective for fiscal years beginning after December 15, 2022 for annual and interim periods. Early adoption is permitted, including adoption in an interim period. If early adopted, the amendments are applied retrospectively to all business combinations for which the acquisition date occurred during the fiscal year of adoption. The adoption of this standard did not have a material impact on our Consolidated Financial Statements.

## Note 2—Revenue

Our principal sources of revenue are from bottled water delivery direct to consumers primarily in North America and Europe and from providing multi-gallon purified bottled water, self-service refill drinking water and water dispensers through retailers in North America. Revenue is recognized, net of sales returns, when a customer obtains control of promised goods or services in an amount that reflects the consideration we expect to receive in exchange for those goods or services. We measure revenue based on the consideration specified in the customer arrangement, and revenue is recognized when the performance obligations in the customer arrangement are satisfied. A performance obligation is a contractual promise to transfer a distinct service to the customer. The transaction price of a contract is allocated to each distinct performance obligation and recognized as revenue when the customer receives the benefit of the performance obligation. Customers typically receive the benefit of our services as they are performed. Substantially all our customer contracts require that we be compensated for services performed to date. This may be upon shipment of goods or upon delivery to the customer, depending on contractual terms. Shipping and handling costs paid by the customer to us are included in revenue and costs incurred by us for shipping and handling activities that are performed after a customer obtains control of the product are accounted for as fulfillment costs. In addition, we exclude from net revenue and cost of sales taxes assessed by governmental authorities on revenue-producing transactions. Although we occasionally accept returns of products from our customers, historically returns have not been material.

### Contract Estimates

The nature of certain of our contracts give rise to variable consideration including cash discounts, volume-based rebates, point of sale promotions, and other promotional discounts to certain customers. For all promotional programs and discounts, we estimate the rebate or discount that will be granted to the customer and record an accrual upon invoicing. These estimated rebates or discounts are included in the transaction price of our contracts with customers as a reduction to net revenues and are included as accrued sales incentives in accounts payable and accrued liabilities in the Consolidated Balance Sheets. Accrued sales incentives were \$5.8 million and \$7.8 million on April 1, 2023 and December 31, 2022, respectively.

We do not disclose the value of unsatisfied performance obligations for contracts (i) with an original expected length of one year or less or (ii) for which we recognize revenue at the amount in which it has the right to invoice as the product is delivered.

### Contract Balances

Contract liabilities relate primarily to advances received from our customers before revenue is recognized. These amounts are recorded as deferred revenue and are included in accounts payable and accrued liabilities in the Consolidated Balance Sheets. The advances are expected to be earned as revenue within one year of receipt. Deferred revenues at April 1, 2023 and December 31, 2022 were \$16.9 million and \$11.5 million, respectively. The amount of revenue recognized in the three months ended April 1, 2023 that was included in the December 31, 2022 deferred revenue balance was \$8.3 million.

The Company does not have any material contract assets as of April 1, 2023 and December 31, 2022.

### Disaggregated Revenue

In general, our business segmentation is aligned according to the nature and economic characteristics of our products and customer relationships and provides meaningful disaggregation of each business segment's results of operations.

Further disaggregation of net revenue to external customers by geographic area based on customer location is as follows:

<b>(in millions of U.S. dollars)</b>	<b>For the Three Months Ended</b>	
	<b>April 1, 2023</b>	<b>April 2, 2022</b>
United States	\$ 396.8	\$ 381.8
United Kingdom	39.1	41.4
Canada	15.7	15.4
All other countries	94.9	87.5
Total	\$ 546.5	\$ 526.1

### Note 3—Income Taxes

Income tax expense was \$3.2 million on pre-tax income of \$9.0 million for the three months ended April 1, 2023, as compared to income tax expense of \$2.4 million on pre-tax loss of \$4.3 million in the comparable prior year period. The effective income tax rate for the three months ended April 1, 2023 was 35.6%, compared to (55.8)% in the comparable prior year period.

The effective tax rate for the three months ended April 1, 2023 varied from the effective tax rate in the comparable prior year period due to increased income related primarily to foreign exchange gains in tax jurisdictions for which no tax expense is recognized due to existing valuation allowances.

The effective tax rate for the three months ended April 1, 2023 varied from applicable statutory tax rates primarily due to losses in tax jurisdictions for which no tax benefit is recognized due to existing valuation allowances and income in tax jurisdictions with tax rates lower than the Canadian statutory tax rate.

### Note 4—Common Shares and Net Income (Loss) per Common Share

#### Common Shares

On August 9, 2022, our Board of Directors approved a share repurchase program for up to \$100.0 million of our outstanding common shares over a 12-month period commencing on August 15, 2022. For the three months ended April 1, 2023, we repurchased 1,112,514 common shares for approximately \$16.6 million through open market transactions under the repurchase plan.

On May 4, 2021, our Board of Directors approved a share repurchase program for up to \$50.0 million of our outstanding common shares over a 12-month period, which expired on May 10, 2022. There were no shares repurchased under the plan during the three months ended April 2, 2022.

Shares purchased under these repurchase plans were subsequently canceled.

#### Net Income (Loss) per Common Share

Basic net income (loss) per common share is calculated by dividing net income (loss) by the weighted average number of common shares outstanding during the periods presented. Diluted net income (loss) per common share is calculated by dividing net income (loss) by the weighted average number of common shares outstanding adjusted to include the effect, if dilutive, of the exercise of in-the-money stock options, performance-based RSUs, and time-based RSUs during the periods presented. The components of weighted average basic and diluted shares outstanding are below:

<i>(in thousands)</i>	For the Three Months Ended	
	April 1, 2023	April 2, 2022
Weighted average common shares outstanding - basic	159,726	160,928
Dilutive effect of Stock Options	367	—
Dilutive effect of Performance-based RSUs	205	—
Dilutive effect of Time-based RSUs	483	—
Weighted average common shares outstanding - diluted	160,781	160,928

The following table summarizes anti-dilutive securities excluded from the computation of diluted net income (loss) per common share for the periods indicated:

<i>(in thousands)</i>	For the Three Months Ended	
	April 1, 2023	April 2, 2022
Stock Options	1,396	4,715
Performance-based RSUs <sup>1</sup>	1,230	1,201
Time-based RSUs <sup>2</sup>	—	887

<sup>1</sup> Performance-based RSUs represent the number of shares expected to be issued based primarily on the estimated achievement of performance targets for these awards.

<sup>2</sup> Time-based RSUs represent the number of shares expected to be issued based on known employee retention information.

## Note 5—Segment Reporting

Our broad portfolio of products includes bottled water, water dispensers, self-service refill drinking water, filtration units, premium spring, sparkling and flavored essence water, mineral water, and coffee.

During the second quarter of 2022, we reviewed and realigned our reporting segments to reflect how the business will be managed and results will be evaluated. Following such review, certain of our businesses previously included in the Rest of World segment (now renamed "Europe") were realigned between the Europe reporting segment and the Other category. Our two reporting segments are as follows: North America (which includes our DSS, Aquaterra, Mountain Valley and Legacy Primo businesses) and Europe (which includes our Eden Europe, Decantae and Fonthill businesses). The Other category includes our Eden Israel, Aimia and Farrers businesses, as well as our corporate oversight function and other miscellaneous expenses. Segment reporting results have been recast to reflect these changes for all periods presented.

<b>(in millions of U.S. dollars)</b>	<b>North America</b>	<b>Europe</b>	<b>Other</b>	<b>Total</b>
<b>For the Three Months Ended April 1, 2023</b>				
Revenue, net	\$ 412.3	\$ 69.4	\$ 64.8	\$ 546.5
Depreciation and amortization	46.8	9.6	6.0	62.4
Operating income (loss)	34.7	2.9	(16.1)	21.5
Additions to property, plant and equipment	42.1	6.5	5.1	53.7

<b>(in millions of U.S. dollars)</b>	<b>North America</b>	<b>Europe</b>	<b>Other</b>	<b>Total</b>
<b>For the Three Months Ended April 2, 2022</b>				
Revenue, net	\$ 397.1	\$ 64.3	\$ 64.7	\$ 526.1
Depreciation and amortization	45.3	9.8	6.1	61.2
Operating income (loss)	28.3	(3.6)	(9.4)	15.3
Additions to property, plant and equipment	26.6	6.2	5.8	38.6

Revenues by channel by reporting segment were as follows:

<b>For the Three Months Ended April 1, 2023</b>				
<b>(in millions of U.S. dollars)</b>	<b>North America</b>	<b>Europe</b>	<b>Other</b>	<b>Total</b>
<b><u>Revenue, net</u></b>				
Water Direct/Water Exchange	\$ 312.4	\$ 53.0	\$ 10.4	\$ 375.8
Water Refill/Water Filtration	52.2	8.8	0.6	61.6
Other Water	11.3	0.2	15.7	27.2
Water Dispensers	12.7	0.1	—	12.8
Other	23.7	7.3	38.1	69.1
<b>Total</b>	<b>\$ 412.3</b>	<b>\$ 69.4</b>	<b>\$ 64.8</b>	<b>\$ 546.5</b>

<b>For the Three Months Ended April 2, 2022</b>				
<b>(in millions of U.S. dollars)</b>	<b>North America</b>	<b>Europe</b>	<b>Other</b>	<b>Total</b>
<b><u>Revenue, net</u></b>				
Water Direct/Water Exchange	\$ 278.3	\$ 48.2	\$ 10.8	\$ 337.3
Water Refill/Water Filtration	42.2	8.2	0.5	50.9
Other Water	34.0	0.4	16.0	50.4
Water Dispensers	14.2	—	—	14.2
Other	28.4	7.5	37.4	73.3
<b>Total</b>	<b>\$ 397.1</b>	<b>\$ 64.3</b>	<b>\$ 64.7</b>	<b>\$ 526.1</b>

## Note 6—Inventories

The following table summarizes inventories as of April 1, 2023 and December 31, 2022:

<u>(in millions of U.S. dollars)</u>	<u>April 1, 2023</u>	<u>December 31, 2022</u>
Raw materials	\$ 58.2	\$ 68.5
Finished goods	32.8	30.9
Resale items	11.5	11.1
Other	1.8	1.6
<b>Total</b>	<b>\$ 104.3</b>	<b>\$ 112.1</b>

## Note 7—Debt

### Revolving Credit Facility

On March 6, 2020, the Company entered into a credit agreement (the “Credit Agreement”) among the Company, as parent borrower, Primo Water Holdings Inc. and certain other subsidiary borrowers, certain other subsidiaries of the Company from time to time designated as subsidiary borrowers, Bank of America, N.A., as administrative agent and collateral agent, and the lenders from time to time party thereto.

The Credit Agreement provides for a senior secured revolving credit facility in an initial aggregate committed amount of \$350.0 million (the “Revolving Credit Facility”), which may be increased by incremental credit extensions from time to time in the form of term loans or additional revolving credit commitments. The Revolving Credit Facility has a five year maturity date and includes letter of credit and swing line loan sub facilities.

Initial borrowings under the Revolving Credit Facility were used to refinance in full and terminate our previously existing asset-based lending credit facility (“ABL facility”). Certain letters of credit outstanding under the ABL Facility were rolled over under the Revolving Credit Facility. We incurred approximately \$3.4 million of financing fees in connection with the Revolving Credit Facility. The Revolving Credit Facility was considered to be a modification of the ABL facility under GAAP. These new financing fees along with \$1.8 million of unamortized deferred costs of the ABL facility are being amortized using the straight-line method over the duration of the Revolving Credit Facility.

As of April 1, 2023, the outstanding borrowings under the Revolving Credit Facility were \$224.8 million and were recorded in short-term borrowings on the Consolidated Balance Sheet. Outstanding letters of credit totaled \$56.6 million resulting in total utilization under the Revolving Credit Facility of \$281.4 million. Accordingly, unused availability under the Revolving Credit Facility as of April 1, 2023 amounted to \$68.6 million.

On January 13, 2023, we entered into the Second LIBOR Transition Amendment to the Credit Agreement, which replaced interest rate calculations based on LIBOR with calculations based on SOFR. As of April 1, 2023, borrowings under the Credit Agreement bore interest at a rate per annum equal to either: (a) a euro currency rate as determined under the Credit Agreement, plus the applicable margin, or (b) a term SOFR rate, as determined under the Credit Agreement, plus the applicable margin, (c) a base rate equal to the highest of (i) Bank of America’s prime rate, (ii) 0.5% per annum above the federal funds rate, and (iii) the term SOFR rate, as determined under the Credit Agreement, for a one month interest period, plus 1.0%, plus the applicable margin, or (d) an alternative currency daily or term rate, as determined under the Credit Agreement, plus the applicable margin. The applicable margin for euro currency, term SOFR, and alternative currency rate loans ranges from 1.375% to 2.000% and the applicable margin for base rate loans ranges from 0.375% to 1.000%, in each case depending on our consolidated total leverage ratio. Unutilized commitments under the Credit Agreement are subject to a commitment fee ranging from 0.20% to 0.30% per annum depending on our consolidated total leverage ratio, payable on a quarterly basis.

The weighted average effective interest rate at April 1, 2023 and December 31, 2022 on the Revolving Credit Facility outstanding borrowings was 6.4% and 5.9%, respectively. The effective interest rates are based on our aggregate availability.

## Note 8—Accumulated Other Comprehensive (Loss) Income

Changes in accumulated other comprehensive (loss) income (“AOCI”) by component for the three months ended April 1, 2023 and April 2, 2022 were as follows:

<b>(in millions of U.S. dollars)</b> <sup>1</sup>	<b>Pension Benefit Plan Items</b>	<b>Currency Translation Adjustment Items</b>	<b>Total</b>
Beginning balance January 1, 2022	\$ (1.7)	\$ (67.4)	\$ (69.1)
OCI before reclassifications	—	(0.1)	(0.1)
Ending balance April 2, 2022	\$ (1.7)	\$ (67.5)	\$ (69.2)
Beginning balance December 31, 2022	\$ 1.2	\$ (83.4)	\$ (82.2)
OCI before reclassifications	—	(6.6)	(6.6)
Ending balance April 1, 2023	\$ 1.2	\$ (90.0)	\$ (88.8)

<sup>1</sup> All amounts are net of tax. Amounts in parentheses indicate debits.

There were no amounts reclassified from AOCI for the three months ended April 1, 2023 and April 2, 2022, respectively.

## Note 9—Commitments and Contingencies

We are subject to various claims and legal proceedings with respect to matters such as governmental regulations and other actions arising out of the normal course of business. Management believes that the resolution of these matters will not have a material adverse effect on our financial position, results of operations, or cash flow.

We had \$56.6 million in standby letters of credit outstanding as of April 1, 2023 (\$46.6 million as of December 31, 2022).

### Guarantees

After the sale of our legacy carbonated soft drink and juice business in January 2018, we have continued to provide contractual payment guarantees to two third-party lessors of certain real property used in these businesses. The leases were conveyed to the buyer as part of the sale, but our guarantee was not released by the landlord. The two lease agreements mature in 2027 and 2028. The maximum potential amount of undiscounted future payments under the guarantee is approximately \$12.8 million as of April 1, 2023, which was calculated based on the minimum lease payments of the leases over the remaining term of the agreements. The sale documents require the buyer to pay all post-closing obligations under these conveyed leases, and to reimburse us if the landlord calls on a guarantee. The buyer has also agreed to a covenant to negotiate with the landlords for a release of our guarantees. We currently do not believe it is probable we would be required to perform under any of these guarantees or any of the underlying obligations.

## Note 10—Fair Value Measurements

FASB Accounting Standards Codification Topic 820, *Fair Value Measurements and Disclosures* defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. Additionally, the inputs used to measure fair value are prioritized based on a three-level hierarchy. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs.

The three levels of inputs used to measure fair value are as follows:

- Level 1—Quoted prices in active markets for identical assets or liabilities.
- Level 2—Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3—Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.



## Fair Value of Financial Instruments

The carrying amounts reflected in the Consolidated Balance Sheets for cash and cash equivalents, receivables, payables, short-term borrowings, and long-term debt approximate their respective fair values, except as otherwise indicated. The carrying values and estimated fair values of our significant outstanding debt as of April 1, 2023 and December 31, 2022 were as follows:

(in millions of U.S. dollars)	April 1, 2023		December 31, 2022	
	Carrying Value	Fair Value	Carrying Value	Fair Value
3.875% senior notes due in 2028 <sup>1,2</sup>	\$ 484.0	\$ 421.4	\$ 473.5	\$ 418.7
4.375% senior notes due in 2029 <sup>1,2</sup>	741.7	653.4	741.4	642.2
Total	\$ 1,225.7	\$ 1,074.8	\$ 1,214.9	\$ 1,060.9

<sup>1</sup> The fair values were based on the trading levels and bid/offer prices observed by a market participant and are considered Level 2 financial instruments.

<sup>2</sup> Carrying value of our significant outstanding debt is net of unamortized debt issuance costs as of April 1, 2023 and December 31, 2022.

## Note 11—Subsequent Events

On May 3, 2023, our Board of Directors declared a dividend of \$0.08 per share on common shares, payable in cash on June 14, 2023, to shareowners of record at the close of business on June 2, 2023.

## Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

This Management’s Discussion and Analysis of Financial Condition and Results of Operations is intended to further the reader’s understanding of the consolidated financial condition and results of operations of our Company. It should be read in conjunction with the financial statements included in this Quarterly Report on Form 10-Q and our Annual Report on Form 10-K for the fiscal year ended December 31, 2022 (our “2022 Annual Report”). These historical financial statements may not be indicative of our future performance. This discussion contains a number of forward-looking statements, all of which are based on our current expectations and could be affected by the uncertainties and risks referred to under “Risk Factors” in Part I, Item 1A in our 2022 Annual Report. As used herein, “Primo,” “the Company,” “Primo Water Corporation,” “we,” “us,” or “our” refers to Primo Water Corporation, together with its consolidated subsidiaries.

### Overview

Primo is a leading pure-play water solutions provider in North America and Europe. Primo operates largely under a recurring revenue model in the large format water category (defined as 3 gallons or greater). This business strategy is commonly referred to as “razor-razorblade” because the initial sale of a product creates a base of users who frequently purchase complementary consumable products. The razor in Primo’s revenue model is its industry leading line-up of innovative water dispensers, which are sold through approximately 10,000 retail locations and online at various price points. The dispensers help increase household and business penetration which drives recurring purchases of Primo’s razorblade offering or water solutions. Primo’s razorblade offering is comprised of Water Direct, Water Exchange, and Water Refill. Through its Water Direct business, Primo delivers sustainable hydration solutions across its 21-country footprint direct to customers, whether at home or to businesses. Through its Water Exchange business, customers visit retail locations and purchase a pre-filled bottle of water. Once consumed, empty bottles are exchanged at our recycling center displays, which provide a ticket that offers a discount toward the purchase of a new bottle. Water Exchange is available in approximately 17,500 retail locations. Through its Water Refill business, customers refill empty bottles at approximately 23,500 self-service refill drinking water machines. Primo also offers water filtration units across its 21-country footprint.

Primo’s water solutions expand consumer access to purified, spring and mineral water to promote a healthier, more sustainable lifestyle while simultaneously reducing plastic waste and pollution. Primo is committed to its water stewardship standards and is proud to partner with the International Bottled Water Association in North America as well as with Watercoolers Europe, which ensure strict adherence to safety, quality, sanitation and regulatory standards for the benefit of consumer protection. Environmental stewardship is a part of who we are, and we have worked to progressively achieve carbon neutrality throughout our organization. Our European operations have maintained carbon neutrality for more than eleven years, and our U.S. operations achieved carbon neutral certification in 2020 under the CarbonNeutral Protocol, an international standard administered by Climate Impact Partners. In 2021, the Company achieved carbon neutrality on a global basis. In late 2021, we announced our planned exit from the North American small-format retail water business. This business was relatively small and used predominantly single-use plastic bottles. The exit from this category is estimated to reduce single-use retail water bottles from our production environment by more than 400 million, annually, while also improving overall margins. The exit was completed during the second quarter of 2022.

The markets in which we operate are subject to some seasonal variations. Our water delivery sales are generally higher during the warmer months. Our purchases of raw materials and related accounts payable fluctuate based upon the demand for our products. The seasonality of our sales volume causes our working capital needs to fluctuate throughout the year.

We conduct operations in countries involving transactions denominated in a variety of currencies. We are subject to currency exchange risks to the extent that our costs are denominated in currencies other than those in which we earn revenues. As our financial statements are denominated in U.S. dollars, fluctuations in currency exchange rates between the U.S. dollar and other currencies have had and will continue to have an impact on our results of operations.

During the second quarter of 2022, our Board of Directors approved the exit from our business in Russia, which was completed during the third quarter of 2022. Separately, we reviewed our reporting segments, and following such review, certain of our businesses previously included in the Rest of World segment (now renamed “Europe”) were realigned between the Europe reporting segment and the Other category. Our two reporting segments are as follows: North America (which includes our DS Services of America, Inc. (“DSS”), Aquaterra Corporation (“Aquaterra”), Mountain Valley Spring Company (“Mountain Valley”) and Legacy Primo businesses) and Europe (which includes the European business of Eden Springs Netherlands B.V. (“Eden Europe”), Decantae Mineral Water Limited (“Decantae”) and Fonthill Waters Ltd (“Fonthill”) businesses). The Other category includes the Israel business of Eden (“Eden Israel”), Aimia Foods Limited (“Aimia”) and John Farrer & Company Limited (“Farrers”) businesses, as well as our corporate oversight function and other miscellaneous expenses. Segment reporting results have been recast to reflect these changes for all periods presented.

## Impact of General Economic Conditions

Our global operations expose us to risks associated with disruptions to global supply chains, labor shortages, inflation and the ongoing Russia/Ukraine war which are likely to continue to create challenging economic conditions for our business, through increased costs, increased employee attrition and vacancies, lower consumer spending or other impacts. While we have taken steps to minimize the impact of these increased costs, global supply chain disruption may deteriorate and inflationary pressures may increase, which could adversely affect our business, financial condition, results of operations and cash flows.

## Divestiture, Acquisition and Financing Transactions

On January 13, 2023, we entered into the Second LIBOR Transition Amendment to the Credit Agreement, which replaced interest rate calculations based on LIBOR with calculations based on the Secured Overnight Financing Rate ("SOFR"). See Note 7 - Debt to the Consolidated Financial Statements for more details.

On November 4, 2021, as part of our overall strategy to increase profitability and further reduce our environmental footprint, we announced a plan to exit the North America single-use retail bottled water category, which consists primarily of 1-gallon, 2.5 gallon and case-pack water. The plan does not affect our large format exchange, refill, and dispenser business or our Mountain Valley brand, which sells products primarily in glass bottles. On an annualized basis, these products have accounted for revenue of approximately \$140 million. The unwinding of this business was completed during the second quarter of 2022.

## Forward-Looking Statements

In addition to historical information, this report, and the reports and documents incorporated by reference in this report, may contain statements relating to future events and future results. These statements are "forward-looking" within the meaning of the Private Securities Litigation Reform Act of 1995 and applicable Canadian securities legislation and involve known and unknown risks, uncertainties, future expectations and other factors that may cause actual results, performance or achievements of Primo Water Corporation to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such statements include, but are not limited to, statements that relate to projections of sales, cash flows, capital expenditures or other financial items, statements regarding our intentions to pay regular quarterly dividends on our common shares, and discussions of estimated future revenue enhancements and cost savings. These statements also relate to our business strategy, goals and expectations concerning our market position, future operations, margins, profitability, liquidity and capital resources. Generally, words such as "anticipate," "believe," "continue," "could," "endeavor," "estimate," "expect," "intend," "may," "will," "plan," "predict," "project," "should" and similar terms and phrases are used to identify forward-looking statements in this report and in the documents incorporated in this report by reference. These forward-looking statements reflect current expectations regarding future events and operating performance and are made only as of the date of this report.

The forward-looking statements are not guarantees of future performance or events and, by their nature, are based on certain estimates and assumptions regarding interest and foreign exchange rates, expected growth, results of operations, performance, business prospects and opportunities and effective income tax rates, which are subject to inherent risks and uncertainties. Material factors or assumptions that were applied in drawing a conclusion or making an estimate set out in forward-looking statements may include, but are not limited to, assumptions regarding management's current plans and estimates. Although we believe the assumptions underlying these forward-looking statements are reasonable, any of these assumptions could prove to be inaccurate and, as a result, the forward-looking statements based on those assumptions could prove to be incorrect. Our operations involve risks and uncertainties, many of which are outside of our control, and any one or any combination of these risks and uncertainties could also affect whether the forward-looking statements ultimately prove to be correct. These risks and uncertainties include, but are not limited to, those described in Part I, Item 1A "Risk Factors" and elsewhere in our 2022 Annual Report and those described from time to time in our future reports filed with the Securities and Exchange Commission ("SEC") and Canadian securities regulatory authorities.

The following are some of the factors that could affect our financial performance, including but not limited to, sales, earnings and cash flows, or could cause actual results to differ materially from estimates contained in or underlying the forward-looking statements:

- our ability to compete successfully in the markets in which we operate;
- fluctuations in commodity prices and our ability to pass on increased costs to our customers or hedge against such rising costs, and the impact of those increased prices on our volumes;
- our ability to manage our operations successfully;
- our ability to protect our intellectual property;
- the seasonal nature of our business and the effect of adverse weather conditions;

- the impact of national, regional and global events, including those of a political, economic, business and competitive nature;
- our ability to fully realize the potential benefit of transactions or other strategic opportunities that we pursue;
- our ability to realize revenue and cost synergies of our acquisitions due to integration difficulties and other challenges;
- our exposure to intangible asset risk;
- the impact of the spread of COVID-19, related government actions and the Company's strategy in response thereto on our business, financial condition and results of operations;
- currency fluctuations that adversely affect exchanges between currencies, including the U.S. dollar, the British pound sterling, the Euro, the Canadian dollar and other currencies;
- our ability to maintain favorable arrangements and relationships with our suppliers;
- our ability to manage supply chain disruptions and cost increases related to inflation;
- our ability to meet our obligations under our debt agreements, and risks of further increases to our indebtedness;
- our ability to maintain compliance with the covenants and conditions under our debt agreements;
- fluctuations in interest rates, which could increase our borrowing costs;
- our ability to recruit, retain and integrate new management;
- the impact of increased labor costs on our business;
- our ability to renew our collective bargaining agreements on satisfactory terms;
- the impact on our financial results from uncertainty in the financial markets and other adverse changes in general economic conditions;
- any disruption to production at our manufacturing facilities;
- our ability to maintain access to our water sources;
- compliance with product health and safety standards;
- liability for injury or illness caused by the consumption of contaminated products;
- liability and damage to our reputation as a result of litigation or legal proceedings;
- changes in the legal and regulatory environment in which we operate;
- our ability to adequately address the challenges and risks associated with our international operations and address difficulties in complying with complex and overlapping laws and regulations;
- our ability to utilize tax attributes to offset future taxable income;
- the impact on our tax obligations and effective tax rate arising from changes in local tax laws or countries adopting more aggressive interpretations of tax laws;
- disruptions in our information systems;
- our ability to securely maintain our customers' confidential or credit card information, or other private data relating to our employees or our company;
- our ability to maintain our quarterly dividend; or
- credit rating changes.

We undertake no obligation to update any information contained in this report or to publicly release the results of any revisions to forward-looking statements to reflect events or circumstances of which we may become aware of after the date of this report. Undue reliance should not be placed on forward-looking statements.

All future written and oral forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the foregoing.

## Non-GAAP Measures

In this report, we supplement our reporting of financial measures determined in accordance with U.S. generally accepted accounting principles (“GAAP”) by utilizing certain non-GAAP financial measures that exclude certain items to make period-over-period comparisons for our underlying operations before material charges. We exclude these items to better understand trends in the business. We exclude the impact of foreign exchange to separate the impact of currency exchange rate changes from our results of operations.

We also utilize earnings (loss) before interest expense, taxes, depreciation and amortization (“EBITDA”), which is GAAP net income (loss) before interest expense, net, expense (benefit) for income taxes and depreciation, and amortization. We consider EBITDA to be an indicator of operating performance. We also use EBITDA, as do analysts, lenders, investors, and others, because it excludes certain items that can vary widely across different industries or among companies within the same industry. These differences can result in considerable variability in the relative costs of productive assets and the depreciation and amortization expense among companies. We also utilize adjusted EBITDA, which is EBITDA excluding acquisition and integration costs, share-based compensation costs, COVID-19 costs, impairment charges, foreign exchange and other (gains) losses, net, loss on disposal of property, plant and equipment, net, loss on extinguishment of long-term debt, (gain) loss on sale of business, (gain) loss on sale of property, and other adjustments, net, as the case may be (“Adjusted EBITDA”). We consider Adjusted EBITDA to be an indicator of our operating performance. Adjusted EBITDA excludes certain items to make more meaningful period-over-period comparisons of our underlying operations before material charges.

Because we use these adjusted financial results in the management of our business and to understand underlying business performance, we believe this supplemental information is useful to investors for their independent evaluation and understanding of our business performance and the performance of our management. The non-GAAP financial measures described above are in addition to, and not meant to be considered superior to, or a substitute for, our financial statements prepared in accordance with GAAP. In addition, the non-GAAP financial measures included in this report reflect our judgment of particular items, and may be different from, and therefore may not be comparable to, similarly titled measures reported by other companies.

## Summary Financial Results

Net income for the three months ended April 1, 2023 (the “first quarter”) was \$5.8 million, or \$0.04 per diluted common share, compared with net loss of \$6.7 million, or \$0.04 per diluted common share, for the three months ended April 2, 2022, respectively.

### The following items of significance affected our financial results for the first three months of 2023:

- Net revenue increased \$20.4 million, or 3.9%, to \$546.5 million from the prior year period due primarily to increased demand for products and services from residential and business customers of \$17.0 million and pricing initiatives of \$51.2 million, partially offset by the exit from the single-use retail bottled water business in North America of \$26.6 million, the sale of the Russia business of \$2.8 million, and the impact of unfavorable foreign exchange rates of \$12.1 million;
- Gross profit increased to \$328.3 million from \$299.6 million in the prior year period. Gross profit as a percentage of net revenue was 60.1% compared to 56.9% in the prior year period. The 320 basis point increase is due primarily to increased demand and pricing initiatives and the exit from the single-use retail bottled water business in North America, partially offset by the impact of unfavorable foreign exchange rates;
- SG&A expenses increased to \$303.5 million from \$278.3 million in the prior year period due primarily to higher selling and operating costs supporting volume and revenue growth related primarily to labor and transportation cost increases, which increased by \$11.7 million and \$4.6 million, respectively, from the prior year period, and professional fee increases of \$2.2 million, partially offset by the favorable impact of foreign exchange rates of \$4.1 million. SG&A expenses as a percentage of net revenue was 55.5% compared to 52.9% in the prior year period;
- Acquisition and integration expenses decreased to \$2.0 million from \$4.3 million in the prior year period due primarily to lower ongoing integration costs incurred in connection with the acquisition of Primo Water Corporation (“Legacy Primo” and such transaction, the “Legacy Primo Acquisition”) and lower costs associated with tuck-in acquisitions compared to the prior year period. Acquisition and integration expenses as a percentage of revenue was 0.4% compared to 0.8% in the prior year period;
- Other income, net was \$6.3 million compared to other expense, net of \$2.7 million in the prior year period due primarily to unrealized foreign exchange gains in the current year period compared to unrealized foreign exchange losses in the prior year period;
- Income tax expense was \$3.2 million on pre-tax income of \$9.0 million compared to income tax expense of \$2.4 million on pre-tax loss of \$4.3 million in the prior year period due to increased income related primarily to foreign exchange gains in tax jurisdictions for which no tax expense is recognized due to existing valuation allowances;

- Adjusted EBITDA increased to \$94.9 million compared to \$87.9 million in the prior year period due to the items listed above; and
- Cash flows provided by operating activities was \$34.3 million compared to \$23.6 million in the prior year period. The \$10.7 million increase was due primarily to improved earnings, excluding non-cash charges, and a decrease in cash used for working capital relative to the prior year period.

## Results of Operations

The following table summarizes our Consolidated Statements of Operations as a percentage of revenue for the three months ended April 1, 2023 and April 2, 2022:

(in millions of U.S. dollars)	For the Three Months Ended			
	April 1, 2023		April 2, 2022	
	\$	%	\$	%
<b>Revenue, net</b>	<b>546.5</b>	<b>100.0</b>	526.1	100.0
Cost of sales	<b>218.2</b>	<b>39.9</b>	226.5	43.1
<b>Gross profit</b>	<b>328.3</b>	<b>60.1</b>	299.6	56.9
Selling, general and administrative expenses	<b>303.5</b>	<b>55.5</b>	278.3	52.9
Loss on disposal of property, plant and equipment, net	<b>1.3</b>	<b>0.2</b>	1.7	0.3
Acquisition and integration expenses	<b>2.0</b>	<b>0.4</b>	4.3	0.8
<b>Operating income</b>	<b>21.5</b>	<b>3.9</b>	15.3	2.9
Other (income) expense, net	<b>(6.3)</b>	<b>(1.2)</b>	2.7	0.5
Interest expense, net	<b>18.8</b>	<b>3.4</b>	16.9	3.2
<b>Income (loss) before income taxes</b>	<b>9.0</b>	<b>1.6</b>	(4.3)	(0.8)
Income tax expense	<b>3.2</b>	<b>0.6</b>	2.4	0.5
<b>Net income (loss)</b>	<b>5.8</b>	<b>1.1</b>	(6.7)	(1.3)
Depreciation & amortization	<b>62.4</b>	<b>11.4</b>	61.2	11.6

The following table summarizes the change in revenue by reporting segment for the three months ended April 1, 2023:

(in millions of U.S. dollars, except percentage amounts)	For the Three Months Ended April 1, 2023			
	North America	Europe	Other	Total
Change in revenue	\$ 15.2	\$ 5.1	\$ 0.1	\$ 20.4
Impact of foreign exchange <sup>1</sup>	1.1	4.2	6.8	12.1
Change excluding foreign exchange	\$ 16.3	\$ 9.3	\$ 6.9	\$ 32.5
Percentage change in revenue	3.8 %	7.9 %	0.2 %	3.9 %
Percentage change in revenue excluding foreign exchange	4.1 %	14.5 %	10.7 %	6.2 %

<sup>1</sup> Impact of foreign exchange is the difference between the current period revenue translated utilizing the current period average foreign exchange rates less the current period revenue translated utilizing the prior period average foreign exchange rates.

The following table summarizes the change in gross profit by reporting segment for the three months ended April 1, 2023:

<b>(in millions of U.S. dollars, except percentage amounts)</b>	<b>For the Three Months Ended April 1, 2023</b>			
	<b>North America</b>	<b>Europe</b>	<b>Other</b>	<b>Total</b>
Change in gross profit	\$ 26.8	\$ 3.7	\$ (1.8)	\$ 28.7
Impact of foreign exchange <sup>1</sup>	0.7	2.7	2.2	5.6
Change excluding foreign exchange	\$ 27.5	\$ 6.4	\$ 0.4	\$ 34.3
Percentage change in gross profit	11.6 %	8.4 %	(7.6)%	9.6 %
Percentage change in gross profit excluding foreign exchange	11.9 %	14.6 %	1.7 %	11.4 %

<sup>1</sup> Impact of foreign exchange is the difference between the current period gross profit translated utilizing the current period average foreign exchange rates less the current period gross profit translated utilizing the prior period average foreign exchange rates.

Our corporate oversight function is not treated as a segment; it includes certain general and administrative costs that are disclosed in the Other category.

The following table summarizes our net revenue, gross profit, SG&A expenses and operating income (loss) by reporting segment for the three months ended April 1, 2023 and April 2, 2022:

<b>(in millions of U.S. dollars)</b>	<b>For the Three Months Ended</b>	
	<b>April 1, 2023</b>	<b>April 2, 2022</b>
<b><u>Revenue, net</u></b>		
North America	\$ 412.3	\$ 397.1
Europe	69.4	64.3
Other	64.8	64.7
Total	\$ 546.5	\$ 526.1
<b><u>Gross profit</u></b>		
North America	\$ 258.8	\$ 232.0
Europe	47.5	43.8
Other	22.0	23.8
Total	\$ 328.3	\$ 299.6
<b><u>Selling, general and administrative expenses</u></b>		
North America	\$ 221.1	\$ 199.7
Europe	44.3	46.2
Other	38.1	32.4
Total	\$ 303.5	\$ 278.3
<b><u>Operating income (loss)</u></b>		
North America	\$ 34.7	\$ 28.3
Europe	2.9	(3.6)
Other	(16.1)	(9.4)
Total	\$ 21.5	\$ 15.3

The following tables summarize net revenue by channel for the three months ended April 1, 2023 and April 2, 2022:

<b>(in millions of U.S. dollars)</b>	<b>For the Three Months Ended April 1, 2023</b>			
	<b>North America</b>	<b>Europe</b>	<b>Other</b>	<b>Total</b>
<i>Revenue, net</i>				
Water Direct/Water Exchange	\$ 312.4	\$ 53.0	\$ 10.4	\$ 375.8
Water Refill/Water Filtration	52.2	8.8	0.6	61.6
Other Water	11.3	0.2	15.7	27.2
Water Dispensers	12.7	0.1	—	12.8
Other	23.7	7.3	38.1	69.1
<b>Total</b>	<b>\$ 412.3</b>	<b>\$ 69.4</b>	<b>\$ 64.8</b>	<b>\$ 546.5</b>

<b>(in millions of U.S. dollars)</b>	<b>For the Three Months Ended April 2, 2022</b>			
	<b>North America</b>	<b>Europe</b>	<b>Other</b>	<b>Total</b>
<i>Revenue, net</i>				
Water Direct/Water Exchange	\$ 278.3	\$ 48.2	\$ 10.8	\$ 337.3
Water Refill/Water Filtration	42.2	8.2	0.5	50.9
Other Water	34.0	0.4	16.0	50.4
Water Dispensers	14.2	—	—	14.2
Other	28.4	7.5	37.4	73.3
<b>Total</b>	<b>\$ 397.1</b>	<b>\$ 64.3</b>	<b>\$ 64.7</b>	<b>\$ 526.1</b>

The following table summarizes our EBITDA and Adjusted EBITDA for the three months ended April 1, 2023 and April 2, 2022:

<b>(in millions of U.S. dollars)</b>	<b>For the Three Months Ended</b>	
	<b>April 1, 2023</b>	<b>April 2, 2022</b>
Net income (loss)	\$ 5.8	\$ (6.7)
Interest expense, net	18.8	16.9
Income tax expense	3.2	2.4
Depreciation and amortization	62.4	61.2
<b>EBITDA</b>	<b>\$ 90.2</b>	<b>\$ 73.8</b>
Acquisition and integration costs	2.0	4.3
Share-based compensation costs	2.3	3.3
Foreign exchange and other (gains) losses, net	(5.9)	3.9
Loss on disposal of property, plant and equipment, net	1.3	1.7
Other adjustments, net	5.0	0.9
<b>Adjusted EBITDA</b>	<b>\$ 94.9</b>	<b>\$ 87.9</b>



## Three Months Ended April 1, 2023 Compared to Three Months Ended April 2, 2022

### *Revenue, Net*

Net revenue increased \$20.4 million, or 3.9%, in the first quarter from the prior year period.

North America net revenue increased \$15.2 million, or 3.8%, in the first quarter from the prior year period due primarily to increased demand for products and services from residential and business customers of \$10.0 million and pricing initiatives of \$39.2 million, partially offset by the effects of exit from the single-use retail bottled water business of \$26.6 million and unfavorable impact of foreign exchange of \$1.1 million.

Europe net revenue increased \$5.1 million, or 7.9%, in the first quarter from the prior year period due primarily to increased demand for products and services from residential and business customers of \$4.8 million, pricing initiatives of \$7.3 million, partially offset by the sale of the Russia business of \$2.8 million and unfavorable impact of foreign exchange rates of \$4.2 million.

Other net revenue increased \$0.1 million, or 0.2%, in the first quarter from the prior year period due primarily to increased demand for products and services from residential and business customers of \$2.2 million and pricing initiatives of \$4.7 million, offset by the unfavorable impact of foreign exchange rates of \$6.8 million.

### *Gross Profit*

Gross profit increased to \$328.3 million in the first quarter from \$299.6 million in the prior year period. Gross profit as a percentage of revenue was 60.1% in the first quarter compared to 56.9% in the prior year period.

North America gross profit increased to \$258.8 million in the first quarter from \$232.0 million in the prior year period, and gross profit as a percentage of revenue was 62.8% in the first quarter compared to 58.4% in the prior year period. The 440 basis point increase is due primarily to increased demand and pricing initiatives and the exit from the single-use retail bottled water business in North America.

Europe gross profit increased to \$47.5 million in the first quarter from \$43.8 million in the prior year period, and gross profit as a percentage of revenue remained relatively flat at 68.4% in the first quarter compared to 68.1% in the prior year period.

Other gross profit decreased to \$22.0 million in the first quarter from \$23.8 million in the prior year period, and gross profit as a percentage of revenue was 34.0% in the first quarter compared to 36.8% in the prior year. The 280 basis point decrease is due primarily to the unfavorable impact of inflationary cost increases.

### *Selling, General and Administrative Expenses*

SG&A expenses increased to \$303.5 million in the first quarter from \$278.3 million in the prior year period. SG&A expenses as a percentage of revenue was 55.5% in the first quarter compared to 52.9% in the prior year period.

North America SG&A expenses increased to \$221.1 million in the first quarter from \$199.7 million in the prior year period due primarily to higher selling and operating costs that supported volume and revenue growth related primarily to labor and transportation cost increases, which increased by \$7.9 million and \$4.1 million, respectively, from the prior year period.

Europe SG&A expenses decreased to \$44.3 million in the first quarter from \$46.2 million in the prior year period due primarily to the favorable impact of foreign exchange rates of \$2.7 million, partially offset by higher selling and operating costs that supported volume and revenue growth related primarily to labor cost increases, which increased by \$0.6 million from the prior year period.

Other SG&A expenses increased to \$38.1 million in the first quarter from \$32.4 million in the prior year period due primarily to labor and transportation cost increases, which increased by \$3.2 million and \$0.5 million, respectively, and professional fee increases of \$2.2 million from the prior year period, partially offset by the favorable impact of foreign exchange rates of \$1.4 million.

### ***Acquisition and Integration Expenses***

Acquisition and integration expenses decreased to \$2.0 million in the first quarter from \$4.3 million in the prior year period. Acquisition and integration expenses as a percentage of revenue was 0.4% in the first quarter compared to 0.8% in the prior year period.

North America acquisition and integration expenses decreased to \$1.7 million in the first quarter from \$2.5 million in the prior year period due primarily to lower ongoing integration costs incurred in connection with the Legacy Primo Acquisition and lower costs associated with tuck-in acquisitions.

Europe acquisition and integration expenses decreased to \$0.3 million in the first quarter from \$1.2 million in the prior year period due primarily to lower costs associated with tuck-in acquisitions.

Other acquisition and integration expenses decreased to nil in the first quarter from \$0.6 million in the prior year period due to lower acquisition and integration costs related primarily to the Legacy Primo business.

### ***Operating Income***

Operating income increased to \$21.5 million in the first quarter from operating income of \$15.3 million in the prior year period.

North America operating income increased to \$34.7 million in the first quarter from \$28.3 million in the prior year period due to the items discussed above.

Europe operating income increased to \$2.9 million in the first quarter from operating loss of \$3.6 million in the prior year period due to the items discussed above.

Other operating loss increased to \$16.1 million in the first quarter from \$9.4 million in the prior year period due to the items discussed above.

### ***Other (Income) Expense, Net***

Other income, net was \$6.3 million for the first quarter compared to other expense, net of \$2.7 million in the prior year period due primarily to unrealized foreign exchange gains in the current year period compared to unrealized foreign exchange losses in the prior year period.

### ***Income Taxes***

Income tax expense was \$3.2 million in the first quarter compared to income tax expense of \$2.4 million in the prior year period. The effective tax rate for the first quarter was 35.6% compared to (55.8)% in the prior year period.

The effective tax rate for the first quarter varied from the effective tax rate from the prior year period due to increased income related primarily to foreign exchange gains in tax jurisdictions for which no tax expense is recognized due to existing valuation allowances.

### ***Liquidity and Capital Resources***

As of April 1, 2023, we had total debt of \$1,554.9 million and \$96.5 million of cash and cash equivalents compared to \$1,513.6 million of debt and \$122.6 million of cash and cash equivalents as of December 31, 2022.

Our global operations expose us to risks associated with disruptions to global supply chains, labor shortages, inflation and the ongoing Russia/Ukraine war which are likely to continue to create challenging economic conditions for our business, through increased costs, increased employee attrition and vacancies, lower consumer spending or other impacts. While we have taken steps to minimize the impact of these increased costs, global supply chain disruption may deteriorate and inflationary pressures may increase, which could adversely affect our business, financial condition, results of operations and cash flows.

We believe that our level of resources, which includes cash on hand, borrowings under our Revolving Credit Facility and funds provided by our operations, will be adequate to fund cash outflows that have both a short- and long-term component. These cash flows will support our growth platform and include our expenses, capital expenditures, anticipated dividend payments, and debt service obligations. The Company regularly assesses its cash requirements and the available resources to fund these needs. Our ability to generate cash to meet our current expenses and debt service obligations will depend on our future performance. If we do not have enough cash to pay our debt service obligations, or if the Revolving Credit Facility or our outstanding notes were to become currently due, either at maturity or as a result of a breach, we may be required to take actions such as amending our Credit Agreement or the indentures governing our outstanding notes, refinancing all or part of our existing debt, selling assets, incurring additional indebtedness or raising equity. If we need to seek additional financing, there is no assurance that this additional financing will be available on favorable terms or at all.

As of April 1, 2023, our outstanding borrowings under the Revolving Credit Facility were \$224.8 million and outstanding letters of credit totaled \$56.6 million, resulting in total utilization under the Revolving Credit Facility of \$281.4 million. Accordingly, unused availability under the Revolving Credit Facility as of April 1, 2023 amounted to \$68.6 million.

We earn substantially all of our consolidated operating income in subsidiaries located outside of Canada. We have not provided for federal, state, and foreign deferred income taxes on the undistributed earnings of our non-Canadian subsidiaries. We expect that these earnings will be permanently reinvested by such subsidiaries except in certain instances where repatriation attributable to current earnings results in minimal or no tax consequences.

We expect our existing cash and cash equivalents, cash flows and the issuance of debt to continue to be sufficient to fund our operating, investing, and financing activities. In addition, we expect our existing cash and cash equivalents and cash flows outside of Canada to continue to be sufficient to fund the operating activities of our subsidiaries.

A future change to our assertion that foreign earnings will be permanently reinvested could result in additional income taxes and/or withholding taxes payable, where applicable. Therefore, a higher effective tax rate could occur during the period of repatriation.

We may, from time to time, depending on market conditions, including without limitation whether our outstanding notes are then trading at a discount to their face amount, repurchase our outstanding notes for cash and/or in exchange for our common shares, warrants, preferred shares, debt, or other consideration, in each case in open market purchases and/or privately negotiated transactions. The amounts involved in any such transactions, individually or in the aggregate, may be material. However, the covenants in our Revolving Credit Facility subject such purchases to certain limitations and conditions.

A dividend of \$0.08 per common share was declared during the first quarter of 2023 for an aggregate dividend payment of approximately \$12.9 million.

The following table summarizes our cash flows for the three months ended April 1, 2023 and April 2, 2022, as reported in our Consolidated Statements of Cash Flows in the accompanying Consolidated Financial Statements:

<b>(in millions of U.S. dollars)</b>	<b>For the Three Months Ended</b>	
	<b>April 1, 2023</b>	<b>April 2, 2022</b>
Net cash provided by operating activities	\$ 34.3	\$ 23.6
Net cash used in investing activities	(61.5)	(40.5)
Net cash provided by (used in) financing activities	0.3	(12.6)
Effect of exchange rate changes on cash	0.8	(0.9)
Net decrease in cash, cash equivalents and restricted cash	(26.1)	(30.4)
Cash and cash equivalents and restricted cash, beginning of period	122.6	128.4
Cash and cash equivalents and restricted cash, end of period	\$ 96.5	\$ 98.0

### ***Operating Activities***

Cash provided by operating activities was \$34.3 million year to date compared to \$23.6 million in the prior year period. The \$10.7 million increase was due primarily to improved earnings, excluding non-cash charges, and a decrease in cash used for working capital relative to the prior year period.

### ***Investing Activities***

Cash used in investing activities was \$61.5 million year to date compared to \$40.5 million in the prior year period. The \$21.0 million increase was due primarily to an increase in additions to property, plant and equipment and tuck-in acquisitions relative to the prior year period.

### ***Financing Activities***

Cash provided by financing activities was \$0.3 million year to date compared to cash used in financing activities of \$12.6 million in the prior year period. The \$12.9 million increase was due primarily to an increase in cash provided by net short-term borrowings and issuances of common shares, partially offset by an increase in share repurchases and dividends paid to common shareholders.

### **Off-Balance Sheet Arrangements**

We have no off-balance sheet arrangements as of April 1, 2023.

## **Contractual Obligations**

There were no material changes to our outstanding contractual obligations from amounts previously disclosed in our 2022 Annual Report.

## **Credit Ratings and Covenant Compliance**

### ***Credit Ratings***

We have no material changes to the disclosure on this matter made in our 2022 Annual Report.

### ***Covenant Compliance***

#### *Indentures governing our outstanding notes*

Under the indentures governing our outstanding notes, we are subject to a number of covenants, including covenants that limit our and certain of our subsidiaries' ability, subject to certain exceptions and qualifications, to (i) pay dividends or make distributions, repurchase equity securities, prepay subordinated debt or make certain investments, (ii) incur additional debt or issue certain disqualified stock or preferred stock, (iii) create or incur liens on assets securing indebtedness, (iv) merge or consolidate with another company or sell all or substantially all of our assets taken as a whole, (v) enter into transactions with affiliates and (vi) sell assets. The covenants are substantially similar across the series of notes. As of April 1, 2023, we were in compliance with all of the covenants under each series of notes. There have been no amendments to any such covenants of our outstanding notes since the date of their issuance.

#### *Revolving Credit Facility*

Under the Credit Agreement governing the Revolving Credit Facility, we and our restricted subsidiaries are subject to a number of business and financial covenants, including a consolidated secured leverage ratio and an interest coverage ratio. The consolidated secured leverage ratio must not be more than 3.50 to 1.00, with an allowable temporary increase to 4.00 to 1.00 for the quarter in which we consummate a material acquisition with a price not less than \$125.0 million, for three quarters. The interest coverage ratio must not be less than 3.00 to 1.00. We were in compliance with these financial covenants as of April 1, 2023.

In addition, the Credit Agreement has certain non-financial covenants, such as covenants regarding indebtedness, investments, and asset dispositions. We were in compliance with all of the applicable covenants as of April 1, 2023.

## **Issuer Purchases of Equity Securities**

### *Common Share Repurchase Program*

On August 9, 2022, our Board of Directors approved a new share repurchase program for up to \$100.0 million of our outstanding common shares over a 12-month period commencing on August 15, 2022. During the first quarter of 2023, we repurchased 1,112,514 common shares for approximately \$16.6 million through open market transactions. Repurchased shares were subsequently cancelled. Please refer to the table in Part II, Item 2 of this Quarterly Report on Form 10-Q.

We are unable to predict the number of common shares that ultimately will be repurchased under the share repurchase program, or the aggregate dollar amount of common shares to be purchased in future periods. We may discontinue purchases at any time, subject to compliance with applicable regulatory requirements.

### *Tax Withholding*

In the first quarter of 2023, an aggregate of 165,324 common shares were withheld from delivery to our employees to satisfy their respective tax obligations related to share-based awards. In the first quarter of 2022, an aggregate of 113,527 common shares were withheld from delivery to our employees to satisfy their respective tax obligations related to share-based awards.

Please refer to the table in Part II, Item 2 of this Quarterly Report on Form 10-Q.

## **Capital Structure**

Since December 31, 2022, our equity has decreased by \$26.4 million. The decrease was due to common shares repurchased and canceled of \$19.3 million, common share dividend payments of \$12.9 million and other comprehensive loss, net of tax of \$6.6 million, partially offset by net income of \$5.8 million, the issuance of common shares of \$4.3 million, and share-based compensation costs of \$2.3 million.

**Dividend Payments***Common Share Dividend*

On February 22, 2023, the Board of Directors declared a dividend of \$0.08 per share on common shares, payable in cash on March 27, 2023 to shareowners of record at the close of business on March 10, 2023. On May 3, 2023, the Board of Directors declared a dividend of \$0.08 per share on common shares, payable in cash on June 14, 2023, to shareowners of record at the close of business on June 2, 2023. We intend to pay a regular quarterly dividend on our common shares subject to, among other things, the best interests of our shareowners, our results of operations, cash balances and future cash requirements, financial condition, statutory regulations and covenants set forth in the Revolving Credit Facility and indentures governing our outstanding notes, as well as other factors that the Board of Directors may deem relevant from time to time.

**Critical Accounting Policies**

Our critical accounting policies require management to make estimates and assumptions that affect the reported amounts in the Consolidated Financial Statements and the accompanying notes. These estimates are based on historical experience, the advice of external experts or on other assumptions management believes to be reasonable. Where actual amounts differ from estimates, revisions are included in the results for the period in which actual amounts become known. Historically, differences between estimates and actual amounts have not had a significant impact on our Consolidated Financial Statements.

Critical accounting policies and estimates used to prepare the Consolidated Financial Statements are discussed with the Audit Committee of our Board of Directors as they are implemented and on an annual basis.

We have no material changes to our Critical Accounting Policies and Estimates disclosure as filed in our 2022 Annual Report.

**Recent Accounting Pronouncements**

See Note 1 to the Consolidated Financial Statements for a discussion of recent accounting guidance.

**Item 3. Quantitative and Qualitative Disclosures about Market Risk**

In the ordinary course of business, we are exposed to foreign currency, interest rate and commodity price risks. We hedge firm commitments or anticipated transactions and do not enter into derivatives for speculative purposes. We do not hold financial instruments for trading purposes. We have no material changes to our Quantitative and Qualitative Disclosures about Market Risk as filed in our 2022 Annual Report.

**Item 4. Controls and Procedures****Disclosure Controls and Procedures**

The Company maintains disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). The Company’s management, under the supervision and with the participation of the Company’s Chief Executive Officer and Chief Financial Officer, carried out an evaluation of the effectiveness of the design and operation of the Company’s disclosure controls and procedures as of April 1, 2023. Based upon this evaluation, the Company’s Chief Executive Officer and Chief Financial Officer concluded that, as of April 1, 2023, the Company’s disclosure controls and procedures are functioning effectively to ensure that information required to be disclosed by the Company in reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and accumulated and communicated to the Company’s management, including the Company’s Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

In addition, our management carried out an evaluation, as required by Rule 13a-15(d) of the Exchange Act, with the participation of our Chief Executive Officer and our Chief Financial Officer, of changes in our internal control over financial reporting. Based on this evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that there have been no changes in our internal control over financial reporting during our most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II. OTHER INFORMATION

### Item 1. Legal Proceedings

We are subject to various claims and legal proceedings with respect to matters such as governmental regulations, income taxes, and other actions arising out of the normal course of business. Management believes that the resolution of these matters will not have a material adverse effect on our financial position or results of operations.

Pursuant to SEC rules, we will disclose any proceeding in which a government authority is a party and that arises under any federal, state or local provisions enacted or adopted regulating the discharge of materials into the environment or primarily for the purpose of protecting the environment only where we believe that such proceedings, individually or in the aggregate, will result in monetary sanctions on us, exclusive of interest and costs, above \$500,000 or is otherwise material to our financial position, results of operations, or cash flows.

### Item 1A. Risk Factors

There have been no material changes to our risk factors since December 31, 2022. Please refer to our 2022 Annual Report.

### Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

#### Share Repurchases

On August 9, 2022, our Board of Directors approved a share repurchase program for up to \$100.0 million of our outstanding common shares over a 12-month period commencing on August 15, 2022.

The following table summarizes the repurchase activity under the Repurchase Plan during the first quarter of 2023:

	Total Number of Common Shares Purchased	Average Price Paid per Common Share	Total Number of Common Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Dollar Value) of Common Shares that May Yet Be Purchased Under the Plans or Programs
January 1, 2023 - January 31, 2023	325,682	\$ 15.24	325,682	\$ 71,309,598
February 1, 2023 - February 28, 2023	79,738	\$ 15.36	79,738	\$ 70,084,822
March 1, 2023 - April 1, 2023	707,094	\$ 14.72	707,094	\$ 59,676,398
<b>Total</b>	<b>1,112,514</b>			

#### Tax Withholding

The following table contains information about common shares that we withheld from delivering to employees during the first quarter of 2023 to satisfy their respective tax obligations related to share-based awards.

	Total Number of Common Shares Purchased	Average Price Paid per Common Share	Total Number of Common Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Dollar Value) of Common Shares that May Yet Be Purchased Under the Plans or Programs
January 1, 2023 - January 31, 2023	273	\$ 15.58	N/A	N/A
February 1, 2023 - February 28, 2023	160,392	\$ 15.90	N/A	N/A
March 1, 2023 - April 1, 2023	4,659	\$ 14.88	N/A	N/A
<b>Total</b>	<b>165,324</b>			

**Item 6. Exhibits**

Exhibit No.	Description of Exhibit	Incorporated by Reference				Filed or Furnished Herewith
		Form	Exhibit	Filing Date	File No.	
3.1	<a href="#">Articles of Continuance of Primo Water Corporation</a>	10-Q	3.1	8/6/2021	001-31410	
3.2	<a href="#">Second Amended and Restated By-Law No. 1 of Primo Water Corporation</a>	8-K	3.1	5/3/2023	001-31410	
31.1	<a href="#">Certification of the Chief Executive Officer pursuant to section 302 of the Sarbanes-Oxley Act of 2002 for the quarterly period ended April 1, 2023.</a>					*
31.2	<a href="#">Certification of the Chief Financial Officer pursuant to section 302 of the Sarbanes-Oxley Act of 2002 for the quarterly period ended April 1, 2023.</a>					*
32.1	<a href="#">Certification of the Chief Executive Officer pursuant to section 906 of the Sarbanes-Oxley Act of 2002 for the quarterly period ended April 1, 2023.</a>					*
32.2	<a href="#">Certification of the Chief Financial Officer pursuant to section 906 of the Sarbanes-Oxley Act of 2002 for the quarterly period ended April 1, 2023.</a>					*
101	The following financial statements from Primo Water Corporation's Quarterly Report on Form 10-Q for the quarter ended April 1, 2023, filed May 5, 2023, formatted in Inline XBRL (eXtensible Business Reporting Language): (i) Consolidated Statements of Operations, (ii) Condensed Consolidated Statements of Comprehensive Loss, (iii) Consolidated Balance Sheets, (iv) Consolidated Statements of Cash Flows, (v) Consolidated Statements of Equity, (vi) Notes to the Consolidated Financial Statements.					*
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).					*



**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.

PRIMO WATER CORPORATION  
(Registrant)

Date: May 5, 2023

*/s/ David Hass*

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David Hass  
Chief Financial Officer  
(On behalf of the Company)

Date: May 5, 2023

*/s/ Jason Ausher*

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Jason Ausher  
Chief Accounting Officer  
(Principal Accounting Officer)

## CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Thomas J. Harrington, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Primo Water Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Thomas J. Harrington  
Thomas J. Harrington  
Chief Executive Officer  
Dated: May 5, 2023

## CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, David Hass, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Primo Water Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

*/s/ David Hass*

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David Hass  
Chief Financial Officer  
Dated: May 5, 2023

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED PURSUANT TO SECTION  
906 OF THE SARBANES-OXLEY ACT OF 2002.**

The undersigned, Thomas J. Harrington, Chief Executive Officer of Primo Water Corporation (the “Company”), has executed this certification in connection with the filing with the Securities and Exchange Commission of the Company’s Quarterly Report on Form 10-Q for the quarter ended April 1, 2023 (the “Report”).

The undersigned hereby certifies that to the best of his knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

IN WITNESS WHEREOF, the undersigned has executed this certification as of the 5<sup>th</sup> day of May, 2023.

/s/ Thomas J. Harrington

Thomas J. Harrington  
Chief Executive Officer

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED PURSUANT TO SECTION  
906 OF THE SARBANES-OXLEY ACT OF 2002.**

The undersigned, David Hass, Chief Financial Officer of Primo Water Corporation (the “Company”), has executed this certification in connection with the filing with the Securities and Exchange Commission of the Company’s Quarterly Report on Form 10-Q for the quarter ended April 1, 2023 (the “Report”).

The undersigned hereby certifies that to the best of his knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

IN WITNESS WHEREOF, the undersigned has executed this certification as of the 5<sup>th</sup> day of May, 2023.

*/s/ David Hass*

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David Hass  
Chief Financial Officer