

**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: **September 26, 2020**

**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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Canada (State or Other Jurisdiction of Incorporation or Organization)	98-0154711 (IRS Employer Identification No.)
4221 West Boy Scout Boulevard Suite 400 Tampa, Florida United States (Address of principal executive offices)	33607 (Zip Code)

Registrant's telephone number, including area code: **(813) 313-1732**

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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
<b>Common Shares, no par value per share</b>	<b>PRMW</b>	<b>New York Stock Exchange Toronto Stock Exchange</b>

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 <input checked="" type="checkbox"/>	Accelerated filer <input type="checkbox"/>
Non-accelerated filer <input type="checkbox"/>	Smaller reporting company <input type="checkbox"/>
	Emerging growth company <input type="checkbox"/>

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.

<u>Class</u>	<u>Outstanding at November 2, 2020</u>
Common Shares, no par value per share	160,197,056

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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*

	For the Three Months Ended		For the Nine Months Ended	
	September 26, 2020	September 28, 2019	September 26, 2020	September 28, 2019
<b>Revenue, net</b>	\$ 517.5	\$ 472.1	\$ 1,448.5	\$ 1,355.4
Cost of sales	213.4	185.8	616.4	554.4
<b>Gross profit</b>	<b>304.1</b>	286.3	<b>832.1</b>	801.0
Selling, general and administrative expenses	257.2	244.2	759.0	725.7
Loss on disposal of property, plant and equipment, net	2.3	1.1	6.2	4.7
Acquisition and integration expenses	3.3	2.6	28.4	10.0
Goodwill and intangible asset impairment charges	—	—	115.2	—
<b>Operating income (loss)</b>	<b>41.3</b>	38.4	<b>(76.7)</b>	60.6
Other (income) expense, net	(4.8)	3.8	0.6	7.1
Interest expense, net	20.4	20.2	60.8	58.3
<b>Income (loss) from continuing operations before income taxes</b>	<b>25.7</b>	14.4	<b>(138.1)</b>	(4.8)
Income tax expense (benefit)	3.4	7.1	(1.3)	7.9
<b>Net income (loss) from continuing operations</b>	<b>\$ 22.3</b>	\$ 7.3	<b>\$ (136.8)</b>	\$ (12.7)
Net (loss) income from discontinued operations, net of income taxes	(0.3)	2.8	26.3	7.5
<b>Net income (loss)</b>	<b>\$ 22.0</b>	\$ 10.1	<b>\$ (110.5)</b>	\$ (5.2)
<b>Net income (loss) per common share</b>				
<b>Basic:</b>				
Continuing operations	\$ 0.14	\$ 0.05	\$ (0.89)	\$ (0.09)
Discontinued operations	\$ —	\$ 0.02	\$ 0.17	\$ 0.05
Net income (loss)	\$ 0.14	\$ 0.07	\$ (0.72)	\$ (0.04)
<b>Diluted:</b>				
Continuing operations	\$ 0.14	\$ 0.05	\$ (0.89)	\$ (0.09)
Discontinued operations	\$ —	\$ 0.02	\$ 0.17	\$ 0.05
Net income (loss)	\$ 0.14	\$ 0.07	\$ (0.72)	\$ (0.04)
<b>Weighted average common shares outstanding (in thousands)</b>				
Basic	160,101	134,667	153,723	135,395
Diluted	161,433	136,208	153,723	135,395

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

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

	<b>For the Three Months Ended</b>		<b>For the Nine Months Ended</b>	
	<b>September 26, 2020</b>	<b>September 28, 2019</b>	<b>September 26, 2020</b>	<b>September 28, 2019</b>
Net income (loss)	\$ 22.0	\$ 10.1	\$ (110.5)	\$ (5.2)
Other comprehensive (loss) income:				
Currency translation adjustment	(4.8)	(0.8)	(15.1)	6.3
Income (loss) on derivative instruments, net of tax <sup>1,2</sup>	—	(1.0)	(11.2)	6.0
<b>Comprehensive income (loss)</b>	<b>\$ 17.2</b>	<b>\$ 8.3</b>	<b>\$ (136.8)</b>	<b>\$ 7.1</b>

<sup>1</sup> Net of the effect of \$3.0 million tax benefit for the nine months ended September 26, 2020 and \$1.1 million tax benefit and \$2.2 million tax expense for the three and nine months ended September 28, 2019, respectively.

<sup>2</sup> Net of \$1.3 million associated tax impact that resulted in a decrease to the gain on sale of discontinued operations for the nine months ended September 26, 2020.

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*

	<u>September 26, 2020</u>	<u>December 28, 2019</u>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 161.9	\$ 156.9
Accounts receivable, net of allowance of \$15.6 (\$8.8 as of December 28, 2019)	275.1	216.7
Inventories	79.3	62.9
Prepaid expenses and other current assets	28.0	19.1
Current assets of discontinued operations	—	186.7
<b>Total current assets</b>	<b>544.3</b>	<b>642.3</b>
Property, plant and equipment, net	669.9	558.1
Operating lease right-of-use-assets	177.1	185.7
Goodwill	1,258.9	1,047.5
Intangible assets, net	982.0	597.0
Other long-term assets, net	28.7	20.5
Long-term assets of discontinued operations	—	339.8
<b>Total assets</b>	<b>\$ 3,660.9</b>	<b>\$ 3,390.9</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current liabilities</b>		
Short-term borrowings	\$ 148.8	\$ 92.4
Current maturities of long-term debt	18.5	6.9
Accounts payable and accrued liabilities	428.3	370.6
Current operating lease obligations	38.3	36.5
Current liabilities of discontinued operations	—	101.2
<b>Total current liabilities</b>	<b>633.9</b>	<b>607.6</b>
Long-term debt	1,306.5	1,259.1
Operating lease obligations	144.9	155.2
Deferred tax liabilities	140.3	90.6
Other long-term liabilities	73.7	58.7
Long-term liabilities of discontinued operations	—	53.5
<b>Total liabilities</b>	<b>2,299.3</b>	<b>2,224.7</b>
<b>Shareholders' Equity</b>		
Common shares, no par value - 160,171,008 (December 28, 2019 - 134,803,211) shares issued	1,264.8	892.3
Additional paid-in-capital	79.6	77.4
Retained earnings	112.0	265.0
Accumulated other comprehensive loss	(94.8)	(68.5)
<b>Total shareholders' equity</b>	<b>1,361.6</b>	<b>1,166.2</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 3,660.9</b>	<b>\$ 3,390.9</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*

	For the Three Months Ended		For the Nine Months Ended	
	September 26, 2020	September 28, 2019	September 26, 2020	September 28, 2019
<b>Cash flows from operating activities of continuing operations:</b>				
Net income (loss)	\$ 22.0	\$ 10.1	\$ (110.5)	\$ (5.2)
Net (loss) income from discontinued operations, net of income taxes	(0.3)	2.8	26.3	7.5
Net income (loss) from continuing operations	22.3	7.3	(136.8)	(12.7)
<b>Adjustments to reconcile net income (loss) from continuing operations to cash flows from operating activities:</b>				
Depreciation and amortization	53.6	41.7	151.4	124.3
Amortization of financing fees	0.9	0.9	2.7	2.6
Share-based compensation expense	6.2	1.5	13.5	8.0
Provision (benefit) for deferred income taxes	1.8	7.1	(2.6)	1.0
(Gain) loss on sale of business	—	—	(0.6)	6.0
Goodwill and intangible asset impairment	—	—	115.2	—
Loss on disposal of property, plant and equipment, net	2.3	1.1	6.2	4.7
Other non-cash items	(2.8)	3.6	1.7	—
Change in operating assets and liabilities, net of acquisitions:				
Accounts receivable	(48.6)	(7.2)	(38.5)	(28.9)
Inventories	0.5	(2.5)	3.0	(6.8)
Prepaid expenses and other current assets	(3.9)	0.3	(3.5)	0.6
Other assets	(0.3)	0.1	(0.9)	1.3
Accounts payable and accrued liabilities and other liabilities	21.2	34.1	12.6	4.2
Net cash provided by operating activities from continuing operations	53.2	88.0	123.4	104.3
<b>Cash flows from investing activities of continuing operations:</b>				
Acquisitions, net of cash received	(1.2)	(5.2)	(435.7)	(30.7)
Additions to property, plant and equipment	(21.4)	(32.9)	(85.0)	(79.2)
Additions to intangible assets	(2.5)	(3.1)	(7.9)	(5.9)
Proceeds from sale of property, plant and equipment	0.2	0.4	1.0	2.3
Proceeds from sale of business, net of cash sold	—	—	—	50.5
Other investing activities	—	0.4	1.1	0.4
Net cash used in investing activities from continuing operations	(24.9)	(40.4)	(526.5)	(62.6)

**Cash flows from financing activities of continuing operations:**

Payments of long-term debt	(2.3)	(1.3)	(7.6)	(4.1)
Proceeds from short-term borrowings	—	1.2	323.9	64.1
Payments on short-term borrowings	(70.0)	(1.2)	(279.9)	(63.1)
Issuance of common shares	1.2	0.2	2.0	0.9
Common shares repurchased and canceled	(0.2)	(0.1)	(32.3)	(31.1)
Financing fees	(0.6)	—	(3.4)	—
Equity issuance fees	—	—	(1.1)	—
Dividends paid to common shareholders	(9.6)	(8.2)	(29.9)	(24.4)
Payment of deferred consideration for acquisitions	—	—	(1.2)	(0.2)
Other financing activities	7.9	2.0	19.1	5.4
Net cash used in financing activities from continuing operations	(73.6)	(7.4)	(10.4)	(52.5)

**Cash flows from discontinued operations:**

Operating activities of discontinued operations	(0.7)	(5.9)	(18.7)	9.7
Investing activities of discontinued operations	(4.0)	(3.0)	388.9	(26.2)
Financing activities of discontinued operations	—	(0.2)	(0.1)	(0.4)
Net cash (used in) provided by discontinued operations	(4.7)	(9.1)	370.1	(16.9)
Effect of exchange rate changes on cash	0.8	(0.9)	(0.2)	0.5

**Net (decrease) increase in cash, cash equivalents and restricted cash**

	(49.2)	30.2	(43.6)	(27.2)
Cash and cash equivalents and restricted cash, beginning of period	211.1	113.4	205.5	170.8
Cash and cash equivalents and restricted cash, end of period	161.9	143.6	161.9	143.6
Cash and cash equivalents and restricted cash from discontinued operations, end of period	—	24.7	—	24.7
Cash and cash equivalents and restricted cash from continuing operations, end of period	\$ 161.9	\$ 118.9	\$ 161.9	\$ 118.9

**Supplemental Non-cash Investing and Financing Activities:**

Shares issued in connection with business combination	\$ —	\$ —	\$ 377.6	\$ —
Dividends payable issued through accounts payable and accrued liabilities	0.1	—	0.3	0.1
Additions to property, plant and equipment through accounts payable and accrued liabilities and other liabilities	13.1	13.3	14.7	17.0

**Supplemental Disclosures of Cash Flow Information:**

Cash paid for interest	\$ 16.2	\$ 3.0	\$ 54.8	\$ 53.3
Cash paid for income taxes, net	4.1	1.4	6.8	6.5

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 (In thousands)	Common Shares	Additional Paid-in- Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
<b>Balance at June 27, 2020</b>	<b>160,019</b>	<b>\$ 1,263.3</b>	<b>\$ 75.2</b>	<b>\$ 99.7</b>	<b>\$ (90.0)</b>	<b>\$ 1,348.2</b>
Net income	—	—	—	22.0	—	22.0
Other comprehensive loss, net of tax	—	—	—	—	(4.8)	(4.8)
Common shares dividends (\$0.06 per common share)	—	—	—	(9.7)	—	(9.7)
Share-based compensation	—	—	4.9	—	—	4.9
Common shares repurchased and canceled	(6)	(0.1)	—	—	—	(0.1)
Common shares issued - Equity Incentive Plan	117	1.2	(0.4)	—	—	0.8
Common shares issued - Employee Stock Purchase Plan	41	0.4	(0.1)	—	—	0.3
<b>Balance at September 26, 2020</b>	<b>160,171</b>	<b>\$ 1,264.8</b>	<b>\$ 79.6</b>	<b>\$ 112.0</b>	<b>\$ (94.8)</b>	<b>\$ 1,361.6</b>

	Number of Common Shares (In thousands)	Common Shares	Additional Paid-in- Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
<b>Balance at December 28, 2019</b>	<b>134,803</b>	<b>\$ 892.3</b>	<b>\$ 77.4</b>	<b>\$ 265.0</b>	<b>\$ (68.5)</b>	<b>\$ 1,166.2</b>
Cumulative effect of changes in accounting principle, net of taxes	—	—	—	(3.6)	—	(3.6)
Net loss	—	—	—	(110.5)	—	(110.5)
Other comprehensive loss, net of tax	—	—	—	—	(26.3)	(26.3)
Common shares dividends (\$0.18 per common share)	—	—	—	(29.2)	—	(29.2)
Share-based compensation	—	—	12.2	—	—	12.2
Common shares issued in connection with business combination and assumed vested awards, net of equity issuance costs of \$1.1 million	26,497	376.5	2.9	—	—	379.4
Common shares repurchased and canceled	(2,802)	(22.6)	—	(9.7)	—	(32.3)
Common shares issued - Equity Incentive Plan	1,569	17.5	(12.6)	—	—	4.9
Common shares issued - Dividend Reinvestment Plan	1	—	—	—	—	—
Common shares issued - Employee Stock Purchase Plan	103	1.1	(0.3)	—	—	0.8
<b>Balance at September 26, 2020</b>	<b>160,171</b>	<b>\$ 1,264.8</b>	<b>\$ 79.6</b>	<b>\$ 112.0</b>	<b>\$ (94.8)</b>	<b>\$ 1,361.6</b>

	Number of Common Shares (In thousands)	Common Shares	Additional Paid-in- Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
<b>Balance at June 29, 2019</b>	<b>134,638</b>	<b>\$ 890.0</b>	<b>\$ 74.4</b>	<b>\$ 263.1</b>	<b>\$ (87.6)</b>	<b>\$ 1,139.9</b>
Net income	—	—	—	10.1	—	10.1
Other comprehensive loss, net of tax	—	—	—	—	(1.8)	(1.8)
Common shares dividends (\$0.06 per common share)	—	—	—	(8.2)	—	(8.2)
Share-based compensation	—	—	1.7	—	—	1.7
Common shares repurchased and canceled	(4)	(0.1)	—	—	—	(0.1)
Common shares issued - Equity Incentive Plan	13	0.2	(0.2)	—	—	—
Common shares issued - Employee Stock Purchase Plan	24	0.4	(0.1)	—	—	0.3
<b>Balance at September 28, 2019</b>	<b>134,671</b>	<b>\$ 890.5</b>	<b>\$ 75.8</b>	<b>\$ 265.0</b>	<b>\$ (89.4)</b>	<b>\$ 1,141.9</b>

	Number of Common Shares (In thousands)	Common Shares	Additional Paid-in- Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
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<b>Balance at December 29, 2018</b>	<b>136,195</b>	<b>\$ 899.4</b>	<b>\$ 73.9</b>	<b>\$ 298.8</b>	<b>\$ (101.7)</b>	<b>\$ 1,170.4</b>
Cumulative effect of changes in accounting principle, net of taxes	—	—	—	10.5	—	10.5
Net loss	—	—	—	(5.2)	—	(5.2)
Other comprehensive income, net of tax	—	—	—	—	12.3	12.3
Common shares dividends (\$0.18 per common share)	—	—	—	(24.5)	—	(24.5)
Share-based compensation	—	—	8.5	—	—	8.5
Common shares repurchased and canceled	(2,215)	(16.5)	—	(14.6)	—	(31.1)
Common shares issued - Equity Incentive Plan	618	6.5	(6.5)	—	—	—
Common shares issued - Dividend Reinvestment Plan	3	—	—	—	—	—
Common shares issued - Employee Stock Purchase Plan	70	1.1	(0.1)	—	—	1.0
<b>Balance at September 28, 2019</b>	<b>134,671</b>	<b>\$ 890.5</b>	<b>\$ 75.8</b>	<b>\$ 265.0</b>	<b>\$ (89.4)</b>	<b>\$ 1,141.9</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***

On March 2, 2020, Cott Corporation completed the acquisition of Primo Water Corporation (“Legacy Primo” and such transaction, the “Legacy Primo Acquisition”). In connection with the closing of the Legacy Primo Acquisition, Cott Corporation changed its corporate name to Primo Water Corporation and its ticker symbol on the New York Stock Exchange and Toronto Stock Exchange to “PRMW”. The Legacy Primo Acquisition is consistent with our strategy of transitioning to a pure-play water solutions provider.

As used herein, “Primo,” “the Company,” “our Company,” “Primo Water Corporation,” “we,” “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, Europe and Israel. Primo operates largely under a recurring razor/razorblade revenue model. The razor in Primo’s revenue model is its industry leading line-up of sleek and innovative water dispensers, which are sold through major retailers and online at various price points or leased to customers. The dispensers help increase household penetration, which drives recurring purchases of Primo’s razorblade offering. 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 the customer’s door, whether at home or to commercial businesses. Through its Water Exchange and Water Refill businesses, Primo offers pre-filled and reusable containers at over 13,000 locations and water refill units at approximately 22,000 locations, respectively. Primo also offers water filtration units across its 21-country footprint representing a top five position.

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. In the third quarter of 2020, our U.S. operations achieved a carbon neutral certification under the CarbonNeutral Protocol, an international standard administered by Natural Capital Partners. This certification is in addition to the certifications in our European operations where we have maintained carbon neutrality for the past eight consecutive years.

***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 28, 2019 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 28, 2019 (our “2019 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 2019 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***

On February 28, 2020, we completed the sale of our coffee, tea and extract solutions business, S. & D. Coffee, Inc. (“S&D”) for consideration of \$405.0 million paid at closing in cash, with customary post-closing working capital adjustments, which were resolved in June 2020 by payment of \$1.5 million from the Company to the purchasers of S&D. As a result of this transaction representing a strategic shift in our operations, the Company has reclassified the financial results of our discontinued operations to net (loss) income from discontinued operations, net of income taxes in the Consolidated Statements of Operations for the three and nine months ended September 28, 2019. The assets and liabilities associated with S&D have been reflected as current and long-term assets and liabilities of discontinued operations in the Consolidated Balance Sheet as of December 28, 2019. Cash flows from our discontinued operations are presented in the Consolidated Statements of Cash Flows for the three and nine months ended September 28, 2019. The Notes to the Consolidated Financial Statements are presented on a continuing operations basis unless otherwise noted. See Note 2 to the Consolidated Financial Statements for additional information on discontinued operations.

On March 2, 2020, we completed the Legacy Primo Acquisition. This business was added to our North America reporting segment (described below).

During the second quarter of 2020, we implemented a restructuring program intended to optimize synergies from the Company’s transition to a pure-play water company following the Legacy Primo Acquisition and, as a result, reorganized into two reporting segments: 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 Rest of World (which includes our Eden Springs Nederland B.V. (“Eden”), Aimia Foods Limited (“Aimia”), Decantae Mineral Water Limited (“Decantae”) and John Farrer & Company Limited (“Farrers”) businesses). Our corporate oversight function and other miscellaneous expenses are aggregated and included in the All Other category. Segment reporting results have been recast to reflect these changes for all periods presented.

### ***Impact of the COVID-19 Pandemic***

The outbreak of the novel coronavirus (“COVID-19”) had a significant impact on our business, financial condition, results of operations and cash flows for the three and nine months ended September 26, 2020. In response to COVID-19, authorities in many of the markets in which we operate have implemented numerous measures to stall the spread of COVID-19, including travel bans and restrictions, quarantines, curfews, shelter in place orders, and business shutdowns. These measures have impacted and will continue to impact us, our customers, employees, distributors, suppliers and other third parties with whom we do business. There is considerable uncertainty regarding how these measures and future measures in response to the pandemic will impact our business in the future, including whether they will result in further changes in demand for our services and products, further increases in operating costs (whether as a result of changes to our supply chain or increases in employee costs or otherwise), and how they will further impact our supply chain, each or all of which can impact our ability to make, manufacture, distribute and sell our products. In addition, measures that impact our ability to access our offices, plants, warehouses, distribution centers or other facilities, or that impact the ability of our customers, employees, distributors, suppliers and other third parties to do the same, may impact the availability of our and their employees, many of whom are not able to perform their job functions remotely.

In response to COVID-19, certain government authorities have enacted programs which provide various economic stimulus measures, including several tax provisions. Among the business tax provisions is the deferral of certain payroll and other tax remittances to future years and wage subsidies as reimbursement for a portion of certain furloughed employees’ salaries. During the three and nine months ended September 26, 2020, we received wage subsidies under these programs totaling \$2.6 million and \$6.0 million, respectively. We review our eligibility for these programs for each qualifying period and account for such wage subsidies on an accrual basis when the conditions for eligibility are met. The Company has adopted an accounting policy to present wage subsidies as a reduction of selling, general and administrative (“SG&A”) expenses. In addition, deferred payroll and other taxes totaling \$3.1 million were included in accounts payable and accrued liabilities and \$10.9 million were included in other long-term liabilities on our Consolidated Balance Sheet as of September 26, 2020.

During the nine months ended September 26, 2020, we recorded a total of \$115.2 million of non-cash impairment charges related to goodwill and intangible assets. See goodwill and intangible asset impairment information below. The impairment charges were driven primarily by the impact of the COVID-19 pandemic and revised projections of future operating results. During the three months ended September 26, 2020, we did not identify any triggering events, and thus, there were no impairment charges recorded during the third quarter of 2020.

In addition, on June 11, 2020, we announced that our Board of Directors approved a plan intended to optimize synergies from the Company's transition to a pure-play water company following the Legacy Primo Acquisition and to mitigate the negative financial and operational impacts of the COVID-19 pandemic, including implementing headcount reductions and furloughs in our North America and Rest of World reporting segments ("2020 Restructuring Plan"). When we implement these programs, we incur various charges, including severance, asset impairments, and other employment related costs. In connection with the 2020 Restructuring Plan, we expect to incur approximately \$19.0 million in severance costs, all of which are expected to result in cash expenditures and are expected to be fully paid by the end of 2020. All costs incurred by the 2020 Restructuring Plan during the three and nine months ended September 26, 2020 are included in SG&A expenses on the Consolidated Statements of Operations.

The following table summarizes restructuring charges for the three and nine months ended September 26, 2020:

<b>(in millions of U.S. dollars)</b>	<b>For the Three Months Ended</b>	<b>For the Nine Months Ended</b>
	<b>September 26, 2020</b>	<b>September 26, 2020</b>
North America	\$ 0.3	\$ 2.6
Rest of World	—	6.6
<b>Total</b>	<b>\$ 0.3</b>	<b>\$ 9.2</b>

The following table summarizes our restructuring liability as of September 26, 2020, along with charges to costs and expenses and cash payments:

<b>(in millions of U.S. dollars)</b>	<b>Restructuring Liability</b>			<b>Balance at September 26, 2020</b>
	<b>Balance at December 28, 2019</b>	<b>Charges to Costs and Expenses</b>	<b>Cash Payments</b>	
North America	\$ —	\$ 2.6	\$ (2.6)	\$ —
Rest of World	—	6.6	(3.6)	3.0
<b>Total</b>	<b>\$ —</b>	<b>\$ 9.2</b>	<b>\$ (6.2)</b>	<b>\$ 3.0</b>

During the three and nine months ended September 26, 2020 we also incurred \$1.3 million and \$9.2 million, respectively, in other COVID-19 related costs. Other COVID-19 related costs primarily include front-line incentives paid and costs incurred for supplies.

#### **Significant Accounting Policies**

Included in Note 1 of our 2019 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 North America and Rest of World reporting segment branch locations to the end-user consumer of those products are recorded in 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 \$110.4 million and \$330.2 million for the three and nine months ended September 26, 2020, respectively, and \$127.2 million and \$362.7 million for the three and nine months ended September 28, 2019, respectively. Finished goods inventory costs include the cost of direct labor and materials and the applicable share of overhead expense chargeable to production.

### *Allowance for Credit Losses*

We estimate an allowance for credit losses based on historical loss experience, adverse situations that may affect a customer's ability to pay, current conditions, reasonable and supportable forecasts and current economic outlook. Customer demographics, such as large commercial customers as compared to small businesses or individual customers, and the customer's geographic market are also considered when estimating credit losses. Historical loss experience was based on actual loss rates over a one year period. Additionally, we evaluate current conditions and review third-party economic forecasts on a quarterly basis to determine the impact on the allowance for credit losses. The assumptions used in determining an estimate of credit losses are inherently subjective and actual results may differ significantly from estimated reserves.

### *Goodwill*

Goodwill represents the excess purchase price of acquired businesses over the fair value of the net assets acquired. We test goodwill for impairment at least annually on the first day of the fourth quarter, based on our reporting unit carrying values, calculated as total assets less non-interest bearing liabilities, as of the end of the third quarter, or more frequently if we determine a triggering event has occurred during the year. During the second quarter of 2020, given the general deterioration in economic and market conditions in which we operate arising from the COVID-19 pandemic, we identified a triggering event indicating possible impairment of goodwill and intangible assets, as further described below. We did not identify impairment of our property, plant and equipment, lease-related right-of-use assets, or long-lived assets.

The Company operates through two operating segments: North America and Rest of World. These two operating segments are also reportable segments. We evaluate goodwill for impairment on a reporting unit basis, which is an operating segment or a level below an operating segment, referred to as a component. A component of an operating segment is a reporting unit if the component constitutes a business for which discrete financial information is available and management regularly reviews the operating results of that component. However, two or more components of an operating segment can be aggregated and deemed a single reporting unit if the components have similar economic characteristics. Our North America operating segment was determined to have three components: DSS, Mountain Valley, and Aquaterra. We have determined that DSS and Aquaterra have similar economic characteristics and have aggregated them as a single reporting unit for the purpose of testing goodwill for impairment ("DSSAqua"). Our Rest of World operating segment was determined to have four components: Eden, Aimia, Decantae, and Farrers, none of which have similar economic characteristics. We have thus determined our reporting units are DSSAqua, Mountain Valley, Eden, Aimia, Decantae, and Farrers.

Due to the triggering event identified above arising from the impact of the COVID-19 pandemic, we first performed a qualitative assessment of goodwill to determine whether it was more likely than not that the fair value of these reporting units exceeded their respective carrying values. Based on this qualitative assessment, we determined that it was more likely than not that the fair value of our Eden, Aimia, Decantae, and Farrers reporting units did not exceed their respective carrying values. As a result, we performed an interim quantitative impairment test as of June 27, 2020 on these reporting units.

We determined the fair value of the reporting units being evaluated using a mix of the income approach (which is based on the discounted cash flows of the reporting unit) and the guideline public company approach. We weighted the income approach and the guideline public company approach at 50% each to determine the fair value of the reporting unit. We believe using a combination of these approaches provides a more accurate valuation because it incorporates the expected cash generation of the Company in addition to how a third-party market participant would value the reporting unit. As the business is assumed to continue in perpetuity, the discounted future cash flows includes a terminal value. Critical assumptions used in our valuation of the Eden reporting unit included the anticipated future cash flows, a weighted-average terminal growth rate of 1.5% and a discount rate of 9.5%. Critical assumptions used in our valuation of the Aimia, Decantae, and Farrers reporting units included a weighted-average terminal growth rate of 2.0% and a discount rate of 11.5%. The anticipated future cash flows assumption reflects projected revenue growth rates, SG&A expenses and capital expenditures. The terminal growth rate assumption incorporated into the discounted cash flow calculation reflects our long-term view of the market and industry, projected changes in the sale of our products, pricing of such products and operating profit margins. The discount rate was determined using various factors and sensitive assumptions, including bond yields, size premiums and tax rates. This rate was based on the weighted average cost of capital a market participant would use if evaluating the reporting unit as an investment. These assumptions are considered significant unobservable inputs and represent our best estimate of assumptions that market participants would use to determine the fair value of the respective reporting units. The key inputs into the discounted cash flow analysis were consistent with market data, where available, indicating that the assumptions used were in a reasonable range of observable market data.

Based on the quantitative assessment including consideration of the sensitivity of the assumptions made and methods used to determine fair value, industry trends and other relevant factors, we noted that the estimated fair value of the Aimia reporting unit exceeded its carrying value by approximately 23.5%. Therefore, no goodwill impairment charge was recorded for the Aimia reporting unit. Based on the quantitative assessment including consideration of the sensitivity of the assumptions made and methods used to determine fair value, industry trends and other relevant factors, we determined that goodwill was impaired for the Eden, Decantae, and FARRERS reporting units and recognized impairment charges of \$103.3 million, \$0.3 million and \$0.5 million, respectively. These impairment charges are included in goodwill and intangible asset impairment charges in the Consolidated Statement of Operations for the nine months ended September 26, 2020. During the three months ended September 26, 2020, we did not identify any triggering events, and thus, there were no impairment charges recorded during the third quarter of 2020.

The changes in the carrying amount of goodwill on a reporting segment basis for the nine months ended September 26, 2020, are as follows:

<b>(in millions of U.S. dollars)</b>	<b>Reporting Segment</b>		<b>Total</b>
	<b>North America</b>	<b>Rest of World</b>	
Balance at December 28, 2019			
Goodwill	\$ 673.0	\$ 374.5	\$ 1,047.5
Accumulated impairment losses	—	—	—
	<u>\$ 673.0</u>	<u>\$ 374.5</u>	<u>\$ 1,047.5</u>
Goodwill acquired during the year	337.7	5.6	343.3
Measurement period adjustments	(38.8)	1.1	(37.7)
Impairment losses	—	(104.1)	(104.1)
Foreign exchange	(0.4)	10.3	9.9
Balance at September 26, 2020			
Goodwill	971.5	391.5	1,363.0
Accumulated impairment losses	—	(104.1)	(104.1)
	<u>\$ 971.5</u>	<u>\$ 287.4</u>	<u>\$ 1,258.9</u>

#### *Intangible Assets*

Our intangible assets with indefinite lives relate to trademarks acquired in the acquisition of businesses, and there are no legal, regulatory, contractual, competitive, economic, or other factors that limit the useful life of these intangible assets. Our trademarks with indefinite lives are not amortized, but rather are tested for impairment at least annually or more frequently if we determine a triggering event has occurred during the year.

As a result of the triggering event described above arising from the impact of the COVID-19 pandemic, we also performed recoverability tests on our intangible assets, primarily trademarks, within each of our reporting segments as of June 27, 2020. We assessed qualitative factors to determine whether the existence of events or circumstances indicated that it was more likely than not that the fair value of our trademarks with indefinite lives were less than their respective carrying value. The qualitative factors we assessed included macroeconomic conditions, industry and market considerations, cost factors that would have a negative effect on earnings and cash flows, overall financial performance compared with forecasted projections in prior periods, and other relevant events, the impact of which are all significant judgments and estimates. Based on this qualitative assessment, we determined that impairment was more likely than not with the trademarks with indefinite lives associated with our Eden and Aquaterra businesses. As a result, we performed an interim quantitative impairment test as of June 27, 2020 on these intangible assets.

To determine the fair value of the trademarks with indefinite lives associated with our Eden and Aquaterra businesses, we use a relief from royalty method of the income approach, which calculates a fair value royalty rate that is applied to revenue forecasts associated with those trademarks. The resulting cash flows are discounted using a rate to reflect the risk of achieving the projected royalty savings attributable to the trademarks. The assumptions used to estimate the fair value of these trademarks are subjective and require significant management judgment, including estimated future revenues, the fair value royalty rate (which is estimated to be a reasonable market royalty charge that would be charged by a licensor of the trademarks) and the risk adjusted discount rate. Based on our impairment test, we determined the trademarks with indefinite lives associated with our Eden and Aquaterra businesses were impaired and recognized impairment charges of \$9.9 million and \$1.2 million, respectively. These impairment charges are included in goodwill and intangible asset impairment charges in the Consolidated Statement of Operations for the nine months ended September 26, 2020. During the three months ended September 26, 2020, we did not identify any triggering events, and thus, there were no impairment charges recorded during the third quarter of 2020.

### **Recently adopted accounting pronouncements**

*Update ASU 2016-13 – Financial Instruments—Credit Losses (Topic 326), Update ASU 2019-05 – Financial Instruments—Credit Losses—Targeted Transition Relief (Topic 326) and Update ASU 2019-11 – Codification Improvements to Financial Instruments—Credit Losses (Topic 326)*

In June 2016, the Financial Accounting Standards Board (“FASB”) amended its guidance to measure all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. Entities will now use forward-looking information to better form their credit loss estimates. The amended guidance also requires enhanced disclosures to help financial statement users better understand significant estimates and judgments used in estimating credit losses, as well as the credit quality and underwriting standards of an entity’s portfolio. In May 2019, the FASB amended the original guidance by providing an option to irrevocably elect the fair value option for certain financial instruments previously measured at amortized cost basis. In November 2019, the FASB provided additional guidance around how to report expected recoveries. For public entities, the amendments in this update are effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years, with early adoption permitted.

Effective December 29, 2019, we adopted the guidance in this amendment using the modified retrospective transition method. The adoption of this new standard, with the impact being the increase in allowance for doubtful accounts related to our trade accounts receivable, resulted in a cumulative-effect adjustment of \$3.6 million recognized to the opening balance of retained earnings. The Company will continue to actively monitor the impact of the COVID-19 pandemic on expected credit losses.

*Update ASU 2018-13 – Fair Value Measurement (Topic 820)*

In August 2018, the FASB amended its guidance on disclosure requirements for fair value measurement. The update amends existing fair value measurement disclosure requirements by adding, changing, or removing certain disclosures. The amendments in this update are effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years, with early adoption permitted. The standard also allows for early adoption of any removed or modified disclosures upon issuance of this update while delaying adoption of the additional disclosures until their effective date. We adopted the guidance in this amendment effective December 29, 2019 prospectively. Adoption of the new standard did not have a material impact on our Consolidated Financial Statements.

*Update ASU 2018-15 – Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40)*

In August 2018, the FASB amended its guidance on a customer’s accounting for implementation costs incurred in a cloud computing arrangement that is a service contract. This update aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. This update also requires customers to expense the capitalized implementation costs of a hosting arrangement that is a service contract over the term of the hosting arrangement. The amendments in this update are effective for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years, with early adoption permitted. We adopted the guidance in this amendment effective December 29, 2019. Adoption of the new standard did not have a material impact on our Consolidated Financial Statements.

*Update ASU 2019-04 – Codification Improvements to Topic 326—Financial Instruments—Credit Losses, Topic 815—Derivative and Hedging, and Topic 825—Financial Instruments*

In April 2019, the FASB amended its guidance to clarify and provide narrow-scope amendments for these three recent standards related to financial instruments accounting. The amendments in this update are effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. We adopted the guidance in this amendment effective December 29, 2019. Adoption of the new standard did not have a material impact on our Consolidated Financial Statements.



*Update ASU 2019-12 – Income Taxes—Simplifying the Accounting for Income Taxes (Topic 740)*

In December 2019, the FASB amended its guidance to remove certain exceptions to the general principles in Topic 740 and improve consistent application of and simplify GAAP for other areas of Topic 740 by clarifying and amending existing guidance. The amendments in this update are effective for fiscal years beginning after December 15, 2020, with early adoption permitted. We adopted the guidance in this amendment effective December 29, 2019. Adoption of the new standard did not have a material impact on our Consolidated Financial Statements.

*Update ASU 2020-03 – Codification Improvements to Financial Instruments*

In March 2020, the FASB amended its guidance to clarify or improve the financial instrument topics in the existing guidance. These amendments make the guidance easier to understand and apply by eliminating inconsistencies and providing clarifications. Certain amendments in this update are effective upon issuance of this update. The remaining amendments in this update are effective for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years, with early adoption permitted. We adopted the guidance in this amendment effective December 29, 2019. Adoption of the new standard did not have a material impact on our Consolidated Financial Statements.

**Recently issued accounting pronouncements**

*Update ASU 2018-14 – Compensation—Retirement Benefits—Defined Benefit Plans—General (Subtopic 715-20)*

In August 2018, the FASB amended its guidance on disclosure requirements for defined benefit plans. The update amends existing annual disclosure requirements applicable to all employers that sponsor defined benefit pension and other postretirement plans by adding, removing, and clarifying certain disclosures. The amendments in this update are effective for fiscal years beginning after December 15, 2020, with early adoption permitted, and are to be applied on a retrospective basis to all periods presented. We are currently assessing the impact of adoption of this standard on our Consolidated Financial Statements.

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

In March 2020, the FASB issued guidance which provides optional 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 and may be applied prospectively to contract modifications made and hedging relationships entered into or evaluated on or before December 31, 2022. The Company has not adopted any of the optional expedients or exceptions through September 26, 2020, but will continue to evaluate the possible adoption of any such expedients or exceptions during the effective period as circumstances evolve.

**Note 2—Discontinued Operations**

On February 28, 2020, the Company completed the sale of S&D to Westrock Coffee Company, LLC, a Delaware limited liability company (“Westrock”), pursuant to which Westrock acquired all of the issued and outstanding equity of S&D from the Company (“S&D Divestiture”). The consideration was \$405.0 million paid at closing in cash, with customary post-closing working capital adjustments, which were resolved in June 2020 by payment of \$1.5 million from the Company to Westrock.

The Company used the proceeds of the S&D Divestiture to finance a portion of the Legacy Primo Acquisition. See Note 5 to the Consolidated Financial Statements for additional information on the Legacy Primo Acquisition.

The major components of net (loss) income from discontinued operations, net of income taxes in the accompanying Consolidated Statements of Operations include the following:

<b>(in millions of U.S. dollars)</b>	<b>For the Three Months Ended</b>		<b>For the Nine Months Ended</b>	
	<b>September 26, 2020</b>	<b>September 28, 2019</b>	<b>September 26, 2020</b>	<b>September 28, 2019</b>
Revenue, net <sup>1</sup>	\$ —	\$ 145.4	\$ 97.1	\$ 443.4
Cost of sales	—	105.5	71.1	322.2
Operating income (loss) from discontinued operations	—	3.2	(0.5)	9.7
(Loss) gain on sale of discontinued operations	(0.4)	—	54.5	—
Net (loss) income from discontinued operations, before income taxes	(0.4)	3.2	53.9	9.6
Income tax (benefit) expense <sup>2</sup>	(0.1)	0.4	27.6	2.1
Net (loss) income from discontinued operations, net of income taxes	\$ (0.3)	\$ 2.8	\$ 26.3	\$ 7.5

<sup>1</sup> Includes related party sales to continuing operations of \$1.0 million for the nine months ended September 26, 2020, and \$1.4 million and \$4.5 million for the three and nine months ended September 28, 2019, respectively.

<sup>2</sup> The S&D Divestiture resulted in tax expense on the gain on sale of \$27.9 million and will utilize a significant portion of the existing U.S. net operating loss carry-forwards.

### Note 3—Leases

We have operating and finance leases for manufacturing and production facilities, branch distribution and warehouse facilities, vehicles and machinery and equipment. The remaining terms on our finance leases range from 1 year to 8 years while our operating leases range from 1 year to 21 years, some of which may include options to extend the leases generally between 1 year and 10 years, and some of which may include options to terminate the leases within 1 year.

The components of lease expense for the three and nine months ended September 26, 2020 and September 28, 2019, respectively, is shown in the table below:

<b>(in millions of U.S. dollars)</b>	<b>For the Three Months Ended</b>		<b>For the Nine Months Ended</b>	
	<b>September 26, 2020</b>	<b>September 28, 2019</b>	<b>September 26, 2020</b>	<b>September 28, 2019</b>
Operating lease cost	\$ 12.2	\$ 12.9	\$ 36.2	\$ 35.8
Short-term lease cost	2.6	1.4	6.6	2.7
Finance lease cost				
Amortization of right-of-use assets	\$ 3.1	\$ 0.7	\$ 7.4	\$ 3.4
Interest on lease liabilities	0.7	0.6	2.5	0.9
Total finance lease cost	\$ 3.8	\$ 1.3	\$ 9.9	\$ 4.3
Sublease income	\$ 0.1	\$ 0.2	\$ 0.5	\$ 0.7

Supplemental cash flow information related to leases for the three and nine months ended September 26, 2020 and September 28, 2019, respectively, is shown in the tables below:

<b>(in millions of U.S. dollars)</b>	<b>For the Three Months Ended</b>	
	<b>September 26, 2020</b>	<b>September 28, 2019</b>
<b>Cash paid for amounts included in the measurement of lease liabilities:</b>		
Operating cash flows from operating leases	\$ 11.8	\$ 10.9
Operating cash flows from finance leases	0.9	0.5
Financing cash flows from finance leases	2.5	1.0
<b>Right-of-use assets obtained in exchange for lease obligations:</b>		
Operating leases	\$ 4.9	\$ 3.2
Finance leases	8.5	2.6

<b>(in millions of U.S. dollars)</b>	<b>For the Nine Months Ended</b>	
	<b>September 26, 2020</b>	<b>September 28, 2019</b>
<b>Cash paid for amounts included in the measurement of lease liabilities:</b>		
Operating cash flows from operating leases	\$ 35.7	\$ 35.1
Operating cash flows from finance leases	2.6	0.8
Financing cash flows from finance leases	6.3	2.8
<b>Right-of-use assets obtained in exchange for lease obligations:</b>		
Operating leases	\$ 19.8	\$ 11.2
Finance leases	32.5	16.0

Supplemental balance sheet information related to leases as of September 26, 2020 and December 28, 2019, respectively, is shown in the table below:

<b>(in millions of U.S. dollars, except lease term and discount rate)</b>	<b>September 26, 2020</b>	<b>December 28, 2019</b>
<b>Operating leases</b>		
Operating lease right-of-use assets	\$ 177.1	\$ 185.7
Current operating lease obligations	38.3	36.5
Operating lease obligations	144.9	155.2
Total operating lease obligations	\$ 183.2	\$ 191.7
<b>Financing leases</b>		
Property, plant and equipment, net	\$ 55.0	\$ 30.4
Current maturities of long-term debt	10.7	5.7
Long-term debt	44.3	23.7
Total finance lease obligations	\$ 55.0	\$ 29.4
<b>Weighted Average Remaining Lease Term</b>		
Operating leases	8.2	8.7
Finance leases	5.5	5.6
<b>Weighted Average Discount Rate</b>		
Operating leases	6.6 %	6.2 %
Finance leases	5.3 %	6.3 %

Maturities of operating lease obligations were as follows:

<b>(in millions of U.S. dollars)</b>	<b>September 26, 2020</b>	<b>December 28, 2019</b>
Remainder of 2020	\$ 15.8	\$ 47.8
2021	43.5	38.4
2022	33.9	29.6
2023	29.3	25.3
2024	23.8	20.6
Thereafter	88.6	93.5
Total lease payments	234.9	255.2
Less imputed interest	(51.7)	(63.5)
Present value of lease obligations	\$ 183.2	\$ 191.7

Maturities of finance lease obligations were as follows:

<b>(in millions of U.S. dollars)</b>	<b>September 26, 2020</b>	<b>December 28, 2019</b>
Remainder of 2020	\$ 3.8	\$ 6.8
2021	12.9	6.1
2022	11.9	5.7
2023	10.9	5.4
2024	9.3	4.6
Thereafter	13.3	6.4
Total lease payments	62.1	35.0
Less imputed interest	(7.1)	(5.6)
Present value of lease obligations	\$ 55.0	\$ 29.4

#### **Note 4—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 major 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 client arrangement, and revenue is recognized when the performance obligations in the client 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. Clients typically receive the benefit of our services as they are performed. Substantially all our client 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 \$8.4 million and \$7.0 million at September 26, 2020 and December 28, 2019, 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 September 26, 2020 and December 28, 2019 were \$20.4 million and \$23.6 million, respectively. The amount of revenue recognized in the three and nine months ended September 26, 2020 that was included in the December 28, 2019 deferred revenue balance was \$3.7 million and \$17.5 million, respectively.

We do not have any material contract assets as of September 26, 2020.

## 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>For the Nine Months Ended</b>	
	<b>September 26, 2020</b>	<b>September 28, 2019</b>	<b>September 26, 2020</b>	<b>September 28, 2019</b>
United States	\$ 376.3	\$ 314.8	\$ 1,061.0	\$ 910.0
United Kingdom	33.7	35.9	101.8	124.2
Canada	17.1	18.0	47.2	51.7
All other countries	90.4	103.4	238.5	269.5
<b>Total</b>	<b>\$ 517.5</b>	<b>\$ 472.1</b>	<b>\$ 1,448.5</b>	<b>\$ 1,355.4</b>

## Note 5—Acquisitions

### Legacy Primo Acquisition

On March 2, 2020, the Company completed the Legacy Primo Acquisition, adding North America's leading single source provider of multi-gallon purified bottled water, self-service refill drinking water and water dispensers sold through major retailers to the Company's catalog of home and office bottled water delivery businesses in North America and Europe. Primo is a familiar name in sustainable water solutions that will help drive the visibility of our water businesses, moving us towards a pure-play water solutions company. The Legacy Primo Acquisition broadens our capabilities and our portfolio, creating new cross-selling opportunities and vertical integration across home and office delivery, retail, filtration, refill and exchange services. Integrating Legacy Primo with our DSS business will enable us to combine the expertise and innovation of these two growing companies with complementary business models. The integration gives us the ability to expand Legacy Primo's products and services across our 21-country footprint.

The Legacy Primo Acquisition was structured as an exchange offer to purchase all of the outstanding shares of common stock of Legacy Primo for per-share consideration of (i) \$14.00 in cash, (ii) 1.0229 Cott Corporation common shares plus cash in lieu of any fractional Cott Corporation common share, or (iii) \$5.04 in cash and 0.6549 Cott Corporation common shares, at the election of Legacy Primo's stockholders, subject to the proration procedures set forth in the merger agreement. Immediately following the consummation of the exchange offer, Cott Corporation indirectly acquired the remaining Legacy Primo shares through a merger between Legacy Primo and a wholly-owned subsidiary of Cott Corporation.

The total cash and stock consideration paid by us in the Legacy Primo Acquisition is summarized below:

**(in millions of U.S. dollars, except share and per share amounts)**

Fair value of common shares issued to holders of Legacy Primo common stock (26,497,015 shares issued at \$14.25 per share)	\$	377.6
Cash to holders of Legacy Primo common stock		216.1
Cash paid to retire outstanding indebtedness on behalf of Legacy Primo		196.9
Settlement of pre-existing relationship		4.7
Fair value of replacement common share options and restricted stock units for Legacy Primo awards		2.9
<b>Total consideration</b>	<b>\$</b>	<b>798.2</b>

The table below summarizes the originally reported estimated acquisition date fair values, measurement period adjustments recorded and the preliminary purchase price allocation of the assets acquired and the liabilities assumed:

<b>(in millions of U.S. dollars)</b>	<b>Originally Reported</b>	<b>Measurement Period Adjustments</b>	<b>Acquired Value</b>
Cash and cash equivalents	\$ 1.3	\$ —	\$ 1.3
Accounts receivable	21.9	—	21.9
Inventory	12.7	6.0	18.7
Prepaid expenses and other current assets	4.3	1.4	5.7
Property, plant and equipment	119.0	(11.8)	107.2
Operating lease right-of-use-assets	4.9	(0.9)	4.0
Goodwill	337.4	(38.9)	298.5
Intangible assets	361.3	60.3	421.6
Other assets	3.9	(3.4)	0.5
Current maturities of long-term debt	(2.2)	—	(2.2)
Accounts payable and accrued liabilities	(41.6)	(0.4)	(42.0)
Current operating lease obligations	(1.8)	—	(1.8)
Long-term debt	(5.8)	0.5	(5.3)
Operating lease obligations	(3.1)	0.9	(2.2)
Deferred tax liabilities	(11.7)	(14.1)	(25.8)
Other long-term liabilities	(2.3)	0.4	(1.9)
<b>Total</b>	<b>\$ 798.2</b>	<b>\$ —</b>	<b>\$ 798.2</b>

Measurement period adjustments recorded during the nine months ended September 26, 2020 include adjustments to property, plant and equipment and intangible assets based on results of the preliminary valuations, adjustments to operating and financing lease right-of-use assets and obligations based on a review of acquired leases, a deferred tax adjustment related to the preliminary valuation, an adjustment to a note receivable existing at the acquisition date, as well as adjustments to inventory, prepaid expenses and other current assets, other assets, accounts payable and accrued liabilities, long-term debt and other long-term liabilities based on a review of their respective fair values as of the date of the Legacy Primo Acquisition. The measurement period adjustments did not have a material effect on our results of operations in prior periods.

The assets and liabilities acquired in the Legacy Primo Acquisition are recorded at their estimated fair values per preliminary valuations and management estimates and are subject to change when formal valuations and other studies are finalized. Estimated fair values for deferred tax balances are preliminary and are also subject to change based on the final valuation results. In addition, consideration for potential loss contingencies are still under review.

The amount of revenues related to the Legacy Primo Acquisition included in our Consolidated Statement of Operations for the period from the date of the Legacy Primo Acquisition through September 26, 2020 was \$198.7 million. We incurred \$2.2 million and \$23.9 million of acquisition-related costs associated with the Legacy Primo Acquisition, which are included in acquisition and integration expenses in the Consolidated Statements of Operations for the three and nine months ended September 26, 2020. During the third quarter of 2020, Legacy Primo was integrated with our DSS business, therefore it is impracticable to determine the amount of net income related to the Legacy Primo Acquisition included in our Consolidated Statement of Operations for the period from the date of the Legacy Primo Acquisition through September 26, 2020.

### ***Intangible Assets***

In our determination of the fair value of intangible assets, we consider, among other factors, the best use of acquired assets, analysis of historical financial performance and estimates of future performance of the acquired business' products. The estimated fair values of identified intangible assets are calculated considering both market participant expectations, using an income approach, as well as estimates and assumptions provided by Primo management and management of the acquired business.

The estimated fair value of customer relationships represents future after-tax discounted cash flows that will be derived from sales to existing customers of the acquired business as of the date of acquisition. Critical assumptions used in our valuation of customer relationships include, but are not limited to, anticipated future cash flows, customer attrition rate and risk adjusted discount rate. Anticipated future cash flows assumption reflects projected revenue growth rates, EBITDA margins and synergies.

The estimated fair value of trademarks and trade names represents the future projected cost savings associated with the premium and brand image obtained as a result of owning the trademark or trade name as opposed to obtaining the benefit of the trademark or trade name through a royalty or rental fee. Critical assumptions used in our valuation of trademarks and trade names include, but are not limited to, projected revenue growth rates, weighted-average terminal growth rates, risk adjusted discount rate and fair value royalty rate.

The following table sets forth the components of identified intangible assets associated with the Legacy Primo Acquisition and their estimated weighted average useful lives:

<b>(in millions of U.S. dollars)</b>	<b>Estimated Fair Market Value</b>	<b>Estimated Useful Life</b>
Customer relationships	\$ 245.2	26 years
Trade names	174.9	Indefinite
Software	1.5	3 years
Total	<u>\$ 421.6</u>	

### ***Goodwill***

The principal factor that resulted in recognition of goodwill was the basis of the purchase price for the Legacy Primo Acquisition, in part, on cash flow projections assuming the reduction of administration costs and the integration of acquired customers and products into our operations, which is of greater value than on a standalone basis. The goodwill recognized as part of the Legacy Primo Acquisition was allocated to the North America reporting segment, a portion of which is expected to be tax deductible.

### Supplemental Pro Forma Data (unaudited)

The following unaudited pro forma financial information for the three and nine months ended September 26, 2020 and September 28, 2019, respectively, represent the combined results of our operations as if the Legacy Primo Acquisition had occurred on December 30, 2018.

(in millions of U.S. dollars, except per share amounts)	For the Three Months Ended		For the Nine Months Ended	
	September 26, 2020	September 28, 2019	September 26, 2020	September 28, 2019
Revenue	\$ 517.5	\$ 546.0	\$ 1,489.0	\$ 1,556.3
Net income (loss) from continuing operations	\$ 22.3	\$ 12.6	\$ (118.7)	\$ (18.3)
Net income (loss)	\$ 22.0	\$ 15.4	\$ (92.4)	\$ (10.8)
Net income (loss) per common share from continuing operations, diluted	\$ 0.14	\$ 0.08	\$ (0.77)	\$ (0.11)
Net income (loss) per common share, diluted	\$ 0.14	\$ 0.09	\$ (0.60)	\$ (0.07)

### Note 6—Share-based Compensation

During the nine months ended September 26, 2020, we granted 118,059 common shares with an aggregate grant date fair value of approximately \$1.3 million to the non-management members of our Board of Directors under the Amended and Restated Primo Water Corporation Equity Incentive Plan. The common shares were issued in consideration of the directors' annual board retainer fee and are fully vested upon issuance.

In the second quarter of 2020, the Human Resources and Compensation Committee of the Board of Directors (the "HRCC") approved a bonus for a select group of associates that will be settled in fully vested common shares based on the closing share price on the date the achievement of the performance target described below is certified by the HRCC, expected to occur in early 2021. The aggregate target payout of \$2.4 million is based on (1) attainment of a specified percentage target under the Company's annual cash performance bonus plan for the DSS business, and (2) attainment of a specified annualized 2020 synergy target. This bonus is being accounted for as a liability-classified award with a performance condition. The final bonus payout will be based upon the performance percentage, which can range from 0% to 200% of the target payout. For the three and nine months ended September 26, 2020, the Company recorded \$1.4 million and \$2.0 million of share-based compensation expense, which are included in SG&A expenses on the Consolidated Statements of Operations, respectively. A related liability associated with these awards of \$2.0 million was recorded in accounts payable and accrued liabilities on the Consolidated Balance Sheet as of September 26, 2020.

On August 4, 2020, we amended each of the Amended and Restated Primo Water Corporation Equity Incentive Plan and the Primo Water Corporation 2018 Equity Incentive Plan to provide for defined criteria for a retirement along with continued vesting of equity awards upon a retirement. The total incremental compensation expense associated with the modification was \$2.6 million and was included in SG&A expenses on the Consolidated Statements of Operations for the three and nine months ended September 26, 2020.

### Note 7—Income Taxes

Income tax expense was \$3.4 million on pre-tax income from continuing operations of \$25.7 million for the three months ended September 26, 2020, as compared to income tax expense of \$7.1 million on pre-tax income from continuing operations of \$14.4 million in the comparable prior year period. Income tax benefit was \$1.3 million on pre-tax loss from continuing operations of \$138.1 million for the nine months ended September 26, 2020, as compared to income tax expense of \$7.9 million on pre-tax loss from continuing operations of \$4.8 million in the comparable prior year period. The effective income tax rates for the three and nine months ended September 26, 2020 were 13.2% and 0.9%, respectively, compared to 49.3% and (164.6)% in the comparable prior year periods.

The effective tax rate for the three months ended September 26, 2020 varied from the effective tax rate in the comparable prior year period due primarily to increased earnings in tax jurisdictions with lower tax rates or existing valuation allowances, combined with decreased earnings in higher tax jurisdictions. The effective tax rate for the nine months ended September 26, 2020 varied from the effective tax rate in the comparable prior year period due primarily to impairment charges incurred during the second quarter of 2020 for which minimal tax benefit is recognized.



The Tax Cuts and Jobs Act enacted new Section 163(j) interest expense limitation rules on December 22, 2017. The rules were modified in March 2020 by the Coronavirus Aid, Relief, and Economic Security Act. On July 28, 2020, the U.S. Department of the Treasury released final regulations and new proposed regulations to provide interpretative guidance for the new Section 163(j) rules, with early adoption permitted. We will adopt the final regulations in our 2021 tax year and do not currently plan to early adopt the proposed regulations. We are currently assessing the final and proposed regulations. However, we do not anticipate a material impact on our Consolidated Financial Statements.

**Note 8—Common Shares and Net Income (Loss) per Common Share**

*Common Shares*

On December 11, 2019, 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 commencing on December 16, 2019 (the “Repurchase Plan”). We did not repurchase any outstanding common shares under the Repurchase Plan during the third quarter of 2020. For the nine months ended September 26, 2020, we repurchased 2,316,835 common shares for \$25.0 million through open market transactions under the Repurchase Plan. Shares purchased under the Repurchase Plan were subsequently canceled. There can be no assurance as to the precise number of shares, if any, that will be repurchased under the Repurchase Plan in the future, or the aggregate dollar amount of shares to be purchased in future periods. We may discontinue purchases at any time, subject to compliance with applicable regulatory requirements.

On March 2, 2020, the Company completed the Legacy Primo Acquisition, with 26,497,015 common shares issued at \$14.25 per share to holders of Legacy Primo (see Note 5 to the Consolidated Financial Statements).

*Net Income (Loss) per Common Share*

Basic net income (loss) per common share is calculated by dividing net income (loss) attributable to Primo Water Corporation 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) attributable to Primo Water Corporation 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. Set forth below is a reconciliation of the numerator and denominator for the diluted net income (loss) per common share computations for the periods indicated:

	For the Three Months Ended		For the Nine Months Ended	
	September 26, 2020	September 28, 2019	September 26, 2020	September 28, 2019
<b>Numerator (in millions of U.S. dollars):</b>				
Net income (loss) from continuing operations	\$ 22.3	\$ 7.3	\$ (136.8)	\$ (12.7)
Net (loss) income from discontinued operations	(0.3)	2.8	26.3	7.5
Net income (loss)	22.0	10.1	(110.5)	(5.2)
<b>Basic Earnings Per Share</b>				
Denominator (in thousands):				
Weighted average common shares outstanding - basic	160,101	134,667	153,723	135,395
<b>Basic Earnings Per Share:</b>				
Continuing operations	0.14	0.05	(0.89)	(0.09)
Discontinued operations	—	0.02	0.17	0.05
Net income (loss)	0.14	0.07	(0.72)	(0.04)
<b>Diluted Earnings Per Share</b>				
Denominator (in thousands):				
Weighted average common shares outstanding - basic	160,101	134,667	153,723	135,395
Dilutive effect of Stock Options	916	686	—	—
Dilutive effect of Performance-based RSUs	132	644	—	—
Dilutive effect of Time-based RSUs	284	211	—	—
Weighted average common shares outstanding - diluted	161,433	136,208	153,723	135,395
<b>Diluted Earnings Per Share:</b>				
Continuing operations	0.14	0.05	(0.89)	(0.09)
Discontinued operations	—	0.02	0.17	0.05
Net income (loss)	0.14	0.07	(0.72)	(0.04)

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

(in thousands)	For the Three Months Ended		For the Nine Months Ended	
	September 26, 2020	September 28, 2019	September 26, 2020	September 28, 2019
Stock Options	3,256	2,202	6,419	5,473
Performance-based RSUs <sup>1</sup>	786	527	925	1,215
Time-based RSUs	5	3	490	358

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

## Note 9—Segment Reporting

Our broad portfolio of products includes bottled water, water dispensers, purified bottled water, self-service refill drinking water, premium spring, sparkling and flavored water, mineral water, filtration equipment, coffee, hot chocolate, soups, malt drinks, creamers/whiteners and cereals.

During the second quarter of 2020, we implemented a restructuring program intended to optimize synergies from the Company's transition to a pure-play water company following the Legacy Primo Acquisition and, as a result, reorganized into two reporting segments: North America (which includes our DSS, Aquaterra, Mountain Valley, and Legacy Primo businesses) and Rest of World (which includes our Eden, Aimia, Decantae, and Farrers businesses). Our corporate oversight function and other miscellaneous expenses are aggregated and included in the All Other category. 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>Rest of World</b>	<b>All Other</b>	<b>Total</b>
<b>For the Three Months Ended September 26, 2020</b>				
Revenue, net	\$ 393.2	\$ 124.3	\$ —	\$ 517.5
Depreciation and amortization	38.5	14.8	0.3	53.6
Operating income (loss)	46.0	10.2	(14.9)	41.3
Additions to property, plant and equipment	16.6	4.7	0.1	21.4
<b>For the Nine Months Ended September 26, 2020</b>				
Revenue, net	\$ 1,107.8	\$ 340.7	\$ —	\$ 1,448.5
Depreciation and amortization	107.1	43.4	0.9	151.4
Operating income (loss)	94.1	(116.9)	(53.9)	(76.7)
Additions to property, plant and equipment	65.5	19.6	(0.1)	85.0
<b>As of September 26, 2020</b>				
Total assets <sup>1</sup>	\$ 2,753.2	\$ 852.9	\$ 54.8	\$ 3,660.9

<sup>1</sup> Excludes inter segment receivables, investments and notes receivable.

<b>(in millions of U.S. dollars)</b>	<b>North America</b>	<b>Rest of World</b>	<b>All Other</b>	<b>Total</b>
<b>For the Three Months Ended September 28, 2019</b>				
Revenue, net	\$ 337.6	\$ 134.5	\$ —	\$ 472.1
Depreciation and amortization	27.6	14.0	0.1	41.7
Operating income (loss)	36.5	11.4	(9.5)	38.4
Additions to property, plant and equipment	19.5	13.3	0.1	32.9
<b>For the Nine Months Ended September 28, 2019</b>				
Revenue, net	\$ 959.2	\$ 389.0	\$ 7.2	\$ 1,355.4
Depreciation and amortization	83.4	40.7	0.2	124.3
Operating income (loss)	68.7	25.6	(33.7)	60.6
Additions to property, plant and equipment	55.4	23.5	0.3	79.2
<b>As of December 28, 2019</b>				
Total assets <sup>1</sup>	\$ 1,874.5	\$ 941.6	\$ 48.3	\$ 2,864.4

<sup>1</sup> Excludes inter segment receivables, investments and notes receivable.

(in millions of U.S. dollars)

	December 28, 2019
Segment assets <sup>1</sup>	\$ 2,864.4
Assets of discontinued operations <sup>1</sup>	526.5
<b>Total assets</b>	<b>\$ 3,390.9</b>

<sup>1</sup> Excludes inter segment receivables, investments and notes receivable.

Credit risk arises from the potential default of a customer in meeting its financial obligations to us. Concentrations of credit exposure may arise with a group of customers that have similar economic characteristics or that are located in the same geographic region. The ability of such customers to meet obligations would be similarly affected by changing economic, political or other conditions.

The impact of the COVID-19 pandemic may affect the ability of such customers to meet obligations to us. The full extent to which the COVID-19 pandemic will negatively affect our results of operations, financial condition and cash flows will depend on future developments that are highly uncertain and cannot be predicted, including the scope and duration of the pandemic and actions taken by governmental authorities in the markets in which we operate and other third parties in response to the pandemic.

Revenues by channel by reporting segment were as follows:

(in millions of U.S. dollars)	For the Three Months Ended September 26, 2020			
	North America	Rest of World	All Other	Total
<i>Revenue, net</i>				
Water Direct/Water Exchange	\$ 252.1	\$ 60.2	\$ —	\$ 312.3
Water Refill/Water Filtration	48.9	8.1	—	57.0
Other Water	39.0	20.5	—	59.5
Water Dispensers	28.5	—	—	28.5
Other	24.7	35.5	—	60.2
<b>Total</b>	<b>\$ 393.2</b>	<b>\$ 124.3</b>	<b>\$ —</b>	<b>\$ 517.5</b>

(in millions of U.S. dollars)	For the Nine Months Ended September 26, 2020			
	North America	Rest of World	All Other	Total
<i>Revenue, net</i>				
Water Direct/Water Exchange	\$ 715.3	\$ 160.3	\$ —	\$ 875.6
Water Refill/Water Filtration	123.8	21.5	—	145.3
Other Water	123.7	48.0	—	171.7
Water Dispensers	55.2	—	—	55.2
Other	89.8	110.9	—	200.7
<b>Total</b>	<b>\$ 1,107.8</b>	<b>\$ 340.7</b>	<b>\$ —</b>	<b>\$ 1,448.5</b>

**For the For the Three Months Ended September 28, 2019**

<b>(in millions of U.S. dollars)</b>	<b>North America</b>	<b>Rest of World</b>	<b>All Other</b>	<b>Total</b>
<i>Revenue, net</i>				
Water Direct/Water Exchange	\$ 244.7	\$ 69.5	\$ —	\$ 314.2
Water Refill/Water Filtration	9.0	6.8	—	15.8
Other Water	41.8	18.0	—	59.8
Water Dispensers	—	—	—	—
Other	42.1	40.2	—	82.3
<b>Total</b>	<b>\$ 337.6</b>	<b>\$ 134.5</b>	<b>\$ —</b>	<b>\$ 472.1</b>

**For the Nine Months Ended September 28, 2019**

<b>(in millions of U.S. dollars)</b>	<b>North America</b>	<b>Rest of World</b>	<b>All Other</b>	<b>Total</b>
<i>Revenue, net</i>				
Water Direct/Water Exchange	\$ 680.9	\$ 193.2	\$ —	\$ 874.1
Water Refill/Water Filtration	26.7	19.7	—	46.4
Other Water	123.1	45.6	—	168.7
Water Dispensers	—	—	—	—
Other	128.5	130.5	7.2	266.2
<b>Total</b>	<b>\$ 959.2</b>	<b>\$ 389.0</b>	<b>\$ 7.2</b>	<b>\$ 1,355.4</b>

**Note 10—Inventories**

The following table summarizes inventories as of September 26, 2020 and December 28, 2019:

<b>(in millions of U.S. dollars)</b>	<b>September 26, 2020</b>	<b>December 28, 2019</b>
Raw materials	\$ 26.0	\$ 23.8
Finished goods	35.5	24.2
Resale items	10.8	14.0
Other	7.0	0.9
<b>Total</b>	<b>\$ 79.3</b>	<b>\$ 62.9</b>

## Note 11—Property, Plant and Equipment, Net

The following table summarizes property, plant and equipment, net as of September 26, 2020 and December 28, 2019:

(in millions of U.S. dollars)	Estimated Useful Life in Years	September 26, 2020			December 28, 2019		
		Cost	Accumulated Depreciation	Net	Cost	Accumulated Depreciation	Net
Land	n/a	\$ 95.8	\$ —	\$ 95.8	\$ 95.3	\$ —	\$ 95.3
Buildings	10-40	91.6	30.5	61.1	88.9	26.9	62.0
Machinery and equipment	5-15	87.8	21.4	66.4	146.8	66.0	80.8
Plates, films and molds	1-10	1.7	0.8	0.9	1.5	0.6	0.9
Vehicles and transportation equipment	3-15	92.3	65.4	26.9	90.3	59.5	30.8
Leasehold improvements <sup>1</sup>		19.3	11.6	7.7	19.8	10.7	9.1
IT Systems	3-7	16.4	11.5	4.9	15.6	9.9	5.7
Furniture and fixtures	3-10	12.0	9.5	2.5	12.0	8.6	3.4
Customer equipment <sup>2</sup>	3-7	535.3	239.9	295.4	339.7	144.9	194.8
Returnable bottles <sup>3</sup>	3-5	100.6	47.3	53.3	82.0	37.1	44.9
Finance leases <sup>4</sup>		73.0	18.0	55.0	37.6	7.2	30.4
<b>Total</b>		<b>\$ 1,125.8</b>	<b>\$ 455.9</b>	<b>\$ 669.9</b>	<b>\$ 929.5</b>	<b>\$ 371.4</b>	<b>\$ 558.1</b>

<sup>1</sup> Leasehold improvements are amortized over the shorter of their estimated useful lives or the related lease life.

<sup>2</sup> Customer equipment consists of coolers, brewers, refrigerators, water purification devices and storage racks held on site at customer locations.

<sup>3</sup> Returnable bottles are those bottles on site at our customer locations.

<sup>4</sup> Our recorded assets under finance leases relate to IT systems, customer equipment and vehicles and transportation equipment.

The amounts above include construction-in-progress of \$1.1 million and \$2.4 million as of September 26, 2020 and December 28, 2019, respectively.

Depreciation expense, which includes depreciation recorded for assets under finance leases, was \$36.9 million and \$104.3 million for the three and nine months ended September 26, 2020, respectively, and \$27.7 million and \$82.4 million for the three and nine months ended September 28, 2019, respectively.

## Note 12—Intangible Assets, Net

The following table summarizes intangible assets, net as of September 26, 2020 and December 28, 2019:

(in millions of U.S. dollars)	September 26, 2020			December 28, 2019		
	Cost	Accumulated Amortization	Net	Cost	Accumulated Amortization	Net
<b>Intangible Assets</b>						
<i>Not subject to amortization</i>						
Trademarks	\$ 451.4	\$ —	\$ 451.4	\$ 287.1	\$ —	\$ 287.1
<b>Total intangible assets not subject to amortization</b>	<b>451.4</b>	<b>—</b>	<b>451.4</b>	<b>287.1</b>	<b>—</b>	<b>287.1</b>
<i>Subject to amortization</i>						
Customer relationships	790.0	306.3	483.7	534.9	267.4	267.5
Patents	19.2	5.8	13.4	15.2	4.0	11.2
Software	59.3	34.9	24.4	49.3	28.0	21.3
Other	14.7	5.6	9.1	14.9	5.0	9.9
<b>Total intangible assets subject to amortization</b>	<b>883.2</b>	<b>352.6</b>	<b>530.6</b>	<b>614.3</b>	<b>304.4</b>	<b>309.9</b>
<b>Total intangible assets</b>	<b>\$ 1,334.6</b>	<b>\$ 352.6</b>	<b>\$ 982.0</b>	<b>\$ 901.4</b>	<b>\$ 304.4</b>	<b>\$ 597.0</b>

Amortization expense of intangible assets was \$16.7 million and \$47.1 million for the three and nine months ended September 26, 2020, respectively, and \$14.0 million and \$41.9 million for the three and nine months ended September 28, 2019, respectively.

The estimated amortization expense for intangible assets over the next five years and thereafter is:

(in millions of U.S. dollars)	
Remainder of 2020	\$ 17.3
2021	61.0
2022	55.1
2023	46.9
2024	38.6
Thereafter	311.7
<b>Total</b>	<b>\$ 530.6</b>

## Note 13—Debt

### Revolving Credit Facility and Liquidity

On March 6, 2020, the Company entered into a credit agreement (the “Credit Agreement”) among the Company, as parent borrower, Primo Water Holdings Inc. (formerly known as Cott Holdings Inc.) and Eden, each as 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.

Borrowings under the Revolving Credit Facility were used to refinance in full and terminate our previously existing asset-based lending credit facility, governed by the Second Amended and Restated Credit Agreement, dated January 30, 2019, by and among the Company, the other loan parties party thereto from time to time, JPMorgan Chase Bank, N.A., as administrative agent and as collateral agent, and the lenders from time to time party thereto (as amended, the “ABL Credit Agreement”). Certain letters of credit outstanding under the ABL Credit Agreement 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 Credit Agreement under GAAP. These new financing fees along with \$1.8 million of unamortized deferred costs of the ABL Credit Agreement are being amortized using the straight-line method over the duration of the Revolving Credit Facility.

As of September 26, 2020, the outstanding borrowings under the Revolving Credit Facility were \$136.0 million and were recorded in short-term borrowings on the Consolidated Balance Sheet. Outstanding letters of credit totaled \$43.4 million resulting in total utilization under the Revolving Credit Facility of \$179.4 million. Accordingly, unused availability under the Revolving Credit Facility as of September 26, 2020 amounted to \$170.6 million.

Borrowings under the Credit Agreement will bear 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 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 euro currency rate, as determined under the Credit Agreement, for a one month interest period, plus 1.0%, plus the applicable margin. The applicable margin for euro currency rate loans ranges from 137.5 to 200 basis points and the applicable margin for base rate loans ranges from 37.5 to 100 basis points, in each case depending on our consolidated total leverage ratio. Unutilized commitments under the Credit Agreement are subject to a commitment fee ranging from 20 to 30 basis points per annum depending on our consolidated total leverage ratio, payable on a quarterly basis.

#### ***Affirmative Covenants and Ratios***

The Credit Agreement has two financial covenants, 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 the Company consummates 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. The Company was in compliance with these financial covenants as of September 26, 2020.

In addition, the Credit Agreement has certain non-financial covenants, such as covenants regarding indebtedness, investments, and asset dispositions. The Company was in compliance with all covenants as of September 26, 2020.



**Note 14—Accumulated Other Comprehensive (Loss) Income**

Changes in accumulated other comprehensive (loss) income (“AOCI”) by component for the three and nine months ended September 26, 2020 and September 28, 2019 were as follows:

<b>(in millions of U.S. dollars) <sup>1</sup></b>	<b>Gains and Losses on Derivative Instruments</b>	<b>Pension Benefit Plan Items</b>	<b>Currency Translation Adjustment Items</b>	<b>Total</b>
Beginning balance June 29, 2019	\$ (2.7)	\$ 0.3	\$ (85.2)	\$ (87.6)
OCI before reclassifications	(3.1)	—	(0.8)	(3.9)
Amounts reclassified from AOCI	2.1	—	—	2.1
Net current-period OCI	(1.0)	—	(0.8)	(1.8)
Ending balance September 28, 2019	<u>\$ (3.7)</u>	<u>\$ 0.3</u>	<u>\$ (86.0)</u>	<u>\$ (89.4)</u>
Beginning balance December 29, 2018	\$ (9.7)	\$ 0.3	\$ (92.3)	\$ (101.7)
OCI before reclassifications	(0.4)	—	6.3	5.9
Amounts reclassified from AOCI	6.4	—	—	6.4
Net current-period OCI	6.0	—	6.3	12.3
Ending balance September 28, 2019	<u>\$ (3.7)</u>	<u>\$ 0.3</u>	<u>\$ (86.0)</u>	<u>\$ (89.4)</u>
Beginning balance June 27, 2020	\$ —	\$ (1.0)	\$ (89.0)	\$ (90.0)
OCI before reclassifications	—	—	(4.8)	(4.8)
Amounts reclassified from AOCI	—	—	—	—
Net current-period OCI	—	—	(4.8)	(4.8)
Ending Balance September 26, 2020	<u>\$ —</u>	<u>\$ (1.0)</u>	<u>\$ (93.8)</u>	<u>\$ (94.8)</u>
Beginning balance December 28, 2019	\$ 11.2	\$ (1.0)	\$ (78.7)	\$ (68.5)
OCI before reclassifications	(8.7)	—	(15.1)	(23.8)
Amounts reclassified from AOCI	(2.5)	—	—	(2.5)
Net current-period OCI	(11.2)	—	(15.1)	(26.3)
Ending Balance September 26, 2020	<u>\$ —</u>	<u>\$ (1.0)</u>	<u>\$ (93.8)</u>	<u>\$ (94.8)</u>

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

The following table summarizes the amounts reclassified from AOCI for the three and nine months ended September 26, 2020 and September 28, 2019, respectively:

(in millions of U.S. dollars)	For the Three Months Ended		For the Nine Months Ended		Affected Line Item in the Statement Where Net Income Is Presented
	September 26, 2020	September 28, 2019	September 26, 2020	September 28, 2019	
<b>Details About AOCI Components</b> <sup>1</sup>					
<b>Gains and losses on derivative instruments</b>					
Foreign currency and commodity hedges	\$ —	\$ (2.1)	\$ 0.1	\$ (6.4)	Cost of sales
Commodity hedges <sup>2</sup>	—	—	2.4	—	Gain on sale of discontinued operations
	—	(2.1)	2.5	(6.4)	Total before taxes
	—	—	—	—	Tax expense or (benefit)
	\$ —	\$ (2.1)	\$ 2.5	\$ (6.4)	Net of tax
<b>Amortization of pension benefit plan items</b>					
Actuarial (losses)/gains <sup>3</sup>	\$ —	\$ —	\$ —	\$ —	
Prior service costs <sup>3</sup>	—	—	—	—	
	—	—	—	—	Total before taxes
	—	—	—	—	Tax expense or (benefit)
	\$ —	\$ —	\$ —	\$ —	Net of tax
<b>Total reclassifications for the period</b>	<b>\$ —</b>	<b>\$ (2.1)</b>	<b>\$ 2.5</b>	<b>\$ (6.4)</b>	<b>Net of tax</b>

<sup>1</sup> Amounts in parentheses indicate debits.

<sup>2</sup> Net of \$1.3 million of associated tax impact that resulted in a decrease to the gain on the sale of discontinued operations for the nine months ended September 26, 2020.

<sup>3</sup> These AOCI components are included in the computation of net periodic pension cost.

#### Note 15—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.

Also, the Israeli Ministry of Environmental Protection (the “Ministry”) has alleged that a non-profit recycling corporation, which collects and recycles bottles sold by manufacturers, including Eden, failed to meet recycling quotas in 2016, in violation of Israeli law. The law imposes liability directly on manufacturers, and the Ministry has asserted that the manufacturers involved with the corporation owe a fine. Eden received a notice from the Ministry on June 21, 2018. Eden has since undertaken an administrative appeal process and intends to proceed to litigation. Although we cannot predict the outcome of any potential proceedings at this stage, Eden may be subject to a fine in excess of \$0.1 million. Management believes, however, that the resolution of this matter will not be material to our financial position, results of operations, or cash flows.

We had \$43.4 million in standby letters of credit outstanding as of September 26, 2020 (\$47.4 million as of December 28, 2019).

## Guarantees

After the sale of our legacy carbonated soft drink and juice business and our RCI finished goods export business in January 2018, we have continued to provide contractual payment guarantees to three third-party lessors of certain real property used in these businesses. The leases were conveyed to Refresco as part of the sale, but our guarantee was not released by the landlord. The three lease agreements mature in 2027, 2028 and 2029. The maximum potential amount of undiscounted future payments under the guarantee of approximately \$26.6 million as of September 26, 2020 (\$29.4 million—December 28, 2019) was calculated based on the minimum lease payments of the leases over the remaining term of the agreements. The sale documents require Refresco to pay all post-closing obligations under these conveyed leases, and to reimburse us if the landlord calls on a guarantee. Refresco has also agreed to a covenant to negotiate with the landlords for a release of our guarantees. Discussions with the landlords are ongoing. 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 16—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 September 26, 2020 and December 28, 2019 were as follows:

(in millions of U.S. dollars)	September 26, 2020		December 28, 2019	
	Carrying Value	Fair Value	Carrying Value	Fair Value
5.500% senior notes due in 2024 <sup>1,2</sup>	\$ 519.6	\$ 530.0	\$ 493.5	\$ 514.5
5.500% senior notes due in 2025 <sup>1,2</sup>	742.7	761.5	741.8	775.3
Total	\$ 1,262.3	\$ 1,291.5	\$ 1,235.3	\$ 1,289.8

<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 September 26, 2020 and December 28, 2019.

### **Non-Financial Assets Measured at Fair Value on a Non-Recurring Basis**

In addition to assets and liabilities that are measured at fair value on a recurring basis, we are also required to measure certain items at fair value on a non-recurring basis. These assets can include goodwill, intangible assets, property, plant and equipment, lease-related right-of-use assets, and long-lived assets that have been reduced to fair value when they are held for sale. If certain triggering events occur, or if an annual impairment test is required, we would evaluate these non-financial assets for impairment. If an impairment were to occur, the asset would be recorded at the estimated fair value, using primarily unobservable Level 3 inputs.

During the second quarter of 2020, given the general deterioration in economic and market conditions in which we operate arising from the COVID-19 pandemic, we identified a triggering event indicating possible impairment of goodwill and intangible assets. See Note 1 to the Consolidated Financial Statements for additional information on goodwill and intangible asset impairment. We did not identify impairment of our property, plant and equipment, lease-related right-of-use assets, or long-lived assets. During the three months ended September 26, 2020, we did not identify any triggering events, and thus, there were no impairment charges recorded during the third quarter of 2020.

### **Note 17—Subsequent Events**

On October 22, 2020, we issued €450.0 million (\$533.5 million at exchange rates in effect on October 22, 2020) of 3.875% senior notes due October 31, 2028 (“2028 Notes”) to qualified purchasers in a private placement offering under Rule 144A under the Securities Act of 1933, as amended (the “Securities Act”), and outside the United States to non-U.S. purchasers pursuant to Regulation S under the Securities Act and other applicable laws. The 2028 Notes were issued by our wholly-owned subsidiary Primo Water Holdings Inc. The 2028 Notes are guaranteed by the Company and certain subsidiaries that are currently obligors under the Revolving Credit Facility, the €450.0 million of 5.500% senior notes due July 1, 2024 (“2024 Notes”) and the \$750.0 million of 5.500% senior notes due April 1, 2025. The 2028 Notes will mature on October 31, 2028 and interest is payable semi-annually on April 30th and October 31st of each year commencing on April 30, 2021. The proceeds of the 2028 Notes, along with borrowings from the Revolving Credit Facility, were used to redeem in full the 2024 Notes and pay related premiums, fees and expenses.

We incurred approximately \$8.0 million of financing fees for the issuance of the 2028 Notes. The financing fees are being amortized using the effective interest method over an eight-year period, which represents the term to maturity of the 2028 Notes. The redemption of the 2024 Notes included \$14.6 million in premium payments and accrued interest of \$9.0 million.

On November 3, 2020, our Board of Directors declared a dividend of \$0.06 per share on common shares, payable in cash on December 4, 2020 to share owners of record at the close of business on November 24, 2020.

## 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 28, 2019 (our “2019 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 2019 Annual Report and under “Risk Factors” in Part II, Item 1A in our Quarterly Report on Form 10-Q for the quarter ended March 28, 2020. 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, Europe and Israel. Primo operates largely under a recurring razor/razorblade revenue model. The razor in Primo’s revenue model is its industry leading line-up of sleek and innovative water dispensers, which are sold through major retailers and online at various price points or leased to customers. The dispensers help increase household penetration, which drives recurring purchases of Primo’s razorblade offering. 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 the customer’s door, whether at home or to commercial businesses. Through its Water Exchange and Water Refill businesses, Primo offers pre-filled and reusable containers at over 13,000 locations and water refill units at approximately 22,000 locations, respectively. Primo also offers water filtration units across its 21-country footprint representing a top five position.

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. In the third quarter of 2020, our U.S. operations achieved a carbon neutral certification under the CarbonNeutral Protocol, an international standard administered by Natural Capital Partners. This certification is in addition to the certifications in our European operations where we have maintained carbon neutrality for the past eight consecutive years.

The market in which we operate is 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 2020, we implemented a restructuring program intended to optimize synergies from the Company’s transition to a pure-play water company following the Legacy Primo Acquisition (defined below) and, as a result, reorganized into two reporting segments: North America (which includes our DS Services of America, Inc. (“DSS”), Aquaterra Corporation (“Aquaterra”), Mountain Valley Spring Company (“Mountain Valley”) and Legacy Primo (defined below) businesses) and Rest of World (which includes our Eden Springs Nederland B.V. (“Eden”), Aimia Foods Limited (“Aimia”), Decantae Mineral Water Limited (“Decantae”) and John Farrer & Company Limited (“Farrers”) businesses). Our corporate oversight function and other miscellaneous expenses are aggregated and included in the All Other category. Segment reporting results have been recast to reflect these changes for all periods presented.

## Impact of the COVID-19 Pandemic

Our global operations expose us to risks associated with the COVID-19 pandemic, which has resulted in challenging operating environments. COVID-19 has spread across the globe to all of the countries in which we operate. Authorities in many of these markets have implemented numerous measures to stall the spread of COVID-19, including travel bans and restrictions, quarantines, curfews, shelter in place orders, and business shutdowns. These measures have impacted and will continue to impact us, our customers, employees, distributors, suppliers and other third parties with whom we do business. There is considerable uncertainty regarding the extent and duration of any impact that these measures and future measures in response to the pandemic may have on our business, including whether they will result in further changes in demand for our services and products, further increases in operating costs (whether as a result of changes to our supply chain or increases in employee costs or otherwise), and how they will further impact our supply chain, each or all of which can impact our ability to make, manufacture, distribute and sell our products. In addition, measures that impact our ability to access our offices, plants, warehouses, distribution centers or other facilities, or that impact the ability of our customers, employees, distributors, suppliers and other third parties to do the same, may impact the availability of our and their employees, many of whom are not able to perform their job functions remotely.

We have implemented safety protocols, including implementing social distancing guidelines, staggering employee shifts, providing our associates with personal protective equipment, and continuing to allow members of our team to work from home where possible. We have been working and will continue to work closely with our business partners on contingency planning in an effort to maintain supply. To date, we have not experienced a material disruption to our operations or supply chain.

While we continue to develop and implement health and safety protocols, business continuity plans and crisis management protocols and have taken other operational actions in an effort to try to mitigate the negative impact of COVID-19 to our employees and our business, the extent of the impact of the pandemic on our business and financial results will depend on numerous evolving factors that we are not able to accurately predict and that all will vary by market, including the duration and scope of the pandemic, global economic conditions during and after the pandemic, governmental actions that have been taken, or may be taken in the future, in response to the pandemic and changes in customer behavior in response to the pandemic, some of which may be more than just temporary.

As we deliver bottled water to residential and business customers across a 21-country footprint and provide multi-gallon purified bottled water, self-service refill drinking water and water dispensers to customers through major retailers in North America, the profile of the services we provide and the products we sell, and the amount of revenue attributable to such services and products, varies by jurisdiction. Changes in demand as a result of COVID-19 will vary in scope and timing across these markets. For example, to date, we have seen an increase in volumes in our residential water direct business and a decrease in volumes in our commercial water direct business as a result of the COVID-19 pandemic. Any continued economic uncertainty can adversely affect our customers' financial condition, resulting in an inability to pay for our services or products, reduced or canceled orders of our services or products, or our business partners' inability to supply us with the items necessary for us to make, manufacture, distribute or sell our products. Such adverse changes in our customers' or business partners' financial condition may also result in our recording impairment charges for our inability to recover or collect any accounts receivable. In addition, economic uncertainty associated with COVID-19 pandemic has resulted in volatility in the global capital and credit markets, which can impair our ability to access these markets on terms commercially acceptable to us, or at all.

In response to COVID-19, certain government authorities have enacted programs which provide various economic stimulus measures, including several tax provisions. Among the business tax provisions is the deferral of certain payroll and other tax remittances to future years and wage subsidies as reimbursement for a portion of certain furloughed employees' salaries. During the three and nine months ended September 26, 2020, we received wage subsidies under these programs totaling \$2.6 million and \$6.0 million, respectively. We review our eligibility for these programs for each qualifying period and account for such wage subsidies on an accrual basis when the conditions for eligibility are met. The Company has adopted an accounting policy to present wage subsidies as a reduction of selling, general and administrative ("SG&A") expenses. In addition, deferred payroll and other taxes totaling \$3.1 million were included in accounts payable and accrued liabilities and \$10.9 million were included in other long-term liabilities on our Consolidated Balance Sheet as of September 26, 2020.

During the second quarter of 2020, we recorded a total of \$115.2 million of non-cash impairment charges related to goodwill and intangible assets. See Note 1 to the Consolidated Financial Statements for additional information on goodwill and intangible asset impairment. The impairment charges were primarily driven by the impact of the COVID-19 pandemic and revised projections of future operating results. During the three months ended September 26, 2020, we did not identify any triggering events, and thus, there were no impairment charges recorded during the third quarter of 2020.

Additionally, on June 11, 2020, we announced that our Board of Directors approved a plan intended to optimize synergies from the Company's transition to a pure-play water company following the Legacy Primo Acquisition and to mitigate the negative financial and operational impacts of the COVID-19 pandemic, including implementing headcount reductions and furloughs in our North America and Rest of World reporting segments ("2020 Restructuring Plan"). When we implement these programs, we incur various charges, including severance, asset impairments, and other employment related costs. In connection with the 2020 Restructuring Plan, we expect to incur approximately \$19.0 million in severance costs, all of which are expected to result in cash expenditures and are expected to be fully paid by the end of 2020. All costs incurred by the 2020 Restructuring Plan are included in SG&A expenses for the three and nine months ended September 26, 2020. See Note 1 to the Consolidated Financial Statements for additional information on restructuring charges incurred during the three and nine months ended September 26, 2020.

During the three and nine months ended September 26, 2020 we also incurred \$1.3 million and \$9.2 million, respectively, in other COVID-19 related costs. Other COVID-19 related costs primarily include front-line incentives paid and costs incurred for supplies.

### **Divestiture, Acquisition and Financing Transactions**

On February 28, 2020, we completed the sale of our coffee, tea and extract solutions business, S. & D. Coffee, Inc. ("S&D"), to Westrock Coffee Company, LLC, a Delaware limited liability company ("Westrock"), pursuant to which Westrock acquired all of the issued and outstanding equity of S&D from the Company ("S&D Divestiture"). The consideration was \$405.0 million paid at closing in cash, with customary post-closing working capital adjustments, which were resolved in June 2020 by payment of \$1.5 million from the Company to Westrock. We used the proceeds of the transaction to finance a portion of the Legacy Primo Acquisition.

As a result of the S&D Divestiture, the operating results associated with S&D have been presented as discontinued operations for all periods presented. The following discussion and analysis of financial condition and results of operations are those of our continuing operations unless otherwise indicated. For additional information regarding our discontinued operations, see Note 2 to the Consolidated Financial Statements.

On March 2, 2020, pursuant to the terms and conditions of the Agreement and Plan of Merger entered into on January 13, 2020, Cott Corporation completed the acquisition of Primo Water Corporation ("Legacy Primo" and such transaction, the "Legacy Primo Acquisition"). The aggregate consideration paid in the Legacy Primo Acquisition was approximately \$798.2 million and includes \$377.6 million of our common shares issued by us to holders of Legacy Primo common stock, \$216.1 million paid in cash by us to holders of Legacy Primo common stock, \$196.9 million of cash paid to retire outstanding indebtedness on behalf of Legacy Primo, \$4.7 million to settle a pre-existing liability and \$2.9 million in fair value of replacement common share options and restricted stock units for vested Legacy Primo awards. The Legacy Primo Acquisition is consistent with our strategy of transitioning to a pure-play water solutions provider.

In connection with the closing of the Legacy Primo Acquisition, Cott Corporation changed its corporate name to Primo Water Corporation and its ticker symbol on the New York Stock Exchange and Toronto Stock Exchange to "PRMW".

On March 6, 2020, we entered into a credit agreement among the Company, as parent borrower, Primo Water Holdings Inc. (formerly known as Cott Holdings Inc.) and Eden, each as 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").

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. Borrowings under the Revolving Credit Facility were used to refinance in full and terminate our previously existing asset-based lending credit facility.

On October 22, 2020, we issued €450.0 million (\$533.5 million at exchange rates in effect on October 22, 2020) of 3.875% senior notes due October 31, 2028 ("2028 Notes") to qualified purchasers in a private placement offering under Rule 144A under the Securities Act of 1933, as amended (the "Securities Act"), and outside the United States to non-U.S. purchasers pursuant to Regulation S under the Securities Act and other applicable laws. The 2028 Notes were issued by our wholly-owned subsidiary Primo Water Holdings Inc. The 2028 Notes are guaranteed by the Company and certain subsidiaries that are currently obligors under the Revolving Credit Facility, the €450.0 million of 5.500% senior notes due July 1, 2024 ("2024 Notes") and the \$750.0 million of 5.500% senior notes due April 1, 2025. The 2028 Notes will mature on October 31, 2028 and interest is payable semi-annually on April 30th and October 31st of each year commencing on April 30, 2021. The proceeds of the 2028 Notes, along with borrowings from the Revolving Credit Facility, were used to redeem in full the 2024 Notes and pay related premiums, fees and expenses.

We incurred approximately \$8.0 million of financing fees for the issuance of the 2028 Notes. The financing fees are being amortized using the effective interest method over an eight-year period, which represents the term to maturity of the 2028 Notes. The redemption of the 2024 Notes included \$14.6 million in premium payments and accrued interest of \$9.0 million.

### **Forward-Looking Statements**

In addition to historical information, this report, and any documents incorporated in this report by reference, 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 any 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” in our 2019 Annual Report and in Part II, Item 1A “Risk Factors” in our Quarterly Report on Form 10-Q for the quarter ended March 28, 2020, and those described from time to time in our future reports filed with the U.S. 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 exposure to intangible asset risk;
- the impact of national, regional and global events, including those of a political, economic, business and competitive nature;
- 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;
- our ability to fully realize the potential benefit of transactions (including the Legacy Primo Acquisition and the S&D Divestiture) or other strategic opportunities that we pursue;
- our ability to realize cost synergies of our acquisitions due to integration difficulties and other challenges;
- our limited indemnification rights in connection with the Legacy Primo Acquisition;
- currency fluctuations that adversely affect the exchange between the U.S. dollar and the British pound sterling, the exchange between the Euro, the Canadian dollar and other currencies and the exchange between the British pound sterling and the Euro;
- our ability to maintain favorable arrangements and relationships with our suppliers;
- 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;
- the incurrence of substantial indebtedness to finance our acquisitions, including the Legacy Primo Acquisition;
- 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;
- our ability to protect our intellectual property;
- 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;
- the seasonal nature of our business and the effect of adverse weather conditions;
- our ability to recruit, retain and integrate new management;
- our ability to renew our collective bargaining agreements on satisfactory terms;
- 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;
- our ability to adequately address the challenges and risks associated with our international operations and address difficulties in complying with laws and regulations including the U.S. Foreign Corrupt Practices Act and the U.K. Bribery Act of 2010;
- increased tax liabilities in the various jurisdictions in which we operate;
- our ability to utilize tax attributes to offset future taxable income;
- the impact of the 2017 Tax Cuts and Jobs Act on our tax obligations and effective tax rate; 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, and 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 changes. 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) from continuing operations 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, goodwill and intangible asset impairment charges, foreign exchange and other (gains) losses, net, loss on disposal of property, plant and equipment, net, (gain) loss on sale of business and other adjustments, net, as the case may be ("Adjusted EBITDA"). We consider Adjusted EBITDA to be an indicator of our operating performance.

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 from continuing operations for the three months ended September 26, 2020 (the “third quarter”) was \$22.3 million or \$0.14 per diluted common share, and net loss from continuing operations for the nine months ended September 26, 2020 (the “first nine months” or “year to date”) was \$136.8 million or \$0.89 per diluted common share, compared with net income from continuing operations of \$7.3 million or \$0.05 per diluted common share for the three months ended September 28, 2019, and net loss from continuing operations of \$12.7 million or \$0.09 per diluted common share for the nine months ended September 28, 2019.

#### *The following items of significance affected our financial results for the first nine months of 2020:*

- Net revenue increased \$93.1 million, or 6.9%, from the prior year period due primarily to the addition of revenues from the Legacy Primo business and pricing initiatives, partially offset by a decline in water and office coffee services consumption and volumes due to the impact of COVID-19 and the non-recurrence of revenues contributed by our Cott Beverages LLC business, which was sold during the first quarter of 2019;
- Gross profit increased to \$832.1 million from \$801.0 million in the prior year period due primarily to the addition of the Legacy Primo business and pricing initiatives, partially offset by a decline in water and office coffee services consumption and volumes due to the impact of COVID-19. Gross profit as a percentage of net revenue was 57.4% compared to 59.1% in the prior year period;
- SG&A expenses increased to \$759.0 million from \$725.7 million in the prior year period due primarily to the addition of the Legacy Primo business, partially offset by lower delivery expenses and cost reduction initiatives executed as a result of the impact of COVID-19, as well as the non-recurrence of SG&A expenses incurred by our Cott Beverages LLC business, which was sold during the first quarter of 2019. SG&A expenses as a percentage of net revenue was 52.4% compared to 53.5% in the prior year period;
- Acquisition and integration expenses increased to \$28.4 million from \$10.0 million in the prior year period due primarily to the acquisition and integration of the Legacy Primo business. Acquisition and integration expenses as a percentage of revenue was 2.0% compared to 0.7% in the prior year period;
- Goodwill and intangible asset impairment charges increased to \$115.2 million from nil in the prior year period due primarily to general deterioration in economic and market conditions in which we operate arising from COVID-19.
- Other expense, net was \$0.6 million compared to \$7.1 million in the prior year period due primarily to a decrease of net losses on foreign currency transactions in the first nine months, partially offset by the loss recognized on the sale of our Cott Beverages LLC business in the prior year period;
- Income tax benefit was \$1.3 million on pre-tax loss from continuing operations of \$138.1 million compared to income tax expense of \$7.9 million on pre-tax loss from continuing operations of \$4.8 million in the prior year period due primarily to impairment charges incurred in the second quarter of 2020 for which minimal tax benefit is recognized;
- Adjusted EBITDA increased to \$263.5 million compared to \$215.0 million in the prior year period due to the items listed above; and
- Cash flows provided by operating activities from continuing operations was \$123.4 million compared to \$104.3 million in the prior year period. The \$19.1 million increase was due primarily to improved earnings, excluding non-cash charges, 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 and nine months ended September 26, 2020 and September 28, 2019:

(in millions of U.S. dollars)	For the Three Months Ended				For the Nine Months Ended			
	September 26, 2020		September 28, 2019		September 26, 2020		September 28, 2019	
	\$	%	\$	%	\$	%	\$	%
<b>Revenue, net</b>	<b>517.5</b>	<b>100.0</b>	472.1	100.0	<b>1,448.5</b>	<b>100.0</b>	1,355.4	100.0
Cost of sales	<b>213.4</b>	<b>41.2</b>	185.8	39.4	<b>616.4</b>	<b>42.6</b>	554.4	40.9
<b>Gross profit</b>	<b>304.1</b>	<b>58.8</b>	286.3	60.6	<b>832.1</b>	<b>57.4</b>	801.0	59.1
Selling, general and administrative expenses	<b>257.2</b>	<b>49.7</b>	244.2	51.7	<b>759.0</b>	<b>52.4</b>	725.7	53.5
Loss on disposal of property, plant and equipment, net	<b>2.3</b>	<b>0.4</b>	1.1	0.2	<b>6.2</b>	<b>0.4</b>	4.7	0.3
Acquisition and integration expenses	<b>3.3</b>	<b>0.6</b>	2.6	0.6	<b>28.4</b>	<b>2.0</b>	10.0	0.7
Goodwill and intangible asset impairment charges	—	—	—	—	<b>115.2</b>	<b>8.0</b>	—	—
<b>Operating income (loss)</b>	<b>41.3</b>	<b>8.0</b>	38.4	8.1	<b>(76.7)</b>	<b>(5.3)</b>	60.6	4.5
Other (income) expense, net	<b>(4.8)</b>	<b>(0.9)</b>	3.8	0.8	<b>0.6</b>	—	7.1	0.5
Interest expense, net	<b>20.4</b>	<b>3.9</b>	20.2	4.3	<b>60.8</b>	<b>4.2</b>	58.3	4.3
<b>Income (loss) from continuing operations before income taxes</b>	<b>25.7</b>	<b>5.0</b>	14.4	3.1	<b>(138.1)</b>	<b>(9.5)</b>	(4.8)	(0.4)
Income tax expense (benefit)	<b>3.4</b>	<b>0.7</b>	7.1	1.5	<b>(1.3)</b>	<b>(0.1)</b>	7.9	0.6
<b>Net income (loss) from continuing operations</b>	<b>22.3</b>	<b>4.3</b>	7.3	1.5	<b>(136.8)</b>	<b>(9.4)</b>	(12.7)	(0.9)
Net (loss) income from discontinued operations, net of income taxes	<b>(0.3)</b>	<b>(0.1)</b>	2.8	0.6	<b>26.3</b>	<b>1.8</b>	7.5	0.6
<b>Net income (loss)</b>	<b>22.0</b>	<b>4.3</b>	10.1	2.1	<b>(110.5)</b>	<b>(7.6)</b>	(5.2)	(0.4)
Depreciation & amortization	<b>53.6</b>	<b>10.4</b>	41.7	8.8	<b>151.4</b>	<b>10.5</b>	124.3	9.2

The following tables summarize the change in revenue by reporting segment for the three and nine months ended September 26, 2020:

(in millions of U.S. dollars, except percentage amounts)	For the Three Months Ended September 26, 2020			
	North America	Rest of World	All Other	Total
Change in revenue	\$ 55.6	\$ (10.2)	\$ —	\$ 45.4
Impact of foreign exchange <sup>1</sup>	0.2	(4.1)	—	(3.9)
Change excluding foreign exchange	\$ 55.8	\$ (14.3)	\$ —	\$ 41.5
Percentage change in revenue	16.5 %	(7.6)%	—%	9.6 %
Percentage change in revenue excluding foreign exchange	16.5 %	(10.6)%	—%	8.8 %

<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.

**For the Nine Months Ended September 26, 2020**

<b>(in millions of U.S. dollars, except percentage amounts)</b>	<b>North America</b>	<b>Rest of World</b>	<b>All Other</b>	<b>Total</b>
Change in revenue	\$ 148.6	\$ (48.3)	\$ (7.2)	\$ 93.1
Impact of foreign exchange <sup>1</sup>	0.7	(1.9)	—	(1.2)
Change excluding foreign exchange	\$ 149.3	\$ (50.2)	\$ (7.2)	\$ 91.9
Percentage change in revenue	15.5 %	(12.4)%	(100.0)%	6.9 %
Percentage change in revenue excluding foreign exchange	15.6 %	(12.9)%	(100.0)%	6.8 %

<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 tables summarize the change in gross profit by reporting segment for the three and nine months ended September 26, 2020:

**For the Three Months Ended September 26, 2020**

<b>(in millions of U.S. dollars, except percentage amounts)</b>	<b>North America</b>	<b>Rest of World</b>	<b>All Other</b>	<b>Total</b>
Change in gross profit	\$ 23.6	\$ (5.8)	\$ —	\$ 17.8
Impact of foreign exchange <sup>1</sup>	0.1	(2.3)	—	(2.2)
Change excluding foreign exchange	\$ 23.7	\$ (8.1)	\$ —	\$ 15.6
Percentage change in gross profit	11.3 %	(7.5)%	—%	6.2 %
Percentage change in gross profit excluding foreign exchange	11.4 %	(10.5)%	—%	5.4 %

<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.

**For the Nine Months Ended September 26, 2020**

<b>(in millions of U.S. dollars, except percentage amounts)</b>	<b>North America</b>	<b>Rest of World</b>	<b>All Other</b>	<b>Total</b>
Change in gross profit	\$ 63.7	\$ (32.3)	\$ (0.3)	\$ 31.1
Impact of foreign exchange <sup>1</sup>	0.4	(1.2)	—	(0.8)
Change excluding foreign exchange	\$ 64.1	\$ (33.5)	\$ (0.3)	\$ 30.3
Percentage change in gross profit	11.0 %	(14.7)%	(100.0)%	3.9 %
Percentage change in gross profit excluding foreign exchange	11.0 %	(15.2)%	(100.0)%	3.8 %

<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 All Other category.

The following table summarizes our net revenue, gross profit, SG&A expenses and operating income (loss) by reporting segment for the three and nine months ended September 26, 2020 and September 28, 2019:

<b>(in millions of U.S. dollars)</b>	<b>For the Three Months Ended</b>		<b>For the Nine Months Ended</b>	
	<b>September 26, 2020</b>	<b>September 28, 2019</b>	<b>September 26, 2020</b>	<b>September 28, 2019</b>
<b><i>Revenue, net</i></b>				
North America	\$ 393.2	\$ 337.6	\$ 1,107.8	\$ 959.2
Rest of World	124.3	134.5	340.7	389.0
All Other	—	—	—	7.2
<b>Total</b>	<b>\$ 517.5</b>	<b>\$ 472.1</b>	<b>\$ 1,448.5</b>	<b>\$ 1,355.4</b>
<b><i>Gross profit</i></b>				
North America	\$ 232.4	\$ 208.8	\$ 644.4	\$ 580.7
Rest of World	71.7	77.5	187.7	220.0
All Other	—	—	—	0.3
<b>Total</b>	<b>\$ 304.1</b>	<b>\$ 286.3</b>	<b>\$ 832.1</b>	<b>\$ 801.0</b>
<b><i>Selling, general and administrative expenses</i></b>				
North America	\$ 183.6	\$ 170.5	\$ 535.9	\$ 504.9
Rest of World	60.7	64.9	187.5	189.7
All Other	12.9	8.8	35.6	31.1
<b>Total</b>	<b>\$ 257.2</b>	<b>\$ 244.2</b>	<b>\$ 759.0</b>	<b>\$ 725.7</b>
<b><i>Operating income (loss)</i></b>				
North America	\$ 46.0	\$ 36.5	\$ 94.1	\$ 68.7
Rest of World	10.2	11.4	(116.9)	25.6
All Other	(14.9)	(9.5)	(53.9)	(33.7)
<b>Total</b>	<b>\$ 41.3</b>	<b>\$ 38.4</b>	<b>\$ (76.7)</b>	<b>\$ 60.6</b>

The following tables summarize net revenue by channel for the three and nine months ended September 26, 2020 and September 28, 2019:

<b>(in millions of U.S. dollars)</b>	<b>For the Three Months Ended September 26, 2020</b>			
	<b>North America</b>	<b>Rest of World</b>	<b>All Other</b>	<b>Total</b>
<b><i>Revenue, net</i></b>				
Water Direct/Water Exchange	\$ 252.1	\$ 60.2	\$ —	\$ 312.3
Water Refill/Water Filtration	48.9	8.1	—	57.0
Other Water	39.0	20.5	—	59.5
Water Dispensars	28.5	—	—	28.5
Other	24.7	35.5	—	60.2
<b>Total</b>	<b>\$ 393.2</b>	<b>\$ 124.3</b>	<b>\$ —</b>	<b>\$ 517.5</b>

**For the Nine Months Ended September 26, 2020**

<b>(in millions of U.S. dollars)</b>	<b>North America</b>	<b>Rest of World</b>	<b>All Other</b>	<b>Total</b>
<i>Revenue, net</i>				
Water Direct/Water Exchange	\$ 715.3	\$ 160.3	\$ —	\$ 875.6
Water Refill/Water Filtration	123.8	21.5	—	145.3
Other Water	123.7	48.0	—	171.7
Water Dispensers	55.2	—	—	55.2
Other	89.8	110.9	—	200.7
<b>Total</b>	<b>\$ 1,107.8</b>	<b>\$ 340.7</b>	<b>\$ —</b>	<b>\$ 1,448.5</b>

**For the Three Months Ended September 28, 2019**

<b>(in millions of U.S. dollars)</b>	<b>North America</b>	<b>Rest of World</b>	<b>All Other</b>	<b>Total</b>
<i>Revenue, net</i>				
Water Direct/Water Exchange	\$ 244.7	\$ 69.5	\$ —	\$ 314.2
Water Refill/Water Filtration	9.0	6.8	—	15.8
Other Water	41.8	18.0	—	59.8
Water Dispensers	—	—	—	—
Other	42.1	40.2	—	82.3
<b>Total</b>	<b>\$ 337.6</b>	<b>\$ 134.5</b>	<b>\$ —</b>	<b>\$ 472.1</b>

**For the Nine Months Ended September 28, 2019**

<b>(in millions of U.S. dollars)</b>	<b>North America</b>	<b>Rest of World</b>	<b>All Other</b>	<b>Total</b>
<i>Revenue, net</i>				
Water Direct/Water Exchange	\$ 680.9	\$ 193.2	\$ —	\$ 874.1
Water Refill/Water Filtration	26.7	19.7	—	46.4
Other Water	123.1	45.6	—	168.7
Water Dispensers	—	—	—	—
Other	128.5	130.5	7.2	266.2
<b>Total</b>	<b>\$ 959.2</b>	<b>\$ 389.0</b>	<b>\$ 7.2</b>	<b>\$ 1,355.4</b>

The following table summarizes our EBITDA and Adjusted EBITDA for the three and nine months ended September 26, 2020 and September 28, 2019:

<b>(in millions of U.S. dollars)</b>	<b>For the Three Months Ended</b>		<b>For the Nine Months Ended</b>	
	<b>September 26, 2020</b>	<b>September 28, 2019</b>	<b>September 26, 2020</b>	<b>September 28, 2019</b>
Net income (loss) from continuing operations	\$ 22.3	\$ 7.3	\$ (136.8)	\$ (12.7)
Interest expense, net	20.4	20.2	60.8	58.3
Income tax expense (benefit)	3.4	7.1	(1.3)	7.9
Depreciation and amortization	53.6	41.7	151.4	124.3
<b>EBITDA</b>	<b>\$ 99.7</b>	<b>\$ 76.3</b>	<b>\$ 74.1</b>	<b>\$ 177.8</b>
Acquisition and integration costs <sup>1</sup>	3.3	2.6	28.4	10.0
Share-based compensation costs	6.2	1.9	13.5	8.0
COVID-19 costs	1.6	—	18.4	—
Goodwill and intangible asset impairment charges	—	—	115.2	—
Foreign exchange and other (gains) losses, net	(2.0)	4.3	3.2	4.6
Loss on disposal of property, plant and equipment, net	2.3	1.1	6.2	4.7
(Gain) loss on sale of business	—	—	(0.6)	6.0
Other adjustments, net	(0.5)	0.4	5.1	3.9
<b>Adjusted EBITDA</b>	<b>\$ 110.6</b>	<b>\$ 86.6</b>	<b>\$ 263.5</b>	<b>\$ 215.0</b>

<sup>1</sup> Includes a reduction of \$0.4 million of share-based compensation costs for the three months ended September 28, 2019 related to awards granted in connection with the acquisition of our Eden business.

### Three Months Ended September 26, 2020 Compared to Three Months Ended September 28, 2019

#### Revenue, Net

Net revenue increased \$45.4 million, or 9.6%, in the third quarter from the comparable prior year period.

North America net revenue increased \$55.6 million, or 16.5%, in the third quarter from the comparable prior year period due primarily to the addition of revenues from the Legacy Primo business and pricing initiatives, partially offset by a decline in water and office coffee services consumption and volumes due to the impact of COVID-19.

Rest of World net revenue decreased \$10.2 million, or 7.6%, in the third quarter from the comparable prior year period due primarily to a decline in water consumption and volumes due to the impact of COVID-19, partially offset by the favorable impact of foreign exchange rates.

#### Gross Profit

Gross profit increased to \$304.1 million in the third quarter from \$286.3 million in the comparable prior year period. Gross profit as a percentage of revenue was 58.8% in the third quarter compared to 60.6% in the comparable prior year period.

North America gross profit increased to \$232.4 million in the third quarter from \$208.8 million in the comparable prior year period due primarily to the addition of the Legacy Primo business and pricing initiatives, partially offset by a decline in water and office coffee services consumption and volumes as a result of the impact of COVID-19.

Rest of World gross profit decreased to \$71.7 million in the third quarter from \$77.5 million in the comparable prior year period due primarily to a decline in water consumption and volumes due to the impact of COVID-19, partially offset by the favorable impact of foreign exchange rates.

### ***Selling, General and Administrative Expenses***

SG&A expenses increased to \$257.2 million in the third quarter from \$244.2 million in the comparable prior year period. SG&A expenses as a percentage of revenue was 49.7% in the third quarter compared to 51.7% in the comparable prior year period.

North America SG&A expenses increased to \$183.6 million in the third quarter from \$170.5 million in the comparable prior year period due primarily to the addition of the Legacy Primo business, partially offset by lower delivery expenses and cost reduction initiatives executed as a result of the impact of COVID-19.

Rest of World SG&A expenses decreased to \$60.7 million in the third quarter from \$64.9 million in the comparable prior year period due primarily to lower delivery expenses and cost reduction initiatives executed as a result of the impact of COVID-19, as well as wage subsidies received.

All Other SG&A expenses increased to \$12.9 million in the third quarter from \$8.8 million in the comparable prior year period due primarily to an increase in professional fees and share-based compensation costs.

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

Acquisition and integration expenses increased to \$3.3 million in the third quarter from \$2.6 million in the comparable prior year period. Acquisition and integration expenses as a percentage of revenue was 0.6% in the third quarter compared to 0.6% in the comparable prior year period.

North America acquisition and integration expenses increased to \$1.0 million in the third quarter from \$0.5 million in the comparable prior year period due primarily to the addition of the Legacy Primo business.

Rest of World acquisition and integration expenses decreased to \$0.5 million in the third quarter from \$1.3 million in the comparable prior year period due primarily to a reduction in costs associated with tuck-in acquisitions.

All Other acquisition and integration expenses increased to \$1.8 million in the third quarter from loss of \$0.8 million in the comparable prior year period due primarily to the addition of the Legacy Primo business.

### ***Operating Income (Loss)***

Operating income increased to \$41.3 million in the third quarter from \$38.4 million in the comparable prior year period.

North America operating income increased to \$46.0 million in the third quarter from \$36.5 million in the comparable prior year period due to the items discussed above.

Rest of World operating income decreased to \$10.2 million in the third quarter from \$11.4 million in the comparable prior year period due to the items discussed above.

All Other operating loss increased to \$14.9 million in the third quarter from \$9.5 million in the comparable prior year period due to the items discussed above.

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

Other income, net was \$4.8 million for the third quarter compared to other expense, net of \$3.8 million in the comparable prior year period due primarily to income recognized from a favorable legal settlement in the third quarter, as well as an increase of net gains on foreign currency transactions in the third quarter compared to the prior year period.

### ***Income Taxes***

Income tax expense was \$3.4 million in the third quarter compared to \$7.1 million in the comparable prior year period. The effective tax rate for the third quarter was 13.2% compared to 49.3% in the comparable prior year period.

The effective tax rate for the third quarter varied from the effective tax rate from the comparable prior year period due primarily to increased earnings in tax jurisdictions with lower tax rates or existing valuation allowances, combined with decreased earnings in higher tax jurisdictions.



## **Nine Months Ended September 26, 2020 Compared to Nine Months Ended September 28, 2019**

### ***Revenue, Net***

Net revenue increased \$93.1 million, or 6.9%, for the year to date from the comparable prior year period.

North America net revenue increased \$148.6 million, or 15.5%, for the year to date from the comparable prior year period due primarily to the addition of revenues from the Legacy Primo business and pricing initiatives, partially offset by a decline in water and office coffee services consumption and volumes due to the impact of COVID-19.

Rest of World net revenue decreased \$48.3 million, or 12.4%, for the year to date from the comparable prior year period due primarily to a decline in water consumption and volumes due to the impact of COVID-19.

All Other net revenue decreased \$7.2 million, or 100.0%, for the year to date from the comparable prior year period due primarily to the non-recurrence of revenue contributed by our Cott Beverages LLC business, which was sold in the first quarter of 2019.

### ***Gross Profit***

Gross profit increased to \$832.1 million for the year to date from \$801.0 million in the comparable prior year period. Gross profit as a percentage of revenue was 57.4% year to date compared to 59.1% in the comparable prior year period.

North America gross profit increased to \$644.4 million for the year to date from \$580.7 million in the comparable prior year period due primarily to the addition of the Legacy Primo business and pricing initiatives, partially offset by a decline in water and office coffee services consumption and volumes as a result of the impact of COVID-19.

Rest of World gross profit decreased to \$187.7 million for the year to date from \$220.0 million in the comparable prior year period due primarily to a decline in water consumption and volumes due to the effect of COVID-19.

All Other gross profit decreased to nil for the year to date from \$0.3 million in the comparable prior year period due primarily to the non-recurrence of gross profit contributed by our Cott Beverages LLC business, which was sold in the first quarter of 2019.

### ***Selling, General and Administrative Expenses***

SG&A expenses increased to \$759.0 million for the year to date from \$725.7 million in the comparable prior year period. SG&A expenses as a percentage of revenue was 52.4% year to date compared to 53.5% in the comparable prior year period.

North America SG&A expenses increased to \$535.9 million for the year to date from \$504.9 million in the comparable prior year period due primarily to the addition of the Legacy Primo business, partially offset by lower delivery expenses and cost reduction initiatives executed as a result of the impact of COVID-19.

Rest of World SG&A expenses decreased to \$187.5 million for the year to date from \$189.7 million in the comparable prior year period due primarily to lower delivery expenses and cost reduction initiatives executed as a result of the impact of COVID-19, as well as wage subsidies received, partially offset by an increase in severance costs.

All Other SG&A expenses increased to \$35.6 million for the year to date from \$31.1 million in the comparable prior year period due primarily to an increase in professional fees and share-based compensation costs, partially offset by the non-recurrence of SG&A expenses incurred by our Cott Beverages LLC business, which was sold in the first quarter of 2019.

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

Acquisition and integration expenses increased to \$28.4 million for the year to date from \$10.0 million in the comparable prior year period. Acquisition and integration expenses as a percentage of revenue was 2.0% year to date compared to 0.7% in the comparable prior year period.

North America acquisition and integration expenses increased to \$7.5 million for the year to date from \$2.4 million in the comparable prior year period due primarily to the addition of the Legacy Primo business. The prior year period expenses related primarily to the additions of our Mountain Valley and Crystal Rock businesses.

Rest of World acquisition and integration expenses decreased to \$2.6 million for the year to date from \$4.7 million in the comparable prior year period due primarily to a reduction in costs associated with tuck-in acquisitions.

All Other acquisition and integration expenses increased to \$18.3 million for the year to date from \$2.9 million in the comparable prior year period due primarily to the addition of the Legacy Primo business.

### ***Goodwill and Intangible Asset Impairment Charges***

Goodwill and intangible asset impairment charges increased to \$115.2 million for the year to date from nil in the comparable prior year period. Goodwill and intangible asset impairment charges as a percentage of revenue was 8.0% year to date compared to nil in the comparable prior year period.

North America goodwill and intangible asset impairment charges increased to \$1.2 million for the year to date from nil in the comparable prior year period due to impairment charges recorded on certain of our Canadian trademarks.

Rest of World goodwill and intangible asset impairment charges increased to \$114.0 million for the year to date from nil in the comparable prior year period due primarily to general deterioration in economic and market conditions in which we operate arising from COVID-19.

### ***Operating (Loss) Income***

Operating loss was \$76.7 million for the year to date compared to operating income of \$60.6 million in the comparable prior year period.

North America operating income increased to \$94.1 million for the year to date from \$68.7 million in the comparable prior year period due to the items discussed above.

Rest of World operating loss increased to \$116.9 million for the year to date from operating income of \$25.6 million in the comparable prior year period due to the items discussed above.

All Other operating loss increased to \$53.9 million for the year to date from \$33.7 million in the comparable prior year period due to the items discussed above.

### ***Other Expense, Net***

Other expense, net was \$0.6 million for the year to date compared to \$7.1 million in the comparable prior year period due primarily to income recognized from a favorable legal settlement, a decrease of net losses on foreign currency transactions year to date from the comparable prior year period, as well as the loss recognized on the sale of our Cott Beverages LLC business in the prior year period.

### ***Income Taxes***

Income tax benefit was \$1.3 million for the year to date compared to income tax expense of \$7.9 million in the comparable prior year period. The effective tax rate for the year to date was 0.9% compared to (164.6)% in the comparable prior year period.

The effective tax rate for the year to date varied from the effective tax rate from the comparable prior year period due to impairment charges incurred year to date for which minimal tax benefit is recognized.

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

As of September 26, 2020, we had total debt of \$1,473.8 million and \$161.9 million of cash and cash equivalents compared to \$1,358.4 million of debt and \$156.9 million of cash and cash equivalents as of December 28, 2019. Our cash and cash equivalents balances as of December 28, 2019 include \$12.4 million of cash proceeds received from the sale of our legacy carbonated soft drink and juice business and our Royal Crown International finished goods export business that are being held in escrow by a third party escrow agent to secure potential indemnification claims. Our cash and cash equivalents balances as of December 28, 2019 also include \$0.5 million of cash proceeds received from the sale of our Cott Beverages LLC business that are being held in escrow by a third party escrow agent to secure potential indemnification claims. In July 2020, a settlement agreement was reached with Refresco, the buyer of both businesses. In exchange for a settlement of pending and future claims, \$4.0 million of the escrow funds were released to Refresco. The remaining \$8.4 million and \$0.5 million were released to us.

The recent COVID-19 pandemic has continued to disrupt our business. The extent and duration of the impact of the COVID-19 pandemic on our business and financial results will depend on numerous evolving factors that we are not able to accurately predict and that all will vary by market. These factors include the duration and scope of the pandemic, global economic conditions during and after the pandemic, governmental actions that have been taken, or may be taken in the future, in response to the pandemic, and changes in customer behavior in response to the pandemic, some of which may be more than just temporary.

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 meet our expenses, capital expenditures, and debt service obligations for the next twelve months. 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 September 26, 2020, our outstanding borrowings under the Revolving Credit Facility were \$136.0 million and outstanding letters of credit totaled \$43.4 million resulting in total utilization under the Revolving Credit Facility of \$179.4 million. Accordingly, unused availability under the Revolving Credit Facility as of September 26, 2020 amounted to \$170.6 million.

We earn a portion 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 \$0.06 per common share was declared during each quarter of 2020 for aggregate dividend payments of approximately \$29.2 million.

The following table summarizes our cash flows for the three and nine months ended September 26, 2020 and September 28, 2019, 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>For the Nine Months Ended</b>	
	<b>September 26, 2020</b>	<b>September 28, 2019</b>	<b>September 26, 2020</b>	<b>September 28, 2019</b>
Net cash provided by operating activities from continuing operations	\$ 53.2	\$ 88.0	\$ 123.4	\$ 104.3
Net cash used in investing activities from continuing operations	(24.9)	(40.4)	(526.5)	(62.6)
Net cash used in financing activities from continuing operations	(73.6)	(7.4)	(10.4)	(52.5)
<b>Cash flows from discontinued operations:</b>				
Net cash (used in) provided by operating activities from discontinued operations	(0.7)	(5.9)	(18.7)	9.7
Net cash (used in) provided by investing activities from discontinued operations	(4.0)	(3.0)	388.9	(26.2)
Net cash used in financing activities from discontinued operations	—	(0.2)	(0.1)	(0.4)
Effect of exchange rate changes on cash	0.8	(0.9)	(0.2)	0.5
Net (decrease) increase in cash, cash equivalents and restricted cash	(49.2)	30.2	(43.6)	(27.2)
Cash and cash equivalents and restricted cash, beginning of period	211.1	113.4	205.5	170.8
Cash and cash equivalents and restricted cash from continuing operations, end of period	\$ 161.9	\$ 143.6	\$ 161.9	\$ 143.6

#### ***Operating Activities***

Cash provided by operating activities from continuing operations was \$123.4 million year to date compared to \$104.3 million in the comparable prior year period. The \$19.1 million increase was due primarily to improved earnings, excluding non-cash charges, relative to the prior year period.

#### ***Investing Activities***

Cash used in investing activities from continuing operations was \$526.5 million year to date compared to \$62.6 million in the comparable prior year period. The \$463.9 million increase was due primarily to the cash used to acquire our Legacy Primo business, an increase in additions to property, plant and equipment relative to the prior year period, and cash received from the sale of our Cott Beverages LLC business in the prior year period.

#### ***Financing Activities***

Cash used in financing activities from continuing operations was \$10.4 million year to date compared to \$52.5 million in the comparable prior year period. The \$42.1 million decrease was due primarily to an increase in net short-term borrowings and cash provided by other financing activities year to date as compared to the prior year period, partially offset by an increase in dividends paid to common shareholders and cash used for financing fees relative to the prior year period.

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

We have no off-balance sheet arrangements as defined under Item 303(a)(4) of Regulation S-K as of September 26, 2020.

#### **Contractual Obligations**

We have no material changes to the disclosure on this matter made in our 2019 Annual Report.

#### **Credit Ratings and Covenant Compliance**

##### ***Credit Ratings***

We have no material changes to the disclosure on this matter made in our 2019 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 September 26, 2020, 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 September 26, 2020.

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 September 26, 2020.

## **Issuer Purchases of Equity Securities**

### *Tax Withholding*

In the third quarter of 2020, an aggregate of 6,434 common shares were withheld from delivery to our employees to satisfy their respective tax obligations related to share-based awards. In the third quarter of 2019, an aggregate of 4,183 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 28, 2019, our equity has increased by \$195.4 million. The increase was due primarily to the issuance of common shares of \$385.1 million and share-based compensation costs of \$12.2 million, partially offset by net loss of \$110.5 million, common shares repurchased and canceled of \$32.3 million, other comprehensive loss, net of tax of \$26.3 million and common share dividend payments of \$29.2 million.

## **Dividend Payments**

### *Common Share Dividend*

On August 4, 2020, the Board of Directors declared a dividend of \$0.06 per share on common shares, payable in cash on September 2, 2020 to shareowners of record at the close of business on August 19, 2020. On November 3, 2020, the Board of Directors declared a dividend of \$0.06 per share on common shares, payable in cash on December 4, 2020 to shareowners of record at the close of business on November 24, 2020. 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 continuing 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.

Except as provided below, we have no material changes to our Critical Accounting Policies and Estimates disclosure as filed in our 2019 Annual Report.

### ***Impairment testing of goodwill***

Goodwill represents the excess purchase price of acquired businesses over the fair value of the net assets acquired. We test goodwill for impairment at least annually on the first day of the fourth quarter, based on our reporting unit carrying values, calculated as total assets less non-interest bearing liabilities, as of the end of the third quarter, or more frequently if we determine a triggering event has occurred during the year. During the second quarter of 2020, given the general deterioration in economic and market conditions in which we operate arising from COVID-19 pandemic, we identified a triggering event indicating possible impairment of goodwill and intangible assets, as further described below. We did not identify impairment of our property, plant and equipment, lease-related right-of-use assets, or long-lived assets.

Due to the triggering event identified above arising from the impact of the COVID-19 pandemic, we first performed a qualitative assessment of goodwill to determine whether it was more likely than not that the fair value of these reporting units exceeded their respective carrying values. Based on this qualitative assessment, we determined that it was more likely than not that the fair value of our Eden, Aimia, Decantae, and Farrers reporting units did not exceed their respective carrying values. As a result, we performed an interim quantitative impairment test as of June 27, 2020 on these reporting units.

Based on the quantitative assessment including consideration of the sensitivity of the assumptions made and methods used to determine fair value, industry trends and other relevant factors, we noted that the estimated fair value of the Aimia reporting unit exceeded its carrying value by approximately 23.5%. Therefore, no goodwill impairment charge was recorded for the Aimia reporting unit. Based on the quantitative assessment including consideration of the sensitivity of the assumptions made and methods used to determine fair value, industry trends and other relevant factors, we determined that goodwill was impaired for the Eden, Decantae, and Farrers reporting units and recognized impairment charges of \$103.3 million, \$0.3 million and \$0.5 million, respectively. These impairment charges are included in goodwill and intangible asset impairment charges in the Consolidated Statement of Operations for the nine months ended September 26, 2020. During the three months ended September 26, 2020, we did not identify any triggering events, and thus, there were no impairment charges recorded during the third quarter of 2020.

Critical assumptions used in our valuation of the Eden reporting unit included the anticipated future cash flows, a weighted-average terminal growth rate of 1.5% and a discount rate of 9.5%. Critical assumptions used in our valuation of the Aimia, Decantae, and Farrers reporting units included a weighted-average terminal growth rate of 2.0% and a discount rate of 11.5%. The anticipated future cash flows assumption reflects projected revenue growth rates, operating profit margins and capital expenditures. The terminal growth rate assumption incorporated into the discounted cash flow calculation reflects our long-term view of the market and industry, projected changes in the sale of our products, pricing of such products and operating profit margins. The discount rate was determined using various factors and sensitive assumptions, including bond yields, size premiums and tax rates. This rate was based on the weighted average cost of capital a market participant would use if evaluating the reporting unit as an investment. These assumptions are considered significant unobservable inputs and represent our best estimate of assumptions that market participants would use to determine the fair value of the respective reporting units. The key inputs into the discounted cash flow analysis were consistent with market data, where available, indicating that the assumptions used were in a reasonable range of observable market data.

See Note 1 to the Consolidated Financial Statements for a discussion on goodwill impairment.

### ***Impairment testing of intangible assets with an indefinite life***

Our intangible assets with indefinite lives relate to trademarks acquired in the acquisition of businesses, and there are no legal, regulatory, contractual, competitive, economic, or other factors that limit the useful life of these intangible assets. Our trademarks with indefinite lives are not amortized, but rather are tested for impairment at least annually or more frequently if we determine a triggering event has occurred during the year.

As a result of the triggering event described above arising from the impact of the COVID-19 pandemic, we also performed recoverability tests on our intangible assets, primarily trademarks, within each of our reporting segments as of June 27, 2020. We assessed qualitative factors to determine whether the existence of events or circumstances indicated that it was more likely than not that the fair value of our trademarks with indefinite lives were less than their respective carrying value. The qualitative factors we assessed included macroeconomic conditions, industry and market considerations, cost factors that would have a negative effect on earnings and cash flows, overall financial performance compared with forecasted projections in prior periods, and other relevant events, the impact of which are all significant judgments and estimates. Based on this qualitative assessment, we determined that impairment was more likely than not with the trademarks with indefinite lives associated with our Eden and Aquaterra businesses. As a result, we performed an interim quantitative impairment test as of June 27, 2020 on these intangible assets.

To determine the fair value of the trademarks with indefinite lives associated with our Eden and Aquaterra businesses, we use a relief from royalty method of the income approach, which calculates a fair value royalty rate that is applied to revenue forecasts associated with those trademarks. The resulting cash flows are discounted using a rate to reflect the risk of achieving the projected royalty savings attributable to the trademarks. The assumptions used to estimate the fair value of these trademarks are subjective and require significant management judgment, including estimated future revenues, the fair value royalty rate (which is estimated to be a reasonable market royalty charge that would be charged by a licensor of the trademarks) and the risk adjusted discount rate. Based on our impairment test, we determined the trademarks with indefinite lives associated with our Eden and Aquaterra businesses were impaired and recognized impairment charges of \$9.9 million and \$1.2 million, respectively. These impairment charges are included in goodwill and intangible asset impairment charges in the Consolidated Statement of Operations for the nine months ended September 26, 2020. During the three months ended September 26, 2020, we did not identify any triggering events, and thus, there were no impairment charges recorded during the third quarter of 2020.

See Note 1 to the Consolidated Financial Statements for a discussion on intangible assets with an indefinite life impairment.

#### **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 2019 Annual Report.

### **Item 4. Controls and Procedures**

#### **Disclosure Controls and Procedures**

Due to the COVID-19 pandemic, a significant portion of our employees are now working from home, as states and municipalities have imposed varying levels of restriction on normal in-person business operations. Established business continuity plans were activated in order to mitigate the impact to our control environment, operating procedures, data and internal controls. The design of our processes and controls allow for remote execution with accessibility to secure data.

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 September 26, 2020. Based upon this evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that, as of September 26, 2020, 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

Reference is made to the legal proceedings described in Note 15 to the Consolidated Financial Statements.

### Item 1A. Risk Factors

The Company's business, financial condition, results of operations and cash flows are subject to various risks, which could cause actual results to vary materially from anticipated results. Reference is made to the risk factors disclosed in Part 1, Item 1A Risk Factors in our 2019 Annual Report, as updated by our Quarterly Report on Form 10-Q for the quarter ended March 28, 2020. At the time of this filing, there have been no material changes to our risk factors that were included in our 2019 Annual Report, as updated by our Quarterly Report on Form 10-Q for the quarter ended March 28, 2020.

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

#### Tax Withholding

The following table contains information about common shares that we withheld from delivering to employees during the third quarter of 2020 to satisfy their respective tax obligations related to share-based awards.

	<b>Total Number of Common Shares Purchased</b>	<b>Average Price Paid per Common Share</b>	<b>Total Number of Common Shares Purchased as Part of Publicly Announced Plans or Programs</b>	<b>Maximum Number (or Approximate Dollar Value) of Common Shares that May Yet Be Purchased Under the Plans or Programs</b>
June 28, 2020 - July 31, 2020	2,697	\$ 13.72	N/A	N/A
August 1, 2020 - August 31, 2020	2,517	\$ 14.46	N/A	N/A
September 1, 2020 - September 26, 2020	1,220	\$ 13.94	N/A	N/A
<b>Total</b>	<b>6,434</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 Amendment to Articles of Amalgamation of Primo Water Corporation.</a>	8-K	3.1	3/5/2020	001-31410	
3.2	<a href="#">By-laws of Primo Water Corporation, as amended.</a>	8-A	3.2	5/4/2018	001-31410	
10.1 <sup>(1)</sup>	<a href="#">Employment Offer Letter to Mercedes Romero dated July 27, 2020.</a>					*
10.2 <sup>(1)</sup>	<a href="#">Amendment No. 4 to the Amended and Restated Primo Water Corporation Equity Incentive Plan, dated August 4, 2020.</a>					*
10.3 <sup>(1)</sup>	<a href="#">Amendment No. 2 to the Primo Water Corporation 2018 Equity Incentive Plan, dated August 4, 2020.</a>					*
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 September 26, 2020.</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 September 26, 2020.</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 September 26, 2020.</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 September 26, 2020.</a>					*
101	The following financial statements from Primo Water Corporation's Quarterly Report on Form 10-Q for the quarter ended September 26, 2020, filed November 5, 2020, formatted in Inline XBRL (eXtensible Business Reporting Language): (i) Consolidated Statements of Operations, (ii) Condensed Consolidated Statements of Comprehensive Income (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).					*

<sup>1</sup> Indicates a management contract or compensatory plan.

**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: November 5, 2020

/s/ Jay Wells

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Jay Wells  
Chief Financial Officer  
(On behalf of the Company)

Date: November 5, 2020

/s/ Jason Ausher

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Jason Ausher  
Chief Accounting Officer  
(Principal Accounting Officer)



Mercedes Romero  
Via E-mail

July 27, 2020

Dear Mercedes:

I am very pleased to outline in this letter (the “**Offer Letter**”) the terms and conditions on which we are offering you the position of Chief Procurement Officer of Primo Water Holdings Inc. (the “**Company**”), a subsidiary of Primo Water Corporation. This Offer Letter will not constitute an agreement until it has been fully executed by both parties. Please note that this Offer Letter does not contemplate a contract or promise of employment for any specific term; you will be an at-will employee at all times.

**1. Position and Duties.**

**a.. Position.** Subject to the terms and conditions hereof, you will be employed by the Company as its Chief Procurement Officer, effective as of August 31, 2020 (the “**Employment Date**”) and continuing until terminated by you or the Company. Effective as of the Employment Date, your principal place of employment will be Tampa, Florida.

**b.. Responsibilities.**

(i) As the Company’s Chief Procurement Officer, you will report to the Company’s Chief Executive Officer (“**CEO**”) and have such duties and responsibilities as may be assigned to you from time to time by the CEO.

(ii) You agree to devote substantially all of your business time and attention to the business and affairs of the Company and to discharging the responsibilities assigned to you. This shall not preclude you from (i) serving on the boards of directors of a reasonable number of charitable organizations, (ii) engaging in charitable activities and community affairs, and (iii) managing your personal affairs, so long as these activities do not interfere with the performance of your duties and responsibilities as the Company’s Chief Procurement Officer.

**c.. No Employment Restriction.** You hereby represent and covenant that, except as disclosed to the Company, your employment by the Company does not violate any agreement or covenant to which you are subject or by which you are bound and that there is no such agreement or covenant that could restrict or impair your ability to perform your duties or discharge your responsibilities to the Company. You further agree to produce to the Company copies of any restrictive covenants (including, but not limited to, any noncompetition or non-solicitation

agreements) you have signed or to which you have otherwise agreed, and to produce such copies to the Company no later than one week prior to your Employment Date. You agree and understand that this Offer Letter is conditioned on your production of any such restrictive covenants to the extent any exist and/or apply and that if any do exist/apply, the Company retains the sole discretion to rescind this Offer Letter at any time before your Employment Date. You further agree and understand that if you do not produce any such copies of any restrictive covenants by the deadline stated above, it shall be deemed an affirmative representation by you to the Company that no such restrictive covenants exist or apply. Finally, you agree and understand that if you do not produce any copies of any restrictive covenants and/or represent to the Company that none exist or apply, and the Company discovers at any subsequent time that a restrictive covenant does or did in fact exist or apply (regardless of the eventual enforceability or lack of enforceability of the restrictive covenant), the Company may opt to terminate your employment for "Cause" (for purposes of the Severance and Non-Competition Plan, in addition to how Cause is defined in the Severance and Non-Competition Plan) without triggering any severance or further payment obligations to you under this Offer Letter, any document referenced hereunder, or any legal theory.

**d.. Offer Contingent on Successful Drug and Background Screen.** This Offer Letter and your potential employment with the Company is contingent on you submitting to and successfully passing a drug and background screen. The Company reserves the right to revoke this Offer Letter and/or terminate your employment in its sole discretion after reviewing the results of these screens without triggering any severance obligations hereunder.

## **2. Remuneration.**

**a.. Base Salary.** Your annual base salary will initially be at the rate of US \$275,000.00 per year ("**Annual Base Salary**"), paid on a bi-weekly basis, prorated for any partial periods based on the actual number of days in the applicable period. Your performance will be evaluated at least annually, and any increase to the level of your Annual Base Salary will be determined as part of the regular annual review process.

**b.. Bonus.** You will be eligible to participate in the Company's annual bonus plan and may earn a bonus based upon the achievement of specified performance goals. The amount of your target bonus is 50% of your Annual Base Salary. The bonus year is the Company's fiscal year and any payments made to you for the bonus year 2020 will be pro-rated based on your Employment Date. Currently the maximum potential payout permitted under the bonus plan is two (2) times the applicable target bonus for achievement of performance goals significantly in excess of the target goals, as established by the Human Resources and Compensation Committee of the Company's Board of Directors (the "**HRCC**"). Please note that the bonus plan is entirely discretionary, and the Company reserves in its absolute discretion the right to terminate or amend it or any other bonus plan that may be established. You must be actively employed on the actual pay date of the bonus to be eligible to receive it or any portion of it.

**c.. One-Time LTI Grant.** You will be entitled to receive a one-time long-term incentive ("**LTI**") award equivalent to US \$150,000 comprised of stock options (37.5%), performance-based restricted share units (37.5%) and time-based restricted share units (25%),

granted to you on your Employment Date. The stock options and time-based restricted share units will vest ratably in three equal annual installments from the grant date, and the performance-based restricted units will vest based upon the achievement of a specific level of cumulative performance metrics to be determined over the three-year period ending at the end of fiscal 2023. The LTI award, including the vesting terms, will be governed by the terms of the Primo Water Corporation equity incentive plan under which the award is made (the “**Equity Plan**”) and your award agreement. You will be eligible for future LTI awards that will be based on your performance. Annual grants are issued following approval by the HRCC at its regularly scheduled meetings in December and your first annual grant will be in December 2021.

### 3. **Benefits.**

a.. **Benefit Programs.** You will be eligible to participate in the Company’s benefit programs generally available to other senior executives of the Company. Our benefit programs include our 401(k) plan and health, disability and life insurance benefits. Employee contributions are required for our benefit programs.

b.. **ESPP.** In addition, you will be eligible to participate in the Company’s Employee Stock Purchase Plan (the “**ESPP**”), through which you can purchase Company common shares at a discount through payroll deductions.

c.. **Vacation.** You will be entitled to four (4) weeks’ vacation per calendar year. You are encouraged to take vacation in the calendar year it is earned. All earned vacation must be taken in the year in which it is earned; otherwise it may be forfeited. If you should leave the Company, the value of any unearned vacation taken by you will be considered a debt to the Company and you expressly authorize the Company to deduct from your final paycheck to the maximum extent permitted by law the value of taken but unearned vacation. All vacation periods require the approval of the CEO.

d.. **Reimbursement.** You will be reimbursed for expenses reasonably incurred in connection with the performance of your duties in accordance with the Company’s policies as established from time to time. It is your obligation to submit to the Company expense reimbursement requests and evidence of such expenses in order to receive reimbursements for such expenses.

e.. **Sign-On Bonus.** You will be provided with a sign-on bonus of US \$75,000.00 (gross, less taxes and withholdings), which will be paid to you on the date that is thirty (30) days following your Employment Date. You agree that in the event you resign your employment for any reason or are terminated by the Company for Cause (as defined in the Severance and Non-Competition Plan) prior to the first anniversary of the Employment Date, you will repay the Company 100% of the sign-on bonus in full on or before the 90th day after the date of your resignation or termination.

f.. **Relocation.** As a condition of your employment, you are required to relocate to the Tampa, Florida area on a permanent basis by no later than August 1, 2021 (“**Relocation Date**”). Failure to relocate by this deadline shall constitute “Cause” for your termination including for purposes of the Severance and Non-Competition Plan (in addition to how Cause is

defined in the Severance and Non-Competition Plan). This deadline may only be extended by a writing signed by the Company's CFO or CEO. To assist you in your relocation, the Company will pay you a relocation bonus in the amount of US \$75,000.00 and will be paid at least 3 months prior to the Relocation Date. You agree to promptly reimburse the Company 100% of the relocation bonus in the event you: (a) fail to relocate to the Tampa area on a permanent basis by the deadline provided (or extended deadline, as may be applicable); or (b) resign your employment for any reason or are terminated by the Company for Cause (as defined herein or in the Severance and Non-Competition Plan) prior to the first anniversary of the Relocation Date (or actual relocation date if extended, whichever is later). You further agree to repay the Company the relocation bonus in full by the following deadlines: (a) if repayment is owed due to your failure to timely relocate, full repayment shall be due on or before the 90th day after the deadline to relocate; or (b) if repayment is owed due to your resignation for any reason or termination for Cause prior to the anniversary of the Relocation Date (or actual relocation date if extended, whichever is later), full repayment shall be due on or before the 90th day after the date of your resignation or termination.

**g.. Allowances.** You will receive an annual vehicle allowance in the amount of US \$13,500.00 and an annual cellphone allowance in the amount of \$2,025.00, which amount shall be prorated during any partial year of employment.

**h.. No Other Benefits.** Other than benefits generally available to all full-time employees, you will not be entitled to any benefit or perquisite other than as specifically set out in this Offer Letter or separately agreed to in writing by the Company.

#### **4. Termination; Payments and Entitlements Upon a Termination.**

**a.. Termination.** The Company may terminate your employment: (a) for Cause (as defined herein or in the Severance and Non-Competition Plan); or (b) for any reason or no reason, in all cases, upon reasonable notice to you. Your employment with the Company will terminate upon your death. You are able to resign your employment, as provided in the Severance and Non-Competition Plan.

**b.. Involuntary Termination.** Upon the Employment Date, you shall be entitled to the benefits of and be bound by the obligations under the Severance and Non-Competition Plan (the "**Severance and Non-Competition Plan**") (a copy of which is attached hereto) as a "Level 2 Employee" in the event your employment terminates as result of an Involuntary Termination (as defined in the Severance and Non-Competition Plan).

**c.. Change in Control.** If (1) your LTI awards are continued, assumed, or replaced by the surviving or successor entity, and, within two years after the Change of Control (as defined in the Equity Plan), you experience an involuntary termination of employment for reasons other than Cause (as defined in the Equity Plan), or you terminate your employment for Good Reason (as defined in the Equity Plan), or (2) such awards are not continued, assumed or replaced by the surviving or successor entity, then (i) your unvested options will immediately become vested and exercisable, (ii) all of your unvested time-based and performance-based restricted share units will immediately vest, and (iii) any performance objectives applicable to awards will be deemed to have been satisfied at your "target" level of performance.





a. **Resignation.** If you are an officer of the Company or a director or an officer of a company affiliated or related to the Company at the time of your termination, you will be deemed to have resigned all such positions, and you agree that upon termination you will execute such tenders of resignation as may be requested by the Company to evidence such resignations.

b. **Return of Company Property.** Upon resignation/termination of your employment for any reason, you agree to immediately return all Company property in your possession, custody, or control (*e.g.*, Company-issued computer, telephone, badge, keys, equipment, vehicle, etc.). You expressly authorize the Company to deduct the value or replacement cost (whichever is less) of any unreturned Company property from your severance payment (if receiving one) or final paycheck to the maximum extent permitted by law.

## 1. **Restrictive Covenants.**

a. **Severance and Non-Competition Plan.** You shall be bound by the restrictive covenants contained in the Severance and Non-Competition Plan, except that “Business” as used therein shall be modified to the definition provided below:

“**Business**” shall mean the business of manufacturing, selling or distributing water (including but not limited to exchange and refill), coffee, tea, powdered beverages, concentrates, extracts, water filtration units and other beverages or products manufactured, sold or distributed by Primo Water Corporation or its subsidiaries and affiliates at the time of termination of your employment, as well as such other beverages or products that are contemplated or projected to contribute materially to the profits of Primo Water Corporation or its subsidiaries and affiliates at the time of termination of your employment.

b. **DTSA Acknowledgement.** You acknowledge that, by this Section, you have been notified in accordance with the Defend Trade Secrets Act of 2016 that, notwithstanding the foregoing:

i. You will not be held criminally or civilly liable under any federal or state trade secret law or this Offer Letter for the disclosure of confidential information that: (1) You make (A) in confidence to a federal, state, or local government official, either directly or indirectly, or to your attorney; and (B) solely for the purpose of reporting or investigating a suspected violation of law; or (2) you make in a complaint or other document that is filed under seal in a lawsuit or other proceeding.

ii. If you file a lawsuit for retaliation by the Company for reporting a suspected violation of law, you may disclose confidential information to your attorney and use the confidential information in the court proceeding if you: (i) file any document containing confidential information under seal and (ii) do not disclose confidential information, except pursuant to court order.

## 2. **Code Section 409A.**

**a. In General.** This Section shall apply to you if you are subject to Section 409A of the United States Internal Revenue Code of 1986 (the “Code”), but only with respect to any payment due hereunder that is subject to Section 409A of the Code.

**b. Release.** Any requirement that you execute and not revoke a release to receive a payment hereunder shall apply to a payment described in Section 6.1 only if the Company provides the release to you on or before the date of your Involuntary Termination.

**c. Payment Following Involuntary Termination.** Notwithstanding any other provision herein to the contrary, any payment described in the Severance and Non-Competition Plan that is due to be paid within a stated period following your Involuntary Termination shall be paid:

i. If, at the time of your Involuntary Termination, you are a “specified employee” as defined in Section 409A of the Code and such payment is subject to (and not exempt from) Section 409A of the Code, such payment shall be made as of the later of (i) the date payment is due hereunder, or (ii) the earlier of the date which is six months after your “separation from service” (as defined under Section 409A of the Code), or the date of your death; or

ii. In any other case, on the later of (i) last day of the stated period, or if such stated period is not more than 90 days, at any time during such stated period as determined by the Company without any input from you, or (ii) the date of your “separation from service” (as defined under Section 409A of the Code).

**d. Reimbursements.** The following shall apply to any reimbursement that is a payment described in Section 6.1: (a) with respect to any such reimbursement under Section 7.8, reimbursement shall not be made unless the expense is incurred during the period beginning on your effective hire date and ending on the sixth anniversary of your death; (b) the amount of expenses eligible for reimbursement during your taxable year shall not affect the expenses eligible for reimbursement in any other year; and (c) the timing of all such reimbursements shall be as provided herein, but not later than the last day of your taxable year following the taxable year in which the expense was incurred.

**e. Offset.** If payments to you under this Agreement are subject to Section 409A of the Code, any offset under Section 7.11 shall apply to a payment described in Section 6.1 only if the debt or obligation was incurred in the ordinary course of your employment with the Company, the entire amount of the set-off in any taxable year of the Company does not exceed \$5,000, and the set-off is made at the same time and in the same amount as the debt or obligation otherwise would have been due and collected from you.

**f. Interpretation.** This Offer Letter shall be interpreted and construed so as to avoid the additional tax under Section 409A(a)(1)(B) of the Code to the maximum extent practicable.

## **1. General Provisions.**

a. **Entire Agreement.** This Offer Letter, together with the plans and documents referred to herein, constitutes and expresses the whole agreement of the parties hereto with reference to any of the matters or things herein provided for or herein before discussed or mentioned with

reference to your employment and supersedes any prior offer letters or severance arrangements offered by the Company or any of its affiliates. All promises, representation, collateral agreements and undertakings not expressly incorporated in this Offer Letter are hereby superseded by this Offer Letter.

**a. Amendment.** This Offer Letter may be amended or modified only by a writing signed by both of the parties hereto.

**b. Assignment.** This Offer Letter may be assigned by the Company to any successor to its business or operations. Your rights hereunder may not be transferred by you except by will or by the laws of descent and distribution and except insofar as applicable law may otherwise require. Any purported assignment in violation of the preceding sentence shall be void.

**c. Governing Law; Consent to Personal Jurisdiction and Venue.** This Offer Letter takes effect upon its acceptance and execution by the Company. The validity, interpretation, and performance of this Offer Letter shall be governed, interpreted, and construed in accordance with the laws of the State of Florida without giving effect to the principles of comity or conflicts of laws thereof. You hereby consent to personal jurisdiction and venue, for any action brought by the Company arising out of a breach or threatened breach of this Offer Letter or out of the relationship established by this Offer Letter, exclusively in the United States District Court for the Middle District of Florida, Tampa Division, or in the Circuit Court in and for Hillsborough County, Florida; and, if applicable, the federal and state courts in any jurisdiction where you are employed or reside; you hereby agree that any action brought by you, alone or in combination with others, against the Company, whether arising out of this Offer Letter or otherwise, shall be brought exclusively in the United States District Court for the Middle District of Florida, Tampa Division, or in the Circuit Court in and for Hillsborough County, Florida.

**d. Severability.** The invalidity of any one or more of the words, phrases, sentences, clauses or sections contained in this Offer Letter shall not affect the enforceability of the remaining portions of the Offer Letter or any part thereof, all of which are inserted conditionally on their being valid in law, and, in the event that any one or more of the words, phrases, sentences, clauses or sections contained in the Offer Letter shall be declared invalid, the Offer Letter shall be construed as if such invalid word or words, phrase or phrases, sentence or sentences, clause or clauses, or section or sections had not been inserted.

**e. Section Headings and Gender.** The section headings contained herein are for reference purposes only and shall not affect in any way the meaning or interpretation of this agreement. All pronouns and any variations thereof shall be deemed to refer to the masculine, feminine or neuter, as the identity of the person or persons may require.

**f. No Term of Employment.** Nothing herein obligates the Company to continue to employ you. Where lawfully permitted in any jurisdiction in which you perform employment responsibilities on behalf of the Company, your employment shall be at will.

**g. Indemnification.** The Company will indemnify and hold you harmless to the maximum extent permitted by applicable law against judgments, fines, amounts paid in settlement and reasonable expenses, including reasonable attorneys' fees, in connection with the

defense of, or as a result of any action or proceeding (or any appeal from any action or proceeding) in which you are made or are threatened to be made a party by reason of the fact that you are or were an officer of the Company or any Affiliate (as defined in the Severance and Non- Competition Plan). In addition, the Company agrees that you shall be covered and insured up to the maximum limits provided by any insurance which the Company maintains to indemnify its directors and officers (as well as any insurance that it maintains to indemnify the Company for any obligations which it incurs as a result of its undertaking to indemnify its officers and directors).

- a. **Survivorship.** Upon the termination your employment, the respective rights and obligations of the parties shall survive such termination to the extent necessary to carry out the intended preservation of such rights and obligations.
  - b. **Taxes.** All payments under this Offer Letter shall be subject to withholding of such amounts, if any, relating to tax or other payroll deductions as the Company may reasonably determine and should withhold pursuant to any applicable law or regulation.
  - c. **Set-Off.** Except as limited by Section 6.5, the Company may set off any amount or obligation that may be owing by you to the Company against any amount or obligation owing by the Company to you.
  - d. **Records.** All books, records, and accounts relating in any manner to the Company or to any suppliers, customers, or clients of the Company, whether prepared by you or otherwise coming into your possession, shall be the exclusive property of the Company and immediately returned to the Company upon termination of employment or upon request at any time.
  - e. **Counterparts.** This Offer Letter may be executed in counterparts, each of which shall be deemed to be an original but all of which together shall constitute one and the same instrument.
  - f. **Consultation with Counsel.** You acknowledge that you have been advised, and have had a sufficient opportunity to, confer with your own counsel with respect to this Offer Letter, and that you understand the restrictions and limitations that it imposes upon your conduct.
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Please indicate your acceptance of this offer by returning one signed original of this Offer Letter. Yours truly,

Thomas Harrington

I accept this offer of employment and agree to be bound by the terms and conditions listed herein.

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Mercedes Romero Date

## PRIMO WATER CORPORATION

### AMENDMENT NO. 4 TO THE AMENDED AND RESTATED PRIMO WATER CORPORATION EQUITY INCENTIVE PLAN

#### RECITALS

- A. Pursuant to section 16(a) of the Amended and Restated Primo Water Corporation Equity Incentive Plan dated effective April 30, 2013, as amended on May 5, 2015, May 3, 2016, and March 13, 2020 (collectively, the “**Plan**”), the board of directors of Primo Water Corporation (the “**Company**”) wish to amend the Plan as hereinafter set forth.

**NOW THEREFORE**, this Amendment No. 4 is hereby adopted on this 4<sup>th</sup> day of August 2020, to reflect the following amendments effective as of such date:

1. Section 3(bb) of the Plan is hereby amended and restated in full as follows:

(bb) “**Retirement**” means termination of employment or service with the Company at the election of the Grantee after the Grantee has both (i) attained age 60, and (ii) completed ten (10) continuous years of service with the Company or its Subsidiaries. For purposes of this section 3(bb), a "year of service" shall mean each consecutive twelve-month period of service with the Company or its Subsidiaries beginning on the Grantee's first date of employment or service with the Company or a Subsidiary and each anniversary thereof. The Committee shall have sole authority to determine whether a Grantee has met the requirements for Retirement.

2. Clause (A) of Section 11 of the Plan is amended to read as follows:

(A) to a termination of employment due to Retirement, death or disability;

3. Section 12 of the Plan is hereby amended and restated in full as follows:

#### 12. Consequences of Termination.

(a) **Options/Stock Appreciation Rights (Not Performance-Based).** Unless otherwise determined by the Committee, outstanding Options and/or Stock Appreciation Rights that are held by a Grantee (or the executors or administrators of such Grantee's estate, and any person or persons who acquire the right to exercise Options and/or Stock Appreciation Rights directly from the Grantee by bequest or inheritance) as of the Grantee's Date of Termination and are not subject to vesting conditions based upon the satisfaction of Performance Objectives shall be subject to the following clauses (1), (2) and (3), as applicable, except that in all events, the period for exercise of Options and/or Stock Appreciation Rights shall end no later than the last day of the maximum term thereof established under Section 6(h) or 7(d), as applicable.

(1) In the case of a Grantee's death, or the Grantee's resignation with Good Reason, or the Grantee's Termination without Cause, (x) those of the Grantee's outstanding Options and/or Stock Appreciation Rights that have become vested prior to the Grantee's Date of



Termination shall continue to be exercisable during the period ending on the three (3) year anniversary of the Date of Termination and (y) those of Grantee's outstanding Options and/or Stock Appreciation Rights that have not become vested prior to the Grantee's Date of Termination shall become vested and exercisable as of the later of the Date of Termination and the one year anniversary of the Effective Date of the Award thereof and thereafter shall continue to be exercisable for the remaining portion of the period ending on the three (3) year anniversary of the Date of Termination.

(2) In the case of a Grantee's Termination due to the Grantee's resignation voluntarily (other than upon Retirement or with Good Reason), (x) those of the Grantee's outstanding Options and/or Stock Appreciation Rights that have not become vested prior to the Date of Termination shall be forfeited and cancelled as of such Date of Termination and (y) those of the Grantee's outstanding Options and/or Stock Appreciation Rights that have become vested prior to the Grantee's Date of Termination shall continue to be exercisable during the 90 day period following such Date of Termination.

(3) In the case of a Grantee's Termination due to Retirement, (x) those of the Grantee's outstanding Options and/or Stock Appreciation Rights that have become vested prior to the Grantee's Date of Termination shall continue to be exercisable during the period ending on the three (3) year anniversary of the Date of Termination and (y) any employment requirements under Section 6(f) and 7(b) shall not apply, and those of the Grantee's outstanding Options and/or Stock Appreciation Rights that have not become vested prior to the Grantee's Date of Termination shall become vested and exercisable on the date or dates on which such Options and/or Stock Appreciation Rights would have become vested if the Grantee had continued in employment with the Company or its Subsidiaries through such date or dates, and thereafter shall continue to be exercisable during the period ending on the three (3) year anniversary of the Date of Termination.

Options and/or Stock Appreciation Rights that are not exercised prior to the expiration of the exercise period following a Grantee's Date of Termination permitted under this Section 12(a) shall automatically expire on the last day of such period.

(b) **Options/Stock Appreciation Rights (Performance-Based).** Unless otherwise determined by the Committee, outstanding Options and/or Stock Appreciation Rights that are held by a Grantee (or the executors or administrators of such Grantee's estate, and any person or persons who acquire the right to exercise Options and/or Stock Appreciation Rights directly from the Grantee by bequest or inheritance) as of the Grantee's Date of Termination and are subject to vesting conditions based upon the satisfaction of Performance Objectives shall be subject to the following clauses (1), (2) and (3), as applicable, except that in all events, the period for exercise of Options and/or Stock Appreciation Rights shall end no later than the last day of the maximum term thereof established under Section 6(h) or 7(d), as applicable.

(1) In the case of a Grantee's death, or the Grantee's resignation with Good Reason, or the Grantee's Termination without Cause, (x) those of the Grantee's outstanding Options and/or Stock Appreciation Rights that have become vested prior to the Grantee's Date of Termination shall continue to be exercisable during the period ending on the three (3)

year anniversary of the Date of Termination and (y) any employment requirements under Section 6(f) and 7(b) shall not apply, in which case the number of Options and/or Stock Appreciation Rights that become vested on each subsequent applicable vesting date (subject to satisfaction of the applicable Performance Objective) shall equal the pro rata number of Options and/or Stock Appreciation Rights that he or she would have earned on that vesting date had he or she been continuously employed through such date, as calculated by reference to the portion of the applicable Performance Period during which the Grantee was actually employed and thereafter shall continue to be exercisable for the remaining portion of the period ending on the three (3) year anniversary of the Date of Termination.

(2) In the case of a Grantee's Termination due to the Grantee's resignation voluntarily (other than upon Retirement or with Good Reason), (x) those of the Grantee's outstanding Options and/or Stock Appreciation Rights that have not become vested prior to the Date of Termination shall be forfeited and cancelled as of such Date of Termination and (y) those of the Grantee's outstanding Options and/or Stock Appreciation Rights that have become vested prior to the Grantee's Date of Termination shall continue to be exercisable during the 90 day period following such Date of Termination.

(3) In the case of a Grantee's Termination due to Retirement, (x) those of the Grantee's outstanding Options and/or Stock Appreciation Rights that have become vested prior to the Grantee's Date of Termination shall continue to be exercisable during the period ending on the three (3) year anniversary of the Date of Termination and (y) any employment requirements under Section 6(f) and 7(b) shall not apply, and those of the Grantee's outstanding Options and/or Stock Appreciation Rights that have not become vested prior to the Grantee's Date of Termination shall become vested and exercisable (subject to satisfaction of the applicable Performance Objective) on the date or dates on which such Options and/or Stock Appreciation Rights would have become vested if the Grantee had continued in employment with the Company or its Subsidiaries through such date or dates, and thereafter shall continue to be exercisable during the period ending on the three (3) year anniversary of the Date of Termination.

Options and/or Stock Appreciation Rights that are not exercised prior to the expiration of the exercise period following a Grantee's Date of Termination permitted under this Section 12(b) shall automatically expire on the last day of such period.

(c) **Restricted Shares. Restricted Share Units. Performance Shares and Performance Units.** Unless otherwise determined by the Committee, outstanding Restricted Shares, Restricted Share Units, Performance Shares and Performance Units of the Grantee (and the executors and administrators of such Grantee's estate, and any person or persons acquiring any interest directly from the Grantee by bequest or inheritance) as of the Grantee's Date of Termination shall be subject to the following clauses (1), (2) and (3), as applicable.

(1) In the case of a Grantee's death or Termination without Cause or resignation with Good Reason, any employment requirements of Section 8(c) and 9(h) and the applicable Award Agreement shall not apply, in which case the number of Restricted Shares,

Restricted Share Units, Performance Shares and Performance Units to be deemed earned by such Grantee on each subsequent applicable vesting date shall equal the pro rata number of Restricted Shares, Restricted Share Units, Performance Shares and Performance Units that he or she would have earned on that vesting date had he or she been continuously employed through such date, as calculated by reference to the portion of the applicable Restricted Period or Performance Period during which the Grantee was actually employed (subject to satisfaction of any applicable Performance Objective), provided that time-based Restricted Share Units shall be settled according to the foregoing formula promptly after termination.

(2) In the event of a Grantee's Termination due to the Grantee's resignation voluntarily (other than upon Retirement or with Good Reason), all of the Grantee's unvested Restricted Shares, Restricted Share Units, Performance Shares and Performance Units will be forfeited immediately.

(3) In the case of a Grantee's Termination due to Retirement, any employment requirements under Section 8(c) and 9(h) shall not apply, and all of the Grantee's unvested Restricted Shares, Restricted Share Units, Performance Shares and Performance Units shall become vested on the date or dates on which such Awards would have become vested if the Grantee had continued in employment with the Company or its Subsidiaries through such date or dates (subject to satisfaction of any applicable Performance Objective).

(d) **Termination for Cause.** Notwithstanding any other provision hereof or in any instrument of grant, in the case of a Grantee's Termination for Cause, any and all then outstanding Awards (other than Stock Payments) granted to the Grantee, whether or not vested, shall be immediately forfeited and cancelled, without any consideration therefore, as of the commencement of the day that notice of such termination is given.

4. Section 17(d) is amended to add a new subsection (5) to read as follows:

(5) Awards Subject to Code Section 409A. Notwithstanding anything in the Plan or an Award Agreement to the contrary, for any Award that provides for deferred compensation subject to Code Section 409A (and is not otherwise exempt from the provisions of Code Section 409A), upon a Change in Control that also qualifies as a change in control for purposes of Treas. Reg. Section 1.409A-3(a)(5), then (i) subsection (2) shall apply to all such Awards and (ii) any settlement of or payment due with respect to such Award shall be made within the time frame required by Code Section 409A.

5. Section 17 is amended to add a new subsection (f) to read as follows:

Except as otherwise expressly provided herein, all of the terms, conditions and provisions of the Plan shall remain the same, and the Plan, as amended hereby, shall continue in full force and effect.

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**PRIMO WATER CORPORATION**  
**AMENDMENT NO. 2 TO THE PRIMO WATER CORPORATION**  
**2018 EQUITY INCENTIVE PLAN**

**RECITALS**

A. Pursuant to section 17(a) of the Primo Water Corporation 2018 Equity Incentive Plan (the “**Plan**”), the board of directors of Primo Water Corporation (the “**Company**”) wish to amend the Plan as hereinafter set forth.

**NOW THEREFORE**, this Amendment No. 2 is hereby adopted on this 4<sup>th</sup> day of August 2020, to reflect the following amendments effective as of such date:

1. Section 3(z) of the Plan is hereby amended and restated in full as follows:

(z) “**Retirement**” means termination of employment or service with the Company at the election of the Grantee after the Grantee has both (i) attained age 60, and (ii) completed ten (10) continuous years of service with the Company or its Subsidiaries. For purposes of this section 3(z), a "year of service" shall mean each consecutive twelve-month period of service with the Company or its Subsidiaries beginning on the Grantee's first date of employment or service with the Company or a Subsidiary and each anniversary thereof. The Committee shall have sole authority to determine whether a Grantee has met the requirements for Retirement.

2. Clause (A) of Section 11 of the Plan is amended to read as follows:

(A) to a termination of employment due to Retirement, death or disability;

3. Section 12 of the Plan is hereby amended and restated in full as follows:

**12. Consequences of Termination.**

(a) **Options/Stock Appreciation Rights (Not Performance-Based)**. Unless otherwise determined by the Committee, outstanding Options and/or Stock Appreciation Rights that are held by a Grantee (or the executors or administrators of such Grantee's estate, and any person or persons who acquire the right to exercise Options and/or Stock Appreciation Rights directly from the Grantee by bequest or inheritance) as of the Grantee's Date of Termination and are not subject to vesting conditions based upon the satisfaction of performance objectives shall be subject to the following clauses (1), (2) and (3), as applicable, except that in all events, the period for exercise of Options and/or Stock Appreciation Rights shall end no later than the last day of the maximum term thereof established under Section 6(h) or 7(d), as applicable.

(1) In the case of a Grantee's death, or the Grantee's resignation with Good Reason, or the Grantee's Termination without Cause, (x) those of the Grantee's outstanding Options and/or Stock Appreciation Rights that have become vested prior to the Grantee's Date of Termination shall continue to be exercisable during the period ending on the three (3) year anniversary of the Date of Termination and (y) those of Grantee's outstanding

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Options and/or Stock Appreciation Rights that have not become vested prior to the Grantee's Date of Termination shall become vested and exercisable as of the later of the Date of Termination and the one year anniversary of the effective date of the Award thereof and thereafter shall continue to be exercisable for the remaining portion of the period ending on the three (3) year anniversary of the Date of Termination.

(2) In the case of a Grantee's Termination due to the Grantee's resignation voluntarily (other than upon Retirement or with Good Reason), (x) those of the Grantee's outstanding Options and/or Stock Appreciation Rights that have not become vested prior to the Date of Termination shall be forfeited and cancelled as of such Date of Termination and (y) those of the Grantee's outstanding Options and/or Stock Appreciation Rights that have become vested prior to the Grantee's Date of Termination shall continue to be exercisable during the 90 day period following such Date of Termination.

(3) In the case of a Grantee's Termination due to Retirement, (x) those of the Grantee's outstanding Options and/or Stock Appreciation Rights that have become vested prior to the Grantee's Date of Termination shall continue to be exercisable during the period ending on the three (3) year anniversary of the Date of Termination and (y) any employment requirements under Section 6(f) and 7(b) shall not apply, and those of the Grantee's outstanding Options and/or Stock Appreciation Rights that have not become vested prior to the Grantee's Date of Termination shall become vested and exercisable on the date or dates on which such Options and/or Stock Appreciation Rights would have become vested if the Grantee had continued in employment with the Company or its Subsidiaries through such date or dates, and thereafter shall continue to be exercisable during the period ending on the three (3) year anniversary of the Date of Termination.

Options and/or Stock Appreciation Rights that are not exercised prior to the expiration of the exercise period following a Grantee's Date of Termination permitted under this Section 12(a) shall automatically expire on the last day of such period.

(b) **Options/Stock Appreciation Rights (Performance-Based)**. Unless otherwise determined by the Committee, outstanding Options and/or Stock Appreciation Rights that are held by a Grantee (or the executors or administrators of such Grantee's estate, and any person or persons who acquire the right to exercise Options and/or Stock Appreciation Rights directly from the Grantee by bequest or inheritance) as of the Grantee's Date of Termination and are subject to vesting conditions based upon the satisfaction of performance objectives shall be subject to the following clauses (1), (2) and (3), as applicable, except that in all events, the period for exercise of Options and/or Stock Appreciation Rights shall end no later than the last day of the maximum term thereof established under Section 6(h) or 7(d), as applicable.

(1) In the case of a Grantee's death, or the Grantee's resignation with Good Reason, or the Grantee's Termination without Cause, (x) those of the Grantee's outstanding Options and/or Stock Appreciation Rights that have become vested prior to the Grantee's Date of Termination shall continue to be exercisable during the period ending on the three (3) year anniversary of the Date of Termination and (y) any employment requirements under Section 6(f) and 7(b) shall not apply, in which case the number of Options and/or Stock

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Appreciation Rights that become vested on each subsequent applicable vesting date (subject to satisfaction of the applicable performance objective) shall equal the pro rata number of Options and/or Stock Appreciation Rights that he or she would have earned on that vesting date had he or she been continuously employed through such date, as calculated by reference to the portion of the applicable Performance Period during which the Grantee was actually employed and thereafter shall continue to be exercisable for the remaining portion of the period ending on the three (3) year anniversary of the Date of Termination.

(2) In the case of a Grantee's Termination due to the Grantee's resignation voluntarily (other than upon Retirement or with Good Reason), (x) those of the Grantee's outstanding Options and/or Stock Appreciation Rights that have not become vested prior to the Date of Termination shall be forfeited and cancelled as of such Date of Termination and (y) those of the Grantee's outstanding Options and/or Stock Appreciation Rights that have become vested prior to the Grantee's Date of Termination shall continue to be exercisable during the 90 day period following such Date of Termination.

(3) In the case of a Grantee's Termination due to Retirement, (x) those of the Grantee's outstanding Options and/or Stock Appreciation Rights that have become vested prior to the Grantee's Date of Termination shall continue to be exercisable during the period ending on the three (3) year anniversary of the Date of Termination and (y) any employment requirements under Section 6(f) and 7(b) shall not apply, and those of the Grantee's outstanding Options and/or Stock Appreciation Rights that have not become vested prior to the Grantee's Date of Termination shall become vested and exercisable (subject to satisfaction of the applicable performance objective) on the date or dates on which such Options and/or Stock Appreciation Rights would have become vested if the Grantee had continued in employment with the Company or its Subsidiaries through such date or dates, and thereafter shall continue to be exercisable during the period ending on the three (3) year anniversary of the Date of Termination.

Options and/or Stock Appreciation Rights that are not exercised prior to the expiration of the exercise period following a Grantee's Date of Termination permitted under this Section 12(b) shall automatically expire on the last day of such period.

(c) **Restricted Shares, Restricted Share Units, Performance Shares and Performance Units.** Unless otherwise determined by the Committee, outstanding Restricted Shares, Restricted Share Units, Performance Shares and Performance Units of the Grantee (and the executors and administrators of such Grantee's estate, and any person or persons acquiring any interest directly from the Grantee by bequest or inheritance) as of the Grantee's Date of Termination shall be subject to the following clauses (1), (2) and (3), as applicable.

(1) In the case of a Grantee's death or Termination without Cause or resignation with Good Reason, any employment requirements of Section 8(c) and 9(h) and the applicable Award Agreement shall not apply, in which case the number of Restricted Shares, Restricted Share Units, Performance Shares and Performance Units to be deemed earned by such Grantee on each subsequent applicable vesting date shall equal the pro rata

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number of Restricted Shares, Restricted Share Units, Performance Shares and Performance Units that he or she would have earned on that vesting date had he or she been continuously employed through such date, as calculated by reference to the portion of the applicable Restricted Period or Performance Period during which the Grantee was actually employed (subject to satisfaction of any applicable performance objective), provided that time-based Restricted Share Units shall be settled according to the foregoing formula promptly after termination.

(2) In the event of a Grantee's Termination due to the Grantee's resignation voluntarily (other than upon Retirement or with Good Reason), all of the Grantee's unvested Restricted Shares, Restricted Share Units, Performance Shares and Performance Units will be forfeited immediately.

(3) In the case of a Grantee's Termination due to Retirement, any employment requirements under Section 8(c) and 9(h) shall not apply, and all of the Grantee's unvested Restricted Shares, Restricted Share Units, Performance Shares and Performance Units shall become vested on the date or dates on which such Awards would have become vested if the Grantee had continued in employment with the Company or its Subsidiaries through such date or dates (subject to satisfaction of any applicable performance objective).

(d) **Termination for Cause.** Notwithstanding any other provision hereof or in any instrument of grant, in the case of a Grantee's Termination for Cause, any and all then outstanding Awards (other than Stock Payments) granted to the Grantee, whether or not vested, shall be immediately forfeited and cancelled, without any consideration therefore, as of the commencement of the day that notice of such termination is given.

4. Section 17(d) is amended to add a new subsection (5) to read as follows:

(5) Awards Subject to Code Section 409A. Notwithstanding anything in the Plan or an Award Agreement to the contrary, for any Award that provides for deferred compensation subject to Code Section 409A (and is not otherwise exempt from the provisions of Code Section 409A), upon a Change in Control that also qualifies as a change in control for purposes of Treas. Reg. Section 1.409A-3(a)(5), then (i) subsection (2) shall apply to all such Awards and (ii) any settlement of or payment due with respect to such Award shall be made within the time frame required by Code Section 409A.

5. Section 17 is amended to add a new subsection (f) to read as follows:

(f) **Forfeiture for Violation of Restrictive Covenants.** The Committee may provide in an Award Agreement for conditions of forfeiture of a Grantee's rights with respect to such Award in the event of the Grantee's breach of such restrictive covenants (e.g., non-competition and confidentiality restrictions) as may apply to the Grantee. Such conditions of forfeiture may include, in the discretion of the Committee, (a) suspension or cancellation of the Grantee's right to exercise an Option or Stock Appreciation Right (whether or not then otherwise exercisable), (b) suspension or cancellation of the

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Grantee's pending right to receive an issuance of Shares or cash payment in settlement of any Award, (c) the forfeiture of any Restricted Shares, Restricted Share Units, Performance Shares or Performance Units held by the Grantee or (d) following the issuance of Shares or payment of cash upon exercise, vesting or payment of an Award, either (1) cancellation of the Shares so issued (and repayment to the Grantee of the full purchase price, if any, paid for such shares) or (2) requiring the Grantee to pay to the Company in cash an amount equal to the gain realized by the Grantee from such Award (measured by the value (on the date of receipt) of any property and/or amount of cash received by the Grantee under the Award, to the extent in excess of any amount paid by the Grantee). The Company may deduct from any amounts the Company may owe a Grantee from time to time any amounts the Grantee may owe the Company under this subsection (f) and any related Award Agreements.

Except as otherwise expressly provided herein, all of the terms, conditions and provisions of the Plan shall remain the same, and the Plan, as amended hereby, shall continue in full force and effect.

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## 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: November 5, 2020

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

I, Jay Wells, 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/ Jay Wells

Jay Wells

Chief Financial Officer

Dated: November 5, 2020

**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 September 26, 2020 (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 5th day of November, 2020.

*/s/ Thomas J. Harrington*

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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, Jay Wells, 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 September 26, 2020 (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 5th day of November, 2020.

*/s/ Jay Wells*

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Jay Wells

Chief Financial Officer