



**PRIMO** 

WATER CORPORATION

**First Quarter 2020 Results**  
**May 7, 2020**

## **Safe Harbor Statement**

This presentation contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, Section 21E of the Securities Exchange Act of 1934 and applicable Canadian securities laws conveying management's expectations as to the future based on plans, estimates and projections at the time the Company makes the statements. Forward-looking statements involve inherent risks and uncertainties and the Company cautions you that a number of important factors could cause actual results to differ materially from those contained in any such forward-looking statements. The forward-looking statements in this presentation include but are not limited to statements regarding execution of the Company's strategic priorities and the Company's outlook for Q2 2020. The forward-looking statements are based on assumptions regarding management's current plans and estimates. Factors that could cause actual results to differ materially from those described in this presentation include, among others: risks relating to any unforeseen changes to or effects on liabilities, future capital expenditures, revenues, expenses, earnings, synergies, indebtedness, financial condition, losses and future prospects; the effect of economic, competitive, legal, governmental and technological factors on Primo's business; and the impact of national, regional and global events on our business, including the recent COVID-19 outbreak. The foregoing list of factors is not exhaustive. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. Readers are urged to carefully review and consider the various disclosures, including but not limited to risk factors contained in the Company's Annual Report in the Form 10-K and its quarterly reports on Form 10-Q, as well as other periodic reports filed with the securities commissions. The Company does not, except as expressly required by applicable law, undertake to update or revise any of these statements in light of new information or future events.

## **Non-GAAP Measures**

The Company routinely supplements its reporting of GAAP measures by utilizing certain non-GAAP measures to separate the impact of certain items from its underlying business results. Since the Company uses these non-GAAP measures in the management of its business, management believes this supplemental information is useful to investors for their independent evaluation and understanding of Primo's business. The non-GAAP financial measures described above are in addition to, and not meant to be considered superior to, or a substitute for, the Company's financial statements prepared in accordance with GAAP. In addition, the non-GAAP financial measures included in this presentation reflect management's judgment of particular items, and may be different from, and therefore may not be comparable to, similarly titled measures reported by other companies. With respect to our expectations of performance of Primo as it is being integrated, reconciliations of 2020 estimated adjusted EBITDA are not available, as we are unable to quantify certain amounts that would be required to be included in the relevant GAAP measures without unreasonable effort. We expect that the unavailable reconciling items, which primarily include taxes, interest costs that would occur if the company issued debt, and costs to capture synergies, could significantly affect our financial results. These items depend on highly variable factors and any such reconciliations would imply a degree of precision that would be confusing or misleading to investors. We expect the variability of these factors to have a significant, and potentially unpredictable, impact on our future GAAP financial results. A copy of this presentation may be found on [www.primowatercorp.com](http://www.primowatercorp.com). Please see Appendix to this presentation and the exhibits to the earnings release for the first quarter ended March 28, 2020 for reconciliations to the most directly comparable GAAP measures.

- ❑ COVID-19 Update
- ❑ Q1 2020 Consolidated Results
- ❑ 2020 Key Focus Areas
- ❑ 2020 H1 Expectations
- ❑ Long-Term View

CONTACTLESS DELIVERY



# Consolidated Results – Continuing Operations

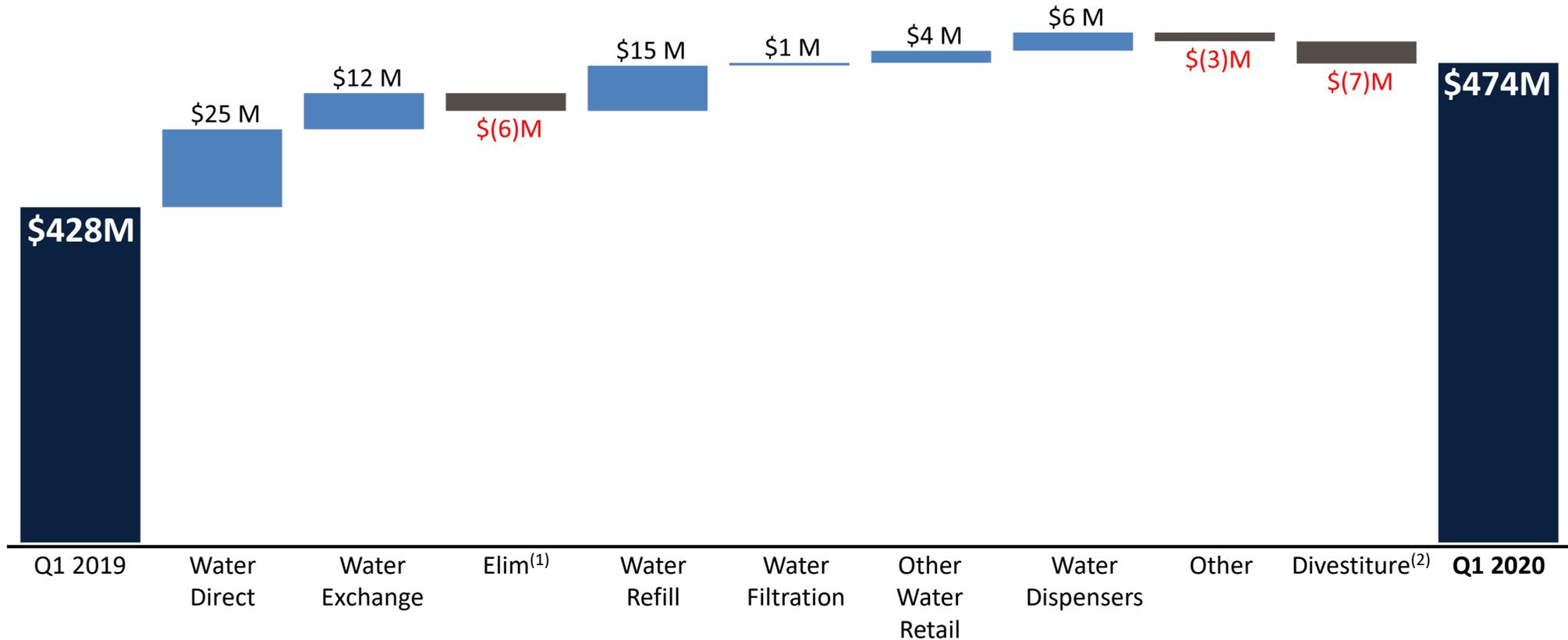
(\$ in millions)	Q1 2020	Q1 2019	Change
Net Revenue	\$474.2	\$427.7	+11%
Net Revenue, Adjusted*	\$474.4	\$420.5	+13%
Adjusted EBITDA*	\$70.4	\$53.7	+31%
Adjusted EBITDA Margin*	14.8%	12.8%	+200bps



Source: Primo Management  
\*See appendix for non-GAAP reconciliations

# Consolidated Results – Continuing Operations

## Net Revenue Analysis



Source: Primo Management

(1) Elimination of interchannel revenue between Water Direct and Water Exchange.

(2) Relates to the Cott Beverages LLC business, which was sold on February 8, 2019.

Note: Amounts may not add due to rounding

# Legacy Primo

## Reported Results and P3 Pro Forma Performance

Legacy Primo results included in our consolidated results for the fiscal period ending March 28, 2020

(\$ in millions)	Q1 2020
Net Revenue	\$32.1
Adjusted EBITDA*	\$7.3
Adjusted EBITDA Margin	22.7%

Legacy Primo pro forma results for the calendar month ending March 31, 2020 and March 31, 2019 <sup>(1)</sup>

(\$ in thousands)	P3 2020 PF	P3 2019 PF <sup>(2)</sup>	Change
Net Revenue	\$35,565	\$25,931	+37%
Adjusted EBITDA*	\$8,273	\$4,229	+96%
Adjusted EBITDA Margin	23.3%	16.3%	+700bps

Source: Primo Management

(1) On March 2, 2020, the Company completed the acquisition of the legacy Primo business. Legacy Primo results from operations from March 2, 2020 to March 28, 2020 are included in our consolidated results. Prior to the acquisition, legacy Primo operated on a calendar month fiscal close basis. Pro forma results for the month of March ("P3") are presented on a calendar month basis for comparability.

(2) Results solely attributable to the Primo Legacy business.

\*See appendix for non-GAAP reconciliations

# 2020 Key Focus Areas

- Prioritize the health and safety of our associates and customers
- Customer experience initiatives
- Increase penetration of the European residential base
- Accelerate extension of our Water Refill, Water Exchange and Water Dispenser 4R model to Europe
- Cost containment efforts to enhance margins
- Free Cash Flow management, staple dividend, and compliance with our credit agreements and covenants

# 2020 Key Focus Areas

## Update on Customer Experience Initiatives

Customers have told us they want more **control over** their service and **better communication** about their deliveries. We have taken big steps to address this feedback with three 1H national rollouts.

☑ Initial release of our mobile app.



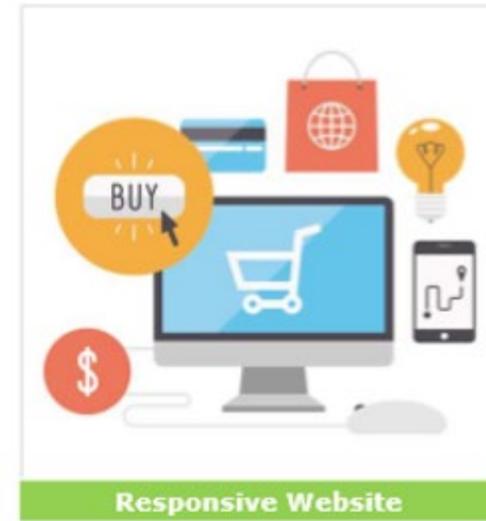
☑ Rolled out Q1

☑ Extension of the mobile app. across the U.S. in Q2



📣 Coming By 5/8

☑ Updates to our website



📣 To Roll out in Q2

# 2020 Key Focus Areas

## Update on Customer Experience Initiatives

*Reaching consumers with our product offerings whenever, wherever and however they want*



The new My Water+ app enables DS customers to simplify how they manage their recurring delivery service, **anytime** and **anywhere** – while giving them another method to communicate and transact with us.



Initial Screen



Login



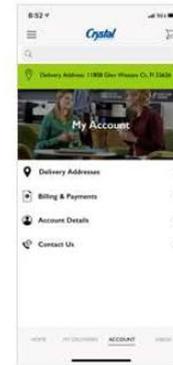
Home



My Deliveries



Delivery Detail



My Account

### Functions

- Browse new products
- Add products to your order
- View past deliveries or update upcoming deliveries
- Manage recurring delivery
- Pay your bill
- Quickly contact our customer care team via email or phone

**National Rollout:** Week of 4/27: Southern, Southeast. Week of 5/4: SoCal, Northwest/Mountain and Northeast/Central.

With the mobile app rolling out nationally, customers will increasingly take control of how they want their delivery, making it essential that we **execute our delivery service models effectively and consistently.**

# First Half of 2020 Outlook

(\$ in millions)	Q2 Guidance		H1 2020	
	Range		Range	
	Low	High	Low	High
Revenue	\$430	\$450	\$905	\$925
Adjusted EBITDA	\$70		\$140	



## Pro Forma Financial Drivers

Revenue	<ul style="list-style-type: none"><li>▪ <u>Total Revenue Growth 5%</u><ul style="list-style-type: none"><li>▪ Water Direct / Exchange : 4% to 5%</li><li>▪ Water Filtration / Refill: 5% to 7%</li><li>▪ Water Dispensers: 8%</li></ul></li></ul>
EBITDA	<ul style="list-style-type: none"><li>▪ Organic: \$12M to \$15M per year</li><li>▪ Accretive tuck-ins: \$5M to \$10M per year</li></ul>
EBITDA	<ul style="list-style-type: none"><li>▪ 20 to 30bps expansion per year</li></ul>
Synergies	<ul style="list-style-type: none"><li>▪ \$35M through year 2022</li></ul>



WATER  
CORPORATION



*Appendix*

# Adjusted Revenue

## Non-GAAP Reconciliation - Unaudited

(in millions of U.S. dollars)	Primo (a)			
	For the Three Months Ended			
	March 28, 2020	March 30, 2019	Change \$	Change %
<b>Revenue, net</b>	\$ 474.2	\$ 427.7	\$ 46.5	10.9%
Divested Cott Beverages LLC business	-	(7.2)		
<b>Adjusted Revenue</b>	\$ 474.2	\$ 420.5	\$ 53.7	12.8%
Impact of foreign exchange (b)	0.2			
<b>Adjusted Revenue excluding foreign exchange</b>	\$ 474.4	\$ 420.5	\$ 53.9	12.8%

(a) Primo Water Corporation includes the following reporting segments: Water Solutions (which includes our DSS, Aquaterra, Mountain Valley, Eden, Aimia and Legacy Primo businesses) and All Other (which includes other miscellaneous expenses and our Cott Beverages LLC business, which was sold in the first quarter of 2019).

(b) 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.

# Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) **PRIMO**

*Non-GAAP Reconciliation - Unaudited*

WATER CORPORATION

(in millions of U.S. dollars)

	<b>For the Three Months Ended</b>	
	<b>March 28, 2020</b>	<b>March 30, 2019</b>
<b>Net loss from continuing operations</b>	\$ (27.4)	\$ (22.7)
Interest expense, net	19.7	19.3
Income tax benefit	(3.3)	(1.4)
Depreciation and amortization	45.0	39.7
<b>EBITDA</b>	<b>\$ 34.0</b>	<b>\$ 34.9</b>
Acquisition and integration costs (a)	20.8	4.7
Share-based compensation costs	2.4	3.1
Foreign exchange and other losses, net	6.3	1.0
Loss on disposal of property, plant and equipment, net	1.4	1.9
Loss on sale of business	-	5.4
Other adjustments, net	5.5	2.7
<b>Adjusted EBITDA</b>	<b>\$ 70.4</b>	<b>\$ 53.7</b>
<b>Revenue, net (b)</b>	<b>\$ 474.2</b>	<b>\$ 420.5</b>
<b>Adjusted EBITDA Margin%</b>	<b>14.8%</b>	<b>12.8%</b>

(a) Includes \$0.2 million of share-based compensation costs for the three months ended March 30, 2019 related to awards granted in connection with the acquisition of our Eden business.

(b) Revenue excluding divested operations of the Cott Beverages LLC business, which was sold on February 8, 2019. Refer to slide 14 for details.

# Adjusted EBITDA by Reporting Segment\*

## Non-GAAP Reconciliation - Unaudited

For the Three Months Ended March 28, 2020

(in millions of U.S. dollars)	Water Solutions Before				
	Legacy Primo	Legacy Primo	Water Solutions	All Other	Total
Operating income (loss)	\$ 20.7	\$ 0.8	\$ 21.5	\$ (25.5)	\$ (4.0)
Other expense, net	6.1	0.9	7.0	-	7.0
Depreciation and amortization	42.3	2.6	44.9	0.1	45.0
<b>EBITDA (a)</b>	<b>\$ 56.9</b>	<b>\$ 2.5</b>	<b>\$ 59.4</b>	<b>\$ (25.4)</b>	<b>\$ 34.0</b>
Acquisition and integration costs	1.7	3.5	5.2	15.6	20.8
Share-based compensation costs	1.0	0.2	1.2	1.2	2.4
Foreign exchange and other losses, net	6.0	0.2	6.2	0.1	6.3
Loss on disposal of property, plant and equipment, net	1.4	-	1.4	-	1.4
Other adjustments, net	3.5	0.9	4.4	1.1	5.5
<b>Adjusted EBITDA</b>	<b>\$ 70.5</b>	<b>\$ 7.3</b>	<b>\$ 77.8</b>	<b>\$ (7.4)</b>	<b>\$ 70.4</b>

For the Three Months Ended March 30, 2019

(in millions of U.S. dollars)	Water Solutions				
	Water Solutions	Legacy Primo	Water Solutions	All Other	Total
Operating income (loss)	\$ 14.0	\$ -	\$ 14.0	\$ (13.3)	\$ 0.7
Other (income) expense, net	(0.5)	-	(0.5)	6.0	5.5
Depreciation and amortization	39.6	-	39.6	0.1	39.7
<b>EBITDA (a)</b>	<b>\$ 54.1</b>	<b>\$ -</b>	<b>\$ 54.1</b>	<b>\$ (19.2)</b>	<b>\$ 34.9</b>
Acquisition and integration costs	2.4	-	2.4	2.3	4.7
Share-based compensation costs	0.9	-	0.9	2.2	3.1
Foreign exchange and other losses, net	0.1	-	0.1	0.9	1.0
Loss on disposal of property, plant and equipment, net	1.9	-	1.9	-	1.9
Loss on sale of business	-	-	-	5.4	5.4
Other adjustments, net	0.6	-	0.6	2.1	2.7
<b>Adjusted EBITDA</b>	<b>\$ 60.0</b>	<b>\$ -</b>	<b>\$ 60.0</b>	<b>\$ (6.3)</b>	<b>\$ 53.7</b>

(a) EBITDA by reporting segment is derived from operating income as operating income is the performance measure regularly reviewed by the chief operating decision maker when evaluating performance of our reportable segments.

Source: Primo Management

\*Primo Water Corporation includes the following reporting segments: Water Solutions (which includes our DSS, Aquaterra, Mountain Valley, Eden, Aimia, and Legacy Primo businesses) and All Other (which includes other miscellaneous expenses and our Cott Beverages LLC business, which was sold in the first quarter of 2019). Our corporate oversight function is not treated as a segment; it includes certain general and administrative costs that are combined and disclosed in the All Other column. Management excludes corporate allocations from segment operating income as these costs are not considered by management when evaluating performance of our reportable segments.

# Legacy Primo – Pro Forma Adjusted EBITDA

## Non-GAAP Reconciliation - Unaudited

(in thousands of U.S. dollars)	For the Calendar Month Ended	
	March 31, 2020(a)	March 31, 2019(b)
<b>Net income before interest expense and income taxes</b>	\$ 1,533	\$ 1,264
Depreciation and amortization	2,693	2,067
<b>EBITDA</b>	\$ 4,226	\$ 3,331
Adjustments	4,047	898
<b>Adjusted EBITDA</b>	\$ 8,273	\$ 4,229

(in thousands of U.S. dollars)	For the Two Months Ended(b)	
	February 29, 2020	February 28, 2019
<b>Net income before interest expense and income taxes</b>	\$ 816	\$ 46
Depreciation and amortization	5,372	4,484
<b>EBITDA</b>	\$ 6,188	\$ 4,530
Adjustments	1,239	1,009
<b>Adjusted EBITDA</b>	\$ 7,427	\$ 5,539

(a) On March 2, 2020, the Company completed the acquisition of the legacy Primo business. Legacy Primo results from operations from March 2, 2020 to March 28, 2020 are included in our consolidated results. Prior to the acquisition, legacy Primo operated on a calendar month fiscal close basis. Pro forma results for the month of March are presented on a calendar month basis for comparability.

(b) Results solely attributable to the legacy Primo business.

# Pro forma LTM Interest Coverage Ratio and Net Leverage Ratio

## Non-GAAP Reconciliation - Unaudited

(in millions of U.S. dollars except financial ratios)	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q1 2020 LTM
<b>Adjusted EBITDA (a)</b>	\$ 84.0	\$ 96.4	\$ 85.4	\$ 70.4 (i)	\$ 336.2
(-) S&D contribution to Adjusted EBITDA (a)	(9.3)	(9.8)	(13.3)	-	(32.4)
(+) Legacy Primo Adjusted EBITDA (b)	13.4	15.4	12.8	7.4 (j)	49.0
(+) Synergy adjustment (c)					17.5
<b>Pro forma Adjusted EBITDA</b>	\$ 88.1	\$ 102.0	\$ 84.9	\$ 77.8	\$ 370.3
Interest expense as reported (d)	\$ 19.1	\$ 20.2	\$ 19.6	\$ 19.7	\$ 78.6
Total debt ( e)					\$ 1,371.6
Unrestricted cash (f)					\$ 99.3
Pro forma LTM interest coverage ratio (g)					4.7x
Pro forma LTM net leverage ratio (h)					3.4x

(a) Refer to the Company's public filings for the respective 2019 period.

(b) Refer to Legacy Primo's public filings for the respective 2019 period as found in the SEC website under CIK 0001365101.

(c) Synergy adjustment assumes capture of half of projected synergies.

(d) Pro forma impact to interest expense due to the divestiture of the S&D business and the addition of the Legacy Primo business assumed immaterial to LTM pro forma interest expense.

(e) Total debt as of March 28, 2020 of \$1,407.8 million adjusted to exclude \$49.5 million of finance lease obligations and \$13.3 million of unamortized debt costs.

(f) Unrestricted cash defined as cash and cash equivalents as of March 28, 2020 of \$112.2 million adjusted to exclude \$12.9 million of restricted cash held in escrow accounts by third party agents.

(g) Pro forma LTM coverage ratio defined as pro forma LTM adjusted EBITDA divided by LTM interest expense.

(h) Pro forma LTM net leverage ratio defined as net debt (total debt, as adjusted, minus unrestricted cash) divided by pro forma LTM adjusted EBITDA.

(i) See slide 14 for non-GAAP reconciliation.

(j) See slide 16 for pro forma non-GAAP reconciliation.



thank you

[www.primowatercorp.com](http://www.primowatercorp.com)