

Primo Water Corporation

Second Quarter 2021 Results Conference Call

Event Date/Time: August 5, 2021 — 10:00 a.m. E.T.

Length: 50 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

Jon Kathol

Primo Water Corporation — Vice President, Investor Relations

Tom Harrington

Primo Water Corporation — Chief Executive Officer

Jay Wells

Primo Water Corporation — Chief Financial Officer

CONFERENCE CALL PARTICIPANTS

Kevin Grundy

Jefferies — Analyst

Andrea Teixeira

JPMorgan — Analyst

Derek Lessard

TD Securities — Analyst

George Doumet

Scotiabank — Analyst

Stefanos Crist

CJS — Analyst

John Zamparo

CIBC — Analyst

Derek Dley

Canaccord Genuity — Analyst

Pavel Molchanov

Raymond James — Analyst

PRESENTATION

Operator

Good morning. My name's Colin, and I'll be your conference Operator for today. At this time, I'd like to welcome everyone to the Primo Water Corporation Second Quarter 2021 Results Conference Call.

After the speakers' remarks, there'll be a question-and-answer session. If you'd like to ask a question during this time, simply press *, then the number 1 on your telephone keypad. If you'd like to withdraw your question, please press *, followed by 2.

Thank you. I'll now turn the call over to Jon Kathol, Vice President, Investor Relations. Please go ahead.

Jon Kathol — Vice President, Investor Relations, Primo Water Corporation

Welcome to Primo Water Corporation's second quarter 2021 earnings conference call. All participants are currently in listen-only mode. This call will end no later than 11:00 a.m. Eastern Time.

The call is being webcast live on Primo's website at www.primowatercorp.com and will be available for a playback there for two weeks.

This conference call contains forward-looking statements, including statements concerning the Company's future financial and operational performance. These statements should be considered in connection with cautionary statements and disclaimers contained in the safe harbor statements in this morning's earnings press release and the Company's annual report on Form 10-K and quarterly reports on Form 10-Q and other filings with securities regulators.

The Company's actual performance could differ materially from these statements, and the Company undertakes no duty to update these forward-looking statements, except as expressly required by applicable law.

A reconciliation of any non-GAAP financial measures discussed during the call with the most comparable measures in accordance with GAAP, when the data is capable of being estimated, is included in the Company's second quarter earnings announcement released earlier this morning, or on the Investor Relations section of the Company's website at www.primowatercorp.com.

I am accompanied by Tom Harrington, Primo's Chief Executive Officer; and Jay Wells, Primo's Chief Financial Officer. As a part of this conference call, we have included a deck online at www.primowatercorp.com that was designed to assist you throughout our discussion.

Tom will start today's call by providing a high-level review of the second quarter and our progress on the strategic initiatives. Then Jay will discuss our second quarter financial performance in greater detail, provide an update of ongoing synergy work, and offer our outlook for the third quarter and the full year 2021 before handing the call back to Tom to provide a long-term view ahead of Q&A.

With that, I will now turn the call over to Tom.

Tom Harrington — Chief Executive Officer, Primo Water Corporation

Thank you, John, and good morning, everyone. Our second quarter financial results continue to demonstrate the strength of a pure-play water offering, as our performance for the quarter exceeded our forecast.

One of the most important benefits of our shift to a pure-play water company has been the more predictable reliable top line, coupled with our highly variable cost structure contributing to consistent adjusted EBITDA margin expansion and consistent adjusted EBITDA growth.

Revenue of \$526 million grew 15 percent compared to prior year and adjusted EBITDA of \$100 million improved by 21 percent. I'm pleased with both our second quarter results, as well as our financial performance during the first half of the year.

The top-line momentum we continue to experience, along with our focus on the long-term growth drivers of our business, positions us to build upon these results during the remainder of this year and beyond.

I want to once again thank all of our associates for their continued execution and dedication to our customers as they adopt our purpose of inspiring healthier lives through better-quality water.

The trends we experienced from our residential consumers and our improving results from our commercial and B2B customer base continued through the second quarter. We remain encouraged by the ongoing strong demand from our residential consumers, as the new customers we signed up during the initial months of the pandemic are proving to be very sticky high-quality customers.

Consumption levels from our commercial and B2B customer base continues to gradually recover in direct correlation with restrictions across our footprint. This validates our belief that there is not a one-for-one trade-off in demand between these customers. It also means that further improvement from our commercial and B2B customer based should be incremental to our strong financial performance.

Our confidence that most of the new residential customers that started the service early on during the pandemic will remain loyal Primo customers is evidenced by our global cooler quit rate, which improved 50 basis points to 17.3 percent during the second quarter.

Our quit rate has remained on a downward trend over the last several quarters, as our investments in the customer experience and customer-facing tools are yielding significant improvements.

In North America, revenue from our residential consumers grew by 3 percent during the second quarter. Our North American commercial and B2B revenue was up 22 percent, as we are seeing steady progress on the lifting of restrictions across the channel.

Our expectation for performance from these customers to continue to improve going forward is supported by the fact that our customer base is weighted towards small businesses, not large office spaces.

In our Rest of World segment, total revenue increased 39 percent for the quarter. Revenue from residential consumers was up 43 percent, and revenue from commercial and B2B customers was up 36 percent.

The performance of our Water Direct commercial and B2B customer base remains tied to the relative level of restrictions, or consumer mobility in each of the countries we serve. We continue to work toward an efficient and low-cost rollout of our products and services for residential consumption in Europe to further diversify our customer base and better balance the customer mix.

A key highlight in the Rest of World segment is the measure of organic cooler adds in the quarter. When coupled with an improved cooler quit rate, we're beginning to see the benefits from our ongoing effort to improve operating performance in this region.

As we have discussed in past quarters, we believe our existing footprint and knowledge of the water services market in Europe leaves us in a great position to capture the revenue opportunities we have identified.

Globally, our customer base grew to over 2.6 million in the second quarter. As I mentioned last quarter, the addressable 3- and 5-gallon market of US residential households alone is estimated to be between 22 million to 29 million and growing.

Our Water Dispenser sales provide an important entry point to access these households and capitalize on our 4R recurring razor/razorblade revenue model. Our internal research indicate that among last year's North American dispenser seltzer sales of 1 million units, 60 percent of the respondents are

new to the category, 30 percent are replacing their previous dispenser, and the remaining 10 percent are adding an additional dispenser to an existing or secondary residence.

Of those likely to become a future dispenser household, research indicates their consumption preference as 45 percent for Water Direct, 30 percent prefer Water Exchange, and 25 percent prefer order refill. We should continue to capture our fair share of this growth as our 4R model remains one of our strategic advantages.

The residential opportunity for increased penetration for 3- and 5-gallon returnable water sales is now. Primo is focusing on increasing household penetration across residences that use other water formats that may be more likely to switch from tap water or complement their existing service.

The 3- and 5-gallon returnable category has 2 to 3 times the market potential versus today's installed base. Our goal is to educate consumers on the purchase journey from dispenser first to 3- and 5-gallon water second.

As it relates to our efforts in ESG, we remain focused on elevating our leadership position on environmental issues in finding new ways to honour our commitment to clean water and sustainability. Last year, we achieved carbon neutrality in our US water operations, and our European water business has been carbon neutral for nine consecutive years.

In December, we became the first company to have a spring water source certified under the Alliance for Water Stewardship standards and we added a second in January. We expect to certify two additional locations in 2021, and last quarter we introduced our latest sustainability goal of becoming 100 percent carbon neutral in our global operations by the end of this year.

Under the umbrella of ESG, I'm also pleased to announce that we have named Shayron Barnes-Selby as our Chief Diversity and Inclusion Officer. Shay most recently served as the vice president of

government affairs and ESG, where she did tremendous work to advance our ESG leadership position. I'm confident she is the leader for this new role and I am excited for her future successes in this critical focus of ours. We are currently recruiting for a leader to continue our go-forward ESG efforts.

From a governance perspective, yesterday we announced the appointment of Archana (Arch) Singh to the Primo Water Corporation Board of Directors. Ms. Singh will be an independent director and serve as a member of the human resources and compensation committee of the board. She has extensive human resources and talent management experience with a global focus and brings a wealth of proven executive leadership and is an excellent complement to our existing board skill set. We welcome Arch to the team.

Our second quarter and first half financial results coupled with our steady and growing confidence in our pure-play water model have driven our decision to, again, raise our full year adjusted EBITDA outlook by \$10 million to now range between \$390 million and \$400 million.

We expect to grow organic revenue by approximately 6 percent plus additional revenue growth from our tuck-in M&A strategy. We are also reiterating our plan to be at the higher end of the \$40 million to \$60 million range of M&A investment in 2021.

I'd like to turn the call over to Jay to review our second quarter financial results in greater detail.

Jay Wells — Chief Financial Officer, Primo Water Corporation

Thank you, Tom, and good morning, everyone. Starting with our second quarter consolidated results, revenue increased 15 percent to \$526 million compared to \$457 million. Excluding the impact of foreign exchange, revenue increased by 12 percent. The gains were largely driven by our Water Direct and Exchange businesses, partially offset by declines in our Water Refill and Water Dispenser channels.

We continue to experience increased revenue from residential consumers with growth of 9 percent in the quarter. North American residential revenue was up 3 percent. In the Rest of the World segment, residential revenue was up 43 percent.

Our global commercial and B2B revenue was also strong with 26 percent growth. North American commercial and B2B revenue was up 22 percent, while the Rest of World commercial and B2B revenue was up 36 percent.

Adjusted EBITDA increased 21 percent to \$100 million compared to \$83 million. The increase was driven by demand for products and services from residential consumers, improved commercial and B2B demand, increased pricing, continued operating leverage improvements, and ongoing synergy realization.

Our adjusted EBITDA margin increased by 80 basis points to 18.9 percent. SG&A expenses increased 5 percent to \$260 million compared to \$247 million. The increase was the result of incremental selling and operating costs, which supports the organic volume growth. And we will continue to tightly manage our demonstrated highly variable cost structure.

Turning to our segment level performance for the quarter. In North America, revenue increased 9 percent to \$397 million compared to \$364 million. Excluding the impact of foreign exchange, revenue increased by 8 percent. The increase was driven by strong volumes and increased pricing in our Water Direct business, partially offset by lower revenue from our Water Refill and Water Dispenser channels.

Adjusted EBITDA increased 10 percent to \$85 million due to increased revenue driven by higher pricing, continued operating leverage improvement, and ongoing synergy realization.

Turning to our Rest of World segment. Revenue increased by 39 percent to \$129 million. Excluding the favourable impact of foreign exchange, revenue increased by 28 percent. The increase was driven by growth in residential consumers and a continued return of our commercial and B2B business.

Adjusted EBITDA in the segment increased 103 percent to \$21 million as volumes improved across all channels, resulting in improved operating leverage.

Turning to our liquidity position and balance sheet. We ended the quarter with a cash balance of \$114 million and available net borrowing capacity on our cash flow revolver of \$159 million for a combined total liquidity position of \$273 million. Our net leverage ratio is 3.4 times, and we are targeting a net leverage ratio of less than 3.0 times.

Turning to synergies. We continue to make good progress on our synergy capture work and remain well ahead of the schedule we provided at the time of the Legacy Primo acquisition. After realizing roughly \$18 million of cost synergies in 2020, we realized another \$7 million in the first quarter of 2021 and approximately another \$5 million in the second quarter.

We expect to realize \$1 million to \$2 million per quarter for the balance of 2021 and the remainder in 2022. We have completed all actions needed to realize the expected benefit of \$35 million in synergies.

As Tom said, we are pleased with our second quarter results and the strength of our residential business. Many of our commercial customers are still grappling with how to fully reopen, but we are starting to see more active commercial and B2B customers, albeit still consuming at less than pre-pandemic levels as they abide by local capacity restrictions and delayed reopenings.

Looking to the third quarter, based on the information we have available to us as of today, we currently expect consolidated revenue from continuing operations to be between \$550 million and \$560

million. We also expect that our third quarter adjusted EBITDA will be in the range of \$112 million to \$118 million.

For the full year of 2021, revenue is now projected to grow organically by approximately 6 percent, and we are raising our outlook for adjusted EBITDA by \$10 million and now between \$390 million and \$400 million. We also expect around \$15 million of cash taxes, \$68 million of interest, as well as capital expenditures of around \$135 million.

Turning to capital deployment. We purchased roughly 800,000 shares for \$13 million during the second quarter as part of our \$50 million share repurchase program. Yesterday our board of directors authorized a quarterly dividend of \$0.6 per common share. The dividend is payable in cash on September 2, 2021, to shareowners of record at the close of business on August 19, 2021.

With respect to M&A, we have maintained our disciplined approach and have been focused on accelerating the robust pipeline of tuck-in opportunities in front of us. Recently, we've announced the acquisition of Earth 2O, as well as Health Waters of PA.

These acquisitions are great examples of expanding our customer base and strong earnings potential. We remain confident in our ability to achieve the higher end of our target of \$40 million to \$60 million of tuck-ins this year.

In terms of our growth algorithm after 2021, we still expect to grow organic revenue by roughly 5 percent per year, generate an incremental 20 to 30 basis points of EBITDA margin improvement annually, and add an incremental \$5 million to \$10 million of inorganic adjusted EBITDA annually from accretive tuck-in acquisitions.

I will now turn the call back to Tom.

Tom Harrington

Thanks, Jay. As you can tell, we're very happy with our execution during the first half of the year and the momentum we continue to see across the main growth drivers of our business.

Our 4R model is proving itself as a key differentiating factor and a critical driver of our success, including the predictable and consistent operating model and results. We're excited about our transition to a pure-play water model and the opportunities ahead of us.

We remain focused on executing our differentiated Water Your Way platform and our key focus areas to drive the success of the business.

Our priority will continue to be to help safety and well-being of all our associates, customers, and suppliers. We will leverage our pure-play water model to drive organic revenue growth by approximately 6 percent in 2021.

We will continue to enhance the customer experience through improving customer-facing tools and building out a more diverse ecommerce solution. We are developing new customer acquisition strategies to diversify our acquisition channels, further reduce our cooler quit rate, and improve customer retention.

In Europe, we're accelerating our Water Refill, Water Exchange, and Water Dispenser businesses to diversify our customer base and catch a growing demand in the residential market.

Additional focused areas include leveraging our predictable and reliable top-line growth while protecting our efficiency improvements and maintaining our highly variable cost structure, identifying and executing highly accretive tuck-in acquisitions across North America and Europe and seeking new ways to further improve our standing as an ESG and sustainability leader.

Supporting our initiatives are more structural and thematic tailwinds that are driving consumers toward healthy hydration solutions.

The growth in health and wellness category continues to support our prospects of gaining share of the broader beverage category. COVID continues to elevate the health and wellness conversation, and consumers are increasingly conscious of their overall health and well-being.

In addition, the perception of the declining quality of municipal tap water is well documented, which supports the growth of our products and services. Tap water, as a primary drinking source, is expected to continue to decline.

Lastly, as Jay noted, we expect our consolidated third quarter revenue to be between \$550 million and \$560 million, and for our adjusted EBITDA to be between \$112 million and \$118 million. For full year 2021, we're forecasting revenue growth of approximately 6 percent and raised our adjusted EBITDA forecast to be in the range of \$390 million to \$400 million.

We expect to see sustained strength from our Water Direct and Exchange residential customer base and improvement from our Water Direct commercial and B2B customer base as we progress through the year.

We also maintain a strong pipeline of tuck-in M&A candidates, which we expect to execute on during the second half of the year.

Again, I would like to thank the Primo Water associates across the business for delivering these solid results thus far in 2021.

With that, I'll turn the call back over to Jon to move us to Q&A.

Jon Kathol

Thanks, Tom. During the Q&A to ensure we can hear from as many of you as possible, we would ask for a limit of one question and one follow-up per person. Thank you.

Operator, questions.

Q&A

Operator

Thank you. Ladies and gentlemen, we'll now begin the question-and-answer session. Should you have a question, please press *, followed by 1 on your touch-tone phone. You'll hear a three-tone prompt acknowledging your request and your questions will be polled in the order they are received.

Should you wish to decline from the polling process, please press *, followed by 2. If you're using a speakerphone, please lift the handset before pressing any keys. One moment for your first question.

Okay. Your first question comes from Kevin Grundy from Jefferies. Kevin, please go ahead.

Kevin Grundy — Jefferies

Great. Thanks. Morning, everyone, and congrats on the strong result here. Let's pick up on the guidance, I guess, if we could. So you raise the top-line organic growth, which is great. It implies sort of a similar level of organic growth in the back half of the year that you saw in the front half of the year. Residential demand has been good. Lower quit rates even in sort of commercial recovers. Talk about, if you could, maybe a little bit how you're thinking about the back half of the year, the balance here between your residential business and commercial as people sort of slowly return to work, notwithstanding the flare-up here more recently with the virus.

And then, Jay, with respect to the EBITDA outlook, it would seem that you're basically flowing through the upside in the second quarter to the full year outlook, so not necessarily anything more favourable with respect to the back half of the year. Maybe you could just comment on that as well, perhaps some level of conservatism and how you're thinking about the back half of the year from a margin perspective. And then I have a follow-up.

Thank you.

Tom Harrington

Thanks, Kevin. I'll take the first half and I'll let Jay talk about the EBITDA. We would expect the residential consumer base to continue to grow at current levels. And then to really think about that primarily in the Water Direct and Exchange business where we've had good success year to date.

We would expect to continue to see the elevated performance on residential in the Rest of World, which has performed well with a slower recovery in Europe on commercial. And of course, our what I'll refer to as more B2B in North America is that a lot of those small businesses have opened.

So we have anticipated continued growth outside of whatever the Delta COVID strike, if you will, provides us in terms of headwinds, but we think we have it all baked in and then pretty strong on our expected revenue performance for the balance of the year.

Jay Wells

And on EBITDA, I think you got it right, Kevin, in that good update our synergy capture; we did complete the activity. It's really related to procurement in the quarter. Saw incremental benefit in Q2 as some of the pricing actions were actually dated back to the beginning of the year and we'll continue to see that flowing through the remainder of this year and then a little into next year.

So we did update our guidance for that; did update our guidance for the good quarter we had. And when you look at the remainder of the year, you did talk about the Delta variant. We continue to see our top line progress as forecasted.

We continue to manage our costs very tightly. But really until we get through the current variant and see where the world is going, we're going to continue to operate like we are and just manage our costs in line with how we see the top line come back.

Kevin Grundy

Got it. Thank you both. Just a quick follow-up from me just on the cost environment, which is obviously putting a lot of pressure on margins sort of up and down the supply chain. Yeah. Maybe just spend a moment on that from labour and other costs within the P&L what's sort of embedded there?

And then I think you probably—I am certainly aware that the Company has the ability to pass on through surcharges. Maybe just comment on that, sort of expectations for not just even the next six months, but the next 12 months as well. I'll pass it on.

Thank you.

Tom Harrington

Thanks, Kevin. Certainly, we're experiencing wage inflation. We have addressed that in each local market with each subset of the labour force. We've also baked that into our forecast in terms of the actions that we've taken. We've also, obviously, taken pricing along that very specific component of cost.

We, like many others, are experiencing some incremental cost on ocean freight, which is really related to the dispensers that come from China to North America and, frankly, into Europe. We have also baked that into our forecast and have taken appropriate pricing actions in that piece of our business.

And then if you think about the impact on fuel, of course, we have the energy surcharge and the delivery fees, all of which we've acted upon. So I'm pretty confident that the pricing actions that are in place, not to be put in place, will offset these costs certainly through the balance of the year.

And then, what'll wage inflation be next year? We think we're going to be fine in terms of how we think about it.

The wild card, frankly, for me is ocean freight. Everything I read says that ocean freight should ease post-Chinese New Year in Q1 of next year, but that remains to be seen.

Kevin Grundy

Got it. Very good. Thank you both. Good luck.

Tom Harrington

Thanks, Kevin. Appreciate it.

Operator

Your next question comes from Andrea Teixeira from JPMorgan. Andrea, please go ahead.

Andrea Teixeira — JPMorgan

Thank you. And thank you for pronouncing my last name correctly. Good morning, everyone. And can you please update on—as on the volume impacts from commercial customers in Q2 relative to 2019 levels? You gave a lot of good information that I think is very supportive of that coming back. But typically, you had mentioned that in—these customers have been using about four bottles a month against—and from four bottles to about three and a half on average. Can you update us on those numbers? And likewise for the residential customers, and then I'll be back if I can follow up.

Tom Harrington

I'll give you a couple of numbers on Water Direct and Water Exchange, which is obviously the high percentage of our business. North America is 11 percent higher than Q2 of 2019. And in the Rest of World, it's 12 percent lower than Q2 of 2019.

Think about, has the commercial business come back in the rest of the world? We're still waiting for that recovery to happen and the fact that it's slower is obviously baked into our forecast.

On a pro forma revenue when aggregated is about 1 percent better than 2019, and if you ask about pro forma adjusted EBITDA, which is a very different Company in 2019, we're up 13 percent or roughly two – or over 200 basis points.

So to give you a flavour for pretty good performance versus 2019, albeit the pure-play water business is different on a two-year basis.

Andrea Teixeira

Yeah. That's super helpful.

Tom Harrington

On—

Andrea Teixeira

At least you have double-clicked—go ahead. Sorry.

Jay Wells

It's all right. Just on your—you asked a specific on per-unit commercial consumption. We have seen fractions of bottles come back on the commercial side, on a per-unit basis. So we are starting to see more foot traffic in the small businesses we service. But it's not back to pre-pandemic levels yet.

Andrea Teixeira

Yeah. No. This is actually, I think, encouraging. What you just said about the 11 percent high in the US and 12 percent lower in the rest of the world, I'm assuming that is combined, both commercial and residential? Or that's only commercial?

Tom Harrington

No, that's correct. And I'd say North America had a higher residential base in terms of customer mix. So we are benefitting from the fact that we had a different customer mix in North America, that has roughly—Jay'll correct me—half the business residential. And in Europe, we know it's something like 90 percent commercial. So those members fit in that context.

And then, obviously, our strategy with the growth of residential in the Rest of World is to shift that mix going forward. It's one of the key learnings or outcomes post-pandemic, if you will.

Jay Wells

And with Rest of World being down 12 percent, keep in mind we're, you know, that is a greater more traditional-type, office-type business. So there is probably 20 percent plus of our customers that we still are not delivering to because they have not reopened during it. So being down only 12 percent when we're still not servicing 20 percent plus of our customers, I view as a very positive sign.

Andrea Teixeira

Mm-hmm. Of course. And then that 12 percent, if you can give us like the cadence for the quarter? Is that getting better from—I believe the number was much higher, like mid-teens, probably, in the first quarter. How does that relate?

Tom Harrington

Yeah. It is improving sequentially, right. So it's the aggregation of, let's call it 19 countries. And Q2 was better than Q1. So we've baked in our expectation, obviously, for 3 and 4, and we'll see how that turns out. But that's where we're at. Eastern Europe performing better than Western Europe, so we're quite pleased with where we are and the progress we're making. And we expect it to continue, sequentially, at a reasonable rate.

Andrea Teixeira

And just to also make sure that we're in the same topic, on the residential side in US, you're not seeing, from the numbers—I don't think you're seeing much of an acceleration, either. And your commentary is supportive of that, right, for the residential side, as we reopen?

Jay Wells

Yeah. We're not seeing a deterioration because our residential business was up 3 percent in the quarter. So no, we're—as Tom says a lot, we're not seeing it as a one-for-one. As commercial comes back and we regain that per-unit half-a-bottle that you mentioned, we're not seeing the same deterioration on the residential side.

Tom Harrington

And, Andrea, importantly—and it's referenced in the script—is that the customers we signed early on in the pandemic, which were largely residential, are really sticky. So we're quite pleased that the—let's call it a year-plus later—that many of those customers are still with us, which is part of that why we continue to see growth in the residential base.

Andrea Teixeira

Yeah. It makes a lot of sense. Thank you so much. I'll pass it on.

Tom Harrington

Okay. Thanks. Thank you.

Operator

Your next question comes from Derek Lessard from TD Securities. Derek, please go ahead.

Derek Lessard — TD Securities

Yeah. Thanks, and good morning. Congrats on another strong quarter.

Tom Harrington

Thank you, Derek.

Derek Lessard

One question for me is, maybe could you just talk about, maybe, some of the weakness that you saw in the Water Refill and Dispenser business?

And maybe, on the flip side of that, you also had strong revenue growth in, I guess, the other categories. Just wondering, what was driving that?

Tom Harrington

Yeah. Well, let's—I'll start with the Refill business on the topside. We had anticipated the loss of a large customer. So part of that is year-over-year cycles with that loss. We anticipated that.

And then the other thing that we are experiencing is—I can't call it pantry loading, but it really was. So if you think about Q2 a year ago, our Refill business was meaningfully impacted as a good source of water. So we're dealing with some less pantry loading in that vending machine business, if you will.

So those are really the two big drivers of opportunity.

Jay Wells

Want me to hit the Dispensers, Tom?

Tom Harrington

Yeah. Why don't you—

Jay Wells

And on the dispensers, yeah, it was a very unusual year on timing. You look at the growth we had in Dispensers in Q2 of last year, it was very high. For me, I look on a year-to-date basis, year-over-year. And our Dispenser sales this year for the six months is up 22 percent versus last year. So it helps just to take the timing noise out as there was pantry loading on dispensers also last year. But looking at year to date being up 22 percent, very positive.

Derek Lessard

Yes. That's very—so the six-month number's very strong, Jay. It's just what is—have you had any impact from the shipping delays and what have you?

Tom Harrington

The answer's yes. We have a team of people that every day are working on the shipping lanes. And when we—do you have the container booked? Is it all on the ship? When will it get to the port? So that would be active daily management and the team is reacting to all of that in real time. So we have probably fewer in physical inventory. But we're satisfying demand because of the efforts of the team working through a pretty complex situation in a rising cost environment.

Derek Lessard

Okay. And maybe just one last one for me. As you guys continue to execute and deliver relatively stable earnings, just wondering about your thoughts on the balance between lower leverage and returning capital to the shareholders?

Tom Harrington

Yeah. I think in Jay's script we pointed out that 3.4 times is where we are today and that we continue to work towards 3 times or lower. So that would be our current plan, obviously, to deleverage. Also for me, the debt paydown or actually, frankly, the benefit of revenue growth, then the benefit of tuck-ins in terms of as our EBITDA continues to grow.

Jay Wells

And on share buyback, I mean, we have our program. We're executing behind it. I talked about what we bought last quarter. Where our stock has been thus far this quarter, we have continued to execute behind it. I probably have about 14 million left on the 50 million program. And our goal is to continue to execute on it throughout the remainder of the year.

Derek Lessard

Okay. Thanks for that, guys.

Tom Harrington

Thanks, Derek.

Operator

Your next question comes from George Doumet from Scotiabank. George, please go ahead.

George Doumet — Scotiabank

Yeah. Thanks. Good morning, guys, and congrats on a good quarter.

Tom Harrington

Hello, George. Thank you.

George Doumet

Tom, I wanted to talk a little bit about that 6 percent organic growth algorithm that you guys put out for the year. Can you tell us a little bit of how much of that is pricing? How much of that is consumption? Maybe how of much that is new customers? Just maybe break that down a little bit?

Tom Harrington

Yeah. Think about volume at roughly 13 percent and price volume impacting our revenue at 6 percent and that's price and mix. So it's a shift across channels.

Jay Wells

That was Water—

Tom Harrington

Water—

Jay Wells

—Direct and that was in this quarter.

George Doumet

Right. Yep. And maybe—

Tom Harrington

So you can—

George Doumet

Yeah. Yeah. And maybe, sorry, for the algorithm for the year?

Jay Wells

Yeah. I mean, let me take this one. I mean, you look at it, we are lapping through the year what I'll call easy comps on the commercial side of the business. So I would say of what we're talking, you're probably talking two-thirds/one-third on price. I mean, the two-thirds and price—sorry, price being the one-third, volume being the two-thirds of the 6 percent growth full year average of an average.

George Doumet

Yep. That's helpful, guys. And just one last one on me. If you look at Israel, who's obviously been open for about four months now, can you maybe give us an update on how that market's trending? And maybe to what extent consumption is above 2019 levels?

Tom Harrington

Certainly the business has continued to perform at an elevated level. It's a combination of good retail performance, right, which is single-market PET business, frankly, that goes to homes. Our overall residential customer base mix is roughly 70 percent, so we benefitted from that and it continues. There's pretty significant customer growth in the market. So very nice recovery.

I think we referenced something on the order of 60 percent in April. It didn't grow 60 percent in May or June, but it was a solid contributor to growth in the second quarter.

George Doumet

All right. Thanks, guys.

Jay Wells

Thank you, George.

Tom Harrington

Thanks, George.

Operator

Your next question comes from Dan Moore from CJS. Dan, please go ahead.

Tom Harrington

Good morning, Dan.

Stefanos Crist — CJS

This is Stefanos Crist calling in for Dan. How are you?

Tom Harrington

Very good. How are you?

Stefanos Crist

Good. So first in Europe, on recent calls you said you're already getting good traction on the home delivery and exchange sides with your initial ecommerce initiatives. Could you give us an update there?

Tom Harrington

Yeah. So our residential at home and Rest of World for the quarter was up 43 percent. You'll recall last year, we began to roll out the residential website. And it was month over month as we went from no countries to, let's call it, 18 countries by the time we finished a year.

We stood up our first ecommerce site—actually our third site in Germany this month. And you would see us begin to sell dispensers, both out of our site in the UK, our site in the Netherlands, the site in Germany, and then we'll build these sites in, frankly, the same fashion that we did last year. Expect to be probably halfway through the countries by the end of 2021. And we think that, obviously, that's the R, and it's an important contributor to further developing our residential consumer base across those countries in Europe.

Stefanos Crist

Great. Thank you. And then just a follow-up on ReadyRefresh. Have you seen any notable changes in just the competitive dynamics under new ownership?

Tom Harrington

Nothing notable, so I think certainly it would appear to be business as usual. And I think they're just trying to get their arms around the business at this point in time.

Stefanos Crist

Great. Thank you for taking my questions.

Jay Wells

Thank you.

Tom Harrington

Thank you.

Operator

Your next question comes from John Zamparo from CIBC. John, please go ahead.

Jay Wells

Good morning, John.

John Zamparo — CIBC

Thanks. Good morning, guys.

Tom Harrington

Hello, John. Good morning.

John Zamparo

I wanted to dive a bit deeper on the one-for-one comment. And in the Water Direct business, are the commercial customers that you're either recovering or adding, do you get a sense of how many of them are returning customers versus new incremental ones? And is there any overlap between those commercial customers and residential as well? And by that, I mean, are there some customers who are residential and they're now adding the service to their small business, for example?

Tom Harrington

Yes. We don't track it that way. But firsthand experience says that there are small businesses that started with service in residential. And we know that there would be residential consumers who are independent operators who would start the service in that B2B. So that is normal course for us.

Our residential base continues to grow. The revenue from commercial is up pretty significantly; stick to North America, which says they're reopening, so that number was something on the order of 22 percent revenue growth in Q2, which is the growth of reopening and a little bit lower consumption that Jay referenced earlier, right, which is we believe directly related to foot traffic as those stores, if you will, reopen.

So we're pretty confident and expect residential to continue. We are seeing more of our new customers today on residential versus commercial. And customers are really just restarting, as you will, on a year-over-year basis.

John Zamparo

Okay. Got it. And then my follow-up's on the couple tuck-in transactions that you announced recently, can you add any colour on these? Were they in line with traditional valuations? And can you give a sense of materiality either on purchase price or sales that you expect them to add?

Tom Harrington

Yeah. I'll take the first part. These would be standard-fare, centre-cut, small M&A for us inside our existing footprint. So you think about the overlap and the benefit in terms of customer density that leads to route density, these businesses will provide that.

Jay Wells

And a couple questions on what's included in our guidance with respect to the two we just announced. Earth 20 is definitely the larger of the two. I would say the two combined, you're probably talking revenue about \$4 million to \$5 million.

Earth 20, we're going to be a little slower to integrate it, just certain setup. We have some work to do to integrate it. So I'd say EBITDA for the two in the back half of the year is probably \$0.5 million.

John Zamparo

Got it. Okay. That's great. Thank you very much.

Tom Harrington

Thank you.

Operator

Your next question comes from Derek Dley from Canaccord Genuity. Derek, please go ahead.

Derek Dley — Canaccord Genuity

Yeah. Hi, guys.

Jay Wells

Good morning, Derek.

Tom Harrington

Good morning, Derek.

Derek Dley

Just a question on the ecommerce or on the digital business. Can you just give an update on what you're seeing there? I mean, did you see growth pick up during the COVID period? Has it stayed at that same level? And if you could give a little bit of colour on perhaps where this ranks in your pecking order of new adds per channel?

Tom Harrington

I'll give you the high level. Obviously, we are seeing the growth in the residential business in Europe, which is a direct result of digital investments to the website. That business was up 43 percent in the quarter.

We are seeing good growth on that large ecommerce retailer, right, and we've talked about Amazon before. We're currently available in about 10,000 ZIP codes in the US. And we're beginning to see sequential growth period over period, which gets to the stickiness and then the frequency of that customer.

In terms of where it fits, it's pretty important strategically particularly if you think about beginning to sell the razors, the Dispensers, in Europe. We also have some work in North America to enhance our websites or web shops to make it easier to buy.

And then we know once the customers start, as I referenced in the script, something on the order of 60 percent of them are looking for a solution that says Water Direct, which really works for us in

terms of the growth story which, frankly, should continue to feed residential volume and revenue growth over time.

Derek Dley

Okay. That's great. Thank you very much.

Jay Wells

Thanks, Derek.

Tom Harrington

Thanks, Derek.

Operator

Ladies and gentlemen, as a reminder, should you have a question, please press *, followed by 1.

Your next question comes from Pavel Molchanov from Raymond James. Please go ahead.

Pavel Molchanov — Raymond James

Thanks for taking my question. You touched on M&A in the US a minute ago. And I wanted to ask about—it was the opportunity set in Europe. I think your last tuck-in acquisition in Europe was at the very beginning of 2020, pre-COVID. What's the landscape looking like there for you to expand?

Tom Harrington

Yes. Good morning, Pavel. We have a number of opportunities in the pipeline. Some are in, frankly, relatively short order, we'll likely be closing on some. So pretty balanced opportunity, US versus North America.

A number of the items in Europe are dead overlaps in our footprint in important countries. So we're quite pleased about where we are and how many we'll, frankly, execute before the year is out, so. Let's call it a timing—the timing as we roll them through the business.

Pavel Molchanov

Understood. And I can't help asking you about the—little bit of a political question about California, the referendum that was just approved a few weeks ago about, essentially, banning single-use plastics in the state by 2030. I'm curious if you have any perspective on what that process is going to look like over the next 12 months or so?

Tom Harrington

Yeah. I can't prognosticate over the next 12 months. We know that our returnable 3- and 5-gallon solution is a sweet spot for us and a very high percentage of our revenue. So we will benefit, frankly, in my opinion, as there are challenges against single-use plastic, and that we'll continue to stick to our knitting in terms of growing that size of our business over time.

Pavel Molchanov

Very good. Appreciate it.

Jay Wells

Thanks, Pavel.

Tom Harrington

Thank you. Appreciate it.

Operator

There are no further questions at this time. I'll turn it back to Tom for closing remarks.

Jon Kathol

This concludes Primo's second quarter results call. Thank you all for attending.

Operator

Ladies and gentlemen, this concludes your conference call for today. We thank you for participating, and ask that you please disconnect your lines.