



# Primo Water

Annual Shareowners Virtual Meeting - Tampa, Florida

May 10, 2022

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## Welcome to Primo's 2022 Annual Meeting of Shareowners

Jerry Fowden, Chairman



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- 🔹 Chairman Welcome
- 🔹 Formal Business
- 🔹 Resolutions for Consideration
- 🔹 CFO Financial Review
- 🔹 CEO Remarks
- 🔹 Q&A



## FORMAL BUSINESS

Marni Poe, Chief Legal Officer and Secretary

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# Cautionary Statements



## Safe Harbor Statement

This presentation contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, Section 21E of the Securities Exchange Act of 1934 and applicable Canadian securities laws conveying management's expectations as to the future based on plans, estimates and projections at the time the Company makes the statements. Forward-looking statements involve inherent risks and uncertainties, and the Company cautions you that a number of important factors could cause actual results to differ materially from those contained in any such forward-looking statements. The forward-looking statements in this presentation include but are not limited to statements regarding execution of the Company's strategic priorities, the Company's outlook for Q1 2022 and the full year 2022, the Company's long-term growth outlook, and the Company's planned exit from its North American small-format retail water category. The forward-looking statements are based on assumptions regarding management's current plans and estimates. Factors that could cause actual results to differ materially from those described in this presentation include, among others: risks relating to any unforeseen changes to or effects on liabilities, future capital expenditures, revenues, expenses, earnings, synergies, indebtedness, financial condition, losses and future prospects; the effect of economic, competitive, legal, governmental and technological factors on Primo's business; and the impact of national, regional and global events on our business, including the recent COVID-19 outbreak. The foregoing list of factors is not exhaustive. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. Readers are urged to carefully review and consider the various disclosures, including but not limited to risk factors contained in the Company's Annual Report in the Form 10-K and its quarterly reports on Form 10-Q, as well as other periodic reports filed with the securities commissions. The Company does not, except as expressly required by applicable law, undertake to update or revise any of these statements in light of new information or future events.

## Non-GAAP Measures

To supplement its reporting of financial measures determined in accordance with GAAP, Primo utilizes certain non-GAAP financial measures. Primo excludes from GAAP revenue the impact of foreign exchange and the impact of the 53rd week in 2020 to separate the impact of these items from Primo's results of operations. Primo utilizes adjusted net income (loss), adjusted net income (loss) per diluted share, adjusted EBITDA and adjusted EBITDA margin to separate the impact of certain items from the underlying business. Because Primo uses these adjusted financial results in the management of its business, management believes this supplemental information is useful to investors for their independent evaluation and understanding of Primo's underlying business performance and the performance of its management. Additionally, Primo supplements its reporting of net cash provided by (used in) operating activities from continuing operations determined in accordance with GAAP by excluding additions to property, plant and equipment to present free cash flow, and by excluding the items identified on the exhibits to Primo's earnings announcement to present adjusted free cash flow, which management believes provides useful information to investors in assessing our performance, comparing Primo's performance to the performance of the Company's peer group and assessing the Company's ability to service debt and finance strategic opportunities, which include investing in Primo's business, making strategic acquisitions, paying dividends, and strengthening the balance sheet. With respect to the Company's expectations of its performance, the Company's reconciliations of Q1 2022 and full year 2022 estimated Adjusted EBITDA, along with targeted 2024 Adjusted EBITDA, Adjusted EBITDA margin, and net leverage, adjusted EPS, and ROIC, are not available, as the Company is unable to quantify certain amounts to the degree of precision that would be required in the relevant GAAP measures without unreasonable. These items include taxes, interest costs that would occur if the Company issued debt, and costs to acquire and or sell a business if the Company executed such transactions, which could significantly affect our financial results. These items depend on highly variable factors and any such reconciliations would imply a degree of precision that would be confusing or misleading to investors. Primo expects the variability of these factors to have a significant, and potentially unpredictable, impact on the Company's future GAAP financial results. The non-GAAP financial measures described above are in addition to, and not meant to be considered superior to, or a substitute for, Primo's financial statements prepared in accordance with GAAP. In addition, the non-GAAP financial measures included in this presentation and in Primo's earnings announcement reflect management's judgment of particular items, and may be different from, and therefore may not be comparable to, similarly titled measures reported by other companies.

- 👉 Notice of Meeting
- 👉 Quorum
- 👉 Formalities
- 👉 Minutes of Last Meeting of Shareowners
- 👉 Annual Report and Auditor's Report
- 👉 Introduction of Resolutions
- 👉 CFO & CEO Comments
- 👉 Q&A

# Order of Business (Continued)

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👉 Introduction of Resolutions

👉 Election of Directors

👉 Britta Bomhard

👉 Susan E. Cates

👉 Jerry Fowden

👉 Stephen H. Halperin

👉 Thomas J. Harrington

👉 Gregory Monahan

👉 Billy D. Prim

👉 Eric Rosenfeld

👉 Archana Singh

👉 Steven P. Stanbrook

👉 Appointment of Auditors

👉 Advisory Vote on Executive Compensation



## FINANCIAL RESULTS

Jay Wells, Chief Financial Officer



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# 2021 Financial Overview



## Full Year Comparisons

|                         | 2021    | 2020    | % change |
|-------------------------|---------|---------|----------|
| NET REVENUE             | \$2,073 | \$1,954 | 6%       |
| ADJUSTED EBITDA         | \$380   | \$362   | 5%       |
| ADJUSTED EBITDA MARGIN  | 18.3%   | 18.5%   | -20 bps  |
| ADJUSTED FREE CASH FLOW | \$133   | \$137   | -3%      |

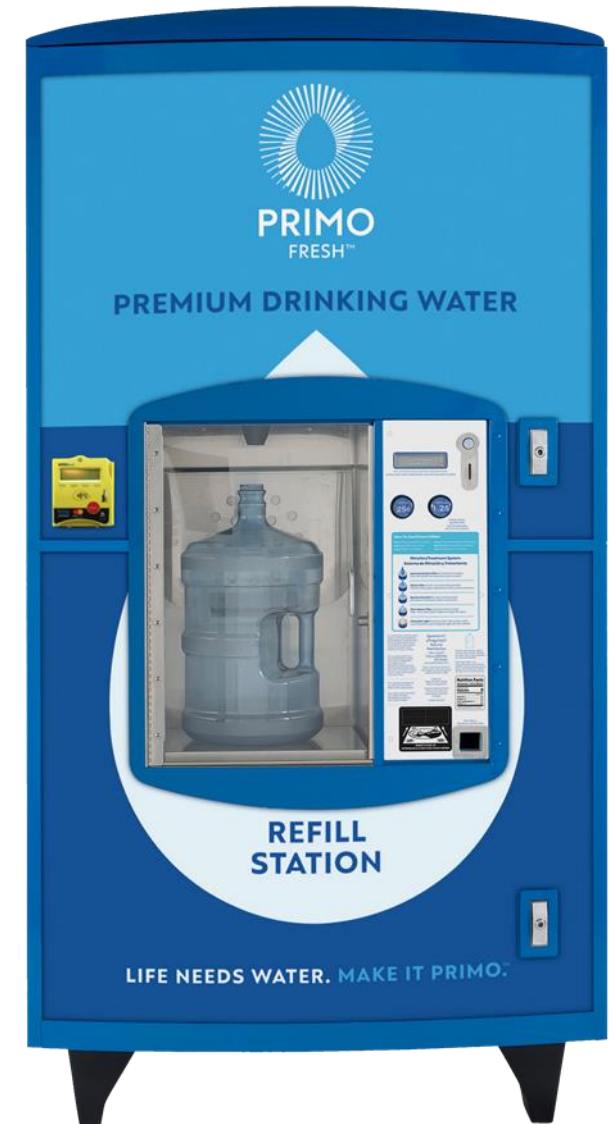
## Full Year 2021 Performance Summary

- ◊ Revenue increased 6% to \$2.07 billion dollars compared to \$1.95 billion dollars in the prior year
- ◊ Full year Adjusted EBITDA increased 5% to \$380 million dollars compared to \$362 million dollars in the prior year driven by increased demand for products and services, improved customer retention, and increased pricing
- ◊ Adjusted EBITDA margin decreased 20 bps to 18.3%, driven by steadily rising costs and delayed pricing increases
- ◊ Adjusted Free Cash Flow decreased 3% to \$133 million dollars driven by inflationary cost pressures

# 2021 Financial Overview (Continued)

## Liquidity

- Approximately \$128M operating cash on hand
- Available borrowing capacity on our cash flow revolver of approximately \$80M
- Net leverage ratio of 3.8x Adjusted EBITDA
- Net leverage ratio target of 2.5x by 2024





## CEO REMARKS

Tom Harrington, Chief Executive Officer



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# 2021 Successes

- Exceeded \$60M in accretive tuck-ins
- Approximately 900,000 water dispensers sold at retail
- > 1 billion gallons of water provided
- Greater than 2.6 million global customers
- Record high customer retention rate
- Reduced SG&A as % of Revenue
- Grew Adjusted EBITDA
- Increased quarterly dividend



# Organic Growth Outlook



**MULTI-YEAR DIVIDEND INCREASE OF ~15% CAGR**

# Innovation and ESG Initiatives



Launched “Primo Plus” alkaline water product



Achieved 100% carbon neutral certification for our global operations in 2021



Actively transitioning our delivery fleet from diesel to propane-powered vehicles in the U.S.



Increasing energy efficiency of our plants to lower energy usage of our finished products



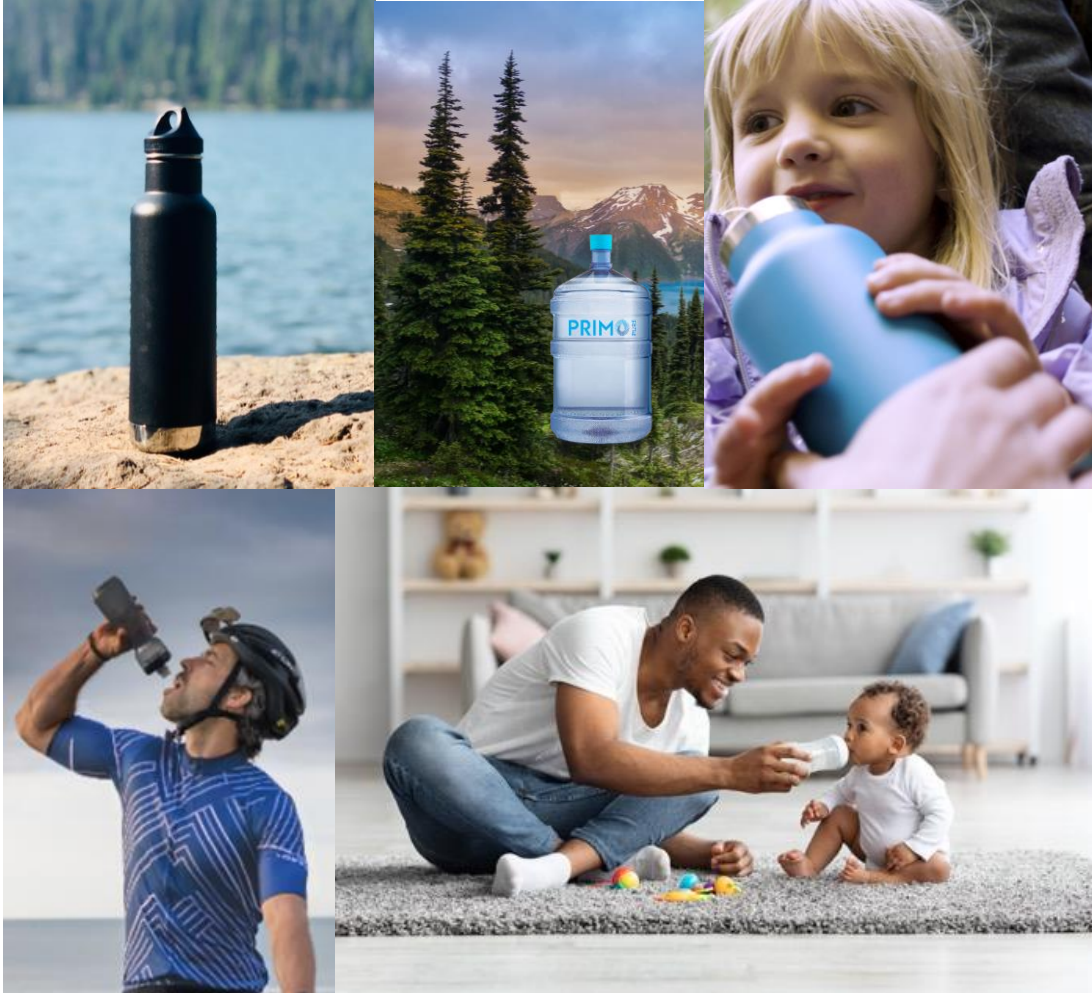
Accelerating exit of single-use plastic retail business in North America



Established Diversity, Equity and Inclusion (DEI) Committee - to develop, implement and promote strategies and best practices around the adoption of our Primo Way values, behaviors and culture



[CarbonNeutral.com](https://CarbonNeutral.com)



## Growth Drivers

- 🔹 Enhance customer experience via technology
- 🔹 Leverage pure-play water model to drive high single digit organic revenue growth
- 🔹 Increase number of water dispensers sold at retail
- 🔹 Continue to leverage highly variable cost structure
- 🔹 Execute highly accretive tuck-in acquisitions
- 🔹 Become an ESG leader

## Consumer Trends

- 💧 Work from Home
- 💧 Health & Wellness
- 💧 eCommerce & Digital
- 💧 Environmental Awareness

## Opportunities

- 💧 Category Growth
- 💧 Scale
- 💧 Brand Recognition
- 💧 Highly Variable Cost Structure





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# Q&A





# APPENDIX



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



## Non-GAAP Reconciliation - Unaudited

| (in millions of U.S. dollars)                          | For the Year Ended |                 |
|--|--------------------|-----------------|
|  | January 1, 2022    | January 2, 2021 |
| <b>Revenue, net</b>                                    | \$ 2,073.3         | \$ 1,953.5      |
| <b>Net loss from continuing operations</b>             | \$ (3.2)           | \$ (156.8)      |
| Interest expense, net                                  | 68.8               | 81.6            |
| Income tax expense                                     | 9.5                | 4.3             |
| Depreciation and amortization                          | 219.1              | 202.1           |
| <b>EBITDA</b>  | \$ 294.2           | \$ 131.2        |
| Acquisition and integration costs                      | 10.8               | 33.7            |
| Share-based compensation costs                         | 17.5               | 22.1            |
| COVID-19 costs   | 2.4                | 20.8            |
| Goodwill and intangible asset impairment charges       | -                  | 115.2           |
| Foreign exchange and other losses (gains), net         | 8.7                | 1.5             |
| Loss on disposal of property, plant and equipment, net | 9.3                | 10.6            |
| Loss on extinguishment of long-term debt               | 27.2               | 19.7            |
| Gain on sale of business                               | (3.8)              | (0.6)           |
| Other adjustments, net                                 | 13.7               | 7.3             |
| <b>Adjusted EBITDA</b>                                 | \$ 380.0           | \$ 361.5        |
| <b>Adjusted EBITDA margin %</b>                        | 18.3 %             | 18.5 %          |

# Adjusted Free Cash Flow

## Non-GAAP Reconciliation - Unaudited



|   | <b>For the Year Ended</b> |                        |
|---|---------------------------|------------------------|
|   | <b>January 1, 2022</b>    | <b>January 2, 2021</b> |
| <b>Net cash provided by operating activities from continuing operations</b>                           | <b>\$ 258.7</b>           | <b>\$ 193.6</b>        |
| Less: Additions to property, plant, and equipment   | (152.0)                   | (114.0)                |
| <b>Free Cash Flow</b>   | <b>\$ 106.7</b>           | <b>\$ 79.6</b>         |
| Acquisition and integration cash costs  | 13.1                      | 31.2                   |
| Transaction cash costs paid on behalf of acquiree   | -                         | 13.4                   |
| COVID-19 related cash costs   | 2.6                       | 20.4                   |
| Incremental interest payment on 2024 Notes (a)  | -                         | 9.0                    |
| Cash costs related to additions to property, plant and equipment for integration of acquired entities | 2.0                       | 0.5                    |
| Deferral of payroll tax related costs - government programs   | 9.0                       | (16.5)                 |
| <b>Adjusted Free Cash Flow</b>  | <b>\$ 133.4</b>           | <b>\$ 137.6</b>        |

(a) Accrued interest paid upon redemption of the 2024 Notes.

Source: Primo Management

# Interest Coverage Ratio and Net Leverage Ratio



## Non-GAAP Reconciliation - Unaudited

|   | FY 2021         |
|---|-----------------|
| (in millions of U.S. dollars except financial ratios) |                 |
| <b>Adjusted EBITDA</b>                                | <b>\$ 380.0</b> |
| Interest expense as reported                          | \$ 68.8         |
| Total debt (a)  | \$ 1,577.8      |
| Unrestricted cash                                     | \$ 128.4        |
| Interest Coverage ratio (b)                           | 5.5x            |
| Net Leverage ratio (c)                                | 3.8x            |

(a) Total debt as of January 1, 2022 of \$1,560.9 million adjusted to exclude \$16.9 million of unamortized debt costs.

(b) Interest Coverage ratio defined as Adjusted EBITDA divided by interest expense.

(c) Net Leverage ratio defined as net debt (total debt, as adjusted, minus unrestricted cash) divided by Adjusted EBITDA.

Source: Primo Management