

Cott Corporation

Primo Water Transaction Conference Call

Event Date/Time: January 13, 2020 — 10:00 a.m. E.T.

Length: 58 minutes

"While Cision has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. Cision will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que Cision ait fait des efforts commercialement raisonnables afin de produire cette transcription, la société ne peut affirmer ou garantir qu'elle ne contient aucune erreur. Cision ne peut être tenue responsable pour toute perte de profits ou autres dommages ou responsabilité causé par ou découlant directement, indirectement, accessoirement ou spécialement de toute erreur liée à l'utilisation de ce texte ou à toute erreur qu'il contiendrait. »

CORPORATE PARTICIPANTS

Jarrold Langhans

Cott Corporation — Vice President of Investor Relations and Corporate FP&A

Tom Harrington

Cott Corporation — Chief Executive Officer

Billy Prim

Primo Water Corporation — Executive Chairman of the Board and Chief Executive Officer

Jay Wells

Cott Corporation — Chief Financial Officer

CONFERENCE CALL PARTICIPANTS

Drew Levine

BMO Capital Markets — Analyst

Derek Dley

Canaccord Genuity — Analyst

Mike Grondahl

Northland Securities — Analyst

Daniel Moore

CJS Securities — Analyst

Kevin Grundy

Jefferies — Analyst

Mark Petrie

CIBC — Analyst

Derek Lessard

TD Securities — Analyst

PRESENTATION

Operator

Good morning, and welcome to Cott Corporation's Primo Water Transaction Conference Call. Thank you all for joining this call on such short notice. All participants are currently in a listen-only mode. This call will end no later than 11 a.m. Eastern.

The call is being webcast live on Cott's website at www.cott.com, as well as Primo Water's website at www.primowater.com, and will be available for playback there for two weeks.

We would like to remind everyone that during this call, management will make forward-looking statements. Please refer to the important information and safe harbor language regarding these statements in our press release issued this morning and on Slides 2 and 3 in the accompanying investor presentation, which is posted on our website at www.cott.com and at www.primowater.com under the Investor Relations tab.

I will now turn the call over to Jarrod Langhans, Cott's Head of Investor Relations.

Jarrod Langhans — Vice President of Investor Relations and Corporate FP&A, Cott Corporation

Good morning, and thank you for joining our call. We are pleased to announce the signing of a merger agreement with Primo Water and to provide you with an overview of the Primo transaction, our transition to a pure-play water company, as well as the rationale behind the acquisition.

Today, I'm here with Tom Harrington, our Chief Executive Officer; Jay Wells, our Chief Financial Officer; and Billy Prim, Executive Chairman of the Board and Interim President and Chief Executive Officer of Primo Water Corporation.

With that said, Tom will start this morning's call with some introductory remarks on the transaction, a timeline of our transformation, key takeaways, and an overview of the acquisition, before

turning the call over to Billy to spend a few minutes on an overview of Primo, as well as the latest segment sales results from Q4 before handing it back to Tom to walk through the rationale of the acquisition and our planned transition to a pure-play company. Tom will then hand the call over to Jay to walk through the financial impact of the transaction and peer comparison before moving to Q&A.

As a reminder, we are in a quiet period and, therefore, we would look to keep any Q4 discussions to what is presented within the deck.

Upon closing, we will hold a modelling call to walk through a more detailed approach to the combined business.

Let me now turn the call over to Tom.

Tom Harrington — Chief Executive Officer, Cott Corporation

Good morning and thank you for joining this call on such short notice. As mentioned, you'll find this morning's presentation on both Cott's and Primo Water's websites under Investor Relations.

Turning to Slide 5 of the presentation. We outline a summary of the transaction and planned transition to a pure-play water company, detailing that we will be acquiring Primo Water Corporation for \$14 per share. For those of you less familiar with Primo, Primo is the largest seller of bottled water dispensers, largest supplier of purified bottled water that consumers purchase, at over 13,000 locations across North America, referred to as Exchange, and also the largest self-service water refill solution, referred to as Refill, where consumers can fill their bottles at over 23,000 locations across North America.

In addition to the Primo acquisition, last week, we announced that we are in the process of evaluating strategic alternatives for our S&D Coffee & Tea business, including the potential sale of the business, as we transition to a pure-play water solutions provider. Our new business will deliver higher growth and higher margins more consistent with our water and route-based peers.

We're also planning on changing our corporate name from Cott to Primo Water Corporation, and our ticker to PRMW, as the Primo name is associated with sustainable, healthy hydration, while our current Cott name continues to be linked to our former sugary, sweetened beverage business. As a result, we believe that changing our name provides the platform to better communicate our transformation and key growth and margin attributes, as we will no longer be associated with the legacy Cott brand, whose assets we divested in 2018 and in early 2019.

Turning to Slide 6. Over the last six years, we've been very busy transforming our company from what was once a low-margin business with declining revenues to a higher-margin business with strong revenue growth. We are moving towards becoming the leading pure-play water service provider across our 21-country footprint, with mid-single-digit top-line growth, with all of our core channels expected to grow in a high teen EBITDA margin profile.

This has been a well-planned transformation, and both management and our board have been aligned throughout the process. As you can see on the slide, we've done over \$2 billion in acquisitions and 1.3 billion in divestitures, excluding today's announcements.

The decision to engage an advisor to seek strategic alternatives for our S&D business, and the acquisition of Primo, are natural next steps in our transformation to a pure-play water company. Primo is a highly synergistic opportunity that Cott management is very familiar with and directly overlaps DS Services, our largest business unit in North America. This acquisition better positions our company in the water market, where we strengthen our water platform by offering our consumers more choices at more price points on a truly sustainable platform.

We will extend our Customer 4 Life promise across the Primo business while simultaneously improving our top-line growth outlook and margin profile, which will be more aligned with our water

peers. This transition further simplifies our business and allows management to have a singular focus on being the leading water service provider, while fully participating in the revenue and profit upside the Water category provides.

On Slide 7, we set forth our rationale for acquiring Primo and moving to a pure-play water service provider. As a result, the pro forma data on the remaining slide will assume the acquisition of Primo and the sale of S&D.

As a pure-play water company, we will be the North American leader in home and office delivery water, self-service refill, retail returnable water or exchange, dispenser sales, and a leading player in the point-of-use or water filtration category. In addition, we remain the market leader in home and office delivery water in Europe, as well as a large player in the European water filtration category. This acquisition builds upon the successful partnership between our North American Route Based business and Primo, and creates a water-focused company, positioned to excel in a higher-growth and higher-margin water categories, where we'll be able to offer a full range of hydration solutions to consumers, when and how they want it.

The combined company will grow through continued product and service innovations, marketing partnerships, and highly synergistic tuck-in acquisitions, as well as the opportunity to reach more consumers through more channels than either Cott or Primo could have reached on their own. We also expect to expand Primo's products and services across our European footprint, and the transaction will deliver \$35 million of cost synergies, which we plan on capturing over a three-year period.

And looking at other financial impacts, we expect the transition to drive accretion to our earnings. And inclusive of the S&D sale, we would see our leverage reduced, targeting approximately 3 times post-synergized EBITDA, while at the same time improving our credit profile.

We remain largely insulated from commodity fluctuations, as we're vertically integrated in the US, have implemented energy surcharges across our entire Route Based footprint, and reuse our three- and five-gallon water bottles up to 50 times.

In summary, this transition positions us to see our valuation improve, giving comparable financial metrics, in line with our water and route-based peers.

Moving to Slide 9. The Primo transaction consists of cash consideration, which will be funded through new debt, or proceeds from the sale of S&D, depending upon the timing of the sale. Overall, the transaction will result in a purchase price multiple of 8.4 times 2020 estimated synergies, synergized adjusted EBITDA which is below our current multiple, and is the result of the natural fit between our companies, which will significantly benefit by operating as a combined business.

In addition to the equity and cash considerations, post closing, we're excited to add two individuals from the current Primo board, Billy D. Prim and Susan E. Cates, to the Cott Board of Directors.

In terms of timing, we expect to launch an exchange offer within the next 10 business days and would expect to close the transaction by the end of the first quarter, subject to customary closing conditions. In support of the agreement, Primo's directors and officers, including the founder, Billy Prim, who's sitting next to me today, have entered into irrevocable tender and support agreements and will elect to receive stock consideration, as they believe strongly in the value that the combined business will drive for current and future shareholders.

I'm going to now turn the presentation over to Billy, to provide an overview of Primo, as well as the Q4 sales update. Billy, over to you.

Billy Prim — Executive Chairman of the Board and Chief Executive Officer, Primo Water Corporation

Thanks, Tom, and good morning, everyone. This is an exciting day for Primo. This transaction is something I consider to be a perfect fit. Our companies have worked together for many years in the Exchange business, and our teams have worked well together. I look forward to watching our combined business continue to grow and thrive, with a much stronger focus and market position.

For those of you who are less familiar with Primo, let me tell you a little about us. In 2019, Primo will generate over 300 million in revenue and over 50 million in adjusted EBITDA. Our business is driven by three key categories.

First is our Dispenser business, which we consider the razor of our razor and razor blade business model. We sell a full lineup of innovative and stylish dispensers through major retailers and online, at various price points, for as little as \$9.99. These dispenser sales help increase household penetration, which then drive reoccurring purchases of our two higher- margin water businesses.

Our razor blade offering is comprised of the two water businesses; first, the Exchange business, where consumers can exchange their empty bottle for a prefilled three- or five-gallon bottle of purified water. Our Exchange business is present at approximately 14,000 locations across the US and Canada, in leading retailers such as The Home Depot, Lowe's Home Improvement, as well as Kroger, Safeway, and Albertsons.

Our second water category is our Refill business. Our refill machines incorporate a multistep filtration process for consumers to refill their own empty bottle in multi-gallon formats, for as little as \$0.25 a gallon. Our machines are located at over 23,000 indoor and outdoor locations throughout the US and Canada, across a variety of retail channels.

Now, let's take a look at Q4 '19's sales of our three businesses on Slide 11. While we are still in the process of closing the quarter, preliminary results indicate that in the fourth quarter we experienced revenue growth on a year-over-year basis across all three of our business segments.

Starting with our Dispenser business, we achieved record consumer demand or unit sell-through of our dispensers, totalling 248,000 units in Q4. This led to a revenue growth of over 40 percent on a year-over-year basis.

In our Exchange business, we believe this record dispenser sell-through helped achieve our 31st consecutive quarter of same-store unit growth in excess of 6 percent, with Q4 reaching over 20 percent same-store sales unit growth. This drove revenue growth of more than 20 percent for the quarter, on a year-over-year basis, for our Exchange segment.

Lastly, in our Refill business, we continue to make improvements in our operations, machine uptime, localized sales efforts, and locations. This helped drive an increase in revenue of over 3 percent in Q4 when excluding the results from our Ice business, which was sold earlier in 2019. With the results of Q4, Primo is well-positioned, heading into 2020, to drive continued growth and profitability. We are excited about the opportunity that the combination of Cott and Primo will bring in the future value to all stakeholders.

With that said, I'll pass the call back to Tom.

Tom Harrington

Thanks, Billy. On Slide 12, we've created a peer comparison in terms of water solution products within the markets that we operate. As you can see, we are well positioned versus our peers, with leading positions in most of our water solutions categories. When it comes to POU, or water filtration dispensers, this is a growing, highly fragmented market, that we would—that we would be a top five player in, both

in North America and across our European footprint, and one that we will be investing in over the coming years.

We recently issued a press release, where we announced a rollout of our PureFlo filtration units, which contains IoT technology that enables our customers to use their cellphone camera to check the water quality, volume, and other data points of the unit. In addition, the unit measures the quality of the water going into the filter and coming out of the filter and is able to contact us when the filter needs to be changed, instead of simply sending out a technician every six months. This solution is intended to provide our customers with confidence in the quality of the drinking water from their dispenser. The filter technology, alone within this equipment, is compelling, as its expected life is four, five, or even six times longer than other filters.

In addition to leading positions in home and office delivery water and filtration, the transaction will make us the leading player in North America water dispenser sales, where Primo delivered record sales in 2019, which supports continued growth of the Exchange and Refill business into 2020. We will be the leader in water exchange, where Primo continues to see same-store unit sales growth in excess of 6 percent, and we will remain the leader in Refill.

Primo has seen marked improvement in Refill performance in Q4, a return to low single-digit growth, where the addition of new sales leadership and investment in sales headcount and improvements in service are paying off. Overall, our new market-leading business will drive mid-single-digit top-line growth, and the transaction solidifies our position as a leading water solutions provider.

As a final comment on this slide, I wanted to note that there is white space in Europe as it relates to the Primo products and services, and we will look to expand the Primo offering across our 18-country European footprint.

Moving to Slide 13. Today, Cott is the home and office delivery market leader across its 21-country footprint with over 3,600 routes and approximately 2.5 million customers. With the acquisition of Primo, we will have access to millions of additional potential consumers through Primo's footprint and customer reach, whether it be part of their hundreds of thousands of annual dispenser sales, close to 14,000 exchange locations across our footprint that have seen same-store sales growth of over 6 percent for 31 consecutive quarters, or the 23,000-plus refill locations.

With the increased consumer reach and channel diversification, we're able to further enhance our Customer of (sic) [For] Life Promise and can meet consumer needs, whether it be through the type of service offering that they're looking for or simply their price point.

Slide 14 details the organic growth opportunities that we will execute. We will continue to implement our organic growth strategies within HOD water, driven by customer growth, consumption growth, and pricing, as well as utilizing innovation and an expanded sales force to grow our water filtration business.

We will continue to invest in the customer experience, enhance our mobile app, and expect to improve customer retention consistently over time. We will combine retail sales forces and utilize the relationships that both companies have in order to increase our penetration of these customer location opportunities. We expect to offer products like infinite purified water, spring water, exchange, dispensers, and refill, or a mix of such offerings, all in a single location.

We will look to expand Primo across our 18-country European footprint. This could mean anything from bringing the Exchange program to Poland or setting up Refill across Spain.

We will be able to enhance our e-commerce activity and relationships by combining businesses, whether it be through connecting our dispenser sales with our home and office delivery, or through the utilization of a large e-commerce platform.

As it relates to the connection between our water filtration and the Primo refill business, management has evaluated the possibility of incorporating our new PureFlo filtration and IoT technology within refill machines and have found that the products are highly compatible. We will work on extending this technology into the Refill business.

In addition, we will be able to combine expertise in relation to dispenser innovation, as the leader in not only retail dispenser sales, but also home and office delivery of water.

As you can see, the possibilities are many, and we're excited to get started on executing to capture these opportunities.

Turning to Slide 15 and our sustainability platforms. Both Primo and Cott have implemented a focus on sustainability and made it a core part of our strategies. We're proud of the programs we have put in place, as we have a culture and operational expertise focus on social responsibility and sustainability. This mind-set and the programs associated with these practices assist in driving efficiencies, inspiring further innovation, and building platforms for long-term growth and assured supply.

Each five-gallon water bottle used within our HOD and Exchange programs removes the need to use 1,500-plus single-serve plastic bottles, of which most end up in landfills. We then recycle our five-gallon bottles, making our packaging one of the most environmentally friendly products within the beverage category.

We also offer water filtration and refill units, which are environmentally friendly solutions, as well as our new PureFlo technology filters that can last four, five, or even six times longer than normal filters, thereby reducing waste.

In addition to our packaging, we've been making a concerted effort to move to carbon neutrality. We're pleased to note that our European operations have been carbon neutral for eight years running, and we've put processes in place for our North America Route Based Services business to become carbon neutral by 2022.

With water being our key product, we've also joined the Alliance for Water Stewardship, AWS, and will begin to have our water sources certified under the AWS program starting this year.

Slide 16 breaks out the key areas where we plan to capture \$35 million of cost synergies. This is truly one of those instances that our footprint, distribution, and operations are a very good and complementary fit, resulting in our confidence that we can drive significant synergies. Although it is premature to share our detailed plan, we're confident in delivering these synergies, a majority of which will come from G&A in areas such as public company costs and shared services cost.

In addition, as you will see on Slide 17, there's a significant overlap in our coverage areas and operations, where we'll be able to combine routes, depots, and facilities, as well as workforces, which will benefit us as we grow and implement various initiatives where resources can be utilized in multiple channels, such as refill technicians who can also be used to assist with our water filtration division. With the combined number of five-gallon bottles, water dispensers, and other products that our companies purchase, we would expect to see good savings in the area of procurement as well.

In looking at the timing of the synergies, we are targeting to capture a majority of the synergies in year two, as we won't be able to begin the process until after the exchange offer and closing takes place.

All in all, these transactions will benefit our overall growth profile and EBITDA margins, strengthen our sustainability platforms, drive expected cost synergies of \$35 million, be earnings accretive, lower our leverage, and improve our credit profile, creating a business with higher growth and higher margins more in line with our water peers, and we would hope to have the opportunity to be valued more in line with those peers.

At this point, I'm going to hand the call over to Jay to cover a number of financial valuation metrics before we move to Q&A.

Jay Wells — Chief Financial Officer, Cott Corporation

Thanks, Tom, and good morning, everyone.

On Slide 19, we have provided a pro forma view of the combined business on a last-12-month basis as of Q3 2019. This slide outlines the growth and margin profile of our new pure-play water company. As you can see, we move from a low single-digit revenue growth business with a low-teen EBITDA margin to a mid-single-digit revenue grower with a high-teen EBITDA margin. This puts us directly in line with our water and route-based service peers.

On Slide 20, we have outlined a number of financial highlights, most of which tie directly into our internal acquisition metrics and thresholds needed to complete a transaction. The acquisition of Primo exceeds all of these financial attributes, including being accretive to earnings per share, accretive to revenue growth and EBITDA margins, and generating a fully loaded cash-on-cash IR in excess of our cost of capital.

And looking at our transition into a pure-play water business, we would expect our leverage to move to less than 3.5 times EBITDA upon the completion of the Primo acquisition and the sale of S&D, and we are targeting leverage closer to or below 3 times EBITDA. You should also expect our new business to be largely insulated from economic cycles, as we are able to offer the consumer products and services across the water spectrum.

In addition, the transaction continues our goal to have limited exposure to commodities, as water is our key ingredient, and items such as PET, or polycarbonate, only have minor impacts, as the bottles are used upwards of 50 times.

In addition, we have energy surcharges within our Route Based Services footprint to offset increase in the cost of fuel, and we are able to utilize pricing to offset other inflationary changes within the market.

And looking at capital deployment of the new business, we will utilize free cash flow to continue our accretive tuck-in acquisitions, pay our staple dividend, and fund share buybacks, as well as debt reductions.

Turning to Slide 21. Our new, combined pure-play water business has financial metrics that are very much in line with our route-based service and water peers, with revenue growth in the mid-single digits and EBITDA margins in the high teens. In addition, we will see margin expansion as we capture synergies and deliver growth within our business segments, which provide even closer alignment to our peers. This, along with changing Cott's name to Primo Water Corporation, creates an opportunity to be valued more in line with our water peers.

On Slide 22, we reiterate the key takeaways of this transaction, which include creating a pure-play water company and market leader in home and office water delivery, water exchange, water

dispenser sales, and refill, while also maintaining a leading position in water filtration. We're also improving our overall growth profile and EBITDA margins, strengthening our sustainability platforms, driving cost synergies of \$35 million, earnings accretion, lowering our leverage, and improving our credit profile. As a result, with a higher growth, higher margin business, we would hope to have the opportunity to be valued more in line with our peers.

With that said, I'll turn the call back to Jarrod.

Jarrod Langhans

Thank you, gentlemen.

During the Q&A, so that we can hear from as many of you as possible, we would ask for a limit of one question and one follow-up question per person. Thank you for your time.

Operator, please open the line for questions.

Q&A

Operator

As a reminder, to ask a question, you will need to press *, 1 on your telephone. To withdraw your question, press the pound or hash key. Please stand by while we compile the Q&A roster.

Your first question comes from Amit Sharma with BMO Capital. Your line is open.

Drew Levine — BMO Capital Markets

Hey. Good morning, everyone. This is—

Tom Harrington

Morning, Amit.

Drew Levine

—Drew Levine, on for Amit, actually. Congratulations on the deal.

Tom Harrington

Good morning.

Billy Prim

Good morning.

Drew Levine

Thanks. So the first question I have was just on Primo's Refill segment. Nice to see that return to growth in the fourth quarter. Just given the operational challenges over the past year, year and a half, what's your longer-term revenue growth outlook for this business? There was a thought, maybe, that it could get to mid-single digit in the next couple years. Is that Cott's view?

And then, secondly, on the location count, another big topic of conversation for Primo. It's 45,000 now. Where do you see that going over the next, say, one to two years?

Tom Harrington

Okay. This is Tom. Thanks for your questions.

The Refill business has begun to recover based on Q4. I'll ask Billy to highlight that. I will share that we spent a fair bit of diligence here, including my personal visit to the operations, frankly, to get at the questions you ask about. It only has enhanced my confidence in the ability of the Refill business to perform.

Regard to any forward forecast, albeit early in the presentation, we'll do a modelling call after we close, which would be the appropriate time for us to give clarity about our expectations on this business.

Billy, anything to add?

Billy Prim

Yeah. I would just add that we have spent a lot of energy in really improving our machine uptime and hiring a new head of sales and localized sales efforts, that are showing some progress in those areas. And I think that, that progress will continue not only in Refill, but in Exchange. And that's not even mentioning the ability to take this Refill internationally, which we believe—we've had opportunities or people asking us to do that for years. We'll now be able to do that. So I think the future is going to be nice for Refills.

Tom Harrington

Yeah. And I think—this is Tom again. I'll just add on. In some of our prepared comments, we talked about the combination of the retail sales department. So we significantly add resources by using the existing DS headcount and relationships in North America, where we can make more sales calls.

So we think there's significant customer location upside, with a very disciplined, well executed plan. Billy and his team have got that business to recover, and it builds our confidence in our ability to extend this business meaningfully in North America and, frankly, as Billy shared, in Europe.

Drew Levine

Great. Thanks. And last one for me. For the time being, how should we think about the tuck-in strategy? Should we still be thinking about 40 million to \$60 million annually? Thanks.

Tom Harrington

Yeah. There's no change to our plans on tuck-ins. You've seen us begin to announce those, and we've announced a couple early this year. So it is still our expectation to be between 40 and 60. They're highly synergistic and beneficial, so we'll keep that in our execution plans.

Drew Levine

Thank you.

Tom Harrington

Thanks. Thank you.

Billy Prim

Thanks.

Operator

Your next question comes from Derek Dley with Canaccord Genuity. Your line is open.

Derek Dley — Canaccord Genuity

Yeah. Thanks. And congrats on that transaction. Can you just talk about—you mentioned that Primo and Cott had been strategic partners for about six years. Can you just comment on what exactly this partnership entailed?

Tom Harrington

Sure, Derek. This is Tom. In 2014, we negotiated the first of two agreements where DS does roughly 90 percent of the production of the Primo water and the distribution of the product in the US with, frankly, limited execution in Canada, which we think is obviously one of our opportunities. So just think of it as leverage inside the DS plants. Primo had decomplexed in terms of distribution and operations, so we could be confident in high-quality water with one large provider. And the relationship has been long-standing for six years.

Derek Dley

Okay. So does this mean that—I just want to make sure I understand it correctly—that Cott or DS was providing the water, the bottles, and getting them to the shelves of Primo's retail—

Tom Harrington

Yeah (phon).

Derek Dley

—customers?

Tom Harrington

Yeah. So think of it as, we were providing the water in a Primo-provided bottle, and we've delivered every week—every day of the week to the retail customers, the roughly 14,000 or so exchange locations around North America.

Derek Dley

Okay.

Jay Wells

Yeah. So when you're modelling this, Derek, and you can see it in the footnotes of the deck, DS has about 50 million in revenue associated with providing this to Primo. That will get eliminated once we combine the two companies.

Derek Dley

Right. Okay. That makes sense. So then just thinking in terms of synergies, and you mentioned—I think you mentioned facility optimization. What would that entail? Would that be more on the depot side? Or how should I think about that?

Tom Harrington

The answer is yes. So if you look at the map of the current Primo locations, which is a combination of some branches, as well as storage units around the US and North America, because DS, North America has upwards of—I'll be wrong on this number, Derek—300 locations, we think it's a highly

synergistic opportunity, so that we could move the vast majority of people together, which we think, frankly, improves execution, but it's going to reduce our cost.

Billy Prim

And, I mean, Derek, when you look at the two businesses, we're very aligned on all three phases. And when you look at the synergies, SG&A, we see easy, hard synergies of 20 million to 25 million on the G&A side. With the footprint overlap, we see about a 5 million to 10 million worth of synergies there. And we see about another 5 million-plus on just procurement savings of using each other's buying power to just buy our goods at a better price.

Derek Dley

Okay. That's very helpful. Just last one for me. Just in terms of the CapEx within the Primo business. Like, how should we think about any incremental CapEx that's needed now with the combination of the two?

Tom Harrington

Yeah. I think part of it is, it'll reflect itself in some of the synergies because it's in the bottles, which are capitalized, so that's a piece of it. And we're going to buy a lot more bottles, so we think we'd get some benefit there. But again, at the end of the day, it's going to come down to the modelling call as we go from signing to close. And once we own it, we can lay out the impact of this business on CapEx and then, obviously, in total.

Derek Dley

Okay. Look forward to that call. Thank you very much.

Tom Harrington

Thanks, Derek.

Operator

Your next question comes from Mike Grondahl with Northland Securities. Your line is open.

Mike Grondahl — Northland Securities

Hi. Yeah. Thank you. Hey. Just a question for Billy. Hey, Billy. About 15 months ago, October of '18, the stock was at about \$20, when underlying growth was stronger. And even last summer, the stock hit 16. How should we think about—or how do you kind of justify getting \$14 here? Can you help us think through that a little bit?

Billy Prim

Mike, that is true. The board took that into consideration. But what we have to consider is where the Company and the environment is today. We believe that the combination of these two companies will lead to a higher growth price than either one of them as stand-alone. And that is one of the reasons it was so important for us to get stock in this transaction. So as we look at the transaction, we're looking at not only what the cash portion is, but the stock portion, and where we believe the value of that stock of the combined companies will be in the future versus us as a stand-alone business.

Mike Grondahl

Got it. Okay. I just wanted to kind of hear your thoughts on that. Thank you.

Billy Prim

Thanks.

Tom Harrington

Thank you.

Operator

Your next question comes from Daniel Moore with CJS Securities. Your line is open.

Daniel Moore — CJS Securities

Good morning, gentlemen.

Tom Harrington

Morning, Dan.

Jay Wells

Good morning, Dan. How are you?

Daniel Moore

I'm well. Thank you. Just looking at the slide deck or your comments on leverage pre- and post-potential divestment/sale of S&D, it seems like you expect to garner a pretty reasonable multiple, maybe something close to what you paid, which was in the 9—you know, above 8, sort of 9 times range. Anything wrong with that math? Any colour or comments there?

Tom Harrington

I'll give that question to Jay.

Jay Wells

I mean, as we've said in the past, we've talked about looking at S&D. We view this as a value of a business. It is best in classes in the channels that it is, and we are definitely planning to get full and fair value with a disposition of S&D.

Daniel Moore

Understood. In terms of the financing, any initial colour on the range of expected interest expense on the 400 million financing commitment?

Jay Wells

Yeah. So my hope would be that we could dispose of S&D prior to closing on the acquisition of Primo. But to the extent we don't, as mentioned in the press release, we do have a backstop and a term loan commitment from Deutsche Bank with—I think the key term is, it would be, LIBOR plus 250—is where it would be priced at.

Daniel Moore

Very helpful. And then last, the commentary around Primo's Q4 performance was obviously very helpful. Any commentary—no change to—there was no comments on guidance as far as Cott's performance. Any general thoughts or comments there? Thank you.

Tom Harrington

Well, yeah. As we've said at the beginning, we're in our dark period, and our goal is not to discuss where we ended the quarter. But thank you for the—thank you for the question on that one, Dan.

Daniel Moore

Understood. And I'll look forward to the modelling call. Congrats, and we'll talk to you soon.

Jay Wells

Thanks, Dan. Appreciate it.

Tom Harrington

Thanks, Dan.

Operator

Your next question comes from Kevin Grundy with Jefferies. Your line is open.

Tom Harrington

Morning, Kevin.

Kevin Grundy — Jefferies

Hey. Good morning, guys, and congratulations—

Billy Prim

Hello, Kevin. Good morning.

Kevin Grundy

—congratulations on the deal. Hey. Good morning, everyone. So just to take a step back, can you talk a little bit about the why now from a Cott shareholder perspective? How the deal came together? Why you think this was the best path relative to, potentially, other alternatives in terms of creating value? And then I have a follow-up.

Tom Harrington

Yeah. I think one of the reasons that this is so compelling for us is a long history of working together between the teams and a deep understanding of the Exchange business. From a synergy-capture perspective, it's a dead overlap for our North American business. So if you think about the risk associated with synergies, I don't see a lot of risk here because, one, we understand the business. We've done appropriate due diligence on Refill, and we're pretty intimate with it. And it's here. It's in the US with our biggest, frankly, very solid execution team in the US. So that's a bit about why Primo.

And certainly, it moves us down the path of higher consistent revenue growth and higher EBITDA margins, as we transition to pure water play. And clearly, the synergies help us do that and accelerate that. It gets us much closer to water or route-based peers in two years, three years' time.

Kevin Grundy

Okay. That's helpful. Can you talk about the—the cash and stock component and how you arrived at that mix when you were negotiating the transaction?

Jay Wells

I mean, the mix, it's much more—it's the conversion of Primo stock to Cott stock, and that conversion ratio is more important. What it really gets to is, the goal is for us to issue no more than 26.8 million shares of Cott stock. And that's just when you look at the purchase price and the breakdown of issuing that many stock, that's how the differential of stock and cash got computed. Now, based on who elects cash and who elects stock, that will move around a little bit, but the goal is to just issue 26.8 million shares of Cott. And that's where the ratio came from.

Kevin Grundy

Okay. The last question I have and then I'll pass it on. Can you just comment on integration risk? And why investors should be comfortable that the integration risk here is fairly limited?

Tom Harrington

Yeah. Thanks, Kevin. It's Tom again. One, you have the overlapping distribution in terms of facilities and locations. That's clear. You have the known public company costs. You know that we have a long history of back-shop integration and shared services. So I don't know—we've done this 100-plus times. So we believe that there's a high degree of confidence that we'll accomplish this. And again, it's in North America, long-tail experience, clear to us how we'll attack these synergies over the next two years, frankly.

Kevin Grundy

Okay. I'm sorry. Just one more, and I do apologize to everyone on the call.

Tom Harrington

Yeah. Yeah.

Kevin Grundy

But the NOLs, which do not seem like—you could correct me if I'm wrong here—that when you're doing the evaluation multiples on the deal, that those were taken into account. You can correct me if I'm wrong on that, but it's not an inconsequential number. What's the level of visibility those are going to be realizable? And then what should we think about for cash taxes? And then that'll be it for me. I'll pass it on. Thank you.

Jay Wells

A lot of different questions there. Check me if I don't answer them all, but I'll start with the last on cash taxes. It is mentioned in our deck, Primo does come with a good amount of NOLs that will assist in minimizing our cash taxes. So I would say our overall guidance on 7 million to 10 million of cash taxes, I don't see it change significantly by this deal.

And what was your first question? Sorry, Kevin.

Kevin Grundy

I'm sorry. Just in terms of the valuation multiples that you guys are using here in the deck—like as an example, the 8.4 times synergized multiple—that does not include the NOL. Is that correct?

Jay Wells

That is correct. Yes. I—I—

Kevin Grundy

Okay.

Jay Wells

—in any of my transactions, I don't place any value on NOLs, nor do I state them. But we will, at the appropriate time, benefit from those NOLs and, as we've talked, extend the term over which we'll pay minimum cash taxes.

Tom Harrington

And, Kevin, I'll—

Kevin Grundy

Okay. Very good. I appreciate it. All right. But—okay—

Tom Harrington

—I'll—yeah. Kevin, this is Tom. Seeing that one of the key things is there's good momentum between these business, so we've seen the retail business perform. So we're quite pleased as we make the turn here and very excited about our opportunities going forward, in terms of how we will grow this business in the five or six categories that we now, hopefully, get the pleasure to compete in.

Kevin Grundy

Okay. Very good. Thank you for the time. Good luck, guys.

Tom Harrington

Yep. And thanks, Kevin.

Jay Wells

Thank you.

Tom Harrington

Yep. Thanks.

Operator

Your next question comes from Mark Petrie with CIBC. Your line is open.

Mark Petrie — CIBC

Hey. Good morning. I just wanted to go back and understand the, sort of, performance of Primo through the course of 2019. And, I guess, the issues related to the guidance reductions was predominantly

focused on the Refill business or maybe entirely focused on the Refill business. And I know, Billy, you touched on it. But if you could just spell out a little bit, in terms of if that really was the gist of the issues? And then, what sort of timeline you expect, to be able to recover those pressures?

Tom Harrington

Yeah. Mark, this is Tom. I'll pass it to Billy in a second. It's important to note that they enjoyed record sales on dispensers; think it was 248,000 sold in Q4, with a 40 percent year over year. And what's important about—sure, it's important that you had the sales in that quarter, but that's a leading indicator of what will happen in Exchange and Refill, because there's more coolers, which is more demand in the market.

And then, the Exchange business, 31.4 is at plus 6 and 20, and at 0.5 in Q4. So if you think about those two pieces of the business, I would articulate that it's better than rock solid, which gives us confidence in our ability to go forward.

And then, on the Refill business, before I pass it to Billy, it's—clearly, that Primo's had their challenges, but Q4 is indicative of the return to growth that this business experienced. So I think there's a high degree of confidence on that.

Billy?

Billy Prim

Yeah. I would agree. And I would add that, yes, some of the guidance misses were all about Refill. And we did have some opportunities that we had to fix and machine downtime and locations. Those two things have been addressed. We've gotten credit card readers on our machines now. We know exactly how the machines are performing. We've improved our service. And now, we have feet-on-the-street signing locations. And those issues, we've addressed, and they are working very well.

And at the same time, as Tom mentioned, the other two business segments are really hitting all strides. So we feel very confident about where the business is heading.

Jay Wells

Yeah. I mean, you look at the Exchange business, you look at the Dispenser business, performing well above how our view was, going into due diligence, so has greatly exceeded our expectations. And as Tom said, our main focus was really on Refill. And we feel that, with Billy taking over the seat, he's implemented the right measures, and we're very happy to see where that business is growing.

And at the same time, you look at our business that we have. It's been performing stronger and stronger through the year, and we're ending the year on a very strong, forward foot. So you know, as Tom said, between our Route Based business, Exchange, Dispense, Refill, we're going to be going into 2020 with all of them performing very well.

Tom Harrington

Yeah. Good momentum.

Mark Petrie

And—okay. Just—

Tom Harrington

Because one of the points that we're—one of the points we haven't made about Refill is, it's actually quite similar to our HOD bottled water business. And it's about organic customer growth, right? So it's, how many do you add? How many do you retain? So our Customer For Life philosophy at DS around retention is transferrable; it's something Primo does. So this is a very short step for us to support the Primo growth in Refill. It's something we've been doing for a long time. It just happens to be a different dispensing solution than we currently use at DS.

Mark Petrie

Okay. Thanks. And in the terms of, though, just—in terms of that dispenser growth, could you just provide a little bit of context in terms of how that compares to historical rates? And then what were the main drivers behind that growth in Q4?

Billy Prim

Yeah. We've experienced an acceleration in dispenser growth over the last three or four quarters. In fact, this quarter was the record, but we had a record sell-through in the last three quarters. It started at 218,000 in Q2, 236,000 in Q3, and then 248,000 in Q4. Those were driven by promotions, Black Friday promotions, and other deals through retailers, where we have significantly expanded our household penetration. That bodes well for the Water business.

And one of the—one of the real opportunities here is, now, we have that third solution of home delivery, going with that dispenser. In the past, we could only offer them exchange or refill. Now, that Primo customer that buys those 800,000-plus dispensers yearly, will have an option to get the water the way they want it, at whatever price point they want. That's going to be huge, to have that whole opportunity together.

Mark Petrie

Yeah. Okay. Appreciate the comments. And then just last one, I don't know if you can, but could you provide any sort of high-level breakdown in terms of Primo's SG&A? I think it's around 35 million annually. What kind of buckets could you break that down into?

Billy Prim

I don't really have that in front of me. The numbers would tend to be (phon)—

Jay Wells

Yeah. You're—it's about 32 million on that side. So when you look at the 20 million to 25 million between combining some at Primo and combining some at DS, very comfortable with the 20 million to 25 million target because very overlapping businesses. So those are some high-level numbers. Hopefully, that answers your question.

Mark Petrie

Yep. Okay. Thanks a lot. All the best.

Tom Harrington

Yeah. Thanks, Mark.

Operator

Your next question comes from Derek Lessard with TD Securities. Your line is open.

Derek Lessard — TD Securities

Yeah. Good morning, gentlemen. I'm just wondering if you can—and back to the Refill business. You talked about some of the operational issues or challenges. Can you just maybe add some colour to what you meant by the issues with machine downtime? And how they've been fixed?

Billy Prim

Sure. In the past, we had no visibility in when a machine stopped working. And, in fact, we didn't know it until the technician went back to service the machine. So that led to some machine downtime in excess of what it'd been in the past, when we tried to reroute the business.

So what we've done is, we've put telemetry on every machine, so that we can see, any minute, on whether a machine is working, or whether it is not working. That a way, we're fixing machine downtime, that used to take seven days, within 48 hours at a minimum and most of the time, same day. So that leads to a lot of increased sales.

Jay Wells

Yeah. I mean, it helps both on revenue per unit, but also on customer satisfaction, because when we have a unit down in front of a store, the store is not receiving its share of the revenue. So it's a combination of per-unit revenue, but also net units.

Derek Lessard

Okay. And I'm curious to hear your thoughts behind the name change, the choice of the name change. And, I guess, wondering if part of the public company cost savings will come from—are you expecting to be dual exchange-listed?

Tom Harrington

Yeah. Derek, it's Tom. We'll remain dual exchange. And frankly, when you look at the Primo name, it has traded in the water peer group higher than we have, and it has a reputation about healthy hydration and a sustainable platform. So they've done a very good job communicating what I would call the three Rs: refillable, reusable, and recyclable. So we think it'll actually help us and further separate us from the business we were a year ago or two years ago, so.

And then, frankly, it's a platform for us to develop and execute a good, aggressive communication strategy about healthy hydration, water service provider, singular focus, on a meaningfully sustainable platform.

Derek Lessard

Okay. And maybe one final question for me. I know you will be having a modelling course in a few weeks. But maybe just comment on what you think the accretion to earnings will be? Or EPS? And back to Derek's question, not necessarily what the actual CapEx number's going to be, but maybe a comment on the capital intensity of Primo?

Jay Wells

Yeah. Let me try and cover that. You look at EPS, I would say it's too early for me to state a number because we're not done with our purchase accounting. So it really is going to end up, what assets end up getting stepped up, and what's the amortization period. So not that I'm trying to duck the question; it's just too early in our purchase accounting to really know where the stuff is going to do.

I mean, you look at overall CapEx—Primo is a public company. I would say their CapEx has been pretty normal. But I would say it's about—been 20 million, historically. And you look at RBS, our old business—has about 6 to 7 percent of revenue. So that's what we would see going forward.

Derek Lessard

Okay. Thanks, gentlemen.

Operator

Your last question comes from the line of Daniel Moore with CJS Securities. Your line is open.

Daniel Moore

Thank you, again. I'll take one more crack at—

Tom Harrington

Welcome back, Dan.

Daniel Moore

Thank you. Organic growth, obviously this steps up the organic growth profile nicely. The 6 percent you put in, was that meant to be illustrative of what we've seen in the past? Or more of a guidepost going forward? And if so, does that include tuck-ins?

Jay Wells

Yeah. I mean the 6 percent, really, on the schedule, I believe we included was trailing 12 months as of the end of September, so Q3. So that was a historic look for both companies, so it did include the tuck-ins that we had. And I think that's a pretty good representation of what we should see going forward.

Daniel Moore

Very good. Thank you again.

Jay Wells

Okay. Thanks, Dan.

Tom Harrington

Thanks, Dan. Appreciate it.

Operator

And this concludes today's Q&A session. I now turn the call back to the presenters for any closing remarks.

Jarrold Langhans

Thank you very much for joining our call today. This will conclude Cott Corporation's Primo acquisition conference call.

Operator

Ladies and gentlemen, this concludes today's conference call. Thank you for participating. You may now disconnect.