

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

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**FORM 10-Q**

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

For the quarterly period ended: July 2, 2022

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 001-31410

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**PRIMO WATER CORPORATION**

(Exact name of registrant as specified in its charter)

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**Ontario**  
(State or Other Jurisdiction of  
Incorporation or Organization)

**98-0154711**  
(IRS Employer  
Identification No.)

**1150 Assembly Dr.**

**Suite 800**

**Tampa, Florida**

**United States**

(Address of principal executive offices)

**33607**

(Zip Code)

Registrant's telephone number, including area code: (813) 544-8515

4221 West Boy Scout Boulevard

Suite 400

Tampa,

Florida

33607

United States

(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Shares, no par value per share	PRMW	New York Stock Exchange Toronto Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer

Non-accelerated filer

Accelerated filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any

new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

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

<u>Class</u>	<u>Outstanding at August 8, 2022</u>
Common Shares, no par value per share	161,245,316

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**PART I – FINANCIAL INFORMATION**

**Item 1. Financial Statements (unaudited)**

**Primo Water Corporation**  
**Consolidated Statements of Operations**  
*(in millions of U.S. dollars, except share and per share amounts)*  
*Unaudited*

	For the Three Months Ended		For the Six Months Ended	
	July 2, 2022	July 3, 2021	July 2, 2022	July 3, 2021
<b>Revenue, net</b>	\$ 571.4	\$ 526.1	\$ 1,097.5	\$ 1,004.5
Cost of sales	239.1	228.9	465.6	442.8
<b>Gross profit</b>	<b>332.3</b>	297.2	<b>631.9</b>	561.7
Selling, general and administrative expenses	291.6	259.9	569.9	507.9
Loss on disposal of property, plant and equipment, net	0.1	3.3	1.8	5.4
Acquisition and integration expenses	4.9	2.4	9.2	3.7
Impairment charges	29.1	—	29.1	—
<b>Operating income</b>	<b>6.6</b>	31.6	<b>21.9</b>	44.7
Other expense, net	10.7	25.6	13.4	25.2
Interest expense, net	17.0	17.7	33.9	36.7
<b>Loss before income taxes</b>	<b>(21.1)</b>	(11.7)	<b>(25.4)</b>	(17.2)
Income tax expense (benefit)	1.4	(3.4)	3.8	1.3
<b>Net Loss</b>	<b>\$ (22.5)</b>	<b>\$ (8.3)</b>	<b>\$ (29.2)</b>	<b>\$ (18.5)</b>
<b>Net loss per common share</b>				
Basic	\$ (0.14)	\$ (0.05)	\$ (0.18)	\$ (0.11)
Diluted	\$ (0.14)	\$ (0.05)	\$ (0.18)	\$ (0.11)
<b>Weighted average common shares outstanding (in thousands)</b>				
Basic	161,149	161,561	161,038	161,097
Diluted	161,149	161,561	161,038	161,097

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

**Primo Water Corporation**  
**Condensed Consolidated Statements of Comprehensive Loss**  
*(in millions of U.S. dollars)*  
*Unaudited*

	For the Three Months Ended		For the Six Months Ended	
	July 2, 2022	July 3, 2021	July 2, 2022	July 3, 2021
Net Loss	\$ (22.5)	\$ (8.3)	\$ (29.2)	\$ (18.5)
Other comprehensive income:				
Currency translation adjustment	1.8	2.0	1.7	8.5
<b>Comprehensive loss</b>	<b>\$ (20.7)</b>	<b>\$ (6.3)</b>	<b>\$ (27.5)</b>	<b>\$ (10.0)</b>

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

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

	<u>July 2, 2022</u>	<u>January 1, 2022</u>
<b>ASSETS</b>		
<i><b>Current assets</b></i>		
Cash and cash equivalents	\$ 98.5	\$ 128.4
Accounts receivable, net of allowance of \$22.7 (\$20.8 as of January 1, 2022)	283.6	261.6
Inventories	109.7	94.6
Prepaid expenses and other current assets	63.5	25.2
<b>Total current assets</b>	<b>555.3</b>	<b>509.8</b>
Property, plant and equipment, net	678.6	718.1
Operating lease right-of-use-assets	168.2	177.4
Goodwill	1,285.6	1,321.4
Intangible assets, net	912.2	969.8
Other long-term assets, net	29.4	26.9
<b>Total assets</b>	<b>\$ 3,629.3</b>	<b>\$ 3,723.4</b>
<b>LIABILITIES AND EQUITY</b>		
<i><b>Current liabilities</b></i>		
Short-term borrowings	\$ 235.2	\$ 222.1
Current maturities of long-term debt	17.1	17.7
Accounts payable and accrued liabilities	430.2	437.7
Current operating lease obligations	32.5	32.3
<b>Total current liabilities</b>	<b>715.0</b>	<b>709.8</b>
Long-term debt	1,274.5	1,321.1
Operating lease obligations	139.4	148.7
Deferred tax liabilities	157.9	158.8
Other long-term liabilities	65.7	64.9
<b>Total liabilities</b>	<b>2,352.5</b>	<b>2,403.3</b>
<i><b>Shareholders' Equity</b></i>		
Common shares, no par value - 161,209,111 (January 1, 2022 - 160,732,552) shares issued	1,292.6	1,286.9
Additional paid-in-capital	87.3	85.9
(Accumulated deficit) retained earnings	(35.7)	16.4
Accumulated other comprehensive loss	(67.4)	(69.1)
<b>Total shareholders' equity</b>	<b>1,276.8</b>	<b>1,320.1</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 3,629.3</b>	<b>\$ 3,723.4</b>

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

**Primo Water Corporation**  
**Consolidated Statements of Cash Flows**  
*(in millions of U.S. dollars)*  
*Unaudited*

	For the Three Months Ended		For the Six Months Ended	
	July 2, 2022	July 3, 2021	July 2, 2022	July 3, 2021
<b>Cash flows from operating activities:</b>				
Net Loss	\$ (22.5)	\$ (8.3)	\$ (29.2)	\$ (18.5)
<b>Adjustments to reconcile net loss to cash flows from operating activities of continuing operations:</b>				
Depreciation and amortization	60.2	52.0	121.4	105.1
Amortization of financing fees	0.8	0.9	1.7	1.7
Share-based compensation expense	4.2	3.8	7.5	6.2
(Benefit) provision for deferred income taxes	(0.1)	(4.2)	1.5	(0.6)
Loss on extinguishment of debt	—	27.2	—	27.2
Gain on sale of business	—	—	(0.4)	—
Impairment charges	29.1	—	29.1	—
Loss on disposal of property, plant and equipment, net	0.1	3.3	1.8	5.4
Other non-cash items	11.0	(1.2)	13.1	(1.0)
Change in operating assets and liabilities, net of acquisitions:				
Accounts receivable	(21.3)	(52.2)	(33.2)	(61.9)
Inventories	(8.0)	(6.3)	(19.1)	(3.1)
Prepaid expenses and other current assets	1.0	(2.0)	(5.2)	(4.2)
Other assets	0.7	0.2	—	0.3
Accounts payable and accrued liabilities and other liabilities	11.5	46.4	1.3	31.7
Net cash provided by operating activities from continuing operations	<u>66.7</u>	<u>59.6</u>	<u>90.3</u>	<u>88.3</u>
<b>Cash flows from investing activities of continuing operations:</b>				
Acquisitions, net of cash received	(7.1)	(0.3)	(7.4)	(0.3)
Additions to property, plant and equipment	(46.6)	(34.8)	(85.2)	(61.8)
Additions to intangible assets	(2.4)	(1.8)	(4.9)	(4.1)
Proceeds from sale of property, plant and equipment	0.6	0.6	1.0	0.7
Other investing activities	(0.1)	—	0.4	—
Net cash used in investing activities from continuing operations	<u>(55.6)</u>	<u>(36.3)</u>	<u>(96.1)</u>	<u>(65.5)</u>

<b>Cash flows from financing activities of continuing operations:</b>				
Payments of long-term debt	(5.2)	(753.6)	(9.7)	(757.0)
Issuance of long-term debt	—	750.0	—	750.0
Proceeds from short-term borrowings	10.0	45.0	10.0	45.0
Payments on short-term borrowings	—	(10.0)	—	(10.0)
Premiums and costs paid upon extinguishment of long-term debt	—	(20.6)	—	(20.6)
Issuance of common shares	0.4	14.7	1.6	15.7
Common shares repurchased and canceled	(0.2)	(13.2)	(2.0)	(16.3)
Financing fees	—	(10.6)	—	(11.3)
Dividends paid to common shareholders	(11.6)	(9.9)	(22.9)	(19.6)
Payment of deferred consideration for acquisitions	—	(0.1)	(0.1)	(1.8)
Other financing activities	0.7	(0.9)	4.6	4.3
Net cash used in financing activities from continuing operations	<u>(5.9)</u>	<u>(9.2)</u>	<u>(18.5)</u>	<u>(21.6)</u>
<b>Cash flows from discontinued operations:</b>				
Operating activities of discontinued operations	—	(2.6)	—	(1.8)
Investing activities of discontinued operations	—	—	—	—
Financing activities of discontinued operations	—	—	—	—
Net cash used in discontinued operations	<u>—</u>	<u>(2.6)</u>	<u>—</u>	<u>(1.8)</u>
Effect of exchange rate changes on cash	(1.0)	0.5	(1.9)	(0.3)
<b>Net increase (decrease) in cash, cash equivalents and restricted cash</b>	<b>4.2</b>	<b>12.0</b>	<b>(26.2)</b>	<b>(0.9)</b>
Cash and cash equivalents and restricted cash, beginning of period	<u>98.0</u>	<u>102.2</u>	<u>128.4</u>	<u>115.1</u>
Cash and cash equivalents and restricted cash, end of period	<u>\$ 102.2</u>	<u>\$ 114.2</u>	<u>\$ 102.2</u>	<u>\$ 114.2</u>
<b>Supplemental Non-cash Investing and Financing Activities:</b>				
Dividends payable issued through accounts payable and accrued liabilities	\$ 0.2	\$ —	\$ 0.4	\$ 0.1
Additions to property, plant and equipment through accounts payable and accrued liabilities and other liabilities	13.4	11.9	23.8	19.4
Financing lease right-of-use assets obtained in exchange for lease obligations	0.7	3.3	3.4	5.9
Operating lease right-of-use assets obtained in exchange for lease obligations	10.3	11.5	15.8	18.2
<b>Supplemental Disclosures of Cash Flow Information:</b>				
Cash paid for interest	\$ 29.4	\$ 16.9	\$ 32.9	\$ 40.2
Cash paid for income taxes, net	1.5	4.3	2.5	6.2
<b>Cash and cash equivalents and restricted cash:</b>				
Cash and cash equivalents	\$ 98.5	\$ 114.2	\$ 98.5	\$ 114.2
Cash included in prepaid expenses and other current assets	3.7	—	3.7	—
Total	<u>\$ 102.2</u>	<u>\$ 114.2</u>	<u>\$ 102.2</u>	<u>\$ 114.2</u>

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



**Primo Water Corporation**  
**Consolidated Statements of Equity**  
*(in millions of U.S. dollars, except share and per share amounts)*  
*Unaudited*

	Number of Common Shares <i>(In thousands)</i>	Common Shares	Additional Paid-in- Capital	(Accumulated Deficit)	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
<b>Balance at April 2, 2022</b>	161,075	\$ 1,291.6	\$ 83.9	\$ (1.8)	\$ (69.2)	\$ 1,304.5
Net loss	—	—	—	(22.5)	—	(22.5)
Other comprehensive income, net of tax	—	—	—	—	1.8	1.8
Common shares dividends (\$0.07 per common share)	—	—	—	(11.4)	—	(11.4)
Share-based compensation	—	—	4.2	—	—	4.2
Common shares repurchased and canceled	(21)	(0.2)	—	—	—	(0.2)
Common shares issued - Equity Incentive Plan	120	0.6	(0.6)	—	—	—
Common shares issued - Dividend Reinvestment Plan	1	—	—	—	—	—
Common shares issued - Employee Stock Purchase Plan	34	0.6	(0.2)	—	—	0.4
<b>Balance at July 2, 2022</b>	<b>161,209</b>	<b>\$ 1,292.6</b>	<b>\$ 87.3</b>	<b>\$ (35.7)</b>	<b>\$ (67.4)</b>	<b>\$ 1,276.8</b>

	Number of Common Shares <i>(In thousands)</i>	Common Shares	Additional Paid-in- Capital	(Accumulated Deficit)	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
<b>Balance at January 1, 2022</b>	160,732	\$ 1,286.9	\$ 85.9	\$ 16.4	\$ (69.1)	\$ 1,320.1
Net loss	—	—	—	(29.2)	—	(29.2)
Other comprehensive income, net of tax	—	—	—	—	1.7	1.7
Common shares dividends (\$0.14 per common share)	—	—	—	(22.9)	—	(22.9)
Share-based compensation	—	—	7.5	—	—	7.5
Common shares repurchased and canceled	(135)	(2.0)	—	—	—	(2.0)
Common shares issued - Equity Incentive Plan	552	6.7	(5.9)	—	—	0.8
Common shares issued - Dividend Reinvestment Plan	1	—	—	—	—	—
Common shares issued - Employee Stock Purchase Plan	59	1.0	(0.2)	—	—	0.8
<b>Balance at July 2, 2022</b>	<b>161,209</b>	<b>\$ 1,292.6</b>	<b>\$ 87.3</b>	<b>\$ (35.7)</b>	<b>\$ (67.4)</b>	<b>\$ 1,276.8</b>

	Number of Common Shares <i>(In thousands)</i>	Common Shares	Additional Paid-in- Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
<b>Balance at April 3, 2021</b>	160,818	\$ 1,274.2	\$ 81.6	\$ 61.1	\$ (80.2)	\$ 1,336.7
Net loss	—	—	—	(8.3)	—	(8.3)
Other comprehensive income, net of tax	—	—	—	—	2.0	2.0
Common shares dividends (\$0.06 per common share)	—	—	—	(9.7)	—	(9.7)
Share-based compensation	—	—	3.8	—	—	3.8
Common shares repurchased and canceled	(803)	(6.5)	—	(6.7)	—	(13.2)
Common shares issued - Equity Incentive Plan	1,554	19.4	(5.2)	—	—	14.2
Common shares issued - Dividend Reinvestment Plan	1	—	—	—	—	—
Common shares issued - Employee Stock Purchase Plan	34	0.6	(0.1)	—	—	0.5
<b>Balance at July 3, 2021</b>	<b>161,604</b>	<b>\$ 1,287.7</b>	<b>\$ 80.1</b>	<b>\$ 36.4</b>	<b>\$ (78.2)</b>	<b>\$ 1,326.0</b>

	Number of Common Shares <i>(In thousands)</i>	Common Shares	Additional Paid-in- Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
<b>Balance at January 2, 2021</b>	<b>160,406</b>	<b>\$ 1,268.0</b>	<b>\$ 84.5</b>	<b>\$ 81.1</b>	<b>\$ (86.7)</b>	<b>\$ 1,346.9</b>
Net loss	—	—	—	(18.5)	—	(18.5)
Other comprehensive income, net of tax	—	—	—	—	8.5	8.5
Common shares dividends (\$0.12 per common share)	—	—	—	(19.5)	—	(19.5)
Share-based compensation	—	—	6.2	—	—	6.2
Common shares repurchased and canceled	(982)	(9.6)	—	(6.7)	—	(16.3)
Common shares issued - Equity Incentive Plan	2,119	28.3	(10.5)	—	—	17.8
Common shares issued - Dividend Reinvestment Plan	1	—	—	—	—	—
Common shares issued - Employee Stock Purchase Plan	60	1.0	(0.1)	—	—	0.9
<b>Balance at July 3, 2021</b>	<b>161,604</b>	<b>\$ 1,287.7</b>	<b>\$ 80.1</b>	<b>\$ 36.4</b>	<b>\$ (78.2)</b>	<b>\$ 1,326.0</b>

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

**Primo Water Corporation**  
**Notes to the Consolidated Financial Statements**  
**Unaudited**

**Note 1—Business and Recent Accounting Pronouncements**

***Description of Business***

As used herein, “Primo,” “the Company,” “our Company,” “Primo Water Corporation,” “we,” “us,” or “our” refers to Primo Water Corporation, together with its consolidated subsidiaries. Primo is a leading provider of sustainable drinking water solutions in North America and Europe. Primo operates largely under a recurring razor/razorblade revenue model. The razor in Primo’s revenue model is its industry leading line-up of sleek and innovative water dispensers, which are sold through retailers and online at various price points. The dispensers help increase household penetration, which drives recurring purchases of Primo’s razorblade offering. Primo’s razorblade offering is comprised of Water Direct, Water Exchange, and Water Refill. Through its Water Direct business, Primo delivers sustainable hydration solutions across its 21-country footprint direct to the customer’s door, whether at home or to businesses. Through its Water Exchange and Water Refill businesses, Primo offers pre-filled and reusable containers at over 14,000 locations, water dispenser sales at approximately 9,000 locations and water refill units at approximately 24,000 locations, respectively. Primo also offers water filtration units across its 21-country footprint.

Primo’s water solutions expand consumer access to purified, spring and mineral water to promote a healthier, more sustainable lifestyle while simultaneously reducing plastic waste and pollution. Primo is committed to its water stewardship standards and is proud to partner with the International Bottled Water Association in North America as well as with Watercoolers Europe, which ensure strict adherence to safety, quality, sanitation and regulatory standards for the benefit of consumer protection. Environmental stewardship is a part of who we are, and we have worked to progressively achieve carbon neutrality throughout our organization. Our European operations have maintained carbon neutrality for more than ten years, and our U.S. operations achieved carbon neutral certification in 2020 under the CarbonNeutral Protocol, an international standard administered by Natural Capital Partners. In 2021, the Company achieved carbon neutrality on a global basis. In late 2021, Primo announced its planned exit from the North American small-format retail water business. This business is relatively small and uses predominantly single-use plastic bottles. The exit from this category is estimated to reduce single-use retail water bottles from our production environment by more than 400 million, annually, while also improving overall margins. The exit was completed during the second quarter of 2022.

During the second quarter of 2022, our Board of Directors approved the exit of our business in Russia. Accordingly, we classified the assets and liabilities of this business as held for sale (assets held for sale, net of impairment, of \$10.3 million and liabilities held for sale of \$6.3 million are included within prepaid expenses and other current assets and accounts payable and accrued liabilities, respectively, on the Consolidated Balance Sheet as of July 2, 2022), and recorded an impairment charge of \$11.2 million to reduce the carrying value to the estimated fair value less costs to sell. Separately, we reviewed and realigned our reporting segments, as further described in “Changes in Presentation” below. The decision to exit our business in Russia and the realignment of segments resulted in a triggering event for goodwill and intangible assets with indefinite lives requiring quantitative assessments for the combined Eden business immediately before the realignment of segments and for the Eden Europe and Israel businesses upon realignment of segments. These assessments resulted in recording a goodwill impairment charge of \$11.2 million due to a decrease in cash flows associated with the exit of our business in Russia and recording a trademark impairment charge of \$6.7 million primarily due to a decrease in the royalty rate used in the quantitative analysis. These impairment charges, along with the impairment charge of \$11.2 million to reduce the carrying value of the Russia business to its estimated fair value less costs to sell, resulted in total impairment charges of \$29.1 million which are included within impairment charges on the Consolidated Statements of Operations for the three and six months ended July 2, 2022. All impairment charges are included in the Europe reporting segment. The exit of our business in Russia was completed on July 19, 2022.

During the second quarter of 2022, our Board of Directors approved the sale of four of our properties. The sales are expected to be completed within the next year. Accordingly, we classified the land and buildings as held for sale (assets held for sale of \$21.6 million are included within prepaid expenses and other current assets).

### ***Basis of Presentation***

The accompanying interim unaudited Consolidated Financial Statements have been prepared in accordance with the instructions to Form 10-Q and Article 10 of Regulation S-X and in accordance with U.S. generally accepted accounting principles (“GAAP”) for interim financial reporting. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair statement of our results of operations for the interim periods reported and of our financial condition as of the date of the interim balance sheet have been included. The Consolidated Balance Sheet as of January 1, 2022 included herein was derived from the audited Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended January 1, 2022 (our “2021 Annual Report”). This Quarterly Report on Form 10-Q should be read in conjunction with the annual audited Consolidated Financial Statements and accompanying notes in our 2021 Annual Report. The accounting policies used in these interim Consolidated Financial Statements are consistent with those used in the annual Consolidated Financial Statements.

The presentation of these interim Consolidated Financial Statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the Consolidated Financial Statements and accompanying notes.

### ***Changes in Presentation***

During the second quarter of 2022, we reviewed and realigned our reporting segments to reflect how the business will be managed and evaluated by the Chief Executive Officer, who is the Company’s chief operating decision maker. Following such review, certain of our businesses previously included in the Rest of World segment (now renamed "Europe") were realigned between the Europe reporting segment and the Other category. Our two reporting segments are as follows: North America (which includes our DS Services of America, Inc. (“DSS”), Aquaterra Corporation (“Aquaterra”), Mountain Valley Spring Company (“Mountain Valley”) and Legacy Primo businesses) and Europe (which includes the European business of Eden Springs Netherlands B.V. (“Eden Europe”), Decantae Mineral Water Limited (“Decantae”) and Fonthill Waters Ltd (“Fonthill”) businesses). The Other category includes the Israel business of Eden (“Eden Israel”), Aimia Foods Limited (“Aimia”) and John Farrer & Company Limited (“Farrers”) businesses, as well as our corporate oversight function and other miscellaneous expenses. Segment reporting results have been recast to reflect these changes for all periods presented.

### ***COVID-19 Pandemic***

In response to the novel coronavirus (“COVID-19”) pandemic, certain government authorities have enacted programs which provide various economic stimulus measures, including several tax provisions. Among the business tax provisions is the deferral of certain payroll and other tax remittances to future years and wage subsidies as reimbursement for a portion of certain furloughed employees’ salaries. During the three and six months ended July 2, 2022, we received wage subsidies under these programs totaling nil and \$0.3 million, respectively, compared to \$0.8 million and \$2.2 million, for the three and six months ended July 3, 2021, respectively. We review our eligibility for these programs for each qualifying period and account for such wage subsidies on an accrual basis when the conditions for eligibility are met. We have adopted an accounting policy to present wage subsidies as a reduction of selling, general and administrative (“SG&A”) expenses. In addition, deferred payroll and other taxes totaling \$7.5 million were included in accounts payable and accrued liabilities on our Consolidated Balance Sheets as of July 2, 2022 and January 1, 2022.

### ***Significant Accounting Policies***

Included in Note 1 of our 2021 Annual Report is a summary of the Company’s significant accounting policies. Provided below is a summary of additional accounting policies that are significant to the financial results of the Company.

#### ***Cost of sales***

We record costs associated with the manufacturing of our products in cost of sales. Shipping and handling costs incurred to store, prepare and move products between production facilities or from production facilities to branch locations or storage facilities are recorded in cost of sales. Shipping and handling costs incurred to deliver products from our branch locations to the end-user consumer of those products are recorded in SG&A expenses. All other costs incurred in the shipment of products from our production facilities to customer locations are reflected in cost of sales. Shipping and handling costs included in SG&A expenses were \$137.3 million and \$264.6 million for the three and six months ended July 2, 2022, respectively, and \$118.6 million and \$228.7 million for the three and six months ended July 3, 2021, respectively. Finished goods inventory costs include the cost of direct labor and materials and the applicable share of overhead expense chargeable to production.

## Goodwill

Goodwill represents the excess purchase price of acquired businesses over the fair value of the net assets acquired. We test goodwill for impairment at least annually on the first day of the fourth quarter, based on our reporting unit carrying values, calculated as total assets less non-interest bearing liabilities, as of the end of the third quarter, or more frequently if we determine a triggering event has occurred during the year. During the second quarter of 2022, our Board of Directors approved the exit of our business in Russia and our reporting segments were realigned. In connection therewith, we identified a triggering event indicating possible impairment of goodwill and intangible assets, as further described below. We did not identify impairment of our property, plant and equipment, lease-related right-of-use assets, or long-lived assets except as noted above related to the Russia assets held for sale.

The Company operates through four operating segments: North America, Europe, Eden Israel, and Aimia. The North America and Europe operating segments are reportable operating segments, and Eden Israel and Aimia are nonreportable operating segments within our Other category. We evaluate goodwill for impairment on a reporting unit basis, which is an operating segment or a level below an operating segment, referred to as a component. A component of an operating segment is a reporting unit if the component constitutes a business for which discrete financial information is available and management regularly reviews the operating results of that component. However, two or more components of an operating segment can be aggregated and deemed a single reporting unit if the components have similar economic characteristics. Our North America operating segment was determined to have three components: DSS, Mountain Valley, and Aquaterra. We have determined that DSS and Aquaterra have similar economic characteristics and have aggregated them as a single reporting unit for the purpose of testing goodwill for impairment (“DSSAqua”). Our Europe operating segment was determined to have three components: Eden Europe, Decantae, and Fonthill, none of which have similar economic characteristics. Our Aimia operating segment was determined to have two components: Aimia and Farrers, neither of which have similar economic characteristics. Our Eden Israel operating segment was determined to be a single component. We have thus determined our reporting units are DSSAqua, Mountain Valley, Eden Europe, Eden Israel, Aimia, Decantae, Farrers and Fonthill.

Due to the triggering events identified above arising from the exit of the Russia business and the triggering event arising as a result of the realignment of segments, we were required to perform an impairment test. We elected to bypass the qualitative assessment and performed an interim quantitative impairment test as of May 10, 2022. The interim quantitative impairment test was performed both (1) on a pre-realignment basis on the combined Eden reporting unit (which, prior to realignment, included the Eden Europe and Eden Israel businesses), and (2) on a post-realignment basis, on the Eden Europe and Eden Israel reporting units separately.

We determined the fair value of the reporting units being evaluated using a mix of the income approach (which is based on the discounted cash flows of the reporting unit) and the guideline public company approach. We weighted the income approach and the guideline public company approach at 50% each to determine the fair value of the reporting unit. We believe using a combination of these approaches provides a more accurate valuation because it incorporates the expected cash generation of the Company in addition to how a third-party market participant would value the reporting unit. As the business is assumed to continue in perpetuity, the discounted future cash flows include a terminal value. Critical assumptions used in our valuation of reporting units included the anticipated future cash flows, a weighted-average terminal growth rate of 1.5%, a discount rate of 9.0%, and the comparable company multiples. The anticipated future cash flows assumption reflects projected revenue growth rates, SG&A expenses and capital expenditures. The terminal growth rate assumption incorporated into the discounted cash flow calculation reflects our long-term view of the market and industry, projected changes in the sale of our products, pricing of such products and operating profit margins. The discount rate was determined using various factors and sensitive assumptions, including bond yields, size premiums and tax rates. This rate was based on the weighted average cost of capital a market participant would use if evaluating the reporting unit as an investment. The comparable company multiples were based on operating data from guideline publicly traded companies and provide an indication of how much a knowledgeable investor in the marketplace would be willing to pay for a company. These multiples were evaluated and adjusted based on specific characteristics of the reporting units relative to the selected guideline companies and applied to the reporting units' operating data to arrive at an indication of value. These assumptions are considered significant unobservable inputs and represent our best estimate of assumptions that market participants would use to determine the fair value of the respective reporting units. The key inputs into the discounted cash flow analysis were consistent with market data, where available, indicating that the assumptions used were in a reasonable range of observable market data.

Based on the quantitative assessment including consideration of the sensitivity of the assumptions made and methods used to determine fair value, industry trends and other relevant factors, we determined that, (1) on a pre-realignment basis, goodwill was impaired for the combined Eden reporting unit and, as a result, we recognized an impairment charge of \$11.2 million (which is included in impairment charges in the Consolidated Statement of Operations for the three and six months ended July 2, 2022), and (2) on a post-realignment basis, the estimated fair value of each of the Eden Europe and Eden Israel reporting units equaled their respective carrying values (therefore, no goodwill impairment charges were recorded for these two reporting units).

The changes in the carrying amount of goodwill on a reporting segment basis for the six months ended July 2, 2022, are as follows:

(in millions of U.S. dollars)	Reporting Segment			
	North America	Europe	Other	Total
Balance at January 1, 2022				
Goodwill	\$ 994.1	\$ 377.6	\$ 53.8	\$ 1,425.5
Accumulated impairment losses	—	(103.6)	(0.5)	(104.1)
	<u>\$ 994.1</u>	<u>\$ 274.0</u>	<u>\$ 53.3</u>	<u>\$ 1,321.4</u>
Goodwill acquired during the year	0.1	0.6	—	0.7
Measurement period adjustments	1.2	1.0	—	2.2
Impairment charges	—	(11.2)	—	(11.2)
Segment realignment allocation	—	(63.3)	63.3	—
Foreign exchange	(0.4)	(21.0)	(6.1)	(27.5)
Balance at July 2, 2022				
Goodwill	995.0	294.9	111.0	1,400.9
Accumulated impairment losses	—	(114.8)	(0.5)	(115.3)
	<u>\$ 995.0</u>	<u>\$ 180.1</u>	<u>\$ 110.5</u>	<u>\$ 1,285.6</u>

#### Intangible Assets

Our intangible assets with indefinite lives relate to trademarks acquired in the acquisition of businesses, and there are no legal, regulatory, contractual, competitive, economic, or other factors that limit the useful life of these intangible assets. Our trademarks with indefinite lives are not amortized, but rather are tested for impairment at least annually or more frequently if we determine a triggering event has occurred during the year.

As a result of the triggering events described above arising from the exit of our Russia business and realignment of segments, we also performed recoverability tests on the trademarks with an indefinite life acquired in the acquisition of Eden ("Eden Trademarks") as of May 10, 2022. We elected to bypass the qualitative assessment and performed an interim quantitative impairment test as of May 10, 2022 on the Eden Trademarks. The interim quantitative impairment test was performed for the Eden Trademarks, including the Eden Europe and Eden Israel trademarks, to identify any impairment immediately prior to the segment realignment. The interim quantitative impairment test was then performed for the trademarks with indefinite lives associated with the Eden Europe and Eden Israel businesses upon segment realignment.

To determine the fair value of the trademarks being evaluated, we use a relief from royalty method of the income approach, which calculates a fair value royalty rate that is applied to revenue forecasts associated with the trademark. The resulting cash flows are discounted using a rate to reflect the risk of achieving the projected royalty savings attributable to the trademark. The assumptions used to estimate the fair value of the trademark are subjective and require significant management judgment, including estimated future revenues, the fair value royalty rate (which is estimated to be a reasonable market royalty charge that would be charged by a licensor of the trademarks) and the risk adjusted discount rate. Based on our impairment test, we determined that, (1) on a pre-realignment basis, the estimated fair value of the Eden Trademarks exceeded the carrying value by approximately 9.0% (therefore, no impairment charge was recorded for this trademark), and (2) on a post-realignment basis, the estimated fair value of the trademarks with indefinite lives associated with our Eden Israel business exceeded the carrying value by approximately 103.0% (therefore, no impairment charge was recorded for this trademark), and the trademarks with indefinite lives associated with our Eden Europe business were impaired and recognized an impairment charge of \$6.7 million. The impairment charge is included in impairment charges in the Consolidated Statement of Operations for the three and six months ended July 2, 2022. The impairment charge is due primarily to the decrease in the royalty rate used in the quantitative assessment.

## Recently adopted accounting pronouncements

### *Update ASU 2021-10- Government Assistance (Topic 832)*

In November 2021, the Financial Accounting Standards Board ("FASB") issued guidance that requires business entities to disclose information about certain government assistance they receive. The amendments in this Update are effective for all entities within their scope for financial statements issued for annual periods beginning after December 15, 2021. Early application of the amendments is permitted. An entity should apply the amendments in this Update either (1) prospectively to all transactions within the scope of the amendments that are reflected in financial statements at the date of initial application and new transactions that are entered into after the date of initial application or (2) retrospectively to those transactions. Adoption of the new standard did not result in additional disclosures within our unaudited Consolidated Financial Statements.

## Recently issued accounting pronouncements

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

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

### *Update ASU 2021-08- Business Combinations (Topic 805)*

In October 2021, the FASB issued guidance that requires entities to use principles in ASC 606 to recognize and measure contract assets and liabilities in revenue contracts acquired in a business combination rather than fair value. For public entities, this guidance is effective after December 15, 2022 for annual and interim periods. Early adoption is permitted, including adoption in an interim period. If early adopted, the amendments are applied retrospectively to all business combinations for which the acquisition date occurred during the fiscal year of adoption. We are currently assessing the impact of adoption of this standard on our Consolidated Financial Statements.

## Note 2—Revenue

Our principal sources of revenue are from bottled water delivery direct to consumers primarily in North America and Europe and from providing multi-gallon purified bottled water, self-service refill drinking water and water dispensers through retailers in North America. Revenue is recognized, net of sales returns, when a customer obtains control of promised goods or services in an amount that reflects the consideration we expect to receive in exchange for those goods or services. We measure revenue based on the consideration specified in the customer arrangement, and revenue is recognized when the performance obligations in the customer arrangement are satisfied. A performance obligation is a contractual promise to transfer a distinct service to the customer. The transaction price of a contract is allocated to each distinct performance obligation and recognized as revenue when the customer receives the benefit of the performance obligation. Customers typically receive the benefit of our services as they are performed. Substantially all our customer contracts require that we be compensated for services performed to date. This may be upon shipment of goods or upon delivery to the customer, depending on contractual terms. Shipping and handling costs paid by the customer to us are included in revenue and costs incurred by us for shipping and handling activities that are performed after a customer obtains control of the product are accounted for as fulfillment costs. In addition, we exclude from net revenue and cost of sales taxes assessed by governmental authorities on revenue-producing transactions. Although we occasionally accept returns of products from our customers, historically returns have not been material.

### Contract Estimates

The nature of certain of our contracts give rise to variable consideration including cash discounts, volume-based rebates, point of sale promotions, and other promotional discounts to certain customers. For all promotional programs and discounts, we estimate the rebate or discount that will be granted to the customer and record an accrual upon invoicing. These estimated rebates or discounts are included in the transaction price of our contracts with customers as a reduction to net revenues and are included as accrued sales incentives in accounts payable and accrued liabilities in the Consolidated Balance Sheets. Accrued sales incentives were \$8.2 million and \$8.0 million on July 2, 2022 and January 1, 2022, respectively.

We do not disclose the value of unsatisfied performance obligations for contracts (i) with an original expected length of one year or less or (ii) for which we recognize revenue at the amount in which it has the right to invoice as the product is delivered.

## Contract Balances

Contract liabilities relate primarily to advances received from our customers before revenue is recognized. These amounts are recorded as deferred revenue and are included in accounts payable and accrued liabilities in the Consolidated Balance Sheets. The advances are expected to be earned as revenue within one year of receipt. Deferred revenues at July 2, 2022 and January 1, 2022 were \$15.5 million and \$12.6 million, respectively. The amount of revenue recognized in the three and six months ended July 2, 2022 that was included in the January 1, 2022 deferred revenue balance was \$2.4 million and \$11.0 million, respectively.

The Company does not have any material contract assets as of July 2, 2022 and January 1, 2022.

## Disaggregated Revenue

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

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

(in millions of U.S. dollars)	For the Three Months Ended		For the Six Months Ended	
	July 2, 2022	July 3, 2021	July 2, 2022	July 3, 2021
United States	\$ 419.8	\$ 378.1	\$ 801.6	\$ 728.0
United Kingdom	33.4	38.2	74.8	74.9
Canada	17.1	18.6	32.5	34.5
All other countries	101.1	91.2	188.6	167.1
Total	\$ 571.4	\$ 526.1	\$ 1,097.5	\$ 1,004.5

## Note 3—Acquisitions

### *SipWell Acquisition*

On December 30, 2021, Eden Springs Netherlands B.V., a wholly-owned subsidiary of the Company ("Eden"), completed the acquisition of Sip-Well NV, the leading distributor of water solutions in Belgium (the "SipWell Acquisition"). The total cash consideration paid by Eden in the SipWell Acquisition was \$53.1 million, subject to adjustments for any non-permitted leakage since a locked box date. The SipWell Acquisition was funded through a combination of incremental borrowings under the Company's Revolving Credit Facility and cash on hand.

The SipWell Acquisition strengthens the Company's presence in Western and Central Europe. The Company has accounted for this transaction as a business combination which requires that assets acquired and liabilities assumed be measured at their acquisition date fair values.

A preliminary allocation of the total cash consideration paid of \$53.1 million has been made to the major categories of assets acquired and liabilities assumed based on management's estimates of their fair values as of the acquisition date. The excess of the purchase price over the aggregate fair values was recorded as goodwill.



The table below presents the preliminary total cash consideration allocation of the estimated acquisition date fair values of the assets acquired and liabilities assumed:

<b>(in millions of U.S. dollars)</b>	<b>Originally Reported</b>	<b>Measurement Period Adjustments</b>	<b>Acquired Value</b>
Cash and cash equivalents	\$ 6.8	\$ —	\$ 6.8
Accounts receivable	1.3	0.4	1.7
Inventory	0.1	—	0.1
Prepaid expenses and other current assets	0.2	—	0.2
Property, plant and equipment	21.7	(3.0)	18.7
Operating lease right-of-use-assets	0.4	1.1	1.5
Goodwill	38.1	(0.4)	37.7
Intangible assets	20.0	—	20.0
Current maturities of long-term debt	(1.6)	0.8	(0.8)
Accounts payable and accrued liabilities	(9.9)	—	(9.9)
Current operating lease obligations	(0.4)	(0.3)	(0.7)
Long-term debt	(17.7)	2.2	(15.5)
Operating lease obligations	—	(0.8)	(0.8)
Deferred tax liabilities	(5.9)	—	(5.9)
<b>Total</b>	<b>\$ 53.1</b>	<b>\$ —</b>	<b>\$ 53.1</b>

Measurement period adjustments recorded during the six months ended July 2, 2022 include an adjustment to accounts receivable based on a review of the fair value and adjustments to operating and financing lease right-of-use assets and obligations based on a review of acquired leases. The measurement period adjustments did not have a material effect on our results of operations in prior periods.

The assets and liabilities acquired with the SipWell Acquisition are recorded at their estimated fair values per preliminary valuations and management estimates and are subject to change when formal valuations and other studies are finalized. Estimated fair values for deferred tax balances are preliminary and are also subject to change based on the final valuation results. In addition, consideration for potential loss contingencies are still under review.

#### **Note 4—Share-based Compensation**

In the second quarter of 2022, we granted 76,480 common shares with an aggregate grant date fair value of approximately \$1.2 million to the non-management members of our Board of Directors under the Amended and Restated Primo Water Corporation Equity Incentive Plan. The common shares were issued in consideration of the directors' annual board retainer fee and are fully vested upon issuance.

#### **Note 5—Income Taxes**

Income tax expense was \$1.4 million on pre-tax loss of \$21.1 million for the three months ended July 2, 2022, as compared to income tax benefit of \$3.4 million on pre-tax loss of \$11.7 million in the comparable prior year period. Income tax expense was \$3.8 million on pre-tax loss of \$25.4 million for the six months ended July 2, 2022, as compared to income tax expense of \$1.3 million on pre-tax loss of \$17.2 million in the comparable prior year period. The effective income tax rates for the three and six months ended July 2, 2022 were (6.6)% and (15.0)%, respectively, compared to 29.1% and (7.6)% in the comparable prior year periods.

The effective tax rate for the three and six months ended July 2, 2022 varied from the effective tax rate in the comparable prior year period due primarily to impairment charges incurred in the second quarter of 2022 for which minimal tax benefit is recognized and increased earnings in taxable jurisdictions.

The effective tax rate for the three and six months ended July 2, 2022 varied from the statutory tax rate primarily due to impairment charges incurred in the second quarter of 2022 for which minimal tax benefit is recognized, losses in tax jurisdictions for which no tax benefit is recognized due to existing valuation allowances, and income in tax jurisdictions with tax rates lower than the Canadian statutory tax rate.

## Note 6—Common Shares and Net Loss per Common Share

### Common Shares

On May 4, 2021, our Board of Directors approved a share repurchase program for up to \$50.0 million of our outstanding common shares over a 12-month period commencing on May 10, 2021. We did not repurchase any outstanding common shares under the plan during the second quarter of 2022 and the program has now expired. In total, we repurchased 2,646,831 common shares for \$43.5 million under this share repurchase program which were subsequently canceled.

### Net Loss per Common Share

Basic net loss per common share is calculated by dividing net loss by the weighted average number of common shares outstanding during the periods presented. Diluted net loss per common share is calculated by dividing net loss by the weighted average number of common shares outstanding adjusted to include the effect, if dilutive, of the exercise of in-the-money stock options, performance-based RSUs, and time-based RSUs during the periods presented. The components of weighted average basic and diluted shares outstanding are below:

	For the Three Months Ended		For the Six Months Ended	
	July 2, 2022	July 3, 2021	July 2, 2022	July 3, 2021
Weighted average common shares outstanding - basic	161,149	161,561	161,038	161,097
Dilutive effect of Stock Options	—	—	—	—
Dilutive effect of Performance-based RSUs	—	—	—	—
Dilutive effect of Time-based RSUs	—	—	—	—
Weighted average common shares outstanding - diluted	161,149	161,561	161,038	161,097

The following table summarizes anti-dilutive securities excluded from the computation of diluted net loss per common share for the periods indicated:

(in thousands)	For the Three Months Ended		For the Six Months Ended	
	July 2, 2022	July 3, 2021	July 2, 2022	July 3, 2021
Stock Options	4,617	5,719	4,617	5,719
Performance-based RSUs <sup>1</sup>	1,191	836	1,191	836
Time-based RSUs <sup>2</sup>	841	481	841	481

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

<sup>2</sup> Time-based RSUs represent the number of shares expected to be issued based on known employee retention information.

## Note 7—Segment Reporting

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

During the second quarter of 2022, we reviewed and realigned our reporting segments to reflect how the business will be managed and results will be evaluated. Following such review, certain of our businesses previously included in the Rest of World segment were realigned between the Europe reporting segment and the Other category. Our two reporting segments are as follows: North America (which includes our DSS, Aquaterra, Mountain Valley and Legacy Primo businesses) and Europe (which includes our Eden Europe, Decantae and Fonthill businesses). The Other category includes our Eden Israel, Aimia and Farrers businesses, as well as our corporate oversight function and other miscellaneous expenses. Segment reporting results have been recast to reflect these changes for all periods presented.

<b>(in millions of U.S. dollars)</b>	<b>North America</b>	<b>Europe</b>	<b>Other</b>	<b>Eliminations</b>	<b>Total</b>
<b>For the Three Months Ended July 2, 2022</b>					
Revenue, net	\$ 436.7	\$ 69.9	\$ 64.8	\$ —	\$ 571.4
Depreciation and amortization	44.3	10.1	5.8	—	60.2
Operating income (loss)	48.3	(29.1)	(12.6)	—	6.6
Additions to property, plant and equipment	35.7	6.9	4.0	—	46.6
<b>For the Six Months Ended July 2, 2022</b>					
Revenue, net	\$ 833.8	\$ 134.2	\$ 129.5	\$ —	\$ 1,097.5
Depreciation and amortization	89.6	19.9	11.9	—	121.4
Operating income (loss)	76.6	(32.7)	(22.0)	—	21.9
Additions to property, plant and equipment	62.3	13.1	9.8	—	85.2
<b>(in millions of U.S. dollars)</b>					
<b>For the Three Months Ended July 3, 2021</b>					
Revenue, net <sup>1</sup>	\$ 396.7	\$ 64.3	\$ 65.4	\$ (0.3)	\$ 526.1
Depreciation and amortization	36.5	9.9	5.6	—	52.0
Operating income (loss)	40.1	(1.6)	(6.9)	—	31.6
Additions to property, plant and equipment	24.1	6.3	4.4	—	34.8
<b>For the Six Months Ended July 3, 2021</b>					
Revenue, net <sup>1</sup>	\$ 762.2	\$ 119.9	\$ 123.3	\$ (0.9)	\$ 1,004.5
Depreciation and amortization	74.3	19.6	11.2	—	105.1
Operating income (loss)	66.2	(5.0)	(16.5)	—	44.7
Additions to property, plant and equipment	44.3	11.3	6.2	—	61.8

<sup>1</sup> Intersegment revenue between the Other category and the Europe reporting segment was \$0.3 million for three months ended July 3, 2021 and \$0.9 million for the six months ended July 3, 2021.

Revenues by channel by reporting segment were as follows:

<b>(in millions of U.S. dollars)</b>	<b>For the Three Months Ended July 2, 2022</b>				
	<b>North America</b>	<b>Europe</b>	<b>Other</b>	<b>Eliminations</b>	<b>Total</b>
<b><i>Revenue, net</i></b>					
Water Direct/Water Exchange	\$ 321.1	\$ 53.7	\$ 11.7	\$ —	\$ 386.5
Water Refill/Water Filtration	47.3	8.2	0.7	—	56.2
Other Water	22.2	0.4	21.5	—	44.1
Water Dispensers	18.5	—	—	—	18.5
Other	27.6	7.6	30.9	—	66.1
<b>Total</b>	<b>\$ 436.7</b>	<b>\$ 69.9</b>	<b>\$ 64.8</b>	<b>\$ —</b>	<b>\$ 571.4</b>

**For the Six Months Ended July 2, 2022**

<b>(in millions of U.S. dollars)</b>	<b>North America</b>	<b>Europe</b>	<b>Other</b>	<b>Eliminations</b>	<b>Total</b>
<i>Revenue, net</i>					
Water Direct/Water Exchange	\$ 599.4	\$ 101.9	\$ 22.5	\$ —	\$ 723.8
Water Refill/Water Filtration	89.5	16.4	1.2	—	107.1
Other Water	56.2	0.8	37.5	—	94.5
Water Dispensers	32.7	—	—	—	32.7
Other	56.0	15.1	68.3	—	139.4
<b>Total</b>	<b>\$ 833.8</b>	<b>\$ 134.2</b>	<b>\$ 129.5</b>	<b>\$ —</b>	<b>\$ 1,097.5</b>

**For the Three Months Ended July 3, 2021**

<b>(in millions of U.S. dollars)</b>	<b>North America</b>	<b>Europe</b>	<b>Other</b>	<b>Eliminations<sup>1</sup></b>	<b>Total</b>
<i>Revenue, net</i>					
Water Direct/Water Exchange	\$ 264.9	\$ 47.7	\$ 10.4	\$ —	\$ 323.0
Water Refill/Water Filtration	45.1	7.8	0.2	—	53.1
Other Water	42.2	0.4	22.0	—	64.6
Water Dispensers	17.6	—	—	—	17.6
Other	26.9	8.4	32.8	(0.3)	67.8
<b>Total</b>	<b>\$ 396.7</b>	<b>\$ 64.3</b>	<b>\$ 65.4</b>	<b>\$ (0.3)</b>	<b>\$ 526.1</b>

**For the Six Months Ended July 3, 2021**

<b>(in millions of U.S. dollars)</b>	<b>North America</b>	<b>Europe</b>	<b>Other</b>	<b>Eliminations<sup>1</sup></b>	<b>Total</b>
<i>Revenue, net</i>					
Water Direct/Water Exchange	\$ 503.7	\$ 88.0	\$ 18.9	\$ —	\$ 610.6
Water Refill/Water Filtration	90.2	15.7	0.2	—	106.1
Other Water	83.1	0.6	37.2	—	120.9
Water Dispensers	32.6	—	—	—	32.6
Other	52.6	15.6	67.0	(0.9)	134.3
<b>Total</b>	<b>\$ 762.2</b>	<b>\$ 119.9</b>	<b>\$ 123.3</b>	<b>\$ (0.9)</b>	<b>\$ 1,004.5</b>

<sup>1</sup> Intersegment revenue between the Other category and the Europe reporting segment was \$0.3 million for three months ended July 3, 2021 and \$0.9 million for the six months ended July 3, 2021.

**Note 8—Inventories**

The following table summarizes inventories as of July 2, 2022 and January 1, 2022:

<b>(in millions of U.S. dollars)</b>	<b>July 2, 2022</b>	<b>January 1, 2022</b>
Raw materials	\$ 64.7	\$ 56.7
Finished goods	31.0	27.0
Resale items	11.9	9.1
Other	2.1	1.8
<b>Total</b>	<b>\$ 109.7</b>	<b>\$ 94.6</b>

## Note 9—Accumulated Other Comprehensive (Loss) Income

Changes in accumulated other comprehensive (loss) income (“AOCI”) by component for the three and six months ended July 2, 2022 and July 3, 2021 were as follows:

(in millions of U.S. dollars) <sup>1</sup>	Pension Benefit Plan Items	Currency Translation Adjustment Items	Total
Beginning balance April 2, 2022	\$ (1.7)	\$ (67.5)	\$ (69.2)
OCI before reclassifications	—	1.8	1.8
Amounts reclassified from AOCI	—	—	—
Net current-period OCI	—	1.8	1.8
Ending balance July 2, 2022	<u>\$ (1.7)</u>	<u>\$ (65.7)</u>	<u>\$ (67.4)</u>
Beginning balance January 1, 2022	\$ (1.7)	\$ (67.4)	\$ (69.1)
OCI before reclassifications	—	1.7	1.7
Amounts reclassified from AOCI	—	—	—
Net current-period OCI	—	1.7	1.7
Ending balance July 2, 2022	<u>\$ (1.7)</u>	<u>\$ (65.7)</u>	<u>\$ (67.4)</u>
Beginning balance April 3, 2021	\$ (1.1)	\$ (79.1)	\$ (80.2)
OCI before reclassifications	—	2.0	2.0
Amounts reclassified from AOCI	—	—	—
Net current-period OCI	—	2.0	2.0
Ending Balance July 3, 2021	<u>\$ (1.1)</u>	<u>\$ (77.1)</u>	<u>\$ (78.2)</u>
Beginning balance January 2, 2021	\$ (1.1)	\$ (85.6)	\$ (86.7)
OCI before reclassifications	—	8.5	8.5
Amounts reclassified from AOCI	—	—	—
Net current-period OCI	—	8.5	8.5
Ending Balance July 3, 2021	<u>\$ (1.1)</u>	<u>\$ (77.1)</u>	<u>\$ (78.2)</u>

<sup>1</sup> All amounts are net of tax. Amounts in parentheses indicate debits.

There were no amounts reclassified from AOCI for the three and six months ended July 2, 2022 and July 3, 2021, respectively.

## Note 10—Commitments and Contingencies

We are subject to various claims and legal proceedings with respect to matters such as governmental regulations and other actions arising out of the normal course of business. Management believes that the resolution of these matters will not have a material adverse effect on our financial position, results of operations, or cash flow.

We had \$58.6 million in standby letters of credit outstanding as of July 2, 2022 (\$59.4 million as of January 1, 2022).

## Guarantees

After the sale of our legacy carbonated soft drink and juice business in January 2018, we have continued to provide contractual payment guarantees to two third-party lessors of certain real property used in these businesses. The leases were conveyed to the buyer as part of the sale, but our guarantee was not released by the landlord. The two lease agreements mature in 2027 and 2028. The maximum potential amount of undiscounted future payments under the guarantee is approximately \$15.0 million as of July 2, 2022, which was calculated based on the minimum lease payments of the leases over the remaining term of the agreements. The sale documents require the buyer to pay all post-closing obligations under these conveyed leases, and to reimburse us if the landlord calls on a guarantee. The buyer has also agreed to a covenant to negotiate with the landlords for a release of our guarantees. We currently do not believe it is probable we would be required to perform under any of these guarantees or any of the underlying obligations.

## Note 11—Fair Value Measurements

FASB Accounting Standards Codification Topic 820, *Fair Value Measurements and Disclosures* defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. Additionally, the inputs used to measure fair value are prioritized based on a three-level hierarchy. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs.

The three levels of inputs used to measure fair value are as follows:

- Level 1—Quoted prices in active markets for identical assets or liabilities.
- Level 2—Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3—Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

## Fair Value of Financial Instruments

The carrying amounts reflected in the Consolidated Balance Sheets for cash and cash equivalents, receivables, payables, short-term borrowings, and long-term debt approximate their respective fair values, except as otherwise indicated. The carrying values and estimated fair values of our significant outstanding debt as of July 2, 2022 and January 1, 2022 were as follows:

(in millions of U.S. dollars)	July 2, 2022		January 1, 2022	
	Carrying Value	Fair Value	Carrying Value	Fair Value
3.875% senior notes due in 2028 <sup>1,2</sup>	\$ 464.3	\$ 376.4	\$ 502.7	\$ 516.2
4.375% senior notes due in 2029 <sup>1,2</sup>	740.7	606.4	740.0	735.8
Total	<u>\$ 1,205.0</u>	<u>\$ 982.8</u>	<u>\$ 1,242.7</u>	<u>\$ 1,252.0</u>

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

<sup>2</sup> Carrying value of our significant outstanding debt is net of unamortized debt issuance costs as of July 2, 2022 and January 1, 2022.

## Non-Financial Assets Measured at Fair Value on a Non-Recurring Basis

In addition to assets and liabilities that are measured at fair value on a recurring basis, we are also required to measure certain items at fair value on a non-recurring basis. These assets can include goodwill, intangible assets, property, plant and equipment, lease-related right-of-use assets, and long-lived assets that have been reduced to fair value when they are held for sale. If certain triggering events occur, or if an annual impairment test is required, we would evaluate these non-financial assets for impairment. If an impairment were to occur, the asset would be recorded at the estimated fair value, using primarily Level 2 or unobservable Level 3 inputs.

During the second quarter of 2022, the assets held for sale of our business in Russia were measured at the lower of carrying value or fair value less costs to sell as discussed in more detail in Note 1 - Business and Recent Accounting Pronouncements. The Company's measurement of fair value less costs to sell was based on the total consideration expected to be received by the Company as outlined in the disposition agreement which is a Level 2 input.

During the second quarter of 2022, as a result of the exit of our Russia business and realignment of segments, we identified a triggering event indicating possible impairment of goodwill and intangible assets. See Note 1 to the Consolidated Financial Statements for additional information on goodwill and intangible asset impairment. The determination of the estimated fair values of the reporting units included unobservable Level 3 inputs. We did not identify impairment of our property, plant and equipment, lease-related right-of-use assets, or long-lived assets except as noted above related to the Russia assets held for sale.

**Note 12—Subsequent Events**

On August 9, 2022, our Board of Directors declared a dividend of \$0.07 per share on common shares, payable in cash on September 7, 2022, to shareowners of record at the close of business on August 24, 2022.

On August 9, 2022, our Board of Directors approved a share repurchase program for up to \$100.0 million of our outstanding common shares over a 12-month period commencing on August 15, 2022.

On July 21, 2022, we entered into an agreement for the sale of one of our properties. The aggregate estimated consideration is \$54.0 million. The closing of the transaction is subject to satisfaction of customary conditions. The agreement includes a provision for the potential leaseback of the property. We are currently assessing the impact of the transaction on our Consolidated Financial Statements.

On July 19, 2022, we completed the sale of our Russia business. During the second quarter of 2022, in connection with the decision to exit the Russia business, the assets and liabilities were classified as held for sale and an asset impairment charge was recorded. Refer to Note 1 - Business and Recent Accounting Pronouncements for additional details. We are currently assessing the impact of the sale on our Consolidated Financial Statements.

## Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

This Management’s Discussion and Analysis of Financial Condition and Results of Operations is intended to further the reader’s understanding of the consolidated financial condition and results of operations of our Company. It should be read in conjunction with the financial statements included in this Quarterly Report on Form 10-Q and our Annual Report on Form 10-K for the fiscal year ended January 1, 2022 (our “2021 Annual Report”). These historical financial statements may not be indicative of our future performance. This discussion contains a number of forward-looking statements, all of which are based on our current expectations and could be affected by the uncertainties and risks referred to under “Risk Factors” in Part I, Item 1A in our 2021 Annual Report. As used herein, “Primo,” “the Company,” “Primo Water Corporation,” “we,” “us,” or “our” refers to Primo Water Corporation, together with its consolidated subsidiaries.

### Overview

Primo is a leading provider of sustainable drinking water solutions in North America and Europe. Primo operates largely under a recurring razor/razorblade revenue model. The razor in Primo’s revenue model is its industry leading line-up of sleek and innovative water dispensers, which are sold through retailers and online at various price points. The dispensers help increase household penetration, which drives recurring purchases of Primo’s razorblade offering. Primo’s razorblade offering is comprised of Water Direct, Water Exchange, and Water Refill. Through its Water Direct business, Primo delivers sustainable hydration solutions across its 21-country footprint direct to the customer’s door, whether at home or to businesses. Through its Water Exchange and Water Refill businesses, Primo offers pre-filled and reusable containers at over 14,000 locations, water dispenser sales at approximately 9,000 locations and water refill units at approximately 24,000 locations, respectively. Primo also offers water filtration units across its 21-country footprint.

Primo’s water solutions expand consumer access to purified, spring and mineral water to promote a healthier, more sustainable lifestyle while simultaneously reducing plastic waste and pollution. Primo is committed to its water stewardship standards and is proud to partner with the International Bottled Water Association in North America as well as with Watercoolers Europe, which ensure strict adherence to safety, quality, sanitation and regulatory standards for the benefit of consumer protection. Environmental stewardship is a part of who we are, and we have worked to progressively achieve carbon neutrality throughout our organization. Our European operations have maintained carbon neutrality for more than ten years, and our U.S. operations achieved carbon neutral certification in 2020 under the CarbonNeutral Protocol, an international standard administered by Natural Capital Partners. In 2021, the Company achieved carbon neutrality on a global basis. In late 2021, we announced our planned exit from the North American small-format retail water business. This business is relatively small and uses predominantly single-use plastic bottles. The exit from this category is estimated to reduce single-use retail water bottles from our production environment by more than 400 million, annually, while also improving overall margins. The exit was completed during the second quarter of 2022.

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

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

During the second quarter of 2022, our Board of Directors approved the exit from our business in Russia. Accordingly, we classified the assets and liabilities of this business as held for sale (assets held for sale, net of impairment, of \$10.3 million and liabilities held for sale of \$6.3 million are included within prepaid expenses and other current assets and accounts payable and accrued liabilities, respectively, on the Consolidated Balance Sheet as of July 2, 2022), and recorded an impairment charge of \$11.2 million to reduce the carrying value to the estimated fair value less costs to sell. Separately, we reviewed our reporting segments, and following such review, certain of our businesses previously included in the Rest of World segment (now renamed "Europe") were realigned between the Europe reporting segment and the Other category. Our two reporting segments are as follows: North America (which includes our DS Services of America, Inc. (“DSS”), Aquaterra Corporation (“Aquaterra”), Mountain Valley Spring Company (“Mountain Valley”) and Legacy Primo businesses) and Europe (which includes the European business of Eden Springs Netherlands B.V. (“Eden Europe”), Decantae Mineral Water Limited (“Decantae”) and Fonthill Waters Ltd (“Fonthill”) businesses). The Other category includes the Israel business of Eden (“Eden Israel”), Aimia Foods Limited (“Aimia”) and John Farrer & Company Limited (“Farrers”) businesses, as well as our corporate oversight function and other miscellaneous expenses. Segment reporting results have been recast to reflect these changes for all periods presented.



The decision to exit our business in Russia and the realignment of segments resulted in a triggering event for goodwill and intangible assets with indefinite lives requiring quantitative assessments for the combined Eden business immediately before the realignment of segments and for the Eden Europe and Israel businesses upon realignment of segments. These assessments resulted in recording a goodwill impairment charge of \$11.2 million due to a decrease in cash flows associated with the exit of our business in Russia and recording a trademark impairment charge of \$6.7 million primarily due to a decrease in the royalty rate used in the quantitative analysis. These impairment charges, along with the impairment charge of \$11.2 million to reduce the carrying value of the Russia business to its estimated fair value less costs to sell, resulted in total impairment charges of \$29.1 million which are included within impairment charges on the Consolidated Statements of Operations for the three and six months ended July 2, 2022. All impairment charges are included in the Europe reporting segment. The exit of our business in Russia was completed on July 19, 2022.

During the second quarter of 2022, our Board of Directors approved the sale of four of our properties. The sales are expected to be completed within the next year. Accordingly, we classified the land and buildings as held for sale (assets held for sale of \$21.6 million are included within prepaid expenses and other current assets).

### **Impact of the COVID-19 Pandemic and General Economic Conditions**

Our global operations expose us to risks associated with the coronavirus (“COVID-19”) pandemic, which has resulted in challenging operating environments. COVID-19 has spread across the globe to all of the countries in which we operate. The measures taken by authorities in many jurisdictions, including travel restrictions, quarantines, shelter in place orders, and business shutdowns have impacted and will further impact us, our customers, employees, distributors, suppliers and other third parties with whom we do business. These measures, and any future measures, may result in further changes in demand for our services and products, further increases in operating costs (whether as a result of changes to our supply chain, increases in employee costs, general economy-wide inflation or otherwise), and further impacts on our supply chain, each or all of which can impact our ability to make, manufacture, distribute and sell our products. In addition, measures that impact our ability to access our offices, plants, warehouses, distribution centers or other facilities, or that impact the ability of our customers, employees, distributors, suppliers and other third parties to do the same, may impact the availability of our and their employees, many of whom are not able to perform their job functions remotely.

While we continually review and modify our health and safety protocols, business continuity plans and crisis management protocols as needed and have taken other operational actions in an effort to try to mitigate the negative impact of COVID-19 on our employees and our business, the extent of the impact will depend on numerous evolving factors that we are not able to accurately predict and that all will vary by market, including the duration and scope of the pandemic, the emergence of new variants of the virus and the efficacy of vaccines against such variants, global economic conditions during and after the pandemic, governmental actions that have been taken, or may be taken in the future, in response to the pandemic, and changes in customer behavior in response to the pandemic, some of which may be more than just temporary. Moreover, disruptions in the global supply chain, the effects of the Russia/Ukraine war, labor shortages, inflation, and rising interest rates further exacerbate challenging economic conditions from the pandemic or otherwise.

As we deliver bottled water to residential and business customers across a 21-country footprint and provide multi-gallon bottled water, self-service refill drinking water and water dispensers to customers through major retailers in North America, the profile of the services we provide and the products we sell, and the amount of revenue attributable to such services and products, varies by jurisdiction. Changes in demand as a result of COVID-19 will vary in scope and timing across these markets. Any continued economic uncertainty can adversely affect our customers’ financial condition, resulting in an inability to pay for our services or products, reduced or canceled orders of our services or products, or our suppliers’ inability to supply us with the items necessary for us to make, manufacture, distribute or sell our products. Such adverse changes in our customers’ or suppliers’ financial condition may also result in our recording impairment charges for our inability to recover or collect any accounts receivable. In addition, economic uncertainty associated with COVID-19 pandemic has resulted in volatility in the global capital and credit markets, which can impair our ability to access these markets on terms commercially acceptable to us, or at all. Although we have operated in the COVID-19 environment for more than two years, the full extent of the COVID-19 pandemic and its impacts on our business and the markets served by the Company's operations continues to be highly uncertain as conditions continue to fluctuate around the world, with vaccine administration rising in certain regions and spikes in infections (including the spread of variants) also being experienced.

In response to COVID-19, certain government authorities have enacted programs which provide various economic stimulus measures, including several tax provisions. Among the business tax provisions is the deferral of certain payroll and other tax remittances to future years and wage subsidies as reimbursement for a portion of certain furloughed employees' salaries. During the three and six months ended July 2, 2022, we received wage subsidies under these programs totaling nil and \$0.3 million, respectively, compared to \$0.8 million and \$2.2 million, for the three and six months ended July 3, 2021, respectively. We review our eligibility for these programs for each qualifying period and account for such wage subsidies on an accrual basis when the conditions for eligibility are met. We have adopted an accounting policy to present wage subsidies as a reduction of selling, general and administrative ("SG&A") expenses. In addition, deferred payroll and other taxes totaling \$7.5 million were included in accounts payable and accrued liabilities on our Consolidated Balance Sheets as of July 2, 2022 and January 1, 2022.

### **Divestiture, Acquisition and Financing Transactions**

On November 4, 2021, as part of our overall strategy to increase profitability and further reduce our environmental footprint, we announced a plan to exit the North America single-use retail bottled water category, which consists primarily of 1-gallon, 2.5 gallon and case-pack water. The plan does not affect our large format exchange, refill, and dispenser business or our Mountain Valley brand, which sells products primarily in glass bottles. On an annualized basis, these products have accounted for revenue of approximately \$140 million. The unwinding of this business was completed during the second quarter of 2022.

On December 30, 2021, Eden Springs Netherlands B.V., a wholly-owned subsidiary of the Company ("Eden"), completed the acquisition of Sip-Well NV, the leading distributor of water solutions in Belgium (the "SipWell Acquisition"). The total cash consideration paid by Eden in the SipWell Acquisition was \$53.1 million, subject to adjustments for any non-permitted leakage since a locked box date. The SipWell Acquisition was funded through a combination of incremental borrowings under the Company's Revolving Credit Facility and cash on hand.

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

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

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

### **Forward-Looking Statements**

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

The forward-looking statements are not guarantees of future performance or events and, by their nature, are based on certain estimates and assumptions regarding interest and foreign exchange rates, expected growth, results of operations, performance, business prospects and opportunities and effective income tax rates, which are subject to inherent risks and uncertainties. Material factors or assumptions that were applied in drawing a conclusion or making an estimate set out in forward-looking statements may include, but are not limited to, assumptions regarding management's current plans and estimates. Although we believe the assumptions underlying these forward-looking statements are reasonable, any of these assumptions could prove to be inaccurate and, as a result, the forward-looking statements based on those assumptions could prove to be incorrect. Our operations involve risks and uncertainties, many of which are outside of our control, and any one or any combination of these risks and uncertainties could also affect whether the forward-looking statements ultimately prove to be correct. These risks and uncertainties include, but are not limited to, those described in Part I, Item 1A "Risk Factors" in our 2021 Annual Report and those described from time to time in our future reports filed with the U.S. Securities and Exchange Commission ("SEC") and Canadian securities regulatory authorities.

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

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

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

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

### **Non-GAAP Measures**

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

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

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

### **Summary Financial Results**

Net loss for the three months ended July 2, 2022 (the "second quarter") and six months ended July 2, 2022 (the "first half of 2022" or "year to date") was \$22.5 million or \$0.14 per diluted common share, and \$29.2 million or \$0.18 per diluted common share, respectively, compared with net loss of \$8.3 million or \$0.05 per diluted common share, and \$18.5 million or \$0.11 per diluted common share for the three and six months ended July 3, 2021, respectively.

#### *The following items of significance affected our financial results for the first half of 2022:*

- Net revenue increased \$93.0 million or 9.3%, from the prior year period due primarily to customer growth, increased demand across our customer base, pricing initiatives, and benefit from tuck-in acquisitions, partially offset by the exit from the single-use retail bottled water business in North America and the impact of unfavorable foreign exchange rates;

- Gross profit increased to \$631.9 million from \$561.7 million in the prior year period due primarily to pricing initiatives, increased Water Direct volume, and the exit from the single-use retail bottled water business in North America, partially offset by the impact of unfavorable foreign exchange rates. Gross profit as a percentage of net revenue was 57.6% compared to 55.9% in the prior year period;
- SG&A expenses increased to \$569.9 million from \$507.9 million in the prior year period due primarily to higher selling and operating costs that supported volume and revenue growth as well as inflationary cost increases. SG&A expenses as a percentage of net revenue was 51.9% compared to 50.6% in the prior year period;
- Acquisition and integration expenses increased to \$9.2 million from \$3.7 million in the prior year period due primarily to increased tuck-in activity, costs associated with the exit from the single-use retail bottled water business in North America and ongoing integration costs incurred in connection with the acquisition of Primo Water Corporation ("Legacy Primo" and such transaction, the "Legacy Primo Acquisition") compared to the prior year period. Acquisition and integration expenses as a percentage of revenue was 0.8% compared to 0.4% in the prior year period;
- Impairment charges increased to \$29.1 million from nil in the prior year period due to the non-cash impairment charges resulting from the exit of our business in Russia and realignment of our segments. The charges include an asset impairment charge of \$11.2 million, a goodwill impairment charge of \$11.2 million and a trademark impairment charge of \$6.7 million in the current year.
- Other expense, net was \$13.4 million compared to other expense, net of \$25.2 million in the prior year period due primarily to unrealized foreign exchange losses in the current year period and costs to redeem our 2025 Notes incurred in the prior year period.
- Income tax expense was \$3.8 million on pre-tax loss of \$25.4 million compared to income tax expense of \$1.3 million on pre-tax loss of \$17.2 million in the prior year period due primarily to impairment charges incurred in the second quarter of 2022 for which minimal tax benefit is recognized and increased earnings in taxable jurisdictions;
- Adjusted EBITDA increased to \$195.9 million compared to \$175.7 million in the prior year period due to the items listed above; and
- Cash flows provided by operating activities from continuing operations was \$90.3 million compared to \$88.3 million in the prior year period. The \$2.0 million increase was due primarily to improved earnings, excluding non-cash charges, relative to the prior year period.

## Results of Operations

The following table summarizes our Consolidated Statements of Operations as a percentage of revenue for the three and six months ended July 2, 2022 and July 3, 2021:

(in millions of U.S. dollars)	For the Three Months Ended				For the Six Months Ended			
	July 2, 2022		July 3, 2021		July 2, 2022		July 3, 2021	
	\$	%	\$	%	\$	%	\$	%
<b>Revenue, net</b>	<b>571.4</b>	<b>100.0</b>	526.1	100.0	<b>1,097.5</b>	<b>100.0</b>	1,004.5	100.0
Cost of sales	<b>239.1</b>	<b>41.8</b>	228.9	43.5	<b>465.6</b>	<b>42.4</b>	442.8	44.1
<b>Gross profit</b>	<b>332.3</b>	<b>58.2</b>	297.2	56.5	<b>631.9</b>	<b>57.6</b>	561.7	55.9
Selling, general and administrative expenses	<b>291.6</b>	<b>51.0</b>	259.9	49.4	<b>569.9</b>	<b>51.9</b>	507.9	50.6
Loss on disposal of property, plant and equipment, net	<b>0.1</b>	—	3.3	0.6	<b>1.8</b>	<b>0.2</b>	5.4	0.5
Acquisition and integration expenses	<b>4.9</b>	<b>0.9</b>	2.4	0.5	<b>9.2</b>	<b>0.8</b>	3.7	0.4
Impairment charges	<b>29.1</b>	<b>5.1</b>	—	—	<b>29.1</b>	<b>2.7</b>	—	—
<b>Operating income</b>	<b>6.6</b>	<b>1.2</b>	31.6	6.0	<b>21.9</b>	<b>2.0</b>	44.7	4.4
Other expense, net	<b>10.7</b>	<b>1.9</b>	25.6	4.9	<b>13.4</b>	<b>1.2</b>	25.2	2.5
Interest expense, net	<b>17.0</b>	<b>3.0</b>	17.7	3.4	<b>33.9</b>	<b>3.1</b>	36.7	3.7
<b>Loss before income taxes</b>	<b>(21.1)</b>	<b>(3.7)</b>	(11.7)	(2.2)	<b>(25.4)</b>	<b>(2.3)</b>	(17.2)	(1.7)
Income tax expense (benefit)	<b>1.4</b>	<b>0.2</b>	(3.4)	(0.6)	<b>3.8</b>	<b>0.3</b>	1.3	0.1
<b>Net Loss</b>	<b>(22.5)</b>	<b>(3.9)</b>	(8.3)	(1.6)	<b>(29.2)</b>	<b>(2.7)</b>	(18.5)	(1.8)
Depreciation & amortization	<b>60.2</b>	<b>10.5</b>	52.0	9.9	<b>121.4</b>	<b>11.1</b>	105.1	10.5

The following tables summarize the change in revenue by reporting segment for the three and six months ended July 2, 2022:

(in millions of U.S. dollars, except percentage amounts)	For the Three Months Ended July 2, 2022				
	North America	Europe	Other	Eliminations	Total
Change in revenue	\$ 40.0	\$ 5.6	\$ (0.6)	\$ 0.3	\$ 45.3
Impact of foreign exchange <sup>1</sup>	0.7	8.6	3.9	—	13.2
Change excluding foreign exchange	\$ 40.7	\$ 14.2	\$ 3.3	\$ 0.3	\$ 58.5
Percentage change in revenue	10.1 %	8.7 %	(0.9)%	(100.0)%	8.6 %
Percentage change in revenue excluding foreign exchange	10.3 %	22.1 %	5.0 %	(100.0)%	11.1 %

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

**For the Six Months Ended July 2, 2022**

<b>(in millions of U.S. dollars, except percentage amounts)</b>	<b>North America</b>	<b>Europe</b>	<b>Other</b>	<b>Eliminations</b>	<b>Total</b>
Change in revenue	\$ 71.6	\$ 14.3	\$ 6.2	\$ 0.9	\$ 93.0
Impact of foreign exchange <sup>1</sup>	0.7	13.1	4.0	—	17.8
Change excluding foreign exchange	\$ 72.3	\$ 27.4	\$ 10.2	\$ 0.9	\$ 110.8
Percentage change in revenue	9.4 %	11.9 %	5.0 %	(100.0)%	9.3 %
Percentage change in revenue excluding foreign exchange	9.5 %	22.9 %	8.3 %	(100.0)%	11.0 %

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

The following tables summarize the change in gross profit by reporting segment for the three and six months ended July 2, 2022:

**For the Three Months Ended July 2, 2022**

<b>(in millions of U.S. dollars, except percentage amounts)</b>	<b>North America</b>	<b>Europe</b>	<b>Other</b>	<b>Eliminations</b>	<b>Total</b>
Change in gross profit	\$ 34.8	\$ 2.6	\$ (2.3)	\$ —	\$ 35.1
Impact of foreign exchange <sup>1</sup>	0.4	5.9	0.7	—	7.0
Change excluding foreign exchange	\$ 35.2	\$ 8.5	\$ (1.6)	\$ —	\$ 42.1
Percentage change in gross profit	15.4 %	5.9 %	(8.4)%	— %	11.8 %
Percentage change in gross profit excluding foreign exchange	15.6 %	19.2 %	(5.8)%	— %	14.2 %

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

**For the Six Months Ended July 2, 2022**

<b>(in millions of U.S. dollars, except percentage amounts)</b>	<b>North America</b>	<b>Europe</b>	<b>Other</b>	<b>Eliminations</b>	<b>Total</b>
Change in gross profit	\$ 62.3	\$ 8.4	\$ (0.5)	\$ —	\$ 70.2
Impact of foreign exchange <sup>1</sup>	0.4	9.2	0.2	—	9.8
Change excluding foreign exchange	\$ 62.7	\$ 17.6	\$ (0.3)	\$ —	\$ 80.0
Percentage change in gross profit	14.5 %	10.2 %	(1.0)%	— %	12.5 %
Percentage change in gross profit excluding foreign exchange	14.6 %	21.4 %	(0.6)%	— %	14.2 %

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

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

The following table summarizes our net revenue, gross profit, SG&A expenses and operating income (loss) by reporting segment for the three and six months ended July 2, 2022 and July 3, 2021:

<b>(in millions of U.S. dollars)</b>	<b>For the Three Months Ended</b>		<b>For the Six Months Ended</b>	
	<b>July 2, 2022</b>	<b>July 3, 2021</b>	<b>July 2, 2022</b>	<b>July 3, 2021</b>
<b><i>Revenue, net</i></b>				
North America	\$ 436.7	\$ 396.7	\$ 833.8	\$ 762.2
Europe	69.9	64.3	134.2	119.9
Other	64.8	65.4	129.5	123.3
Eliminations	—	(0.3)	—	(0.9)
<b>Total</b>	<b>\$ 571.4</b>	<b>\$ 526.1</b>	<b>\$ 1,097.5</b>	<b>\$ 1,004.5</b>
<b><i>Gross profit</i></b>				
North America	\$ 260.4	\$ 225.6	\$ 492.4	\$ 430.1
Europe	46.8	44.2	90.6	82.2
Other	25.1	27.4	48.9	49.4
<b>Total</b>	<b>\$ 332.3</b>	<b>\$ 297.2</b>	<b>\$ 631.9</b>	<b>\$ 561.7</b>
<b><i>Selling, general and administrative expenses</i></b>				
North America	\$ 208.6	\$ 180.6	\$ 408.3	\$ 356.4
Europe	45.9	46.0	92.1	87.1
Other	37.1	33.3	69.5	64.4
<b>Total</b>	<b>\$ 291.6</b>	<b>\$ 259.9</b>	<b>\$ 569.9</b>	<b>\$ 507.9</b>
<b><i>Operating income (loss)</i></b>				
North America	\$ 48.3	\$ 40.1	\$ 76.6	\$ 66.2
Europe	(29.1)	(1.6)	(32.7)	(5.0)
Other	(12.6)	(6.9)	(22.0)	(16.5)
<b>Total</b>	<b>\$ 6.6</b>	<b>\$ 31.6</b>	<b>\$ 21.9</b>	<b>\$ 44.7</b>

The following tables summarize net revenue by channel for the three and six months ended July 2, 2022 and July 3, 2021:

<b>(in millions of U.S. dollars)</b>	<b>For the Three Months Ended July 2, 2022</b>				
	<b>North America</b>	<b>Europe</b>	<b>Other</b>	<b>Eliminations</b>	<b>Total</b>
<b><i>Revenue, net</i></b>					
Water Direct/Water Exchange	\$ 321.1	\$ 53.7	\$ 11.7	\$ —	\$ 386.5
Water Refill/Water Filtration	47.3	8.2	0.7	—	56.2
Other Water	22.2	0.4	21.5	—	44.1
Water Dispensers	18.5	—	—	—	18.5
Other	27.6	7.6	30.9	—	66.1
<b>Total</b>	<b>\$ 436.7</b>	<b>\$ 69.9</b>	<b>\$ 64.8</b>	<b>\$ —</b>	<b>\$ 571.4</b>



**For the Six Months Ended July 2, 2022**

<b>(in millions of U.S. dollars)</b>	<b>North America</b>	<b>Europe</b>	<b>Other</b>	<b>Eliminations</b>	<b>Total</b>
<i>Revenue, net</i>					
Water Direct/Water Exchange	\$ 599.4	\$ 101.9	\$ 22.5	\$ —	\$ 723.8
Water Refill/Water Filtration	89.5	16.4	1.2	—	107.1
Other Water	56.2	0.8	37.5	—	94.5
Water Dispensers	32.7	—	—	—	32.7
Other	56.0	15.1	68.3	—	139.4
<b>Total</b>	<b>\$ 833.8</b>	<b>\$ 134.2</b>	<b>\$ 129.5</b>	<b>\$ —</b>	<b>\$ 1,097.5</b>

**For the Three Months Ended July 3, 2021**

<b>(in millions of U.S. dollars)</b>	<b>North America</b>	<b>Europe</b>	<b>Other</b>	<b>Eliminations</b>	<b>Total</b>
<i>Revenue, net</i>					
Water Direct/Water Exchange	\$ 264.9	\$ 47.7	\$ 10.4	\$ —	\$ 323.0
Water Refill/Water Filtration	45.1	7.8	0.2	—	53.1
Other Water	42.2	0.4	22.0	—	64.6
Water Dispensers	17.6	—	—	—	17.6
Other	26.9	8.4	32.8	(0.3)	67.8
<b>Total</b>	<b>\$ 396.7</b>	<b>\$ 64.3</b>	<b>\$ 65.4</b>	<b>\$ (0.3)</b>	<b>\$ 526.1</b>

**For the Six Months Ended July 3, 2021**

<b>(in millions of U.S. dollars)</b>	<b>North America</b>	<b>Europe</b>	<b>Other</b>	<b>Eliminations</b>	<b>Total</b>
<i>Revenue, net</i>					
Water Direct/Water Exchange	\$ 503.7	\$ 88.0	\$ 18.9	\$ —	\$ 610.6
Water Refill/Water Filtration	90.2	15.7	0.2	—	106.1
Other Water	83.1	0.6	37.2	—	120.9
Water Dispensers	32.6	—	—	—	32.6
Other	52.6	15.6	67.0	(0.9)	134.3
<b>Total</b>	<b>\$ 762.2</b>	<b>\$ 119.9</b>	<b>\$ 123.3</b>	<b>\$ (0.9)</b>	<b>\$ 1,004.5</b>

The following table summarizes our EBITDA and Adjusted EBITDA for the three and six months ended July 2, 2022 and July 3, 2021:

<b>(in millions of U.S. dollars)</b>	<b>For the Three Months Ended</b>		<b>For the Six Months Ended</b>	
	<b>July 2, 2022</b>	<b>July 3, 2021</b>	<b>July 2, 2022</b>	<b>July 3, 2021</b>
Net Loss	\$ (22.5)	\$ (8.3)	\$ (29.2)	\$ (18.5)
Interest expense, net	17.0	17.7	33.9	36.7
Income tax expense (benefit)	1.4	(3.4)	3.8	1.3
Depreciation and amortization	60.2	52.0	121.4	105.1
<b>EBITDA</b>	<b>\$ 56.1</b>	<b>\$ 58.0</b>	<b>\$ 129.9</b>	<b>\$ 124.6</b>
Acquisition and integration costs	4.9	2.4	9.2	3.7
Share-based compensation costs	4.2	3.8	7.5	6.2
COVID-19 costs	—	0.5	—	1.2
Impairment charges	29.1	—	29.1	—
Foreign exchange and other losses (gains), net	11.5	(1.0)	15.4	(1.1)
Loss on disposal of property, plant and equipment, net	0.1	3.3	1.8	5.4
Loss on extinguishment of long-term debt	—	27.2	—	27.2
Other adjustments, net	2.1	5.3	3.0	8.5
<b>Adjusted EBITDA</b>	<b>\$ 108.0</b>	<b>\$ 99.5</b>	<b>\$ 195.9</b>	<b>\$ 175.7</b>

### Three Months Ended July 2, 2022 Compared to Three Months Ended July 3, 2021

#### Revenue, Net

Net revenue increased \$45.3 million, or 8.6%, in the second quarter from the prior year period.

North America net revenue increased \$40.0 million, or 10.1%, in the second quarter from the prior year period due primarily to customer growth, pricing initiatives, and increased demand for products and services from residential and business-to-business customers, partially offset by the exit from the single-use retail bottled water business.

Europe net revenue increased \$5.6 million, or 8.7%, in the second quarter from the prior year period due primarily to increased demand for our products and services from residential and business-to-business customers and tuck-in acquisitions, partially offset by the unfavorable impact of foreign exchange rates.

Other net revenue decreased \$0.6 million, or 0.9%, in the second quarter from the prior year period due primarily to the unfavorable impact of foreign exchange rates.

#### Gross Profit

Gross profit increased to \$332.3 million in the second quarter from \$297.2 million in the prior year period. Gross profit as a percentage of revenue was 58.2% in the second quarter compared to 56.5% in the prior year period.

North America gross profit increased to \$260.4 million in the second quarter from \$225.6 million in the prior year period due primarily to increased demand for products and services from residential and business-to-business customers, pricing initiatives, and the exit from the single-use retail bottled water business in North America.

Europe gross profit increased to \$46.8 million in the second quarter from \$44.2 million in the prior year period due primarily to increased demand for products and services from residential and business-to-business customers, partially offset by the unfavorable impact of foreign exchange rates.

Other gross profit decreased to \$25.1 million in the second quarter from \$27.4 million in the prior year period due primarily to the unfavorable impact of foreign exchange rates.

### ***Selling, General and Administrative Expenses***

SG&A expenses increased to \$291.6 million in the second quarter from \$259.9 million in the prior year period. SG&A expenses as a percentage of revenue was 51.0% in the second quarter compared to 49.4% in the prior year period.

North America SG&A expenses increased to \$208.6 million in the second quarter from \$180.6 million in the prior year period due primarily to higher selling and operating costs that supported volume and revenue growth as well as inflationary cost increases.

Europe SG&A expenses remained relatively flat at \$45.9 million in the second quarter compared to \$46.0 million in the prior year period.

Other SG&A expenses increased to \$37.1 million in the second quarter from \$33.3 million in the prior year period due primarily to higher selling and operating costs that supported volume and revenue growth as well as inflationary cost increases, partially offset by the favorable impact of foreign exchange rates.

### ***Acquisition and Integration Expenses***

Acquisition and integration expenses increased to \$4.9 million in the second quarter from \$2.4 million in the prior year period. Acquisition and integration expenses as a percentage of revenue was 0.9% in the second quarter compared to 0.5% in the prior year period.

North America acquisition and integration expenses increased to \$3.3 million in the second quarter from \$1.3 million in the prior year period due primarily to costs associated with the exit from the single-use retail bottled water business in North America and ongoing integration costs incurred in connection with the Legacy Primo Acquisition.

Europe acquisition and integration expenses increased to \$1.0 million in the second quarter from \$(0.1) million in the prior year period due primarily to costs associated with tuck-in acquisitions.

Other acquisition and integration expenses decreased to \$0.6 million in the second quarter from \$1.2 million in the prior year period due to lower acquisition and integration costs related to the Legacy Primo business.

### ***Impairment Charges***

Impairment charges increased to \$29.1 million in the second quarter from nil in the prior year period. Impairment charges as a percentage of revenue was 5.1% in the second quarter compared to nil in the prior year period.

There were no North America impairment charges in the second quarter or prior year.

Europe impairment charges increased to \$29.1 million in the second quarter from nil in the prior year period due to the non-cash impairment charges resulting from the exit of our business in Russia and realignment of our segments. The charges include an asset impairment charge of \$11.2 million, a goodwill impairment charge of \$11.2 million and a trademark impairment charge of \$6.7 million in the current year.

### ***Operating Income (Loss)***

Operating income decreased to \$6.6 million in the second quarter from operating income of \$31.6 million in the prior year period.

North America operating income increased to \$48.3 million in the second quarter from \$40.1 million in the prior year period due to the items discussed above.

Europe operating loss increased to \$29.1 million in the second quarter from \$1.6 million in the prior year period due to the items discussed above.

Other operating loss increased to \$12.6 million in the second quarter from \$6.9 million in the prior year period due to the items discussed above.

### ***Other Expense, Net***

Other expense, net was \$10.7 million for the second quarter compared to other expense, net of \$25.6 million in the prior year period due primarily to unrealized foreign exchange losses in the current year period and costs to redeem our 2025 Notes incurred in the prior year period.

### ***Income Taxes***

Income tax expense was \$1.4 million in the second quarter compared to income tax benefit of \$3.4 million in the prior year period. The effective tax rate for the second quarter was (6.6)% compared to 29.1% in the prior year period.

The effective tax rate for the second quarter varied from the effective tax rate from the prior year period due primarily to impairment charges incurred in the second quarter of 2022 for which minimal tax benefit is recognized and increased earnings in taxable jurisdictions.

### **Six Months Ended July 2, 2022 Compared to Six Months Ended July 3, 2021**

#### ***Revenue, Net***

Net revenue increased \$93.0 million, or 9.3%, for the year to date from the prior year period.

North America net revenue increased \$71.6 million, or 9.4%, for the year to date from the prior year period due primarily to customer growth, pricing initiatives, and increased demand for products and services from residential and business-to-business customers, partially offset by the exit from the single-use retail bottled water business in the second quarter.

Europe net revenue increased \$14.3 million, or 11.9%, for the year to date from the prior year period due primarily to increased demand for our products and services from residential and business-to-business customers and tuck-in acquisitions, partially offset by the unfavorable impact of foreign exchange rates.

Other net revenue increased \$6.2 million, or 5.0%, for the year to date from the prior year period due primarily to increased demand for our products and services from residential and business-to-business customers, partially offset by the unfavorable impact of foreign exchange rates.

#### ***Gross Profit***

Gross profit increased to \$631.9 million for the year to date from \$561.7 million in the prior year period. Gross profit as a percentage of revenue was 57.6% year to date compared to 55.9% in the prior year period.

North America gross profit increased to \$492.4 million for the year to date from \$430.1 million in the prior year period due primarily to increased demand for products and services from residential and business-to-business customers, pricing initiatives, and the exit from the single-use retail bottled water business in North America.

Europe gross profit increased to \$90.6 million for the year to date from \$82.2 million in the prior year period due primarily to increased demand for products and services from residential and business-to-business customers, partially offset by the unfavorable impact of foreign exchange rates.

Other gross profit decreased to \$48.9 million for the year to date from \$49.4 million in the prior year period due primarily to the unfavorable impact of foreign exchange rates.

#### ***Selling, General and Administrative Expenses***

SG&A expenses increased to \$569.9 million for the year to date from \$507.9 million in the prior year period. SG&A expenses as a percentage of revenue was 51.9% year to date compared to 50.6% in the prior year period.

North America SG&A expenses increased to \$408.3 million for the year to date from \$356.4 million in the prior year period due primarily to higher selling and operating costs that supported volume and revenue growth as well as inflationary cost increases.

Europe SG&A expenses increased to \$92.1 million for the year to date from \$87.1 million in the prior year period due primarily to higher selling and operating costs that supported volume and revenue growth as well as inflationary cost increases, partially offset by the favorable impact of foreign exchange rates.

Other SG&A expenses increased to \$69.5 million for the year to date from \$64.4 million in the prior year period due primarily to higher selling and operating costs that supported volume and revenue growth as well as inflationary cost increases, partially offset by the favorable impact of foreign exchange rates.

### ***Acquisition and Integration Expenses***

Acquisition and integration expenses increased to \$9.2 million for the year to date from \$3.7 million in the prior year period. Acquisition and integration expenses as a percentage of revenue was 0.8% year to date compared to 0.4% in the prior year period.

North America acquisition and integration expenses increased to \$5.8 million for the year to date from \$2.0 million in the prior year period due primarily to costs associated with the exit from the single-use retail bottled water business in North America and ongoing integration costs incurred in connection with the Legacy Primo Acquisition.

Europe acquisition and integration expenses increased to \$2.2 million for the year to date from nil in the prior year period due primarily to costs associated with tuck-in acquisitions.

Other acquisition and integration expenses decreased to \$1.2 million for the year to date from \$1.7 million in the prior year period due primarily to lower acquisition and integration costs of the Legacy Primo business.

### ***Impairment Charges***

Impairment charges increased to \$29.1 million for the year to date from nil in the prior year period. Impairment charges as a percentage of revenue was 2.7% year to date compared to nil in the prior year period.

There were no North America impairment charges in the first half of 2022 or 2021.

Europe impairment charges increased to \$29.1 million for the year to date from nil in the prior year period due to the non-cash impairment charges resulting from the exit of our business in Russia and realignment of our segments. The charges include an asset impairment charge of \$11.2 million, a goodwill impairment charge of \$11.2 million and a trademark impairment charge of \$6.7 million in the current year.

### ***Operating Income (Loss)***

Operating income was \$21.9 million for the year to date compared to operating income of \$44.7 million in the prior year period.

North America operating income increased to \$76.6 million for the year to date from \$66.2 million in the prior year period due to the items discussed above.

Europe operating loss increased to \$32.7 million for the year to date from \$5.0 million in the prior year period due to the items discussed above.

Other operating loss increased to \$22.0 million for the year to date from \$16.5 million in the prior year period due to the items discussed above.

### ***Other Expense, Net***

Other expense, net was \$13.4 million for the year to date compared to \$25.2 million in the prior year period due primarily to unrealized foreign exchange losses in the current year period and costs to redeem our 2025 Notes incurred in the prior year period.

### ***Income Taxes***

Income tax expense was \$3.8 million for the year to date compared to income tax expense of \$1.3 million in the prior year period. The effective tax rate for the year to date was (15.0)% compared to (7.6)% in the prior year period.

The effective tax rate for the year to date varied from the effective tax rate from the prior year period due primarily to impairment charges incurred in the second quarter of 2022 for which minimal tax benefit is recognized and increased earnings in taxable jurisdictions.

### ***Liquidity and Capital Resources***

As of July 2, 2022, we had total debt of \$1,526.8 million and \$98.5 million of cash and cash equivalents compared to \$1,560.9 million of debt and \$128.4 million of cash and cash equivalents as of January 1, 2022.

The COVID-19 pandemic has continued to disrupt our business. The extent and duration of the impact of the COVID-19 pandemic on our business and financial results will depend on numerous evolving factors that we are not able to accurately predict and that all will vary by market. These factors include the duration and scope of the pandemic, the emergence of new variants of the virus and the efficacy of vaccines against such variants, governmental actions that have been taken, or may be taken in the future, in response to the pandemic, and changes in customer behavior in response to the pandemic, some of which may be more than just temporary. Moreover, disruptions in the global supply chain, the effects of the Russia/Ukraine war, labor shortages, inflation, and rising interest rates further exacerbate challenging economic conditions from the pandemic or otherwise.

We believe that our level of resources, which includes cash on hand, borrowings under our Revolving Credit Facility and funds provided by our operations, will be adequate to fund cash outflows that have both a short- and long-term component. These cash flows will support our growth platform and include our expenses, capital expenditures, anticipated dividend payments, and debt service obligations. The Company regularly assesses its cash requirements and the available resources to fund these needs. Our ability to generate cash to meet our current expenses and debt service obligations will depend on our future performance. If we do not have enough cash to pay our debt service obligations, or if the Revolving Credit Facility or our outstanding notes were to become currently due, either at maturity or as a result of a breach, we may be required to take actions such as amending our Credit Agreement or the indentures governing our outstanding notes, refinancing all or part of our existing debt, selling assets, incurring additional indebtedness or raising equity. If we need to seek additional financing, there is no assurance that this additional financing will be available on favorable terms or at all.

As of July 2, 2022, our outstanding borrowings under the Revolving Credit Facility were \$221.0 million and outstanding letters of credit totaled \$58.6 million resulting in total utilization under the Revolving Credit Facility of \$279.6 million. Accordingly, unused availability under the Revolving Credit Facility as of July 2, 2022 amounted to \$70.4 million.

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

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

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

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

A dividend of \$0.07 per common share was declared during each quarter of 2022 for an aggregate dividend payment of approximately \$22.9 million.

The following table summarizes our cash flows for the three and six months ended July 2, 2022 and July 3, 2021, as reported in our Consolidated Statements of Cash Flows in the accompanying Consolidated Financial Statements:

<b>(in millions of U.S. dollars)</b>	<b>For the Three Months Ended</b>		<b>For the Six Months Ended</b>	
	<b>July 2, 2022</b>	<b>July 3, 2021</b>	<b>July 2, 2022</b>	<b>July 3, 2021</b>
Net cash provided by operating activities from continuing operations	\$ 66.7	\$ 59.6	\$ 90.3	\$ 88.3
Net cash used in investing activities from continuing operations	(55.6)	(36.3)	(96.1)	(65.5)
Net cash used in financing activities from continuing operations	(5.9)	(9.2)	(18.5)	(21.6)
<b>Cash flows from discontinued operations:</b>				
Net cash used in discontinued operations	—	(2.6)	—	(1.8)
Effect of exchange rate changes on cash	(1.0)	0.5	(1.9)	(0.3)
Net increase (decrease) in cash, cash equivalents and restricted cash	4.2	12.0	(26.2)	(0.9)
Cash and cash equivalents and restricted cash, beginning of period	98.0	102.2	128.4	115.1
Cash and cash equivalents and restricted cash, end of period	\$ 102.2	\$ 114.2	\$ 102.2	\$ 114.2

### ***Operating Activities***

Cash provided by operating activities from continuing operations was \$90.3 million year to date compared to \$88.3 million in the prior year period. The \$2.0 million increase was due primarily to improved earnings, excluding non-cash charges, relative to the prior year period.

### ***Investing Activities***

Cash used in investing activities from continuing operations was \$96.1 million year to date compared to \$65.5 million in the prior year period. The \$30.6 million increase was due primarily to an increase in additions to property, plant and equipment relative to the prior year period.

### ***Financing Activities***

Cash used in financing activities from continuing operations was \$18.5 million year to date compared to \$21.6 million in the prior year period. The \$3.1 million decrease was due primarily to a decrease in cash used for financing transactions, partially offset by a decrease in cash provided by net short-term borrowings and an increase in dividends paid to common shareholders.

### **Off-Balance Sheet Arrangements**

We have no off-balance sheet arrangements as of July 2, 2022.

### **Contractual Obligations**

There were no material changes to our outstanding contractual obligations from amounts previously disclosed in our 2021 Annual Report.

### **Credit Ratings and Covenant Compliance**

#### ***Credit Ratings***

We have no material changes to the disclosure on this matter made in our 2021 Annual Report.

## **Covenant Compliance**

### *Indentures governing our outstanding notes*

Under the indentures governing our outstanding notes, we are subject to a number of covenants, including covenants that limit our and certain of our subsidiaries' ability, subject to certain exceptions and qualifications, to (i) pay dividends or make distributions, repurchase equity securities, prepay subordinated debt or make certain investments, (ii) incur additional debt or issue certain disqualified stock or preferred stock, (iii) create or incur liens on assets securing indebtedness, (iv) merge or consolidate with another company or sell all or substantially all of our assets taken as a whole, (v) enter into transactions with affiliates and (vi) sell assets. The covenants are substantially similar across the series of notes. As of July 2, 2022, we were in compliance with all of the covenants under each series of notes. There have been no amendments to any such covenants of our outstanding notes since the date of their issuance.

### *Revolving Credit Facility*

Under the Credit Agreement governing the Revolving Credit Facility, we and our restricted subsidiaries are subject to a number of business and financial covenants, including a consolidated secured leverage ratio and an interest coverage ratio. The consolidated secured leverage ratio must not be more than 3.50 to 1.00, with an allowable temporary increase to 4.00 to 1.00 for the quarter in which we consummate a material acquisition with a price not less than \$125.0 million, for three quarters. The interest coverage ratio must not be less than 3.00 to 1.00. We were in compliance with these financial covenants as of July 2, 2022.

In addition, the Credit Agreement has certain non-financial covenants, such as covenants regarding indebtedness, investments, and asset dispositions. We were in compliance with all of the applicable covenants as of July 2, 2022.

## **Issuer Purchases of Equity Securities**

In the second quarter of 2022, an aggregate of 14,331 common shares were withheld from delivery to our employees to satisfy their respective tax obligations related to share-based awards. In the second quarter of 2021, an aggregate of 16,208 common shares were withheld from delivery to our employees to satisfy their respective tax obligations related to share-based awards.

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

## **Capital Structure**

Since January 1, 2022, our equity has decreased by \$43.3 million. The decrease was due to a net loss of \$29.2 million, common shares repurchased and canceled of \$2.0 million, and common share dividend payments of \$22.9 million, partially offset by other comprehensive income, net of tax of \$1.7 million, the issuance of common shares of \$1.6 million, and share-based compensation costs of \$7.5 million.

## **Dividend Payments**

### *Common Share Dividend*

On May 10, 2022, the Board of Directors declared a dividend of \$0.07 per share on common shares, payable in cash on June 22, 2022 to shareowners of record at the close of business on June 10, 2022. On August 9, 2022, the Board of Directors declared a dividend of \$0.07 per share on common shares, payable in cash on September 7, 2022, to shareowners of record at the close of business on August 24, 2022. We intend to pay a regular quarterly dividend on our common shares subject to, among other things, the best interests of our shareowners, our results of operations, cash balances and future cash requirements, financial condition, statutory regulations and covenants set forth in the Revolving Credit Facility and indentures governing our outstanding notes, as well as other factors that the Board of Directors may deem relevant from time to time.

## **Critical Accounting Policies**

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

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

We have no material changes to our Critical Accounting Policies and Estimates disclosure as filed in our 2021 Annual Report.



**Recent Accounting Pronouncements**

See Note 1 to the Consolidated Financial Statements for a discussion of recent accounting guidance.

**Item 3. Quantitative and Qualitative Disclosures about Market Risk**

In the ordinary course of business, we are exposed to foreign currency, interest rate and commodity price risks. We hedge firm commitments or anticipated transactions and do not enter into derivatives for speculative purposes. We do not hold financial instruments for trading purposes. We have no material changes to our Quantitative and Qualitative Disclosures about Market Risk as filed in our 2021 Annual Report.

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

The Company maintains disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). The Company's management, under the supervision and with the participation of the Company's Chief Executive Officer and Chief Financial Officer, carried out an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures as of July 2, 2022. Based upon this evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that, as of July 2, 2022, the Company's disclosure controls and procedures are functioning effectively to ensure that information required to be disclosed by the Company in reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and accumulated and communicated to the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

In addition, our management carried out an evaluation, as required by Rule 13a-15(d) of the Exchange Act, with the participation of our Chief Executive Officer and our Chief Financial Officer, of changes in our internal control over financial reporting. Based on this evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that there have been no changes in our internal control over financial reporting during our most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II. OTHER INFORMATION

### Item 1. Legal Proceedings

We are subject to various claims and legal proceedings with respect to matters such as governmental regulations, income taxes, and other actions arising out of the normal course of business. Management believes that the resolution of these matters will not have a material adverse effect on our financial position or results of operations.

Pursuant to SEC rules, we will disclose any proceeding in which a government authority is a party and that arises under any federal, state or local provisions enacted or adopted regulating the discharge of materials into the environment or primarily for the purpose of protecting the environment only where we believe that such proceedings, individually or in the aggregate, will result in monetary sanctions on us, exclusive of interest and costs, above \$500,000 or is otherwise material to our financial position, results of operations, or cash flows.

### Item 1A. Risk Factors

There have been no material changes to our risk factors since January 1, 2022. Please refer to our 2021 Annual Report.

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

#### Share Repurchases

On May 4, 2021, our Board of Directors approved a share repurchase program for up to \$50.0 million of our outstanding common shares over a 12-month period commencing on May 10, 2021. We did not repurchase any outstanding common shares under the plan during the second quarter of 2022 and the program has now expired.

On August 9, 2022, our Board of Directors approved a share repurchase program for up to \$100.0 million of our outstanding common shares over a 12-month period commencing on August 15, 2022.

#### Tax Withholding

The following table contains information about common shares that we withheld from delivering to employees during the second quarter of 2022 to satisfy their respective tax obligations related to share-based awards.

	Total Number of Common Shares Purchased	Average Price Paid per Common Share	Total Number of Common Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Common Shares that May Yet Be Purchased Under the Plans or Programs
April 3, 2022- April 30, 2022	—	\$ —	N/A	N/A
May 1, 2022-May 31, 2022	7,502	\$ 14.77	N/A	N/A
June 1, 2022-July 2, 2022	6,829	\$ 13.40	N/A	N/A
<b>Total</b>	<b>14,331</b>			

**Item 6. Exhibits**

Exhibit No.	Description of Exhibit	Incorporated by Reference				Filed or Furnished Herewith
		Form	Exhibit	Filing Date	File No.	
3.1	<a href="#">Articles of Continuance of Primo Water Corporation</a>	10-Q	3.1	8/6/2021	0011-31410	
3.2	<a href="#">By-laws of Primo Water Corporation, as amended</a>	10-Q	3.2	8/6/2021	0011-31410	
10.1 <sup>(1)</sup>	<a href="#">Primo Water Corporation Non-Employee Director Compensation Policy.</a>					*
10.2 <sup>(1)</sup>	<a href="#">Form of Restricted Share Unit Award Agreement with Time-Based Vesting under the Primo Water Corporation Equity Incentive Plans.</a>					*
10.3 <sup>(1)</sup>	<a href="#">Form of Restricted Share Unit Award Agreement with Performance-Based Vesting under the Primo Water Corporation Equity Incentive Plans.</a>					*
31.1	<a href="#">Certification of the Chief Executive Officer pursuant to section 302 of the Sarbanes-Oxley Act of 2002 for the quarterly period ended July 2, 2022.</a>					*
31.2	<a href="#">Certification of the Chief Financial Officer pursuant to section 302 of the Sarbanes-Oxley Act of 2002 for the quarterly period ended July 2, 2022.</a>					*
32.1	<a href="#">Certification of the Chief Executive Officer pursuant to section 906 of the Sarbanes-Oxley Act of 2002 for the quarterly period ended July 2, 2022.</a>					*
32.2	<a href="#">Certification of the Chief Financial Officer pursuant to section 906 of the Sarbanes-Oxley Act of 2002 for the quarterly period ended July 2, 2022.</a>					*
101	The following financial statements from Primo Water Corporation's Quarterly Report on Form 10-Q for the quarter ended July 2, 2022, filed August 11, 2022, formatted in Inline XBRL (eXtensible Business Reporting Language): (i) Consolidated Statements of Operations, (ii) Condensed Consolidated Statements of Comprehensive Loss, (iii) Consolidated Balance Sheets, (iv) Consolidated Statements of Cash Flows, (v) Consolidated Statements of Equity, (vi) Notes to the Consolidated Financial Statements.					*
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).					*

<sup>1</sup> Indicates a management contract or compensatory plan.

## SIGNATURES

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

PRIMO WATER CORPORATION  
(Registrant)

Date: August 11, 2022

*/s/ Jay Wells*

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

Date: August 11, 2022

*/s/ Jason Ausher*

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Jason Ausher  
Chief Accounting Officer  
(Principal Accounting Officer)

**Primo Water Corporation**  
**Non-Employee Director Compensation Policy**

Approved by the Board of Directors May 10, 2022

Each member of the Board of Directors (the “**Board**”) of Primo Water Corporation (the “**Company**”) who is a non-employee director of the Company (each such director, an “**Non-Employee Director**”) will receive the compensation described in this Non-Employee Director Compensation Policy (the “**Director Compensation Policy**”) for his or her Board service.

**Cash Compensation**

Each Non-Employee Director will receive the cash compensation set forth below for service on the Board. The annual cash compensation amounts will be payable in equal quarterly installments, in arrears following the end of each quarter in which the service occurred, pro-rated for any partial quarters. All annual cash fees are vested upon payment.

<b>Category</b>	<b>Annual Fees</b>
Annual Board retainer	\$100,000
Annual fee for the non-executive chair of the Board	\$150,000
Annual fee for chairing the:	
Audit Committee	\$20,000
Human Resources and Compensation Committee	\$15,000
ESG and Nominating Committee	\$10,000
Annual fee for the lead Non-Employee Director	\$30,000

**Equity Compensation**

Stock awards will be granted under the Company’s equity incentive plans as may be in effect from time to time, including the Company’s Amended and Restated Equity Incentive Plan and 2018 Equity Incentive Plan, in each case as amended, or amended and restated from time to time.

- a) **Annual Grant.** At the close of business on the date of each annual meeting of the Company’s shareowners (the “**Annual Meeting Date**”), each person who is then a Non-Employee Director will receive common shares (“**Common Shares**”) with an aggregate value of \$135,000.
- b) **Initial Grant for New Directors.** Each person who is elected or appointed for the first time to be a Non-Employee Director will, upon the date of his or her initial election or appointment to be a Non-Employee Director (the “**Commencement Date**”), receive Common Shares with an aggregate value of \$135,000, multiplied by a fraction, the numerator of which is the number of days between the Commencement Date and the then-scheduled next Annual Meeting Date (or, if such Annual Meeting Date has not yet been scheduled, the first anniversary of the immediately preceding Annual Meeting Date or such other date as is determined by the Board in its sole discretion), and the denominator of which is 365.

In addition, each Non-Employee Director may elect to receive Common Shares in lieu of all or a portion of the cash compensation to which the Non-Employee Director would otherwise be entitled to, as described above. Each Non-Employee Director shall make their election by notifying the Chief Human Resources Officer in writing during a period in which the Company is in an open trading window and the Non-Employee Director is not aware of any material non-public information. The notification must be received by December 31 to be effective for the next calendar year, and such election may not be modified during such calendar year. Once an election to receive Common Shares in lieu of receiving cash compensation is effective for a calendar year, it shall remain effective for subsequent calendar years, unless a new written notice is delivered to the Chief Human Resources Officer prior to the commencement of an upcoming calendar year. For each Non-Employee Director electing to receive Common Shares in lieu of such cash compensation, the date on which the Common Shares will be granted will be the date on which the cash compensation would otherwise have been earned, which is the last business day of each fiscal quarterly period, and the number of Common Shares will be determined by dividing (i) the cash compensation that the Non-Employee Director elects to forgo in exchange for such Common Shares, by (ii) the fair market value of a Common Share on the date of grant.

### **Travel Expenses**

The Company will reimburse each Non-Employee Director for ordinary, necessary and reasonable out-of-pocket travel expenses in accordance with the Company's travel and expense policy, as in effect from time to time, to cover in-person attendance at and participation in Board meetings and meetings of any committee of the Board; *provided*, that the Non-Employee Director timely submits to the Company appropriate documentation substantiating such expenses in accordance with such policy. To the extent that any taxable reimbursements are provided to any Non-Employee Director, they will be provided in accordance with Section 409A of the Internal Revenue Code of 1986, including, but not limited to, the following provisions: (i) the amount of any such expenses eligible for reimbursement during such individual's taxable year may not affect the expenses eligible for reimbursement in any other taxable year; (ii) the reimbursement of an eligible expense must be made no later than the last day of such individual's taxable year that immediately follows the taxable year in which the expense was incurred; and (iii) the right to any reimbursement may not be subject to liquidation or exchange for another benefit.

### **Director Education Expenses**

Pursuant to the Company's Corporate Governance Guidelines, the ESG and Nominating Committee provides an orientation and education program for new directors to familiarize them with the Company and its business. The Company will reimburse directors for reasonable expenses of attendance at such programs. Additionally, the Company encourages directors to participate in continuing education programs provided by outside sources. The Company will reimburse directors for reasonable expenses of attendance by a director at one such program annually.

### **Spousal Travel Policy**

Occasionally, travel, meals and other reasonable out-of-pocket expenses of the spouse of a director will be at the request and for the benefit of the Company. Under such circumstances and with the pre-clearance of the Chairman of the Board or the Chief Executive Officer, the spouse of a director will be entitled to reimbursement of expenses in accordance with this Policy. Other travel by a spouse of a director should be paid for by the director or spouse individually. Any expenses for spousal travel that are reimbursed by the Company will be taxable to the director for federal income tax purposes. The Company shall provide a tax reimbursement to directors for income attributed to them arising out of reimbursement of expenses for spousal travel as provided in this Policy.

### **Administration**

The Human Resources and Compensation Committee of the Board ("**Compensation Committee**") will have the sole discretion and authority to administer and interpret the Policy, and the decisions of the Compensation Committee will be final and binding on all persons having an interest in the Policy.

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

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

Amended and Restated Primo Water Corporation Equity Incentive Plan

Primo Water Corporation 2018 Equity Incentive Plan

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

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

(b) Payout of Award.

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

(ii) If you are eligible under the terms of the Primo Water Deferred Compensation Program (the “Deferred Compensation Program”), you may elect to defer to a later date the payout of Awards that would otherwise occur as provided in (b)(i) above, provided that any such deferral shall comply with the requirements of Section 409A of the Code.

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

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



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

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

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

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

7. Tax Withholding.

(a) Grantees Other Than UK Grantees. The Grantee shall pay all applicable income and employment taxes (including taxes of any foreign jurisdiction, and any taxes payable in connection with a Dividend Equivalent Right or in connection with Article 10 of this Agreement (*Beneficiary Designation*)) which the Company or a Subsidiary is required to withhold at any time with respect to the Units. Such payment shall be made in full, at the Grantee's election, in cash or check, by withholding from the Grantee's next normal payroll check, or by the relinquishment of Shares that otherwise would be issued to the Grantee pursuant to this Agreement. If payment of withholding tax obligations, or satisfactory payment arrangements, are not made by the Grantee on a timely basis, payment will be made by the relinquishment of Shares method. Shares tendered as payment of required withholding shall be valued at the closing price per share of the Company's common stock on the date such withholding obligation arises.

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

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

9. Data Privacy. The Company may process the Grantee's personal data, and shall do so in accordance with, and for the purposes set out in the Company's Employee Privacy Notice, which can be requested from an appropriate member of the Company's human resources department.

10. Beneficiary Designation. The Grantee may, subject to compliance with all applicable laws, name, from time to time, any beneficiary or beneficiaries (who may be named contingently or successively) to whom any benefit under the Plan is to be paid in the event of the Grantee's death before the Grantee receives any or all of such benefit. Each designation will revoke all prior designations by the Grantee, shall be in the form as may be prescribed by the Committee, and will be effective only when filed by the Grantee in writing with the Committee during his or her lifetime. In the absence of any such designation, benefits remaining unpaid at the Grantee's death shall be paid to his or her estate. Notwithstanding the foregoing, to the extent any vested Units have been deferred under the Deferred Compensation Program, the beneficiary designations and default rules under the Deferred Compensation Program shall control payment in the event of the death of the Grantee.

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

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

13. Entire Agreement.

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

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

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

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

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

PRIMO WATER CORPORATION

By:  
Print Name:  
Title:

GRANTEE:

By: \_\_\_\_\_

Print Name: \_\_\_\_\_

**PRIMO WATER CORPORATION  
EQUITY INCENTIVE PLANS  
RESTRICTED SHARE UNIT AWARD AGREEMENT  
(Performance-Based Vesting)**

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

- Amended and Restated Primo Water Corporation Equity Incentive Plan  
 Primo Water Corporation 2018 Equity Incentive Plan

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

(a) Performance Period. For purposes of this Agreement, the “Performance Period” is the period beginning on the first day of the Company’s \_\_\_\_\_ fiscal year, and ending on the last day of the Company’s \_\_\_\_\_ fiscal year.

(b) Payout of Award.

(i) Provided the Award has not previously been forfeited or deferred as provided in (ii) below, as soon as administratively practicable following the expiration of the Performance Period, but in no event later than the later to occur of (A) sixty (60) days following the expiration of the Performance Period and (B) the date that audited financial statements are available for the Company’s \_\_\_\_\_ fiscal year, the Company shall issue to the Grantee in a single payment the number of Shares underlying the Performance Units to which the Grantee is entitled pursuant hereto. The Shares issued by the Company hereunder may at the Company’s option be either (x) evidenced by a certificate registered in the name of the Grantee or his or her designee; or (y) credited to a book-entry account for the benefit of the Grantee maintained by the Company’s stock transfer agent or its designee.

(ii) If you are eligible under the terms of the Primo Water Deferred Compensation Program (the “Deferred Compensation Program”), you may elect to defer to a later date the payout of Awards that would otherwise occur as provided in (b)(i) above, provided that any such deferral shall comply with the requirements of Section 409A of the Code.

(c) Satisfaction of Performance Objectives. The payout of the Award shall be contingent upon the attainment during the Performance Period of the performance objectives set forth in Section 2(e) herein (the “Performance Objectives”). The payout of the Award shall be determined upon the expiration of the Performance Period in accordance with the Performance Objectives. The final determination of the payout of the Award will be authorized by the Human Resources and Compensation Committee of the Company’s Board of Directors (the “Committee”).

(d) Rights During Performance Period.

(i) During the Performance Period, the Grantee shall not have any rights as a shareholder with respect to the Shares underlying the Performance Units, including dividend rights (other than as described in subsection (ii) below). Following the expiration of the Performance Period and payout of the Award (including any deferred payout of this Award under the Deferred Compensation Program), the Grantee may exercise voting rights and shall be entitled to receive dividends and other distributions with respect to the number of Shares to which the Grantee is entitled pursuant hereto.

(ii) As of any date that the Company pays an ordinary cash dividend on its Shares, the Company shall credit the Grantee with a dollar amount equal to (i) the per share cash dividend paid by the Company on its Shares on such date, multiplied by (ii) the total number of Performance Units that are outstanding immediately prior to the record date for that dividend (a "Dividend Equivalent Right"). Any Dividend Equivalent Rights credited pursuant to the foregoing provisions of this Section 2(d) shall be subject to satisfaction of the same Performance Objectives, and to the same payment and other terms, conditions and restrictions as the original Performance Units to which they relate; provided, however, that the amount of any earned Dividend Equivalent Rights shall be paid in cash at the same time as the Company pays its first ordinary cash dividend after the Final Committee Determination (as defined below) is made. No crediting of Dividend Equivalent Rights shall be made pursuant to this Section 2(d) with respect to any Performance Units which, immediately prior to the record date for that dividend, have been paid out or forfeited pursuant to the terms of the Plan.

(e) Performance Objectives. The Performance Units shall vest and become non-forfeitable based on the Company's achievement of specified levels of ROIC and Revenues (each as defined below) for the Performance Period as set forth in the chart below:

<b>ROIC Performance</b>									
<b>Payout</b>	50.0%	62.5%	75.0%	87.5%	100.0%	125.0%	150.0%	175.0%	200.0%
<b>Revenue Performance</b>									
<b>Payout</b>	50.0%		100.0%			150.0%		200.0%	

Following the end of the Performance Period, the Committee will determine actual results for each of the metrics described above (the "Final Committee Determination"). Such results will be interpolated on a straight-line basis between the performance levels identified above, resulting in a payout rate for each metric. The performance measures will be weighted as follows: ROIC 75% and Revenues 25%. The relative weighting for each metric will be applied to such payout rates, and the results will be aggregated, resulting in an aggregate payout rate (the "Payout Rate").

To illustrate, if Company performance results in ROIC and Revenues as set forth below, the payout would be calculated as follows:

<b>Performance Measure</b>	<b>Actual Performance</b>	<b>% Award Earned</b>	<b>Weight</b>	
<b>ROIC</b>	[ ]%	[ ]%	75%	= [ ]%
<b>Revenues</b>	\$( [ ] million	[ ]%	25%	= [ ]%
<b>Payout Rate</b>		-	-	= [ ]%

Payment of vested Performance Units based on the Payout Rate will be made in the period provided for in Section 2(b) of this Agreement. Any Performance Units that do not vest based on the Performance Objectives described herein (and which have not previously terminated pursuant to the terms of this Agreement) will automatically terminate as of the Final Committee Determination. Any such determination by the Committee shall be final and binding.

For purposes of this Section 2(e), the following definitions shall apply:

“Adjusted EBIT” shall mean the Company’s Adjusted Net Income as disclosed publicly, adjusted for: (i) the impact of changes to U.S. generally accepted accounting principles (“US GAAP”); (ii) the impact of changes to laws or other regulations in any jurisdiction the Company operates in; (iii) the impact of discontinued operations or items that are unusual or infrequently occurring as defined by US GAAP; (iv) the impact of foreign currency exchange rate fluctuations on a translational basis; (v) depreciation and amortization (excluding customer list amortization); (vi) interest, and (vii) income taxes; provided, however, that if Adjusted Net Income is not disclosed publicly, such term/amount shall be determined on a basis consistent with historical disclosures.

“Invested Capital” shall mean (A) Shareholders’ Equity **plus** (B) that portion of Long-Term Debt, Short-Term Borrowings and Current Maturities of Long-Term Debt that is interest-bearing **minus** (C) Cash and Cash Equivalents **minus** (D) Net Assets of Discontinued Operations. In the event the Company completes an acquisition which is financed through the issuance of debt or Company equity, the amount of such debt and/or equity included in the calculation of Invested Capital for the year such acquisition is consummated will be (1) the amount of such debt and/or equity, **multiplied** by (2) a fraction, the numerator of which is the number of days from the closing date of such acquisition to the end of the fiscal year in which the acquisition is consummated and the denominator of which is the number of days in the fiscal year in which the acquisition is consummated.

“Net Assets of Discontinued Operations” shall mean (A) the sum of Current Assets of Discontinued Operations and Long-Term Assets of Discontinued Operations, **minus** (B) the sum of Current Liabilities of Discontinued Operations and Long-Term Liabilities of Discontinued Operations.

“Revenues” shall mean the Company’s revenues for the Performance Period, excluding (i) the impact of foreign exchange, (ii) revenues of any acquired businesses, and (iii) the impact of discontinued operations or items that are unusual or infrequently occurring as defined by US GAAP.

“ROIC” shall mean the average of ROIC Year 1, ROIC Year 2 and ROIC Year 3.

“ROIC Year 1” shall mean (A) Adjusted EBIT for the first fiscal year in the Performance Period **divided** by (B) the Invested Capital as of the end of the first fiscal year in the Performance Period.

“ROIC Year 2” shall mean (A) Adjusted EBIT for the second fiscal year in the Performance Period **divided** by (B) Invested Capital as of the end of the second fiscal year in the Performance Period.

“ROIC Year 3” shall mean (A) Adjusted EBIT for the third fiscal year in the Performance Period **divided** by (B) Invested Capital as of the end of the third fiscal year in the Performance Period.

The terms “Shareholders’ Equity,” “Long-Term Debt,” “Short-Term Borrowings,” “Current Maturities of Long-Term Debt”, “Cash and Cash Equivalents,” “Current Assets of Discontinued Operations,” “Long-Term Assets of Discontinued Operations,” “Current Liabilities of Discontinued Operations,” and “Long-Term Liabilities of Discontinued Operations” shall have the meanings ascribed to those terms as presented in the Company’s Consolidated Balance Sheets or Consolidated Statement of Operations.

3. Prohibition Against Transfer. Until the payout of the Award following the expiration of the Performance Period (or, if applicable, such later time provided under the Deferred Compensation Program), the Award, the Performance Units and any interest in Shares related thereto, may not be sold, exchanged, assigned, transferred, pledged, hypothecated, encumbered or otherwise disposed of, shall not be assignable by operation of law, and shall not be subject to execution, attachment, charge, alienation or similar process. Any attempt to effect any of the foregoing shall be null and void and without effect.

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

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

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

7. Tax Withholding. The Grantee shall pay all applicable income and employment taxes (including taxes of any foreign jurisdiction, and any taxes payable in connection with a Dividend Equivalent Right or in connection with Article 10 of this Agreement (*Beneficiary Designation*)) which the Company or a Subsidiary is required to withhold at any time with respect to the Performance Units. Such payment shall be made in full, at the Grantee's election, in cash or check, by withholding from the Grantee's next normal payroll check, or by the relinquishment of Shares that otherwise would be issued to the Grantee pursuant to this Agreement. If payment of withholding tax obligations, or satisfactory payment arrangements, are not made by the Grantee on a timely basis, payment will be made by the relinquishment of Shares method. Shares tendered as payment of required withholding shall be valued at the closing price per share of the Company's common stock on the date such withholding obligation arises.

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

9. Data Privacy. The Company may process the Grantee's personal data, and shall do so in accordance with, and for the purposes set out in the Company's Employee Privacy Notice, which can be requested from an appropriate member of the Company's human resources department.

10. Beneficiary Designation. The Grantee may, subject to compliance with all applicable laws, name, from time to time, any beneficiary or beneficiaries (who may be named contingently or successively) to whom any benefit under the Plan is to be paid in the event of the Grantee's death before the Grantee receives any or all of such benefit. Each designation will revoke all prior designations by the Grantee, shall be in the form as may be prescribed by the Committee, and will be effective only when filed by the Grantee in writing with the Committee during his or her lifetime. In the absence of any such designation, benefits remaining unpaid at the Grantee's death shall be paid to his or her estate. Notwithstanding the foregoing, to the extent any vested Performance Units have been deferred under the Deferred Compensation Program, the beneficiary designations and default rules under the Deferred Compensation Program shall control payment in the event of the death of the Grantee.

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

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

13. Entire Agreement.

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

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

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

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

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, Primo Water Corporation has caused this Agreement to be duly executed by one of its duly authorized officers, and the Grantee has executed this Agreement, effective as of the Date of Grant.

PRIMO WATER CORPORATION

By: \_\_\_\_\_

Print Name: \_\_\_\_\_

Title: \_\_\_\_\_

GRANTEE:

By: \_\_\_\_\_

Print Name: \_\_\_\_\_



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

I, Thomas J. Harrington, certify that:

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

/s/ Thomas J. Harrington  
Thomas J. Harrington  
Chief Executive Officer  
Dated: August 11, 2022

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

I, Jay Wells, certify that:

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

*/s/ Jay Wells*

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Jay Wells

Chief Financial Officer

Dated: August 11, 2022

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED PURSUANT TO SECTION  
906 OF THE SARBANES-OXLEY ACT OF 2002.**

The undersigned, Thomas J. Harrington, Chief Executive Officer of Primo Water Corporation (the “Company”), has executed this certification in connection with the filing with the Securities and Exchange Commission of the Company’s Quarterly Report on Form 10-Q for the quarter ended July 2, 2022 (the “Report”).

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

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

IN WITNESS WHEREOF, the undersigned has executed this certification as of the 11<sup>th</sup> day of August, 2022.

/s/ Thomas J. Harrington

Thomas J. Harrington  
Chief Executive Officer

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED PURSUANT TO SECTION  
906 OF THE SARBANES-OXLEY ACT OF 2002.**

The undersigned, Jay Wells, Chief Financial Officer of Primo Water Corporation (the “Company”), has executed this certification in connection with the filing with the Securities and Exchange Commission of the Company’s Quarterly Report on Form 10-Q for the quarter ended July 2, 2022 (the “Report”).

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

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

IN WITNESS WHEREOF, the undersigned has executed this certification as of the 11<sup>th</sup> day of August, 2022.

*/s/ Jay Wells*

\_\_\_\_\_  
Jay Wells

Chief Financial Officer