

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

FORM 10-Q

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

For the quarterly period ended: **October 2, 2021**

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

For the transition period from _____ to _____

Commission File Number: **001-31410**

PRIMO WATER CORPORATION

(Exact name of registrant as specified in its charter)

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

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

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

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

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

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

<u>Class</u> Common Shares, no par value per share	<u>Outstanding at November 1, 2021</u> 160,098,727
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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	
	October 2, 2021	September 26, 2020	October 2, 2021	September 26, 2020
Revenue, net	\$ 550.8	\$ 517.5	\$ 1,555.3	\$ 1,448.5
Cost of sales	242.4	213.4	685.2	616.4
Gross profit	308.4	304.1	870.1	832.1
Selling, general and administrative expenses	263.6	257.2	771.5	759.0
Loss on disposal of property, plant and equipment, net	—	2.3	5.4	6.2
Acquisition and integration expenses	2.6	3.3	6.3	28.4
Goodwill and intangible asset impairment charges	—	—	—	115.2
Operating income (loss)	42.2	41.3	86.9	(76.7)
Other expense (income), net	4.3	(4.8)	29.5	0.6
Interest expense, net	16.7	20.4	53.4	60.8
Income (loss) from continuing operations before income taxes	21.2	25.7	4.0	(138.1)
Income tax expense (benefit)	3.1	3.4	4.4	(1.3)
Net income (loss) from continuing operations	\$ 18.1	\$ 22.3	\$ (0.4)	\$ (136.8)
Net (loss) income from discontinued operations, net of income taxes	—	(0.3)	—	26.3
Net income (loss)	\$ 18.1	\$ 22.0	\$ (0.4)	\$ (110.5)
Net income (loss) per common share				
Basic:				
Continuing operations	\$ 0.11	\$ 0.14	\$ 0.00	\$ (0.89)
Discontinued operations	—	—	—	0.17
Net income (loss)	\$ 0.11	\$ 0.14	\$ 0.00	\$ (0.72)
Diluted:				
Continuing operations	\$ 0.11	\$ 0.14	\$ 0.00	\$ (0.89)
Discontinued operations	—	—	—	0.17
Net income (loss)	\$ 0.11	\$ 0.14	\$ 0.00	\$ (0.72)
Weighted average common shares outstanding (in thousands)				
Basic	160,481	160,101	160,892	153,723
Diluted	161,932	161,433	160,892	153,723

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	
	October 2, 2021	September 26, 2020	October 2, 2021	September 26, 2020
Net income (loss)	\$ 18.1	\$ 22.0	\$ (0.4)	\$ (110.5)
Other comprehensive income (loss):				
Currency translation adjustment	1.2	(4.8)	9.7	(15.1)
Loss on derivative instruments, net of tax ¹	—	—	—	(11.2)
Comprehensive income (loss)	\$ 19.3	\$ 17.2	\$ 9.3	\$ (136.8)

¹ Net of the effect of \$3.0 million tax benefit and \$1.3 million associated tax impact that resulted in a decrease to the gain on sale of discontinued operations for the nine months ended September 26, 2020.

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

Primo Water Corporation
Consolidated Balance Sheets
(in millions of U.S. dollars, except share amounts)
Unaudited

	October 2, 2021	January 2, 2021
ASSETS		
<i>Current assets</i>		
Cash and cash equivalents	\$ 125.3	\$ 115.1
Accounts receivable, net of allowance of \$21.0 (\$20.7 as of January 2, 2021)	287.6	222.3
Inventories	95.7	83.8
Prepaid expenses and other current assets	21.1	21.3
Total current assets	529.7	442.5
Property, plant and equipment, net	689.5	685.6
Operating lease right-of-use-assets	174.6	180.6
Goodwill	1,277.0	1,284.3
Intangible assets, net	948.4	987.6
Other long-term assets, net	23.9	24.1
Total assets	\$ 3,643.1	\$ 3,604.7
LIABILITIES AND EQUITY		
<i>Current liabilities</i>		
Short-term borrowings	\$ 172.9	\$ 107.7
Current maturities of long-term debt	14.1	17.9
Accounts payable and accrued liabilities	442.1	387.7
Current operating lease obligations	33.9	35.5
Total current liabilities	663.0	548.8
Long-term debt	1,308.4	1,345.1
Operating lease obligations	143.8	148.0
Deferred tax liabilities	149.6	148.1
Other long-term liabilities	64.8	67.8
Total liabilities	2,329.6	2,257.8
<i>Shareholders' Equity</i>		
Common shares, no par value - 160,135,328 (January 2, 2021 - 160,406,464) shares issued	1,277.8	1,268.0
Additional paid-in-capital	83.0	84.5
Retained earnings	29.7	81.1
Accumulated other comprehensive loss	(77.0)	(86.7)
Total shareholders' equity	1,313.5	1,346.9
Total liabilities and shareholders' equity	\$ 3,643.1	\$ 3,604.7

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	
	October 2, 2021	September 26, 2020	October 2, 2021	September 26, 2020
Cash flows from operating activities of continuing operations:				
Net income (loss)	\$ 18.1	\$ 22.0	\$ (0.4)	\$ (110.5)
Net (loss) income from discontinued operations, net of income taxes	—	(0.3)	—	26.3
Net income (loss) from continuing operations	18.1	22.3	(0.4)	(136.8)
Adjustments to reconcile net income (loss) from continuing operations to cash flows from operating activities:				
Depreciation and amortization	53.3	53.6	158.4	151.4
Amortization of financing fees	0.8	0.9	2.5	2.7
Share-based compensation expense	3.8	6.2	10.0	13.5
Provision (benefit) for deferred income taxes	1.9	1.8	1.3	(2.6)
Loss on extinguishment of debt	—	—	27.2	—
(Gain) loss on sale of business	—	—	—	(0.6)
Goodwill and intangible asset impairment charges	—	—	—	115.2
Loss on disposal of property, plant and equipment, net	—	2.3	5.4	6.2
Other non-cash items	3.9	(2.8)	2.9	1.7
Change in operating assets and liabilities, net of acquisitions:				
Accounts receivable	(3.3)	(48.6)	(65.2)	(38.5)
Inventories	(9.6)	0.5	(12.7)	3.0
Prepaid expenses and other current assets	3.6	(3.9)	(0.6)	(3.5)
Other assets	0.1	(0.3)	0.4	(0.9)
Accounts payable and accrued liabilities and other liabilities	10.8	21.2	42.5	12.6
Net cash provided by operating activities from continuing operations	83.4	53.2	171.7	123.4
Cash flows from investing activities of continuing operations:				
Acquisitions, net of cash received	(12.9)	(1.2)	(13.2)	(435.7)
Additions to property, plant and equipment	(37.5)	(21.4)	(99.3)	(85.0)
Additions to intangible assets	(2.6)	(2.5)	(6.7)	(7.9)
Proceeds from sale of property, plant and equipment	0.7	0.2	1.4	1.0
Other investing activities	(1.2)	—	(1.2)	1.1
Net cash used in investing activities from continuing operations	(53.5)	(24.9)	(119.0)	(526.5)

Cash flows from financing activities of continuing operations:				
Payments of long-term debt	(3.5)	(2.3)	(760.5)	(7.6)
Issuance of long-term debt	—	—	750.0	—
Proceeds from short-term borrowings	38.2	—	83.2	323.9
Payments on short-term borrowings	(18.0)	(70.0)	(28.0)	(279.9)
Premiums and costs paid upon extinguishment of long-term debt	—	—	(20.6)	—
Issuance of common shares	3.4	1.2	19.1	2.0
Common shares repurchased and canceled	(29.3)	(0.2)	(45.6)	(32.3)
Financing fees	—	(0.6)	(11.3)	(3.4)
Equity issuance fees	—	—	—	(1.1)
Dividends paid to common shareholders	(9.6)	(9.6)	(29.2)	(29.9)
Payment of deferred consideration for acquisitions	—	—	(1.8)	(1.2)
Other financing activities	1.1	7.9	5.4	19.1
Net cash used in financing activities from continuing operations	(17.7)	(73.6)	(39.3)	(10.4)
Cash flows from discontinued operations:				
Operating activities of discontinued operations	0.1	(0.7)	(1.7)	(18.7)
Investing activities of discontinued operations	—	(4.0)	—	388.9
Financing activities of discontinued operations	—	—	—	(0.1)
Net cash provided by (used in) discontinued operations	0.1	(4.7)	(1.7)	370.1
Effect of exchange rate changes on cash	(1.2)	0.8	(1.5)	(0.2)
Net increase (decrease) in cash, cash equivalents and restricted cash	11.1	(49.2)	10.2	(43.6)
Cash and cash equivalents and restricted cash, beginning of period	114.2	211.1	115.1	205.5
Cash and cash equivalents and restricted cash, end of period	<u>\$ 125.3</u>	<u>\$ 161.9</u>	<u>\$ 125.3</u>	<u>\$ 161.9</u>
Supplemental Non-cash Investing and Financing Activities:				
Shares issued in connection with business combination	\$ —	\$ —	\$ —	\$ 377.6
Accrued deferred financing fees	0.2	—	0.2	—
Dividends payable issued through accounts payable and accrued liabilities	0.1	0.1	0.2	0.3
Additions to property, plant and equipment through accounts payable and accrued liabilities and other liabilities	22.4	13.1	29.7	14.7
Financing lease right-of-use assets obtained in exchange for lease obligations	2.1	8.5	8.0	32.5
Operating lease right-of-use assets obtained in exchange for lease obligations	2.5	4.9	20.7	19.8
Supplemental Disclosures of Cash Flow Information:				
Cash paid for interest	\$ 2.6	\$ 16.2	\$ 42.8	\$ 54.8
Cash paid for income taxes, net	1.5	4.1	7.7	6.8

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	Retained Earnings	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
Balance at July 3, 2021	161,604	\$ 1,287.7	\$ 80.1	\$ 36.4	\$ (78.2)	\$ 1,326.0
Net income	—	—	—	18.1	—	18.1
Other comprehensive income, net of tax	—	—	—	—	1.2	1.2
Common shares dividends (\$0.06 per common share)	—	—	—	(9.7)	—	(9.7)
Share-based compensation	—	—	3.8	—	—	3.8
Common shares repurchased and canceled	(1,783)	(14.2)	—	(15.1)	—	(29.3)
Common shares issued - Equity Incentive Plan	289	3.9	(0.8)	—	—	3.1
Common shares issued - Employee Stock Purchase Plan	25	0.4	(0.1)	—	—	0.3
Balance at October 2, 2021	160,135	\$ 1,277.8	\$ 83.0	\$ 29.7	\$ (77.0)	\$ 1,313.5

	Number of Common Shares <i>(In thousands)</i>	Common Shares	Additional Paid- in-Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
Balance at January 2, 2021	160,406	\$ 1,268.0	\$ 84.5	\$ 81.1	\$ (86.7)	\$ 1,346.9
Net loss	—	—	—	(0.4)	—	(0.4)
Other comprehensive income, net of tax	—	—	—	—	9.7	9.7
Common shares dividends (\$0.18 per common share)	—	—	—	(29.2)	—	(29.2)
Share-based compensation	—	—	10.0	—	—	10.0
Common shares repurchased and canceled	(2,765)	(23.8)	—	(21.8)	—	(45.6)
Common shares issued - Equity Incentive Plan	2,408	32.2	(11.3)	—	—	20.9
Common shares issued - Dividend Reinvestment Plan	1	—	—	—	—	—
Common shares issued - Employee Stock Purchase Plan	85	1.4	(0.2)	—	—	1.2
Balance at October 2, 2021	160,135	\$ 1,277.8	\$ 83.0	\$ 29.7	\$ (77.0)	\$ 1,313.5

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

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

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,” “we,” “us,” or “our” refers to Primo Water Corporation, together with its consolidated subsidiaries. Primo is a leading provider of sustainable drinking water solutions in North America and Europe. Primo operates largely under a recurring razor/razorblade revenue model. The razor in Primo’s revenue model is its industry leading line-up of sleek and innovative water dispensers, which are sold through retailers and online at various price points. The dispensers help increase household penetration, which drives recurring purchases of Primo’s razorblade offering. Primo’s razorblade offering is comprised of Water Direct, Water Exchange, and Water Refill. Through its Water Direct business, Primo delivers sustainable hydration solutions across its 22-country footprint direct to the customer’s door, whether at home or to commercial businesses. Through its Water Exchange and Water Refill businesses, Primo offers pre-filled and reusable containers at over 13,000 locations and water refill units at approximately 22,000 locations, respectively. Primo also offers water filtration units.

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

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 January 2, 2021 included herein was derived from the audited Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended January 2, 2021 (our “2020 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 2020 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.

COVID-19 Pandemic

In response to the novel coronavirus (“COVID-19”) pandemic, certain government authorities have enacted programs which provide various economic stimulus measures, including several tax provisions. Among the business tax provisions is the deferral of certain payroll and other tax remittances to future years and wage subsidies as reimbursement for a portion of certain furloughed employees’ salaries. During the three and nine months ended October 2, 2021, we received wage subsidies under these programs totaling \$0.2 million and \$2.4 million, respectively. We review our eligibility for these programs for each qualifying period and account for such wage subsidies on an accrual basis when the conditions for eligibility are met. We have adopted an accounting policy to present wage subsidies as a reduction of selling, general and administrative (“SG&A”) expenses. In addition, deferred payroll and other taxes totaling \$7.8 million and \$9.0 million were included in accounts payable and accrued liabilities and \$7.5 million was included in other long-term liabilities on our Consolidated Balance Sheets as of October 2, 2021 and January 2, 2021, respectively.

Significant Accounting Policies

Included in Note 1 of our 2020 Annual Report is a summary of the Company's significant accounting policies. Provided below is a summary of additional accounting policies that are significant to the financial results of the Company.

Cost of sales

We record costs associated with the manufacturing of our products in cost of sales. Shipping and handling costs incurred to store, prepare and move products between production facilities or from production facilities to branch locations or storage facilities are recorded in cost of sales. Shipping and handling costs incurred to deliver products from our North America and Rest of World reporting segment branch locations to the end-user consumer of those products are recorded in SG&A expenses. All other costs incurred in the shipment of products from our production facilities to customer locations are reflected in cost of sales. Shipping and handling costs included in SG&A expenses were \$125.0 million and \$353.7 million for the three and nine months ended October 2, 2021, respectively, and \$110.4 million and \$330.2 million for the three and nine months ended September 26, 2020, 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 2018-14 – Compensation—Retirement Benefits—Defined Benefit Plans—General (Subtopic 715-20)

In August 2018, the Financial Accounting Standards Board ("FASB") amended its guidance on disclosure requirements for defined benefit plans. The update amends existing annual disclosure requirements applicable to all employers that sponsor defined benefit pension and other postretirement plans by adding, removing, and clarifying certain disclosures. The amendments in this update are effective for fiscal years beginning after December 15, 2020, with early adoption permitted, and are to be applied on a retrospective basis to all periods presented. Adoption of the new standard did not have a material impact on our Consolidated Financial Statements.

Recently issued accounting pronouncements

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

In March 2020, the FASB issued guidance which provides optional expedients and exceptions to account for contracts, hedging relationships and other transactions that reference LIBOR or any other reference rates expected to be discontinued because of reference rate reform. This guidance is effective as of March 12, 2020 through December 31, 2022 and may be applied prospectively to contract modifications made and hedging relationships entered into or evaluated on or before December 31, 2022. We are currently evaluating our contracts and do not expect a material impact at this time. 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. Additional elections of expedients and exceptions provided under the ASU will be made when contract modifications in response to reference rate reform commence.

Note 2—Discontinued Operations

In February 2020, the Company completed the sale of our coffee, tea and extract solutions business, S. & D. Coffee, Inc. ("S&D") via an equity divestiture ("S&D Divestiture"). The consideration was \$405.0 million paid at closing in cash, with customary post-closing working capital adjustments, which were resolved in June 2020 by payment of \$1.5 million from the Company to the purchaser.

The Company used the proceeds of the S&D Divestiture to finance a portion of the acquisition of Primo Water Corporation ("Legacy Primo" and such transaction, the "Legacy Primo Acquisition"). See Note 4 to the Consolidated Financial Statements for additional information on the Legacy Primo Acquisition.

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

(in millions of U.S. dollars)	For the Three Months Ended		For the Nine Months Ended
	September 26, 2020		September 26, 2020
Revenue, net ¹	\$	—	\$ 97.1
Cost of sales		—	71.1
Operating loss from discontinued operations		—	(0.5)
(Loss) gain on sale of discontinued operations		(0.4)	54.5
Net (loss) income from discontinued operations, before income taxes		(0.4)	53.9
Income tax (benefit) expense ²		(0.1)	27.6
Net (loss) income from discontinued operations, net of income taxes	\$	(0.3)	\$ 26.3

¹ Includes \$1.0 million of related party sales to continuing operations for the nine months ended September 26, 2020.

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

Note 3—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 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 \$8.5 million and \$9.9 million on October 2, 2021 and January 2, 2021, 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 October 2, 2021 and January 2, 2021 were \$13.5 million and \$11.7 million, respectively. The amount of revenue recognized in the three and nine months ended October 2, 2021 that was included in the January 2, 2021 deferred revenue balance was \$1.0 million and \$10.6 million, respectively.

The Company does not have any material contract assets as of October 2, 2021 and January 2, 2021.

Disaggregated Revenue

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

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

(in millions of U.S. dollars)	For the Three Months Ended		For the Nine Months Ended	
	October 2, 2021	September 26, 2020	October 2, 2021	September 26, 2020
United States	\$ 395.2	\$ 376.3	\$ 1,123.2	\$ 1,061.0
United Kingdom	40.1	33.7	115.0	101.8
Canada	18.5	17.1	53.0	47.2
All other countries	97.0	90.4	264.1	238.5
Total	\$ 550.8	\$ 517.5	\$ 1,555.3	\$ 1,448.5

Note 4—Acquisitions

Legacy Primo Acquisition

In March 2020, the Company completed the Legacy Primo Acquisition, adding North America's leading single source provider of multi-gallon purified bottled water, self-service refill drinking water and water dispensers sold through retailers to the Company's catalog of residential and commercial bottled water delivery businesses in North America and Europe. The Legacy Primo Acquisition was structured as an exchange offer to purchase all of the outstanding shares of common stock of Legacy Primo for per-share consideration of (i) \$14.00 in cash, (ii) 1.0229 common shares plus cash in lieu of any fractional common share, or (iii) \$5.04 in cash and 0.6549 common shares, at the election of Legacy Primo's stockholders, subject to the proration procedures set forth in the merger agreement. Immediately following the consummation of the exchange offer, we indirectly acquired the remaining Legacy Primo shares through a merger between Legacy Primo and one of our wholly-owned subsidiaries.

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

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

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

(in millions of U.S. dollars)	Originally Reported	Measurement Period Adjustments	Acquired Value
Cash and cash equivalents	\$ 1.3	\$ —	\$ 1.3
Accounts receivable	21.6	—	21.6
Inventory	18.4	—	18.4
Prepaid expenses and other current assets	5.3	—	5.3
Property, plant and equipment	107.8	—	107.8
Operating lease right-of-use-assets	4.3	—	4.3
Goodwill	301.2	1.3	302.5
Intangible assets	421.6	—	421.6
Other assets	0.4	—	0.4
Current maturities of long-term debt	(2.3)	—	(2.3)
Accounts payable and accrued liabilities	(42.0)	(0.2)	(42.2)
Current operating lease obligations	(1.4)	—	(1.4)
Long-term debt	(5.6)	—	(5.6)
Operating lease obligations	(3.0)	—	(3.0)
Deferred tax liabilities	(27.6)	(1.1)	(28.7)
Other long-term liabilities	(1.8)	—	(1.8)
Total	<u>\$ 798.2</u>	<u>\$ —</u>	<u>\$ 798.2</u>

Measurement period adjustments recorded during the nine months ended October 2, 2021 include a deferred tax adjustment related to the final valuation and an adjustment to accounts payable and accrued liabilities based on a review of the respective fair value as of the date of the Legacy Primo Acquisition. The measurement period adjustment did not have a material effect on our results of operations in prior periods.

Supplemental Pro Forma Data (unaudited)

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

(in millions of U.S. dollars, except per share amounts)	For the Three Months Ended		For the Nine Months Ended	
	September 26, 2020		September 26, 2020	
Revenue	\$	517.5	\$	1,489.0
Net income (loss) from continuing operations	\$	22.3	\$	(118.7)
Net income (loss)	\$	22.0	\$	(92.4)
Net income (loss) per common share from continuing operations, diluted	\$	0.14	\$	(0.77)
Net income (loss) per common share, diluted	\$	0.14	\$	(0.60)

Note 5—Share-based Compensation

During the nine months ended October 2, 2021, we granted 76,500 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 6—Income Taxes

Income tax expense was \$3.1 million on pre-tax income from continuing operations of \$21.2 million for the three months ended October 2, 2021, as compared to income tax expense of \$3.4 million on pre-tax income from continuing operations of \$25.7 million in the comparable prior year period. Income tax expense was \$4.4 million on pre-tax income from continuing operations of \$4.0 million for the nine months ended October 2, 2021, as compared to income tax benefit of \$1.3 million on pre-tax loss of continuing operations of \$138.1 million in the comparable prior year period. The effective income tax rates for the three and nine months ended October 2, 2021 were 14.6% and 110.0%, respectively, compared to 13.2% and 0.9% in the comparable prior year periods.

The effective tax rate for the three months ended October 2, 2021 varied from the effective tax rate in the comparable prior year period due primarily to increased earnings in taxable jurisdictions. The effective tax rate for the nine months ended October 2, 2021 varied from the effective tax rate in the comparable prior year period due primarily to increased earnings in taxable jurisdictions and impairment charges incurred in the prior year period for which minimal tax benefit was recognized.

The effective tax rate for the three and nine months ended October 2, 2021 varied from the statutory tax rate primarily due to losses in tax jurisdictions for which no tax benefit is recognized due to existing valuation allowances, as well as income in tax jurisdictions with tax rates lower than the Canadian statutory tax rate.

Note 7—Common Shares and Net Income (Loss) per Common Share***Common Shares***

On May 4, 2021, our Board of Directors approved a new share repurchase program for up to \$50.0 million of our outstanding common shares over a 12-month period commencing on May 10, 2021 (the “Repurchase Plan”). For the three and nine months ended October 2, 2021, we repurchased 1,781,405 and 2,567,422 common shares for approximately \$29.3 million and \$42.2 million, respectively, through open market transactions under the Repurchase Plan. Shares purchased under the Repurchase Plan were subsequently canceled. There can be no assurance as to the precise number of common shares, if any, that will be repurchased under the Repurchase Plan in the future, 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.

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. Set forth below is a reconciliation of the numerator and denominator for the diluted net income (loss) per common share computations for the periods indicated:

	For the Three Months Ended		For the Nine Months Ended	
	October 2, 2021	September 26, 2020	October 2, 2021	September 26, 2020
Numerator (in millions of U.S. dollars):				
Net income (loss) from continuing operations	\$ 18.1	\$ 22.3	\$ (0.4)	\$ (136.8)
Net (loss) income from discontinued operations	—	(0.3)	—	26.3
Net income (loss)	<u>18.1</u>	<u>22.0</u>	<u>(0.4)</u>	<u>(110.5)</u>
Basic Earnings Per Share				
Denominator (in thousands):				
Weighted average common shares outstanding - basic	160,481	160,101	160,892	153,723
Basic Earnings Per Share:				
Continuing operations	0.11	0.14	—	(0.89)
Discontinued operations	—	—	—	0.17
Net income (loss)	<u>0.11</u>	<u>0.14</u>	<u>—</u>	<u>(0.72)</u>
Diluted Earnings Per Share				
Denominator (in thousands):				
Weighted average common shares outstanding - basic	160,481	160,101	160,892	153,723
Dilutive effect of Stock Options	919	916	—	—
Dilutive effect of Performance-based RSUs	214	132	—	—
Dilutive effect of Time-based RSUs	318	284	—	—
Weighted average common shares outstanding - diluted	<u>161,932</u>	<u>161,433</u>	<u>160,892</u>	<u>153,723</u>
Diluted Earnings Per Share:				
Continuing operations	0.11	0.14	—	(0.89)
Discontinued operations	—	—	—	0.17
Net income (loss)	<u>0.11</u>	<u>0.14</u>	<u>—</u>	<u>(0.72)</u>

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	
	October 2, 2021	September 26, 2020	October 2, 2021	September 26, 2020
Stock Options	1,606	3,256	5,445	6,419
Performance-based RSUs ¹	511	786	870	925
Time-based RSUs	1	5	469	490

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

Note 8—Segment Reporting

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

(in millions of U.S. dollars)	North America	Rest of World	All Other	Total
For the Three Months Ended October 2, 2021				
Revenue, net	\$ 413.3	\$ 137.5	\$ —	\$ 550.8
Depreciation and amortization	37.8	15.1	0.4	53.3
Operating income (loss)	48.6	4.4	(10.8)	42.2
Additions to property, plant and equipment	27.1	10.3	0.1	37.5
For the Nine Months Ended October 2, 2021				
Revenue, net	\$ 1,175.5	\$ 379.8	\$ —	\$ 1,555.3
Depreciation and amortization	112.1	45.2	1.1	158.4
Operating income (loss)	114.8	2.4	(30.3)	86.9
Additions to property, plant and equipment	71.4	27.7	0.2	99.3

(in millions of U.S. dollars)	North America	Rest of World	All Other	Total
For the Three Months Ended September 26, 2020				
Revenue, net	\$ 393.2	\$ 124.3	\$ —	\$ 517.5
Depreciation and amortization	38.5	14.8	0.3	53.6
Operating income (loss) ¹	45.4	8.5	(12.6)	41.3
Additions to property, plant and equipment	16.6	4.7	0.1	21.4
For the Nine Months Ended September 26, 2020				
Revenue, net	\$ 1,107.8	\$ 340.7	\$ —	\$ 1,448.5
Depreciation and amortization	107.1	43.4	0.9	151.4
Operating income (loss) ¹	92.5	(122.0)	(47.2)	(76.7)
Additions to property, plant and equipment	65.5	19.6	(0.1)	85.0

¹ We revised the allocation of information technology costs from the All Other category to our North America and Rest of World reporting segments to reflect how the Chief Executive Officer, who is our chief operating decision maker, measures the performance of our segments. As a result of the change, operating income (loss) for the prior periods have been recast to decrease operating income in our North America reporting segment by \$0.6 million, decrease operating income in our Rest of World reporting segment by \$1.7 million, and decrease operating loss in the All Other category by \$2.3 million for the three months ended September 26, 2020. Operating income (loss) for the nine months ended September 26, 2020 has been recast to decrease operating income in our North America reporting segment by \$1.6 million, increase operating loss in our Rest of World reporting segment by \$5.1 million, and decrease operating loss in the All Other category by \$6.7 million.

Revenues by channel by reporting segment were as follows:

(in millions of U.S. dollars)	For the Three Months Ended October 2, 2021			
	North America	Rest of World	All Other	Total
<i>Revenue, net</i>				
Water Direct/Water Exchange	\$ 281.9	\$ 62.3	\$ —	\$
Water Refill/Water Filtration	47.0	8.6	—	
Other Water	42.6	24.2	—	
Water Dispensers	16.1	—	—	
Other	25.7	42.4	—	
Total	\$ 413.3	\$ 137.5	\$ —	\$

(in millions of U.S. dollars)	For the Nine Months Ended October 2, 2021			
	North America	Rest of World	All Other	Total
<i>Revenue, net</i>				
Water Direct/Water Exchange	\$ 785.6	\$ 169.2	\$ —	\$
Water Refill/Water Filtration	137.2	24.5	—	
Other Water	125.7	62.0	—	
Water Dispensers	48.7	—	—	
Other	78.3	124.1	—	
Total	\$ 1,175.5	\$ 379.8	\$ —	\$ 1,555.3

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

(in millions of U.S. dollars)	For the Nine Months Ended September 26, 2020			
	North America	Rest of World	All Other	Total
<i>Revenue, net</i>				
Direct/Water Exchange	\$ 713	160	\$—	875.6
Refill/Water Filtration	123.8	21.5	—	145.3
Water	123.7	48.0	—	171.7
Dispensers	55.2	—	—	55.2
	89.8	110.9	—	200.7
Total	\$ 1,108	340	\$—	1,448.5

Note 9—Inventories

The following table summarizes inventories as of October 2, 2021 and January 2, 2021:

<u>(in millions of U.S. dollars)</u>	<u>October 2, 2021</u>		<u>January 2, 2021</u>	
Raw materials	\$	59.8	\$	43.6
Finished goods		25.4		28.0
Resale items		9.7		11.1
Other		0.8		1.1
Total	\$	95.7	\$	83.8

Note 10—Debt

Our total debt as of October 2, 2021 and January 2, 2021 was as follows:

<u>(in millions of U.S. dollars)</u>	<u>October 2, 2021</u>			<u>January 2, 2021</u>		
	<u>Principal</u>	<u>Unamortized Debt Costs</u>	<u>Net</u>	<u>Principal</u>	<u>Unamortized Debt Costs</u>	<u>Net</u>
5.500% senior notes due in 2025	—	—	—	750.0	7.0	743.0
3.875% senior notes due in 2028	521.5	7.4	514.1	551.9	8.3	543.6
4.375% senior notes due in 2029	750.0	10.3	739.7	—	—	—
Revolving Credit Facility	160.0	—	160.0	104.8	—	104.8
Short-term borrowings	12.9	—	12.9	2.9	—	2.9
Finance leases	68.4	—	68.4	71.5	—	71.5
Other debt financing	0.3	—	0.3	4.9	—	4.9
Total debt	1,513.1	17.7	1,495.4	1,486.0	15.3	1,470.7
Less: Short-term borrowings and current debt:						
Revolving Credit Facility	160.0	—	160.0	104.8	—	104.8
Short-term borrowings	12.9	—	12.9	2.9	—	2.9
Finance leases - current maturities	14.0	—	14.0	13.2	—	13.2
Other debt financing	0.1	—	0.1	4.7	—	4.7
Total current debt	187.0	—	187.0	125.6	—	125.6
Total long-term debt	\$ 1,326.1	\$ 17.7	\$ 1,308.4	\$ 1,360.4	\$ 15.3	\$ 1,345.1

4.375% Senior Notes due in 2029

On April 30, 2021, we issued \$750.0 million of 4.375% senior notes due April 30, 2029 (“2029 Notes”) to qualified purchasers in a private placement offering under Rule 144A under the Securities Act of 1933, as amended (the “Securities Act”), and outside the United States to non-U.S. purchasers pursuant to Regulation S under the Securities Act and other applicable laws. The 2029 Notes were issued by our wholly-owned subsidiary Primo Water Holdings Inc. The 2029 Notes are guaranteed by the Company and certain subsidiaries that are currently obligors under the \$350.0 million senior secured revolving credit facility and the €450.0 million of 3.875% senior notes due October 31, 2028. The 2029 Notes will mature on April 30, 2029 and interest is payable semi-annually on April 30th and October 31st of each year commencing on October 31, 2021. The proceeds of the 2029 Notes, along with available cash on hand, were used to redeem in full the \$750.0 million of 5.500% senior notes due April 1, 2025 (“2025 Notes”) and pay related premiums, fees and expenses.

We incurred approximately \$11.2 million of financing fees for the issuance of the 2029 Notes. The financing fees are being amortized using the effective interest method over an eight-year period, which represents the term to maturity of the 2029 Notes.

The redemption of the 2025 Notes included \$20.6 million in premium payments, accrued interest of \$3.6 million, and the write-off of \$6.6 million in deferred financing fees.

Note 11—Accumulated Other Comprehensive (Loss) Income

Changes in accumulated other comprehensive (loss) income (“AOCI”) by component for the three and nine months ended October 2, 2021 and September 26, 2020 were as follows:

(in millions of U.S. dollars) ¹	Gains and Losses on Derivative Instruments	Pension Benefit Plan Items	Currency Translation Adjustment Items	Total
Beginning balance July 3, 2021	\$ —	\$ (1.1)	\$ (77.1)	\$ (78.2)
OCI before reclassifications	—	—	1.2	1.2
Amounts reclassified from AOCI	—	—	—	—
Net current-period OCI	—	—	1.2	1.2
Ending Balance October 2, 2021	<u>\$ —</u>	<u>\$ (1.1)</u>	<u>\$ (75.9)</u>	<u>\$ (77.0)</u>
Beginning balance January 2, 2021	\$ —	\$ (1.1)	\$ (85.6)	\$ (86.7)
OCI before reclassifications	—	—	9.7	9.7
Amounts reclassified from AOCI	—	—	—	—
Net current-period OCI	—	—	9.7	9.7
Ending Balance October 2, 2021	<u>\$ —</u>	<u>\$ (1.1)</u>	<u>\$ (75.9)</u>	<u>\$ (77.0)</u>
Beginning balance June 27, 2020	\$ —	\$ (1.0)	\$ (89.0)	\$ (90.0)
OCI before reclassifications	—	—	(4.8)	(4.8)
Amounts reclassified from AOCI	—	—	—	—
Net current-period OCI	—	—	(4.8)	(4.8)
Ending balance September 26, 2020	<u>\$ —</u>	<u>\$ (1.0)</u>	<u>\$ (93.8)</u>	<u>\$ (94.8)</u>
Beginning balance December 28, 2019	\$ 11.2	\$ (1.0)	\$ (78.7)	\$ (68.5)
OCI before reclassifications	(8.7)	—	(15.1)	(23.8)
Amounts reclassified from AOCI	(2.5)	—	—	(2.5)
Net current-period OCI	(11.2)	—	(15.1)	(26.3)
Ending balance September 26, 2020	<u>\$ —</u>	<u>\$ (1.0)</u>	<u>\$ (93.8)</u>	<u>\$ (94.8)</u>

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

The following table summarizes the amounts reclassified from AOCI for the three and nine months ended October 2, 2021 and September 26, 2020, respectively:

(in millions of U.S. dollars)	For the Three Months Ended		For the Nine Months Ended		Affected Line Item in the Statement Where Net Income Is Presented
	October 2, 2021	September 26, 2020	October 2, 2021	September 26, 2020	
Details About AOCI Components ¹					
Gains and losses on derivative instruments					
Foreign currency and commodity hedges	\$ —	\$ —	\$ —	\$ 0.1	Cost of sales
Commodity hedges ²	—	—	—	2.4	Gain on sale of discontinued operations
	—	—	—	2.5	Total before taxes
	—	—	—	—	Tax expense or (benefit)
	\$ —	\$ —	\$ —	\$ 2.5	Net of tax
Amortization of pension benefit plan items					
Actuarial (losses)/gains ³	\$ —	\$ —	\$ —	\$ —	
Prior service costs ³	—	—	—	—	
	—	—	—	—	Total before taxes
	—	—	—	—	Tax expense or (benefit)
	\$ —	\$ —	\$ —	\$ —	Net of tax
Total reclassifications for the period	\$ —	\$ —	\$ —	\$ 2.5	Net of tax

¹ Amounts in parentheses indicate debits.

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

³ These AOCI components are included in the computation of net periodic pension cost.

Note 12—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 \$48.9 million in standby letters of credit outstanding as of October 2, 2021 (\$50.6 million as of January 2, 2021).

During the third quarter of 2021, we entered into a 10 year office lease beginning in 2022. The total lease commitment for this operating lease is approximately \$21.9 million.

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 \$17.0 million as of October 2, 2021, 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. Discussions with the landlords are ongoing. We currently do not believe it is probable we would be required to perform under any of these guarantees or any of the underlying obligations.

Note 13—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 October 2, 2021 and January 2, 2021 were as follows:

(in millions of U.S. dollars)	October 2, 2021		January 2, 2021	
	Carrying Value	Fair Value	Carrying Value	Fair Value
5.500% senior notes due in 2025 ^{1,2}	—	—	743.0	767.2
3.875% senior notes due in 2028 ^{1,2}	514.2	531.6	543.6	559.9
4.375% senior notes due in 2029 ^{1,2}	739.7	737.0	—	—
Total	<u>\$ 1,253.9</u>	<u>\$ 1,268.6</u>	<u>\$ 1,286.6</u>	<u>\$ 1,327.1</u>

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

² Carrying value of our significant outstanding debt is net of unamortized debt issuance costs as of October 2, 2021 and January 2, 2021 (see Note 10 to the Consolidated Financial Statements).

Note 14—Subsequent Events

On November 2, 2021, our Board of Directors declared a dividend of \$0.06 per share on common shares, payable in cash on December 3, 2021, to shareowners of record at the close of business on November 23, 2021.

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 January 2, 2021 (our “2020 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 2020 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 provider of sustainable drinking water solutions in North America and Europe. Primo operates largely under a recurring razor/razorblade revenue model. The razor in Primo’s revenue model is its industry leading line-up of sleek and innovative water dispensers, which are sold through retailers and online at various price points. The dispensers help increase household penetration, which drives recurring purchases of Primo’s razorblade offering. Primo’s razorblade offering is comprised of Water Direct, Water Exchange, and Water Refill. Through its Water Direct business, Primo delivers sustainable hydration solutions across its 22-country footprint direct to the customer’s door, whether at home or to commercial businesses. Through its Water Exchange and Water Refill businesses, Primo offers pre-filled and reusable containers at over 13,000 locations and water refill units at approximately 22,000 locations, respectively. Primo also offers water filtration units.

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

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

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

Impact of the COVID-19 Pandemic

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

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

The extent of the impact of the pandemic on our business and financial results will depend on numerous evolving factors that we are not able to accurately predict and that all will vary by market, including the duration and scope of the pandemic, the emergence and spread of new disease variants, global economic conditions during and after the pandemic, governmental actions that have been taken, or may be taken in the future, in response to the pandemic, successful distribution and efficacy of COVID-19 vaccines and changes in customer behavior in response to the pandemic, some of which may be more than just temporary.

As we deliver bottled water to residential and business customers across a 22-country footprint and provide multi-gallon purified bottled water, self-service refill drinking water and water dispensers to customers through retailers in North America, the profile of the services we provide and the products we sell, and the amount of revenue attributable to such services and products, varies by jurisdiction. Changes in demand as a result of COVID-19 will vary in scope and timing across these markets. For example, to date, we have seen an increase in volumes in our residential water direct business and a decrease in volumes in our commercial water direct business as a result of the COVID-19 pandemic. Economic uncertainty can adversely affect our customers' financial condition, resulting in an inability to pay for our services or products, reduced or canceled orders of our services or products, or our business partners' inability to supply us with the items necessary for us to make, manufacture, distribute or sell our products. Such adverse changes in our customers' or business partners' financial condition may also result in our recording impairment charges for our inability to recover or collect any accounts receivable. In addition, economic uncertainty associated with COVID-19 pandemic has resulted in volatility in the global capital and credit markets, which can impair our ability to access these markets on terms commercially acceptable to us, or at all. The full extent of the COVID-19 pandemic and its impact on the markets served by the Company's operations continues to be highly uncertain as conditions continue to fluctuate around the world, with vaccine administration rising in certain regions and spikes in infections (including the spread of variants) also being experienced.

In response to COVID-19, certain government authorities have enacted programs which provide various economic stimulus measures, including several tax provisions. Among the business tax provisions is the deferral of certain payroll and other tax remittances to future years and wage subsidies as reimbursement for a portion of certain furloughed employees' salaries. During the three and nine months ended October 2, 2021, we received wage subsidies under these programs totaling \$0.2 million and \$2.4 million, respectively. We review our eligibility for these programs for each qualifying period and account for such wage subsidies on an accrual basis when the conditions for eligibility are met. The Company has adopted an accounting policy to present wage subsidies as a reduction of selling, general and administrative ("SG&A") expenses. In addition, deferred payroll and other taxes totaling \$7.8 million and \$9.0 million were included in accounts payable and accrued liabilities and \$7.5 million were included in other long-term liabilities on our Consolidated Balance Sheet as of October 2, 2021, and January 2, 2021, respectively.

Divestiture, Acquisition and Financing Transactions

In February 2020, we completed the sale of our coffee, tea and extract solutions business, S. & D. Coffee, Inc. ("S&D"), via an equity divestiture ("S&D Divestiture"). The consideration was \$405.0 million paid at closing in cash, with customary post-closing working capital adjustments, which were resolved in June 2020 by payment of \$1.5 million from the Company to the purchaser. We used the proceeds of the transaction to finance a portion of the Legacy Primo Acquisition, as described below.

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

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

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

In March 2020, we entered into a credit agreement among the Company, as parent borrower, Primo Water Holdings Inc. and Eden Springs Nederland B.V., each as subsidiary borrowers, certain other subsidiaries of the Company from time to time designated as subsidiary borrowers, Bank of America, N.A., as administrative agent and collateral agent, and the lenders from time to time party thereto (the "Credit Agreement").

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

On October 22, 2020, we issued €450.0 million (\$533.5 million at exchange rates in effect on October 22, 2020) of 3.875% senior notes due October 31, 2028 (“2028 Notes”) to qualified purchasers in a private placement offering under Rule 144A under the Securities Act of 1933, as amended (the “Securities Act”), and outside the United States to non-U.S. purchasers pursuant to Regulation S under the Securities Act and other applicable laws. The 2028 Notes were issued by our wholly-owned subsidiary Primo Water Holdings Inc. The 2028 Notes are guaranteed by the Company and certain subsidiaries that are currently obligors under the Revolving Credit Facility and the \$750.0 million of 4.375% senior notes due April 30, 2029. The 2028 Notes will mature on October 31, 2028 and interest is payable semi-annually on April 30th and October 31st of each year commencing on April 30, 2021. The proceeds of the 2028 Notes, along with borrowings from the Revolving Credit Facility, were used to redeem in full €450.0 million of 5.500% senior notes due July 1, 2024 (“2024 Notes”) and pay related premiums, fees and expenses.

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

On April 30, 2021, we issued \$750.0 million of 4.375% senior notes due April 30, 2029 (“2029 Notes”) to qualified purchasers in a private placement offering under the Securities Act, and outside the United States to non-U.S. purchasers pursuant to Regulation S under the Securities Act and other applicable laws. The 2029 Notes were issued by our wholly-owned subsidiary Primo Water Holdings Inc. The 2029 Notes are guaranteed by the Company and certain subsidiaries that are currently obligors under the Revolving Credit Facility and the €450.0 million of 3.875% senior notes due October 31, 2028. The 2029 Notes will mature on April 30, 2029 and interest is payable semi-annually on April 30th and October 31st of each year commencing on October 31, 2021. The proceeds of the 2029 Notes, along with available cash on hand, were used to redeem in full the \$750.0 million of 5.500% senior notes due April 1, 2025 (“2025 Notes”) and pay related premiums, fees and expenses.

We incurred approximately \$11.2 million of financing fees for the issuance of the 2029 Notes. The financing fees are being amortized using the effective interest method over an eight-year period, which represents the term to maturity of the 2029 Notes.

The redemption of the 2025 Notes included \$20.6 million in premium payments, accrued interest of \$3.6 million, and the write-off of \$6.6 million in deferred financing fees.

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 consisting primarily of 1-gallon, 2.5 gallon and case-pack water. The plan does not affect our large format exchange, refill, and dispenser business nor 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 dollars. Unwinding of this business is expected to take several quarters and we do not expect the costs from exiting this business to have a material impact on our operating results.

Forward-Looking Statements

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

The forward-looking statements are not guarantees of future performance or events and, by their nature, are based on certain estimates and assumptions regarding interest and foreign exchange rates, expected growth, results of operations, performance, business prospects and opportunities and effective income tax rates, which are subject to inherent risks and uncertainties. Material factors or assumptions that were applied in drawing a conclusion or making an estimate set out in forward-looking statements may include, but are not limited to, assumptions regarding management's current plans and estimates. Although we believe the assumptions underlying these forward-looking statements are reasonable, any of these assumptions could prove to be inaccurate and, as a result, the forward-looking statements based on those assumptions could prove to be incorrect. Our operations involve risks and uncertainties, many of which are outside of our control, and any one or any combination of these risks and uncertainties could also affect whether the forward-looking statements ultimately prove to be correct. These risks and uncertainties include, but are not limited to, those described in Part I, Item 1A "Risk Factors" in our 2020 Annual Report and those described from time to time in our future reports filed with the U.S. Securities and Exchange Commission ("SEC") and Canadian securities regulatory authorities.

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

- our ability to compete successfully in the markets in which we operate;
- fluctuations in commodity prices and our ability to pass on increased costs to our customers or hedge against such rising costs, and the impact of those increased prices on our volumes;
- our ability to manage our operations successfully;
- our exposure to intangible asset risk;
- the impact of national, regional and global events, including those of a political, economic, business and competitive nature;
- the impact of the spread of COVID-19, related government actions and the Company's strategy in response thereto on our business, financial condition and results of operations;
- our ability to fully realize the potential benefit of transactions (including the Legacy Primo Acquisition and the S&D Divestiture) or other strategic opportunities that we pursue;
- our ability to realize cost synergies of our acquisitions due to integration difficulties and other challenges;
- our limited indemnification rights in connection with the Legacy Primo Acquisition;
- currency fluctuations that adversely affect the exchange between the U.S. dollar and the British pound sterling, the exchange between the Euro, the Canadian dollar and other currencies and the exchange between the British pound sterling and the Euro;
- our ability to maintain favorable arrangements and relationships with our suppliers;
- our ability to meet our obligations under our debt agreements, and risks of further increases to our indebtedness;
- our ability to maintain compliance with the covenants and conditions under our debt agreements;
- fluctuations in interest rates, which could increase our borrowing costs;
- the incurrence of substantial indebtedness to finance our acquisitions, including the Legacy Primo Acquisition;
- the impact on our financial results from uncertainty in the financial markets and other adverse changes in general economic conditions;
- any disruption to production at our manufacturing facilities;
- our ability to maintain access to our water sources;
- our ability to protect our intellectual property;
- compliance with product health and safety standards;
- liability for injury or illness caused by the consumption of contaminated products;
- liability and damage to our reputation as a result of litigation or legal proceedings;
- changes in the legal and regulatory environment in which we operate;
- the seasonal nature of our business and the effect of adverse weather conditions;

- our ability to recruit, retain and integrate new management;
- our ability to renew our collective bargaining agreements on satisfactory terms;
- disruptions in our information systems;
- our ability to securely maintain our customers' confidential or credit card information, or other private data relating to our employees or our company;
- our ability to maintain our quarterly dividend;
- our ability to adequately address the challenges and risks associated with our international operations and address difficulties in complying with laws and regulations including the U.S. Foreign Corrupt Practices Act and the U.K. Bribery Act of 2010;
- the impact on our tax obligations and effective tax rate arising from changes in local tax laws or countries adopting more aggressive interpretations of tax laws;
- our ability to utilize tax attributes to offset future taxable income; or
- credit rating changes.

We undertake no obligation to update any information contained in this report or to publicly release the results of any revisions to forward-looking statements to reflect events or circumstances of which we may become aware of after the date of this report. Undue reliance should not be placed on forward-looking statements, and all future written and oral forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the foregoing.

Non-GAAP Measures

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

We also utilize earnings (loss) before interest expense, taxes, depreciation and amortization ("EBITDA"), which is GAAP net income (loss) from continuing operations before interest expense, net, expense (benefit) for income taxes and depreciation, and amortization. We consider EBITDA to be an indicator of operating performance. We also use EBITDA, as do analysts, lenders, investors, and others, because it excludes certain items that can vary widely across different industries or among companies within the same industry. These differences can result in considerable variability in the relative costs of productive assets and the depreciation and amortization expense among companies. We also utilize adjusted EBITDA, which is EBITDA excluding acquisition and integration costs, share-based compensation costs, COVID-19 costs, goodwill and intangible asset impairment charges, foreign exchange and other (gains) losses, net, loss on disposal of property, plant and equipment, net, loss on extinguishment of long-term debt, gain on sale of business and other adjustments, net, as the case may be ("Adjusted EBITDA"). We consider Adjusted EBITDA to be an indicator of our operating performance and enhances comparability between periods.

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

Summary Financial Results

Net income from continuing operations for the three months ended October 2, 2021 (the "third quarter") and net loss from continuing operations for the nine months ended October 2, 2021 (the "first nine months" or "year to date") was \$18.1 million or \$0.11 per diluted common share, and \$0.4 million or \$0.00 per diluted common share, respectively, compared with net income from continuing operations of \$22.3 million or \$0.14 per diluted common share, and net loss from continuing operations of \$136.8 million or \$0.89 per diluted common share for the three and nine months ended September 26, 2020, respectively.

The following items of significance affected our financial results for the first nine months of 2021:

- Net revenue increased \$106.8 million, or 7.4%, from the prior year period due primarily to the addition of revenues from the Legacy Primo business, pricing initiatives, increased demand in our North America water direct channel and the impact of favorable foreign exchange rates, partially offset by a decline in water dispenser sales;
- Gross profit increased to \$870.1 million from \$832.1 million in the prior year period due primarily to the addition of the Legacy Primo business, pricing initiatives and the impact of favorable foreign exchange rates partially offset by operational challenges experienced in the third quarter. Gross profit as a percentage of net revenue was 55.9% compared to 57.4% in the prior year period;
- SG&A expenses increased to \$771.5 million from \$759.0 million in the prior year period due primarily to the addition of the Legacy Primo business, increased delivery expenses and the unfavorable impact of foreign exchange rates partially offset by cost reduction initiatives executed as a result of the impact of COVID-19. SG&A expenses as a percentage of net revenue was 49.6% compared to 52.4% in the prior year period;
- Acquisition and integration expenses decreased to \$6.3 million from \$28.4 million in the prior year period due primarily to lower acquisition and integration costs incurred in connection with the Legacy Primo Acquisition;
- Goodwill and intangible asset impairment charges decreased to nil from \$115.2 million in the prior year period due primarily to impairment charges recorded in the prior period as a result of general deterioration in economic and market conditions in which we operate arising from COVID-19 and revised projections of future operating results;
- Other expense, net was \$29.5 million compared to \$0.6 million in the prior year period due primarily to costs incurred to redeem our 2025 Notes in the current year period;
- Income tax expense was \$4.4 million on pre-tax income from continuing operations of \$4.0 million compared to income tax benefit of \$1.3 million on pre-tax loss from continuing operations of \$138.1 million in the prior year period due primarily to increased earnings in taxable jurisdictions and impairment charges incurred in the prior year period for which minimal tax benefit was recognized;
- Adjusted EBITDA increased to \$281.6 million compared to \$263.5 million in the prior year period due to the items listed above; and
- Cash flows provided by operating activities from continuing operations was \$171.7 million compared to \$123.4 million in the prior year period. The \$48.3 million increase was due primarily to improved earnings, excluding non-cash charges, relative to the prior year period.

Results of Operations

The following table summarizes our Consolidated Statements of Operations as a percentage of revenue for the three and nine months ended October 2, 2021 and September 26, 2020:

(in millions of U.S. dollars)	For the Three Months Ended				For the Nine Months Ended			
	October 2, 2021		September 26, 2020		October 2, 2021		September 26, 2020	
	\$	%	\$	%	\$	%	\$	%
Revenue, net	550.8	100.0	517.5	100.0	1,555.3	100.0	1,448.5	100.0
Cost of sales	242.4	44.0	213.4	41.2	685.2	44.1	616.4	42.6
Gross profit	308.4	56.0	304.1	58.8	870.1	55.9	832.1	57.4
Selling, general and administrative expenses	263.6	47.9	257.2	49.7	771.5	49.6	759.0	52.4
Loss on disposal of property, plant and equipment, net	—	—	2.3	0.4	5.4	0.3	6.2	0.4
Acquisition and integration expenses	2.6	0.5	3.3	0.6	6.3	0.4	28.4	2.0
Goodwill and intangible asset impairment charges	—	—	—	—	—	—	115.2	8.0
Operating income (loss)	42.2	7.7	41.3	8.0	86.9	5.6	(76.7)	(5.3)
Other expense (income), net	4.3	0.8	(4.8)	(0.9)	29.5	1.9	0.6	—
Interest expense, net	16.7	3.0	20.4	3.9	53.4	3.4	60.8	4.2
Income (loss) from continuing operations before income taxes	21.2	3.8	25.7	5.0	4.0	0.3	(138.1)	(9.5)
Income tax expense (benefit)	3.1	0.6	3.4	0.7	4.4	0.3	(1.3)	(0.1)
Net income (loss) from continuing operations	18.1	3.3	22.3	4.3	(0.4)	—	(136.8)	(9.4)
Net (loss) income from discontinued operations, net of income taxes	—	—	(0.3)	(0.1)	—	—	26.3	1.8
Net income (loss)	18.1	3.3	22.0	4.3	(0.4)	—	(110.5)	(7.6)
Depreciation & amortization	53.3	9.7	53.6	10.4	158.4	10.2	151.4	10.5

The following tables summarize the change in revenue by reporting segment for the three and nine months ended October 2, 2021:

(in millions of U.S. dollars, except percentage amounts)	For the Three Months Ended October 2, 2021			
	North America	Rest of World	All Other	Total
Change in revenue	\$ 20.1	\$ 13.2	\$ —	\$ 33.3
Impact of foreign exchange ¹	(0.9)	(4.8)	—	(5.7)
Change excluding foreign exchange	\$ 19.2	\$ 8.4	\$ —	\$ 27.6
Percentage change in revenue	5.1 %	10.6 %	— %	6.4 %
Percentage change in revenue excluding foreign exchange	4.9 %	6.8 %	— %	5.3 %

¹ 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 October 2, 2021			
(in millions of U.S. dollars, except percentage amounts)	North America	Rest of World	All Other	Total
Change in revenue	\$ 67.7	\$ 39.1	\$ —	\$ 106.8
Impact of foreign exchange ¹	(3.9)	(22.9)	—	(26.8)
Change excluding foreign exchange	\$ 63.8	\$ 16.2	\$ —	\$ 80.0
Percentage change in revenue	6.1 %	11.5 %	— %	7.4 %
Percentage change in revenue excluding foreign exchange	5.8 %	4.8 %	— %	5.5 %

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

The following tables summarize the change in gross profit by reporting segment for the three and nine months ended October 2, 2021:

	For the Three Months Ended October 2, 2021			
(in millions of U.S. dollars, except percentage amounts)	North America	Rest of World	All Other	Total
Change in gross profit	\$ 0.6	\$ 3.7	\$ —	\$ 4.3
Impact of foreign exchange ¹	(0.4)	(1.8)	—	(2.2)
Change excluding foreign exchange	\$ 0.2	\$ 1.9	\$ —	\$ 2.1
Percentage change in gross profit	0.3 %	5.2 %	— %	1.4 %
Percentage change in gross profit excluding foreign exchange	0.1 %	2.6 %	— %	0.7 %

¹ 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 October 2, 2021			
(in millions of U.S. dollars, except percentage amounts)	North America	Rest of World	All Other	Total
Change in gross profit	\$ 18.7	\$ 19.3	\$ —	\$ 38.0
Impact of foreign exchange ¹	(2.0)	(11.2)	—	(13.2)
Change excluding foreign exchange	\$ 16.7	\$ 8.1	\$ —	\$ 24.8
Percentage change in gross profit	2.9 %	10.3 %	— %	4.6 %
Percentage change in gross profit excluding foreign exchange	2.6 %	4.3 %	— %	3.0 %

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

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

The following table summarizes our net revenue, gross profit, SG&A expenses and operating income (loss) by reporting segment for the three and nine months ended October 2, 2021 and September 26, 2020:

<u>(in millions of U.S. dollars)</u>	For the Three Months Ended		For the Nine Months Ended	
	October 2, 2021	September 26, 2020	October 2, 2021	September 26, 2020
<i>Revenue, net</i>				
North America	\$ 413.3	\$ 393.2	\$ 1,175.5	\$ 1,107.8
Rest of World	137.5	124.3	379.8	340.7
All Other	—	—	—	—
Total	\$ 550.8	\$ 517.5	\$ 1,555.3	\$ 1,448.5
<i>Gross profit</i>				
North America	\$ 233.0	\$ 232.4	\$ 663.1	\$ 644.4
Rest of World	75.4	71.7	207.0	187.7
All Other	—	—	—	—
Total	\$ 308.4	\$ 304.1	\$ 870.1	\$ 832.1
<i>Selling, general and administrative expenses</i> ¹				
North America	\$ 183.6	\$ 184.2	\$ 540.0	\$ 537.9
Rest of World	70.5	62.4	204.2	192.5
All Other	9.5	10.6	27.3	28.6
Total	\$ 263.6	\$ 257.2	\$ 771.5	\$ 759.0
<i>Operating income (loss)</i> ¹				
North America	\$ 48.6	\$ 45.4	\$ 114.8	\$ 92.5
Rest of World	4.4	8.5	2.4	(122.0)
All Other	(10.8)	(12.6)	(30.3)	(47.2)
Total	\$ 42.2	\$ 41.3	\$ 86.9	\$ (76.7)

¹ We revised the allocation of information technology costs from the All Other category to our North America and Rest of World reporting segments to reflect how the Chief Executive Officer, who is our chief operating decision maker, measures the performance of our segments. As a result of the change, SG&A expenses for the prior periods have been recast to increase SG&A expenses in our North America reporting segment by \$0.6 million, increase SG&A expenses in our Rest of World reporting segment by \$1.7 million, and decrease SG&A expenses in the All Other category by \$2.3 million for the three months ended September 26, 2020. SG&A expenses for the nine months ended September 26, 2020 have been recast to increase SG&A expenses in our North America reporting segment by \$1.6 million, increase SG&A expenses in our Rest of World reporting segment by \$5.1 million, and decrease SG&A expenses in the All Other category by \$6.7 million. Operating income (loss) for our North American and Rest of World reporting segments, as well as our All Other category, reflect the aforementioned adjustments for the three and nine months ended September 26, 2020, respectively.

The following tables summarize net revenue by channel for the three and nine months ended October 2, 2021 and September 26, 2020:

<u>(in millions of U.S. dollars)</u>	For the Three Months Ended October 2, 2021			
	North America	Rest of World	All Other	Total
<i>Revenue, net</i>				
Water Direct/Water Exchange	\$ 281.9	\$ 62.3	\$ —	\$ 344.2
Water Refill/Water Filtration	47.0	8.6	—	55.6
Other Water	42.6	24.2	—	66.8
Water Dispensers	16.1	—	—	16.1
Other	25.7	42.4	—	68.1
Total	\$ 413.3	\$ 137.5	\$ —	\$ 550.8

	For the Nine Months Ended October 2, 2021			
(in millions of U.S. dollars)	North America	Rest of World	All Other	Total
<i>Revenue, net</i>				
Water Direct/Water Exchange	\$ 785.6	\$ 169.2	\$ —	\$ 954.8
Water Refill/Water Filtration	137.2	24.5	—	161.7
Other Water	125.7	62.0	—	187.7
Water Dispensers	48.7	—	—	48.7
Other	78.3	124.1	—	202.4
Total	\$ 1,175.5	\$ 379.8	\$ —	\$ 1,555.3

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

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

The following table summarizes our EBITDA and Adjusted EBITDA for the three and nine months ended October 2, 2021 and September 26, 2020:

(in millions of U.S. dollars)	For the Three Months Ended		For the Nine Months Ended	
	October 2, 2021	September 26, 2020	October 2, 2021	September 26, 2020
Net income (loss) from continuing operations	\$ 18.1	\$ 22.3	\$ (0.4)	\$ (136.8)
Interest expense, net	16.7	20.4	53.4	60.8
Income tax expense (benefit)	3.1	3.4	4.4	(1.3)
Depreciation and amortization	53.3	53.6	158.4	151.4
EBITDA	\$ 91.2	\$ 99.7	\$ 215.8	\$ 74.1
Acquisition and integration costs	2.6	3.3	6.3	28.4
Share-based compensation costs	3.8	6.2	10.0	13.5
COVID-19 costs	0.8	1.6	2.0	18.4
Goodwill and intangible asset impairment charges	—	—	—	115.2
Foreign exchange and other losses (gains), net	5.7	(2.0)	4.6	3.2
Loss on disposal of property, plant and equipment, net	—	2.3	5.4	6.2
Loss on extinguishment of long-term debt	—	—	27.2	—
Gain on sale of business	—	—	—	(0.6)
Other adjustments, net	1.8	(0.5)	10.3	5.1
Adjusted EBITDA	\$ 105.9	\$ 110.6	\$ 281.6	\$ 263.5

Three Months Ended October 2, 2021 Compared to Three Months Ended September 26, 2020

Revenue, Net

Net revenue increased \$33.3 million, or 6.4%, in the third quarter from the comparable prior year period.

North America net revenue increased \$20.1 million, or 5.1%, in the third quarter from the comparable prior year period due primarily to pricing initiatives and an increase in water consumption, partially offset by lower revenue from water refill and water dispenser sales.

Rest of World net revenue increased \$13.2 million, or 10.6%, in the third quarter from the comparable prior year period due primarily to improved volume and pricing in all channels and the favorable impact of foreign exchange rates.

Gross Profit

Gross profit increased to \$308.4 million in the third quarter from \$304.1 million in the comparable prior year period. Gross profit as a percentage of revenue was 56.0% in the third quarter compared to 58.8% in the comparable prior year period.

North America gross profit increased to \$233.0 million in the third quarter from \$232.4 million in the comparable prior year period due primarily to pricing initiatives and an increase water consumption, partially offset by operational challenges experienced in the third quarter.

Rest of World gross profit increased to \$75.4 million in the third quarter from \$71.7 million in the comparable prior year period due primarily to an increase in water consumption and the favorable impact of foreign exchange rates.

Selling, General and Administrative Expenses

SG&A expenses increased to \$263.6 million in the third quarter from \$257.2 million in the comparable prior year period. SG&A expenses as a percentage of revenue was 47.9% in the third quarter compared to 49.7% in the comparable prior year period.

North America SG&A expenses decreased to \$183.6 million in the third quarter from \$184.2 million in the comparable prior year period due primarily to cost reduction initiatives executed in response to COVID-19 in the prior year period partially offset by increased delivery expenses.

Rest of World SG&A expenses increased to \$70.5 million in the third quarter from \$62.4 million in the comparable prior year period due primarily to an increase in delivery expenses and the unfavorable impact of foreign exchange rates, partially offset by cost reduction initiatives executed as a result of the impact of COVID-19 in the prior year period.

All Other SG&A expenses decreased to \$9.5 million in the third quarter from \$10.6 million in the comparable prior year period due primarily to lower share-based compensation costs.

Acquisition and Integration Expenses

Acquisition and integration expenses decreased to \$2.6 million in the third quarter from \$3.3 million in the comparable prior year period. Acquisition and integration expenses as a percentage of revenue was 0.5% in the third quarter compared to 0.6% in the comparable prior year period.

North America acquisition and integration expenses decreased to \$0.8 million in the third quarter from \$1.0 million in the comparable prior year period due primarily to lower integration costs incurred in connection with the Legacy Primo Acquisition.

Rest of World acquisition and integration expenses remained flat in the third quarter compared to the prior year period. Rest of World acquisition and integration expenses of \$0.5 million in the third quarter relate to costs associated with tuck-in acquisitions.

All Other acquisition and integration expenses decreased to \$1.3 million in the third quarter from \$1.8 million in the comparable prior year period.

Operating Income (Loss)

Operating income increased to \$42.2 million in the third quarter from operating income of \$41.3 million in the comparable prior year period.

North America operating income increased to \$48.6 million in the third quarter from \$45.4 million in the comparable prior year period due to the items discussed above.

Rest of World operating income decreased to \$4.4 million in the third quarter from \$8.5 million in the comparable prior year period due to the items discussed above.

All Other operating loss decreased to \$10.8 million in the third quarter from \$12.6 million in the comparable prior year period due to the items discussed above.

Other Expense (Income), Net

Other expense, net was \$4.3 million for the third quarter compared to other income, net of \$4.8 million in the comparable prior year period due primarily to foreign exchange losses in the current year period as compared to income recognized in the comparable prior year period from foreign exchange gains and a favorable legal settlement.

Income Taxes

Income tax expense was \$3.1 million in the third quarter compared to income tax expense of \$3.4 million in the comparable prior year period. The effective tax rate for the third quarter was 14.6% compared to 13.2% in the comparable prior year period.

The effective tax rate for the third quarter varied from the effective tax rate from the comparable prior year period due primarily to increased earnings in taxable jurisdictions.

Nine Months Ended October 2, 2021 Compared to Nine Months Ended September 26, 2020

Revenue, Net

Net revenue increased \$106.8 million, or 7.4%, for the year to date from the comparable prior year period.

North America net revenue increased \$67.7 million, or 6.1%, for the year to date from the comparable prior year period due primarily to the addition of revenues from the Legacy Primo business and pricing initiatives, partially offset by a decline in water dispenser sales.

Rest of World net revenue increased \$39.1 million, or 11.5%, for the year to date from the comparable prior year period due primarily to the favorable impact of foreign exchange rates and an increase in water consumption.

Gross Profit

Gross profit increased to \$870.1 million for the year to date from \$832.1 million in the comparable prior year period. Gross profit as a percentage of revenue was 55.9% year to date compared to 57.4% in the comparable prior year period.

North America gross profit increased to \$663.1 million for the year to date from \$644.4 million in the comparable prior year period due primarily to the addition of the Legacy Primo business and pricing initiatives, partially offset by a decline in water and office coffee services consumption as a result of the impact of COVID-19 and lower water dispenser sales.

Rest of World gross profit increased to \$207.0 million for the year to date from \$187.7 million in the comparable prior year period due primarily to an increase in water consumption and the favorable impact of foreign exchange rates.

Selling, General and Administrative Expenses

SG&A expenses increased to \$771.5 million for the year to date from \$759.0 million in the comparable prior year period. SG&A expenses as a percentage of revenue was 49.6% year to date compared to 52.4% in the comparable prior year period.

North America SG&A expenses increased to \$540.0 million for the year to date from \$537.9 million in the comparable prior year period due primarily to the addition of the Legacy Primo business and an increase in delivery expenses, partially offset by cost reduction initiatives executed as a result of the impact of COVID-19.

Rest of World SG&A expenses increased to \$204.2 million for the year to date from \$192.5 million in the comparable prior year period due primarily to an increase in delivery expenses and the unfavorable impact of foreign exchange rates, partially offset by cost reduction initiatives executed as a result of the impact of COVID-19.

All Other SG&A expenses decreased to \$27.3 million for the year to date from \$28.6 million in the comparable prior year period due primarily to lower share-based compensation costs.

Acquisition and Integration Expenses

Acquisition and integration expenses decreased to \$6.3 million for the year to date from \$28.4 million in the comparable prior year period. Acquisition and integration expenses as a percentage of revenue was 0.4% year to date compared to 2.0% in the comparable prior year period.

North America acquisition and integration expenses decreased to \$2.8 million for the year to date from \$7.5 million in the comparable prior year period due primarily to lower acquisition and integration costs of the Legacy Primo business.

Rest of World acquisition and integration expenses decreased to \$0.5 million for the year to date from \$2.6 million in the comparable prior year period due primarily to a reduction in costs associated with tuck-in acquisitions.

All Other acquisition and integration expenses decreased to \$3.0 million for the year to date from \$18.3 million in the comparable prior year period due primarily to lower acquisition and integration costs of the Legacy Primo business.

Goodwill and Intangible Asset Impairment Charges

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

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

Rest of World goodwill and intangible asset impairment charges decreased to nil for the year to date from \$114.0 million in the comparable prior year period due primarily to the non-recurred impairment charges recorded in the prior year period as a result of general deterioration in economic and market conditions in which we operate arising from COVID-19 and revised projections of future operating results.

Operating Income (Loss)

Operating income was \$86.9 million for the year to date compared to operating loss of \$76.7 million in the comparable prior year period.

North America operating income increased to \$114.8 million for the year to date from operating income of \$92.5 million in the comparable prior year period due to the items discussed above.

Rest of World operating income increased to \$2.4 million for the year to date from operating loss of \$122.0 million in the comparable prior year period due to the items discussed above.

All Other operating loss decreased to \$30.3 million for the year to date from \$47.2 million in the comparable prior year period due to the items discussed above.

Other Expense, Net

Other expense, net was \$29.5 million for the year to date compared to \$0.6 million in the comparable prior year period due primarily to costs incurred to redeem our 2025 Notes in the current year period.

Income Taxes

Income tax expense was \$4.4 million for the year to date compared to income tax benefit of \$1.3 million in the comparable prior year period. The effective tax rate for the year to date was 110.0% compared to 0.9% in the comparable prior year period.

The effective tax rate for the year to date varied from the effective tax rate from the comparable prior year period due primarily to increased earnings in taxable jurisdictions and impairment charges incurred in the prior year period for which minimal tax benefit is recognized.

Liquidity and Capital Resources

As of October 2, 2021, we had total debt of \$1,495.4 million and \$125.3 million of cash and cash equivalents compared to \$1,470.7 million of debt and \$115.1 million of cash and cash equivalents as of January 2, 2021.

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

We believe that our level of resources, which includes cash on hand, borrowings under our Revolving Credit Facility and funds provided by our operations, will be adequate to meet our expenses, capital expenditures, and debt service obligations for the next twelve months. Our ability to generate cash to meet our current expenses and debt service obligations will depend on our future performance. If we do not have enough cash to pay our debt service obligations, or if the Revolving Credit Facility or our outstanding notes were to become currently due, either at maturity or as a result of a breach, we may be required to take actions such as amending our Credit Agreement or the indentures governing our outstanding notes, refinancing all or part of our existing debt, selling assets, incurring additional indebtedness or raising equity. If we need to seek additional financing, there is no assurance that this additional financing will be available on favorable terms or at all.

As of October 2, 2021, our outstanding borrowings under the Revolving Credit Facility were \$160.0 million and outstanding letters of credit totaled \$48.9 million resulting in total utilization under the Revolving Credit Facility of \$208.9 million. Accordingly, unused availability under the Revolving Credit Facility as of October 2, 2021 amounted to \$141.1 million.

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

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

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

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

A dividend of \$0.06 per common share was declared during each quarter of 2021 to date for aggregate dividend payments of approximately \$29.2 million.

The following table summarizes our cash flows for the three and nine months ended October 2, 2021 and September 26, 2020, as reported in our Consolidated Statements of Cash Flows in the accompanying Consolidated Financial Statements:

(in millions of U.S. dollars)	For the Three Months Ended		For the Nine Months Ended	
	October 2, 2021	September 26, 2020	October 2, 2021	September 26, 2020
Net cash provided by operating activities from continuing operations	\$ 83.4	\$ 53.2	\$ 171.7	\$ 123.4
Net cash used in investing activities from continuing operations	(53.5)	(24.9)	(119.0)	(526.5)
Net cash used in financing activities from continuing operations	(17.7)	(73.6)	(39.3)	(10.4)
Cash flows from discontinued operations:				
Net cash (used in) provided by operating activities from discontinued operations	0.1	(0.7)	(1.7)	(18.7)
Net cash (used in) provided by investing activities from discontinued operations	—	(4.0)	—	388.9
Net cash used in financing activities from discontinued operations	—	—	—	(0.1)
Effect of exchange rate changes on cash	(1.2)	0.8	(1.5)	(0.2)
Net increase (decrease) in cash, cash equivalents and restricted cash	11.1	(49.2)	10.2	(43.6)
Cash and cash equivalents and restricted cash, beginning of period	114.2	211.1	115.1	205.5
Cash and cash equivalents and restricted cash from continuing operations, end of period	\$ 125.3	\$ 161.9	\$ 125.3	\$ 161.9

Operating Activities

Cash provided by operating activities from continuing operations was \$171.7 million year to date compared to \$123.4 million in the comparable prior year period. The \$48.3 million increase was due primarily to improved earnings, excluding non-cash charges, relative to the prior year period.

Investing Activities

Cash used in investing activities from continuing operations was \$119.0 million year to date compared to \$526.5 million in the comparable prior year period. The \$407.5 million decrease was due primarily to the cash used to acquire our Legacy Primo business in the prior year partially offset by an increase in additions to property, plant and equipment relative to the prior year period.

Financing Activities

Cash used in financing activities from continuing operations was \$39.3 million year to date compared to \$10.4 million in the comparable prior year period. The \$28.9 million increase was due primarily to an increase in cash used for financing fees and common share repurchases year to date as compared to the prior year period, partially offset by an increase in net short-term borrowings and issuance of common shares year to date as compared to the prior year period.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements as defined under Item 303(a)(4) of Regulation S-K as of October 2, 2021.

Contractual Obligations

Except as described below, there were no material changes to our outstanding contractual obligations from amounts previously disclosed in our 2020 Annual Report.

On April 30, 2021, we issued the 2029 Notes. The proceeds of the 2029 Notes, along with available cash on hand, were used to redeem in full the 2025 Notes and pay related premiums, fees and expenses. See Note 10 to the Consolidated Financial Statements for additional information on the 2029 Notes.

Credit Ratings and Covenant Compliance

Credit Ratings

We have no material changes to the disclosure on this matter made in our 2020 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 October 2, 2021, 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 October 2, 2021.

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 October 2, 2021.

Issuer Purchases of Equity Securities

Common Share Repurchase Program

On May 4, 2021, our Board of Directors approved a new share repurchase program for up to \$50.0 million of our outstanding common shares over a 12-month period commencing on May 10, 2021. During the third quarter of 2021, we repurchased 1,781,405 common shares for approximately \$29.3 million through open market transactions. 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 2021, an aggregate of 1,481 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 2020, an aggregate of 6,434 common shares were withheld from delivery to our employees to satisfy their respective tax obligations related to share-based awards.

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

Capital Structure

Since January 2, 2021, our equity has decreased by \$33.4 million. The decrease was due to a net loss of \$0.4 million, common shares repurchased and canceled of \$45.6 million and common share dividend payments of \$29.2 million, partially offset by the issuance of common shares of \$22.1 million, share-based compensation costs of \$10.0 million and other comprehensive income, net of tax of \$9.7 million.

Dividend Payments*Common Share Dividend*

On August 4, 2021, the Board of Directors declared a dividend of \$0.06 per share on common shares, payable in cash on September 2, 2021 to shareowners of record at the close of business on August 19, 2021. On November 2, 2021, the Board of Directors declared a dividend of \$0.06 per share on common shares, payable in cash on December 3, 2021, to shareowners of record at the close of business on November 23, 2021. We intend to pay a regular quarterly dividend on our common shares subject to, among other things, the best interests of our shareowners, our results of continuing operations, cash balances and future cash requirements, financial condition, statutory regulations and covenants set forth in the Revolving Credit Facility and indentures governing our outstanding notes, as well as other factors that the Board of Directors may deem relevant from time to time.

Critical Accounting Policies

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

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

We have no material changes to our Critical Accounting Policies and Estimates disclosure as filed in our 2020 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 2020 Annual Report.

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

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

The Company maintains disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). The Company's management, under the supervision and with the participation of the Company's Chief Executive Officer and Chief Financial Officer, carried out an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures as of October 2, 2021. Based upon this evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that, as of October 2, 2021, 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 proceeding will result in monetary sanctions on us, exclusive of interest and costs, above \$500,000 or is otherwise material to our financial position, results of operations, or cash flows.

Item 1A. Risk Factors

There have been no material changes to our risk factors since January 2, 2021. Please refer to our 2020 Annual Report.

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

Common Share Repurchase Program

On May 4, 2021, our Board of Directors approved a new share repurchase program for up to \$50.0 million of our outstanding common shares over a 12-month period commencing on May 10, 2021 (the "Repurchase Plan").

The following table summarizes the repurchase activity under the Repurchase Plan during the third quarter of 2021:

	Total Number of Common Shares Purchased	Average Price Paid per Common Share	Total Number of Common Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Dollar Value) of Common Shares that May Yet Be Purchased Under the Plans or Programs
July 4, 2021- July 31, 2021	1,078,467	\$ 16.33	1,078,467	\$ 19,435,078
August 1, 2021-August 31, 2021	404,666	\$ 16.51	404,666	\$ 12,754,042
September 1, 2021-October 2, 2021	298,272	\$ 16.52	298,272	\$ 7,826,589
Total	1,781,405			

Tax Withholding

The following table contains information about common shares that we withheld from delivering to employees during the third quarter of 2021 to satisfy their respective tax obligations related to share-based awards.

	Total Number of Common Shares Purchased	Average Price Paid per Common Share	Total Number of Common Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Common Shares that May Yet Be Purchased Under the Plans or Programs
July 4, 2021- July 31, 2021	—	\$ —	N/A	N/A
August 1, 2021-August 31, 2021	677	\$ 17.40	N/A	N/A
September 1, 2021-October 2, 2021	804	\$ 16.31	N/A	N/A
Total	1,481			

Item 6. Exhibits

Exhibit No.	Description of Exhibit	Incorporated by Reference				Filed or Furnished Herewith
		Form	Exhibit	Filing Date	File No.	
10.1	Amendment to Credit Agreement, dated as of September 23, 2021, by and among Primo Water Corporation, as parent borrower, and Bank of America, N.A., as administrative agent.					*
10.2 ⁽¹⁾	Form of Restricted Share Unit Award Agreement with Time-Based Vesting under Primo Water Corporation Equity Incentive Plans.					*
10.3 ⁽¹⁾	Form of Nonqualified Stock Option Agreement under Primo Water Corporation Equity Incentive Plans.					*
10.4 ⁽¹⁾	Offer Letter with Cate Gutowski, dated September 16, 2021.	8-K	10.1	9/30/2021	001-31410	
31.1	Certification of the Chief Executive Officer pursuant to section 302 of the Sarbanes-Oxley Act of 2002 for the quarterly period ended October 2, 2021.					*
31.2	Certification of the Chief Financial Officer pursuant to section 302 of the Sarbanes-Oxley Act of 2002 for the quarterly period ended October 2, 2021.					*
32.1	Certification of the Chief Executive Officer pursuant to section 906 of the Sarbanes-Oxley Act of 2002 for the quarterly period ended October 2, 2021.					*
32.2	Certification of the Chief Financial Officer pursuant to section 906 of the Sarbanes-Oxley Act of 2002 for the quarterly period ended October 2, 2021.					*
101	The following financial statements from Primo Water Corporation's Quarterly Report on Form 10-Q for the quarter ended October 2, 2021, filed November 5, 2021, formatted in Inline XBRL (eXtensible Business Reporting Language): (i) Consolidated Statements of Operations, (ii) Condensed Consolidated Statements of Comprehensive 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).					*

¹ Indicates a management contract or compensatory plan.

SIGNATURES

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

PRIMO WATER CORPORATION
(Registrant)

Date: November 5, 2021

/s/ Jay Wells

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

Date: November 5, 2021

/s/ Jason Ausher

Jason Ausher
Chief Accounting Officer
(Principal Accounting Officer)

LIBOR TRANSITION AMENDMENT

THIS LIBOR TRANSITION AMENDMENT (this “Agreement”), dated as of September 23, 2021 (the “Amendment Effective Date”), is entered into among PRIMO WATER CORPORATION, a corporation organized under the federal laws of Canada (the “Parent Borrower”), and BANK OF AMERICA, N.A., as administrative agent (the “Administrative Agent”).

RECITALS

WHEREAS, the Parent Borrower, the Subsidiary Borrowers from time to time party thereto, the lenders from time to time party thereto (the “Lenders”), the other parties from time to time party thereto and Bank of America, N.A., as Administrative Agent and Collateral Agent, have entered into that certain Credit Agreement dated as of March 6, 2020 (as amended, modified, extended, restated, replaced, or supplemented from time to time, the “Credit Agreement”); and

WHEREAS, certain loans and/or other extensions of credit (the “Loans”) under the Credit Agreement denominated in Sterling and Euros (collectively, the “Impacted Currencies”) incur or are permitted to incur interest, fees, commissions or other amounts based on the London Interbank Offered Rate as administered by the ICE Benchmark Administration (“LIBOR”) in accordance with the terms of the Credit Agreement;

WHEREAS, the Administrative Agent and the Parent Borrower have determined in accordance with the Credit Agreement that LIBOR for the Impacted Currencies should be replaced with a successor rate in accordance with the Credit Agreement and, in connection therewith, the Administrative Agent has determined in consultation with the Parent Borrower that certain conforming changes are necessary or advisable.

NOW, THEREFORE, in consideration of the premises and the mutual covenants contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Defined Terms. Capitalized terms used herein but not otherwise defined herein (including on any Appendix attached hereto) shall have the meanings provided to such terms in the Credit Agreement, as amended by this Agreement.

2. Agreement. Notwithstanding any provision of the Credit Agreement or any other document related thereto (the “Loan Documents”) to the contrary, the parties hereto hereby agree that the terms set forth on Appendix A shall apply to the Impacted Currencies. For the avoidance of doubt, to the extent provisions in the Credit Agreement apply to the Impacted Currencies and such provisions are not specifically addressed by Appendix A, the provisions in the Credit Agreement shall continue to apply to the Impacted Currencies.

3. Conflict with Loan Documents. In the event of any conflict between the terms of this Agreement and the terms of the Credit Agreement or the other Loan Documents, the terms hereof shall control.

4. Conditions Precedent. This Agreement shall become effective upon receipt by the Administrative Agent of counterparts of this Agreement, properly executed by the Parent Borrower and the Administrative Agent.

5. Payment of Expenses. The Parent Borrower agrees to reimburse the Administrative Agent for all reasonable fees, charges and disbursements of the Administrative Agent in connection with the preparation, execution and delivery of this Agreement, including all reasonable fees, charges and disbursements of counsel to the Administrative Agent (paid directly to such counsel if requested by the Administrative Agent).

6. Miscellaneous.

(a) The Loan Documents, and the obligations of the Parent Borrower under the Loan Documents, are hereby ratified and confirmed and shall remain in full force and effect according to their terms. This Agreement is a Loan Document.

(b) The Parent Borrower (i) acknowledges and consents to all of the terms and conditions of this Agreement, (ii) affirms all of its obligations under the Loan Documents, (iii) agrees that this Agreement and all documents executed in connection herewith do not operate to reduce or discharge its obligations under the Loan Documents, (iv) agrees that the Collateral Documents continue to be in full force and effect and are not impaired or adversely affected in any manner whatsoever, (v) confirms its grant of security interests pursuant to the Collateral Documents to which it is a party as Collateral for the Obligations, and (vi) acknowledges that all Liens granted (or purported to be granted) pursuant to the Collateral Documents remain and continue in full force and effect in respect of, and to secure, the Obligations.

(c) The Parent Borrower represents and warrants that:

(i) The execution, delivery and performance by such Person of this Agreement is within such Person's organizational powers and has been duly authorized by all necessary organizational, partnership, member or other action, as applicable, as may be necessary or required.

(ii) This Agreement has been duly executed and delivered by such Person, and constitutes a legal, valid and binding obligation of such Person, enforceable against it in accordance with the terms hereof, except as may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws affecting the enforcement of creditors' rights generally and by general principles of equity.

(iii) The execution and delivery by such Person of this Agreement and performance by such Person of this Agreement have been duly authorized by all necessary corporate or other organizational action, and do not and will not (i) contravene the terms of its certificate or articles of incorporation or organization or other applicable constitutive documents, (ii) conflict with or result in any breach or contravention of, or the creation of any lien under, or require any payment to be made under (x) any contractual obligation to which such Person is a party or affecting such Person or the properties of such Person or any subsidiary thereof or (y) any order, injunction, writ or decree of any governmental authority or any arbitral award to which such Person or any subsidiary thereof or its property is subject or (c) violate any law.

(iv) Before and after giving effect to this Agreement, (A) all representations and warranties of such Person set forth in the Loan Documents are true and correct in all material respects (and in all respects if any such representation or warranty is already qualified by materiality (after giving effect to such materiality qualification)) on and as of the Amendment Effective Date (except to the extent that such representations and



warranties specifically refer to an earlier date, in which case they were true and correct in all material respects (and in all respects if any such representation or warranty is already qualified by “materiality,” “Material Adverse Effect” or similar language (after giving effect to such materiality qualification)) as of such earlier date), and (B) no Default exists.

(d) This Agreement may be in the form of an electronic record (in “.pdf” form or otherwise) and may be executed using electronic signatures, which shall be considered as originals and shall have the same legal effect, validity and enforceability as a paper record. This Agreement may be executed in as many counterparts as necessary or convenient, including both paper and electronic counterparts, but all such counterparts shall be one and the same Agreement. For the avoidance of doubt, the authorization under this paragraph may include, without limitation, use or acceptance by the Administrative Agent of a manually signed Agreement which has been converted into electronic form (such as scanned into “.pdf” format), or an electronically signed Agreement converted into another format, for transmission, delivery and/or retention.

(e) Any provision of this Agreement held to be illegal, invalid or unenforceable in any jurisdiction, shall, as to such jurisdiction, be ineffective to the extent of such illegality, invalidity or unenforceability without affecting the legality, validity or enforceability of the remaining provisions hereof and the illegality, invalidity or unenforceability of a particular provision in a particular jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

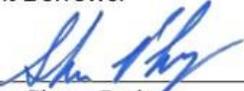
(f) The terms of the Credit Agreement with respect to governing law, submission to jurisdiction, waiver of venue and waiver of jury trial are incorporated herein by reference, *mutatis mutandis*, and the parties hereto agree to such terms.

[remainder of page intentionally left blank]

Each of the parties hereto has caused a counterpart of this Agreement to be duly executed and delivered as of the date first above written.

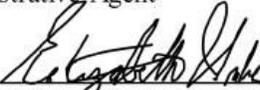
PARENT BORROWER:

PRIMO WATER CORPORATION, as
Parent Borrower

By: 
Name: Shane Perkey
Title: Treasurer

ADMINISTRATIVE AGENT:

BANK OF AMERICA, N.A.,
as Administrative Agent

By: 
Name: Elizabeth Uribe
Title: Assistant Vice President

Appendix A

TERMS APPLICABLE TO ALTERNATIVE CURRENCY LOANS

1. Defined Terms. The following terms shall have the meanings set forth below:

“Administrative Agent’s Office” means, with respect to any currency, the Administrative Agent’s address and, as appropriate, account specified in the Credit Agreement with respect to such currency, or such other address or account with respect to such currency as the Administrative Agent may from time to time notify the Parent Borrower and the Lenders.

“Alternative Currency” means each of the following currencies: Sterling and Euros.

“Alternative Currency Daily Rate” means, for any day, with respect to any extension of credit under the Credit Agreement denominated in Sterling, the rate per annum equal to SONIA determined pursuant to the definition thereof plus the SONIA Adjustment; provided, that, if any Alternative Currency Daily Rate shall be less than zero, such rate shall be deemed zero for purposes of this Agreement. Any change in an Alternative Currency Daily Rate shall be effective from and including the date of such change without further notice.

“Alternative Currency Daily Rate Loan” means a Loan that bears interest at a rate based on the definition of “Alternative Currency Daily Rate.” All Alternative Currency Daily Rate Loans must be denominated in an Alternative Currency.

“Alternative Currency Loan” means an Alternative Currency Daily Rate Loan or an Alternative Currency Term Rate Loan, as applicable.

“Alternative Currency Term Rate” means, for any Interest Period, with respect to any extension of credit under the Credit Agreement denominated in Euros, the rate per annum equal to the Euro Interbank Offered Rate (“EURIBOR”), as published on the applicable Reuters screen page (or such other commercially available source providing such quotations as may be designated by the Administrative Agent from time to time) on the day that is two (2) TARGET Days (as defined in the Credit Agreement) preceding the first day of such Interest Period with a term equivalent to such Interest Period; provided, that, if any Alternative Currency Term Rate shall be less than zero, such rate shall be deemed zero for purposes of this Agreement.

“Alternative Currency Term Rate Loan” means a Loan that bears interest at a rate based on the definition of “Alternative Currency Term Rate.” All Alternative Currency Term Rate Loans must be denominated in an Alternative Currency.

“Applicable Rate” means the Applicable Rate as defined in the Credit Agreement.

“Base Rate” means the Base Rate as defined in the Credit Agreement.

“Base Rate Loans” means a Loan that bears interest at a rate based on the Base Rate.

“Borrowing” means a Borrowing as defined in the Credit Agreement.

“Business Day” means any day other than a Saturday, Sunday or other day on which commercial banks are authorized or required to close under the laws of, or are in fact closed in, the state where the Administrative Agent’s Office is located; provided that



(a) if such day relates to any interest rate settings as to an Alternative Currency Loan denominated in Euros, any fundings, disbursements, settlements and payments in Euros in respect of any such Alternative Currency Loan, or any other dealings in Euros to be carried out pursuant to this Agreement in respect of any such Alternative Currency Loan, means a Business Day that is also a TARGET Day (as defined in the Credit Agreement);

(b) if such day relates to any interest rate settings as to an Alternative Currency Loan denominated in Sterling, means a day other than a day banks are closed for general business in London because such day is a Saturday, Sunday or a legal holiday under the laws of the United Kingdom; and

(c) if such day relates to any fundings, disbursements, settlements and payments in a currency other than Euro in respect of an Alternative Currency Loan denominated in a currency other than Euro, or any other dealings in any currency other than Euro to be carried out pursuant to this Agreement in respect of any such Alternative Currency Loan (other than any interest rate settings), means any such day on which banks are open for foreign exchange business in the principal financial center of the country of such currency.

“Committed Loan Notice” means a Committed Loan Notice as defined in the Credit Agreement, and such term shall be deemed to include the Committed Loan Notice attached hereto as Exhibit A.

“Conforming Changes” means, with respect to the use, administration of or any conventions associated with SONIA, EURIBOR or any proposed Successor Rate for any currency, any conforming changes to the definitions of “SONIA”, “EURIBOR”, “Interest Period”, timing and frequency of determining rates and making payments of interest and other technical, administrative or operational matters (including, for the avoidance of doubt, the definition of “Business Day”, timing of borrowing requests or prepayment, conversion or continuation notices and length of lookback periods) as may be appropriate, in the discretion of the Administrative Agent, to reflect the adoption and implementation of such applicable rate(s) and to permit the administration thereof by the Administrative Agent in a manner substantially consistent with market practice for such currency (or, if the Administrative Agent determine that adoption of any portion of such market practice is not administratively feasible or that no market practice for the administration of such rate for such currency exists, in such other manner of administration as the Administrative Agent determine is reasonably necessary in connection with the administration of this Agreement and any other Loan Document in consultation with the Parent Borrower).

“Dollar Equivalent” means the Dollar Equivalent as defined in the Credit Agreement.

“EURIBOR” has the meaning assigned to such term in the definition of “Alternative Currency Term Rate”.

“Eurocurrency Rate” means Eurocurrency Rate as defined in the Credit Agreement.

“Eurocurrency Rate Loans” means a Loan that bears interest at a rate based on the Eurocurrency Rate.



“Interest Payment Date” means, (a) as to any Alternative Currency Daily Rate Loan, the 15th day of each month and the applicable maturity date set forth in the Credit Agreement and (b) as to any Alternative Currency Term Rate Loan, the last day of each Interest Period applicable to such Loan; provided, however, that if any Interest Period for an Alternative Currency Term Rate Loan exceeds three months, the respective dates that fall every three months after the beginning of such Interest Period shall also be Interest Payment Dates.

“Interest Period” means as to each Alternative Currency Term Rate Loan, the period commencing on the date such Alternative Currency Term Rate Loan is disbursed or converted to or continued as an Alternative Currency Term Rate Loan and ending on the date one, three or six months thereafter (in each case, subject to availability for the interest rate applicable to the relevant currency), as selected by the Parent Borrower in its Committed Loan Notice, or such other period that is twelve months or less requested by the Parent Borrower and consented to by all the Lenders; provided that:

(a) any Interest Period that would otherwise end on a day that is not a Business Day shall be extended to the next succeeding Business Day unless, in the case of an Alternative Currency Term Rate Loan, such Business Day falls in another calendar month, in which case such Interest Period shall end on the next preceding Business Day;

(b) any Interest Period pertaining to an Alternative Currency Term Rate Loan that begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall end on the last Business Day of the calendar month at the end of such Interest Period; and

(c) no Interest Period shall extend beyond the applicable maturity date set forth in the Credit Agreement.

“Relevant Rate” means, with respect to any Loan denominated in (a) Sterling, SONIA, and (b) Euros, EURIBOR, as applicable.

“Required Lenders” means the Required Lenders and the Required Revolving Credit Lenders as defined in the Credit Agreement.

“SONIA” means, with respect to any applicable determination date, the Sterling Overnight Index Average Reference Rate published on the fifth Business Day preceding such date on the applicable Reuters screen page (or such other commercially available source providing such quotations as may be designated by the Administrative Agent from time to time); provided however that if such determination date is not a Business Day, SONIA means such rate that applied on the first Business Day immediately prior thereto.

“SONIA Adjustment” means, with respect to SONIA, 0.0326% per annum.

“Successor Rate” means the Successor Rate as defined in the Credit Agreement.

“Type” means, with respect to a Loan, its character as a Base Rate Loan, a Eurocurrency Rate Loan, an Alternative Currency Daily Rate Loan or an Alternative Currency Term Rate Loan.

2. Terms Applicable to Alternative Currency Loans. From and after the Amendment Effective Date, the parties hereto agree as follows:



(a) Alternative Currencies. (i) No Alternative Currency shall be considered a currency for which there is a published LIBOR rate, and (ii) any request for a new Loan denominated in an Alternative Currency, or to continue an existing Loan denominated in an Alternative Currency, shall be deemed to be a request for a new Loan bearing interest at the Alternative Currency Daily Rate or Alternative Currency Term Rate, as applicable; provided, that, to the extent any Loan bearing interest at the Eurocurrency Rate is outstanding on the Amendment Effective Date, such Loan shall continue to bear interest at the Eurocurrency Rate until the end of the current Interest Period or payment period applicable to such Loan unless, in the case of a Loan that bears interest at a daily floating rate, such daily floating rate is no longer representative or being made available, in which case such Loan shall bear interest at the applicable Alternative Currency Rate immediately upon the effectiveness of this Agreement.

(b) References to Eurocurrency Rate and Eurocurrency Rate Loans in the Credit Agreement and Loan Documents.

(i) References to the Eurocurrency Rate and Eurocurrency Rate Loans in provisions of the Credit Agreement and the other Loan Documents that are not specifically addressed herein (other than the definitions of Eurocurrency Rate and Eurocurrency Rate Loan) shall be deemed to include Alternative Currency Daily Rates, Alternative Currency Term Rates, and Alternative Currency Loans, as applicable.

(ii) For purposes of any requirement for any Borrower to compensate Lenders for losses in the Credit Agreement resulting from any continuation, conversion, payment or prepayment of any Alternative Currency Loan on a day other than the last day of any Interest Period (as defined in the Credit Agreement), references to the Interest Period (as defined in the Credit Agreement) shall be deemed to include any relevant interest payment date or payment period for an Alternative Currency Loan.

(c) Interest Rates. The Administrative Agent does not warrant, nor accept responsibility, nor shall the Administrative Agent have any liability with respect to the administration, submission or any other matter related to the rates in the definition of "Alternative Currency Daily Rate", "Alternative Currency Term Rate" or with respect to any rate (including, for the avoidance of doubt, the selection of such rate and any related spread or other adjustment) that is an alternative or replacement for or successor to any such rate or the effect of any of the foregoing, or of any Conforming Changes.

(d) Borrowings and Continuations of Alternative Currency Loans. In addition to any other borrowing requirements set forth in the Credit Agreement:

(i) Alternative Currency Loans. Each Borrowing of Alternative Currency Loans, and each continuation of an Alternative Currency Term Rate Loan shall be made upon the Parent Borrower's irrevocable notice to the Administrative Agent, which may be given by (A) telephone or (B) a Committed Loan Notice; provided that any telephonic notice must be confirmed promptly by delivery to the Administrative Agent of a Committed Loan Notice. Each such Committed Loan Notice must be received by the Administrative Agent not later than 12:00 noon three (3) Business Days (or five (5) Business Days in the case of a Special Notice Currency) prior to the requested date of any Borrowing or, in the case of Alternative Currency Term Rate Loans, any continuation; provided, however, that if the Borrower wishes to request Alternative Currency Term Rate Loans having an Interest Period other than one, three or six months in duration as provided in the definition of "Interest Period," the applicable notice must be received by



the Administrative Agent not later than 12:00 noon five (5) Business Days (or six (6) Business Days in the case of a Special Notice Currency) prior to the requested date of such Borrowing or continuation of Alternative Currency Term Rate Loans, whereupon the Administrative Agent shall give prompt notice to the Lenders of such request and determine whether the requested Interest Period is acceptable to all of them. Not later than 12:00 noon, four (4) Business Days (or five (5) Business Days in the case of a Special Notice Currency) prior to the requested date of such Borrowing or continuation of Alternative Currency Term Rate Loans, the Administrative Agent shall notify the Parent Borrower (which notice may be by telephone) whether or not the requested Interest Period has been consented to by all the Lenders. Each Borrowing of or continuation of Alternative Currency Loans shall be in a principal amount of the Dollar Equivalent of \$5,000,000 or a whole multiple of the Dollar Equivalent of \$1,000,000 in excess thereof. Each Committed Loan Notice shall specify (i) whether the applicable Borrower is requesting a Borrowing or a continuation of Alternative Currency Term Rate Loans, (ii) the requested date of the Borrowing or continuation, as the case may be (which shall be a Business Day), (iii) the currency and principal amount of Loans to be borrowed or continued, (iv) the Type of Loans to be borrowed and (v) if applicable, the duration of the Interest Period with respect thereto. If the Parent Borrower fails to specify a currency in a Loan Notice requesting a Borrowing, then the Loans so requested shall be made in Dollars. If the Parent Borrower fails to specify a Type of Loan in a Committed Loan Notice or fails to give a timely notice requesting a continuation, then the applicable Loans shall be made as Base Rate Loans denominated in Dollars; provided, however, that in the case of a failure to timely request a continuation of Alternative Currency Term Rate Loans, such Loans shall be continued as Alternative Currency Term Rate Loans in their original currency with an Interest Period of one (1) month. If the Parent Borrower requests a Borrowing of or continuation of Alternative Currency Term Rate Loans in any such Committed Loan Notice, but fails to specify an Interest Period, it will be deemed to have specified an Interest Period of one (1) month. For the avoidance of doubt, the Borrowers and Lenders acknowledge and agree that any conversion or continuation of an existing Loan shall be deemed to be a continuation of that Loan with a converted interest rate methodology and not a new Loan. Except as otherwise specified in the Credit Agreement, no Alternative Currency Loan may be converted into or continued as a Loan denominated in a different currency, but instead must be repaid in the original currency of such Alternative Currency Loan and reborrowed in the other currency.

(ii) Conforming Changes. With respect to any Alternative Currency Rate, the Administrative Agent will have the right to make Conforming Changes from time to time and, notwithstanding anything to the contrary herein, in the Credit Agreement or in any other Loan Document, any amendments implementing such Conforming Changes will become effective without any further action or consent of any other party to this Agreement, the Credit Agreement or any other Loan Document; provided, that, with respect to any such amendment effected, the Administrative Agent shall post each such amendment implementing such Conforming Changes to the Parent Borrower and the Lenders reasonably promptly after such amendment becomes effective.

(iii) Committed Loan Notice. For purposes of a Borrowing of Alternative Currency Loans, or a continuation of and Alternative Currency Term Rate Loan, the Parent Borrower shall use the Committed Loan Notice attached hereto as Exhibit A.

(e) Interest.



(i) Subject to the provisions of the Credit Agreement with respect to Default Interest (as defined in the Credit Agreement), (x) each Alternative Currency Daily Rate Loan shall bear interest on the outstanding principal amount thereof from the applicable borrowing date at a rate per annum equal to the Alternative Currency Daily Rate plus the Applicable Rate; and (y) each Alternative Currency Term Rate Loan shall bear interest on the outstanding principal amount thereof for each Interest Period at a rate per annum equal to the Alternative Currency Term Rate for such Interest Period plus the Applicable Rate.

(ii) Interest on each Alternative Currency Loan shall be due and payable in arrears on each Interest Payment Date applicable thereto and at such other times as may be specified the Credit Agreement. Interest hereunder shall be due and payable in accordance with the terms hereof before and after judgment, and before and after the commencement of any proceeding under any Debtor Relief Law (as defined in the Credit Agreement).

(f) Computations. All computations of interest for Alternative Currency Loans shall be made on the basis of a year of three hundred sixty-five (365) or three hundred sixty-six (366) days, as the case may be, and actual days elapsed, or, in the case of interest in respect of Alternative Currency Loans as to which market practice differs from the foregoing, in accordance with such market practice. Interest shall accrue on each Alternative Currency Loans for the day on which the Alternative Currency Loans is made, and shall not accrue on an Alternative Currency Loans, or any portion thereof, for the day on which the Alternative Currency Loans or such portion is paid, provided that any Alternative Currency Loans that is repaid on the same day on which it is made shall, subject to the terms of the Credit Agreement, bear interest for one (1) day. Each determination by the Administrative Agent of an interest rate or fee hereunder shall be conclusive and binding for all purposes, absent manifest error.

(g) Successor Rates. The provisions in the Credit Agreement addressing the replacement of a current Successor Rate for a currency shall be deemed to apply to Alternative Currency Loans and SONIA and EURIBOR, as applicable, and the related defined terms shall be deemed to include Sterling and Euros and SONIA and EURIBOR, as applicable.

Exhibit A

FORM OF COMMITTED LOAN NOTICE
(Alternative Currency Loans)

Date: _____, _____¹

To: Bank of America, N.A., as Administrative Agent

Ladies and Gentlemen:

Reference is made to that certain Credit Agreement, dated as of March 6, 2020 (as amended, restated, extended, supplemented or otherwise modified in writing from time to time, the “Credit Agreement,” the terms defined therein being used herein as therein defined), among Primo Water Corporation, a corporation organized under the federal laws of Canada, Cott Holdings Inc., a Delaware corporation, Eden Springs Nederland B.V., a private limited liability company incorporated under the laws of the Netherlands, having its corporate seat in Rotterdam, the Netherlands, registered with the Dutch Chamber of Commerce under number 27198876, certain Subsidiaries of Parent Borrower designated as Subsidiary Borrowers pursuant to Section 2.18 thereof (each of the foregoing, a “Borrower”), the Lenders from time to time party thereto, the other parties from time to time party thereto and Bank of America, N.A., as Administrative Agent and Collateral Agent.

The undersigned hereby requests (select one)²:

Revolving Credit Facility

<u>Indicate:</u> Borrowing, Conversion or Continuation	<u>Indicate:</u> Borrower Name	<u>Indicate:</u> Requested Amount	<u>Indicate:</u> Currency	<u>Indicate:</u> Alternative Currency Daily Rate Loan or Alternative Currency Term Rate Loan	<u>For Alternative</u> <u>Currency Term</u> <u>Rate Loans,</u> <u>Indicate:</u> Interest Period (e.g., 1, 3 or 6 month interest period)

Term Loans

¹ Note to Borrower. All requests submitted under a single Committed Loan Notice must be effective on the same date. If multiple effective dates are needed, multiple Committed Loan Notices will need to be prepared and signed.

² Note to Borrower. For multiple borrowings, conversions and/or continuations for a particular facility, fill out a new row for each borrowing/conversion and/or continuation.

<u>Indicate:</u> Borrowing, Conversion or Continuation	<u>Indicate:</u> Borrower Name	<u>Indicate:</u> Requested Amount	<u>Indicate:</u> Currency	<u>Indicate:</u> Alternative Currency Daily Rate Loan or Alternative Currency Term Rate Loan	<u>For Alternative Currency Term Rate Loans, Indicate:</u> Interest Period (e.g., 1, 3 or 6 month interest period)

The Borrowing, if any, requested herein complies with the requirements set forth in the Credit Agreement.

[BORROWER]

By: _____
Name: [Type Signatory Name]
Title: [Type Signatory Title]

PRIMO WATER CORPORATION
RESTRICTED SHARE UNIT AWARD AGREEMENT
(Time-Based Vesting)

1. Equity Plan. This Award (as defined below) is issued under the following equity incentive plan (check one):

Amended and Restated Primo Water Corporation Equity Incentive Plan

Primo Water Corporation 2018 Equity Incentive Plan

2. Restricted Share Unit Award — Terms and Conditions. Under and subject to the provisions of the equity incentive plan designated above (the “Plan”) and upon the terms and conditions set forth herein, Primo Water Corporation (the “Company”) has granted to _____ (the “Grantee”), effective _____ (the “Date of Grant”), a Restricted Share Unit Award (the “Award”) of _____ restricted share units (such units, the “Units”), in respect of services to be provided by the Grantee in _____ and thereafter. At all times, each Unit shall be equal in value to one common share in the capital of the Company (each, a “Share”). Such Award is subject to the terms and conditions of this Restricted Share Unit Agreement (the “Agreement”) and the Plan.

(a) Vesting. Subject to the terms and conditions of this Agreement, this Award will vest as follows: . Each date on which Units vest may be referred to herein as a “Vesting Date.” The Human Resources and Compensation Committee of the Company's Board of Directors (the “Committee”) may, in accordance with the Plan and to the extent permitted by Section 409A of the Code (if applicable), accelerate the vesting period as to some or all of the Units at any time.

(b) Payout of Award. Provided the Award has not previously been forfeited, as soon as administratively practicable following a Vesting Date, but in no event later than the later of (i) sixty (60) days following the expiration of the Vesting Date, and (ii) the date that audited financial statements are available for the Company’s fiscal year during which the Vesting Date occurs, the Company shall issue to the Grantee in a single payment the number of Shares underlying the Units that have become vested as of the Vesting Date. The Shares issued by the Company hereunder may at the Company’s option be either (i) evidenced by a certificate registered in the name of the Grantee or his or her designee; or (ii) credited to a book-entry account for the benefit of the Grantee maintained by the Company’s stock transfer agent or its designee.

(c) Rights Prior to Vesting. Until a Vesting Date, the Grantee shall not have any rights as a shareholder with respect to the Shares underlying the Units which have not previously vested (except as provided in the following paragraph). If the number of outstanding common shares of the Company (“Common Shares”) is changed as a result of a stock dividend, stock split or the like, without additional consideration to the Company, the Units subject to this Award shall be adjusted to correspond to the change in the Company’s outstanding Common Shares. Upon vesting and payout of the Award, the Grantee may exercise voting rights and shall

be entitled to receive dividends and other distributions with respect to the number of Shares to which the Grantee is entitled pursuant hereto.

As of any date that the Company pays an ordinary cash dividend on its Shares, the Company shall credit the Grantee with a dollar amount equal to (i) the per share cash dividend paid by the Company on its Shares on such date, multiplied by (ii) the total number of Units that are outstanding immediately prior to the record date for that dividend (a “**Dividend Equivalent Right**”). Any Dividend Equivalent Rights credited pursuant to the foregoing provisions of this Section 1(c) shall be subject to satisfaction of the same vesting, payment and other terms, conditions and restrictions as the original Units to which they relate; provided, however, that the amount of any earned Dividend Equivalent Rights shall be paid in cash at the same time as the related Units. No crediting of Dividend Equivalent Rights shall be made pursuant to this Section 1(c) with respect to any Units which, immediately prior to the record date for that dividend, have been paid out or forfeited pursuant to the terms of the Plan.

3. Prohibition Against Transfer. Until vesting and payout, the Units subject to the Award, and any interest in the Shares and the rights granted under this Agreement are not transferable or assignable other than for normal estate settlement purposes. Until vesting and payout, the Units subject to the Award, and any interest in the Shares related thereto, may not be sold, exchanged, assigned, transferred, pledged, hypothecated, encumbered or otherwise disposed of, shall not be assignable by operation of law, and shall not be subject to execution, attachment, charge, alienation or similar process. Any attempt to effect any of the foregoing shall be null and void and without effect.

4. Securities Law Requirements. The Company shall not be required to issue Shares pursuant to the Award, to the extent required, unless and until (a) such Shares have been duly listed upon each stock exchange on which the Common Shares is then registered; and (b) a registration statement under the Securities Act of 1933 with respect to such Shares is then effective.

5. Incorporation of Plan Provisions. This Agreement is made pursuant to the Plan, the provisions of which are hereby incorporated by reference. Capitalized terms not otherwise defined herein shall have the meanings set forth for such terms in the Plan. In the event of a conflict between the terms of this Agreement and the Plan, the terms of the Plan shall govern.

6. Compliance with Section 409A of the Code. To the extent applicable, it is intended that the Agreement and the Plan comply with the provisions of Section 409A of the Code, so that the income inclusion provisions of Section 409A(a)(1) of the Code do not apply to the Grantee. The Agreement and the Plan shall be administered and interpreted in a manner consistent with this intent, and any provision that would cause the Agreement or the Plan to fail to satisfy Section 409A of the Code shall have no force and effect until amended to comply with Section 409A of the Code (which amendment may be retroactive to the extent permitted by Section 409A of the Code and may be made by the Corporation without the consent of the Grantee). Notwithstanding the foregoing, no particular tax result for the Grantee with respect to any income recognized by the Grantee in connection with the Agreement is guaranteed, and the Grantee solely shall be responsible for any taxes, penalties or interest imposed on the Grantee

under Section 409A in connection with the Agreement. Reference to Section 409A of the Code will also include any regulations, or any other guidance, promulgated with respect to such Section by the U.S. Department of the Treasury or the Internal Revenue Service.

7. Tax Withholding.

(a) Grantees Other Than UK Grantees. The Grantee shall pay all applicable income and employment taxes (including taxes of any foreign jurisdiction) which the Company or a Subsidiary is required to withhold at any time with respect to the Units. Such payment shall be made in full, at the Grantee's election, in cash or check, by withholding from the Grantee's next normal payroll check, or by the relinquishment of Shares that otherwise would be issued to the Grantee pursuant to this Agreement. Shares tendered as payment of required withholding shall be valued at the closing price per share of the Company's common stock on the date such withholding obligation arises.

(b) UK Grantees. By executing this Agreement, the Grantee agrees with the Company (for itself and on behalf of the Grantee's employing company (the "Employer")) that the Company (or, if it is the secondary contributor in respect of the Grantee for the purposes of national insurance contributions, the Employer) may recover from the Grantee (by deduction or otherwise) an amount equal to any secondary Class 1 contributions payable in respect of the acquisition by the Grantee of any Shares pursuant to this Agreement, together with any income tax and primary Class 1 contributions due under the Pay As You Earn system in respect of any Shares acquired by the Grantee pursuant to this Agreement and the Grantee hereby agrees to indemnify the Company and the Employer for such amounts. For the avoidance of doubt, a broker or trustee instructed by the Grantee shall be entitled to retain, out of the aggregate number of Shares issued in the name of the Grantee and to which the Grantee would otherwise be entitled pursuant to this Agreement, and sell as agent for the Grantee, such number of Shares as in the opinion of the Company or the Employer will realize an amount equivalent to any amount due from the Grantee pursuant to this Section and to pay such proceeds to the Employer to reimburse it for such amount.

8. Employment. The rights and obligations of the Grantee under the terms of his office or employment with the Employer will not be affected by his participation in the Plan or any right which he may have under this Agreement and this Agreement does not form part of any contract of employment between the Grantee and the Employer. If the Grantee's office or employment is terminated for any reason whatsoever (and whether lawful or otherwise) he will not be entitled to claim any compensation for or in respect of any consequent diminution or extinction of his rights or benefits (actual or prospective) under this Agreement or otherwise in connection with the Plan.

9. Beneficiary Designation. The Grantee may, subject to compliance with all applicable laws, name, from time to time, any beneficiary or beneficiaries (who may be named contingently or successively) to whom any benefit under the Plan is to be paid in the event of the Grantee's death before the Grantee receives any or all of such benefit. Each designation will revoke all prior designations by the Grantee, shall be in the form as may be prescribed by the Committee, and will be effective only when filed by the Grantee in writing with the Committee

during his or her lifetime. In the absence of any such designation, benefits remaining unpaid at the Grantee's death shall be paid to his or her estate.

10. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Florida and the laws of the United States applicable therein.

11. Severability. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement.

12. Entire Agreement.

(a) The Grantee hereby acknowledges that he or she has received, reviewed and accepted the terms and conditions applicable to this Agreement, and has not been induced to enter into this Agreement or acquire any Units by expectation of employment or continued employment with the Company or any of its subsidiaries. The granting of the Award and the issuance of Units are subject to the terms and conditions of the Plan, all of which are incorporated into and form an integral part of this Agreement.

(b) The Grantee hereby acknowledges that he or she is to consult with and rely upon only the Grantee's own tax, legal, and financial advisors regarding the consequences and risks of this Agreement and the award of Units.

(c) This Agreement may not be amended or modified except by a written agreement executed by the parties hereto or their respective successors and legal representatives. The captions of this Agreement are not part of the provisions hereof and shall have no force or effect.

13. Counterparts. This Agreement may be executed in counterparts, which together shall constitute one and the same original.

IN WITNESS WHEREOF, Primo Water Corporation has caused this Agreement to be duly executed by one of its duly authorized officers, and the Grantee has executed this Agreement, effective as of the day and year first above written.

PRIMO WATER CORPORATION

By:
Print Name:
Title:

GRANTEE:

By: _____

Print Name: _____

**PRIMO WATER CORPORATION
NONQUALIFIED STOCK OPTION AGREEMENT**

THIS NONQUALIFIED STOCK OPTION IS GRANTED by Primo Water Corporation (“Company”) to _____ (the “Grantee”), pursuant to the terms and conditions of the equity incentive plan designated below (“Plan”). The terms of the Plan are incorporated herein by reference. The Company recognizes the value of the Grantee’s continued service as a key employee and has awarded this Nonqualified Stock Option under the Plan, subject to the following terms and conditions of this Nonqualified Stock Option Agreement (the “Agreement”):

1. **Equity Incentive Plan.** This Option (as defined below) is issued under the following equity incentive plan (check one):

 ___ Amended and Restated Primo Water Corporation Equity Incentive Plan

 ___ Primo Water Corporation 2018 Equity Incentive Plan
2. **Grant of Option.** The Company hereby grants to Grantee, effective _____ (“Date of Grant”), a Nonqualified Stock Option (“Option”), subject to the terms and conditions hereof and of the Plan, to purchase from the Company _____ common shares of the Company, at the price per share equal to \$ _____ (“Option Price”), which Option shall expire on the tenth (10) anniversary of the Date of Grant (“Expiration Date”), unless it expires earlier in accordance with the terms hereof.
3. **Exercisability of Option.** The Option shall vest and become exercisable as follows:
4. **Manner of Exercise.** The exercisable portion of the Option may be exercised in whole or in part from time to time until the Expiration Date, but in no event with respect to a fractional share. Exercise shall be by notice of exercise to the Company, specifying the number of shares to be purchased, the Option Price of each share and the aggregate Option Price for all shares being purchased under said notice. The notice shall be accompanied by payment of the aggregate Option Price for the number of shares purchased. Such exercise shall be effective upon the actual receipt of such payment and notice to the Company. Subject to Section 7 (Tax Withholding) below, the aggregate Option Price for all shares purchased pursuant to an exercise of the Option shall be paid by (i) currency or check payable to the Company, (ii) nonforfeitable, unrestricted common shares owned by the Grantee at the time of exercise and which have a value at the time of exercise that is equal to the Option Price (including through a net exercise), (iii) the proceeds of sale through a bank or broker on the date of exercise of some or all of the shares to which the exercise relates or (iv) any combination of the foregoing. In the case of a “net exercise” of an Option, the Company will not require a payment of the Option Price from the Grantee but will reduce the number of common shares issued upon the exercise by the largest number of whole common shares that has a Fair Market Value

(as defined in the Plan) that does not exceed the aggregate Option Price for the common shares exercised under this method.

There shall be furnished with each notice of the exercise of any portion of the Option such documents as the Company in its discretion may deem necessary to assure compliance with applicable rules and regulations of any stock exchange or governmental authority. No rights or privileges of a shareowner of the Company in respect to such shares issuable upon the exercise of any part of the Option shall accrue to you unless and until certificates representing such shares have been registered in your name.

5. Restrictions on Exercisability. The Option shall not be exercised in whole or in part and no related share certificates shall be delivered in the sole discretion of the Company: (i) if such exercise or delivery would constitute a violation of any provision of, or any regulation or order entered pursuant to, any law purporting to regulate wages, salaries or compensation; or (ii) if any requisite approval, consent, registration or other qualification of any stock exchange upon which the securities of the Company may then be listed, the Securities and Exchange Commission, the Canadian securities regulatory authorities or other governmental authority having jurisdiction over the exercise of the Option or the issuance of shares pursuant thereto, shall not have been secured.
6. Prohibition Against Transfer. This Option may not be sold, exchanged, assigned, transferred, pledged, hypothecated, encumbered or otherwise disposed of, shall not be assignable by operation of law, and shall not be subject to execution, attachment, charge, alienation or similar process. Any attempt to effect any of the foregoing shall be null and void and without effect.
7. Compliance with Section 409A of the Code. To the extent applicable, it is intended that the Agreement and the Plan comply with the provisions of Section 409A of the Code, so that the income inclusion provisions of Section 409A(a)(1) of the Code do not apply to the Grantee. The Agreement and the Plan shall be administered and interpreted in a manner consistent with this intent, and any provision that would cause the Agreement or the Plan to fail to satisfy Section 409A of the Code shall have no force and effect until amended to comply with Section 409A of the Code (which amendment may be retroactive to the extent permitted by Section 409A of the Code and may be made by the Company without the consent of the Grantee). Notwithstanding the foregoing, no particular tax result for the Grantee with respect to any income recognized by the Grantee in connection with the Agreement is guaranteed, and the Grantee solely shall be responsible for any taxes, penalties or interest imposed on the Grantee under Section 409A in connection with the Agreement. Reference to Section 409A of the Code will also include any regulations, or any other guidance, promulgated with respect to such Section by the U.S. Department of the Treasury or the Internal Revenue Service.
8. Tax Withholding.

- a) Grantees Other Than UK Grantees. The Grantee shall pay all applicable income and employment taxes (including taxes of any foreign jurisdiction) which the Company or a Subsidiary is required to withhold at any time with respect to the Option. Such payment shall be made in full, at the Grantee's election, in cash or check, by withholding from the Grantee's next normal payroll check, or by the relinquishment of common shares that otherwise would be issued to the Grantee pursuant to the Agreement. In Canada, these shares relinquished must be sold on the market on the Grantee's behalf. Shares tendered as payment of required withholding shall be valued at the closing price per share of the Company's common shares on the date such withholding obligation arises.
- b) UK Grantees. By executing the Agreement, the Grantee agrees with the Company (for itself and on behalf of the Grantee's employing company (the "Employer")) that the Company (or, if it is the secondary contributor in respect of the Grantee for the purposes of national insurance contributions, the Employer) may recover from the Grantee (by deduction or otherwise) an amount equal to any secondary Class 1 contributions payable in respect of the exercise of the Option pursuant to the Agreement, together with any income tax and primary Class 1 contributions due under the Pay As You Earn system in respect of the exercise of the Option pursuant to the Agreement and the Grantee hereby agrees to indemnify the Company and the Employer for such amounts. For the avoidance of doubt, a broker or trustee instructed by the Grantee shall be entitled to retain, out of the aggregate number of common shares issued in the name of the Grantee and to which the Grantee would otherwise be entitled pursuant to the Agreement, and sell as agent for the Grantee, such number of common shares as in the opinion of the Company or the Employer will realize an amount equivalent to any amount due from the Grantee pursuant to this Section and to pay such proceeds to the Employer to reimburse it for such amount.
9. Employment. The rights and obligations of the Grantee under the terms of his office or employment with the Employer will not be affected by his participation in the Plan or any right which he may have under the Agreement and the Agreement does not form part of any contract of employment between the Grantee and the Employer. If the Grantee's office or employment is terminated for any reason whatsoever (and whether lawful or otherwise) he will not be entitled to claim any compensation for or in respect of any consequent diminution or extinction of his rights or benefits (actual or prospective) under the Agreement or otherwise in connection with the Plan.
10. Beneficiary Designation. The Grantee may, subject to compliance with all applicable laws, name, from time to time, any beneficiary or beneficiaries (who may be named contingently or successively) to whom any vested benefit under the Plan is to be paid in the event of the Grantee's death before the Grantee receives any or all of such benefit. Each designation will revoke all prior designations by the Grantee, shall be in the form as may be prescribed by the Committee, and will be effective only when filed by the Grantee in writing with the Committee during his or her lifetime. In the absence of any

such designation, benefits remaining unpaid at the Grantee's death shall be paid to his or her estate.

11. Governing Law. The Agreement shall be governed by and construed in accordance with the laws of the State of Florida and the laws of the United States applicable therein.
12. Severability. The invalidity or unenforceability of any provision of the Agreement shall not affect the validity or enforceability of any other provision of the Agreement.
13. Entire Agreement.
 - a) The Grantee hereby acknowledges that he or she has received, reviewed and accepted the terms and conditions applicable to the Agreement, and has not been induced to enter into the Agreement by expectation of employment or continued employment with the Company or any of its Subsidiaries. The granting of the Option and the issuance of common shares upon exercise of the Option are subject to the terms and conditions of the Plan, all of which are incorporated into and form an integral part of the Agreement.
 - b) The Grantee hereby acknowledges that he or she is to consult with and rely upon only the Grantee's own tax, legal, and financial advisors regarding the consequences and risks of the Agreement and the award of the Option.
 - c) The Agreement may not be amended or modified except by a written agreement executed by the parties hereto or their respective successors and legal representatives. The captions of the Agreement are not part of the provisions hereof and shall have no force or effect.
14. Counterparts. The Agreement may be executed in counterparts, which together shall constitute one and the same original.

IN WITNESS WHEREOF, Primo Water Corporation has caused the Agreement to be duly executed by one of its duly authorized officers, and the Grantee has executed the Agreement, effective as of the day and year first above written.

PRIMO WATER CORPORATION

By:
Print Name:
Title:

GRANTEE:

By: _____

Print Name: _____

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

I, Thomas J. Harrington, certify that:

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

/s/ Thomas J. Harrington

Thomas J. Harrington

Chief Executive Officer

Dated: November 5, 2021

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

I, Jay Wells, certify that:

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

/s/ Jay Wells

Jay Wells

Chief Financial Officer

Dated: November 5, 2021

**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 October 2, 2021 (the "Report").

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

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

IN WITNESS WHEREOF, the undersigned has executed this certification as of the 5th day of November, 2021.

/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, Jay Wells, Chief Financial Officer of Primo Water Corporation (the "Company"), has executed this certification in connection with the filing with the Securities and Exchange Commission of the Company's Quarterly Report on Form 10-Q for the quarter ended October 2, 2021 (the "Report").

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

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

IN WITNESS WHEREOF, the undersigned has executed this certification as of the 5th day of November, 2021.

/s/ Jay Wells

Jay Wells
Chief Financial Officer