PRIMO WATER CORP /CN/

FORM 10-Q
(Quarterly Report)

Filed 05/11/01 for the Period Ending 03/31/01

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

COTT CORP /CN/

FORM 10-Q
(Quarterly Report)

Filed 5/11/2001 For Period Ending 3/31/2001

Address	207 QUEENS QUAY W SUITE 340
	TORONTO ONTARIO CANA, 00000
Telephone	416-203-3898
CIK	0000884713
Industry	Beverages (Non-Alcoholic)
Sector	Consumer/Non-Cyclical
Fiscal Year	12/31

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended MARCH 31, 2001

Commission File Number 000-19914

COTT CORPORATION

(Exact name of registrant as specified in its charter)

CANADA	None
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

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

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

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 X No

There were 60,119,792 shares of common stock outstanding as of April 30, 2001.

PART I -- FINANCIAL INFORMATION

Item 1. Financial Statements

PART II -- OTHER INFORMATION

PART I -- FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

COTT CORPORATION
Consolidated Statements of Income

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

	For the three months ended MARCH 31, 2001	For the three months ended APRIL 1, 2000
SALES	$ 229.0	$ 215.0
Cost of sales	192.9	179.9
GROSS PROFIT	36.1	35.1
Selling, general and administrative expenses	23.1	23.6
OPERATING INCOME	13.0	11.5
Other income, net	(2.0)	(0.1)
Interest expense, net	6.7	8.1
INCOME BEFORE INCOME TAXES	8.3	3.5
Income taxes -- note 2	(3.2)	(1.5)
NET INCOME -- note 3	$ 5.1	$ 2.0
PER SHARE DATA -- note 4		
NET INCOME PER COMMON SHARE		
Basic	$ 0.09	$ 0.03
Diluted	$ 0.07	$ 0.03

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

COTT CORPORATION
Consolidated Balance Sheets

(in millions of U.S. dollars)

	MARCH 31, 2001 Unaudited	DECEMBER 30, 2000 Audited
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 0.9	$ 7.2
Accounts receivable	102.8	109.0
Inventories -- note 5	78.6	64.0
Prepaid expenses	2.2	2.2
	184.5	182.4
PROPERTY, PLANT AND EQUIPMENT -- note 6	241.1	245.0
GOODWILL	110.9	115.2
INTANGIBLES AND OTHER ASSETS	77.2	79.0
	$ 613.7	$ 621.6
LIABILITIES		
CURRENT LIABILITIES		
Short-term borrowings	$ 36.5	$ 36.6
Current maturities of long-term debt	3.6	1.6
Accounts payable and accrued liabilities	109.5	114.5
Discontinued operations	0.6	0.6
	150.2	153.3
LONG-TERM DEBT	277.1	279.6
OTHER LIABILITIES	33.2	30.2
	460.5	463.1
SHAREOWNERS' EQUITY		
CAPITAL STOCK		
Common shares -- 60,108,492 shares issued	190.5	189.1
Second preferred shares, Series 1 -- 4,000,000 shares issued	40.0	40.0
DEFICIT	(32.8)	(37.9)
ACCUMULATED OTHER COMPREHENSIVE INCOME	(44.5)	(32.7)
	153.2	158.5
	$ 613.7	$ 621.6

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

COTT CORPORATION
Consolidated Statements of Shareowners' Equity

(in millions of U.S. dollars)
Unaudited

	NUMBER OF COMMON SHARES (in thousands)	COMMON SHARES	PREFERRED SHARES	DEFICIT	ACCUMULATED OTHER COMPREHENSIVE INCOME	TOTAL EQUITY
Balance at January 1, 2000	59,837	$189.0	$ 40.0	$(63.3)	$(23.4)	$142.3
Options exercised	11	--	--	--	--	--
Comprehensive income -- note 3						
Currency translation adjustment	--	--	--	--	(1.9)	(1.9)
Net loss	--	--	--	2.0	--	2.0
Balance at April 1, 2000	59,848	$189.0	$ 40.0	$(61.3)	$(25.3)	$142.4
Balance at December 30, 2000	59,868	$189.1	$ 40.0	$(37.9)	$(32.7)	$158.5
Options exercised	240	1.4	--	--	--	1.4
Comprehensive income -- note 3						
Currency translation adjustment	--	--	--	--	(11.8)	(11.8)
Net income	--	--	--	5.1	--	5.1
Balance at March 31, 2001	60,108	$190.5	$ 40.0	$(32.8)	$(44.5)	$153.2

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

COTT CORPORATION
Consolidated Statements of Cash Flows

(in millions of U.S. dollars)
Unaudited

	For the three months ended MARCH 31, 2001	For the three months ended APRIL 1, 2000
OPERATING ACTIVITIES		
Net income	$ 5.1	$ 2.0
Depreciation and amortization	9.9	9.9
Deferred income taxes	3.1	1.3
Gain on sale of property, plant and equipment	--	(0.1)
Other non-cash items	(1.4)	0.4
Net change in non-cash working capital from continuing operations -- note 7	(14.3)	(11.2)
Cash provided by operating activities	2.4	2.3
INVESTING ACTIVITIES		
Additions to property, plant and equipment	(10.0)	(6.8)
Proceeds from disposal of property, plant and equipment	0.6	0.1
Other	(0.3)	(1.3)
Cash used in investing activities	(9.7)	(8.0)
FINANCING ACTIVITIES		
Payments of long-term debt	(0.3)	(4.6)
Short-term borrowings	--	11.1
Issue of common shares	1.4	--
Other	--	(2.1)
Cash provided by financing activities	1.1	4.4
Effect of exchange rate changes on cash and cash equivalents	(0.1)	--
NET DECREASE IN CASH AND CASH EQUIVALENTS	(6.3)	(1.3)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	7.2	2.6
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 0.9	$ 1.3

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

Unaudited

NOTE 1 -- BASIS OF PRESENTATION

The unaudited consolidated financial statements have been prepared in accordance with United States ("U.S.") generally accepted accounting principles ("GAAP") for interim financial information. Accordingly, they do not include all information and notes presented in the annual consolidated financial statements in conformity with U.S. GAAP. In the opinion of management, the statements reflect all adjustments that are necessary for a fair statement of the results for the interim periods presented. All such adjustments are of a normal recurring nature.

Certain comparative amounts have been restated to conform to the financial statement presentation adopted in the current year.

The results for the interim periods presented are not necessarily indicative of the results that may be expected for the full fiscal year.

Consolidated financial statements in accordance with Canadian GAAP, in U.S. dollars, are made available to all shareowners and filed with various Canadian regulatory authorities.

NOTE 2 -- INCOME TAXES

The following table reconciles income taxes calculated at the basic Canadian corporate rates with the income tax provision:

	MARCH 31, 2001	APRIL 1, 2000
	(in millions of U.S. dollars)	
Income tax provision based on Canadian statutory rates	$ (3.6)	$ (1.6)
Foreign tax rate differential	0.7	0.6
Manufacturing and processing deduction	0.1	--
Increase in valuation allowance	--	(0.1)
Non-deductible items	(0.4)	(0.4)
	$ (3.2)	$ (1.5)

Unaudited

NOTE 3 -- COMPREHENSIVE INCOME (LOSS)

	MARCH 31, 2001	APRIL 1, 2000
	(in millions of U.S. dollars)	
Net income	$ 5.1	$ 2.0
Foreign currency translation	(11.8)	(1.9)
	$ (6.7)	$ 0.1

NOTE 4 -- INCOME PER SHARE

Basic net income per common share is computed by dividing net income by the weighted average number of common shares outstanding during the period. Diluted net income per share includes the effect of exercising stock options and converting the preferred shares, only if dilutive.

The following table reconciles the basic weighted average number of shares outstanding to the diluted weighted average number of shares outstanding:

	MARCH 31, 2001	APRIL 1, 2000
	(in thousands)	
Weighted average number of shares outstanding -- basic	59,991	59,845
Dilutive effect of stock options	1,802	408
Dilutive effect of second preferred shares	6,286	6,286
Adjusted weighted average number of shares outstanding -- diluted	68,079	66,539

As of March 31, 2001, the Company had the following equity instruments outstanding: 60,108,492 common shares, 5,009,460 common share options and 4,000,000 second preferred shares convertible into 5,837,419 common shares and entitled to 5,837,419 votes.

NOTE 5 -- INVENTORIES

	MARCH 31, 2001	DECEMBER 30, 2000
	(in millions of U.S. dollars)	
Raw materials	$ 22.0	$ 21.3
Finished goods	47.4	34.3
Other	9.2	8.4
	$ 78.6	$ 64.0

Unaudited

NOTE 6 -- PROPERTY, PLANT AND EQUIPMENT

	MARCH 31, 2001	DECEMBER 30, 2000
	(in millions of U.S. dollars)	
Cost	$ 389.4	$ 390.1
Accumulated depreciation	(148.3)	(145.1)
	$ 241.1	$ 245.0

NOTE 7 -- NET CHANGE IN NON-CASH WORKING CAPITAL

The changes in non-cash working capital components, net of effects of unrealized foreign exchange gains and losses, are as follows:

	MARCH 31, 2001	APRIL 1, 2000
	(in millions of U.S. dollars)	
Decrease (increase) in accounts receivable	$ 4.4	$ (7.2)
Decrease (increase) in inventories	(15.9)	(4.1)
Decrease (increase) in prepaid expenses	(0.1)	0.5
Increase (decrease) in accounts payable and accrued liabilities	(2.7)	(0.4)
	$ (14.3)	$ (11.2)

NOTE 8 -- CONTINGENCIES

The Company is 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 the Company's financial position or results from operations.

Unaudited

NOTE 9 -- SEGMENT REPORTING

The Company produces, packages and distributes retailer brand and branded bottled and canned soft drinks to regional and national grocery, mass-merchandise and wholesale chains in the U.S., Canada and the United Kingdom (U.K.) & Europe. The Company manages its beverage business by geographic segments as described below:

BUSINESS SEGMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 2001	UNITED STATES	CANADA	U.K. & EUROPE	CORPORATE & OTHER	TOTAL
		(in millions of U.S. dollars)			
External sales	$ 168.7	$ 33.9	$ 25.4	$ 1.0	$ 229.0
Intersegment sales	0.4	1.4	--	(1.8)	--
Depreciation and amortization ...	5.9	1.7	2.0	0.3	9.9
Operating income (loss)	16.5	1.7	(1.5)	(3.7)	13.0
Total assets	441.9	136.8	140.6	(105.6)	613.7
Additions to property, plant and equipment	6.6	1.1	1.3	1.0	10.0

FOR THE THREE MONTHS ENDED APRIL 1, 2000	UNITED STATES	CANADA	U.K. & EUROPE	CORPORATE & OTHER	TOTAL
		(in millions of U.S. dollars)			
External sales	$ 143.7	$ 37.3	$ 32.7	$ 1.3	$ 215.0
Intersegment sales	0.9	2.9	--	(3.8)	--
Depreciation and amortization ...	4.9	2.1	2.4	0.5	9.9
Operating income (loss)	12.1	2.3	(0.7)	(2.2)	11.5
Total assets (December 30, 2000)	427.5	143.7	156.5	(106.1)	621.6
Additions to property, plant and equipment	5.0	0.2	0.4	1.2	6.8

The comparative figures have been restated to include a corporate cost allocation to the business segments.

Intersegment sales and total assets under the Corporate & Other caption include the elimination of intersegment sales, receivables and investments.

For the quarter ended March 31, 2001, sales to two major customers accounted for 36% and 11%, respectively, of the Company's total sales (34% and 12% -- April 1, 2000).

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Cott Corporation is the world's largest supplier of retailer brand soft drinks, with manufacturing, distribution, marketing, product development and customer service facilities in the U.S., Canada, and the U.K. The Company is focused on growing sales and building volume with key customers, reducing costs and improving margins and continuing to drive innovation in the retailer brand beverage category.

RESULTS OF OPERATIONS

The Company reported its ninth profitable quarter, posting a net income of $5.1 million or $0.07 per diluted share for the three months ended March 31, 2001 versus net income of $2.0 million or $0.03 per diluted share in the first quarter of 2000. First quarter performance in 2001 reflects a favorable impact of $0.02 per diluted share, principally arising from foreign exchange gains.

SALES -- Sales were up 6.5% to $229.0 million compared to $215.0 million for the first quarter last year. Sales volume to the Company's top 15 customers, representing approximately 75% of the Company's business, grew 5% versus first quarter last year, continuing to outpace the take-home carbonated soft drink category. Higher sales in the U.S. were offset by lower sales in Canada and the U.K. as a result of weaker currencies and U.K. grocery price deflation, which continued to depress prices in the Company's business.

Sales in the U.S. during the first quarter increased to $168.7 million, up 17.4% from $143.7 million in 2000. Excluding sales resulting from the Concord acquisition sales in the U.S. increased 3.8% over last year.

Sales in Canada were $33.9 million for the quarter, down 9.1% from 2000, due to a combination of lower overall industry volume and a weaker Canadian currency.

Sales in the U.K. declined 22.3% from 2000. Excluding the impact of a weaker pound sterling, sales were down 14.5%. Grocery price deflation continues to depress prices in the U.K. and combined with lower than anticipated sales of new products, led to the disappointing results.

GROSS PROFIT -- Gross profit margin for the quarter was 15.8% compared with 16.3% with 2000. The decline reflected Concord related integration costs incurred in the first quarter as well as the impact of continued deflationary pricing pressure in the U.K. market.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES ("SG&A") -- SG&A was $23.1 million, in line with last year, despite the incremental SG&A due to the Concord acquisition.

INTEREST EXPENSE -- Net interest expense was $6.7 million for the quarter compared to $8.1 million in 2000. This decrease is due to lower interest expense resulting from the U.K. term debt repayment and more interest income on cash, which will be used to fund the Company's strategy. These amounts were partially offset by interest on debt used to finance the Concord acquisition.

INCOME TAXES -- The Company recorded an income tax provision of $3.2 million for the quarter, compared with a $1.5 million provision in the comparable period last year, which reflected the increase in income before income taxes.

FINANCIAL CONDITION -- Cash flow generated by operations of $2.4 million in the quarter was up slightly from $2.3 million in the first quarter of 2000. The Company's cash and cash equivalents decreased $6.3 million during the first quarter of 2001 from $7.2 million as of December 30, 2000 as it used its opening cash and cash equivalents together with cash generated by operations to fund capital expenditures and working capital requirements.

Under current credit facilities the Company is provided maximum credit of $54.2 million depending on available collateral. At March 31, 2001, approximately $26.4 million of the committed credit facility and $12.1 million of the demand credit facility in the U.K. were available.

CAPITAL EXPENDITURES -- Capital expenditures were $10.0 million compared with $6.8 million in 2000. The continued low level of capital spending reflects management's commitment to make the assets "sweat". The Company's capital spending policy favors projects with an expected internal rate of return above 30% in addition to those required for essential maintenance, safety and regulatory compliance. Spending in the first quarter of 2001 included a capital expenditure for the installation of a purified drinking water system at the manufacturing facilities in San Antonio, Texas and Tampa, Florida.

LONG-TERM DEBT -- As of March 31, 2001, the Company's long-term debt totaled $280.7 million as compared with $281.2 million at the end of 2000 and $318.5 million one year ago. At quarter end, debt consisted of $276.4 million in senior unsecured notes and $4.3 million of other term debt. The Company is exposed to minimal interest rate risk as substantially all debt is at fixed rates.

Management believes the Company has the financial resources to meet its ongoing cash requirements for operations and capital expenditures as well as its other financial obligations.

OUTLOOK -- The carbonated soft drink industry continues to experience positive growth. Expectations for market growth in Cott's three core geographic markets, Canada, the United Kingdom and the United States, extend through the next several years. Facing intense price competition from heavily promoted global and regional brands, the Company's major opportunity for growth depends on management's execution of critical strategies and on retailers' continued commitment to their retailer brand soft drink programs. Risks and uncertainties include stability of procurement costs for such items as sweetener, packaging materials and other ingredients, national brand pricing and promotional strategies and fluctuations in currency versus the U.S. dollar. The Company's exposure to raw material price fluctuations is minimized by the existence of long-term contracts for certain key raw materials.

RISKS AND UNCERTAINTIES -- Sales to the top two customers in the first quarter of 2001 accounted for 47% (46% -- 2000) of the Company's total sales volumes. The loss of any significant customer or any significant portion of the Company's sales could have a material adverse effect on the Company's operating results and cash flows.

FORWARD LOOKING STATEMENTS -- The Private Securities Litigation Reform Act of 1995 (the "Act") provides a safe harbor for forward-looking statements made by or on behalf of the Company. The Company and its representatives may from time to time make written or verbal forward-looking statements, including statements contained in this report and other public filings. Generally, the words "believe," "expect," "intend," "estimate," "anticipate," "will" and similar expressions identify forward-looking statements. All statements which address operating performance, events or developments that the Company expects or anticipates will occur in the future -- including statements relating to operations, economic performance, financial condition and achievements of the Company, statements relating to objectives, business plans or strategies, and projected or anticipated benefits or other consequences of such plans or strategies, statements expressing general optimism about future operating results or of the performance of management -- are forward-looking statements within the meaning of the Act. The forward-looking statements are and will be based on management's views and assumptions, at the times such statements are made, regarding future events and operating performance, and speak only as of such times. The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

The following are some of the factors that could affect the Company's 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:

o Increased competitor consolidations, market place competition, particularly among branded beverage products, and competitive product and pricing pressures could impact the Company's earnings, market share and volume growth.

o Changes in laws and regulations, including changes in accounting standards, taxation requirements (including tax rate changes, new tax laws and revised tax law interpretations) and environmental laws in domestic or foreign jurisdictions.

o Fluctuations in the cost and availability of raw materials and ingredients and the ability to maintain favorable supplier arrangements and relationships.

o Interest rate fluctuations and other capital market conditions, including foreign currency rate fluctuations, which are subject to various factors, including the impact of changes in worldwide and national economies, foreign currency movements, pricing fluctuations for the Company's products and changes in interest rates.

o Retailers' continued commitment to their retailer brand beverage programs.

o Changes in consumer tastes and preference and market demand for new and existing products.

o The ability to integrate acquired businesses into its operations.

o The uncertainties of litigation, as well as other risks and uncertainties detailed from time to time in the Company's other public filings.

o Changes in general economic and business conditions.

o The effectiveness and success of the Company's spending programs and acquisition investments.

o Adverse weather conditions, which could reduce demand for the Company's products.

The foregoing list of important factors is not exclusive or exhaustive. Many of these factors are beyond the Company's ability to control or predict. The Company cautions investors not to place undue reliance on forward-looking statements.

PART II -- OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Reference is made to the legal proceedings described in the Company's Form 10-K for the fiscal year ended December 30, 2000.

SIGNATURES

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

COTT CORPORATION
(Registrant)

```
Date: May 11, 2001                      /s/ Raymond P. Silcock
                                        ----------------------------------------
                                        Raymond P. Silcock
                                        Executive Vice President &
                                        Chief Financial Officer
                                        (On behalf of the Company)


Date: May 11, 2001                      /s/ Tina Dell'Aquila
                                        ----------------------------------------
                                        Tina Dell'Aquila
                                        Vice President, Controller
                                        (Principal accounting officer)
```