

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

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**FORM 10-Q**

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

For the quarterly period ended: **September 30, 2023**

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

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

Commission File Number: **001-31410**

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**PRIMO WATER CORPORATION**

(Exact name of registrant as specified in its charter)

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

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

**1150 Assembly Dr.**  
**Suite 800**

**Tampa, Florida**

**United States**

(Address of principal executive offices)

**33607**

(Zip Code)

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

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

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

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

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

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

Large Accelerated Filer

Non-accelerated filer

Accelerated filer

Smaller reporting company

Emerging growth company

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

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

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

Class  
Common Shares, no par value per share

Outstanding at October 30, 2023  
159,408,344

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements (unaudited)

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

	For the Three Months Ended		For the Nine Months Ended	
	September 30, 2023	October 1, 2022	September 30, 2023	October 1, 2022
<b>Revenue, net</b>	\$ 622.0	\$ 584.6	\$ 1,761.8	\$ 1,682.1
Cost of sales	235.5	236.4	678.7	702.0
<b>Gross profit</b>	<b>386.5</b>	<b>348.2</b>	<b>1,083.1</b>	<b>980.1</b>
Selling, general and administrative expenses	315.3	297.3	936.5	867.2
Loss on disposal of property, plant and equipment, net	1.5	2.6	4.0	4.4
Acquisition and integration expenses	2.6	3.3	6.4	12.5
Impairment charges	—	—	—	29.1
Gain on sale of property	(5.3)	—	(5.3)	—
<b>Operating income</b>	<b>72.4</b>	<b>45.0</b>	<b>141.5</b>	<b>66.9</b>
Other expense (income), net	6.6	21.2	(4.2)	34.6
Interest expense, net	18.6	17.4	57.2	51.3
<b>Income (loss) before income taxes</b>	<b>47.2</b>	<b>6.4</b>	<b>88.5</b>	<b>(19.0)</b>
Income tax expense	13.8	5.1	28.0	8.9
<b>Net income (loss)</b>	<b>\$ 33.4</b>	<b>\$ 1.3</b>	<b>\$ 60.5</b>	<b>\$ (27.9)</b>
<b>Net income (loss) per common share</b>				
Basic	\$ 0.21	\$ 0.01	\$ 0.38	\$ (0.17)
Diluted	\$ 0.21	\$ 0.01	\$ 0.38	\$ (0.17)
<b>Weighted average common shares outstanding (in thousands)</b>				
Basic	159,407	161,117	159,446	161,064
Diluted	160,042	161,988	160,236	161,064

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		For the Nine Months Ended	
	September 30, 2023	October 1, 2022	September 30, 2023	October 1, 2022
Net income (loss)	\$ 33.4	\$ 1.3	\$ 60.5	\$ (27.9)
Other comprehensive income (loss):				
Currency translation adjustment	2.5	3.4	(4.7)	5.1
Pension benefit plan, net of tax <sup>1</sup>	—	—	0.6	—
<b>Total other comprehensive income (loss)</b>	<b>2.5</b>	<b>3.4</b>	<b>(4.1)</b>	<b>5.1</b>
<b>Comprehensive income (loss)</b>	<b>\$ 35.9</b>	<b>\$ 4.7</b>	<b>\$ 56.4</b>	<b>\$ (22.8)</b>

<sup>1</sup> Net of the tax impact of nil and \$0.2 million for the three and nine months ended September 30, 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>September 30, 2023</u>	<u>December 31, 2022</u>
<b>ASSETS</b>		
<i><b>Current assets</b></i>		
Cash and cash equivalents	\$ 97.8	\$ 122.6
Accounts receivable, net of allowance of \$21.0 (\$20.6 as of December 31, 2022)	277.5	258.6
Inventories	105.8	112.1
Prepaid expenses and other current assets	45.0	44.7
<b>Total current assets</b>	<b>526.1</b>	<b>538.0</b>
Property, plant and equipment, net	697.8	714.4
Operating lease right-of-use-assets	187.5	198.6
Goodwill	1,290.4	1,293.0
Intangible assets, net	869.6	894.7
Other long-term assets, net	22.6	28.3
<b>Total assets</b>	<b>\$ 3,594.0</b>	<b>\$ 3,667.0</b>
<b>LIABILITIES AND EQUITY</b>		
<i><b>Current liabilities</b></i>		
Short-term borrowings	\$ 153.3	\$ 212.3
Current maturities of long-term debt	16.3	17.5
Accounts payable and accrued liabilities	420.3	425.1
Current operating lease obligations	35.4	35.7
<b>Total current liabilities</b>	<b>625.3</b>	<b>690.6</b>
Long-term debt	1,269.8	1,283.8
Operating lease obligations	163.3	174.5
Deferred tax liabilities	175.8	170.0
Other long-term liabilities	69.1	65.2
<b>Total liabilities</b>	<b>2,303.3</b>	<b>2,384.1</b>
<i><b>Equity</b></i>		
Common shares, no par value - 159,408,344 (December 31, 2022 - 159,752,299) shares issued	1,285.7	1,283.2
Additional paid-in-capital	87.6	91.3
Retained earnings (accumulated deficit)	3.7	(9.4)
Accumulated other comprehensive loss	(86.3)	(82.2)
<b>Total Primo Water Corporation equity</b>	<b>1,290.7</b>	<b>1,282.9</b>
<b>Total liabilities and equity</b>	<b>\$ 3,594.0</b>	<b>\$ 3,667.0</b>

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

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

	For the Three Months Ended		For the Nine Months Ended	
	September 30, 2023	October 1, 2022	September 30, 2023	October 1, 2022
<b>Cash flows from operating activities:</b>				
Net income (loss)	\$ 33.4	\$ 1.3	\$ 60.5	\$ (27.9)
<b>Adjustments to reconcile net income (loss) to cash flows from operating activities:</b>				
Depreciation and amortization	65.1	59.6	190.4	181.0
Amortization of financing fees	0.8	0.8	2.5	2.5
Share-based compensation expense	1.4	3.2	6.7	10.7
(Benefit) provision for deferred income taxes	(0.6)	3.7	5.8	5.2
Impairment charges	—	—	—	29.1
Loss on disposal of property, plant and equipment, net	1.5	2.6	4.0	4.4
Gain on sale of property	(5.3)	—	(5.3)	—
Other non-cash items	10.5	21.9	(1.5)	34.6
Change in operating assets and liabilities, net of acquisitions:				
Accounts receivable	10.6	(12.9)	(22.9)	(46.1)
Inventories	(1.8)	(7.4)	(2.3)	(26.5)
Prepaid expenses and other current assets	5.4	4.3	4.6	(0.9)
Other assets	(0.5)	(0.2)	(0.8)	(0.2)
Accounts payable and accrued liabilities and other liabilities	27.6	15.8	17.5	17.1
Net cash provided by operating activities	<b>148.1</b>	<b>92.7</b>	<b>259.2</b>	<b>183.0</b>
<b>Cash flows from investing activities:</b>				
Acquisitions, net of cash received	(1.6)	(5.3)	(24.7)	(12.7)
Additions to property, plant and equipment	(46.3)	(70.0)	(136.0)	(155.2)
Additions to intangible assets	(3.3)	(4.0)	(8.7)	(8.9)
Proceeds from sale of property, plant and equipment	0.4	0.6	0.9	1.6
Proceeds from sale of business, net of cash sold	0.1	—	0.6	—
Proceeds from sale of property	8.7	—	8.7	—
Other investing activities	0.8	(2.1)	4.1	(1.7)
Net cash used in investing activities	<b>(41.2)</b>	<b>(80.8)</b>	<b>(155.1)</b>	<b>(176.9)</b>

<b>Cash flows from financing activities:</b>				
Payments of long-term debt	(4.3)	(4.2)	(14.1)	(13.9)
Proceeds from short-term borrowings	12.0	12.0	116.0	22.0
Payments on short-term borrowings	(88.0)	—	(181.0)	—
Issuance of common shares	1.0	0.5	5.7	2.1
Common shares repurchased and canceled	(0.6)	(11.0)	(22.4)	(13.0)
Dividends paid to common shareholders	(12.7)	(11.3)	(38.6)	(34.2)
Payment of deferred consideration for acquisitions	(0.4)	(2.2)	(1.4)	(2.3)
Other financing activities	(1.4)	1.4	7.0	6.0
Net cash used in financing activities	(94.4)	(14.8)	(128.8)	(33.3)
Effect of exchange rate changes on cash	(1.5)	(3.8)	(0.1)	(5.7)
<b>Net increase (decrease) in cash, cash equivalents and restricted cash</b>	<b>11.0</b>	<b>(6.7)</b>	<b>(24.8)</b>	<b>(32.9)</b>
Cash and cash equivalents and restricted cash, beginning of period	86.8	102.2	122.6	128.4
Cash and cash equivalents and restricted cash, end of period	\$ 97.8	\$ 95.5	\$ 97.8	\$ 95.5
<b>Supplemental Non-cash Investing and Financing Activities:</b>				
Dividends payable issued through accounts payable and accrued liabilities	\$ 0.1	\$ 0.1	\$ 0.4	\$ 0.5
Additions to property, plant and equipment through accounts payable and accrued liabilities and other liabilities	17.3	22.8	18.0	24.7
Financing lease right-of-use assets obtained in exchange for lease obligations	0.7	2.0	3.1	5.4
Operating lease right-of-use assets obtained in exchange for lease obligations	2.6	23.6	23.1	39.4
Inventory transfer to property, plant and equipment	—	—	8.5	—
<b>Supplemental Disclosures of Cash Flow Information:</b>				
Cash paid for interest	\$ 5.3	\$ 4.3	\$ 42.5	\$ 37.2
Cash paid for income taxes, net	1.3	1.2	7.8	3.7

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



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

	Number of Common Shares <i>(in thousands)</i>	Common Shares	Additional Paid-in- Capital	(Accumulated Deficit) Retained Earnings	Accumulated Other Comprehensive Loss	Total Equity
<b>Balance at July 1, 2023</b>	159,240	\$ 1,283.1	\$ 88.4	\$ (16.9)	\$ (88.8)	\$ 1,265.8
Net income	—	—	—	33.4	—	33.4
Other comprehensive income, net of tax	—	—	—	—	2.5	2.5
Common shares dividends (\$0.08 per common share)	—	—	—	(12.8)	—	(12.8)
Share-based compensation	—	—	1.4	—	—	1.4
Common shares repurchased and canceled	(47)	(0.6)	—	—	—	(0.6)
Common shares issued - Equity Incentive Plan	185	2.8	(2.1)	—	—	0.7
Common shares issued - Employee Stock Purchase Plan	30	0.4	(0.1)	—	—	0.3
<b>Balance at September 30, 2023</b>	<b>159,408</b>	<b>\$ 1,285.7</b>	<b>\$ 87.6</b>	<b>\$ 3.7</b>	<b>\$ (86.3)</b>	<b>\$ 1,290.7</b>

	Number of Common Shares <i>(in thousands)</i>	Common Shares	Additional Paid-in- Capital	(Accumulated Deficit) Retained Earnings	Accumulated Other Comprehensive Loss	Total Equity
<b>Balance at December 31, 2022</b>	159,752	\$ 1,283.2	\$ 91.3	\$ (9.4)	\$ (82.2)	\$ 1,282.9
Net income	—	—	—	60.5	—	60.5
Other comprehensive loss, net of tax	—	—	—	—	(4.1)	(4.1)
Common shares dividends (\$0.24 per common share)	—	—	—	(38.6)	—	(38.6)
Share-based compensation	—	—	6.7	—	—	6.7
Common shares repurchased and canceled	(1,499)	(13.6)	—	(8.8)	—	(22.4)
Common shares issued - Equity Incentive Plan	1,064	14.8	(10.2)	—	—	4.6
Common shares issued - Dividend Reinvestment Plan	1	—	—	—	—	—
Common shares issued - Employee Stock Purchase Plan	90	1.3	(0.2)	—	—	1.1
<b>Balance at September 30, 2023</b>	<b>159,408</b>	<b>\$ 1,285.7</b>	<b>\$ 87.6</b>	<b>\$ 3.7</b>	<b>\$ (86.3)</b>	<b>\$ 1,290.7</b>

	Number of Common Shares <i>(in thousands)</i>	Common Shares	Additional Paid-in- Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Equity
<b>Balance at July 2, 2022</b>	161,209	\$ 1,292.6	\$ 87.3	\$ (35.7)	\$ (67.4)	\$ 1,276.8
Net income	—	—	—	1.3	—	1.3
Other comprehensive income, net of tax	—	—	—	—	3.4	3.4
Common shares dividends (\$0.07 per common share)	—	—	—	(11.5)	—	(11.5)
Share-based compensation	—	—	3.2	—	—	3.2
Common shares repurchased and canceled	(814)	(6.6)	—	(4.4)	—	(11.0)
Common shares issued - Equity Incentive Plan	7	0.2	(0.1)	—	—	0.1
Common shares issued - Employee Stock Purchase Plan	33	0.4	—	—	—	0.4
<b>Balance at October 1, 2022</b>	<b>160,435</b>	<b>\$ 1,286.6</b>	<b>\$ 90.4</b>	<b>\$ (50.3)</b>	<b>\$ (64.0)</b>	<b>\$ 1,262.7</b>

	Number of Common Shares <i>(in thousands)</i>	Common Shares	Additional Paid-in- Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Loss	Total Equity
<b>Balance at January 1, 2022</b>	160,732	\$ 1,286.9	\$ 85.9	\$ 16.4	\$ (69.1)	\$ 1,320.1
Net loss	—	—	—	(27.9)	—	(27.9)
Other comprehensive income, net of tax	—	—	—	—	5.1	5.1
Common shares dividends (\$0.21 per common share)	—	—	—	(34.4)	—	(34.4)
Share-based compensation	—	—	10.7	—	—	10.7
Common shares repurchased and canceled	(949)	(8.6)	—	(4.4)	—	(13.0)
Common shares issued - Equity Incentive Plan	559	6.9	(6.0)	—	—	0.9

Common shares issued - Dividend Reinvestment Plan	1	—	—	—	—	—
Common shares issued - Employee Stock Purchase Plan	92	1.4	(0.2)	—	—	1.2
<b>Balance at October 1, 2022</b>	<b>160,435</b>	<b>\$ 1,286.6</b>	<b>\$ 90.4</b>	<b>\$ (50.3)</b>	<b>\$ (64.0)</b>	<b>\$ 1,262.7</b>

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

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

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

***Description of Business***

As used herein, “Primo,” “the Company,” “our Company,” “Primo Water Corporation,” “us,” or “our” refers to Primo Water Corporation, together with its consolidated subsidiaries. Primo is a leading pure-play water solutions provider in North America and Europe and generated approximately \$2.2 billion in annual revenue in 2022. Primo operates largely under a recurring revenue model in the large format water category (defined as 3 gallons or greater). This business strategy is commonly referred to as “razor-razorblade” because the initial sale of a product creates a base of users who frequently purchase complementary consumable products. The razor in Primo’s revenue model is its industry leading line-up of innovative water dispensers, which are sold through approximately 10,800 retail locations and online at various price points. The dispensers help increase household and business penetration which drives recurring purchases of Primo’s razorblade offering or water solutions. Primo’s razorblade offering is comprised of Water Direct, Water Exchange, and Water Refill. Through its Water Direct business, Primo delivers sustainable hydration solutions across its 21-country footprint direct to customers, whether at home or to businesses. Through its Water Exchange business, customers visit retail locations and purchase a pre-filled bottle of water. Once consumed, empty bottles are exchanged at our recycling center displays, which provide a ticket that offers a discount toward the purchase of a new bottle. Water Exchange is available in approximately 17,500 retail locations. Through its Water Refill business, customers refill empty bottles at approximately 23,500 self-service refill drinking water stations. Primo also offers water filtration units across its 21-country footprint.

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

During the second quarter of 2022, our Board of Directors approved the exit from our business in Russia. Accordingly, we recorded an impairment charge of \$11.2 million to reduce the carrying value to the estimated fair value less costs to sell. Separately, we reviewed and realigned our reporting segments during the second quarter of 2022. The decision to exit our business in Russia and the realignment of segments during the second quarter of 2022 resulted in a triggering event for goodwill and intangible assets with indefinite lives requiring quantitative assessments for the combined Eden business (which, prior to the realignment, included the Eden Europe and Israel businesses) immediately before the realignment of segments and for the Eden Europe and Israel businesses upon the realignment of segments. These assessments resulted in recording a goodwill impairment charge of \$11.2 million due to a decrease in cash flows associated with the exit of our business in Russia and recording a trademark impairment charge of \$6.7 million due primarily to a decrease in the royalty rate used in the quantitative analysis. These impairment charges, along with the impairment charge of \$11.2 million to reduce the carrying value of the Russia business to its estimated fair value less costs to sell, resulted in total impairment charges of \$29.1 million which were included within impairment charges on the Consolidated Statements of Operations for the nine months ended October 1, 2022. All impairment charges were included in the Europe reporting segment. During the three months ended October 1, 2022, we did not identify any triggering events, and there were thus no impairment charges recorded during the third quarter of 2022. The exit of our business in Russia was completed during the third quarter of 2022.

### ***Basis of Presentation***

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

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

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

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

#### *Cost of sales*

We record costs associated with the manufacturing of our products in cost of sales. Shipping and handling costs incurred to store, prepare and move products between production facilities or from production facilities to branch locations or storage facilities are recorded in cost of sales. Shipping and handling costs incurred to deliver products from our branch locations to the end-user consumer of those products are recorded in selling, general and administrative ("SG&A") expenses. All other costs incurred in the shipment of products from our production facilities to customer locations are reflected in cost of sales. Shipping and handling costs included in SG&A expenses were \$146.7 million and \$430.4 million for the three and nine months ended September 30, 2023, respectively, and \$140.0 million and \$404.6 million for the three and nine months ended October 1, 2022, respectively. Finished goods inventory costs include the cost of direct labor and materials and the applicable share of overhead expense chargeable to production.

### **Recently adopted accounting pronouncements**

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

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

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

In October 2021, the FASB issued guidance that requires entities to use principles in ASC 606 to recognize and measure contract assets and liabilities in revenue contracts acquired in a business combination rather than fair value. For public entities, this guidance is effective for fiscal years beginning after December 15, 2022 for annual and interim periods. The adoption of this standard did not have a material impact on our Consolidated Financial Statements.

### **Recently issued accounting pronouncements**

#### *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.

## Note 2—Revenue

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

### Contract Estimates

The nature of certain of our contracts give rise to variable consideration including cash discounts, volume-based rebates, point of sale promotions, and other promotional discounts to certain customers. For all promotional programs and discounts, we estimate the rebate or discount that will be granted to the customer and record an accrual upon invoicing. These estimated rebates or discounts are included in the transaction price of our contracts with customers as a reduction to net revenues and are included as accrued sales incentives in accounts payable and accrued liabilities in the Consolidated Balance Sheets. Accrued sales incentives were \$9.1 million and \$7.8 million on September 30, 2023 and December 31, 2022, respectively.

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

### Contract Balances

Contract liabilities relate primarily to advances received from our customers before revenue is recognized. These amounts are recorded as deferred revenue and are included in accounts payable and accrued liabilities in the Consolidated Balance Sheets. The advances are expected to be earned as revenue within one year of receipt. Deferred revenues at September 30, 2023 and December 31, 2022 were \$15.0 million and \$11.5 million, respectively. The amount of revenue recognized in the three and nine months ended September 30, 2023 that was included in the December 31, 2022 deferred revenue balance was \$1.0 million and \$11.0 million, respectively.

The Company does not have any material contract assets as of September 30, 2023 and December 31, 2022.

### Disaggregated Revenue

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

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

<u>(in millions of U.S. dollars)</u>	For the Three Months Ended		For the Nine Months Ended	
	September 30, 2023	October 1, 2022	September 30, 2023	October 1, 2022
United States	\$ 452.7	\$ 428.8	\$ 1,283.1	\$ 1,230.4
United Kingdom	41.9	35.0	118.2	109.8
Canada	17.3	18.2	50.3	50.7
All other countries	110.1	102.6	310.2	291.2
Total	<u>\$ 622.0</u>	<u>\$ 584.6</u>	<u>\$ 1,761.8</u>	<u>\$ 1,682.1</u>

### **Note 3—Share-based Compensation**

During the nine months ended September 30, 2023, we granted 76,024 common shares with an aggregate grant date fair value of approximately \$1.3 million to the non-management members of our Board of Directors under the Amended and Restated Primo Water Corporation Equity Incentive Plan. The common shares were issued in consideration of the directors' annual board retainer fee and are fully vested upon issuance.

### **Note 4—Income Taxes**

Income tax expense was \$13.8 million on pre-tax income of \$47.2 million for the three months ended September 30, 2023, as compared to income tax expense of \$5.1 million on pre-tax income of \$6.4 million in the comparable prior year period. Income tax expense was \$28.0 million on pre-tax income of \$88.5 million for the nine months ended September 30, 2023, as compared to income tax expense of \$8.9 million on pre-tax loss of \$19.0 million in the comparable prior year period. The effective income tax rates for the three and nine months ended September 30, 2023 were 29.2% and 31.6%, respectively, compared to 79.7% and (46.8)% in the comparable prior year periods.

The effective tax rate for the three months ended September 30, 2023 varied from the effective tax rate in the comparable prior year period due primarily to foreign exchange losses incurred in the third quarter of 2022 in tax jurisdictions for which no tax benefit was recognized due to existing valuation allowances. The effective tax rate for the nine months ended September 30, 2023 varied from the effective tax rate in the comparable prior year period due primarily to impairment charges incurred in the second quarter of 2022 for which minimal tax benefit was recognized and foreign exchange losses incurred in the third quarter of 2022 in tax jurisdictions for which no tax benefit was recognized due to existing valuation allowances.

The effective tax rate for the three and nine months ended September 30, 2023 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 5—Common Shares and Net Income (Loss) 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. There were no shares repurchased under the program during the three and nine months ended September 30, 2023.

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 nine months ended September 30, 2023, we repurchased 1,272,612 common shares for approximately \$19.0 million through open market transactions under the repurchase plan. There were no shares repurchased under the program during the three months ended September 30, 2023.

On May 4, 2021, our Board of Directors approved a share repurchase program for up to \$50.0 million of our outstanding common shares over a 12-month period that expired on May 10, 2022. There were no shares repurchased under the plan during the nine months ended October 1, 2022.

Shares purchased under these repurchase plans were subsequently canceled.

### Net Income (Loss) per Common Share

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

(in thousands)	For the Three Months Ended		For the Nine Months Ended	
	September 30, 2023	October 1, 2022	September 30, 2023	October 1, 2022
Weighted average common shares outstanding - basic	159,407	161,117	159,446	161,064
Dilutive effect of Stock Options	214	161	248	—
Dilutive effect of Performance-based RSUs	—	215	68	—
Dilutive effect of Time-based RSUs	421	495	474	—
Weighted average common shares outstanding - diluted	160,042	161,988	160,236	161,064

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

(in thousands)	For the Three Months Ended		For the Nine Months Ended	
	September 30, 2023	October 1, 2022	September 30, 2023	October 1, 2022
Stock Options	2,181	3,838	2,172	4,587
Performance-based RSUs <sup>1</sup>	1,150	725	1,150	1,189
Time-based RSUs <sup>2</sup>	—	—	—	867

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

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

### Note 6—Segment Reporting

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

(in millions of U.S. dollars)	North America	Europe	Other	Total
<b>For the Three Months Ended September 30, 2023</b>				
Revenue, net	\$ 469.8	\$ 80.8	\$ 71.4	\$ 622.0
Depreciation and amortization	48.9	10.4	5.8	65.1
Operating income (loss)	70.3	9.5	(7.4)	72.4
Additions to property, plant and equipment	34.1	7.7	4.5	46.3
<b>For the Nine Months Ended September 30, 2023</b>				
Revenue, net	\$ 1,332.6	\$ 228.2	\$ 201.0	\$ 1,761.8
Depreciation and amortization	142.5	30.2	17.7	190.4
Operating income (loss)	162.3	19.5	(40.3)	141.5
Additions to property, plant and equipment	102.8	19.5	13.7	136.0

<b>(in millions of U.S. dollars)</b>	<b>North America</b>	<b>Europe</b>	<b>Other</b>	<b>Total</b>
<b>For the Three Months Ended October 1, 2022</b>				
Revenue, net	\$ 446.8	\$ 71.4	\$ 66.4	\$ 584.6
Depreciation and amortization	44.2	9.5	5.9	59.6
Operating income (loss)	52.6	5.1	(12.7)	45.0
Additions to property, plant and equipment	54.8	8.4	6.8	70.0
<b>For the Nine Months Ended October 1, 2022</b>				
Revenue, net	\$ 1,280.6	\$ 205.6	\$ 195.9	\$ 1,682.1
Depreciation and amortization	133.8	29.4	17.8	181.0
Operating income (loss)	129.2	(27.6)	(34.7)	66.9
Additions to property, plant and equipment	117.1	21.5	16.6	155.2

Revenues by channel by reporting segment were as follows:

	<b>For the Three Months Ended September 30, 2023</b>			
<b>(in millions of U.S. dollars)</b>	<b>North America</b>	<b>Europe</b>	<b>Other</b>	<b>Total</b>
<b><i>Revenue, net</i></b>				
Water Direct/Water Exchange	\$ 356.2	\$ 63.2	\$ 11.8	\$ 431.2
Water Refill/Water Filtration	62.0	10.2	1.0	73.2
Other Water	13.6	0.3	20.2	34.1
Water Dispensers	16.5	0.2	—	16.7
Other	21.5	6.9	38.4	66.8
<b>Total</b>	<b>\$ 469.8</b>	<b>\$ 80.8</b>	<b>\$ 71.4</b>	<b>\$ 622.0</b>

	<b>For the Nine Months Ended September 30, 2023</b>			
<b>(in millions of U.S. dollars)</b>	<b>North America</b>	<b>Europe</b>	<b>Other</b>	<b>Total</b>
<b><i>Revenue, net</i></b>				
Water Direct/Water Exchange	\$ 1,011.5	\$ 176.4	\$ 33.2	\$ 1,221.1
Water Refill/Water Filtration	169.6	28.9	2.4	200.9
Other Water	36.8	0.8	55.6	93.2
Water Dispensers	45.9	0.7	—	46.6
Other	68.8	21.4	109.8	200.0
<b>Total</b>	<b>\$ 1,332.6</b>	<b>\$ 228.2</b>	<b>\$ 201.0</b>	<b>\$ 1,761.8</b>

	<b>For the Three Months Ended October 1, 2022</b>			
<b>(in millions of U.S. dollars)</b>	<b>North America</b>	<b>Europe</b>	<b>Other</b>	<b>Total</b>
<b><i>Revenue, net</i></b>				
Water Direct/Water Exchange	\$ 334.1	\$ 55.6	\$ 12.5	\$ 402.2
Water Refill/Water Filtration	52.6	8.2	0.8	61.6
Other Water	9.6	0.5	22.3	32.4
Water Dispensers	23.7	—	—	23.7
Other	26.8	7.1	30.8	64.7
<b>Total</b>	<b>\$ 446.8</b>	<b>\$ 71.4</b>	<b>\$ 66.4</b>	<b>\$ 584.6</b>



<b>(in millions of U.S. dollars)</b>	<b>For the Nine Months Ended October 1, 2022</b>			
	<b>North America</b>	<b>Europe</b>	<b>Other</b>	<b>Total</b>
<b><i>Revenue, net</i></b>				
Water Direct/Water Exchange	\$ 933.5	\$ 157.5	\$ 35.0	\$ 1,126.0
Water Refill/Water Filtration	142.1	24.6	2.0	168.7
Other Water	65.8	1.3	59.8	126.9
Water Dispensers	56.4	—	—	56.4
Other	82.8	22.2	99.1	204.1
<b>Total</b>	<b>\$ 1,280.6</b>	<b>\$ 205.6</b>	<b>\$ 195.9</b>	<b>\$ 1,682.1</b>

#### **Note 7—Inventories**

The following table summarizes inventories as of September 30, 2023 and December 31, 2022:

<b>(in millions of U.S. dollars)</b>	<b>September 30, 2023</b>	<b>December 31, 2022</b>
Raw materials	\$ 55.5	\$ 68.5
Finished goods	37.2	30.9
Resale items	10.8	11.1
Other	2.3	1.6
<b>Total</b>	<b>\$ 105.8</b>	<b>\$ 112.1</b>

#### **Note 8—Debt**

##### **Revolving Credit Facility**

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

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

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

As of September 30, 2023, the outstanding borrowings under the Revolving Credit Facility were \$132.0 million and were recorded in short-term borrowings on the Consolidated Balance Sheet. Outstanding letters of credit totaled \$55.2 million resulting in total utilization under the Revolving Credit Facility of \$187.2 million. Accordingly, unused availability under the Revolving Credit Facility as of September 30, 2023 amounted to \$162.8 million.

On January 13, 2023, we entered into the Second LIBOR Transition Amendment to the Credit Agreement, which replaced interest rate calculations based on LIBOR with calculations based on SOFR. As of September 30, 2023, borrowings under the Credit Agreement bore interest at a rate per annum equal to either: (a) a euro currency rate as determined under the Credit Agreement, plus the applicable margin, or (b) a term SOFR rate, as determined under the Credit Agreement, plus the applicable margin, (c) a base rate equal to the highest of (i) Bank of America's prime rate, (ii) 0.5% per annum above the federal funds rate, and (iii) the term SOFR rate, as determined under the Credit Agreement, for a one month interest period, plus 1.0%, plus the applicable margin, or (d) an alternative currency daily or term rate, as determined under the Credit Agreement, plus the applicable margin. The applicable margin for euro currency, term SOFR, and alternative currency rate loans ranges from 1.375% to 2.000% and the applicable margin for base rate loans ranges from 0.375% to 1.000%, in each case depending on our consolidated total leverage ratio. Unutilized commitments under the Credit Agreement are subject to a commitment fee ranging from 0.20% to 0.30% per annum depending on our consolidated total leverage ratio, payable on a quarterly basis.

The weighted average effective interest rate at September 30, 2023 and December 31, 2022 on the Revolving Credit Facility outstanding borrowings was 6.9% and 5.9%, respectively. The effective interest rates are based on our aggregate availability.

## Note 9—Accumulated Other Comprehensive (Loss) Income

Changes in accumulated other comprehensive (loss) income (“AOCI”) by component for the three and nine months ended September 30, 2023 and October 1, 2022 were as follows:

(in millions of U.S. dollars) <sup>1</sup>	Pension Benefit Plan Items	Currency Translation Adjustment Items	Total
Beginning balance July 1, 2023	\$ 1.8	\$ (90.6)	\$ (88.8)
OCI before reclassifications	—	2.5	2.5
Amounts reclassified from AOCI <sup>2</sup>	—	—	—
Net current-period OCI	—	2.5	2.5
Ending balance September 30, 2023	<u>\$ 1.8</u>	<u>\$ (88.1)</u>	<u>\$ (86.3)</u>
Beginning balance December 31, 2022	\$ 1.2	\$ (83.4)	\$ (82.2)
OCI before reclassifications	—	(4.7)	(4.7)
Amounts reclassified from AOCI <sup>2</sup>	0.6	—	0.6
Net current-period OCI	0.6	(4.7)	(4.1)
Ending balance September 30, 2023	<u>\$ 1.8</u>	<u>\$ (88.1)</u>	<u>\$ (86.3)</u>
Beginning balance July 2, 2022	\$ (1.7)	\$ (65.7)	\$ (67.4)
OCI before reclassifications	—	3.8	3.8
Amounts reclassified from AOCI <sup>3</sup>	—	(0.4)	(0.4)
Net current-period OCI	—	3.4	3.4
Ending balance October 1, 2022	<u>\$ (1.7)</u>	<u>\$ (62.3)</u>	<u>\$ (64.0)</u>
Beginning balance January 1, 2022	\$ (1.7)	\$ (67.4)	\$ (69.1)
OCI before reclassifications	—	5.5	5.5
Amounts reclassified from AOCI <sup>3</sup>	—	(0.4)	(0.4)
Net current-period OCI	—	5.1	5.1
Ending balance October 1, 2022	<u>\$ (1.7)</u>	<u>\$ (62.3)</u>	<u>\$ (64.0)</u>

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

<sup>2</sup> During the nine months ended September 30, 2023, \$0.6 million was reclassified from AOCI due to the recognition of unrealized losses resulting from the distribution of the assets of the U.S. defined benefit plan. The effect of the loss was included in Other (income) expense, net on the Consolidated Statements of Operations during the second quarter. The settlement did not have a material impact on the financial statements. There were no amounts reclassified from AOCI for the three months ended September 30, 2023.

<sup>3</sup> During the three and nine months ended October 1, 2022, \$0.4 million of foreign currency translation adjustment was reclassified from AOCI. The effect of the foreign currency translation adjustment was included in the impairment charges recorded on the Consolidated Statements of Operations during the third quarter.

## 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.

We had \$55.2 million in standby letters of credit outstanding as of September 30, 2023 (\$46.6 million as of December 31, 2022).

## Guarantees

After the sale of our legacy carbonated soft drink and juice business in January 2018, we have continued to provide contractual payment guarantees to two third-party lessors of certain real property used in these businesses. The leases were conveyed to the buyer as part of the sale, but our guarantee was not released by the landlord. The two lease agreements mature in 2027 and 2028. The maximum potential amount of undiscounted future payments under the guarantee is approximately \$11.4 million as of September 30, 2023, which was calculated based on the minimum lease payments of the leases over the remaining term of the agreements. The sale documents require the buyer to pay all post-closing obligations under these conveyed leases, and to reimburse us if the landlord calls on a guarantee. The buyer has also agreed to a covenant to negotiate with the landlords for a release of our guarantees. We currently do not believe it is probable we would be required to perform under any of these guarantees or any of the underlying obligations.

As of September 30, 2023, we had \$16.6 million related to properties held for sale which is included within prepaid expenses and other current assets on the Consolidated Balance Sheets (\$10.3 million as of December 31, 2022).

## Note 11—Fair Value Measurements

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

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

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

## Fair Value of Financial Instruments

The carrying amounts reflected in the Consolidated Balance Sheets for cash and cash equivalents, receivables, payables, short-term borrowings, and long-term debt approximate their respective fair values, except as otherwise indicated. The carrying values and estimated fair values of our significant outstanding debt as of September 30, 2023 and December 31, 2022 were as follows:

(in millions of U.S. dollars)	September 30, 2023		December 31, 2022	
	Carrying Value	Fair Value	Carrying Value	Fair Value
3.875% senior notes due in 2028 <sup>1,2</sup>	\$ 469.3	\$ 422.5	\$ 473.5	\$ 418.7
4.375% senior notes due in 2029 <sup>1,2</sup>	742.4	636.5	741.4	642.2
Total	\$ 1,211.7	\$ 1,059.0	\$ 1,214.9	\$ 1,060.9

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

<sup>2</sup> Carrying value of our significant outstanding debt is net of unamortized debt issuance costs as of September 30, 2023 and December 31, 2022.

## Note 12—Subsequent Events

On October 31, 2023, our Board of Directors declared a dividend of \$0.08 per share on common shares, payable in cash on December 1, 2023, to shareowners of record at the close of business on November 21, 2023.

On November 2, 2023, we announced a definitive agreement to sell a significant portion of our international businesses to Culligan International for up to \$575 million. Upon closing, an incremental \$25 million share repurchase will be authorized, revising the share repurchase authorization to \$75 million. 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. We are executing strategic alternatives for our remaining international businesses, which include Aimia Foods in the United Kingdom, as well as our water and coffee businesses in the United Kingdom, Portugal, and Israel. We are currently assessing the impact on our Consolidated Financial Statements.

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

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

### Overview

Primo is a leading pure-play water solutions provider in North America and Europe. Primo operates largely under a recurring revenue model in the large format water category (defined as 3 gallons or greater). This business strategy is commonly referred to as “razor-razorblade” because the initial sale of a product creates a base of users who frequently purchase complementary consumable products. The razor in Primo’s revenue model is its industry leading line-up of innovative water dispensers, which are sold through approximately 10,800 retail locations and online at various price points. The dispensers help increase household and business penetration which drives recurring purchases of Primo’s razorblade offering or water solutions. Primo’s razorblade offering is comprised of Water Direct, Water Exchange, and Water Refill. Through its Water Direct business, Primo delivers sustainable hydration solutions across its 21-country footprint direct to customers, whether at home or to businesses. Through its Water Exchange business, customers visit retail locations and purchase a pre-filled bottle of water. Once consumed, empty bottles are exchanged at our recycling center displays, which provide a ticket that offers a discount toward the purchase of a new bottle. Water Exchange is available in approximately 17,500 retail locations. Through its Water Refill business, customers refill empty bottles at approximately 23,500 self-service refill drinking water stations. Primo also offers water filtration units across its 21-country footprint.

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

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

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

During the second quarter of 2022, our Board of Directors approved the exit from our business in Russia. Accordingly, we recorded an impairment charge of \$11.2 million to reduce the carrying value to the estimated fair value less costs to sell. Separately, we reviewed and realigned our reporting segments during the second quarter of 2022. The decision to exit our business in Russia and the realignment of segments during the second quarter of 2022 resulted in a triggering event for goodwill and intangible assets with indefinite lives requiring quantitative assessments for the combined Eden business (which, prior to the realignment, included the Eden Europe and Israel businesses) immediately before the realignment of segments and for the Eden Europe and Israel businesses upon the realignment of segments. These assessments resulted in recording a goodwill impairment charge of \$11.2 million due to a decrease in cash flows associated with the exit of our business in Russia and recording a trademark impairment charge of \$6.7 million primarily due to a decrease in the royalty rate used in the quantitative analysis. These impairment charges, along with the impairment charge of \$11.2 million to reduce the carrying value of the Russia business to its estimated fair value less costs to sell, resulted in total impairment charges of \$29.1 million which were included within impairment charges on the Consolidated Statements of Operations for the three and nine months ended October 1, 2022. All impairment charges were included in the Europe reporting segment. During the three months ended October 1, 2022, we did not identify any triggering events, and there were thus no impairment charges recorded during the third quarter of 2022. The exit of our business in Russia was completed during the third quarter of 2022.

### **Impact of General Economic and Geopolitical Conditions**

Our global operations expose us to risks associated with disruptions to global supply chains, labor shortages, inflation and the ongoing Russia/Ukraine and Israel/Hamas wars 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, Acquisition and Financing Transactions**

On November 2, 2023, we announced a definitive agreement to sell a significant portion of our international businesses to Culligan International for up to \$575 million. 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. We are executing strategic alternatives for our remaining international businesses, which include Aimia Foods in the United Kingdom, as well as our water and coffee businesses in the United Kingdom, Portugal, and Israel.

On January 13, 2023, we entered into the Second LIBOR Transition Amendment to the Credit Agreement, which replaced interest rate calculations based on LIBOR with calculations based on the Secured Overnight Financing Rate ("SOFR"). See Note 8 - Debt to the Consolidated Financial Statements for more details.

During the second quarter of 2022, our Board of Directors approved the exit from our business in Russia. Accordingly, we recorded an impairment charge of \$11.2 million during the second quarter to reduce the carrying value of the assets to the estimated fair value less costs to sell. The exit from our business in Russia was completed during the third quarter of 2022.

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

## Forward-Looking Statements

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

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

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

- our ability to compete successfully in the markets in which we operate;
- fluctuations in commodity prices and our ability to pass on increased costs to our customers or hedge against such rising costs, and the impact of those increased prices on our volumes;
- our ability to manage our operations successfully;
- our ability to protect our intellectual property;
- the seasonal nature of our business and the effect of adverse weather conditions;
- the impact of national, regional and global events, including those of a political, economic, business and competitive nature such as the Russia/Ukraine war or the Israel/Hamas war;
- our ability to consummate the proposed disposition of a significant portion of our international businesses and our ability to achieve the expected benefits thereof, including the risk that the parties fail to obtain the required regulatory approvals or to fulfill the other conditions to closing on the expected timeframe or at all;
- our ability to fully realize the potential benefit of transactions or other strategic opportunities that we pursue;
- our ability to realize revenue and cost synergies of our acquisitions due to integration difficulties and other challenges;
- our exposure to intangible asset risk;
- the impact of 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;
- currency fluctuations that adversely affect exchanges between currencies, including the U.S. dollar, the British pound sterling, the Euro, the Canadian dollar and other currencies;
- our ability to maintain favorable arrangements and relationships with our suppliers;
- our ability to manage supply chain disruptions and cost increases related to inflation;



- our ability to meet our obligations under our debt agreements, and risks of further increases to our indebtedness;
- our ability to maintain compliance with the covenants and conditions under our debt agreements;
- fluctuations in interest rates, which could increase our borrowing costs;
- our ability to recruit, retain and integrate new management;
- the impact of increased labor costs on our business;
- our ability to renew our collective bargaining agreements on satisfactory terms;
- the impact on our financial results from uncertainty in the financial markets and other adverse changes in general economic conditions;
- any disruption to production at our manufacturing facilities;
- our ability to maintain access to our water sources;
- compliance with product health and safety standards;
- liability for injury or illness caused by the consumption of contaminated products;
- liability and damage to our reputation as a result of litigation or legal proceedings;
- changes in the legal and regulatory environment in which we operate;
- our ability to adequately address the challenges and risks associated with our international operations and address difficulties in complying with complex and overlapping laws and regulations;
- our ability to utilize tax attributes to offset future taxable income;
- the impact on our tax obligations and effective tax rate arising from changes in local tax laws or countries adopting more aggressive interpretations of tax laws;
- disruptions in our information systems;
- our ability to securely maintain our customers' confidential or credit card information, or other private data relating to our employees or our company;
- our ability to maintain our quarterly dividend; or
- credit rating changes.

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

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

#### **Non-GAAP Measures**

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

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

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

### Summary Financial Results

Net income for the three months ended September 30, 2023 (the "third quarter") and nine months ended September 30, 2023 (the "first nine months" or "year to date") was \$33.4 million, or \$0.21 per diluted common share, and \$60.5 million or \$0.38 per diluted common share, respectively, compared with net income of \$1.3 million, or \$0.01 per diluted common share, and net loss of \$27.9 million or \$0.17 per diluted common share for the three and nine months ended October 1, 2022, respectively.

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

- Net revenue increased \$79.7 million, or 4.7%, to \$1,761.8 million from the prior year period due primarily to pricing initiatives of \$129.8 million and increased demand for products and services from residential and business customers of \$29.5 million, partially offset by the exit from the single-use retail bottled water business in North America of \$41.0 million, the sale of the Russia business of \$7.4 million, and the impact of unfavorable foreign exchange rates of \$9.4 million;
- Gross profit increased to \$1,083.1 million from \$980.1 million in the prior year period. Gross profit as a percentage of net revenue was 61.5% compared to 58.3% in the prior year period. The 320 basis point increase is due primarily to pricing initiatives, increased demand, and the exit from the single-use retail bottled water business in North America, partially offset by the impact of unfavorable foreign exchange rates;
- SG&A expenses increased to \$936.5 million from \$867.2 million in the prior year period due primarily to higher selling and operating costs supporting volume and revenue growth related primarily to labor and transportation cost increases, which increased by \$25.3 million and \$5.3 million, respectively, from the prior year period, as well as professional fee increases of \$4.8 million and insurance cost increases of \$10.2 million from the prior year period, partially offset by the impact of favorable exchange rates of \$5.3 million. SG&A expenses as a percentage of net revenue was 53.2% compared to 51.6% in the prior year period;
- Acquisition and integration expenses decreased to \$6.4 million from \$12.5 million in the prior year period due primarily to lower costs associated with the exit from the single-use retail bottled water business in North America and lower costs associated with tuck-in acquisitions compared to the prior year period. Acquisition and integration expenses as a percentage of revenue was 0.4% compared to 0.7% in the prior year period;
- Impairment charges decreased to nil from \$29.1 million in the prior year period due to the non-cash impairment charges recorded in the prior year period as a result of the exit of our business in Russia and the realignment of segments;
- Gain on sale of property increased to \$5.3 million from nil in the prior year period due to the completion of sale transactions for two of our owned real properties;
- Other income, net was \$4.2 million compared to other expense, net of \$34.6 million in the prior year period due primarily to unrealized foreign exchange gains in the current year period compared to unrealized foreign exchange losses in the prior year period and income from tariff refunds in the current year;
- Income tax expense was \$28.0 million on pre-tax income of \$88.5 million compared to income tax expense of \$8.9 million on pre-tax loss of \$19.0 million in the prior year period due primarily to impairment charges incurred in the second quarter of 2022 for which minimal tax benefit was recognized and foreign exchange losses incurred in the third quarter of 2022 in tax jurisdictions for which no tax benefit was recognized due to existing valuation allowances;
- Adjusted EBITDA increased to \$357.4 million compared to \$312.8 million in the prior year period due to the items listed above; and
- Cash flows provided by operating activities was \$259.2 million compared to cash flows provided by operating activities of \$183.0 million in the prior year period. The \$76.2 million increase was due primarily to improved earnings, excluding non-cash charges, and a decrease in cash used for working capital relative to the prior year period.

## Results of Operations

The following table summarizes our Consolidated Statements of Operations as a percentage of revenue for the three and nine months ended September 30, 2023 and October 1, 2022:

(in millions of U.S. dollars)	For the Three Months Ended				For the Nine Months Ended			
	September 30, 2023		October 1, 2022		September 30, 2023		October 1, 2022	
	\$	%	\$	%	\$	%	\$	%
<b>Revenue, net</b>	<b>622.0</b>	<b>100.0</b>	584.6	100.0	<b>1,761.8</b>	<b>100.0</b>	1,682.1	100.0
Cost of sales	<b>235.5</b>	<b>37.9</b>	236.4	40.4	<b>678.7</b>	<b>38.5</b>	702.0	41.7
<b>Gross profit</b>	<b>386.5</b>	<b>62.1</b>	348.2	59.6	<b>1,083.1</b>	<b>61.5</b>	980.1	58.3
Selling, general and administrative expenses	<b>315.3</b>	<b>50.7</b>	297.3	50.9	<b>936.5</b>	<b>53.2</b>	867.2	51.6
Loss on disposal of property, plant and equipment, net	<b>1.5</b>	<b>0.2</b>	2.6	0.4	<b>4.0</b>	<b>0.2</b>	4.4	0.3
Acquisition and integration expenses	<b>2.6</b>	<b>0.4</b>	3.3	0.6	<b>6.4</b>	<b>0.4</b>	12.5	0.7
Impairment charges	—	—	—	—	—	—	29.1	1.7
Gain on sale of property	<b>(5.3)</b>	<b>(0.9)</b>	—	—	<b>(5.3)</b>	<b>(0.3)</b>	—	—
<b>Operating income</b>	<b>72.4</b>	<b>11.6</b>	45.0	7.7	<b>141.5</b>	<b>8.0</b>	66.9	4.0
Other expense (income), net	<b>6.6</b>	<b>1.1</b>	21.2	3.6	<b>(4.2)</b>	<b>(0.2)</b>	34.6	2.1
Interest expense, net	<b>18.6</b>	<b>3.0</b>	17.4	3.0	<b>57.2</b>	<b>3.2</b>	51.3	3.0
<b>Income (loss) before income taxes</b>	<b>47.2</b>	<b>7.6</b>	6.4	1.1	<b>88.5</b>	<b>5.0</b>	(19.0)	(1.1)
Income tax expense	<b>13.8</b>	<b>2.2</b>	5.1	0.9	<b>28.0</b>	<b>1.6</b>	8.9	0.5
<b>Net income (loss)</b>	<b>33.4</b>	<b>5.4</b>	1.3	0.2	<b>60.5</b>	<b>3.4</b>	(27.9)	(1.7)
Depreciation & amortization	<b>65.1</b>	<b>10.5</b>	59.6	10.2	<b>190.4</b>	<b>10.8</b>	181.0	10.8

The following table summarizes the change in revenue by reporting segment for the three and nine months ended September 30, 2023:

(in millions of U.S. dollars, except percentage amounts)	For the Three Months Ended September 30, 2023			
	North America	Europe	Other	Total
Change in revenue	\$ 23.0	\$ 9.4	\$ 5.0	\$ 37.4
Impact of foreign exchange <sup>1</sup>	0.3	(6.7)	1.3	(5.1)
Change excluding foreign exchange	\$ 23.3	\$ 2.7	\$ 6.3	\$ 32.3
Percentage change in revenue	5.1 %	13.2 %	7.5 %	6.4 %
Percentage change in revenue excluding foreign exchange	5.2 %	3.8 %	9.5 %	5.5 %

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

**For the Nine Months Ended September 30, 2023**

<b>(in millions of U.S. dollars, except percentage amounts)</b>	<b>North America</b>	<b>Europe</b>	<b>Other</b>	<b>Total</b>
Change in revenue	\$ 52.0	\$ 22.6	\$ 5.1	\$ 79.7
Impact of foreign exchange <sup>1</sup>	2.3	(4.4)	11.5	9.4
Change excluding foreign exchange	\$ 54.3	\$ 18.2	\$ 16.6	\$ 89.1
Percentage change in revenue	4.1 %	11.0 %	2.6 %	4.7 %
Percentage change in revenue excluding foreign exchange	4.2 %	8.9 %	8.5 %	5.3 %

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

The following table summarizes the change in gross profit by reporting segment for the three and nine months ended September 30, 2023:

**For the Three Months Ended September 30, 2023**

<b>(in millions of U.S. dollars, except percentage amounts)</b>	<b>North America</b>	<b>Europe</b>	<b>Other</b>	<b>Total</b>
Change in gross profit	\$ 30.6	\$ 7.1	\$ 0.6	\$ 38.3
Impact of foreign exchange <sup>1</sup>	0.2	(4.4)	1.4	(2.8)
Change excluding foreign exchange	\$ 30.8	\$ 2.7	\$ 2.0	\$ 35.5
Percentage change in gross profit	11.2 %	14.6 %	2.2 %	11.0 %
Percentage change in gross profit excluding foreign exchange	11.3 %	5.6 %	7.4 %	10.2 %

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

**For the Nine Months Ended September 30, 2023**

<b>(in millions of U.S. dollars, except percentage amounts)</b>	<b>North America</b>	<b>Europe</b>	<b>Other</b>	<b>Total</b>
Change in gross profit	\$ 87.7	\$ 17.4	\$ (2.1)	\$ 103.0
Impact of foreign exchange <sup>1</sup>	1.4	(3.1)	5.4	3.7
Change excluding foreign exchange	\$ 89.1	\$ 14.3	\$ 3.3	\$ 106.7
Percentage change in gross profit	11.5 %	12.5 %	(2.8)%	10.5 %
Percentage change in gross profit excluding foreign exchange	11.6 %	10.3 %	4.3 %	10.9 %

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

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

The following table summarizes our net revenue, gross profit, SG&A expenses and operating income (loss) by reporting segment for the three and nine months ended September 30, 2023 and October 1, 2022:

<i>(in millions of U.S. dollars)</i>	<b>For the Three Months Ended</b>		<b>For the Nine Months Ended</b>	
	<b>September 30, 2023</b>	<b>October 1, 2022</b>	<b>September 30, 2023</b>	<b>October 1, 2022</b>
<i>Revenue, net</i>				
North America	\$ 469.8	\$ 446.8	\$ 1,332.6	\$ 1,280.6
Europe	80.8	71.4	228.2	205.6
Other	71.4	66.4	201.0	195.9
<b>Total</b>	<b>\$ 622.0</b>	<b>\$ 584.6</b>	<b>\$ 1,761.8</b>	<b>\$ 1,682.1</b>
<i>Gross profit</i>				
North America	\$ 303.1	\$ 272.5	\$ 852.6	\$ 764.9
Europe	55.7	48.6	156.6	139.2
Other	27.7	27.1	73.9	76.0
<b>Total</b>	<b>\$ 386.5</b>	<b>\$ 348.2</b>	<b>\$ 1,083.1</b>	<b>\$ 980.1</b>
<i>Selling, general and administrative expenses</i>				
North America	\$ 235.1	\$ 215.7	\$ 687.2	\$ 624.0
Europe	46.3	42.4	136.6	134.5
Other	33.9	39.2	112.7	108.7
<b>Total</b>	<b>\$ 315.3</b>	<b>\$ 297.3</b>	<b>\$ 936.5</b>	<b>\$ 867.2</b>
<i>Operating income (loss)</i>				
North America	\$ 70.3	\$ 52.6	\$ 162.3	\$ 129.2
Europe	9.5	5.1	19.5	(27.6)
Other	(7.4)	(12.7)	(40.3)	(34.7)
<b>Total</b>	<b>\$ 72.4</b>	<b>\$ 45.0</b>	<b>\$ 141.5</b>	<b>\$ 66.9</b>

The following tables summarize net revenue by channel for the three and nine months ended September 30, 2023 and October 1, 2022:

<b>For the Three Months Ended September 30, 2023</b>				
<b>(in millions of U.S. dollars)</b>	<b>North America</b>	<b>Europe</b>	<b>Other</b>	<b>Total</b>
<i>Revenue, net</i>				
Water Direct/Water Exchange	\$ 356.2	\$ 63.2	\$ 11.8	\$ 431.2
Water Refill/Water Filtration	62.0	10.2	1.0	73.2
Other Water	13.6	0.3	20.2	34.1
Water Dispensers	16.5	0.2	—	16.7
Other	21.5	6.9	38.4	66.8
<b>Total</b>	<b>\$ 469.8</b>	<b>\$ 80.8</b>	<b>\$ 71.4</b>	<b>\$ 622.0</b>

<b>For the Nine Months Ended September 30, 2023</b>				
<b>(in millions of U.S. dollars)</b>	<b>North America</b>	<b>Europe</b>	<b>Other</b>	<b>Total</b>
<i>Revenue, net</i>				
Water Direct/Water Exchange	\$ 1,011.5	\$ 176.4	\$ 33.2	\$ 1,221.1
Water Refill/Water Filtration	169.6	28.9	2.4	200.9
Other Water	36.8	0.8	55.6	93.2
Water Dispensers	45.9	0.7	—	46.6
Other	68.8	21.4	109.8	200.0
<b>Total</b>	<b>\$ 1,332.6</b>	<b>\$ 228.2</b>	<b>\$ 201.0</b>	<b>\$ 1,761.8</b>

<b>For the Three Months Ended October 1, 2022</b>				
<b>(in millions of U.S. dollars)</b>	<b>North America</b>	<b>Europe</b>	<b>Other</b>	<b>Total</b>
<i>Revenue, net</i>				
Water Direct/Water Exchange	\$ 334.1	\$ 55.6	\$ 12.5	\$ 402.2
Water Refill/Water Filtration	52.6	8.2	0.8	61.6
Other Water	9.6	0.5	22.3	32.4
Water Dispensers	23.7	—	—	23.7
Other	26.8	7.1	30.8	64.7
<b>Total</b>	<b>\$ 446.8</b>	<b>\$ 71.4</b>	<b>\$ 66.4</b>	<b>\$ 584.6</b>

<b>For the Nine Months Ended October 1, 2022</b>				
<b>(in millions of U.S. dollars)</b>	<b>North America</b>	<b>Europe</b>	<b>Other</b>	<b>Total</b>
<i>Revenue, net</i>				
Water Direct/Water Exchange	\$ 933.5	\$ 157.5	\$ 35.0	\$ 1,126.0
Water Refill/Water Filtration	142.1	24.6	2.0	168.7
Other Water	65.8	1.3	59.8	126.9
Water Dispensers	56.4	—	—	56.4
Other	82.8	22.2	99.1	204.1
<b>Total</b>	<b>\$ 1,280.6</b>	<b>\$ 205.6</b>	<b>\$ 195.9</b>	<b>\$ 1,682.1</b>

The following table summarizes our EBITDA and Adjusted EBITDA for the three and nine months ended September 30, 2023 and October 1, 2022:

(in millions of U.S. dollars)	For the Three Months Ended		For the Nine Months Ended	
	September 30, 2023	October 1, 2022	September 30, 2023	October 1, 2022
Net income (loss)	\$ 33.4	\$ 1.3	\$ 60.5	\$ (27.9)
Interest expense, net	18.6	17.4	57.2	51.3
Income tax expense	13.8	5.1	28.0	8.9
Depreciation and amortization	65.1	59.6	190.4	181.0
<b>EBITDA</b>	<b>\$ 130.9</b>	<b>\$ 83.4</b>	<b>\$ 336.1</b>	<b>\$ 213.3</b>
Acquisition and integration costs	2.6	3.3	6.4	12.5
Share-based compensation costs	1.4	3.2	6.7	10.7
Impairment charges	—	—	—	29.1
Foreign exchange and other losses (gains), net	10.6	21.3	(0.3)	36.7
Loss on disposal of property, plant and equipment, net	1.5	2.6	4.0	4.4
Gain on sale of property	(5.3)	—	(5.3)	—
Other adjustments, net	(0.8)	3.1	9.8	6.1
<b>Adjusted EBITDA</b>	<b>\$ 140.9</b>	<b>\$ 116.9</b>	<b>\$ 357.4</b>	<b>\$ 312.8</b>

### Three Months Ended September 30, 2023 Compared to Three Months Ended October 1, 2022

#### Revenue, Net

Net revenue increased \$37.4 million, or 6.4%, in the third quarter from the prior year period.

North America net revenue increased \$23.0 million, or 5.1%, in the third quarter from the prior year period due primarily to pricing initiatives of \$26.8 million and increased demand for products and services from residential and business customers of \$7.7 million.

Europe net revenue increased \$9.4 million, or 13.2%, in the third quarter from the prior year period due primarily to pricing initiatives of \$4.1 million and the favorable impact of foreign exchange rates of \$6.7 million.

Other net revenue increased \$5.0 million, or 7.5%, in the third quarter from the prior year period due primarily to pricing initiatives of \$5.8 million and increased demand for products and services from residential and business customers of \$0.5 million, partially offset by the unfavorable impact of foreign exchange rates of \$1.3 million.

#### Gross Profit

Gross profit increased to \$386.5 million in the third quarter from \$348.2 million in the prior year period. Gross profit as a percentage of revenue was 62.1% in the third quarter compared to 59.6% in the prior year period.

North America gross profit increased to \$303.1 million in the third quarter from \$272.5 million in the prior year period, and gross profit as a percentage of revenue was 64.5% in the third quarter compared to 61.0% in the prior year period. The 350 basis point increase is due primarily to pricing initiatives and increased demand.

Europe gross profit increased to \$55.7 million in the third quarter from \$48.6 million in the prior year period, and gross profit as a percentage of revenue was 68.9% in the third quarter compared to 68.1% in the prior year period. The 80 basis point increase is due primarily to pricing initiatives and the favorable impact of foreign exchange rates.

Other gross profit increased to \$27.7 million in the third quarter from \$27.1 million in the prior year period, and gross profit as a percentage of revenue was 38.8% in the third quarter compared to 40.8% in the prior year. The 200 basis point decrease is due primarily to the unfavorable impact of foreign exchange rates partially offset by pricing initiatives and increased demand.

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

SG&A expenses increased to \$315.3 million in the third quarter from \$297.3 million in the prior year period. SG&A expenses as a percentage of revenue was 50.7% in the third quarter compared to 50.9% in the prior year period.

North America SG&A expenses increased to \$235.1 million in the third quarter from \$215.7 million in the prior year period due primarily to higher selling and operating costs that supported volume and revenue growth related primarily to labor and transportation cost increases, which increased by \$4.7 million and \$0.8 million, respectively, from the prior year period and increases in insurance costs of \$6.4 million from the prior year period.

Europe SG&A expenses increased to \$46.3 million in the third quarter compared to \$42.4 million in the prior year period due primarily to the unfavorable impact of foreign exchange rates of \$3.6 million.

Other SG&A expenses decreased to \$33.9 million in the third quarter from \$39.2 million in the prior year period due primarily to a decrease in professional fees of \$1.9 million from the prior year period and favorable impact of foreign exchange rates of \$1.3 million.

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

Acquisition and integration expenses decreased to \$2.6 million in the third quarter from \$3.3 million in the prior year period. Acquisition and integration expenses as a percentage of revenue was 0.4% in the third quarter compared to 0.6% in the prior year period.

North America acquisition and integration expenses decreased to \$1.4 million in the third quarter from \$2.4 million in the prior year period due primarily to costs in the prior year period associated with the exit from the single-use retail bottled water business in North America.

Europe acquisition and integration expenses decreased to \$0.1 million in the third quarter from \$0.8 million in the prior year period due primarily to lower costs associated with tuck-in acquisitions.

Other acquisition and integration expenses increased to \$1.1 million in the third quarter compared to \$0.1 million in the prior year period due primarily to increased professional fees.

### ***Impairment Charges***

There were no impairment charges in the third quarter or prior year period.

### ***Gain on Sale of Property***

Gain on sale of property increased to \$5.3 million in the third quarter compared to nil in the prior year period. Gain on sale of property as a percentage of revenue was 0.9% in the third quarter compared to nil in the prior year period.

The increase was due to the completion of sale transactions for two of our owned real properties in North America.

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

Operating income increased to \$72.4 million in the third quarter from \$45.0 million in the prior year period.

North America operating income increased to \$70.3 million in the third quarter from \$52.6 million in the prior year period due to the items discussed above.

Europe operating income increased to \$9.5 million in the third quarter from operating income of \$5.1 million in the prior year period due to the items discussed above.

Other operating loss decreased to \$7.4 million in the third quarter from \$12.7 million in the prior year period due to the items discussed above.

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

Other expense, net was \$6.6 million for the third quarter compared to other expense, net of \$21.2 million in the prior year period due primarily to lower unrealized foreign exchange losses in the current year period compared the prior year period and income from tariff refunds in current year period.

### ***Income Taxes***

Income tax expense was \$13.8 million in the third quarter compared to income tax expense of \$5.1 million in the prior year period. The effective tax rate for the third quarter was 29.2% compared to 79.7% in the prior year period.



The effective tax rate for the third quarter varied from the effective tax rate from the prior year period due primarily to foreign exchange losses incurred in the third quarter of 2022 in tax jurisdictions for which no tax benefit was recognized due to existing valuation allowances.

### **Nine Months Ended September 30, 2023 Compared to Nine Months Ended October 1, 2022**

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

Net revenue increased \$79.7 million, or 4.7%, for the year to date from the prior year period.

North America net revenue increased \$52.0 million, or 4.1%, for the year to date from the prior year period due primarily to pricing initiatives of \$96.2 million, increased demand for products and services from residential and business customers of \$21.8 million, partially offset by the exit from the single-use retail bottled water business of \$41.0 million and unfavorable impact of foreign exchange rates of \$2.3 million.

Europe net revenue increased \$22.6 million, or 11.0%, for the year to date from the prior year period due primarily to pricing initiatives of \$19.5 million, increased demand for products and services from residential and business customers of \$5.4 million, and favorable impact of foreign exchange rates of \$4.4 million, partially offset by the sale of the Russia business of \$7.4 million.

Other net revenue increased \$5.1 million, or 2.6%, for the year to date from the prior year period due primarily to pricing initiatives of \$14.1 million and increased demand for products and services from residential and business customers of \$2.3 million, partially offset by unfavorable impact of foreign exchange rates of \$11.5 million.

#### ***Gross Profit***

Gross profit increased to \$1,083.1 million for the year to date from \$980.1 million in the prior year period. Gross profit as a percentage of revenue was 61.5% year to date compared to 58.3% in the prior year period.

North America gross profit increased to \$852.6 million for the year to date from \$764.9 million in the prior year period, and gross profit as a percentage of revenue was 64.0% year to date compared to 59.7% in the prior year period. The 430 basis point increase is due primarily to pricing initiatives, increased demand, and the exit from the single-use retail bottled water business in North America.

Europe gross profit increased to \$156.6 million for the year to date from \$139.2 million in the prior year period, and gross profit as a percentage of revenue was 68.6% year to date compared to 67.7% in the prior year period. The 90 basis point increase is due primarily to pricing initiatives, increased demand and favorable impact of foreign exchange rates.

Other gross profit decreased to \$73.9 million for the year to date from \$76.0 million in the prior year, and gross profit as a percentage of revenue was 36.8% year to date compared to 38.8% in the prior year period. The 200 basis point decrease is due primarily to the unfavorable impact of foreign exchange rates.

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

SG&A expenses increased to \$936.5 million for the year to date from \$867.2 million in the prior year period. SG&A expenses as a percentage of revenue was 53.2% year to date compared to 51.6% in the prior year period.

North America SG&A expenses increased to \$687.2 million for the year to date from \$624.0 million in the prior year period due primarily to higher selling and operating costs that supported volume and revenue growth related primarily to labor and transportation cost increases, which increased by \$22.2 million and \$5.3 million, respectively, from the prior year period and increases in insurance costs of \$10.2 million from the prior year period.

Europe SG&A expenses increased to \$136.6 million for the year to date from \$134.5 million in the prior year period due primarily to the unfavorable impact of foreign exchange rates of \$1.7 million.

Other SG&A expenses increased to \$112.7 million for the year to date from \$108.7 million in the prior year period due primarily to higher labor costs and professional fees which increased \$3.1 million and \$4.8 million, respectively, from the prior year period, partially offset by favorable impact of foreign exchange rates of \$5.5 million.

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

Acquisition and integration expenses decreased to \$6.4 million for the year to date from \$12.5 million in the prior year period. Acquisition and integration expenses as a percentage of revenue was 0.4% year to date compared to 0.7% in the prior year period.

North America acquisition and integration expenses decreased to \$4.6 million for the year to date from \$8.2 million in the prior year period due primarily to costs in the prior year period associated with the exit from the single-use retail bottled water business in North America.

Europe acquisition and integration expenses decreased to \$0.4 million for the year to date from \$3.0 million in the prior year period due primarily to lower costs associated with tuck-in acquisitions.

Other acquisition and integration expenses remained relatively flat at \$1.4 million for the year to date compared to \$1.3 million in the prior year period.

### ***Impairment Charges***

There were no impairment charges for the year to date compared to \$29.1 million for the comparable prior year period. Impairment charges as a percentage of revenue was nil year to date compared to 1.7% in the comparable prior year period.

There were no Europe impairment charges for the year to date compared to \$29.1 million in the comparable prior year period due to the non-cash impairment charges resulting from the exit of our business in Russia and realignment of our segments in the prior year period.

### ***Gain on Sale of Property***

Gain on sale of property increased to \$5.3 million for the year to date from nil in the prior year period. Gain on sale of property as a percentage of revenue was 0.3% year to date compared to nil in the prior year period.

The increase was due to the completion of sale transactions for two of our owned real properties in North America.

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

Operating income increased to \$141.5 million for the year to date from \$66.9 million in the prior year period.

North America operating income increased to \$162.3 million for the year to date from \$129.2 million in the prior year period due to the items discussed above.

Europe operating income increased to \$19.5 million for the year to date from an operating loss of \$27.6 million in the prior year period due to the items discussed above.

Other operating loss increased to \$40.3 million for the year to date from \$34.7 million in the prior year period due to the items discussed above.

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

Other income, net was \$4.2 million for the year to date compared to other expense, net of \$34.6 million in the prior year period due primarily to unrealized foreign exchange gains in the current year period compared to unrealized foreign exchange losses in the prior year period and income from tariff refunds in the current year.

### ***Income Taxes***

Income tax expense was \$28.0 million for the year to date compared to income tax expense of \$8.9 million in the prior year period. The effective tax rate for the year to date was 31.6% compared to (46.8)% in the prior year period.

The effective tax rate for the three months ended September 30, 2023 varied from the effective tax rate in the comparable prior year period due to foreign exchange losses incurred in the third quarter of 2022 in tax jurisdictions for which no tax benefit was recognized due to existing valuation allowances. The effective tax rate for the nine months ended September 30, 2023 varied from the effective tax rate in the comparable prior year period due primarily to impairment charges incurred in the second quarter of 2022 for which minimal tax benefit was recognized and foreign exchange losses incurred in the third quarter of 2022 in tax jurisdictions for which no tax benefit was recognized due to existing valuation allowances.

The effective tax rate for the three and nine months ended September 30, 2023 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 September 30, 2023, we had total debt of \$1,439.4 million and \$97.8 million of cash and cash equivalents compared to \$1,513.6 million of debt and \$122.6 million of cash and cash equivalents as of December 31, 2022.

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

As of September 30, 2023, our outstanding borrowings under the Revolving Credit Facility were \$132.0 million and outstanding letters of credit totaled \$55.2 million, resulting in total utilization under the Revolving Credit Facility of \$187.2 million. Accordingly, unused availability under the Revolving Credit Facility as of September 30, 2023 amounted to \$162.8 million.

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

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

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

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

A dividend of \$0.08 per common share was declared during each quarter of 2023 for an aggregate dividend payment of approximately \$38.6 million.

The following table summarizes our cash flows for the three and nine months ended September 30, 2023 and October 1, 2022, as reported in our Consolidated Statements of Cash Flows in the accompanying Consolidated Financial Statements:

<b>(in millions of U.S. dollars)</b>	<b>For the Three Months Ended</b>		<b>For the Nine Months Ended</b>	
	<b>September 30, 2023</b>	<b>October 1, 2022</b>	<b>September 30, 2023</b>	<b>October 1, 2022</b>
Net cash provided by operating activities	\$ 148.1	\$ 92.7	\$ 259.2	\$ 183.0
Net cash used in investing activities	(41.2)	(80.8)	(155.1)	(176.9)
Net cash used in financing activities	(94.4)	(14.8)	(128.8)	(33.3)
Effect of exchange rate changes on cash	(1.5)	(3.8)	(0.1)	(5.7)
Net increase (decrease) in cash, cash equivalents and restricted cash	11.0	(6.7)	(24.8)	(32.9)
Cash and cash equivalents and restricted cash, beginning of period	86.8	102.2	122.6	128.4
Cash and cash equivalents and restricted cash, end of period	\$ 97.8	\$ 95.5	\$ 97.8	\$ 95.5

### ***Operating Activities***

Cash provided by operating activities was \$259.2 million year to date compared to \$183.0 million in the prior year period. The \$76.2 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 \$155.1 million year to date compared to \$176.9 million in the prior year period. The \$21.8 million decrease was due primarily to a decrease in additions to property, plant and equipment, and proceeds from sale of property, partially offset by an increase in tuck-in acquisitions relative to the prior year period.

### ***Financing Activities***

Cash used in financing activities was \$128.8 million year to date compared to \$33.3 million in the prior year period. The \$95.5 million increase was due primarily to an increase in share repurchases and net payments on short-term borrowings.

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

We have no off-balance sheet arrangements as of September 30, 2023.

### **Contractual Obligations**

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

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

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

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

#### ***Covenant Compliance***

##### *Indentures governing our outstanding notes*

Under the indentures governing our outstanding notes, we are subject to a number of covenants, including covenants that limit our and certain of our subsidiaries' ability, subject to certain exceptions and qualifications, to (i) pay dividends or make distributions, repurchase equity securities, prepay subordinated debt or make certain investments, (ii) incur additional debt or issue certain disqualified stock or preferred stock, (iii) create or incur liens on assets securing indebtedness, (iv) merge or consolidate with another company or sell all or substantially all of our assets taken as a whole, (v) enter into transactions with affiliates and (vi) sell assets. The covenants are substantially similar across the series of notes. As of September 30, 2023, we were in compliance with all of the covenants under each series of notes. There have been no amendments to any such covenants of our outstanding notes since the date of their issuance.

### *Revolving Credit Facility*

Under the Credit Agreement governing the Revolving Credit Facility, we and our restricted subsidiaries are subject to a number of business and financial covenants, including a consolidated secured leverage ratio and an interest coverage ratio. The consolidated secured leverage ratio must not be more than 3.50 to 1.00, with an allowable temporary increase to 4.00 to 1.00 for the quarter in which we consummate a material acquisition with a price not less than \$125.0 million, for three quarters. The interest coverage ratio must not be less than 3.00 to 1.00. We were in compliance with these financial covenants as of September 30, 2023.

In addition, the Credit Agreement has certain non-financial covenants, such as covenants regarding indebtedness, investments, and asset dispositions. We were in compliance with all of the applicable covenants as of September 30, 2023.

### **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.

On August 9, 2022, our Board of Directors approved a new share repurchase program for up to \$100.0 million of our outstanding common shares over a 12-month period that expired on August 14, 2023. There were a total of 1,272,612 shares repurchased for approximately \$19.0 million under the plan during the nine months ended September 30, 2023. Repurchased shares were subsequently cancelled. Please refer to the table in Part II, Item 2 of this Quarterly Report on Form 10-Q.

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

#### *Tax Withholding*

In the third quarter of 2023, an aggregate of 46,989 common shares were withheld from delivery to our employees to satisfy their respective tax obligations related to share-based awards. In the third quarter of 2022, an aggregate of 1,827 common shares were withheld from delivery to our employees to satisfy their respective tax obligations related to share-based awards.

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

### **Capital Structure**

Since December 31, 2022, our equity has increased by \$7.8 million. The increase was due to net income of \$60.5 million, the issuance of common shares of \$5.7 million, and share-based compensation costs of \$6.7 million, partially offset by common shares repurchased and canceled of \$22.4 million, common share dividend payments of \$38.6 million and other comprehensive loss, net of tax of \$4.1 million.

### **Dividend Payments**

#### *Common Share Dividend*

On August 9, 2023, the Board of Directors declared a dividend of \$0.08 per share on common shares, payable in cash on September 7, 2023 to shareowners of record at the close of business on August 24, 2023. On October 31, 2023, the Board of Directors declared a dividend of \$0.08 per share on common shares, payable in cash on December 1, 2023, to shareowners of record at the close of business on November 21, 2023. We intend to pay a regular quarterly dividend on our common shares subject to, among other things, the best interests of our shareowners, our results of operations, cash balances and future cash requirements, financial condition, statutory regulations and covenants set forth in the Revolving Credit Facility and indentures governing our outstanding notes, as well as other factors that the Board of Directors may deem relevant from time to time.

### **Critical Accounting Policies**

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

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

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

**Recent Accounting Pronouncements**

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

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

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

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

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

The Company maintains disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). The Company’s management, under the supervision and with the participation of the Company’s Chief Executive Officer and Chief Financial Officer, carried out an evaluation of the effectiveness of the design and operation of the Company’s disclosure controls and procedures as of September 30, 2023. Based upon this evaluation, the Company’s Chief Executive Officer and Chief Financial Officer concluded that, as of September 30, 2023, the Company’s disclosure controls and procedures are functioning effectively to ensure that information required to be disclosed by the Company in reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and accumulated and communicated to the Company’s management, including the Company’s Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

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

## PART II. OTHER INFORMATION

### Item 1. Legal Proceedings

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

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

### Item 1A. Risk Factors

Except as described below, there have been no material changes to our risk factors since December 31, 2022. Please refer to our 2022 Annual Report.

*We may devote a significant amount of our management's attention and resources to our ongoing review of strategic opportunities, including potential divestitures, and we may not be able to fully realize the potential benefit of any such alternatives that we pursue.*

As part of our overall strategic planning process, from time to time we evaluate whether there are alternatives available to complement our strategy of organic growth and growth through diversification. Accordingly, we may from time to time be engaged in evaluating potential transactions and other strategic alternatives, and we may engage in discussions that may result in one or more transactions. Although there would be uncertainty that any of these discussions would result in definitive agreements or the completion of any transaction, we may devote a significant amount of our management's attention and resources to evaluating and pursuing a transaction or opportunity, which could negatively affect our operations.

On November 2, 2023, the Company announced a definitive agreement to sell a significant portion of the Company's international businesses to Culligan International, excluding the Aimia Foods, United Kingdom, Portugal, and Israel businesses. We are executing strategic alternatives for our remaining international businesses. The transaction is subject to the satisfaction of customary closing conditions, including regulatory approvals. Other events, changes or circumstances could delay the transaction or result in the termination of the transaction. There can be no assurances as to the Company's ability to fulfill the conditions to closing in the expected timeframe, or at all, or the ability to achieve the expected benefits of the disposition. Even if completed, there can be no assurance that the strategic plan to divest our international businesses will receive the level of market support that we expect or that we will be able to achieve the anticipated operational, strategic and other benefits. Moreover, our business will be less diversified geographically, which could make us more susceptible to changing market conditions in North America.

In addition, we may incur significant costs in connection with evaluating and pursuing other strategic opportunities, regardless of whether any transaction is completed. We may not fully realize the potential benefits of any strategic alternatives or transactions that we pursue.



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

### 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. We did not repurchase any outstanding common shares under the plan during the third quarter of 2023.

On August 9, 2022, our Board of Directors approved a share repurchase program for up to \$100.0 million of our outstanding common shares over a 12-month period commencing on August 15, 2022. We did not repurchase any outstanding common shares under the plan during the third quarter of 2023 and the program has now expired.

### Tax Withholding

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

	<b>Total Number of Common Shares Purchased</b>	<b>Average Price Paid per Common Share</b>	<b>Total Number of Common Shares Purchased as Part of Publicly Announced Plans or Programs</b>	<b>Maximum Number (or Dollar Value) of Common Shares that May Yet Be Purchased Under the Plans or Programs</b>
July 2, 2023 - July 31, 2023	46,208	\$ 12.54	N/A	N/A
August 1, 2023 - August 31, 2023	558	\$ 14.52	N/A	N/A
September 1, 2023 - September 30, 2023	223	\$ 15.26	N/A	N/A
<b>Total</b>	<b>46,989</b>			

**Item 5. Other Information**

During the third quarter of 2023, 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	<a href="#">Articles of Continuance of Primo Water Corporation, dated July 7, 2021.</a>	10-Q	3.1	8/6/2021	001-31410	
3.2	<a href="#">Second Amended and Restated By-Law No. 1 of Primo Water Corporation, dated May 3, 2023.</a>	8-K	3.1	5/3/2023	001-31410	
31.1	<a href="#">Certification of the Chief Executive Officer pursuant to section 302 of the Sarbanes-Oxley Act of 2002 for the quarterly period ended September 30, 2023.</a>					*
31.2	<a href="#">Certification of the Chief Financial Officer pursuant to section 302 of the Sarbanes-Oxley Act of 2002 for the quarterly period ended September 30, 2023.</a>					*
32.1	<a href="#">Certification of the Chief Executive Officer pursuant to section 906 of the Sarbanes-Oxley Act of 2002 for the quarterly period ended September 30, 2023.</a>					*
32.2	<a href="#">Certification of the Chief Financial Officer pursuant to section 906 of the Sarbanes-Oxley Act of 2002 for the quarterly period ended September 30, 2023.</a>					*
101	The following financial statements from Primo Water Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 2023, filed November 3, 2023, 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: November 3, 2023

*/s/ David Hass*

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

Date: November 3, 2023

*/s/ Jason Ausher*

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Jason Ausher  
Chief Accounting Officer  
(Principal Accounting Officer)

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

I, Thomas J. Harrington, certify that:

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

/s/ Thomas J. Harrington

Thomas J. Harrington  
Chief Executive Officer  
Dated: November 3, 2023

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

I, David Hass, certify that:

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

*/s/ David Hass*

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David Hass

Chief Financial Officer

Dated: November 3, 2023

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

The undersigned, Thomas J. Harrington, Chief Executive Officer of Primo Water Corporation (the “Company”), has executed this certification in connection with the filing with the Securities and Exchange Commission of the Company’s Quarterly Report on Form 10-Q for the quarter ended September 30, 2023 (the “Report”).

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

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

IN WITNESS WHEREOF, the undersigned has executed this certification as of the 3<sup>rd</sup> day of November, 2023.

/s/ Thomas J. Harrington

Thomas J. Harrington

Chief Executive Officer

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

The undersigned, David Hass, Chief Financial Officer of Primo Water Corporation (the “Company”), has executed this certification in connection with the filing with the Securities and Exchange Commission of the Company’s Quarterly Report on Form 10-Q for the quarter ended September 30, 2023 (the “Report”).

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

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

IN WITNESS WHEREOF, the undersigned has executed this certification as of the 3<sup>rd</sup> day of November, 2023.

*/s/ David Hass*

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David Hass  
Chief Financial Officer