

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

FORM 10-Q

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

For the quarterly period ended: **March 30, 2024**

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**

PRIMO WATER CORPORATION

(Exact name of registrant as specified in its charter)

Ontario
(State or Other Jurisdiction of
Incorporation or Organization)

98-0154711
(IRS Employer
Identification No.)

1150 Assembly Dr.
Suite 800
Tampa, Florida
United States
(Address of principal executive offices)

33607
(Zip Code)

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

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

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

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

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

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

Large Accelerated Filer
Non-accelerated filer

Accelerated filer
Smaller reporting company
Emerging growth company

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

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

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

Class
Common Shares, no par value per share

Outstanding at May 6, 2024
159,966,806

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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	
	March 30, 2024	April 1, 2023
Revenue, net	\$ 452.0	\$ 412.5
Cost of sales	160.7	153.5
Gross profit	291.3	259.0
Selling, general and administrative expenses	249.4	234.6
Loss on disposal of property, plant and equipment, net	1.5	1.3
Acquisition and integration expenses	5.3	1.7
Gain on sale of property	(0.5)	—
Operating income	35.6	21.4
Other income, net	(2.6)	(0.3)
Interest expense, net	10.0	18.2
Income from continuing operations before income taxes	28.2	3.5
Income tax expense	9.5	0.3
Net income from continuing operations	\$ 18.7	\$ 3.2
Net income from discontinued operations, net of income taxes (Note 2)	6.3	2.6
Net income	\$ 25.0	\$ 5.8
Net income per common share		
Basic:		
Continuing operations	\$ 0.12	\$ 0.02
Discontinued operations	\$ 0.04	\$ 0.02
Net income	\$ 0.16	\$ 0.04
Diluted:		
Continuing operations	\$ 0.12	\$ 0.02
Discontinued operations	\$ 0.04	\$ 0.02
Net income	\$ 0.16	\$ 0.04
Weighted-average common shares outstanding (in thousands)		
Basic	159,573	159,726
Diluted	160,449	160,781

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

	For the Three Months Ended	
	March 30, 2024	April 1, 2023
Net income	\$ 25.0	\$ 5.8
Other comprehensive loss:		
Currency translation adjustment	(5.5)	(6.6)
Loss on derivative instruments, net of tax ¹	(0.7)	—
Total other comprehensive loss	(6.2)	(6.6)
Comprehensive income (loss)	\$ 18.8	\$ (0.8)

¹ Net of the tax impact of \$0.2 million and nil for the three months ended March 30, 2024 and April 1, 2023, respectively.

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>March 30, 2024</u>	<u>December 30, 2023</u>
ASSETS		
<i>Current assets</i>		
Cash and cash equivalents	\$ 498.3	\$ 507.9
Accounts receivable, net of allowance of \$13.1 (\$12.7 as of December 30, 2023)	161.3	156.0
Inventories	46.3	47.3
Prepaid expenses and other current assets	26.3	26.0
Current assets of discontinued operations	125.9	128.7
Total current assets	858.1	865.9
Property, plant and equipment, net	546.5	556.5
Operating lease right-of-use-assets	139.2	136.0
Goodwill	1,004.7	1,004.6
Intangible assets, net	709.1	714.2
Other long-term assets, net	16.9	20.2
Long-term assets of discontinued operations	225.2	225.6
Total assets	\$ 3,499.7	\$ 3,523.0
LIABILITIES AND EQUITY		
<i>Current liabilities</i>		
Current maturities of long-term debt	\$ 14.3	\$ 14.2
Accounts payable and accrued liabilities	260.5	276.4
Current operating lease obligations	25.1	25.6
Current liabilities of discontinued operations	102.1	109.9
Total current liabilities	402.0	426.1
Long-term debt	1,255.0	1,270.8
Operating lease obligations	126.5	124.0
Deferred tax liabilities	145.7	144.2
Other long-term liabilities	75.8	64.4
Long-term liabilities of discontinued operations	51.0	52.2
Total liabilities	2,056.0	2,081.7
<i>Equity</i>		
Common shares, no par value - 159,707,056 (December 30, 2023 - 159,480,638) shares issued	1,296.4	1,288.6
Additional paid-in capital	85.4	90.6
Retained earnings	173.2	167.2
Accumulated other comprehensive loss	(111.3)	(105.1)
Total Primo Water Corporation equity	1,443.7	1,441.3
Total liabilities and equity	\$ 3,499.7	\$ 3,523.0

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	
	March 30, 2024	April 1, 2023
Cash flows from operating activities of continuing operations:		
Net income	\$ 25.0	\$ 5.8
Net income from discontinued operations, net of income taxes	6.3	2.6
Net income from continuing operations	18.7	3.2
Adjustments to reconcile net income from continuing operations to cash flows from operating activities of continuing operations:		
Depreciation and amortization	48.2	47.1
Amortization of financing fees	0.8	0.8
Share-based compensation expense	3.0	2.0
Provision for deferred income taxes	1.9	1.1
Loss on disposal of property, plant and equipment, net	1.5	1.3
Gain on sale of property	(0.5)	—
Other non-cash items	(4.6)	(2.0)
Change in operating assets and liabilities, net of acquisitions:		
Accounts receivable	(6.0)	3.8
Inventories	1.2	2.1
Prepaid expenses and other current assets	(3.4)	(2.3)
Other assets	(0.5)	(0.1)
Accounts payable and accrued liabilities and other liabilities	3.1	(26.7)
Net cash provided by operating activities of continuing operations	63.4	30.3
Cash flows from investing activities of continuing operations:		
Acquisitions, net of cash received	(4.1)	(7.4)
Additions to property, plant and equipment	(37.6)	(42.2)
Additions to intangible assets	(2.3)	(2.0)
Proceeds from sale of property, plant and equipment	0.1	0.1
Proceeds from sale of property	1.0	—
Other investing activities	2.7	0.8
Net cash used in investing activities of continuing operations	(40.2)	(50.7)

Cash flows from financing activities of continuing operations:			
Payments of long-term debt		(2.8)	(3.2)
Proceeds from short-term borrowings		—	61.0
Payments on short-term borrowings		—	(33.2)
Issuance of common shares		6.2	4.3
Common shares repurchased and canceled		(11.1)	(19.3)
Dividends paid to common shareholders		(14.8)	(12.8)
Payment of contingent consideration for acquisitions		(0.7)	(0.8)
Other financing activities		—	(2.5)
Net cash used in financing activities of continuing operations		<u>(23.2)</u>	<u>(6.5)</u>
Cash flows from discontinued operations:			
Net cash provided by operating activities from discontinued operations		0.8	4.0
Net cash used in investing activities from discontinued operations		(5.6)	(10.8)
Net cash provided by financing activities from discontinued operations		0.1	6.8
Net cash (used in) provided by discontinued operations		<u>(4.7)</u>	<u>—</u>
Effect of exchange rate changes on cash		(0.5)	0.8
Net decrease in cash, cash equivalents and restricted cash		(5.2)	(26.1)
Cash and cash equivalents and restricted cash, beginning of period		530.5	122.6
Cash and cash equivalents and restricted cash, end of period	\$	<u>525.3</u>	\$ <u>96.5</u>
Cash and cash equivalents and restricted cash from discontinued operations, end of period		27.0	40.4
Cash and cash equivalents and restricted cash of continuing operations, end of period	\$	<u>498.3</u>	\$ <u>56.1</u>
Supplemental Non-Cash Investing and Financing Activities:			
Additions to property, plant and equipment through accounts payable and accrued liabilities and other liabilities	\$	12.2	\$ 15.1
Dividends payable issued through accounts payable and accrued liabilities	\$	0.2	\$ 0.2
Operating lease right-of-use assets obtained in exchange for lease obligations	\$	10.5	\$ 1.1
Inventory transfer to property, plant and equipment	\$	0.2	\$ 6.9
Supplemental Disclosures of Cash Flow Information:			
Cash paid for interest	\$	0.9	\$ 4.7
Cash received for interest	\$	4.7	\$ —
Cash paid for income taxes, net	\$	0.1	\$ 0.2

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 Equity
Balance at December 30, 2023	159,481	\$ 1,288.6	\$ 90.6	\$ 167.2	\$ (105.1)	\$ 1,441.3
Net income	—	—	—	25.0	—	25.0
Other comprehensive loss, net of tax	—	—	—	—	(6.2)	(6.2)
Common shares dividends (\$0.09 per common share)	—	—	—	(14.6)	—	(14.6)
Share-based compensation	—	—	3.1	—	—	3.1
Common shares repurchased and canceled	(748)	(6.7)	—	(4.4)	—	(11.1)
Common shares issued - Equity Incentive Plan	945	14.1	(8.3)	—	—	5.8
Common shares issued - Dividend Reinvestment Plan	1	—	—	—	—	—
Common shares issued - Employee Stock Purchase Plan	28	0.4	—	—	—	0.4
Balance at March 30, 2024	159,707	\$ 1,296.4	\$ 85.4	\$ 173.2	\$ (111.3)	\$ 1,443.7

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

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

Primo Water Corporation
Notes to the Consolidated Financial Statements

Unaudited

Note 1 - Business and Recent Accounting Pronouncements

Description of Business

As used herein, “Primo,” “the Company,” “our Company,” “Primo Water Corporation,” “us,” or “our” refers to Primo Water Corporation, together with its consolidated subsidiaries.

Primo is a leading North America-focused pure-play water solutions provider that operates largely under a recurring revenue model in the large format water category (defined as 3 gallons or greater). This business strategy is commonly referred to as “razor-razorblade” because the initial sale of a product creates a base of users who frequently purchase complementary consumable products. The razor in Primo’s revenue model is its industry leading line-up of innovative water dispensers, which are sold through approximately 11,200 retail locations and online at various price points. The dispensers help increase household and business penetration which drives recurring purchases of Primo’s razorblade offering or water solutions. Primo’s razorblade offering is comprised of Water Direct, Water Exchange, and Water Refill. Through its Water Direct business, Primo delivers sustainable hydration solutions direct to customers, whether at home or to businesses. Through its Water Exchange business, customers visit retail locations and purchase a pre-filled bottle of water. Once consumed, empty bottles are exchanged at our recycling center displays, which provide a ticket that offers a discount toward the purchase of a new bottle. Water Exchange is available in approximately 17,500 retail locations. Through its Water Refill business, customers refill empty bottles at approximately 23,500 self-service refill drinking water stations. Primo also offers water filtration units across North America.

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 which ensures strict adherence to safety, quality, sanitation and regulatory standards for the benefit of consumer protection. Environmental stewardship is a part of who we are, and we have worked to progressively achieve carbon neutrality throughout our organization. Our U.S. operations achieved carbon neutral certification in 2020 under the Carbon Neutral Protocol, an international standard administered by Climate Impact Partners.

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 30, 2023 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 30, 2023 (the “2023 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 the 2023 Annual Report. The accounting policies used in these interim unaudited Consolidated Financial Statements are consistent with those used in the annual Consolidated Financial Statements.

The presentation of these interim unaudited 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.

Discontinued Operations

On November 2, 2023, Primo entered into a Share Purchase Agreement (the “Purchase Agreement”) with a subsidiary of the Culligan Group providing for the sale of Carbon Luxembourg S.à.r.l. and certain of its subsidiaries (the “European Business”). On December 29, 2023, Primo completed the sale of the European Business for aggregate deal consideration of \$575.0 million, adjusted for customary purchase price adjustments resulting in total cash consideration of \$565.9 million (the “European Divestiture”). The European Divestiture did not include Primo’s interests in Aimia Foods Limited (“Aimia”), Decantae Mineral Water Limited (“Decantae”), Fonthill Waters Ltd (“Fonthill”), John Farrer & Company Limited (“Farrers”), and the portions of the Eden Springs Netherlands B.V. business located in the United Kingdom, Israel, and Portugal (collectively the “Remaining International Businesses”). The European Business and the Remaining International Businesses are collectively the “International Businesses.” This deal is the first of several transactions that will occur in 2024 as part of a Board-approved plan to sell all of our international businesses, representing a strategic shift in our operations. Accordingly, the International Businesses are presented herein as discontinued operations.

For all periods presented, the operating results associated with the International Businesses have been reclassified into Net income from discontinued operations, net of income taxes in the Consolidated Statements of Operations and the assets and liabilities associated with this business have been reflected as current and long-term assets and liabilities of discontinued operations in the Consolidated Balance Sheets. Cash flows from the Company's discontinued operations are presented in the Consolidated Statements of Cash Flows for all periods presented. The Notes to 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.

Changes in Presentation

Prior to the European Divestiture, our business operated through two reporting segments: (i) North America, which included our DS Services of America, Inc. ("DSS"), Aquaterra Corporation ("Aquaterra"), Mountain Valley Spring Company ("Mountain Valley") businesses, and (ii) Europe, which included the European business of Eden Springs Netherlands B.V. ("Eden Europe"), and our Decantae and Fonthill businesses. The Other category included the Israel business of Eden ("Eden Israel"), and our Aimia and Farrers businesses, as well as our corporate oversight function and other miscellaneous expenses.

During the fourth quarter of 2023, we reviewed and realigned our reporting segments to exclude the businesses within discontinued operations which reflects how the business will be managed and results will be evaluated by the Chief Executive Officer, who is the Company's chief operating decision maker. Following such review, our one reporting segment is North America, which includes our DSS, Aquaterra, and Mountain Valley businesses. The Other category includes our corporate oversight function and other miscellaneous expenses. Segment reporting results have been recast to reflect these changes for all periods presented.

Significant Accounting Policies

Included in Note 1 of the 2023 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 in the Consolidated Statements of Operations. Shipping and handling costs incurred to deliver products from our branch locations to the end-user consumer of those products are recorded in Selling, general and administrative ("SG&A") expenses in the Consolidated Statements of Operations. All other costs incurred in the shipment of products from our production facilities to customer locations are reflected in Cost of sales in the Consolidated Statements of Operations. Shipping and handling costs included in SG&A expenses for the three months ended March 30, 2024 and April 1, 2023 were \$121.1 million and \$113.3 million, respectively. Finished goods inventory costs include the cost of direct labor and materials and the applicable share of overhead expense chargeable to production.

Derivative Financial Instruments

We use foreign exchange forward contracts ("foreign exchange contracts") to manage the foreign exchange risk associated with the principal balance of our €450.0 million 3.875% senior notes due October 31, 2028 (the "2028 Notes"). Foreign exchange forward contracts are agreements to buy or sell a quantity of a currency at a predetermined future date, and at a predetermined rate or price. All derivative instruments are recorded at fair value in the Consolidated Balance Sheets. We exclude forward points from our assessment of hedge effectiveness and amortize them on a straight-line basis over the life of the derivative financial instruments in Other income, net in the Consolidated Statements of Operations. The difference between fair value changes of the excluded component and the amount amortized to Other income, net is recorded in Accumulated other comprehensive loss ("AOCI") on the Consolidated Balance Sheets. We do not use derivative financial instruments for trading or speculative purposes. We manage credit risk related to the derivative financial instruments by requiring high credit standards for our counterparties. Refer to Note 11 to the Consolidated Financial Statements for further information on our derivative financial instruments.

Concentration of Credit Risk

The Company's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents. As of March 30, 2024 and December 30, 2023, cash and cash equivalents were maintained at major financial institutions in the United States, and current deposits are in excess of insured limits. The Company believes these institutions have sufficient assets and liquidity to conduct their operations in the ordinary course of business with little or no credit risk to the Company. The Company has not experienced any losses in such accounts.

Recently Adopted Accounting Pronouncements

The Company did not adopt any new accounting pronouncements during the three months ended March 30, 2024.

Recently Issued Accounting Pronouncements Not Yet Adopted

Update ASU 2023-06 – Disclosure Improvements - Codification Amendments in Response to the SEC’s Disclosure Update and Simplification Initiative

In October 2023, the FASB issued guidance to modify the disclosure and presentation requirements of a variety of codification topics by aligning them with the SEC’s regulations. This guidance is effective for the Company no later than June 30, 2027. We are currently assessing the impact of adoption of this standard on our Consolidated Financial Statements.

Update ASU 2023-07 – Segment Reporting (Topic 280) - Improvements to Reportable Segment Disclosures

In November 2023, the FASB issued guidance to improve the disclosures about a public entity’s reportable segments and provide for the disclosure of additional and more detailed information about a reportable segment’s expenses. This guidance is effective for the Company for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. The amendments in this update should be applied retrospectively to all prior periods presented in the financial statements. Early adoption is permitted. We are currently assessing the impact of adoption of this standard on our Consolidated Financial Statements.

Update ASU 2023-09 – Income Taxes (Topic 740) - Improvements to Income Tax Disclosures

In December 2023, the FASB issued guidance to enhance the transparency and decision usefulness of income tax disclosures through improvements to disclosures primarily related to the rate reconciliation and income taxes paid information. This guidance is effective for the Company for annual periods beginning after December 15, 2024. Early adoption is permitted. We are currently assessing the impact of adoption of this standard on our Consolidated Financial Statements.

Note 2 - Discontinued Operations

International Businesses

On December 29, 2023, the Company completed the European Divestiture for aggregate deal consideration of \$575.0 million, adjusted for customary purchase price adjustments resulting in total cash consideration of \$565.9 million (see Note 1 to the Consolidated Financial Statements). The European Divestiture excluded the Remaining International Businesses. This deal is the first of several transactions that will occur in 2024 as part of a Board-approved plan to sell all of our international businesses representing a strategic shift in our operations. Accordingly, the International Businesses are presented herein as discontinued operations for all periods presented.

In connection with the European Divestiture, the Company and the purchaser entered into a transition services agreement pursuant to which the purchaser will provide certain information technology and shared service center services to the Company for various periods. For the three months ended March 30, 2024, these services were not material.

The major components of Net income from discontinued operations, net of income taxes in the accompanying Consolidated Statement of Operations include the following:

(in millions of U.S. dollars)	For the Three Months Ended	
	March 30, 2024	April 1, 2023
Revenue, net	\$ 79.1	\$ 134.0
Cost of sales	46.3	64.7
Gross profit	32.8	69.3
Selling, general and administrative expenses	23.7	68.9
Loss on disposal of property, plant and equipment, net	0.1	—
Acquisition and integration expenses	—	0.3
Operating income from discontinued operations	9.0	0.1
Other income, net	—	(6.0)
Loss on sale of discontinued operations	0.5	—
Interest expense, net	0.6	0.6
Income from discontinued operations, before income taxes	\$ 7.9	\$ 5.5
Income tax expense	1.6	2.9
Net income from discontinued operations, net of income taxes	\$ 6.3	\$ 2.6

Assets and liabilities of discontinued operations presented in the accompanying Consolidated Balance Sheets as of March 30, 2024 and December 30, 2023 include the following:

(in millions of U.S. dollars)	March 30, 2024	December 30, 2023
ASSETS		
Cash and cash equivalents	\$ 27.0	\$ 22.6
Accounts receivable, net of allowance of \$3.1 (\$3.4 as of December 30, 2023)	59.4	67.4
Inventories	31.8	31.9
Prepaid expenses and other current assets	7.7	6.8
Current assets of discontinued operations	\$ 125.9	\$ 128.7
Property, plant and equipment, net	86.1	83.7
Operating lease right-of-use-assets	37.7	37.9
Goodwill	47.5	48.5
Intangible assets, net	60.5	61.5
Other long-term assets, net ¹	(6.6)	(6.0)
Long-term assets of discontinued operations	\$ 225.2	\$ 225.6
LIABILITIES		
Short-term borrowings	\$ 18.7	\$ 18.4
Current maturities of long-term debt	3.4	3.5
Accounts payable and accrued liabilities	75.3	83.4
Current operating lease obligations	4.7	4.6
Current liabilities of discontinued operations	\$ 102.1	\$ 109.9
Long-term debt	9.1	9.2
Operating lease obligations	32.1	33.6
Deferred tax liabilities	7.5	7.0
Other long-term liabilities	2.3	2.4
Long-term liabilities of discontinued operations	\$ 51.0	\$ 52.2

¹ Includes the impairment recorded to reduce the carrying value of the Remaining International Businesses to the fair value less costs to sell.

Note 3 - Revenue

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

Contract Estimates

The nature of certain of our contracts give rise to variable consideration including cash discounts, volume-based rebates, point of sale promotions, and other promotional discounts to certain customers. For all promotional programs and discounts, we estimate the rebate or discount that will be granted to the customer and record an accrual upon invoicing. These estimated rebates or discounts are included in the transaction price of our contracts with customers as a reduction to net revenues and are included as accrued sales incentives in Accounts payable and accrued liabilities in the Consolidated Balance Sheets. This methodology is consistent with the manner in which we historically estimated and recorded promotional programs and discounts. Accrued sales incentives were \$10.4 million and \$7.7 million as of March 30, 2024 and December 30, 2023, 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 we have the right to invoice as the product is delivered.

Contract Balances

The Company does not have any material contract assets or liabilities as of March 30, 2024 and December 30, 2023.

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:

(in millions of U.S. dollars)	For the Three Months Ended	
	March 30, 2024	April 1, 2023
United States	\$ 435.8	\$ 396.8
Canada	15.9	15.7
All other countries	0.3	—
Total	\$ 452.0	\$ 412.5

Note 4 - Interest Expense, Net

The following table summarizes Interest expense, net for the three months ended March 30, 2024 and April 1, 2023:

(in millions of U.S. dollars)	For the Three Months Ended	
	March 30, 2024	April 1, 2023
Interest on short-term debt	\$ 0.2	\$ 3.7
Interest on long-term debt	12.9	12.9
Other interest expense	1.6	1.6
Interest income	(4.7)	—
Total	\$ 10.0	\$ 18.2

Note 5 - Income Taxes

Income tax expense was \$9.5 million on pre-tax income of \$28.2 million for the three months ended March 30, 2024, as compared to income tax expense of \$0.3 million on pre-tax income of \$3.5 million in the comparable prior year period. The effective income tax rate for the three months ended March 30, 2024 was 33.7% compared to 8.6% in the comparable prior year period.

The effective tax rate for the three months ended March 30, 2024 varied from the effective tax rate in the comparable prior year period due primarily to increased income in taxable jurisdictions and foreign exchange gains incurred in the first quarter of 2023 in tax jurisdictions for which no tax expense was recognized due to existing valuation allowances.

The effective tax rate for the three months ended March 30, 2024 varied from applicable statutory tax rates due primarily to losses in tax jurisdictions for which no tax benefit is recognized due to existing valuation allowances and income in tax jurisdictions with tax rates lower than the Canadian statutory tax rate.

Note 6 - Common Shares and Net Income per Common Share

Common Shares

On August 9, 2023, our Board of Directors approved a share repurchase program for up to \$50.0 million of our outstanding common shares. Upon the closing of the European Divestiture on December 29, 2023, an incremental \$25.0 million share repurchase was authorized, revising the total share repurchase authorization to \$75.0 million. For the three months ended March 30, 2024, we repurchased 582,944 common shares for approximately \$9.1 million through open market transactions under this repurchase plan.

On August 9, 2022, our Board of Directors approved a share repurchase program for up to \$100.0 million of our outstanding common shares over a 12-month period that expired on August 14, 2023. For the three months ended April 1, 2023, we repurchased 1,112,514 common shares for approximately \$16.6 million through open market transactions under this repurchase plan.

Shares purchased under these repurchase plans were subsequently canceled.

Net Income per Common Share

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

(in thousands)	For the Three Months Ended	
	March 30, 2024	April 1, 2023
Weighted-average common shares outstanding - basic	159,573	159,726
Dilutive effect of Stock Options	344	367
Dilutive effect of Performance based RSUs	213	205
Dilutive effect of Time-based RSUs	319	483
Weighted-average common shares outstanding - diluted	160,449	160,781

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

(in thousands)	For the Three Months Ended	
	March 30, 2024	April 1, 2023
Stock Options	1,345	1,396
Performance-based RSUs ¹	1,317	1,230
Time-based RSUs ²	—	—

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

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

Note 7 - Segment Reporting

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

During the fourth quarter of 2023, we reviewed and realigned our reporting segments to exclude the businesses within discontinued operations. Our sole reporting segment is North America, which includes DSS, Aquaterra, and Mountain Valley Spring businesses. The Other category includes our corporate oversight function, other miscellaneous expenses.

Segment reporting results have been recast to reflect these changes for all periods presented.

(in millions of U.S. dollars)	Three Months Ended March 30, 2024		
	North America	Other	Total
Revenue, net	\$ 451.6	\$ 0.4	\$ 452.0
Depreciation and amortization	47.8	0.4	48.2
Operating income (loss)	51.4	(15.8)	35.6
Additions to property, plant and equipment	36.9	0.7	37.6

(in millions of U.S. dollars)	Three Months Ended April 1, 2023		
	North America	Other	Total
Revenue, net	\$ 412.3	\$ 0.2	\$ 412.5
Depreciation and amortization	46.8	0.3	47.1
Operating income (loss)	34.7	(13.3)	21.4
Additions to property, plant and equipment	42.1	0.1	42.2

Revenues by channel by reporting segment were as follows:

(in millions of U.S. dollars)	Three Months Ended March 30, 2024		
	North America	Other	Total
<i>Revenue, net</i>			
Water Direct/Water Exchange	\$ 339.4	\$ —	\$ 339.4
Water Refill/Water Filtration	58.0	—	58.0
Other Water	17.7	—	17.7
Water Dispensers	16.8	—	16.8
Other	19.7	0.4	20.1
Total	\$ 451.6	\$ 0.4	\$ 452.0

(in millions of U.S. dollars)	Three Months Ended April 1, 2023		
	North America	Other	Total
<i>Revenue, net</i>			
Water Direct/Water Exchange	\$ 312.4	\$ —	\$ 312.4
Water Refill/Water Filtration	52.2	—	52.2
Other Water	11.3	—	11.3
Water Dispensers	12.7	—	12.7
Other	23.7	0.2	23.9
Total	\$ 412.3	\$ 0.2	\$ 412.5

Note 8 - Inventories

The following table summarizes inventories as of March 30, 2024 and December 30, 2023:

(in millions of U.S. dollars)	March 30, 2024	December 30, 2023
Raw materials	\$ 28.2	\$ 30.4
Finished goods	8.1	6.8
Resale items	10.0	10.1
Total	\$ 46.3	\$ 47.3

Note 9 - Accumulated Other Comprehensive (Loss) Income

Changes in AOCI by component for the three months ended March 30, 2024 and April 1, 2023 were as follows:

(in millions of U.S. dollars) ¹	Gains and Losses on Derivative Instruments	Pension Benefit Plan Items	Currency Translation Adjustment Items	Total
Balance as of December 30, 2023	\$ —	\$ (0.8)	\$ (104.3)	\$ (105.1)
OCI before reclassifications	(2.3)	—	(5.5)	(7.8)
Amounts reclassified from AOCI ²	1.6	—	—	1.6
Net current-period OCI	(0.7)	—	(5.5)	(6.2)
Balance as of March 30, 2024	\$ (0.7)	\$ (0.8)	\$ (109.8)	\$ (111.3)
Balance as of December 31, 2022	\$ —	\$ 1.2	\$ (83.4)	\$ (82.2)
OCI before reclassifications	—	—	(6.6)	(6.6)
Net current-period OCI	—	—	(6.6)	(6.6)
Balance as of April 1, 2023	\$ —	\$ 1.2	\$ (90.0)	\$ (88.8)

¹ All amounts are net of tax. Amounts in parentheses indicate debits.

² During the three months ended March 30, 2024, \$2.2 million of losses were reclassified from AOCI related to the amounts excluded from the effectiveness testing recognized in earnings for the foreign exchange forward contracts. The effect of the loss was included in Other income, net on the Consolidated Statements of Operations. The tax impact of the losses was \$0.6 million recorded within Income tax expense on the Consolidated Statements of Operations. There were no amounts reclassified from AOCI during the three months ended April 1, 2023.

Note 10 - 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.

As of both March 30, 2024 and December 30, 2023, we had \$66.7 million in standby letters of credit outstanding.

Guarantees

After the sale of our legacy carbonated soft drink and juice business in January 2018, we have continued to provide contractual payment guarantees to two third-party lessors of certain real property used in these businesses. The leases were conveyed to the buyer as part of the sale, but our guarantee was not released by the landlord. The two lease agreements mature in 2027 and 2028. The maximum potential amount of undiscounted future payments under the guarantee is approximately \$10.0 million as of March 30, 2024, which was calculated based on the minimum lease payments of the leases over the remaining term of the agreements. The sale documents require the buyer to pay all post-closing obligations under these conveyed leases, and to reimburse us if the landlord calls on a guarantee. The buyer has also agreed to a covenant to negotiate with the landlords for a release of our guarantees. We currently do not believe it is probable we would be required to perform under any of these guarantees or any of the underlying obligations.

Note 11 - Hedging Transactions and Derivative Financial Instruments

We are directly and indirectly affected by changes in foreign currency market conditions. These changes in market conditions may adversely impact our financial performance and are referred to as market risks. When deemed appropriate by management, we use derivatives as a risk management tool to mitigate the potential impact of foreign currency market risks.

We use foreign exchange forward contracts to manage the foreign exchange risk associated with the principal balance of our 2028 Notes. Forward contracts are agreements to buy or sell a quantity of a currency at a predetermined future date, and at a predetermined rate or price and are traded over-the-counter.

All derivatives are carried at fair value in the Consolidated Balance Sheets in the line item Other long-term assets, net or Other long-term liabilities. The carrying values of the derivatives reflect the impact of legally enforceable agreements with the same counterparties. These agreements allow us to net settle positive and negative positions (assets and liabilities) arising from different transactions with the same counterparty.

The accounting for gains and losses that result from changes in the fair values of derivative instruments depends on whether the derivatives have been designated and qualify as hedging instruments and the types of hedging relationships. Derivatives can be designated as fair value hedges, cash flow hedges or hedges of net investments in foreign operations. The changes in the fair values of derivatives that have been designated and qualify for fair value hedge accounting are recorded in the same line item in our Consolidated Statements of Operations as the changes in the fair value of the hedged items attributable to the risk being hedged. Due to the high degree of effectiveness between the hedging instruments and the underlying exposures being hedged, fluctuations in the value of the derivative instruments are generally offset by changes in the fair values or cash flows of the underlying exposures being hedged. The changes in fair values of derivatives that were not designated and/or did not qualify as hedging instruments are immediately recognized into earnings. We classify cash inflows and outflows related to derivative and hedging instruments within the appropriate cash flows section associated with the item being hedged.

For derivatives that will be accounted for as hedging instruments, we formally designate and document, at inception, the financial instrument as a hedge of a specific underlying exposure, the risk management objective and the strategy for undertaking the hedge transaction. In addition, we formally assess both at the inception and at least quarterly thereafter, whether the financial instruments used in hedging transactions are highly effective at offsetting changes in either the fair values or cash flows of the related underlying exposures.

We estimate the fair values of our derivatives based on quoted market prices or pricing models using current market rates. The notional amounts of the derivative financial instruments do not necessarily represent amounts exchanged by the parties and, therefore, are not a direct measure of our exposure to the financial risks described above. The amounts exchanged are calculated by reference to the notional amounts and by other terms of the derivatives, such as interest rates, foreign currency exchange rates or other financial indices. We do not view the fair values of our derivatives in isolation, but rather in relation to the fair values or cash flows of the underlying hedged transactions. All of our derivatives are over-the-counter instruments with liquid markets.

Credit Risk Associated with Derivatives

We have established strict counterparty credit guidelines and enter into transactions only with financial institutions of investment grade or better. We monitor counterparty exposures regularly and review promptly any downgrade in counterparty credit rating. We mitigate pre-settlement risk by being permitted to net settle for transactions with the same counterparty. To minimize the concentration of credit risk, we enter into derivative transactions with a portfolio of financial institutions. Based on these factors, we consider the risk of counterparty default to be minimal.

Fair Value Hedging Strategy

On January 2, 2024, we entered into foreign exchange contracts with a notional amount of €450.0 million (\$486.1 million at exchange rates in effect on March 30, 2024) and a maturity date of October 31, 2025. We are utilizing the derivative financial instruments to hedge foreign exchange risk associated with our 2028 Notes.

We designated the foreign exchange contracts as fair value hedges. The foreign exchange contracts are recognized in the Consolidated Balance Sheets at fair value and changes in the fair value of the foreign exchange contracts are recorded in the same line as the hedged item, which is Other income, net in the Consolidated Statements of Operations. We exclude forward points from our assessment of hedge effectiveness and amortize them on a straight-line basis over the life of the hedging instruments in Other income, net in the Consolidated Statements of Operations. The difference between fair value changes of the excluded component and the amount amortized to Other income, net is recorded in AOCI on the Consolidated Balance Sheets.

The following amount was recorded on the Consolidated Balance Sheets related to hedged item as of March 30, 2024:

<u>(in millions of U.S. dollars)</u>	<u>March 30, 2024</u>
<u>Line Item in Consolidated Balance Sheets in Which the Hedged Item Is Included</u>	<u>Carrying Amount of the Hedged Liability</u>
Long-term debt ¹	\$ (486.1)

¹ Carrying amount is gross of unamortized debt issuance costs as of March 30, 2024.

The fair value of our derivative liabilities included in Other long-term liabilities as of March 30, 2024 was as follows:

(in millions of U.S. dollars) Derivative Contract	March 30, 2024	
	Assets	Liabilities
Foreign exchange contracts	\$ —	\$ (11.4)

The amount of gains or (losses) recognized in Other income, net in the Consolidated Statements of Operations for fair value hedging relationships, presented on a pre-tax basis, for the three months ended March 30, 2024 is shown in the table below:

(in millions of U.S. dollars)	For the Three Months Ended March 30, 2024	
Foreign exchange contracts		
Hedged Item	\$	13.4
Derivative designated as hedging instrument	\$	(8.3)
Amount reclassified from AOCI to expense (amortized)	\$	(2.2)

The amount of gains or (losses), net of tax, recognized in our Condensed Consolidated Statements of Comprehensive Income (Loss) for fair value hedging relationships for the three months ended March 30, 2024 is shown in the table below:

(in millions of U.S. dollars)	For the Three Months Ended March 30, 2024	
Foreign exchange contracts		
Amount excluded from the assessment of effectiveness ¹	\$	(2.3)

¹ Amount is net of tax impact of \$0.8 million.

There were no settlements of our derivative instruments during the three months ended March 30, 2024.

Note 12 - 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.

Our derivative assets and liabilities represent Level 2 instruments. Level 2 instruments are valued based on observable inputs for quoted prices for similar assets and liabilities in active markets. The fair value for the net derivative liabilities as of March 30, 2024 was \$11.4 million. We had no derivative assets as of March 30, 2024.

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 March 30, 2024 and December 30, 2023 were as follows:

(in millions of U.S. dollars)	March 30, 2024		December 30, 2023	
	Carrying Value	Fair Value	Carrying Value	Fair Value
3.875% senior notes due in 2028 ^{1,2}	\$ 481.6	\$ 468.1	\$ 494.6	\$ 477.5
4.375% senior notes due in 2029 ^{1,2}	743.1	687.3	742.8	683.1
Total	\$ 1,224.7	\$ 1,155.4	\$ 1,237.4	\$ 1,160.6

¹ 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.

² Carrying value of our significant outstanding debt is net of unamortized debt issuance costs as of March 30, 2024 and December 30, 2023.

Note 13 - Subsequent Events

On May 8, 2024, our Board of Directors declared a dividend of \$0.09 per share on common shares, payable in cash on June 18, 2024, to shareowners of record at the close of business on June 7, 2024.

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 30, 2023 (the “2023 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 2023 Annual Report. As used herein, “Primo,” “the Company,” “Primo Water Corporation,” “we,” “us,” or “our” refers to Primo Water Corporation, together with its consolidated subsidiaries.

Overview

Primo is a leading North America-focused pure-play water solutions provider that operates largely under a recurring revenue model in the large format water category (defined as 3 gallons or greater). This business strategy is commonly referred to as “razor-razorblade” because the initial sale of a product creates a base of users who frequently purchase complementary consumable products. The razor in Primo’s revenue model is its industry leading line-up of innovative water dispensers, which are sold through approximately 11,200 retail locations and online at various price points. The dispensers help increase household and business penetration which drives recurring purchases of Primo’s razorblade offering or water solutions. Primo’s razorblade offering is comprised of Water Direct, Water Exchange, and Water Refill. Through its Water Direct business, Primo delivers sustainable hydration solutions direct to customers, whether at home or to businesses. Through its Water Exchange business, customers visit retail locations and purchase a pre-filled bottle of water. Once consumed, empty bottles are exchanged at our recycling center displays, which provide a ticket that offers a discount toward the purchase of a new bottle. Water Exchange is available in approximately 17,500 retail locations. Through its Water Refill business, customers refill empty bottles at approximately 23,500 self-service refill drinking water stations. Primo also offers water filtration units across North America.

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 which ensure strict adherence to safety, quality, sanitation and regulatory standards for the benefit of consumer protection. Environmental stewardship is a part of who we are, and we have worked to progressively achieve carbon neutrality throughout our organization. Our U.S. operations achieved carbon neutral certification in 2020 under the Carbon Neutral Protocol, an international standard administered by Climate Impact Partners.

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

We conduct operations in Canada and 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 the Canadian dollar have had and will continue to have an impact on our results of operations.

On November 2, 2023, Primo entered into a Share Purchase Agreement (the “Purchase Agreement”) with a subsidiary of the Culligan Group providing for the sale of Carbon Luxembourg S.à.r.l. and certain of its subsidiaries (the “European Business”). On December 29, 2023, Primo completed the sale of the European Business for aggregate deal consideration of \$575.0 million, adjusted for customary purchase price adjustments, resulting in total cash consideration of \$565.9 million (the “European Divestiture”). The European Divestiture did not include Primo’s interest in Aimia Foods Limited (“Aimia”), Decantae Mineral Water Limited (“Decantae”), Fonthill Waters Ltd (“Fonthill”), John Farrer & Company Limited (“Farrers”), and the portions of the Eden Springs Netherlands B.V. business located in the United Kingdom, Israel, and Portugal (collectively the “Remaining International Businesses”). The European Business and the Remaining International Businesses are collectively the “International Businesses.” This deal is the first of several transactions that will occur in 2024 as part of a Board-approved plan to sell all of our international businesses, representing a strategic shift in our operations. Accordingly, the International Businesses are presented herein as discontinued operations for all periods presented. See Note 2 to the interim unaudited Consolidated Financial Statements for additional information on discontinued operations. Unless otherwise noted, discussion within Item 2 relates to continuing operations.

At the beginning of 2023, our business operated through two reporting segments: (i) North America, which included our DS Services of America, Inc. (“DSS”), Aquaterra Corporation (“Aquaterra”), and Mountain Valley Spring Company (“Mountain Valley”) businesses, and (ii) Europe, which included the European business of Eden Springs Netherlands B.V. (“Eden Europe”), and our Decantae and Fonthill businesses. The Other category included the Israel business of Eden (“Eden Israel”), and our Aimia and Farrers businesses, as well as our corporate oversight function and other miscellaneous expenses.

As a result of the Board approved plan to sell all of our International Businesses, during the fourth quarter of 2023, we reviewed and realigned our reporting segments to exclude the businesses within discontinued operations which reflects how the business will be managed and results will be evaluated by the Chief Executive Officer, who is the Company's chief operating decision maker. Following such review, our one reporting segment is North America, which includes our DSS, Aquaterra, and Mountain Valley businesses. The Other category includes our corporate oversight function and other miscellaneous expenses. Segment reporting results have been recast to reflect these changes for all periods presented.

Impact of General Economic and Geopolitical Conditions

Our operations and supplier relationships expose us to risks associated with disruptions to global supply chains, labor shortages, inflation and the ongoing Russia/Ukraine and Israel/Hamas wars, all of which are likely to continue to create challenging conditions for our business, through increased costs, increased employee attrition and vacancies, lower consumer spending, volatility in financial markets or other impacts. While we have taken steps to minimize the impact of these increased costs, global supply chain disruption may deteriorate and inflationary pressures may increase, which could adversely affect our business, financial condition, results of operations and cash flows. To date, our operations in Israel have not been materially impacted by the Israel/Hamas war, though we continue to monitor the situation closely and prioritize the safety of our associates.

Divestiture Transactions

On November 2, 2023, Primo entered into a Share Purchase Agreement providing for the sale of the European Business to a subsidiary of the Culligan Group. As described above, the European Divestiture closed on December 29, 2023.

Forward-Looking Statements

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

The forward-looking statements are not guarantees of future performance or events and, by their nature, are based on certain estimates and assumptions regarding interest and foreign exchange rates, expected growth, results of operations, performance, business prospects and opportunities and effective income tax rates, which are subject to inherent risks and uncertainties. Material factors or assumptions that were applied in drawing a conclusion or making an estimate set out in forward-looking statements may include, but are not limited to, assumptions regarding management's current plans and estimates. Although we believe the assumptions underlying these forward-looking statements are reasonable, any of these assumptions could prove to be inaccurate and, as a result, the forward-looking statements based on those assumptions could prove to be incorrect. Our operations involve risks and uncertainties, many of which are outside of our control, and any one or any combination of these risks and uncertainties could also affect whether the forward-looking statements ultimately prove to be correct. These risks and uncertainties include, but are not limited to, those described in Part I, Item 1A "Risk Factors" and elsewhere in our 2023 Annual Report and those described from time to time in our future reports filed with the Securities and Exchange Commission ("SEC") and Canadian securities regulatory authorities.

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

- our ability to compete successfully in the markets in which we operate;
- our ability to manage supply chain disruptions and cost increases related to inflation;
- 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 maintain favorable arrangements and relationships with our suppliers;

- our ability to manage our operations successfully;
- currency fluctuations that adversely affect exchanges between currencies, including the U.S. dollar and the Canadian dollar;
- the impact on our financial results from uncertainty in the financial markets and other adverse changes in general economic conditions, including inflation and interest rates;
- any disruption to production at our manufacturing facilities;
- our ability to maintain access to our water sources;
- the impact of climate change on our business;
- our ability to protect our intellectual property;
- the seasonal nature of our business and the effect of adverse weather conditions;
- the impact of national, regional and global events, including those of a political, economic, business and competitive nature such as the Russia/Ukraine war or the Israel/Hamas war;
- the impact of a pandemic, such as 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 or other strategic opportunities that we pursue;
- our ability to realize revenue and cost synergies of our acquisitions due to integration difficulties and other challenges;
- our exposure to intangible asset risk;
- our ability to meet our obligations under our debt agreements, and risks of further increases to our indebtedness;
- our ability to maintain compliance with the covenants and conditions under our debt agreements;
- fluctuations in interest rates, which could increase our borrowing costs;
- our ability to recruit, retain and integrate new management;
- the impact of increased labor costs on our business;
- our ability to renew our collective bargaining agreements from time to time 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;
- compliance with product health and safety standards;
- liability for injury or illness caused by the consumption of contaminated products;
- liability and damage to our reputation as a result of litigation or legal proceedings;
- changes in the legal and regulatory environment in which we operate;
- our ability to adequately address the challenges and risks associated with our operations and address difficulties in complying with complex and overlapping laws and regulations, including the U.S. Foreign Corrupt Practices Act and the U.K. Bribery Act of 2010;
- our ability to utilize tax attributes to offset future taxable income;
- the impact on our tax obligations and effective tax rate arising from changes in local tax laws or countries adopting more aggressive interpretations of tax laws;
- our ability to maintain our quarterly dividend; or
- credit rating changes.

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

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

Non-GAAP Measures

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

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

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

Summary Financial Results

Net income from continuing operations for the three months ended March 30, 2024 (the "first quarter") was \$18.7 million or \$0.12 per diluted common share compared with net income from continuing operations of \$3.2 million or \$0.02 per diluted common share for the three months ended April 1, 2023.

The following items of significance affected our financial results for the first quarter of 2024:

- Net revenue increased to \$452.0 million from \$412.5 million in the prior year period, an increase of \$39.5 million, or 9.6%, due primarily to pricing initiatives of \$18.6 million and increased demand for products and services from residential and business customers of \$21.0 million;
- Gross profit increased to \$291.3 million from \$259.0 million in the prior year period. Gross profit as a percentage of net revenue was 64.4% compared to 62.8% in the prior year period. The 160 basis point increase is due primarily to pricing initiatives and increased demand;
- SG&A expenses increased to \$249.4 million from \$234.6 million in the prior year period due primarily to higher selling and operating costs supporting volume and revenue growth related primarily to labor cost increases of \$11.9 million from the prior year period, as well as insurance cost increases of \$6.5 million from the prior year period. SG&A expenses as a percentage of net revenue was 55.2% compared to 56.9% in the prior year period;
- Acquisition and integration expenses increased to \$5.3 million from \$1.7 million in the prior year period due primarily to higher professional fees compared to the prior year period, partially offset by lower integration costs compared to the prior year period. Acquisition and integration expenses as a percentage of revenue was 1.2% compared to 0.4% in the prior year period;
- Gain on sale of property increased to \$0.5 million from nil in the prior year period due to the completion of a sale transaction for owned real property;
- Other income, net was \$2.6 million compared to \$0.3 million in the prior year period due primarily to higher unrealized foreign exchange gains and income from tariff refunds in the current year period compared to the prior year period;
- Income tax expense was \$9.5 million on pre-tax income of \$28.2 million compared to income tax expense of \$0.3 million on pre-tax income of \$3.5 million in the prior year period due primarily to increased income in taxable jurisdictions and foreign exchange gains incurred in the first quarter of 2023 in tax jurisdictions for which no tax expense was recognized due to existing valuation allowances;

- Adjusted EBITDA increased to \$93.9 million compared to \$75.6 million in the prior year period due to the items listed above; and
- Cash flows provided by operating activities was \$63.4 million compared to cash flows provided by operating activities of \$30.3 million in the prior year period. The \$33.1 million increase was due primarily to improved earnings, excluding non-cash charges, and a decrease in cash used for working capital relative to the prior year period.

Results of Operations - Continuing Operations

The following table summarizes our Consolidated Statements of Operations as a percentage of revenue for the three months ended March 30, 2024 and April 1, 2023:

(in millions of U.S. dollars)	For the Three Months Ended			
	March 30, 2024		April 1, 2023	
	\$	%	\$	%
Revenue, net	452.0	100.0	412.5	100.0
Cost of sales	160.7	35.6	153.5	37.2
Gross profit	291.3	64.4	259.0	62.8
Selling, general and administrative expenses	249.4	55.2	234.6	56.9
Loss on disposal of property, plant and equipment, net	1.5	0.3	1.3	0.3
Acquisition and integration expenses	5.3	1.2	1.7	0.4
Gain on sale of property	(0.5)	(0.1)	—	—
Operating income	35.6	7.9	21.4	5.2
Other income, net	(2.6)	(0.6)	(0.3)	(0.1)
Interest expense, net	10.0	2.2	18.2	4.4
Income from continuing operations before income taxes	28.2	6.2	3.5	0.8
Income tax expense	9.5	2.1	0.3	0.1
Net income from continuing operations	18.7	4.1	3.2	0.8
Net income from discontinued operations, net of income taxes	6.3	1.4	2.6	0.6
Net income	25.0	5.5	5.8	1.4
Depreciation and amortization	48.2	10.7	47.1	11.4

The following table summarizes our net revenue, gross profit, SG&A expenses and operating income (loss) by reporting segment for the three months ended March 30, 2024 and April 1, 2023:

(in millions of U.S. dollars)	For the Three Months Ended	
	March 30, 2024	April 1, 2023
<u>Revenue, net</u>		
North America	\$ 451.6	\$ 412.3
Other	0.4	0.2
Total	\$ 452.0	\$ 412.5
<u>Gross profit</u>		
North America	\$ 291.1	\$ 258.8
Other	0.2	0.2
Total	\$ 291.3	\$ 259.0
<u>Selling, general and administrative expenses</u>		
North America	\$ 238.1	\$ 221.1
Other	11.3	13.5
Total	\$ 249.4	\$ 234.6
<u>Operating income (loss)</u>		
North America	\$ 51.4	\$ 34.7
Other	(15.8)	(13.3)
Total	\$ 35.6	\$ 21.4

The following tables summarize net revenue by channel for the three months ended March 30, 2024 and April 1, 2023:

(in millions of U.S. dollars)	Three Months Ended March 30, 2024		
	North America	Other	Total
<u>Revenue, net</u>			
Water Direct/Water Exchange	\$ 339.4	\$ —	\$ 339.4
Water Refill/Water Filtration	58.0	—	58.0
Other Water	17.7	—	17.7
Water Dispensers	16.8	—	16.8
Other	19.7	0.4	20.1
Total	\$ 451.6	\$ 0.4	\$ 452.0

(in millions of U.S. dollars)	Three Months Ended April 1, 2023		
	North America	Other	Total
<u>Revenue, net</u>			
Water Direct/Water Exchange	\$ 312.4	\$ —	\$ 312.4
Water Refill/Water Filtration	52.2	—	52.2
Other Water	11.3	—	11.3
Water Dispensers	12.7	—	12.7
Other	23.7	0.2	23.9
Total	\$ 412.3	\$ 0.2	\$ 412.5

The following table summarizes our EBITDA and Adjusted EBITDA for the three months ended March 30, 2024 and April 1, 2023:

(in millions of U.S. dollars)	For the Three Months Ended	
	March 30, 2024	April 1, 2023
Net income from continuing operations	\$ 18.7	\$ 3.2
Interest expense, net	10.0	18.2
Income tax expense	9.5	0.3
Depreciation and amortization	48.2	47.1
EBITDA	\$ 86.4	\$ 68.8
Acquisition and integration costs	5.3	1.7
Share-based compensation costs	3.0	2.0
Foreign exchange and other gains, net	(1.9)	(0.2)
Loss on disposal of property, plant and equipment, net	1.5	1.3
Gain on sale of property	(0.5)	—
Other adjustments, net	0.1	2.0
Adjusted EBITDA	\$ 93.9	\$ 75.6

Three Months Ended March 30, 2024 Compared to Three Months Ended April 1, 2023

Revenue, Net

Net revenue increased to \$452.0 million in the first quarter from \$412.5 million in the prior year period, an increase of \$39.5 million, or 9.6%, for the year to date from the prior year period.

North America net revenue increased to \$451.6 million in the first quarter from \$412.3 million in the prior year period, an increase of \$39.3 million, or 9.5%, due primarily to pricing initiatives of \$18.6 million and increased demand for products and services from residential and business customers of \$21.0 million.

Other net revenue increased to \$0.4 million in the first quarter from \$0.2 million in the prior year period, an increase of \$0.2 million, or 100.0%.

Gross Profit

Gross profit increased to \$291.3 million in the first quarter from \$259.0 million in the prior year period. Gross profit as a percentage of revenue was 64.4% in the first quarter compared to 62.8% in the prior year period.

North America gross profit increased to \$291.1 million in the first quarter from \$258.8 million in the prior year period, and gross profit as a percentage of revenue was 64.5% in the first quarter compared to 62.8% in the prior year period. The 170 basis point increase is due primarily to pricing initiatives and increased demand.

Other gross profit remained flat at \$0.2 million in the first quarter, and gross profit as a percentage of revenue was 50.0% in the first quarter compared to 100.0% in the prior year period.

Selling, General and Administrative Expenses

SG&A expenses increased to \$249.4 million in the first quarter from \$234.6 million in the prior year period. SG&A expenses as a percentage of revenue was 55.2% in the first quarter compared to 56.9% in the prior year period.

North America SG&A expenses increased to \$238.1 million in the first quarter from \$221.1 million in the prior year period due primarily to higher selling and operating costs that supported volume and revenue growth related primarily to labor increases of \$11.9 million and increases in insurance costs of \$6.5 million.

Other SG&A expenses remained relatively flat at \$11.3 million in the first quarter compared to \$13.5 million in the prior year period.

Acquisition and Integration Expenses

Acquisition and integration expenses increased to \$5.3 million in the first quarter from \$1.7 million in the prior year period. Acquisition and integration expenses as a percentage of revenue was 1.2% in the first quarter compared to 0.4% in the prior year period.

North America acquisition and integration expenses decreased to \$0.6 million in the first quarter from \$1.7 million in the prior year period due primarily to lower integration costs in the current year.

Other acquisition and integration expenses increased to \$4.7 million in the first quarter compared to nil in the prior year period due primarily to increased professional fees in the current year.

Gain on Sale of Property

Gain on sale of property increased to \$0.5 million in the first quarter from nil in the prior year period. Gain on sale of property as a percentage of revenue was 0.1% in the first quarter compared to nil in the prior year period.

The increase was due to the completion of a sale transaction for owned real property in North America.

Operating Income

Operating income increased to \$35.6 million in the first quarter from \$21.4 million in the prior year period.

North America operating income increased to \$51.4 million in the first quarter from \$34.7 million in the prior year period due to the items discussed above.

Other operating loss increased to \$15.8 million in the first quarter from \$13.3 million in the prior year period due to the items discussed above.

Other Income, Net

Other income, net was \$2.6 million in the first quarter compared to other income, net of \$0.3 million in the prior year period due primarily to higher unrealized foreign exchange gains and income from tariff refunds in the current year period compared to the prior year period.

Income Taxes

Income tax expense was \$9.5 million in the first quarter compared to income tax expense of \$0.3 million in the prior year period. The effective tax rate in the first quarter was 33.7% compared to 8.6% in the prior year period.

The effective tax rate for the three months ended March 30, 2024 varied from the effective tax rate in the comparable prior year period due primarily to increased income in taxable jurisdictions and foreign exchange gains incurred in the first quarter of 2023 in tax jurisdictions for which no tax expense was recognized due to existing valuation allowances.

The effective tax rate for the three months ended March 30, 2024 varied from the statutory tax rate due primarily to losses in tax jurisdictions for which no tax benefit is recognized due to existing valuation allowances and income in tax jurisdictions with tax rates lower than the Canadian statutory tax rate.

Liquidity and Capital Resources

As of March 30, 2024, we had total debt of \$1,269.3 million and \$498.3 million of cash and cash equivalents compared to \$1,285.0 million of debt and \$507.9 million of cash and cash equivalents as of December 30, 2023.

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

We believe that our level of resources, which includes cash on hand, borrowings under the credit agreement (the "Credit Agreement") among the Company, as parent borrower, Primo Water Holdings Inc. and certain other subsidiary borrowers, certain other subsidiaries of the Company from time to time designated as subsidiary borrowers, Bank of America, N.A., as administrative agent and collateral agent, and the lenders from time to time party thereto, including the \$350.0 million revolving credit facility (the "Revolving Credit Facility") and funds provided by our operations, will be adequate to fund cash outflows that have both a short- and long-term component. These cash flows will support our growth platform and include our expenses, capital expenditures, anticipated dividend payments, and debt service obligations. The Company regularly assesses its cash requirements and the available resources to fund these needs. Our ability to generate cash to meet our current expenses and debt service obligations will depend on our future performance. If we do not have enough cash to pay our debt service obligations, or if the Revolving Credit Facility or our outstanding notes were to become currently due, either at maturity or as a result of a breach, we may be required to take actions such as amending our Credit Agreement or the indentures governing our outstanding notes, refinancing all or part of our existing debt, selling assets, incurring additional indebtedness or raising equity. If we need to seek additional financing, there is no assurance that this additional financing will be available on favorable terms or at all.

As of March 30, 2024, there were no outstanding borrowings under the Revolving Credit Facility and outstanding letters of credit totaled \$66.7 million, resulting in total utilization under the Revolving Credit Facility of \$66.7 million. Accordingly, unused availability under the Revolving Credit Facility as of March 30, 2024 amounted to \$283.3 million.

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

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

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

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

A dividend \$0.08 per common share was declared during each quarter of 2023 for an aggregate dividend payment of approximately \$51.8 million. A dividend payment of \$0.09 per common share was declared during the first quarter of 2024 for an aggregate dividend payment of approximately \$14.6 million.

The following table summarizes our cash flows for the three months ended March 30, 2024 and April 1, 2023, as reported in our Consolidated Statements of Cash Flows in the accompanying Consolidated Financial Statements:

(in millions of U.S. dollars)	For the Three Months Ended	
	March 30, 2024	April 1, 2023
Net cash provided by operating activities of continuing operations	\$ 63.4	\$ 30.3
Net cash used in investing activities of continuing operations	(40.2)	(50.7)
Net cash used in financing activities of continuing operations	(23.2)	(6.5)
Cash flows from discontinued operations:		
Net cash provided by operating activities from discontinued operations	0.8	4.0
Net cash used in investing activities from discontinued operations	(5.6)	(10.8)
Net cash provided by financing activities from discontinued operations	0.1	6.8
Effect of exchange rate changes on cash	(0.5)	0.8
Net decrease in cash, cash equivalents and restricted cash	(5.2)	(26.1)
Cash and cash equivalents and restricted cash, beginning of period	530.5	122.6
Cash and cash equivalents and restricted cash of continuing operations, end of period	525.3	96.5
Cash and cash equivalents and restricted cash from discontinued operations, end of period	27.0	40.4
Cash and cash equivalents and restricted cash of continuing operations, end of period	\$ 498.3	\$ 56.1

Operating Activities

Cash provided by operating activities was \$63.4 million year to date compared to \$30.3 million in the prior year period. The \$33.1 million increase was due primarily to improved earnings, excluding non-cash charges, and a decrease in cash used for working capital relative to the prior year period.

Investing Activities

Cash used in investing activities was \$40.2 million year to date compared to \$50.7 million in the prior year period. The \$10.5 million decrease was due primarily to a decrease in additions to property, plant and equipment and tuck-in acquisitions relative to the prior year period.

Financing Activities

Cash used in financing activities was \$23.2 million year to date compared to \$6.5 million in the prior year period. The \$16.7 million increase was due primarily to the absence of net proceeds from short-term borrowings in the current period compared to the prior year period and an increase in dividends paid to shareholders, partially offset by a decrease in share repurchases and an increase in common shares issued.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements as of March 30, 2024.

Contractual Obligations

There were no material changes to our outstanding contractual obligations from amounts previously disclosed in our 2023 Annual Report.

Credit Ratings and Covenant Compliance

Credit Ratings

We have no material changes to the disclosure on this matter made in our 2023 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 March 30, 2024, 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 March 30, 2024.

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 March 30, 2024.

Issuer Purchases of Equity Securities

Common Share Repurchase Program

On August 9, 2023, our Board of Directors approved a share repurchase program for up to \$50.0 million of our outstanding common shares. Upon the closing of the European Divestiture on December 29, 2023, an incremental \$25.0 million share repurchase was authorized, revising the total share repurchase authorization to \$75.0 million. For the three months ended March 30, 2024, we repurchased 582,944 common shares for approximately \$9.1 million through open market transactions under this repurchase plan.

On August 9, 2022, our Board of Directors approved a share repurchase program for up to \$100.0 million of our outstanding common shares over a 12-month period that expired on August 14, 2023. For the three months ended April 1, 2023, we repurchased 1,112,514 common shares for approximately \$16.6 million through open market transactions under this repurchase plan.

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

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

Tax Withholding

During the three months ended March 30, 2024 and April 1, 2023, an aggregate of 164,922 common shares and 165,324 common shares, respectively, 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 30, 2023, our equity has increased by \$2.4 million. The increase was due to net income of \$25.0 million, the issuance of common shares of \$6.2 million, and share-based compensation costs of \$3.1 million, partially offset by common shares repurchased and canceled of \$11.1 million, common share dividend payments of \$14.6 million and other comprehensive loss, net of tax of \$6.2 million.

Dividend Payments

Common Share Dividend

On February 21, 2024, the Board of Directors declared a dividend of \$0.09 per share on common shares, payable in cash on March 25, 2024 to shareowners of record at the close of business on March 8, 2024. On May 8, 2024, the Board of Directors declared a dividend of \$0.09 per share on common shares, payable in cash on June 18, 2024, to shareowners of record at the close of business on June 7, 2024. We intend to pay a regular quarterly dividend on our common shares subject to, among other things, the best interests of our shareowners, our results of operations, cash balances and future cash requirements, financial condition, statutory regulations and covenants set forth in the Revolving Credit Facility and indentures governing our outstanding notes, as well as other factors that the Board of Directors may deem relevant from time to time.

Critical Accounting Policies

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

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

We have no material changes to our Critical Accounting Policies and Estimates disclosure as filed in our 2023 Annual Report.

Recent Accounting Pronouncements

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

Item 3. Quantitative and Qualitative Disclosures about Market Risk

In the ordinary course of business, we are exposed to foreign currency, interest rate, commodity price, and credit 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 the Quantitative and Qualitative Disclosures about Market Risk as filed in our 2023 Annual Report.

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

The Company maintains disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). The Company’s management, under the supervision and with the participation of the Company’s Chief Executive Officer and Chief Financial Officer, carried out an evaluation of the effectiveness of the design and operation of the Company’s disclosure controls and procedures as of March 30, 2024. Based upon this evaluation, the Company’s Chief Executive Officer and Chief Financial Officer concluded that, as of March 30, 2024, the Company’s disclosure controls and procedures are functioning effectively to ensure that information required to be disclosed by the Company in reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and accumulated and communicated to the Company’s management, including the Company’s Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

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

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

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

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

Item 1A. Risk Factors

There have been no material changes to our risk factors since December 30, 2023. Please refer to our 2023 Annual Report on Form 10-K.

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

Share Repurchases

On August 9, 2023, our Board of Directors approved a share repurchase program for up to \$50.0 million of our outstanding common shares. Upon the closing of the European Divestiture on December 29, 2023, an incremental \$25.0 million share repurchase was authorized, revising the total share repurchase authorization to \$75.0 million. For the three months ended March 30, 2024, we repurchased 582,944 common shares for approximately \$9.1 million through open market transactions under this repurchase plan.

The following table summarizes the repurchase activity under the repurchase plan for the three months ended March 30, 2024:

	Total Number of Common Shares Purchased	Average Price Paid per Common Share	Total Number of Common Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Dollar Value) of Common Shares that May Yet Be Purchased Under the Plans or Programs
December 31, 2023 - January 31, 2024	204,316	\$ 14.77	204,316	\$ 70,032,355
February 1, 2024 - February 29, 2024	201,741	\$ 14.97	201,741	\$ 67,012,739
March 1, 2024 - March 30, 2024	176,887	\$ 17.07	176,887	\$ 63,992,899
Total	582,944			

Tax Withholding

The following table contains information about common shares that we withheld from delivering to employees during the three months ended March 30, 2024 to satisfy their respective tax obligations related to share-based awards.

	Total Number of Common Shares Purchased	Average Price Paid per Common Share	Total Number of Common Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Dollar Value) of Common Shares that May Yet Be Purchased Under the Plans or Programs
December 31, 2023 - January 31, 2024	32,674	\$ 15.04	N/A	N/A
February 1, 2024 - February 29, 2024	129,885	\$ 14.59	N/A	N/A
March 1, 2024 - March 30, 2024	2,363	\$ 17.16	N/A	N/A
Total	164,922			

Item 5. Other Information

During the three months ended March 30, 2024, none of our directors or executive officers (as such term is defined in Rule 16a-1(f) promulgated under the Exchange Act) adopted or terminated any Rule 10b5-1 trading arrangement or any non-Rule 10b5-1 trading arrangement (as each term is defined in Item 408 of Regulation S-K).

Item 6. Exhibits

Exhibit No.	Description of Exhibit	Incorporated by Reference				Filed or Furnished Herewith
		Form	Exhibit	Filing Date	File No.	
3.1	Articles of Continuance of Primo Water Corporation, dated July 7, 2021.	10-Q	3.1	8/6/2021	001-31410	
3.2	Second Amended and Restated By-Law No. 1 of Primo Water Corporation, dated May 3, 2023.	8-K	3.1	5/3/2023	001-31410	
31.1	Certification of the Chief Executive Officer pursuant to section 302 of the Sarbanes-Oxley Act of 2002 for the quarterly period ended March 30, 2024.					*
31.2	Certification of the Chief Financial Officer pursuant to section 302 of the Sarbanes-Oxley Act of 2002 for the quarterly period ended March 30, 2024.					*
32.1	Certification of the Chief Executive Officer pursuant to section 906 of the Sarbanes-Oxley Act of 2002 for the quarterly period ended March 30, 2024.					*
32.2	Certification of the Chief Financial Officer pursuant to section 906 of the Sarbanes-Oxley Act of 2002 for the quarterly period ended March 30, 2024.					*
101	The following financial statements from Primo Water Corporation's Quarterly Report on Form 10-Q for the quarter ended March 30, 2024, filed May 9, 2024, 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).					*

SIGNATURES

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

PRIMO WATER CORPORATION
(Registrant)

Date: May 9, 2024

/s/ David Hass

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

Date: May 9, 2024

/s/ Jason Ausher

Jason Ausher
Chief Accounting Officer
(Principal Accounting Officer)

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

I, Robbert Rietbroek, 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/ Robbert Rietbroek

Robbert Rietbroek
Chief Executive Officer
Dated: May 9, 2024

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

I, David Hass, certify that:

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

/s/ David Hass

David Hass
Chief Financial Officer
Dated: May 9, 2024

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

The undersigned, Robbert Rietbroek, 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 March 30, 2024 (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 9th day of May, 2024.

/s/ Robbert Rietbroek

Robbert Rietbroek

Chief Executive Officer

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

The undersigned, David Hass, Chief Financial Officer of Primo Water Corporation (the “Company”), has executed this certification in connection with the filing with the Securities and Exchange Commission of the Company’s Quarterly Report on Form 10-Q for the quarter ended March 30, 2024 (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 9th day of May, 2024.

/s/ David Hass

David Hass
Chief Financial Officer