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

Form 10-K

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

For the fiscal year ended January 1, 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

PRIMO WATER CORPORATION
(Exact name of registrant as specified in its charter)

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

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

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

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

Securities registered pursuant to Section 12(g) of the Act: NONE

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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, a 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. (Check one):

Large accelerated filer	☒	Accelerated filer	☐
Non-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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. Yes ☒ No ☐

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

The aggregate market value of the common equity held by non-affiliates of the registrant as of July 03, 2021 (based on the closing sale price of $16.49 for the registrant's common shares as reported on the New York Stock Exchange on July 02, 2021) was $2,582.9 million.

(Reference is made to Part II, Item 5 for a statement of assumptions upon which the calculation is made).

The number of the registrant's outstanding common shares as of February 23, 2022 was 161,056,618.

Documents incorporated by reference

Portions of our definitive proxy statement for the 2022 Annual Meeting of Shareowners, to be filed within 120 days of January 1, 2022, are incorporated by reference in Part III. Such proxy statement, except for the parts therein which have been specifically incorporated by reference, shall not be deemed “filed” for the purposes of this Annual Report on Form 10-K.

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Our consolidated financial statements are prepared in accordance with United States generally accepted accounting principles ("GAAP") in U.S. dollars. Unless otherwise indicated, all amounts in this Annual Report on Form 10-K are in U.S. dollars and U.S. GAAP.

Any reference to 2021, 2020 and 2019 corresponds to our fiscal years ended January 1, 2022, January 2, 2021, and December 28, 2019, respectively.

Forward-looking statements

In addition to historical information, this Annual Report on Form 10-K, and the reports and documents incorporated by reference in this Annual Report on Form 10-K, 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 Annual Report on Form 10-K and in the documents incorporated in this Annual Report on Form 10-K 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 Annual Report on Form 10-K.

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" and elsewhere in this Annual Report on Form 10-K and those described from time to time in our future reports filed with the Securities and Exchange Commission and Canadian securities regulatory authorities.

We undertake no obligation to update any information contained in this Annual Report on Form 10-K 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 Annual Report on Form 10-K. Undue reliance should not be placed on forward-looking statements.

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.

PART I

ITEM 1. BUSINESS

Our Company

When used in this report, the terms “Primo,” “the Company,” “our Company,” “Primo Water Corporation,” “we,” “us,” or “our” refers to Primo Water Corporation, together with its consolidated subsidiaries.

We originally incorporated in 1955 and, following the July 2021 continuance to the jurisdiction of the Province of Ontario, are governed by the Business Corporations Act (Ontario). Our principal executive office is located at 4221 W. Boy Scout Boulevard Suite 400, Tampa, Florida, United States 33607.

Primo is a leading pure-play water solutions provider 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 major retailers and online at various price points or leased to customers. The dispensers help increase household penetration, which drives recurring purchases of Primo’s razorblade offering. Primo’s razorblade offering is comprised of Water Direct, Water Exchange, and Water Refill. Through its Water Direct business, Primo delivers sustainable hydration solutions across its 22-country footprint direct to the customer’s door, whether at home or to commercial businesses. Through its Water Exchange and Water Refill businesses, Primo offers pre-filled and reusable containers at over 13,000 locations and water refill units at approximately 22,000 locations, respectively. Primo also offers water filtration units across its 22-country footprint representing a top five position.

Primo’s water solutions expand consumer access to purified, spring and mineral water to promote a healthier, more sustainable lifestyle while simultaneously reducing plastic waste and pollution. Primo is committed to its water stewardship standards and is proud to partner with the International Bottled Water Association in North America as well as with Watercoolers Europe, which ensure strict adherence to safety, quality, sanitation and regulatory standards for the benefit of consumer protection. During 2020, our U.S. operations achieved a carbon neutral certification under the Carbon Neutral Protocol, an international standard administered by Natural Capital Partners. This certification is in addition to the certifications in our European operations where we have maintained carbon neutrality for the past ten consecutive years in many of our markets. 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 production of plastic water bottles by more than 400 million, annually, while also improving overall margins. The exit is anticipated to be completed by the middle of 2022.

Our Operations

During the second quarter of 2020, we implemented a restructuring program intended to optimize synergies from the Company’s transition to a pure-play water company following the acquisition of Primo Water Corporation ("Legacy Primo" and such transaction, the "Legacy Primo Acquisition") and, as a result, reorganized into two reporting segments: 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 Rest of World (which includes our Eden Springs Nederland B.V. (“Eden”), Aimia Foods Limited (“Aimia”), Decantae Mineral Water Limited (“Decantae”), Fonthill Waters Ltd ("Fonthill") and John Farrer & Company Limited (“Farrers”) businesses). Our corporate oversight function and other miscellaneous expenses are aggregated and included in the All Other category.

North America

Our North America reporting segment provides bottled water, water filtration and coffee services to customers in North America. Products included in our North America reporting segment primarily consist of bottled water, water dispensers, purified bottled water, self-service refill drinking water, premium spring, sparkling and flavored water, filtration equipment and coffee.

Rest of World

Our Rest of World segment provides bottled water, water filtration and coffee services to customers in Europe and Israel. Products included in our Rest of World reporting segment primarily consist of bottled water, purified bottled water, premium spring, sparkling and flavored water, mineral water, filtration equipment and coffee.

All Other

Our All Other segment includes our corporate oversight function and other miscellaneous expenses, as well as our former Cott Beverages LLC business which primarily sold soft drink concentrates to customers located outside of North America and was sold in the first quarter of 2019.

Competitive Strengths

The combination of our scale and density of our routes in key markets, our industry-leading infrastructure, and our emphasis on superior customer service is intended to create significant competitive strengths. We continually invest in our delivery, exchange and refill infrastructure, call centers and service capabilities to earn our position as an industry leader. We believe these investments have positioned us to capitalize on a number of positive industry dynamics and new growth opportunities. First, we intend to capture new customers as we capitalize on favorable consumer trends across our addressable markets, including increased focus on health and wellness, and concerns about deteriorating municipal water quality. Second, we believe our ability to cross-sell complementary water and filtration products and services represents a significant untapped opportunity. Third, the highly fragmented market in which we operate affords us ample opportunity to make the most of our scale, systems and customer density to execute synergistic tuck-in acquisitions across all of our service areas. We believe these strengths, along with the strengths outlined below, will allow us to capitalize on growth opportunities to drive sustainable and profitable growth.

Leading Position in Multiple Service Platforms

We have a leading volume-based national presence in the North American and European residential and commercial industry for bottled water. We offer a portfolio of well-known brands with longstanding heritages, such as Primo®, Crystal Springs®, Mountain Valley®, Crystal Rock®, Vermont Pure®, Sparkletts®, Hinckley Springs®, Kentwood Springs®, Canadian Springs®, Labrador Source® and Eden Springs®, which have contributed to our leadership position in the residential and commercial bottled water industry. In office coffee services, we offer a complete range of products under leading brands including Keurig®, Mars Alterra®, Starbucks® Coffee, Caribou Coffee®, Peet's Coffee & Tea®, Javarama® and Lavazza®. In water filtration, we offer a complete range of products including carbon filtration and reverse osmosis filtration.

We are one of the leading direct-to-customer providers that can offer comprehensive services to residential customers and small and medium-sized businesses, as well as large regional and national corporations and retailers. Our broad direct-to-consumer network creates an advantage in marketing and customer reach, while our extensive range of products and capabilities allows us to offer customers a convenient, single solution for high quality drinking water. We believe our position is strengthened by our presence in the exchange and refill channels and will be further strengthened through our ongoing efforts to enhance and promote our full-service water solutions offering to new and existing customers.

We also believe opportunities exist to increase sales of our products in our core markets by optimizing existing customer relationships, capitalizing on cross-selling and up-selling opportunities, obtaining new customers, exploring new channels of distribution and introducing new products through our broad reaching distribution network.

International Residential and Commercial Water Delivery, Water Filtration or Point of Use and Office Coffee Service Platforms

We believe having one of the leading North American and European residential and commercial water delivery production and distribution networks in the industry gives us the ability to reduce our purchasing, manufacturing and delivery costs relative to our competitors as well as drive customer density within the markets we serve. We have an extensive residential and commercial water delivery, water filtration and office coffee services distribution network with a unique ability to service customers, along with numerous locations through which we provide our exchange and refill offerings. We believe our footprint infrastructure and attention to customer service uniquely enable us to support local, regional and national accounts, which differentiates us in the industry. Our network has allowed us to secure strategic relationships, which have been successful in attracting new customers and leveraging our production and delivery infrastructure. We are able to provide multiple products to our residential and commercial water delivery, water filtration and office coffee services customers at minimal additional cost and generate additional profits on those incremental sales.

High Levels of Customer Service and Strong Customer Integration

Customer service and customer retention are key indicators of our success. Our goal is to increase the customer lifetime value through increased customer retention. Route Sales Representatives ("RSRs"), who comprise the customer-facing part of the business, are an important part of the customer relationship and not only drive customer service, but also generate new organic customer growth. We provide reliable delivery schedules and closely track call center and customer service metrics to continually improve customer satisfaction.

Business Strategy

Our business strategy is aligned around a common purpose and vision. Our purpose defines and identifies who we are and what sets us apart. We aim to *Inspire Healthier Lives Through Better Quality Water*. In order to achieve our purpose, our vision guides our decisions and future investments to help differentiate us from our competitors. We aim to become the leading brand in the pure-play water category with a unique portfolio of sustainable drinking water solutions. To achieve this vision, we have aligned around a common set of global strategic pillars. These strategic pillars are integrated across our global business to help drive a differentiated offering for our customers while at the same time providing an engaged and purpose-driven culture for our associates. Through our strategies, we believe we can drive an enhanced customer experience while at the same time leverage our global scale to generate enhanced efficiencies. We also empower and motivate our associate base to help deliver for our customers and their needs. When our associate experience is aligned and operating in tandem with that of our customers, we have the best ability to deliver growth for all stakeholders. Our transition to a pure-play water company was the first step on our journey to enhancing value and we believe our business strategy will enable long-term measurable success in support of our vision and purpose.

Our strategic pillars and goals include:

- **Water Your Way** - we provide a diverse set of water solutions and products for residential, commercial and retail customers. We believe this allows our customers access to on-trend and key drinking water solutions whenever, wherever and however customers want them. Our goal is to establish Primo as the preferred water brand in the spaces we compete by increasing customer penetration of our water solutions while also diversifying our customer base. Our financial model is strengthened by the recurring-revenue nature of our business model. Our offering is further enhanced through digital channels allowing customers to manage their delivery and order preferences or purchase products on owned and third-party e-commerce sites of our retail partners.
- **Category Leading Innovation** - we focus on new product innovation to drive customer penetration and increased water consumption. We have expanded our dispenser offering with a variety of options that include hot, cold and technology to brew coffee, tea and other beverages in numerous price ranges that are suitable for our retail customer needs. We have also enhanced our lineup with color and style options that are on trend for residential and commercial settings. Dispenser innovation and enhancements also enable us to improve our service efficiency and reduce service costs.
- **Customer for Life Promise** - we position the customer at the center of everything we do. Our goal is to increase the customer lifetime value through increased customer retention. We seek to understand customer needs and listen to their feedback across our product offerings. By providing trusted high-quality products and equipment and responding to their service needs, we believe we can enhance the value of the relationship. We continue to build out interactive digital touch-points to better the customer experience and improve the advocacy of the experience.
- **Operational Excellence** - we believe we can unlock and increase efficiencies through our global scale and product offering. With our pure-play water focus we have begun streamlining and centralizing support functions in all geographies. Additionally, we have enhanced our staff with a global procurement team to help drive valuable supplier partnerships and harmonize our best practices. In conjunction with our other strategies, as we increase our customer base and customer diversity, we believe it will improve our route density and network optimization.
- **Environmental, Social and Corporate Governance Leadership** - we strive to provide a positive impact on the environment, our associates and the communities where we live, work and service. We maintain sustainable water resources, aim to reduce our carbon footprint and energy usage, and seek to increase the use of recycled packaging. In the social channel, we promote associate health and safety initiatives, as well as diversity, equity and inclusion training for all management. Additionally, we aim to ensure our supplier community complies with all federal, state and local human relations laws and regulations, and each supplier is required to comply with our Global Supplier Code of Conduct. In the governance channel, our Code of Business Conduct and Ethics drives compliance with all relevant rules and regulations.
- **Inspiring Associates** - we are developing a purpose-driven culture that will drive an enhanced associate experience. Our goal is to attract and retain highly-engaged associates who will live our purpose in their interactions with our customers, as well as in their communities. We seek to implement an effective talent strategy that focuses on the entire associate lifecycle – onboarding to exit.

We ultimately believe that our connected strategies will help drive increased customer growth and greater customer retention due to our innovation and on-trend water solution offerings, all while leveraging our operating scale. Our associates will be highly-engaged in driving our purpose and engaging in our environmental, social and corporate governance leadership.

Focus on Water Direct, Water Exchange, Water Refill and Water Filtration Solutions Growth

Using our strategic pillars, our goal is to grow profitably as consumers move to healthier beverage options and increase free cash flow by selling across multiple channels while expanding our customer density and consumption, focusing on customer service and reducing costs to serve.

We will remain focused on expanding our residential and small and medium-sized business customer base, a market segment that we believe remains underpenetrated, by continuing to capitalize on our strong direct-to-consumer distribution network, international sales and marketing efforts as well as our strategic partnerships. Additionally, the sale of our water dispensers through retail and digital channels helps us expand our customer base through which we can offer a diverse set of water solutions both direct and through retail stores.

We intend to utilize our e-commerce capabilities to employ data-driven customer acquisition, increase penetration, expand our customer base and provide a seamless strategy for improved customer experience, retention and long-term growth. Our e-commerce capabilities will utilize common platforms while engaging and serving potential and current customers in the most optimized manner.

We believe our ability to cross-sell complementary water and filtration products and services represents a significant untapped opportunity as nearly all of our existing and target customers consume multiple products. We believe we are well-positioned to capitalize on this opportunity utilizing our strong relationships and frequent face-to-face interactions with our large installed customer base. RSRs are trained to sell across our product set and are highly incentivized through our commission structure to promote new products to existing customers, which increases sales and average revenue per customer.

We intend to proactively pursue accretive acquisitions to complement our organic growth. The highly fragmented market in which we operate affords us ample opportunities to execute synergistic residential and commercial water and filtration tuck-in acquisitions. Our acquisition strategy is consistent with our objective to continually build customer density and reduce the overall cost of servicing our existing customer base. We have a proven track record of achieving significant synergies and integrating companies onto our platform, and we believe that our acquisition strategy will continue to improve our profitability.

We have managed to pursue this acquisition strategy while reducing leverage levels by employing a combination of disciplined purchasing, successful integration and synergy realization, and divestiture of assets that are no longer instrumental to our mission and strategy. On November 4, 2021, as part of our overall strategy to increase profitability and further reduce our environmental footprint, we announced a plan to exit the North America single-use retail bottled water category consisting primarily of 1-gallon, 2.5 gallon and case-pack water. The plan does not affect our large format exchange, refill, and dispenser business nor our Mountain Valley brand, which sells products primarily in glass bottles. On an annualized basis, these products have accounted for revenue of approximately $140 million. Unwinding of this business is expected to be completed by the middle of 2022 and we do not expect the costs incurred to exit this business to have a material impact on our operating results.

Evaluate Acquisition Opportunities

We will continue to evaluate additional opportunities to expand our positions in the residential and commercial water and filtration service categories, as well as other higher margin or growth-oriented water categories where we believe our platform, operating strength and synergies can be leveraged. Additionally, we may use acquisitions to enter new geographies where we believe the customer demand aligns with our product offering.

Financial Information about Segments

For financial information about reporting segments and geographic areas, see Note 11 to the Consolidated Financial Statements contained in this Annual Report on Form 10-K.

Ingredient and Packaging Supplies

In addition to water, the principal raw materials required to produce our products are polyethylene terephthalate (“PET”) resin, high-density polyethylene (“HDPE”) and polycarbonate bottles, caps and preforms, labels and cartons and trays. The cost of these raw materials can fluctuate substantially over time. We have implemented a number of risk mitigation programs in order to reduce the risk of commodity fluctuations in key areas such as energy surcharges tied to certain energy indexes within North America and throughout our European footprint. Our core product of residential and commercial bottled water utilizes a reusable bottle that allows for the overall cost to service to be spread out over a number of recurring trips to our customer base. We utilize a refill, reuse and recycle concept with our three gallon (“3G”) and five gallon (“5G”) bottled water packaging, which can be reused as many as fifty times per bottle. Where we have not established a risk mitigation program, it is often necessary to recover the increased cost of materials through price increases which we have historically had success in utilizing in order to reduce our overall exposure to rising ingredient and packaging costs.

Under many of our supply arrangements for these raw materials, the price we pay fluctuates along with certain changes in underlying commodity costs, such as resin in the case of PET, and HDPE. We believe that we will be able to either renegotiate contracts with these suppliers when they expire or find alternative sources for supply. We also believe there is adequate supply of the ingredient and packaging materials used to produce and package our products.

Generally, we bear the risk of increases in the costs of the ingredient and packaging materials used to produce our products, including the underlying costs of the commodities used to manufacture them and, to some extent, the costs of converting those commodities into the materials we purchase.

Resin for PET, HDPE and fuel are examples of underlying commodities for which we bear the risk of increases in costs. In addition, the contracts for certain of our ingredient and packaging materials permit our suppliers to increase the costs they charge us based on increases in their cost of converting the underlying commodities into the materials we purchase. In certain cases, those increases are subject to negotiated limits. Changes in the prices we pay for ingredient and packaging materials occur at times that vary by product and supplier, and take place on a monthly, quarterly or annual basis.

Trade Secrets, Copyrights, Trademarks and Licenses

We sell a majority of our residential and commercial 3G and 5G bottled water under our own brands while our office coffee services business sells both our branded products as well as products under which we have a distribution license. We own registrations for various trademarks that are important to our worldwide business, including Primo®, Alhambra®, Crystal Rock®, Mountain Valley®, Deep Rock®, Hinckley Springs®, Crystal Springs®, Kentwood Springs®, Mount Olympus®, Pureflo®, Nursery®, Sierra Springs®, Sparkletts®, Clear Mountain Natural Spring Water®, Earth2O®, Renü® and Water Event Pure Water Solutions® in the United States, Canadian Springs® and Labrador Source® in Canada, and Decantae®, Eden®, Eden Springs®, Chateaud'eau®, and Mey Eden® in Europe and Israel. We have filed certain trademark registration applications and intend to develop additional trademarks and seek registrations for such trademarks and to develop other intellectual property. The licenses to which we are a party are of varying terms, including some that are perpetual. Trademark ownership is generally of indefinite duration when marks are properly maintained in commercial use.

Our success depends in part on our intellectual property, which includes trademarks for the names of the beverages we sell. To protect this intellectual property, we rely principally on registration of trademarks, contractual responsibilities and restrictions in agreements (such as indemnification, nondisclosure and confidentiality agreements) with employees, consultants and customers, and on the common law and/or statutory protections afforded to trademarks, copyrights, trade secrets and proprietary "know-how." We also closely monitor the use of our trademarks and, when necessary, vigorously pursue any party that infringes on our trademarks, using all available legal remedies.

Customers

We have limited customer concentration, of which no customer accounts for more than 10% of our net revenues.

Competition

Our principal competitors are local, regional and national residential and commercial bottled water businesses as well as providers of various types of water filtration units. We face significant competition in our residential and commercial business as distribution methods for residential and commercial bottled water products continue to change and evolve. Our residential and commercial business also faces increased competition from filtration units. In addition, consumers may choose to drink from municipal water sources instead of purchasing bottled water or using a filtration unit.

We seek to differentiate ourselves from our competitors by offering our customers high-quality products, category management strategies, packaging and marketing strategies, efficient distribution methods, and superior service.

Government Regulation and Environmental Matters

The production, distribution and sale in the United States of many of our products are subject to the Federal Food, Drug, and Cosmetic Act, the Federal Trade Commission Act, the Lanham Act, state consumer protection laws, federal, state and local workplace health and safety laws, various federal, state and local environmental protection laws and various other federal, state and local statutes and regulations applicable to the production, transportation, import, sale, safety, advertising, labeling and ingredients of such products. Outside the United States, the production, distribution and sale of our many products and related operations are also subject to numerous similar and other statutes and regulations.

A number of states have passed laws setting forth warning or labeling requirements relating to products made for human consumption. For example, the California law known as “Proposition 65” requires that a specific warning appear on any product sold in California containing a substance listed by that state as having been found to cause cancer or reproductive toxicity. This law, and others like it, exposes all food and beverage producers to the possibility of having to provide warnings on their products. The detection of even a trace amount of a listed substance can subject an affected product to the requirement of a warning label, although products containing listed substances that occur naturally or that are contributed to such products solely by a municipal water supply are generally exempt from the warning requirement. From time to time over the past several years, certain of our customers have received notices alleging that the labeling requirements of the relevant state regulation would apply to products manufactured by us and sold by them. There can be no assurance that we will not be adversely affected by actions against our customers or us relating to Proposition 65 or similar “failure to warn” laws.

We currently offer and use non-refillable recyclable containers in the United States and other countries around the world. We also offer and use refillable containers, which are also recyclable. Legal requirements apply in various jurisdictions in the United States and other countries requiring that deposits or certain taxes or fees be charged for the sale, marketing and use of certain non-refillable beverage containers. The precise requirements imposed by these measures vary. Other types of beverage container-related deposit, recycling, tax and/or product stewardship statutes and regulations also apply in various jurisdictions. We anticipate that additional, similar legal requirements may be proposed or enacted in the future at local, state and federal levels, both in the United States and elsewhere. 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 production of plastic water bottles by more than 400 million, annually, while also improving overall margins. The exit is anticipated to be completed by the middle of 2022.

We are a member of the International Bottled Water Association (“IBWA”), the Watercoolers Europe Association and the Water Quality Association. These associations often set higher water quality standards than those set by governmental agencies. Members must comply with these standards, which are enforced by the members themselves. The IBWA requires submission to annual plant inspections administered by an independent third-party inspection agency, such as the National Sanitation Foundation. These inspections audit quality and testing records, review all areas of plant operations and the bottling process, and check compliance with relevant national standards, good manufacturing practices, and any other regulations set by the IBWA. If we fail to meet the standards set by the IBWA, the Watercoolers Europe Association and the Water Quality Association, there could be an adverse impact on our reputation, which could have a material adverse effect on our business and results of operations.

All of our production facilities and other operations are subject to various environmental protection statutes and regulations, including those of the U.S. Environmental Protection Agency (“EPA”), which pertain to the use of water resources and the discharge of waste water. Failure to comply with these regulations can have serious consequences, including civil and administrative penalties. Compliance with these provisions has not had, and we do not expect such compliance to have, any material adverse effect on our capital expenditures, net income or competitive position.

Subject to the terms and conditions of the applicable policies, we have coverage for product recalls and product liability claims that could result from the injury, illness or death of consumers using our products, contamination of our products, or damage to or mislabeling of our products.

Human Capital

Employees

As of January 1, 2022, we had over 9,230 employees, of whom approximately 6,070 were in the North America reporting segment; approximately 3,110 were in the Rest of the World reporting segment; and approximately 50 were in All Other. We have entered into collective bargaining agreements covering approximately 390 of the employees in the North America reporting segment and approximately 190 of the employees in the Rest of the World reporting segment, which all contain terms that we believe are typical in our industry. As these agreements expire, we believe that they can be renegotiated on terms satisfactory to us. We consider our relations with employees to be generally good.

Diversity and Inclusion

We are committed to creating an inclusive workplace that promotes and values diversity, where we embrace our differences and empower our associates to be authentic and transparent. Our company is made up of extraordinary people of every race, gender, religion, sexual orientation and background. We are committed to a culture built on our core value of respect for each other, respect for our customers, respect for our business partners and respect for our communities. We do not tolerate discrimination, harassment or retaliation.

We created a diversity, equity, and inclusion (“DEI”) Strategy Committee, a cross-functional group of diverse associates across Primo that has taken the lead in formalizing our DEI Commitment. The commitment statement is an important first step. Our goal is to create a truly inclusive work culture that ensures diversity of thought is valued across our Company. We are committed to recognizing and embracing the whole associate. As part of this process, our associates and senior management are creating detailed and measurable actions to be incorporated into our strategic plans. And we are inserting a DEI lens into our recruitment processes that is deliberate, consistent and ensures that our talent base reflects the diversity of people, of perspectives and experiences that we need to truly be one Primo across the globe. To promote these goals, we appointed Shayron Barnes-Selby as our first Chief Diversity and Inclusion Officer in June 2021. Ms. Barnes-Selby is responsible for overseeing the implementation of the end-to-end DEI framework and program across our global footprint.

Primo offers several options for associates to raise concerns about harassment or discrimination, including an online web-based platform, a helpline, and by speaking with human resource partners or leaders in our organization. We will not tolerate retaliation or unfair treatment of any associate who reports concerns in good faith or who participates in an investigation of any such reports. Retaliation against an individual for reporting in good faith any violation or for participating in any such investigation is a serious violation of our Code of Business Conduct and Ethics that will subject the violator to appropriate disciplinary action, including possible termination of employment.

Health and Safety

The health and safety of our associates is our highest priority, and this is consistent with our operating philosophy. We have implemented crisis management teams at the enterprise level and in each of our businesses to ensure our operations are aligned with global health standards and that we continue to enable the ongoing safe manufacturing and distribution of our products, as well as the safety of our customers and associates throughout the coronavirus (“COVID-19”) pandemic and beyond.

As the COVID-19 pandemic evolved, we have taken multiple steps to prevent the potential spread of the virus, to equip our associates to provide an essential service in our communities, and to ensure the ongoing, safe manufacturing and delivery of our products:

- Adding work from home flexibility;
- Increasing cleaning protocols across all locations;
- Initiating regular communication regarding impacts of the COVID-19 pandemic, including health and safety protocols and procedures;
- Implementing temperature screening of associates at our locations;
- Establishing new physical distancing procedures for associates who need to be onsite;
- Providing personal protective equipment and cleaning supplies;
- Modifying office work stations with plexiglass dividers;
- Implementing protocols to address actual and suspected COVID-19 cases and potential exposure;
- Suspending all domestic and international non-essential air travel for all associates; and
- Requiring masks to be worn in all locations.

Our products and services were deemed essential and as a result, all of our production sites continued operating during the COVID-19 pandemic. As such, we have invested in creating a physically safe work environment for our associates. Our frontline associates have gone above and beyond to perform an essential service for customers and communities during this global crisis, and our priority is to support them and keep them safe. That’s why we are reinforcing the availability of “no contact” delivery with our customers, reminding them to communicate any updates to their delivery and if they leave their empty bottles outside, we will replace them accordingly. We are also encouraging associates to live our safety principles and stop unsafe work if there is an identified or perceived risk at any delivery location.

Total Rewards

Our compensation programs are designed to align the compensation of our associates with the Company's performance, offering market-competitive compensation, meaningful benefits, and differentiated rewards for our high performers. We believe that investing in our associates results in increased engagement, satisfaction and retention, which ultimately leads to an elevated customer experience and increased shareowner value.

Our total rewards philosophy is designed to:

- Attract, motivate, reward, and retain talent who contribute to the success of the Company;
- Value the diversity of our workforce, recognizing that different people have different needs, and thus strive to provide flexibility and choice in our reward system;

- Be both internally and externally equitable, providing our talent with opportunities, which relate to competitive practices and reflect individual responsibilities, skills, and contributions to the Company;
- Support the whole person, enabling personal and professional growth; and
- Be transparent and effectively communicate; simple and easy to understand the value.

Our target total direct compensation for our executive leadership is designed to be competitive with peer companies and market data to help us attract and retain top talent. A substantial portion of executive officer compensation is variable or at-risk, in line with our philosophy of rewarding our executives when they produce value for our shareowners and our associates.

It is also our intention to offer benefits that will allow our associates and their families to live healthier lives. We offer comprehensive benefits to all eligible associates. These include, among other benefits:

- Medical insurance, prescription drug benefits, dental and vision insurance;
- Accident insurance, critical illness insurance, life insurance, disability insurance, legal insurance, health savings and flexible spending accounts;
- Paid and unpaid leaves;
- Retirement plan; and
- Voluntary benefits that allow associates to select the options that meet their needs, including flexible time-off, telemedicine, and adoption assistance.

Serving Our Communities

We are strongly committed not only to the communities we serve, but also to the world at large. After all, our families live, work and play in our local communities and around the globe.

It is part of our purpose to promote hydration and wellness via sponsorships and in-kind donations, and to provide aid in the times of need. We provide bottled water products for local sporting events, culinary and hospitality programs, fundraisers, and associate-supported efforts and have contributed time and resources to many regional causes. We also donated water to medical centers and first responders, as well as supported hospitality partners feeding front-line workers during the ongoing COVID-19 pandemic.

Availability of Information and Other Matters

We are required to file annual, quarterly and current reports, proxy statements and other information with the U.S. Securities and Exchange Commission (the "SEC") and Canadian securities regulatory authorities. The SEC maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file with the SEC at www.sec.gov. Information filed with the Canadian securities regulatory authorities is available at www.sedar.com.

Our Annual Report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to reports filed or furnished pursuant to Sections 13(a) and 15(d) of the Securities Exchange Act of 1934, as amended, are also available free of charge on our website at www.primowatercorp.com, as soon as reasonably practicable after such material is electronically filed with, or furnished to, the SEC. The information found on our website is not part of this or any other report that we file with, or furnish to, the SEC or to Canadian securities regulatory authorities.

We are responsible for establishing and maintaining adequate internal control over financial reporting as required by the SEC. See "Management's Report on Internal Control over Financial Reporting" in Item 9A.

ITEM 1A. RISK FACTORS

In addition to the other information set forth in this Annual Report on Form 10-K, you should carefully consider the following factors, which could materially affect our business, financial condition or results of operations. The risks described below are not the only risks that we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may negatively affect our business, financial condition or results of operations.

Risks Related to the COVID-19 Pandemic

The COVID-19 pandemic has adversely affected, and may continue to affect our business, financial condition and results of operations.

The extent 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, 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, including disruptions in the global supply chain, inflation and labor shortages, government 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.

Our global operations expose us to risks associated with the 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. If a significant percentage of our workforce is unable to work, including because of illness, facility closures, quarantine, curfews, shelter in place orders, travel restrictions or other governmental restrictions, our operations will be negatively impacted. Any sustained interruption in our business operations, distribution network or supply chain or any significant continuous shortage of raw materials or other supplies as a result of these measures, restrictions or disruptions can impair our ability to make, manufacture, distribute or sell our products. Compliance with governmental measures imposed in response to COVID-19 has caused and may continue to cause us to incur additional costs, and any inability to comply with such measures can subject us to restrictions on our business activities, fines, and other penalties, any of which can adversely affect our business. In addition, the increase in certain of our employees working remotely has amplified certain risks to our business, including increased demand on our information technology resources and systems, increased phishing and other cybersecurity attacks as cybercriminals try to exploit the uncertainty surrounding the COVID-19 pandemic, and an increase in the number of points of potential attack, such as laptops and mobile devices (both of which are now being used in increased numbers), and any failure to effectively manage these risks, including any failure to timely identify and appropriately respond to any cyberattacks, may adversely affect our business.

As we deliver bottled water to residential and commercial customers across a 22-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 and 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 the 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.

While we have developed and implemented and continue to develop and implement health and safety protocols, business continuity plans and crisis management protocols and other operational actions in an effort to try to mitigate the negative impact of COVID-19 on our employees and our business, there can be no assurance that we will be successful in our efforts, and as a result, our business, financial condition and results of operations may be adversely affected.

Risks Related to Our Business, Industry and Operations

We may be unable to compete successfully in the markets in which we operate.

We face competition in our residential and commercial water business as distribution methods for residential and commercial bottled water products continue to change and evolve. The increasing availability of multi-gallon water bottles in retail stores could affect our business as some customers may choose to purchase water in returnable bottles through competitors' retail products rather than ours. Our residential and commercial water business also faces increased competition from filtration units in the residential and commercial market. In addition, consumers may choose to drink from municipal water sources instead of purchasing bottled water or using a filtration unit. Additionally, retail and internet availability of these products could negatively affect demand for the direct distribution sources we offer.

Our ingredients, packaging supplies and other costs are subject to price increases, and we may be unable to effectively pass rising costs on to our customers.

We typically bear the risk of changes in prices on the ingredient and packaging materials in our products. The majority of our ingredient and packaging supply contracts allow our suppliers to alter the prices they charge us based on changes in the costs of the underlying commodities, such as resin for PET, HDPE and polycarbonate bottles that are used to produce them and, in some cases, changes in production costs. These changes in the prices we pay for ingredient and packaging materials occur at times that vary by product and supplier, and take place, on a monthly, quarterly or annual basis.

Accordingly, we bear the risk of fluctuations in the costs of these ingredient and packaging materials, including the underlying costs of the commodities used to manufacture them and, to some extent, the costs of converting those commodities into the materials we purchase. If the cost of these ingredients or packaging materials increases, we may be unable to pass these costs along to our customers through adjustments to the prices we charge, which could have a negative effect on our results of operations. If we are able to pass these costs on to our customers through price increases, the impact those increased prices could have on our volumes is uncertain.

Our production facilities use a significant amount of electricity, natural gas and other energy sources to operate. Fluctuations in the price of fuel and other energy sources for which we have not locked in long-term pricing commitments or arrangements would affect our operating costs, which could negatively affect our results of operations.

If we are unable to maintain relationships with our raw material suppliers, we may incur higher supply costs or be unable to deliver products to our customers.

In addition to water, the principal raw materials required to produce our products are PET resin, HDPE and polycarbonate bottles, caps and preforms, labels and cartons and trays. We rely upon our ongoing relationships with our key suppliers to support our operations.

We typically enter into annual or multi-year supply arrangements with our key suppliers, meaning that our suppliers are obligated to continue to supply us with materials for one-year or multi-year periods, at the end of which we must either renegotiate the contracts with those suppliers or find alternative sources for supply. There can be no assurance that we will be able to either renegotiate contracts (with similar or more favorable terms) with these suppliers when they expire or, alternatively, if we are unable to renegotiate contracts with our key suppliers, there can be no assurance that we could replace them. We could also incur higher ingredient and packaging supply costs in renegotiating contracts with existing suppliers or replacing those suppliers, or we could experience temporary disruptions in our ability to deliver products to our customers, either of which could negatively affect our results of operations.

With respect to some of our key ingredients, we have entered into long-term supply agreements. In addition, the supply of specific ingredient and packaging materials could be adversely affected by many factors, including industry consolidation, energy shortages, governmental controls, labor disputes, natural disasters, pandemics, transportation interruption, political instability, acts of war or terrorism and other factors.

If we fail to manage our operations successfully, our business and results of operations may be negatively affected.

In recent years, we have grown our business and beverage offerings primarily through the acquisition of other companies, development of new product lines and growth with key customers. We believe that opportunities exist to grow our business by leveraging existing customer relationships, obtaining new customers, exploring new channels of distribution, introducing new products or identifying appropriate acquisition or strategic alliance candidates. The success of this strategy with respect to acquisitions depends on our ability to manage and integrate acquisitions and alliances into our existing business. Furthermore, the businesses or product lines that we acquire or align with may not be integrated successfully into our business or prove profitable. In addition to the foregoing factors, our ability to expand our business in foreign countries is also dependent on, and may be limited by, our ability to comply with the laws of the various jurisdictions in which we may operate, as well as changes in local government regulations and policies in such jurisdictions. If we fail to successfully manage our operations, our business and results of operation could be adversely affected.

Our geographic diversity subjects us to the risk of currency fluctuations.

We conduct operations in many areas of the world, involving transactions denominated in a variety of currencies. We are subject to currency exchange rate risk to the extent that our costs are denominated in currencies other than those in which we earn revenues. In addition, because our financial statements are denominated in U.S. dollars, changes 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. While we may enter into financial transactions to address these risks, there can be no assurance that currency exchange rate fluctuations will not negatively affect our financial condition, results of operations and cash flows. In addition, while the use of currency hedging instruments may provide us with protection from adverse fluctuations in currency exchange rates, by utilizing these instruments we potentially forego the benefits that might result from favorable fluctuations in currency exchange rates.

Uncertainty in the financial markets and other adverse changes in general economic conditions in the countries in which we do business could adversely affect our industry, business and results of operations.

Periods of uncertainty in the financial markets and adverse economic conditions in the countries in which we do business could have a number of different effects on our business, including:

- a reduction in consumer spending, which could result in a reduction in our sales volume;
- a negative impact on the ability of our customers to timely pay their obligations to us or our vendors to timely supply materials, thus reducing our cash flow;
- an increase in counterparty risk;
- an increased likelihood that one or more members of our banking syndicate may be unable to honor its commitments under our senior secured revolving credit facility (“Revolving Credit Facility”); and
- restricted access to capital markets that may limit our ability to take advantage of business opportunities.

If economic conditions deteriorate, our industry, business and results of operations could be materially and adversely affected.

Substantial disruption to production at our production facilities could occur.

A disruption in production at our production facilities or those of our suppliers, distribution channels or service networks could have a material adverse effect on our business. The disruption could occur for many reasons, including fire, natural disasters, pandemics, weather, manufacturing problems, contamination, diseases, strikes or labor shortages, supply chain disruptions, transportation interruption, government regulation, terrorism or other hostile acts. Alternative facilities with sufficient capacity or capabilities may not be available, may cost substantially more or may take a significant time to start production, each of which could negatively impact our business and results of operations.

Our business is dependent on our ability to maintain access to our water sources; water scarcity, government regulation of water access and poor quality could negatively affect our long-term financial performance.

Damage to or a disruption in the water flow at any one of our water sources, a dispute over water rights, increased legal restrictions on or government regulation of water use or access at our water sources or the failure to maintain access to our water sources could cause an increase in the cost of our products or shortages that would likely not allow us to meet market demand. The potential delivery and price disruptions due to the loss of any one water source or a decline in the volume of water available could significantly disrupt our business, result in the loss of customer confidence and have an adverse effect on our business, financial condition and results of operations. Further, if any of our municipal water sources were curtailed or eliminated as a result of, for example, a natural disaster, work stoppage or other significant event that disrupted water flow from such municipal source, we may have to purchase water from other sources, which could increase water and transportation costs and could result in supply shortages and price increases. Any one of these events could have a negative impact on our business, financial condition, reputation and results of operations.

Water is a limited resource facing significant challenges from population growth, environmental contamination and poor management. As demand for water continues to increase and if water becomes more scarce and the quality of water available deteriorates, our business may incur increasing costs or face capacity constraints, which could adversely affect our profitability or net sales in the long run. Furthermore, even if we are able to secure adequate water sources, the methods which we employ to do so, including acquisitions of additional water sources, may have a negative impact on our public reputation, especially in jurisdictions encountering drought or where water is considered a limited resource.

Climate change may have a long-term adverse impact on our business and results of operations.

There is concern that a gradual increase in global average temperatures due to increased concentration of carbon dioxide and other greenhouse gases in the atmosphere is causing significant changes in weather patterns and an increase in the frequency or duration of extreme weather and climate events. These changes could adversely impact some of our facilities, the availability and cost of key raw materials and water resources we use. Public expectations for reductions in greenhouse gas emissions could result in increased energy, transportation and raw material costs, and may require us to make additional investments in facilities and equipment, including more fuel-efficient vehicles. In addition, federal, state or local governmental authorities may propose legislative and regulatory initiatives in response to concerns over climate change which could directly or indirectly adversely affect our business, require additional investments or increase the cost of raw materials, fuel, ingredients and water. As a result, the effects of climate change could have a long-term adverse impact on our business and results of operations.

Our success depends, in part, on our intellectual property, which we may be unable to protect.

While we own certain of the trademarks used to identify our beverages, other trademarks are used through licenses from third-parties or by permission from our customers. Our success depends, in part, on our ability to protect our intellectual property.

To protect this intellectual property, we rely principally on registration of trademarks, contractual responsibilities and restrictions in agreements (such as indemnification, nondisclosure and confidentiality agreements) with employees, consultants and customers, and on common law and statutory protections afforded to trademarks, trade secrets and proprietary “know-how.” In addition, we vigorously protect our intellectual property against infringements using any and all legal remedies available. Notwithstanding our efforts, we may not be successful in protecting our intellectual property for a number of reasons, including:

- our competitors may independently develop intellectual property that is similar to or better than ours;
- employees, consultants or customers may not abide by their contractual agreements and the cost of enforcing those agreements may be prohibitive, or those agreements may prove to be unenforceable or more limited than anticipated;
- foreign intellectual property laws may not adequately protect our intellectual property rights; and
- our intellectual property rights may be successfully challenged, invalidated or circumvented.

If we are unable to protect our intellectual property, our competitive position would weaken and we could face significant expense to protect or enforce our intellectual property rights.

Occasionally, third-parties may assert that we are, or may be, infringing on or misappropriating their intellectual property rights. In these cases, we intend to defend against claims or negotiate licenses when we consider these actions appropriate. Intellectual property cases are uncertain and involve complex legal and factual questions. If we become involved in this type of litigation, it could consume significant resources and divert our attention from business operations.

If we are found to infringe on the intellectual property rights of others, we could incur significant damages, be enjoined from continuing to manufacture, market or use the affected product, or be required to obtain a license to continue manufacturing or using the affected product. A license could be very expensive to obtain or may not be available at all. Similarly, changing products or processes to avoid infringing the rights of others may be costly or impracticable.

Our business is seasonal and adverse weather conditions could negatively affect our business, financial condition and results of operations.

The sales of our products are influenced to some extent by weather conditions in the markets in which we operate. Unusually cold or rainy weather during the summer months may reduce the demand for our bottled water and other products and contribute to lower revenues, which could negatively affect our profitability.

Global or regional catastrophic events could affect our operations and results of operations.

Our business can be affected by large-scale terrorist or other hostile acts, especially those directed against the United States or other major industrialized countries in which we do business, major natural disasters, long-term periods of drought, or widespread outbreaks of infectious diseases. Such events could impair our ability to manage our business, could disrupt our supply of raw materials, and could affect production, transportation and delivery of products. In addition, such events could cause disruption of regional or global economic activity, which can affect consumers' purchasing power in the affected areas and, therefore, reduce demand for our products.

Strategic Risks

We may devote a significant amount of our management's attention and resources to our ongoing review of strategic opportunities, and we may not be able to fully realize the potential benefit of any such alternatives that we pursue.

As part of our overall strategic planning process, from time to time we evaluate whether there are alternatives available to complement our strategy of organic growth and growth through diversification. Accordingly, we may from time to time be engaged in evaluating potential transactions and other strategic alternatives, and we may engage in discussions that may result in one or more transactions. Although there would be uncertainty that any of these discussions would result in definitive agreements or the completion of any transaction, we may devote a significant amount of our management's attention and resources to evaluating and pursuing a transaction or opportunity, which could negatively affect our operations.

In addition, we may incur significant costs in connection with evaluating and pursuing other strategic opportunities, regardless of whether any transaction is completed. We may not fully realize the potential benefits of any strategic alternatives or transactions that we pursue.

We may not realize the expected revenue and cost synergies related to our acquisitions.

The success of our acquisitions will depend, in part, on our ability to realize all or some of the anticipated benefits from integrating with our existing businesses. The integration process may be complex, costly, time-consuming and subject to significant business, economic and competitive uncertainties and contingencies, many of which are difficult to predict and are beyond our control. The difficulties of integrating the operations and realizing revenue and cost synergies include, among others:

- failure to implement our business plan for the combined business;
- unanticipated issues in integrating manufacturing, logistics, information, communications and other systems;
- possible inconsistencies in standards, controls, procedures and policies, and compensation structures between acquired structures and our structure;
- failure to retain key customers and suppliers;
- unanticipated changes in applicable laws and regulations;
- failure to retain key employees;
- additional exposure to risks of new markets and geographies;
- inherent operating risks; and
- other unanticipated issues, expenses and liabilities.

We may not be able to maintain the levels of revenue, earnings or operating efficiency that each of the Company, on the one hand, and the acquired businesses, on the other hand, had achieved or might achieve separately. Even if we realize the expected benefits, this may not be achieved within the anticipated time frame. Furthermore, the synergies from acquisitions may be offset by costs incurred in consummating such acquisitions or in integrating the acquired businesses, increases in other expenses, operating losses or unrelated adverse results in the business. As a result, there can be no assurance that such synergies will be achieved.

In addition, actual results may differ from pro forma financial information of the combined companies due to changes in the fair value of assets acquired and liabilities assumed, changes in assumptions used to form estimates, differences in accounting policies between the companies, and completion of purchase accounting.

Changes in future business conditions could cause business investments and/or recorded goodwill, indefinite life intangible assets or other intangible assets to become impaired, resulting in substantial losses and write-downs that would negatively affect our results of operations.

As part of our overall strategy, we will, from time to time, make investments in other businesses. These investments are made upon targeted analysis and due diligence procedures designed to achieve a desired return or strategic objective. These procedures often involve certain assumptions and judgment in determining investment amount or acquisition price. After consummation of an acquisition or investment, unforeseen issues could arise that adversely affect anticipated returns or that are otherwise not recoverable as an adjustment to the purchase price. Even after careful integration efforts, actual operating results may vary significantly from initial estimates. We evaluate the recoverability of recorded goodwill and indefinite life intangible asset amounts annually, or when evidence of potential impairment exists, which occurred in the second quarter of 2020 due to the impact of the COVID-19 pandemic and the revised projections of future operating results. The impairment test is based on several factors requiring judgment and certain underlying assumptions. Goodwill accounted for approximately $1,321.4 million of our recorded total assets as of January 1, 2022. Our other intangible assets with indefinite lives as of January 1, 2022 primarily relate to the trademarks acquired in our historical acquisitions. These assets have an aggregate net book value of $459.9 million, and are more fully described in Note 1 to the Consolidated Financial Statements.

As of January 1, 2022, our intangible assets subject to amortization, net of accumulated amortization for continuing operations were $509.9 million, which consisted principally of $462.7 million of customer relationships that arose from acquisitions, $23.7 million of software, and $10.5 million of patents. Customer relationships are typically amortized over the period for which we expect to receive the economic benefits. The customer relationships acquired in connection with our historical acquisitions are amortized over the expected remaining useful life of those relationships on a basis that reflects the pattern of realization of the estimated undiscounted after-tax cash flows. We review the estimated useful life of these intangible assets annually, taking into consideration the specific net cash flows related to the intangible asset, unless a review is required more frequently due to a triggering event such as the loss of a significant customer. The permanent loss of, or significant decline in sales to customers included in the intangible asset would result in either an impairment in the value of the intangible asset or an accelerated amortization of any remaining value and could lead to an impairment of the fixed assets that were used to service that customer. Principally, a decrease in expected reporting segment cash flows, changes in market conditions, loss of key customers and a change in our imputed cost of capital may indicate potential impairment of recorded goodwill, trademarks or trade names. For additional information on accounting policies we have in place for goodwill and indefinite life intangible asset impairment, see our discussion under “Critical Accounting Policies” in “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” of this Annual Report on Form 10-K and Note 1 to the Consolidated Financial Statements.

Financial, Credit and Liquidity Risks

We have a significant amount of outstanding indebtedness, which could adversely affect our financial health, and future cash flows may not be sufficient to meet our obligations.

As of January 1, 2022, our total indebtedness was $1.6 billion. Our present indebtedness and any future borrowings could have important adverse consequences to us and our investors, including:

- requiring a substantial portion of our cash flow from operations to make interest payments on this indebtedness;
- making it more difficult to satisfy debt service and other obligations;
- increasing the risk of a future credit ratings downgrade of our indebtedness, which would increase future debt costs;
- increasing our vulnerability to general adverse economic and industry conditions;
- reducing the cash flow available or limiting our ability to borrow additional funds to pay dividends, to fund capital expenditures and other corporate purposes and to grow our business;
- limiting our flexibility in planning for, or reacting to, changes in our business and the industry; and
- placing us at a competitive disadvantage to our competitors that may not be as highly leveraged as we are.

Our levels of indebtedness are driven, in part, by our strategy of growth by acquisitions. There can be no assurance that we will be successful in obtaining any future debt financing on favorable terms or at all and to the extent we become more leveraged, we face an increased likelihood that one or more of the risks described above would materialize. In addition, our actual cash requirements in the future may be greater than expected. We cannot assure you that our business will generate sufficient cash flow from operations, or that future borrowings will be available to us in amounts sufficient to enable us to pay our indebtedness or to fund our other liquidity needs.

If we fail to generate sufficient cash flow from future operations to meet our debt service obligations, we may need to refinance all or a portion of our indebtedness on or before maturity. We cannot assure you that we will be able to refinance any of our indebtedness on attractive terms, commercially reasonable terms or at all. If we cannot service or refinance our indebtedness, we may have to take actions such as selling assets, seeking additional equity or reducing or delaying capital expenditures, strategic acquisitions, investments and alliances, any of which could impede the implementation of our business strategy, prevent us from entering into transactions that would otherwise benefit our business and/or have a material adverse effect on our financial condition and results of operations. Our future operating performance and our ability to service or refinance our indebtedness will be subject to future economic conditions and to financial, business and other factors, many of which are beyond our control.

Our Revolving Credit Facility and the indentures governing our outstanding notes each contain various covenants limiting the discretion of our management in operating our business, which could prevent us from capitalizing on business opportunities and taking some corporate actions.

Our Revolving Credit Facility and the indentures governing our outstanding notes each impose significant operating and financial restrictions on us. These restrictions will limit or restrict, among other things, our ability and the ability of our restricted subsidiaries to:

- incur additional indebtedness;
- make restricted payments (including paying dividends on, redeeming, repurchasing or retiring our capital stock);
- make investments;
- create liens;
- sell assets;
- enter into agreements restricting our subsidiaries’ ability to pay dividends, make loans or transfer assets to us;
- engage in transactions with affiliates; and
- consolidate, merge or sell all or substantially all of our assets.

These covenants are subject to important exceptions and qualifications. In addition, our Revolving Credit Facility also requires us, under certain circumstances, to maintain compliance with certain financial covenants as described in the “Covenant Compliance” section in “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations”. Our ability to comply with these covenants may be affected by events beyond our control, including those described in this “Risk Factors” section. A breach of any of the covenants contained in our Revolving Credit Facility, or the indentures governing our outstanding notes could result in an event of default under one or more of the documents governing such obligations, which would allow the lenders under our Revolving Credit Facility to declare all borrowings outstanding, or in the case of the note holders of our outstanding notes, all principal amounts outstanding on such notes, to be due and payable. Any such acceleration would trigger cross-default provisions under the Revolving Credit Facility, and the indentures governing our outstanding notes and, potentially, our other indebtedness. In the event of an acceleration of payment obligations, we would likely be unable to pay our outstanding indebtedness with our cash and cash equivalents then on hand. We would, therefore, be required to seek alternative sources of funding, which may not be available on commercially reasonable terms, terms as favorable as our current agreements or at all. If we are unable to refinance our indebtedness or find alternative means of financing our operations, we may be required to curtail our operations, face bankruptcy, or take other actions that are inconsistent with our current business practices or strategy. For additional information about our Revolving Credit Facility, see our discussion under “Liquidity and Capital Resources” in “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” of this Annual Report on Form 10-K and Note 17 to the Consolidated Financial Statements.

A portion of our debt may be variable rate debt, and changes in interest rates could adversely affect us by causing us to incur higher interest costs with respect to such variable rate debt.

Our Revolving Credit Facility subjects us to interest rate risk. The rate at which we pay interest on amounts borrowed under such facility fluctuates with changes in interest rates and our debt leverage. Accordingly, with respect to any amounts from time to time outstanding under our Revolving Credit Facility, we are and will be exposed to changes in interest rates. If we are unable to adequately manage our debt structure in response to changes in the market, our interest expense could increase, which would negatively affect our financial condition and results of operations. The outstanding borrowings under the Revolving Credit Facility as of January 1, 2022 were $211.0 million.

<u>Risks Related to Our Human Capital</u>

Our success depends in part upon our ability to recruit, retain and prepare succession plans for our CEO, CFO, senior management and key employees.

The performance of our Chief Executive Officer ("CEO"), Chief Financial Officer ("CFO"), senior management and other key employees is critical to our success. We plan to continue to invest time and resources in developing our senior management and key employee teams. Our long-term success will depend on our ability to recruit and retain capable senior management and other key employees, and any failure to do so could have a material adverse effect on our future operating results and financial condition. Further, if we fail to adequately plan for the succession of our CEO, CFO, senior management and other key employees, our results of operations could be negatively affected.

Our business could be adversely affected by increased labor costs.

Increased labor costs, due to factors such as competition for workers, labor shortages, labor market pressures, increased minimum wage requirements, paid sick leave or vacation accrual mandates, or other legal or regulatory changes, may adversely impact our operating costs. In addition, competition for all qualified personnel is increasingly intense and there can be no assurance that we will be successful in hiring, training, and retaining personnel in the future. The extent and duration of the impact of labor market challenges are subject to numerous factors, including the continuing impact of the COVID-19 pandemic, availability of qualified personnel and competition from within our industry.

We may not be able to renew collective bargaining agreements on satisfactory terms, or we could experience strikes.

Some of our employees are covered by collective bargaining agreements expiring on various dates. We may not be able to renew our collective bargaining agreements on satisfactory terms or at all. This could result in strikes or work stoppages, which could impair our ability to manufacture and distribute our products and result in a substantial loss of sales. The terms of existing or renewed agreements could also significantly increase our costs or negatively affect our ability to increase operational efficiency.

<u>Legal, Regulatory and Tax Risks</u>

Our products may not meet health and safety standards or could become contaminated and we could be liable for injury, illness or death caused by consumption of our products.

We have adopted various quality, environmental, health and safety standards. However, our products may still not meet these standards or could otherwise become contaminated. A failure to meet these standards or contamination could occur in our operations or those of our bottlers, distributors or suppliers. This could result in expensive production interruptions, recalls and liability claims. We may be liable to our customers if the consumption of any of our products causes injury, illness or death. Moreover, negative publicity could be generated from false, unfounded or nominal liability claims or limited recalls. Any of these failures or occurrences could negatively affect our business, results of operations or cash flows.

Litigation or legal proceedings could expose us to significant liabilities and damage our reputation.

We are party to various litigation claims and legal proceedings. We evaluate these claims and proceedings to assess the likelihood of unfavorable outcomes, and, if possible, estimate the amount of potential losses. If our products are not safely and/or properly manufactured or designed, personal injuries or property damage could result, which could subject us to claims for damages. The costs associated with defending product liability and other claims, and the payment of damages, could be substantial. Our reputation could also be adversely affected by such claims, whether or not successful.

We may establish a reserve as appropriate based upon assessments and estimates in accordance with our accounting policies, and we have also asserted insurance claims where appropriate. We base our assessments, estimates and disclosures on the information available to us at the time and rely on legal and management judgment. Actual outcomes or losses or any recoveries we may receive from insurance may differ materially from assessments and estimates. Actual settlements, judgments or resolutions of these claims or proceedings may negatively affect our business and financial performance. A successful claim against us that is not covered by insurance or is in excess of our available insurance limits could require us to make significant payments of damages and could negatively affect our business, financial condition and results of operations. For more information, see “Item 3. Legal Proceedings.”

Changes in the legal and regulatory environment in the jurisdictions in which we operate could negatively affect our results of operations, adversely affect demand for our products and services or result in litigation.

As a producer and distributor of foods and beverages, we must comply with various federal, state, provincial, local and foreign laws and regulations relating to production, packaging, quality, labeling and distribution, including, in the United States, those of the federal Food, Drug and Cosmetic Act, the Fair Packaging and Labeling Act, the Federal Trade Commission Act, the Nutrition Facts Labeling Rule, the Food Safety Modernization Act, the Bioterrorism Act, the Ground Water Rule and California Proposition 65. We are also subject to various federal, state, provincial, local and foreign environmental laws and workplace regulations. These laws and regulations include, in the United States, the Occupational Safety and Health Act, the Unfair Labor Standards Act, the Clean Air Act, the Clean Water Act, the Safe Drinking Water Act, the Comprehensive Environmental Response, Compensation, and Liability Act, the Resource Conservation and Recovery Act, the Federal Motor Carrier Safety Act, laws governing equal employment opportunity, customs and foreign trade laws and regulations, laws relating to the maintenance of fuel storage tanks, laws relating to mineral and chemical concentration and water quality, consumption and treatment, and various other federal statutes, laws and regulations. The Food and Drug Administration (“FDA”) regulates bottled water as a food. Our bottled water must meet FDA requirements of safety for human consumption, labeling, processing, security and distribution under sanitary conditions and production in accordance with FDA “Current Good Manufacturing Practices.” We import certain of our equipment, and we must comply with import laws and regulations. Outside the United States, the production and distribution of our products are also subject to various laws and regulations. These laws and regulations may change as a result of political, economic, or social events. Such regulatory changes may include changes in food and drug laws, laws related to advertising, accounting standards, taxation requirements, competition laws and environmental laws, including laws relating to the regulation of water rights and treatment. Changes in laws, regulations or government policy and related interpretations may alter the environment in which we do business, which may negatively affect our results of operations or increase our costs or liabilities.

Food/Beverage Production

A number of states have passed laws setting forth warning or labeling requirements relating to products made for human consumption. For example, the California law known as Proposition 65 requires that a specific warning statement appear on any product sold in California containing a substance listed by that state as having been found to cause cancer or reproductive toxicity. This law, and others like it, exposes all food and beverage producers to the possibility of having to provide warnings on their products. The detection of even a trace amount of a listed substance can subject an affected product to the requirement of a warning label, although products containing listed substances that occur naturally or that are contributed to such products solely by a municipal water supply are generally exempt from the warning requirement. From time to time over the past several years, certain of our customers have received notices alleging that the labeling requirements of the relevant state regulation would apply to products manufactured by us and sold by them. There can be no assurance that we will not be adversely affected by actions against our customers or us relating to Proposition 65 or similar “failure to warn” laws. Were any such claim to be pursued or succeed, we might in some cases be required to indemnify our customers for damages and provide warnings on our products in order for them to be sold in certain states. Any negative media attention, adverse publicity or action arising from allegations of violations could adversely affect consumer perceptions of our products and harm our business.

Energy/Conservation Initiatives

The EPA has oversight over the Energy Star certification program for appliances, including bottled water dispensers. Since February 1, 2014, the EPA has required appliances in the program to adhere to a lower energy consumption standard of 0.87 kilowatt hours per day. While we are working closely with our water cooler manufacturers to ensure we have continued access to Energy Star certified bottled water dispensers, there can be no assurances that we will continue to have such access. Our inability to utilize compliant dispensers could negatively affect our business, financial condition, reputation and results of operations.

Recent initiatives have taken place in several markets in which we operate regarding bottled water. Regulations have been proposed in some jurisdictions that would ban the use of public funds to purchase bottled water, enact local taxes on bottled water and water extraction and restrict the withdrawal of water from public and private sources. We believe that the adverse publicity associated with these initiatives is generally aimed at the retail, small bottle segment of the industry that is a minimal part of our business, and that our customers can readily distinguish our products from the retail bottles that are currently the basis for concern in some areas. Our customers typically buy their water in reusable multi-gallon water bottles that are placed on coolers and reused many times. While we believe that to date we have not directly experienced any adverse effects from these concerns, and that our products are sufficiently different from those under scrutiny, there is no assurance that adverse publicity about any element of the bottled water industry will not affect public behavior by discouraging consumers from buying bottled water products generally. In that case, our sales and other financial results could be adversely affected.

The increasing concern over climate change also may result in more regional, federal and/or global legal and regulatory requirements to reduce or mitigate the effects of greenhouse gases. In the event that such regulation is more aggressive than the sustainability measures that we are currently undertaking to monitor our emissions and improve our energy efficiency, we may experience significant increases in our costs of operation and delivery. In particular, increasing regulation of fuel emissions could substantially increase the cost of energy, including fuel, required to operate our facilities or transport and distribute our products, particularly in our Primo Water North America business, thereby substantially increasing the distribution and supply chain costs associated with our products. As a result, climate change could negatively affect our business and results of operations.

Packaging Ingredients

The manufacture and use of resins and Bisphenol A (“BPA”) used to make our 3G and 5G water bottles are subject to regulation by the FDA. These regulations relate to substances used in food packaging materials. BPA is contained in substantially all of our 3G and 5G returnable polycarbonate plastic bottles. Negative media attention regarding BPA has generated concern in the bottled water market, although a January 2010 report by the FDA notes studies that suggest the low levels of BPA used in polycarbonate bottles are safe for human exposure and the FDA sustained this opinion in its March 2013 BPA consumer update. On December 5, 2014, the FDA updated its safety declaration on BPA, indicating that available information continues to support BPA's safety for currently approved uses in food containers and packaging. The FDA indicated that it will continue to evaluate these studies before issuing a final assessment on the safety of BPA and the FDA’s current public health recommendations include taking reasonable steps to reduce exposure of infants and young children to BPA. The FDA and certain states, however, may in the future decide to regulate more aggressively the potential harmful effects of BPA. Although the FDA rejected a 2012 citizen petition from the Natural Resources Defense Council seeking the ban of BPA from all food and drink packaging, including plastic bottles and canned foods, our customers and potential new customers may share the concerns raised by the citizens petition and may reduce their exposure to BPA as a result. The FDA has also asserted the need for additional studies on the safety of BPA in food packaging materials and acknowledged recent studies regarding potential developmental and behavioral effects of BPA exposure on infants and young children. The EPA and certain states also may in the future study or regulate BPA. Additionally, a number of states have passed legislation banning the use of BPA in packaging intended for children three years of age and younger, such as in baby bottles and sippy cups. Extensive negative public perception regarding food packaging that uses BPA could cause consumers to stop purchasing our products manufactured in polycarbonate bottles. Further, the emergence of new scientific evidence or reports that suggests our polycarbonate water bottles are unsafe, or interpretations of existing evidence by regulatory agencies that lead to prohibitions on the use of polycarbonate plastic as packaging for food contact materials, could cause a serious disruption in our ability to package our bottled water products. If polycarbonate plastic becomes a banned substance, we may not be able to adopt alternative packaging, and conduct extensive and costly safety testing, in time to prevent adverse effects to our business, financial condition and results of operations. Further, if our competitors successfully integrate BPA-free packaging into their business and BPA is subsequently deemed undesirable or unsafe, our competitors may have a significant competitive advantage over us.

Hazardous Materials

We engage in or have in the past engaged in the handling, storage or use of hazardous substances, including for the maintenance and fueling of our vehicle fleet for our North America business. We are also required to obtain environmental permits from governmental authorities for certain operations. We cannot assure you that we have been or will be at all times in complete compliance with such laws, regulations and permits. If we violate or fail to comply with these laws, regulations or permits, we could be fined or otherwise sanctioned by regulators. We could also be held liable for any consequences arising out of human exposure to hazardous substances or other environmental damage.

Certain environmental laws impose liability on current or previous owners or operators of real property for the cost of removal or remediation of hazardous substances. These laws often impose liability even if the owner or operator did not know of, or was not responsible for, the release of such hazardous substances and also impose liability on persons who arrange for hazardous substances to be sent to disposal or treatment facilities. In addition to actions brought by governmental agencies, private plaintiffs may also bring personal injury claims arising from the presence of hazardous substances on a property. From time to time, we have also been named a potentially responsible party at third-party waste disposal sites. There can be no assurances that we will not be required to make material expenditures in the future for these or other contamination-related concerns or that other responsible parties will conduct any required cleanup. Environmental laws and regulations are complex, change frequently and tend to become more stringent over time. The costs of complying with current and future environmental laws and regulations and our liabilities arising from past or future releases of, or exposure to, hazardous substances may negatively affect our business, financial condition or results of operations.

International Trade Regulations

Currently, a large portion of our dispensers are assembled by independent manufacturers in, and imported from, China. These import operations are subject to international trade regulations, including import charges and other agreements among the United States and its trading partners, including China.

The previous U.S. presidential administration made significant changes to U.S. trade policy, including new or increased tariffs on a broad range of goods imported into the United States, particularly from China. Further, these changes in U.S. trade policy have triggered retaliatory protectionist actions by affected countries. Given the uncertainty regarding the scope and duration of these trade actions by the United States and other countries, as well as the potential for additional trade actions, the impact on our operations and results remains uncertain and could be significant. To the extent that our supply chain, costs, sales or profitability are negatively affected by the existing tariffs or any other trade actions (including duties, import charges or other similar restrictions or other reductions in trade), our business, financial condition and results of operations may be materially adversely affected.

We are subject to risks associated with our international operations, including compliance with applicable U.S. and foreign anti-corruption laws and regulations, such as the U.S. Foreign Corrupt Practices Act, the U.K. Bribery Act of 2010 and other applicable anti-corruption laws, which may increase the cost of doing business in international jurisdictions.

We currently operate internationally and we intend to continue expansion of our international operations. We now operate in 19 European countries and Israel. As a result, our business is exposed to risks inherent in foreign operations. If we fail to adequately address the challenges and risks associated with our international operations and acquisition strategy, we may encounter difficulties in our international operations and implementing our strategy, which could impede our growth or harm our operating results. These risks, which can vary substantially by jurisdiction, include the difficulties associated with managing an organization with operations in multiple countries, compliance with differing laws and regulations (including the U.S. Foreign Corrupt Practices Act, the U.K. Bribery Act of 2010 and local laws prohibiting payments to government officials and other corrupt practices, tax laws, regulations and rates), enforcing agreements and collecting receivables through foreign legal systems. Although we have implemented policies and procedures designed to ensure compliance with these laws, there can be no assurance that our employees, contractors and agents will not take actions in violation of our policies, particularly as we expand our operations through organic growth and acquisitions. Any such violations could subject us to civil or criminal penalties, including material fines or prohibitions on our ability to offer our products in one or more countries, and could also materially damage our reputation, brand, international expansion efforts, business and operating results. Additional risks include the potential for restrictive actions by foreign governments, changes in economic conditions in each market, foreign customers who may have longer payment cycles than customers in the United States, the impact of economic, political and social instability of those countries in which we operate and acts of nature, such as typhoons, tsunamis, or earthquakes. The overall volatility of the economic environment has increased the risk of disruption and losses resulting from hyper–inflation, currency devaluation and tax or regulatory changes in certain countries in which we have operations.

We are subject to the risk of increased taxes.

We base our tax positions upon our understanding of the tax laws of the various countries in which we have assets or conduct business activities. However, our tax positions are subject to review and possible challenge by taxing authorities. This includes adverse changes to the manner in which Canada and other countries tax multinational companies and interpret or change their tax laws. We cannot determine in advance the extent to which some jurisdictions may assess additional tax or interest and penalties on such taxes. In addition, our effective tax rate may be increased by changes in the valuation of deferred tax assets and liabilities, changes in our cash management strategies, changes in local tax rates or countries adopting more aggressive interpretations of tax laws.

Our income tax expense includes tax benefits resulting from several reorganizations of our legal entity structure and refinancing of intercompany debt during the last three years. However, since the calculation of our tax liabilities involves dealing with uncertainties in the application of complex and changing tax laws and regulations in a multitude of jurisdictions across our global operations, our effective tax rate may ultimately be different than the amount we are currently reporting. In addition, several jurisdictions in which we operate have tax laws with detailed transfer pricing rules which require that all transactions with nonresident related parties be priced using arm's length pricing principles, and that contemporaneous documentation must exist to support such pricing. There is a risk that the taxing authorities may not deem our transfer pricing documentation acceptable. The Organization for Economic Cooperation and Development released guidance related to Base Erosion and Profit Shifting which may also result in legislative changes that could impact our effective tax rate.

Risks Related to Our Information Technology, Cybersecurity and Data Protection

We depend on key information systems and third-party service providers.

We depend on key information systems to accurately and efficiently transact our business, provide information to management and prepare financial reports. We rely on third-party providers for various networking, application hosting and related business process services which support our key information systems. Issues with performance by these third-parties may disrupt our operations and as a result, our operating expenses could increase, which could negatively affect our results of operations.

In addition, these systems and services are vulnerable to interruptions or other failures resulting from, among other things, natural disasters, terrorist attacks, software, equipment or telecommunications failures, processing errors, computer viruses, hackers, other security issues or supplier defaults. Security, backup and disaster recovery measures may not be adequate or implemented properly to avoid such disruptions or failures. Any disruption or failure of these systems or services could cause substantial errors, processing inefficiencies, security breaches, inability to use the systems or process transactions, loss of customers or other business disruptions, all of which could negatively affect our business and results of operations.

If we are unable to securely maintain our customers' confidential or credit card information, or other private data relating to our employees or our Company, we could be subject to negative publicity, costly government enforcement actions or private litigation, which could damage our business reputation and negatively affect our results of operations.

The protection of our customer, employee and Company data is critical to us. We have procedures and technology in place to safeguard our customers' debit card, credit card and other personal information, our employees' private data and Company records and intellectual property. However, if we experience a data security breach of any kind, we could be exposed to negative publicity, government enforcement actions, private litigation or costly response measures. In addition, our reputation within the business community and with our customers may be affected, which could result in our customers discontinuing their purchases of our products and services or their use of the debit or credit card payment option. Any loss of our ability to securely offer our customers a credit card payment option would make our products less attractive to many small organizations by negatively affecting our customer experience and significantly increasing our administrative costs related to customer payment processing. This could cause us to lose customers and could have a negative effect on our results of operations.

In addition, the regulatory environment surrounding information security and privacy is increasingly demanding, with frequent imposition of new and changing requirements. For example, the European Union's General Data Protection Regulation, which became effective in May 2018, and the California Consumer Privacy Act, which became effective on January 1, 2020, impose significant new requirements on how we collect, process and transfer personal data, as well as significant fines for non-compliance. Compliance with changes in privacy and information security laws and standards may result in significant expense due to increased investment in technology and the development of new operational processes.

Risks Related to Our Common Shares

We may not continue our quarterly dividend and shareowners may never obtain a return on their investment.

We have paid quarterly cash dividends since 2012. Most recently, our Board of Directors declared a dividend of $0.07 per common share to be paid in cash on March 28, 2022 to shareowners of record at the close of business on March 11, 2022. However, there can be no assurance that we will continue to declare quarterly dividends in the future. The declaration and payment of future dividends on our common shares is 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 and other restrictions on payment set forth in the instruments governing our indebtedness in effect from time to time. Accordingly, shareowners must rely on sales of their common shares after price appreciation, which may never occur, as the only way to realize any return on their investment.

General Risk Factors

We also face other risks that could adversely affect our business, results of operations or financial condition, which include:

- any requirement to restate financial results in the event of inappropriate application of accounting principles or otherwise;
- any event that could damage our reputation;
- failure to properly manage credit risk from customers;
- failure of our processes to prevent and detect unethical conduct of employees;
- any significant failure of internal controls over financial reporting;
- failure of our prevention and control systems related to employee compliance with internal policies and regulatory requirements;
- failure of corporate governance policies and procedures; and
- credit ratings changes.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our business is supported by our extensive manufacturing and distribution network. Our manufacturing footprint encompasses 61 strategically located manufacturing and production facilities, which includes 34 facilities in the United States, 10 facilities in Canada, 16 facilities in Europe and one facility in Israel. We also have 327 branch distribution and warehouse facilities, which include 178 facilities in the United States, 17 facilities in Canada, 121 facilities in Europe and 11 facilities in Israel, and one customer service call center in the United States. Facilities in the United States and Canada are primarily utilized by our North America operating segment, and the other facilities are primarily utilized by our Rest of World operating segment.

The total square footage of our manufacturing and production facilities is approximately 2.1 million square feet in the United States; 0.4 million square feet in Canada; 0.2 million square feet in Israel and 0.8 million square feet in Europe, inclusive of 0.3 million square feet in the United Kingdom. The total square footage of our branch distribution and warehouse facilities is approximately 2.6 million square feet in the United States; 0.2 million square feet in Canada; 0.3 million square feet in Israel and 0.8 million square feet in Europe, inclusive of 0.2 million square feet in the United Kingdom. This square footage does not include 27 leased office spaces that comprise 0.4 million square feet. Lease terms for non-owned beverage production facilities and offices expire between 2022 and 2056.

The production facilities and square footage amounts noted above do not include vacant or underutilized properties.

ITEM 3. 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 4. MINE SAFETY DISCLOSURES

Not applicable.

SUPPLEMENTAL ITEM PART I. INFORMATION ABOUT OUR EXECUTIVE OFFICERS

The following is a list of names, ages, offices and backgrounds of all of our executive officers as of March 2, 2022. Our officers do not serve for a set term.

	Office	Age
Thomas Harrington	Chief Executive Officer	64
Jay Wells	Chief Financial Officer	59
Cate Gutowski	Chief Operating Officer	46
Marni Morgan Poe	Chief Legal Officer and Secretary	52
William "Jamie" Jamieson	Global Chief Information Officer	49
Mercedes Romero	Chief Procurement Officer	55
Anne Melaragni	Chief Human Resources Officer	46
Jason Ausher	Chief Accounting Officer	48

- Thomas Harrington was appointed as our Chief Executive Officer effective as of the beginning of 2019. Prior to his appointment, Mr. Harrington served as the Chief Executive Officer of our North America business unit since our acquisition of DS Services in December 2014 and was appointed President Route Based Services in July 2016. Prior to the acquisition, Mr. Harrington served in various roles with DS Services from 2004 to 2014, including Chief Executive Officer, President, Chief Operating Officer, West Division President, and Senior Vice President, Central Division. Prior to joining DS Services, Mr. Harrington served in various roles with Coca-Cola Enterprises, Inc. including Vice President and General Manager of Coca-Cola Enterprises New York and Chicago divisions. He also served in various sales and marketing roles with Pepperidge Farm from 1979 to 1985. Mr. Harrington previously served as a member of the board of directors of the National Automatic Merchandising Association, the International Bottled Water Association and the Water Quality Association. He has served on our Board since the beginning of 2019.
- Jay Wells was appointed Chief Financial Officer in 2012. Prior to joining us, Mr. Wells held various senior finance positions with Molson Coors from 2005 to 2012, including Chief Financial Officer of Molson Coors Canada, a subsidiary of Molson Coors Brewing Company, and Global Vice President, Treasury, Tax, and Strategic Finance of Molson Coors Brewing Company. From 1990 to 2005, Mr. Wells held several positions within Deloitte and Touche LLP, including partner.
- Cate Gutowski was appointed Chief Operating Officer in October 2021. Prior to joining us, from March 2019 to October 2021, Ms. Gutowski held roles of progressive responsibility at Amazon Web Services (“AWS”), a provider of on demand cloud computing platforms to individuals, companies, and governments, including the Worldwide Head of Enablement, Training, & Communications. Prior to Amazon, from April 2018 to December 2018, Ms. Gutowski worked in the aviation industry as the Senior Vice President of Global Sales and Services at Panasonic Avionics, a manufacturer of in-flight entertainment devices. Prior to this, Ms. Gutowski began her career at the General Electric Company, a multinational conglomerate, as a trainee in GE’s Technical Leadership Program. Over 20 years, she held numerous operational roles both domestically and internationally, including Vice President of Product Management – Digital Transformation, VP of Product Management for EMEA, and General Manager of Commercial Operations for EMEA. Ms. Gutowski also held a variety of commercial roles, including VP of Worldwide Commercial, VP and General Manager - North America Consumer Regions Sales, and Senior Sales Director - Global & Strategic Accounts.
- Marni Morgan Poe has served as our Chief Legal Officer and Secretary since 2010. Prior to her appointment, Ms. Poe served as our Corporate Counsel from 2008 to 2010. Prior to joining us, Ms. Poe was a partner at the law firm of Holland & Knight LLP from 2000 to 2006 and an associate of the law firm from 1995 to 2000.
- William “Jamie” Jamieson was appointed Global Chief Information Officer in April 2019. Prior to joining us, Mr. Jamieson served as senior vice president and chief information officer for GNC from 2015 to 2019, overseeing enterprise technology teams and platforms. From 2000 to 2015, he held various senior roles leading information technology service delivery for Charming Charlie and Chico’s FAS, Inc., both fashion retailers.

- Mercedes Romero was appointed Chief Procurement Officer in August 2020. Prior to joining us, Ms. Romero served as Vice President Sourcing and Supply Management from 2019 to 2020 for Ryder System Inc., overseeing global spend and supply planning teams. From 2017 to 2019, Ms. Romero served as Chief Procurement Officer/VP Procurement Americas with the Campari Group. From 1995 to 2017, Ms. Romero held various senior roles leading procurement and supply chain transformations for TEVA Pharma, Diageo, Starbucks, Clorox and Procter & Gamble. Ms. Romero currently serves on the board of directors of JB Sanfilippo, a publicly traded snack food manufacturer, and Board Chair of the Sourcing Executive Committee at the Institute for Supply Management (ISM).

- Anne Melaragni was appointed Chief Human Resources Officer in May 2021. Ms. Melaragni joined Primo in September 2020 as Senior Vice President – Human Resources, North America. Prior to joining us, from November 2019 to August 2020, she served as Chief People Officer for CARE, a global non-profit based in Atlanta, where she oversaw Human Resources ("HR") strategy and execution, the associate experience and global total rewards. Previously, from July 2019 to October 2019, Ms. Melaragni was responsible for driving HR strategy and organizational transformation as the Head of Human Resources at Norfolk Southern. Over the previous 16 years, from 2003 to 2019, Ms. Melaragni held various positions with United Parcel Service, including Global Head of Total Rewards, Vice President – HR, Organizational Transformation and Vice President – HR, International & Emerging Markets. Prior to UPS, Ms. Melaragni led the HR team at Sitestuff.com, a real estate procurement start-up in Austin, Texas.

- Jason Ausher was appointed Chief Accounting Officer in May 2015. Prior to his appointment, from 2011 to 2015, Mr. Ausher served as our VP Treasurer, Corporate Development. From 2010 to 2011, Mr. Ausher served as our Corporate Controller, and from 2008 to 2010, he held the position of Controller for our U.S. Business Unit. From 2003 to 2008, Mr. Ausher held numerous positions with Walter Industries, Inc. and Mueller Water Products Inc. (a water infrastructure business and spin-off of Walter Industries, Inc.), including the position of Vice President of Finance. Prior to this, from 1996 to 2002, Mr. Ausher was with PricewaterhouseCoopers LLP.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY, RELATED SHAREOWNER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our common shares are listed on the Toronto Stock Exchange ("TSX") and on the New York Stock Exchange ("NYSE") under the ticker symbol "PRMW."

As of February 23, 2022, we had 898 shareowners of record. This number was determined from records maintained by our transfer agent and does not include beneficial owners of securities whose securities are held in the names of various dealers or clearing agencies. The closing sale price of our common shares on February 23, 2022 was C$19.47 on the TSX and $15.26 on the NYSE.

Our Board of Directors has declared a quarterly cash dividend of $0.06 per common share in each quarter during 2021 and 2020 for an aggregate yearly dividend payment of approximately $39.0 million and $38.9 million, respectively. 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 our Board of Directors may deem relevant from time to time.

Dividends to shareowners who are non-residents of Canada will generally be subject to Canadian withholding tax. Under current Canadian tax law, dividends paid by a Canadian corporation to a non-resident shareowner are generally subject to Canadian withholding tax at a 25% rate. Under the current tax treaty between Canada and the United States, U.S. residents who are entitled to treaty benefits are generally eligible for a reduction in this withholding tax rate to 15% (and to 5% for a shareowner that is a corporation and is the beneficial owner of at least 10% of our voting stock). Accordingly, under current tax law, our U.S. resident shareowners who are entitled to treaty benefits will generally be subject to a Canadian withholding tax at a 15% rate on dividends paid by us, provided that they have complied with applicable procedural requirements to claim the benefit of the reduced rate under the tax treaty. The fifth protocol to the tax treaty between Canada and the United States places additional restrictions on the ability of U.S. residents to claim these reduced rate benefits. U.S. residents generally will be entitled on their U.S. federal income tax returns to claim a foreign tax credit, or a deduction, for Canadian withholding tax that applies to them, subject to certain applicable limitations. U.S. investors should consult their tax advisors with respect to the tax consequences and requirements applicable to them, based on their individual circumstances.

There are certain restrictions on the payment of dividends under our Revolving Credit Facility and the indentures governing our outstanding notes. The Revolving Credit Facility and the indentures governing our outstanding notes are discussed in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" in this Annual Report on Form 10-K.

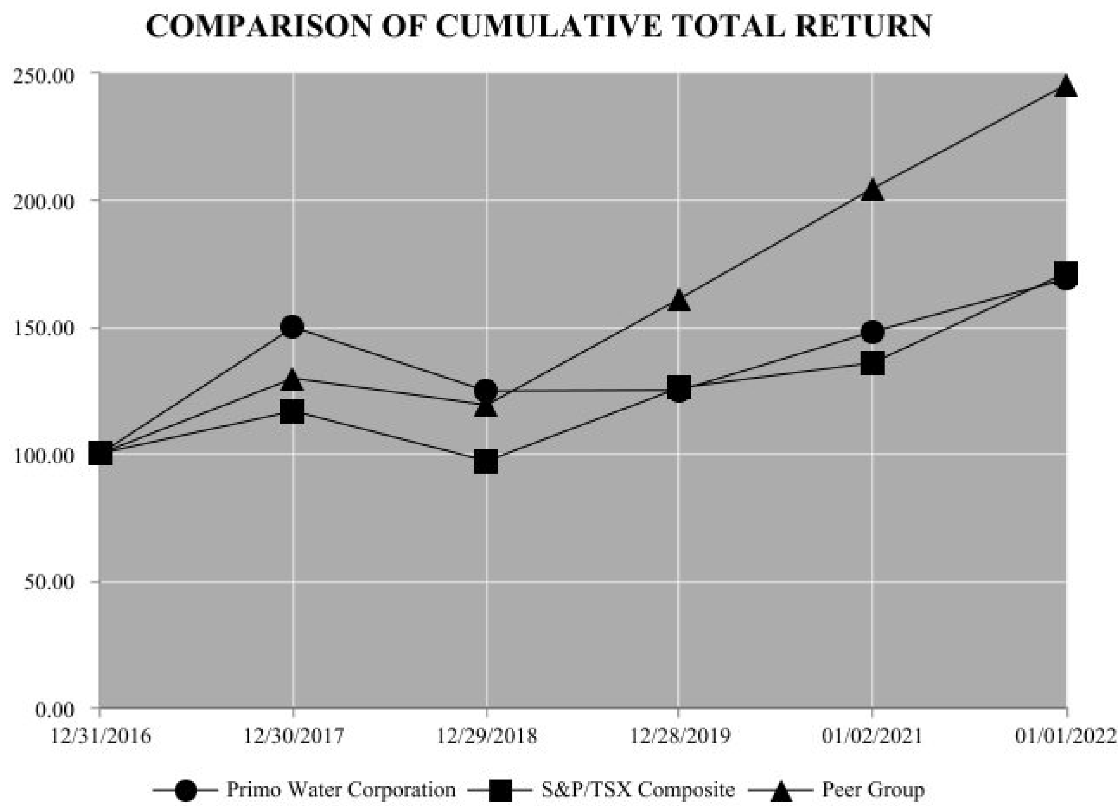
For information on securities authorized for issuance under our equity compensation plans, see "Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Shareowner Matters" in this Annual Report on Form 10-K.

Calculation of Aggregate Market Value of Non-Affiliate Shares

For purposes of calculating the aggregate market value of common shares held by non-affiliates as shown on the cover page of this Annual Report on Form 10-K, it was assumed that all of the outstanding shares were held by non-affiliates except for outstanding shares held or controlled by our directors and executive officers. For further information concerning shareholdings of officers, directors and principal shareowners, see "Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Shareowner Matters" in this Annual Report on Form 10-K.

Shareowner Return Performance Graph

The following graph shows changes over our past five fiscal years in the value of $100, assuming reinvestment of dividends, invested in: (i) our common shares; (ii) the Toronto Stock Exchange's S&P/TSX Composite Index; (iii) the peer group utilized in prior annual reports, which consists of publicly-traded companies in the water and route based service industries comprised of UniFirst Corp., ADT Inc., Chemed Corp., ServiceMaster Global Holdings, Inc., Cintas Corporation, A. O. Smith Corporation, Franklin Electric Co., Inc., IDEX Corporation, Pentair plc, Xylem Inc., The Brink's Company, Evoqua Water Technologies Corp., Mueller Water Products, Inc., Rollins, Inc., Rexnord Corporation, Stericycle Inc., Tetra Tech, Inc., Windstream Holdings, Inc., and Watts Water Technologies Inc. The closing price of Primo's common shares as of December 31, 2021, the last trading day of 2021, was C$22.32 on the TSX and $17.63 on the NYSE. The following table is in US dollars.



ASSUMES $100 INVESTED ON December 31, 2016

ASSUMES DIVIDENDS REINVESTED

FISCAL YEAR ENDING JANUARY 1, 2022

Company / Market / Peer Group	**12/31/2016**	**12/30/2017**	**12/29/2018**	**12/28/2019**	**1/2/2021**	**1/1/2022**
Primo Water Corporation	$ 100.00	$ 149.53	$ 124.51	$ 124.81	$ 148.02	$ 168.76
S&P / TSX Composite	$ 100.00	$ 116.77	$ 97.02	$ 125.82	$ 135.77	$ 171.29
Peer Group	$ 100.00	$ 129.53	$ 118.97	$ 160.78	$ 204.63	$ 245.26

Issuer Purchases of Equity Securities

Common Share Repurchase Program

On May 4, 2021, our Board of Directors approved a new share repurchase program for up to $50.0 million of our outstanding common shares over a 12-month period commencing on May 10, 2021. For the year ended January 1, 2022, we repurchased 2,646,831 common shares for $43.5 million through open market transactions under this repurchase plan. Shares purchased under the repurchase plan were subsequently canceled.

Tax Withholdings

The following table contains information about shares that we withheld from delivering to employees during 2021 to satisfy their 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 Approximate Dollar Value of Common Shares that May Yet Be Purchased Under the Plans or Programs
January 3, 2021 - January 31, 2021	**1,236**	**$ 16.26**	**N/A**	**N/A**
February 1 - February 28, 2021	**157,770**	**$ 17.43**	**N/A**	**N/A**
March 1, 2021- March 31, 2021	**20,407**	**$ 15.67**	**N/A**	**N/A**
March 29 - April 30, 2021	**6,628**	**$ 16.57**	**N/A**	**N/A**
May 1 - May 31, 2021	**5,275**	**$ 16.87**	**N/A**	**N/A**
June 1, 2021- June 30, 2021	**4,305**	**$ 16.85**	**N/A**	**N/A**
June 28 - July 31, 2021	**—**	**$ —**	**N/A**	**N/A**
August 1 - August 31, 2021	**677**	**$ 17.40**	**N/A**	**N/A**
September 1 - September 30, 2021	**804**	**$ 16.31**	**N/A**	**N/A**
October 1 - October 31, 2021	**—**	**$ —**	**N/A**	**N/A**
November 1 - November 30, 2021	**9,346**	**$ 19.00**	**N/A**	**N/A**
December 1 - January 1, 2022	**56,772**	**$ 17.02**	**N/A**	**N/A**
Total	**263,220**			

ITEM 6. [Reserved]

ITEM 7. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Objective

The following discussion provides an analysis of the Company’s financial condition, cash flows and results of operations from management's perspective and should be read in conjunction with the consolidated financial statements and notes thereto included in Part II, Item 8 of this Annual Report on Form 10-K. Our objective is to also provide discussion of events and uncertainties known to management that are reasonably likely to cause reported financial information not to be indicative of future operating results or of future financial condition and to offer information that provides understanding of our financial condition, cash flows and results of operations.

Overview

Primo is a leading pure-play water solutions provider 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 major retailers and online at various price points or leased to customers. The dispensers help increase household penetration, which drives recurring purchases of Primo’s razorblade offering. Primo’s razorblade offering is comprised of Water Direct, Water Exchange, and Water Refill. Through its Water Direct business, Primo delivers sustainable hydration solutions across its 22-country footprint direct to the customer’s door, whether at home or to commercial businesses. Through its Water Exchange and Water Refill businesses, Primo offers pre-filled and reusable containers at over 13,000 locations and water refill units at approximately 22,000 locations, respectively. Primo also offers water filtration units across its 22-country footprint representing a top five position.

Primo’s water solutions expand consumer access to purified, spring and mineral water to promote a healthier, more sustainable lifestyle while simultaneously reducing plastic waste and pollution. Primo is committed to its water stewardship standards and is proud to partner with the International Bottled Water Association in North America as well as with Watercoolers Europe, which ensure strict adherence to safety, quality, sanitation and regulatory standards for the benefit of consumer protection. During 2020, our U.S. operations achieved a carbon neutral certification under the Carbon Neutral Protocol, an international standard administered by Natural Capital Partners. This certification is in addition to the certifications in our European operations where we have maintained carbon neutrality for the past ten consecutive years in many of our markets. 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 production of plastic water bottles by more than 400 million, annually, while also improving overall margins. The exit is anticipated to be completed by the middle of 2022.

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.

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.

Ingredient and packaging costs represent a significant portion of our cost of sales. These costs are subject to global and regional commodity price trends. Our most significant commodities are polyethylene terephthalate (“PET”) resin, high-density polyethylene (“HDPE”) and polycarbonate bottles, caps and preforms, labels and cartons and trays. We attempt to manage our exposure to fluctuations in ingredient and packaging costs by entering into fixed price commitments for a portion of our ingredient and packaging requirements and implementing price increases as needed.

In 2021, our capital expenditures were devoted primarily to supporting growth in our business, maintaining existing facilities and making equipment upgrades.

During the second quarter of 2020, we implemented a restructuring program intended to optimize synergies from the Company’s transition to a pure-play water company following the Legacy Primo Acquisition (defined below) and, as a result, reorganized into two reporting segments: North America (which includes our DS Services of America, Inc. (“DSS”), Aquaterra Corporation (“Aquaterra”), Mountain Valley Spring Company (“Mountain Valley”) and Legacy Primo (defined below) businesses) and Rest of World (which includes our Eden Springs Nederland B.V. (“Eden”), Aimia Foods Limited (“Aimia”), Decantae Mineral Water Limited (“Decantae”), Fonthill Waters Ltd ("Fonthill") and John Farrer & Company Limited (“Farrers”) businesses). Our corporate oversight function and other miscellaneous expenses are aggregated and included in the All Other category.

Our fiscal year is based on either a 52- or 53- week period ending on the Saturday closest to December 31. For the years ended January 1, 2022 and December 28, 2019, we had 52 weeks of activity, compared to 53 weeks of activity for the year ended January 2, 2021. We estimate the additional week contributed $19.4 million of additional revenue and $3.9 million of additional operating income for the year ended January 2, 2021. One of our subsidiaries uses a calendar year-end which differs from the Company's 52- or 53- week fiscal year-end. Differences arising from the use of the different fiscal year-ends were not deemed material for the fiscal years ended January 1, 2022, January 2, 2021 or December 28, 2019.

Impact of the COVID-19 Pandemic

Our global operations expose us to risks associated with the coronavirus ("COVID-19") pandemic, which has resulted in challenging operating environments. COVID-19 has spread across the globe to all of the countries in which we operate. The measures taken by authorities in many jurisdictions, including travel restrictions, quarantines, shelter in place orders, and business shutdowns, have impacted and will continue to 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.

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

While we continue to develop and implement health and safety protocols, business continuity plans and crisis management protocols and have taken other operational actions in an effort to try to mitigate the negative impact of COVID-19 to our employees and our business, the extent of the impact of the pandemic on our business and financial results will depend on numerous evolving factors that we are not able to accurately predict and that all will vary by market, including the duration and scope of the pandemic, 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.

As we deliver bottled water to residential and commercial customers across a 22-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.

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 years ended January 1, 2022 and January 2, 2021, we received wage subsidies under these programs totaling $3.7 million and $7.4 million, respectively. We review our eligibility for these programs for each qualifying period and account for such wage subsidies on an accrual basis when the conditions for eligibility are met. The Company has adopted an accounting policy to present wage subsidies as a reduction of selling, general and administrative ("SG&A") expenses. In addition, deferred payroll and other taxes totaling $7.5 million and $9.0 million were included in accounts payable and accrued liabilities on our Consolidated Balance Sheet as of January 1, 2022 and January 2, 2021, respectively, and $7.5 million was included in other long-term liabilities on our Consolidated Balance Sheet as of January 2, 2021.

During the second quarter of 2020, we recorded a total of $115.2 million of non-cash impairment charges related to goodwill and intangible assets. See Note 1 to the Consolidated Financial Statements for additional information on goodwill and intangible asset impairment. The impairment charges were primarily driven by the impact of the COVID-19 pandemic and revised projections of future operating results.

Additionally, on June 11, 2020, we announced that our Board of Directors approved a plan intended to optimize synergies from the Company's transition to a pure-play water company following the acquisition of Legacy Primo (defined below) and to mitigate the negative financial and operational impacts of the COVID-19 pandemic, including implementing headcount reductions and furloughs in our North America and Rest of World reporting segments ("2020 Restructuring Plan"). When we implement these programs, we incur various charges, including severance, asset impairments, and other employment related costs. In connection with the 2020 Restructuring Plan, we incurred $10.5 million in severance costs and all costs related to the 2020 Restructuring Plan were recorded as of January 2, 2021. All costs incurred by the 2020 Restructuring Plan were included in SG&A expenses for the year ended January 2, 2021. See Note 1 to the Consolidated Financial Statements for additional information on restructuring charges incurred during the year ended January 2, 2021.

During the year ended January 2, 2021 we also incurred $10.3 million in other COVID-19 related costs. Other COVID-19 related costs primarily include front-line incentives paid and costs incurred for supplies.

Divestiture, Acquisition and Financing Transactions

Divestitures

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 nor our Mountain Valley brand, which sells products primarily in glass bottles. On an annualized basis, these products have accounted for revenue of approximately $140 million. Unwinding of this business is expected to be completed by the middle of 2022 and we do not expect the costs incurred to exit this business to have a material impact on our operating results.

On February 28, 2020, we completed the sale of our coffee, tea and extract solutions business, S. & D. Coffee, Inc. ("S&D"), to Westrock Coffee Company, LLC ("Westrock"), pursuant to which Westrock acquired all of the issued and outstanding equity of S&D from the Company ("S&D Divestiture"). The consideration was $405.0 million paid at closing in cash, with customary post-closing working capital adjustments, which were resolved in June 2020 by payment of $1.5 million from the Company to Westrock. We used the proceeds of the transaction to finance a portion of the Legacy Primo Acquisition (defined below).

In February 2019, we sold all of the outstanding equity of Cott Beverages LLC to Refresco Group B.V., a Dutch company ("Refresco"). The aggregate deal consideration paid at closing was $50.0 million. We used the proceeds of this transaction to repay a portion of the outstanding borrowings under our previously existing asset-based lending credit facility ("ABL facility").

In July 2017, we entered into a Share Repurchase Agreement with Refresco, pursuant to which we sold to Refresco, in January 2018, our carbonated soft drinks and juice businesses and our RCI finished goods export business (collectively, the "Traditional Business" and such transaction, the "Traditional Business Divestiture").

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

Acquisitions

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 March 2, 2020, pursuant to the terms and conditions of the Agreement and Plan of Merger entered into on January 13, 2020, Cott Corporation completed the acquisition of Primo Water Corporation ("Legacy Primo" and such transaction, the "Legacy Primo Acquisition"). The aggregate consideration paid in the Legacy Primo Acquisition was approximately $798.2 million and includes $377.6 million of our common shares issued by us to holders of Legacy Primo common stock, $216.1 million paid in cash by us to holders of Legacy Primo common stock, $196.9 million of cash paid to retire outstanding indebtedness on behalf of Legacy Primo, $4.7 million to settle a pre-existing liability and $2.9 million in fair value of replacement common share options and restricted stock units for vested Legacy Primo awards. The Legacy Primo Acquisition is consistent with our strategy of transitioning to a pure-play water solutions provider.

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

Financing Activity

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

We incurred approximately $11.2 million of financing fees for the issuance of the 2029 Notes. The financing fees are being amortized using the effective interest method over an eight-year period, which represents the term to maturity of the 2029 Notes. The redemption of the 2025 Notes included $20.6 million in premium payments, accrued interest of $3.6 million, and the write-off of $6.6 million in deferred financing fees.

On October 22, 2020, we issued €450.0 million ($509.6 million at exchange rates in effect on January 1, 2022) of 3.875% senior notes due October 31, 2028 (“2028 Notes”) to qualified purchasers in a private placement offering under Rule 144A under the Securities Act, and outside the United States to non-U.S. purchasers pursuant to Regulation S under the Securities Act and other applicable laws. The 2028 Notes were issued by our wholly-owned subsidiary Primo Water Holdings Inc. The 2028 Notes are guaranteed by the Company and certain subsidiaries that are currently obligors under the Revolving Credit Facility (defined below), the €450.0 million of 5.500% senior notes due July 1, 2024 (“2024 Notes”) and the 2025 Notes. The 2028 Notes will mature on October 31, 2028 and interest is payable semi-annually on April 30th and October 31st of each year commencing on April 30, 2021. The proceeds of the 2028 Notes, along with borrowings from the Revolving Credit Facility, were used to redeem in full the 2024 Notes and pay related premiums, fees and expenses.

We incurred approximately $8.5 million of financing fees for the issuance of the 2028 Notes. The financing fees are being amortized using the effective interest method over an eight-year period, which represents the term to maturity of the 2028 Notes. The redemption of the 2024 Notes included $14.7 million in premium payments, accrued interest of $9.0 million, and the write-off of $5.1 million in deferred financing fees.

On March 6, 2020, we entered into a credit agreement among the Company, as parent borrower, Primo Water Holdings Inc. and certain other subsidiary borrowers, certain other subsidiaries of the Company from time to time designated as subsidiary borrowers, Bank of America, N.A., as administrative agent and collateral agent, and the lenders from time to time party thereto (the “Credit Agreement”).

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

Summary Financial Results

Net loss from continuing operations in 2021 was $3.2 million or $0.02 per diluted common share, compared with net loss from continuing operations of $156.8 million or $1.01 per diluted common share in 2020.

The following items of significance affected our 2021 financial results:

- Net revenue increased $119.8 million, or 6.1%, in 2021 compared to the prior year driven by customer growth, increased demand from residential customers, pricing initiatives, the Legacy Primo Acquisition and the favorable impact of foreign exchange rates, partially offset by a decline in water dispenser sales and lapping the benefit from the 53rd week in the prior year.
- Gross profit increased $43.5 million, or 3.9%, in 2021 compared to the prior year due primarily to the addition of the Legacy Primo business, pricing initiatives, and the impact of favorable foreign exchange rates partially offset by increased material cost in our North America single-use plastic business, ocean freight and tariffs. Gross profit as a percentage of net revenue was 55.8% in 2021 compared to 57.0% in the prior year;
- SG&A expenses increased to $1,034.3 million in 2021 compared to $1,006.6 million in the prior year due primarily to higher selling and operating costs that supported volume and revenue growth of the business, an increase in the number of associates impacted by COVID-19 during the second half of the year and the addition of the Legacy Primo business, partially offset by cost reduction initiatives executed as a result of the impact of COVID-19. SG&A expenses as a percentage of net revenue was 49.9% in 2021 compared to 51.5% in the prior year;

- Loss on disposal of property, plant and equipment, net was primarily related to the disposal of $9.3 million of equipment that was either replaced or no longer being used in our reporting segments;
- Acquisition and integration expenses decreased to $10.8 million in 2021 compared to $33.7 million in the prior year due primarily to lower acquisition and integration costs incurred in connection with the Legacy Primo Acquisition. Acquisition and integration expenses as a percentage of net revenue decreased to 0.5% in 2021 compared to 1.7% in the prior year;
- Goodwill and intangible asset impairment charges decreased to nil from $115.2 million in the prior year due primarily to the non-recurrence of impairment charges recorded in the prior year as a result of general deterioration in economic and market conditions in which we operate arising from COVID-19 and revised projections of future operating results.
- Other expense, net was $27.9 million in 2021 compared to Other expense, net of $18.7 million in the prior year due primarily to the incremental loss recognized on the redemption of our 2025 Notes compared to the 2024 Notes in prior year and an increase of net losses on foreign currency transactions, partially offset by income recognized on sale of a business;
- Income tax expense was $9.5 million on pre-tax income from continuing operations of $6.3 million in 2021 compared to income tax expense of $4.3 million on pre-tax loss from continuing operations of $152.5 million in the prior year due primarily to increased losses in 2020 driven by the impact of the COVID-19 pandemic for which minimal tax benefit was recognized, including the impairment charges related to goodwill and intangible assets during the second quarter of 2020;
- Adjusted EBITDA increased to $380.0 million in 2021 compared to $361.5 million in the prior year due to the items listed above; and
- Cash flows provided by operating activities from continuing operations was $258.7 million in 2021 compared to $193.6 million in the prior year. The $65.1 million increase was due primarily to improved earnings, excluding non-cash charges, relative to the prior year.

Critical Accounting Policies

Our significant accounting policies and recently issued accounting pronouncements are described in Note 1 to the Consolidated Financial Statements included in this Annual Report on Form 10-K. We believe the following represent our critical accounting policies:

Estimates

The preparation of the Consolidated Financial Statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the amount of revenue and expenses during the reporting period. Actual results could differ from those estimates. The Consolidated Financial Statements include estimates and assumptions that, in the opinion of management, were significant to the underlying amounts representing the future valuation of intangible assets, long-lived assets and goodwill, insurance reserves, realization of deferred income tax assets, the resolution of tax contingencies, and projected benefit plan obligations.

Impairment Testing of Goodwill

Primo operates through two operating segments: North America and Rest of World. These two operating segments are also reportable segments. 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, Aquaterra, and Mountain Valley. 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 Rest of World operating segment was determined to have five components: Eden, Aimia, Decantae, Fonthill, and Farrers, none of which have similar economic characteristics. For the purpose of testing goodwill for impairment in 2021, we have determined our reporting units are DSSAqua, Mountain Valley, Eden, Aimia, Decantae, Fonthill, and Farrers.

We had goodwill of $1,321.4 million on the Consolidated Balance Sheet at January 1, 2022, which represents amounts for the DSSAqua, Mountain Valley, Eden, Aimia, Decantae, and Fonthill reporting units.

For purposes of the 2021 annual test, we elected to perform a qualitative assessment for all reporting units to assess whether it was more likely than not the fair value of these reporting units exceeded their respective carrying values. In performing these assessments, management relied on a number of factors including, but not limited to, macroeconomic conditions, industry and market considerations, cost factors that would have a negative effect on earnings and cash flows, overall financial performance compared with forecasted projections in prior periods, and other relevant reporting unit events, the impact of which are all significant judgments and estimates. Based on these factors, management concluded that it was more likely than not that the fair values of our reporting units were greater than their respective carrying amounts, including goodwill, indicating no impairment. Goodwill allocated to the DSSAqua, Mountain Valley, Eden, Aimia, Decantae, and Fonthill reporting units as of January 1, 2022 are $978.1 million, $16.0 million, $271.6 million, $53.3 million, $1.3 million, and $1.1 million, respectively.

Each year during the fourth quarter, we re-evaluate the assumptions used in our assessments, such as revenue growth rates, SG&A expenses, capital expenditures and discount rates, to reflect any significant changes in the business environment that could materially affect the fair value of our reporting units. Based on the evaluations performed in 2021, we determined that the fair value of each of our reporting units exceeded their carrying amounts.

There are inherent uncertainties related to each of the above listed assumptions, and our judgment in applying them. Changes in the assumptions used in our qualitative assessment could result in impairment charges that could be material to our Consolidated Financial Statements in any given period.

During 2020, we identified a triggering event arising from the impact of the COVID-19 pandemic and performed an interim quantitative impairment test as of June 27, 2020. We determined that goodwill was impaired for the Eden, Decantae, and Farrers reporting units and recognized impairment charges of $103.3 million, $0.3 million and $0.5 million, respectively. These impairment charges are included in goodwill and intangible asset impairment charges in the Consolidated Statement of Operations for the year ended January 2, 2021.

Impairment Testing of Intangible Assets with an Indefinite Life

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. We compare the carrying amount of the intangible assets to its fair value and when the carrying amount is greater than the fair value, we recognize an impairment loss. Our intangible assets with indefinite lives relate to trademarks acquired in the Legacy Primo Acquisition, trademarks acquired in the acquisition of DSS, trademarks acquired in the acquisition of Eden, one of the trademarks acquired in the acquisition of Aquaterra, trademarks acquired in the acquisition of Mountain Valley and trademarks acquired in the acquisition of Crystal Rock (collectively the "Trademarks"). The trademark acquired in the acquisition of SipWell (the "SipWell Trademark") was also assigned an indefinite life.

As of January 1, 2022, the Trademarks have an aggregate net book value of $459.2 million.

During the fourth quarter of 2021, management concluded that it was more likely than not that the fair value of the Trademarks were greater than their respective carrying value, indicating no impairment.

We assessed qualitative factors to determine whether the existence of events or circumstances indicated that it was more likely than not that the fair value of the Trademarks were less than their respective carrying value. The qualitative factors we assessed included macroeconomic conditions, industry and market considerations, cost factors that would have a negative effect on earnings and cash flows, overall financial performance compared with forecasted projections in prior periods, and other relevant events, the impact of which are all significant judgments and estimates. We concluded that it was more likely than not that the fair value of the Trademarks was more than their carrying value and therefore we were not required to perform any additional testing. The SipWell Trademark was acquired on December 30, 2021 and valued as of that date. As such, we did not perform an impairment test with respect to this trademark.

There are inherent uncertainties related to each of the above listed assumptions, and our judgment in applying them. Changes in the assumptions used in our qualitative assessment could result in impairment charges that could be material to our Consolidated Financial Statements in any given period.

During 2020, we identified a triggering event arising from the impact of the COVID-19 pandemic and performed an interim quantitative impairment test as of June 27, 2020. We determined the Eden Trademarks and the Aquaterra Trademark were impaired and recognized impairment charges of $9.9 million and $1.2 million, respectively. These impairment charges are included in goodwill and intangible asset impairment charges in the Consolidated Statement of Operations for the year ended January 2, 2021.

Other Intangible Assets

As of January 1, 2022, our intangible assets subject to amortization, net of accumulated amortization for continuing operations were $509.9 million, consisting principally of $462.7 million of customer relationships that arose from acquisitions, $23.7 million of software, and $10.5 million of patents. Customer relationships are typically amortized over the period for which we expect to receive the economic benefits. The customer relationship intangible assets acquired in our acquisitions are amortized over the expected remaining useful life of those relationships on a basis that reflects the pattern of realization of the estimated undiscounted after-tax cash flows. We review the estimated useful life of these intangible assets annually, unless a review is required more frequently due to a triggering event, such as the loss of a significant customer. Our review of the estimated useful life takes into consideration the specific net cash flows related to the intangible asset. The permanent loss of, or significant decline in sales to customers included in the intangible asset would result in either an impairment in the value of the intangible asset or an accelerated amortization of any remaining value and could lead to an impairment of the fixed assets that were used to service that customer. We did not record impairment charges for intangible assets subject to amortization in 2021, 2020 or 2019.

Impairment and Disposal of Long-Lived Assets

When adverse events occur, we compare the carrying amount of long-lived assets to the estimated undiscounted future cash flows at the lowest level of independent cash flows for the group of long-lived assets and recognize any impairment loss based on discounted cash flows in the Consolidated Statements of Operations, taking into consideration the timing of testing and the asset's remaining useful life. The expected life and value of these long-lived assets is based on an evaluation of the competitive environment, history and future prospects as appropriate.

Insurance Reserves

We maintain insurance retention programs under our general liability, auto liability, and workers' compensation insurance programs. We also carry excess coverage to mitigate catastrophic losses. We use an independent third-party actuary to assist in determining our insurance reserves. Insurance reserves are accrued on an undiscounted basis based on known claims and estimated incurred but not reported claims not otherwise covered by insurance. The estimates are developed utilizing standard actuarial methods and are based on historical claims experience and actuarial assumptions, including loss development factors and expected ultimate loss selections. The inherent uncertainty of future loss projections could cause actual claims to differ from our estimates. The Company recorded insurance reserves of $60.1 million and $52.2 million as of January 1, 2022 and January 2, 2021, respectively, within accounts payable and accrued liabilities and other long-term liabilities, of which $17.2 million and $10.8 million, respectively, was covered by insurance and included as a component of accounts receivable, net of allowance and other long-term assets.

Income Taxes

We are subject to income taxes in Canada as well as in numerous foreign jurisdictions. Significant judgments and estimates are required in determining the income tax expense in these jurisdictions. Our income tax expense, deferred tax assets and liabilities and reserves for unrecognized tax benefits reflect management's best assessment of estimated future taxes to be paid in the jurisdictions in which we operate.

Deferred income taxes arise from temporary differences between the tax and financial statement recognition of revenue and expense. In evaluating our ability to recover our deferred tax assets within the jurisdiction from which they arise we consider all available positive and negative evidence, including scheduled reversals of deferred tax liabilities, projected future taxable income, tax planning strategies and recent financial operations. In projecting future taxable income, we begin with historical results adjusted for the results of discontinued operations and changes in accounting policies and incorporate assumptions including the amount of future Canadian and foreign pre-tax income, the reversal of temporary differences, and the implementation of feasible and prudent tax planning strategies. These assumptions require significant judgment about the forecasts of future taxable income and are consistent with the plans and estimates we are using to manage the underlying businesses. Changes in tax laws and rates could also affect recorded deferred tax assets and liabilities in the future.

The calculation of our tax liabilities involves dealing with uncertainties in the application of complex tax laws and regulations in a multitude of jurisdictions across our global operations.

Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 740, "Income Taxes" ("ASC 740") provides that a tax benefit from an uncertain tax position may be recognized when it is more likely than not that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, based on the technical merits. ASC 740 also provides guidance on measurement, derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition.

We recognize tax liabilities in accordance with ASC 740 and we adjust these liabilities when our judgment changes as a result of the evaluation of new information not previously available. Due to the complexity of some of these uncertainties, the ultimate resolution may result in a payment that is materially different from our current estimate of the tax liabilities. These differences will be reflected as increases or decreases to income tax expense in the period in which they are determined.

Pension Costs

We account for our defined benefit pension plans in accordance with ASC No. 715-20, "Compensation—Defined Benefit Plans—General" ("ASC 715-20"). The funded status is the difference between the fair value of plan assets and the benefit obligation. The adjustment to accumulated other comprehensive income represents the net unrecognized actuarial gains or losses and unrecognized prior service costs. Future actuarial gains or losses that are not recognized as net periodic benefits cost in the same periods will be recognized as a component of other comprehensive income.

We maintain several defined benefit plans that cover certain of our employees. We record the expenses associated with these plans based on calculations which include various actuarial assumptions such as discount rates and expected long-term rates of return on plan assets. Material changes in pension costs may occur in the future due to changes in these assumptions. Future annual amounts could be impacted by changes in the discount rate, changes in the expected long-term rate of return, changes in the level of contributions to the plans and other factors.

We utilize a yield curve analysis to determine the discount rates for our defined benefit plans' obligations. The yield curve considers pricing and yield information for high quality corporate bonds with maturities matched to estimated payouts of future pension benefits. The expected return on plan assets is based on our expectation of the long-term rates of return on each asset class based on the current asset mix of the funds, considering the historical returns earned on the type of assets in the funds. We review our actuarial assumptions on an annual basis and make modifications to the assumptions based on current rates and trends when appropriate. The effects of the modifications to the actuarial assumptions which impact the projected benefit obligation are amortized over future periods.

Effective as of December 31, 2021, our U.S. Plan was terminated. In accordance with the amended plan documents, we anticipate making distributions for all plan participants (either directly to the participant or to an insurance company depending upon their optional payment election) and expect to distribute all plan assets in fiscal year 2022.

In connection with certain other collective bargaining agreements to which we are a party, we are required to make contributions on behalf of certain union employees to multiemployer pension plans. The ongoing contributions and liabilities associated with these plans are not material.

Non-GAAP Measures

In this Annual Report on Form 10-K, we supplement our reporting of financial measures determined in accordance with GAAP by utilizing certain non-GAAP financial measures that exclude certain items to make period-over-period comparisons for our underlying operations before material charges. 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 exclude the impact of the 53rd week of operations for the fiscal year ended January 2, 2021.

We also utilize earnings (loss) before interest expense, taxes, depreciation and amortization ("EBITDA"), which is GAAP net loss from continuing operations before interest expense, net, expense 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 losses, net, loss on disposal of property, plant and equipment, net, loss on extinguishment of long-term debt, (gain) loss 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. Adjusted EBITDA excludes certain items to make more meaningful period-over-period comparisons of our underlying operations before material changes.

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 Annual Report on Form 10-K 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.

The following table summarizes our Consolidated Statements of Operations as a percentage of net revenue for 2021, 2020 and 2019:

	2021		2020		2019	
(in millions of U.S. dollars)		**Percentage of Revenue**		**Percentage of Revenue**		**Percentage of Revenue**
Revenue, net	**$ 2,073.3**	**100.0 %**	$ 1,953.5	100.0 %	$ 1,795.4	100.0 %
Cost of sales	**915.9**	**44.2 %**	839.6	43.0 %	734.2	40.9 %
Gross profit	**1,157.4**	**55.8 %**	1,113.9	57.0 %	1,061.2	59.1 %
Selling, general and administrative expenses	**1,034.3**	**49.9 %**	1,006.6	51.5 %	962.2	53.6 %
Loss on disposal of property, plant and equipment, net	**9.3**	**0.4 %**	10.6	0.5 %	7.6	0.4 %
Acquisition and integration expenses	**10.8**	**0.5 %**	33.7	1.7 %	16.4	0.9 %
Goodwill and intangible asset impairment charges	**—**	**— %**	115.2	5.9 %	—	— %
Operating income (loss)	**103.0**	**5.0 %**	(52.2)	(2.7) %	75.0	4.2 %
Other expense, net	**27.9**	**1.3 %**	18.7	1.0 %	3.7	0.2 %
Interest expense, net	**68.8**	**3.3 %**	81.6	4.2 %	77.6	4.3 %
Income (loss) from continuing operations before income taxes	**6.3**	**0.3 %**	(152.5)	(7.8) %	(6.3)	(0.4) %
Income tax expense	**9.5**	**0.5 %**	4.3	0.2 %	4.5	0.3 %
Net loss from continuing operations	**(3.2)**	**(0.2) %**	(156.8)	(8.0) %	(10.8)	(0.6) %
Net income from discontinued operations, net of income taxes (Note 2)	**—**	**— %**	25.1	1.3 %	13.7	0.8 %
Net (loss) income	**(3.2)**	**(0.2) %**	(131.7)	(6.7) %	2.9	0.2 %
Depreciation & amortization	**$ 219.1**	**10.6 %**	$ 202.1	10.3 %	$ 168.6	9.4 %

The following table summarizes our net revenue, gross profit, SG&A expenses and operating income (loss) by reporting segment for 2021, 2020 and 2019:

(in millions of U.S. dollars)	**2021**	**2020**	**2019**
Revenue, net			
North America	**$ 1,562.9**	$ 1,493.2	$ 1,269.8
Rest of World	**510.4**	460.3	518.4
All Other	**—**	—	7.2
Total	**$ 2,073.3**	$ 1,953.5	$ 1,795.4
Gross profit			
North America	**$ 881.0**	$ 862.9	$ 770.5
Rest of World	**276.4**	251.0	290.4
All Other	**—**	—	0.3
Total	**$ 1,157.4**	$ 1,113.9	$ 1,061.2
Selling, general and administrative expenses [1]			
North America	**$ 720.6**	$ 712.5	$ 669.7
Rest of World	**273.1**	251.6	258.5
All Other	**40.6**	42.5	34.0
Total	**$ 1,034.3**	$ 1,006.6	$ 962.2
Operating income (loss) [1]			
North America	**$ 146.0**	$ 130.0	$ 91.2
Rest of World	**1.5**	(118.3)	22.6
All Other	**(44.5)**	(63.9)	(38.8)
Total	**$ 103.0**	$ (52.2)	$ 75.0

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[1] During 2021, we revised the allocation of information technology costs from the All Other category to our North America and Rest of World reporting segments to reflect how the Chief Executive Officer, who is our chief operating decision maker, currently measures the performance of our segments. As a result of the change, SG&A expenses for the prior periods have been recast to increase SG&A expenses in our North America reporting segment by $2.1 million, increase SG&A expenses in our Rest of World reporting segment by $6.9 million, and decrease SG&A expenses in the All Other category by $9.0 million for the year ended January 2, 2021. Operating income (loss) for our North American and Rest of World reporting segments, as well as our All Other category, reflect the aforementioned adjustments for the year ended January 2, 2021. SG&A expenses for the year ended 2019 have been recast to increase SG&A expenses in our North America reporting segment by $1.5 million, increase SG&A expenses in our Rest of World reporting segment by $6.5 million, and decrease SG&A expenses in the All Other category by $8.0 million for the year ended December 28, 2019. Operating income (loss) for our North American and Rest of World reporting segments, as well as our All Other category, reflect the aforementioned adjustments for the year ended December 28, 2019.

The following tables summarize revenue by channel for 2021, 2020 and 2019:

(in millions of U.S. dollars)	For the Year Ended January 1, 2022			
	North America	Rest of World	All Other	Total
Revenue, net				
Water Direct/Water Exchange	**$ 1,051.0**	**$ 225.5**	**$ —**	**$ 1,276.5**
Water Refill/Water Filtration	**180.5**	**32.9**	**—**	**213.4**
Other Water	**162.6**	**81.7**	**—**	**244.3**
Water Dispensers	**65.4**	**—**	**—**	**65.4**
Other	**103.4**	**170.3**	**—**	**273.7**
Total	**$ 1,562.9**	**$ 510.4**	**$ —**	**$ 2,073.3**

(in millions of U.S. dollars)	For the Year Ended January 2, 2021			
	North America	Rest of World	All Other	Total
Revenue, net				
Water Direct/Water Exchange	$ 965.8	$ 211.6	$ —	$ 1,177.4
Water Refill/Water Filtration	175.1	29.3	—	204.4
Other Water	160.7	63.5	—	224.2
Water Dispensers	75.9	—	—	75.9
Other	115.7	155.9	—	271.6
Total	$ 1,493.2	$ 460.3	$ —	$ 1,953.5

(in millions of U.S. dollars)	For the Year Ended December 28, 2019			
	North America	Rest of World	All Other	Total
Revenue, net				
Water Direct/Water Exchange	$ 905.1	$ 252.7	$ —	$ 1,157.8
Water Refill/Water Filtration	35.6	26.8	—	62.4
Other Water	157.8	59.4	—	217.2
Other	171.3	179.5	7.2	358.0
Total	$ 1,269.8	$ 518.4	$ 7.2	$ 1,795.4

Results of Operations

The following table summarizes the change in revenue by reporting segment for 2021:

(in millions of U.S. dollars)	For the Year Ended January 1, 2022 North America	Rest of World	All Other	Total
Change in revenue	$ 69.7	$ 50.1	$ —	$ 119.8
Impact of foreign exchange [1]	(4.6)	(24.1)	—	(28.7)
Change excluding foreign exchange	$ 65.1	$ 26.0	$ —	$ 91.1
Percentage change in revenue	4.7 %	10.9 %	— %	6.1 %
Percentage change in revenue excluding foreign exchange	4.4 %	5.6 %	— %	4.7 %
Impact of 53rd week in 2020	$ 18.9	$ 0.5	$ —	$ 19.4
Change excluding foreign exchange and impact of 53rd week in 2020	$ 84.0	$ 26.5	$ —	$ 110.5
Percentage change in revenue excluding foreign exchange and impact of 53rd week in 2020	5.7 %	5.8 %	— %	5.7 %

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

The following table summarizes the change in revenue by reporting segment for 2020:

(in millions of U.S. dollars)	For the Year Ended January 2, 2021 North America	Rest of World	All Other	Total
Change in revenue	$ 223.4	$ (58.1)	$ (7.2)	$ 158.1
Impact of foreign exchange [1]	0.5	(6.1)	—	(5.6)
Change excluding foreign exchange	$ 223.9	$ (64.2)	$ (7.2)	$ 152.5
Percentage change in revenue	17.6 %	(11.2)%	(100.0)%	8.8 %
Percentage change in revenue excluding foreign exchange	17.6 %	(12.4)%	(100.0)%	8.5 %
Impact of 53rd week in 2020	$ (18.9)	$ (0.5)	$ —	$ (19.4)
Change excluding foreign exchange and impact of 53rd week in 2020	$ 205.0	$ (64.7)	$ (7.2)	$ 133.1
Percentage change in revenue excluding foreign exchange and impact of 53rd week in 2020	16.1 %	(12.5)%	(100.0)%	7.4 %

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

The following tables summarize the change in gross profit by reporting segment for 2021:

	For the Year Ended January 1, 2022			
(in millions of U.S. dollars)	**North America**	**Rest of World**	**All Other**	**Total**
Change in gross profit	$ 18.1	$ 25.4	$ —	$ 43.5
Impact of foreign exchange [1]	(2.5)	(11.4)	—	(13.9)
Change excluding foreign exchange	$ 15.6	$ 14.0	$ —	$ 29.6
Percentage change in gross profit	2.1 %	10.1 %	— %	3.9 %
Percentage change in gross profit excluding foreign exchange	1.8 %	5.6 %	— %	2.7 %
Impact of 53rd week in 2020	$ 12.2	$ —	$ —	$ 12.2
Change excluding foreign exchange and impact of 53rd week in 2020	$ 27.8	$ 14.0	$ —	$ 41.8
Percentage change in gross profit excluding foreign exchange and impact of 53rd week in 2020	3.3 %	5.6 %	— %	3.8 %

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

The following tables summarize the change in gross profit by reporting segment for 2020:

	For the Year Ended January 2, 2021			
(in millions of U.S. dollars)	**North America**	**Rest of World**	**All Other**	**Total**
Change in gross profit	$ 92.4	$ (39.4)	$ (0.3)	$ 52.7
Impact of foreign exchange [1]	0.3	(3.6)	—	(3.3)
Change excluding foreign exchange	$ 92.7	$ (43.0)	$ (0.3)	$ 49.4
Percentage change in gross profit	12.0 %	(13.6)%	(100.0)%	5.0 %
Percentage change in gross profit excluding foreign exchange	12.0 %	(14.8)%	(100.0)%	4.7 %
Impact of 53rd week in 2020	$ (12.2)	$ —	$ —	$ (12.2)
Change excluding foreign exchange and impact of 53rd week in 2020	$ 80.5	$ (43.0)	$ (0.3)	$ 37.2
Percentage change in gross profit excluding foreign exchange and impact of 53rd week in 2020	10.4 %	(14.8)%	(100.0)%	3.5 %

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

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

The following table summarizes our EBITDA and Adjusted EBITDA for the fiscal years ended January 1, 2022, January 2, 2021 and December 28, 2019, respectively.

	For the Year Ended		
(in millions of U.S. dollars)	**January 1, 2022**	**January 2, 2021**	**December 28, 2019**
Net loss from continuing operations	**$ (3.2)**	$ (156.8)	$ (10.8)
Interest expense, net	**68.8**	81.6	77.6
Income tax expense	**9.5**	4.3	4.5
Depreciation and amortization	**219.1**	202.1	168.6
EBITDA [1]	**$ 294.2**	$ 131.2	$ 239.9
Acquisition and integration costs [2]	**10.8**	33.7	16.4
Share-based compensation costs	**17.5**	22.1	9.9
COVID-19 costs	**2.4**	20.8	—
Goodwill and intangible asset impairment charges	—	115.2	—
Foreign exchange and other losses, net	**8.7**	1.5	0.9
Loss on disposal of property, plant and equipment, net	**9.3**	10.6	7.6
Loss on extinguishment of long-term debt	**27.2**	19.7	—
(Gain) loss on sale of business	**(3.8)**	(0.6)	6.0
Other adjustments, net	**13.7**	7.3	6.4
Adjusted EBITDA [1]	**$ 380.0**	$ 361.5	$ 287.1

[1] Includes $3.9 million of benefit associated with the 53rd week for the year ended January 2, 2021.

[2] Includes an increase of $1.8 million of share-based compensation costs for the year ended December 28, 2019, related to awards granted in connection with the acquisition of our Eden business.

Year Ended January 1, 2022 Compared to Year Ended January 2, 2021

Revenue, Net

Net revenue increased $119.8 million, or 6.1%, in 2021 from 2020. Excluding the impact of foreign exchange and the impact of the 53rd week in 2020, net revenue increased $110.5 million, or 5.7%, in 2021 from 2020.

North America net revenue increased $69.7 million, or 4.7%, in 2021 from 2020. Excluding the impact of foreign exchange and the impact of the 53rd week in 2020, net revenue increased $84.0 million, or 5.7%, in 2021 from 2020 due primarily to the addition of revenues from the Legacy Primo business and pricing initiatives, partially offset by a decline in water dispenser sales.

Rest of World net revenue increased $50.1 million, or 10.9%, in 2021 from 2020. Excluding the impact of foreign exchange and the impact of the 53rd week in 2020, net revenue increased $26.5 million, or 5.8%, in 2021 from 2020 due primarily to improved volume and pricing.

Gross Profit

Gross profit increased $43.5 million, or 3.9%, in 2021 from 2020. Gross profit as a percentage of net revenue was 55.8% in 2021 compared to 57.0% in 2020. Excluding the impact of foreign exchange and the impact of the 53rd week in 2020, gross profit increased $41.8 million, or 3.8%, in 2021 from 2020.

North America gross profit increased $18.1 million, or 2.1%, in 2021 from 2020. Excluding the impact of foreign exchange and the impact of the 53rd week in 2020, gross profit increased $27.8 million, or 3.3%, in 2021 from 2020 due primarily to the addition of the Legacy Primo business and pricing initiatives, partially offset by increased material costs in our single-use plastic business, ocean freight and tariffs.

Rest of World gross profit increased $25.4 million, or 10.1%, in 2021 from 2020. Excluding the impact of foreign exchange and the impact of the 53rd week in 2020, gross profit increased $14.0 million, or 5.6%, in 2021 from 2020 due primarily to improved volume and pricing.

Selling, General and Administrative Expenses

SG&A expenses increased to $1,034.3 million in 2021 compared to $1,006.6 million in 2020. SG&A expenses as a percentage of net revenue was 49.9% in 2021 compared to 51.5% in 2020.

North America SG&A expenses increased to $720.6 million in 2021 compared to $712.5 million in 2020, due primarily to the addition of the Legacy Primo business and an increase in delivery expenses, partially offset by cost reduction initiatives executed as a result of the impact of COVID-19.

Rest of World SG&A expenses increased to $273.1 million in 2021 compared to $251.6 million in 2020, due primarily to an increase in delivery expenses and the unfavorable impact of foreign exchange rates, partially offset by cost reduction initiatives executed as a result of the impact of COVID-19.

All Other SG&A expenses decreased to $40.6 million in 2021 compared to $42.5 million in 2020, due primarily to a decrease in professional fees, legal fees and share-based compensation costs, partially offset by an increase in salaries.

Acquisition and Integration Expenses

Acquisition and integration expenses decreased to $10.8 million in 2021 compared to $33.7 million in 2020. Acquisition and integration expenses as a percentage of net revenue was 0.5% in 2021 compared to 1.7% in 2020.

North America acquisition and integration expenses decreased to $5.2 million in 2021 compared to $9.8 million in 2020, due primarily to lower acquisition and integration costs relating to the Legacy Primo business.

Rest of World acquisition and integration expenses decreased to $1.7 million in 2021 compared to $2.8 million in 2020, due primarily to a reduction in costs associated with tuck-in acquisitions.

All Other acquisition and integration expenses decreased to $3.9 million in 2021 compared to $21.1 million in 2020, due primarily to lower acquisition and integration costs relating to the Legacy Primo business.

Goodwill and Intangible Asset Impairment Charges

Goodwill and intangible asset impairment charges decreased to nil in 2021 compared to $115.2 million in 2020. Goodwill and intangible asset impairment charges as a percentage of revenue was nil in 2021 compared to 5.9% in 2020.

North America goodwill and intangible asset impairment charges decreased to nil in 2021 compared to $1.2 million in 2020 due primarily to the non-recurrence of impairment charges recorded in the prior year on certain of our Canadian trademarks.

Rest of World goodwill and intangible asset impairment charges decreased to nil in 2021 compared to $114.0 million in 2020 due primarily to the non-recurrence of impairment charges recorded in the prior year as a result of general deterioration in economic and market conditions in which we operate arising from COVID-19 and revised projections of future operating results.

Operating Income (Loss)

Operating income was $103.0 million in 2021 compared to operating loss of $52.2 million in 2020.

North America operating income increased to $146.0 million in 2021 compared to $130.0 million in 2020, due to the items discussed above.

Rest of World operating income was $1.5 million in 2021 compared to operating loss of $118.3 million in 2020, due to the items discussed above.

All Other operating loss decreased to $44.5 million in 2021 compared to $63.9 million in 2020, due to the items discussed above.

Other Expense, Net

Other expense, net was $27.9 million in 2021 compared to $18.7 million in 2020, due primarily to the incremental loss recognized on the redemption of our 2025 Notes compared to the 2024 Notes in prior year and an increase of net losses on foreign currency transactions, partially offset by income recognized on sale of a business.

Income Taxes

Income tax expense was $9.5 million in 2021 compared to $4.3 million in 2020. The effective tax rate was 150.8% in 2021 compared to (2.8)% in 2020.

The effective tax rate for 2021 varied from the effective tax rate from 2020 due to increased losses in 2020 driven primarily by the impact of the COVID-19 pandemic for which minimal tax benefit was recognized, including the impairment charges related to goodwill and intangible assets during the second quarter of 2020. The effective tax rate for 2021 differs from the Canadian statutory rate primarily due to: (a) significant permanent differences for which we have not recognized a tax benefit; (b) income in tax jurisdictions with lower statutory tax rates than Canada; and (c) losses in tax jurisdictions with existing valuations allowances.

Year Ended January 2, 2021 Compared to Year Ended December 28, 2019

Revenue, Net

Net revenue increased $158.1 million, or 8.8%, in 2020 from 2019. Excluding the impact of foreign exchange and the impact of the 53rd week in 2020, net revenue increased $133.1 million, or 7.4%, in 2020 from 2019.

North America net revenue increased $223.4 million, or 17.6%, in 2020 from 2019. Excluding the impact of foreign exchange and the impact of the 53rd week in 2020, net revenue increased $205.0 million, or 16.1%, in 2020 from 2019, due primarily to the addition of revenues from the Legacy Primo business and pricing initiatives, partially offset by a decline in water and office coffee services consumption and volumes due to the impact of COVID-19.

Rest of World net revenue decreased $58.1 million, or 11.2%, in 2020 from 2019. Excluding the impact of foreign exchange and the impact of the 53rd week in 2020, net revenue decreased $64.7 million, or 12.5%, in 2020 from 2019, due primarily to a decline in water consumption and volumes due to the impact of COVID-19.

All Other net revenue decreased $7.2 million, or 100.0%, in 2020 from 2019, due primarily to the non-recurrence of revenue contributed by our Cott Beverages LLC business, which was sold in the first quarter of 2019.

Gross Profit

Gross profit increased $52.7 million, or 5.0%, in 2020 from 2019. Excluding the impact of foreign exchange and the impact of the 53rd week in 2020, gross profit increased $37.2 million, or 3.5%, in 2020 from 2019. Gross profit as a percentage of net revenue was 57.0% in 2020 compared to 59.1% in 2019.

North America gross profit increased $92.4 million, or 12.0%, in 2020 from 2019. Excluding the impact of foreign exchange and the impact of the 53rd week in 2020, gross profit increased $80.5 million, or 10.4%, in 2020 from 2019, due primarily to the addition of the Legacy Primo business and pricing initiatives, partially offset by a decline in water and office coffee services consumption and volumes as a result of the impact of COVID-19.

Rest of World gross profit decreased $39.4 million, or 13.6%, in 2020 from 2019. Excluding the impact of foreign exchange and the impact of the 53rd week in 2020, gross profit decreased $43.0 million, or 14.8%, in 2020 from 2019, due primarily to a decline in water consumption and volumes due to the effect of COVID-19.

All Other gross profit decreased to nil in 2020 compared to $0.3 million in 2019, due primarily to the non-recurrence of gross profit contributed by our Cott Beverages LLC business, which was sold in the first quarter of 2019.

Selling, General and Administrative Expenses

SG&A expenses increased to $1,006.6 million in 2020 compared to $962.2 million in 2019. SG&A expenses as a percentage of net revenue was 51.5% in 2020 compared to 53.6% in 2019.

North America SG&A expenses increased to $712.5 million in 2020 compared to $669.7 million in 2019, due primarily to the addition of the Legacy Primo business, partially offset by lower delivery expenses and cost reduction initiatives executed as a result of the impact of COVID-19.

Rest of World SG&A expenses decreased to $251.6 million in 2020 compared to $258.5 million in 2019, due primarily to lower delivery expenses and cost reduction initiatives executed as a result of the impact of COVID-19, as well as wage subsidies received, partially offset by an increase in severance costs.

All Other SG&A expenses increased to $42.5 million in 2020 compared to $34.0 million in 2019, due primarily to an increase in professional fees and share-based compensation costs, partially offset by the non-recurrence of SG&A expenses incurred by our Cott Beverages LLC business, which was sold in the first quarter of 2019.

Acquisition and Integration Expenses

Acquisition and integration expenses increased to $33.7 million in 2020 compared to $16.4 million in 2019. Acquisition and integration expenses as a percentage of net revenue was 1.7% in 2020 compared to 0.9% in 2019.

North America acquisition and integration expenses increased to $9.8 million in 2020 compared to $3.0 million in 2019, due primarily to the addition of the Legacy Primo business. The expenses in 2019 related primarily to the additions of our Mountain Valley and Crystal Rock businesses.

Rest of World acquisition and integration expenses decreased to $2.8 million in 2020 compared to $8.3 million in 2019, due primarily to a reduction in costs associated with tuck-in acquisitions.

All Other acquisition and integration expenses increased to $21.1 million in 2020 compared to $5.1 million in 2019, due primarily to the addition of the Legacy Primo business.

Goodwill and Intangible Asset Impairment Charges

Goodwill and intangible asset impairment charges increased to $115.2 million in 2020 compared to nil in 2019. Goodwill and intangible asset impairment charges as a percentage of revenue was 5.9% in 2020 compared to nil in 2019.

North America goodwill and intangible asset impairment charges increased to $1.2 million in 2020 compared to nil in 2019 due to impairment charges recorded on certain of our Canadian trademarks.

Rest of World goodwill and intangible asset impairment charges increased to $114.0 million in 2020 compared to nil in 2019 due primarily to general deterioration in economic and market conditions in which we operate arising from COVID-19.

Operating (Loss) Income

Operating loss was $52.2 million in 2020 compared to operating income of $75.0 million in 2019.

North America operating income increased to $130.0 million in 2020 compared to $91.2 million in 2019, due to the items discussed above.

Rest of World operating loss was $118.3 million in 2020 compared to operating income of $22.6 million in 2019, due to the items discussed above.

All Other operating loss increased to $63.9 million in 2020 compared to $38.8 million in 2019, due to the items discussed above.

Other Expense, Net

Other expense, net was $18.7 million in 2020 compared to $3.7 million in 2019, due primarily to the loss recognized on the redemption of our 2024 Notes and an increase of net losses on foreign currency transactions, partially offset by income recognized from a favorable legal settlement, as well as the loss recognized on the sale of our Cott Beverages LLC business in the prior year.

Income Taxes

Income tax expense was $4.3 million in 2020 compared to $4.5 million in 2019. The effective tax rate was (2.8)% in 2020 compared to (71.4)% in 2019.

The effective tax rate for 2020 varied from the effective tax rate from 2019 due to increased losses primarily driven by the impact of the COVID-19 pandemic in 2020 for which minimal tax benefit was recognized, including the impairment charges related to goodwill and intangible assets during the second quarter of 2020. The effective tax rate for 2020 differs from the Canadian statutory rate primarily due to: (a) significant permanent differences for which we have not recognized a tax benefit; (b) income in tax jurisdictions with lower statutory tax rates than Canada; and (c) losses in tax jurisdictions with existing valuations allowances.

Liquidity and Capital Resources

The following table summarizes our cash flows for 2021, 2020 and 2019 as reported in our Consolidated Statements of Cash Flows in the accompanying Consolidated Financial Statements:

	For the Year Ended		
(in millions of U.S. dollars)	January 1, 2022	January 2, 2021	December 28, 2019
Net cash provided by operating activities from continuing operations	**$ 258.7**	$ 193.6	$ 205.2
Net cash used in investing activities from continuing operations	**(240.9)**	(566.9)	(111.6)
Net cash used in financing activities from continuing operations	**(0.8)**	(91.0)	(65.4)
Cash flows from discontinued operations:			
Net cash (used in) provided by operating activities from discontinued operations	**(1.8)**	(17.4)	41.6
Net cash provided by (used in) investing activities from discontinued operations	**—**	388.9	(36.2)
Net cash used in financing activities from discontinued operations	**—**	(0.1)	(0.6)
Effect of exchange rate changes on cash	**(1.9)**	2.5	1.7
Net increase (decrease) in cash, cash equivalents and restricted cash	**13.3**	(90.4)	34.7
Cash and cash equivalents and restricted cash, beginning of year	**115.1**	205.5	170.8
Cash and cash equivalents and restricted cash, end of year	**128.4**	115.1	205.5
Cash and cash equivalents and restricted cash of discontinued operations, end of year	**—**	—	48.6
Cash and cash equivalents and restricted cash from continuing operations, end of year	**$ 128.4**	$ 115.1	$ 156.9

Operating Activities

Cash provided by operating activities from continuing operations was $258.7 million in 2021 compared to $193.6 million in 2020 and $205.2 million in 2019. The $65.1 million increase in 2021 compared to 2020 was due primarily to the increase in net income from continuing operations, excluding non-cash charges, partially offset by the change in working capital balances relative to the prior year.

The $11.6 million decrease in 2020 compared to 2019 was due primarily to the change in working capital balances, partially offset by the increase in net income from continuing operations, excluding non-cash charges, relative to the prior year.

Investing Activities

Cash used in investing activities from continuing operations was $240.9 million in 2021 compared to $566.9 million in 2020 and $111.6 million in 2019. The $326.0 million decrease in 2021 compared to 2020 was due primarily to the cash used to acquire our Legacy Primo business in the prior year partially offset by an increase in additions to property, plant and equipment relative to the prior year.

The $455.3 million increase in 2020 compared to 2019 was due primarily to the cash used to acquire our Legacy Primo business in the prior year, an increase in additions to property, plant and equipment relative to the prior year, and cash received from the sale of our Cott Beverages LLC business in the prior year.

Financing Activities

Cash used in financing activities from continuing operations was $0.8 million in 2021 compared to $91.0 million in 2020 and $65.4 million in 2019. The $90.2 million decrease in 2021 compared to 2020 was due primarily to an increase in net short term borrowings and issuance of common shares partially offset by an increase in common share repurchases relative to the prior year.

The $25.6 million increase in 2020 compared to 2019 was due primarily to the premium payments and financing fees incurred for the issuance of the 2028 Notes.

Financial Liquidity

As of January 1, 2022, we had $1,560.9 million of debt and $128.4 million of cash and cash equivalents compared to $1,470.7 million of debt and $115.1 million of cash and cash equivalents as of January 2, 2021.

The recent 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, global economic conditions during and after the pandemic, including disruptions in the global supply chain, inflation and labor shortages, governmental actions that have been taken, or may be taken in the future, in response to the pandemic, and changes in customer behavior in response to the pandemic, some of which may be more than just temporary.

We believe that our level of resources, which includes cash on hand, available borrowings under our Revolving Credit Facility and funds provided by 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 Revolving Credit Facility 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.

Our Revolving Credit Facility and debt capital markets transactions are described under “Debt” below.

In 2021, we declared a dividend of $0.06 per common share each quarter for an aggregate dividend payment of approximately $39.0 million.

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 shares of 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 aggregate, may be material. However, the covenants in our Revolving Credit Facility subject such purchases to certain limitations and conditions.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements as of January 1, 2022.

Other Liquidity Matters

We expect capital spending during the fiscal year ended December 31, 2022 to be approximately $200.0 million. Capital spending will be monitored and controlled as the year progresses. We expect to use operating cash flows to satisfy capital spending.

The following table shows the schedule of future payments under certain contracts, including debt agreements and guarantees, as of January 1, 2022:

		Payments due by period					
(in millions of U.S. dollars)	Total	2022	2023	2024	2025	2026	Thereafter
3.875% senior notes due in 2028	509.6	—	—	—	—	—	509.6
4.375% senior notes due in 2029	750.0	—	—	—	—	—	750.0
Revolving Credit Facility [1]	211.0	211.0	—	—	—	—	—
Interest expense [2]	381.0	58.6	52.4	52.3	53.0	52.8	111.9
Operating lease obligations	273.9	38.4	40.0	34.9	29.4	21.4	109.8
Finance leases [3]	118.1	19.7	18.5	16.6	15.5	11.8	36.0
Pension obligations	24.7	10.7	0.6	0.7	0.6	0.6	11.5
Purchase obligations [4]	43.4	30.6	12.4	0.4	—	—	—
Other liabilities	17.9	15.2	1.9	0.3	0.3	0.2	—
Total [5]	**$ 2,329.6**	**$ 384.2**	**$ 125.8**	**$ 105.2**	**$ 98.8**	**$ 86.8**	**$ 1,528.8**

1 The Revolving Credit Facility is considered a current liability. As of January 1, 2022, we had $211.0 million of outstanding borrowings under the Revolving Credit Facility.

2 Interest expense includes fixed interest on the 2028 Notes, 2029 Notes, the Revolving Credit Facility and other long-term liabilities. Actual amounts will differ from estimates provided.

3 Includes estimated interest payments using a weighted average discount rate of 3.6% as of January 1, 2022.

4 Purchase obligations consist of commitments for the purchase of inventory, energy transactions, and payments related to professional fees and technology outsourcing agreements. These obligations represent the minimum contractual obligations expected under the normal course of business.

5 The contractual obligations table excludes the Company’s ASC 740 uncertain tax positions of $17.5 million because the Company cannot make a reliable estimate as to when such amounts will be settled.

Debt

Our total debt as of January 1, 2022 and January 2, 2021 was as follows:

	January 1, 2022			January 2, 2021		
<u>(in millions of U.S. dollars)</u>	Principal	Unamortized Debt Costs	Net	Principal	Unamortized Debt Costs	Net
5.500% senior notes due in 2025	—	—	—	750.0	7.0	
3.875% senior notes due in 2028	**509.6**	**6.9**	**502.7**	551.9	8.3	
4.375% senior notes due in 2029	**750.0**	**10.0**	**740.0**	—	—	
Revolving Credit Facility	**211.0**	—	**211.0**	104.8	—	
Short-term borrowings	**11.1**	—	**11.1**	2.9	—	
Finance leases	**92.8**	—	**92.8**	71.5	—	
Other debt financing	**3.3**	—	**3.3**	4.9	—	
Total debt	**$ 1,577.8**	**$ 16.9**	**$ 1,560.9**	$ 1,486.0	$ 15.3	$ 1,
Less: Short-term borrowings and current debt:						
Revolving Credit Facility	**211.0**	—	**211.0**	104.8	—	
Short-term borrowings	**11.1**	—	**11.1**	2.9	—	
Finance leases - current maturities	**17.0**	—	**17.0**	13.2	—	
Other debt financing	**0.7**	—	**0.7**	4.7	—	
Total current debt	**$ 239.8**	**$ —**	**$ 239.8**	$ 125.6	$ —	$
Total long-term debt	**$ 1,338.0**	**$ 16.9**	**$ 1,321.1**	$ 1,360.4	$ 15.3	$ 1,

Revolving Credit Facility

The Company entered into the Credit Agreement on March 6, 2020. The Credit Agreement provides the Revolving Credit Facility, which may be increased by incremental credit extensions from time to time in the form of term loans or additional revolving credit commitments. The Revolving Credit Facility has a five year maturity date and includes letter of credit and swing line loan sub facilities. Borrowings under the Revolving Credit Facility were used to refinance in full and terminate our previously existing ABL facility, governed by the Second Amended and Restated Credit Agreement, dated January 30, 2019, by and among the Company, the other loan parties party thereto from time to time, JPMorgan Chase Bank, N.A., as administrative agent and as collateral agent, and the lenders from time to time party thereto (as amended, the "ABL Credit Agreement"). Certain letters of credit outstanding under the ABL Credit Agreement were rolled over under the Revolving Credit Facility on March 6, 2020.

As of January 1, 2022, our outstanding borrowings under the Revolving Credit Facility were $211.0 million and outstanding letters of credit totaled $59.4 million resulting in total utilization under the Revolving Credit Facility of $270.4 million. As a result, our unused availability under the Revolving Credit Facility was $79.6 million as of January 1, 2022. The commitment fee was 0.25% per annum of the unused availability under the Revolving Credit Facility.

The weighted average effective interest rate at January 1, 2022 on the Revolving Credit Facility outstanding borrowings was 2.4%. The weighted average effective interest rate at January 2, 2021 on the Revolving Credit Facility outstanding borrowings was 2.1%. The effective interest rates are based on our aggregate availability.

Borrowings under the Credit Agreement will bear interest at a rate per annum equal to either: (a) a eurocurrency rate as determined under the Credit Agreement, plus the applicable margin, or (b) a base rate equal to the highest of (i) Bank of America's prime rate, (ii) 0.5% per annum above the federal funds rate, and (iii) the eurocurrency rate, as determined under the Credit Agreement, for a one month interest period, plus 1.0%, plus the applicable margin. The applicable margin for eurocurrency rate loans ranges from 137.5 to 200 basis points and the applicable margin for base rate loans ranges from 37.5 to 100 basis points, in each case depending on our consolidated total leverage ratio. Unutilized commitments under the Credit Agreement are subject to a commitment fee ranging from 20 to 30 basis points per annum depending on our consolidated total leverage ratio, payable on a quarterly basis.

4.375% Senior Notes due in 2029

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

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

3.875% Senior Notes due in 2028

On October 22, 2020, we issued €450.0 million ($509.6 million at exchange rates in effect on January 1, 2022) of 2028 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 2028 Notes were issued by our wholly-owned subsidiary Primo Water Holdings Inc. The 2028 Notes are guaranteed by the Company and certain subsidiaries that are currently obligors under the Revolving Credit Facility, the 2024 Notes and the 2025 Notes. The 2028 Notes will mature on October 31, 2028 and interest is payable semi-annually on April 30th and October 31st of each year commencing on April 30, 2021.

On October 22, 2020, we used the €450.0 million proceeds of the 2028 Notes ($533.5 million at exchange rates in effect on October 22, 2020), along with borrowings from the Revolving Credit Facility, to redeem in full the 2024 Notes. The redemption of the 2024 Notes included $14.7 million in premium payments, accrued interest of $9.0 million, and the write-off of $5.1 million in deferred financing fees.

5.500% Senior Notes due in 2025

In March 2017, we issued $750.0 million of our 2025 Notes to qualified purchasers in a private placement offering under Rule 144A 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 2025 Notes were issued by our wholly-owned subsidiary Primo Water Holdings Inc. (formerly Cott Holdings Inc.), and most of our U.S., Canadian, U.K. and Dutch subsidiaries guarantee the 2025 Notes. The 2025 Notes will mature on April 1, 2025 and interest is payable semi-annually on April 1st and October 1st of each year commencing on October 1, 2017. The proceeds of the 2025 Notes were used to redeem in full $625.0 million of our 6.750% senior notes due 2020, redeem $100.0 million aggregate principal amount of the DSS Notes, and to pay related fees and expenses.

On April 30, 2021, we used the proceeds of the 2029 Notes, along with available cash on hand, to redeem in full the 2025 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.

Credit Ratings and Covenant Compliance

Credit Ratings

Our objective is to maintain credit ratings that provide us with ready access to global capital and credit markets at favorable interest rates.

As of January 1, 2022, the Company’s credit ratings were as follows:

	Credit Ratings	
	Moody’s Rating	Standard and Poor’s Rating
Corporate credit rating	B1	B
2028 Notes	B1	B
2029 Notes	B1	B
Outlook	Stable	Stable

Any downgrade of our credit ratings by either Moody's or S&P could increase our future borrowing costs or impair our ability to access capital markets on terms commercially acceptable to us or at all.

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 January 1, 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 or assumption, as applicable.

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 January 1, 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 January 1, 2022.

Issuer Purchases of Equity Securities

Common Share Repurchase Programs

On May 4, 2021, our Board of Directors approved a new share repurchase program for up to $50.0 million of our outstanding common shares over a 12-month period commencing on May 10, 2021. For the year ended January 1, 2022, we repurchased 2,646,831 common shares for approximately $43.5 million through open market transactions.

On December 11, 2019, 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, which expired on December 15, 2020. For the year ended January 2, 2021, we repurchased 2,316,835 common shares for $25.0 million through open market transactions under this repurchase plan.

Shares purchased under these repurchase plans were subsequently canceled.

Tax Withholding

During 2021, 263,220 shares (2020 — 540,182; 2019—263,484) of our previously-issued common shares were withheld from delivery to our employees to satisfy their tax obligations related to share-based awards. Please refer to the table in Part II, Item 5 of this Annual Report on Form 10-K.

Capital Structure

Since January 2, 2021, equity has decreased by $26.8 million. The decrease was due primarily to net loss of $3.2 million, common shares repurchased and subsequently canceled of $48.1 million, and common share dividend payments of $39.0 million, partially offset by the issuance of common shares of $28.4 million and share-based compensation costs of $17.5 million, and other comprehensive income, net of tax of $17.6 million.

Dividend payments

Common Share Dividend

Our Board of Directors declared a quarterly dividend of $0.06 per common share in each quarter during 2021 and 2020 for an aggregate dividend payment of approximately $39.0 million and $38.9 million, respectively. 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.

Recent Accounting Pronouncements

Refer to Note 1 in the Consolidated Financial Statements for a summary of recently adopted and recently issued accounting standards and their related effects or anticipated effects on our consolidated results of operations and financial condition.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We do not trade market risk sensitive instruments.

Currency Exchange Rate Risk

We are exposed to changes in foreign currency exchange rates. Operations outside of the United States accounted for 28.0% of 2021 revenue, net, and 26.8% of 2020 revenue, net, and are concentrated principally in the United Kingdom, Canada, and Europe. We translate the revenues and expenses of our foreign operations using average exchange rates prevailing during the period. The effect of a 10% change in the average foreign currency exchange rates among the U.S. dollar versus the Canadian dollar, pound sterling and Euro for the year ended January 1, 2022, would result in our revenue, net, in 2021 changing by $57.8 million and our gross profit in 2021 changing by $31.0 million. This change would be material to our cash flows and our results of operations.

Debt Obligations and Interest Rates

We have exposure to interest rate risk from the outstanding principal amounts of our short-term borrowings on our Revolving Credit Facility. Interest rates on our long-term debt are fixed and not subject to interest rate volatility. Our Revolving Credit Facility is vulnerable to fluctuations in euro currency rates, Bank of America's prime rate, and the federal funds rate. Because we had $211.0 million of Revolving Credit Facility borrowings outstanding as of January 1, 2022, a 100 basis point increase in the current per annum interest rate for our Revolving Credit Facility (excluding the $59.4 million of outstanding letters of credit) would result in additional interest expense of approximately $2.1 million. The weighted average interest rate of our outstanding Revolving Credit Facility at January 1, 2022 was 2.4%.

We regularly review the structure of our indebtedness and consider changes to the proportion of variable versus fixed rate debt through refinancing, interest rate swaps or other measures in response to the changing economic environment. Historically, we have not used derivative instruments to manage interest rate risk. If we use and fail to manage these derivative instruments successfully, or if we are unable to refinance our indebtedness or otherwise increase our debt capacity in response to changes in the marketplace, the expense associated with debt service could increase. This would negatively affect our financial condition and profitability.

The information below summarizes our market risks associated with debt obligations as of January 1, 2022. The table presents principal cash flows and related interest rates by year. Interest rates disclosed represent the actual weighted average rates as of January 1, 2022.

	Debt Obligations	
(in millions of U.S. dollars, except percentage amounts)	Outstanding debt balance	Weighted average interest rate
Debt maturing in:		
2022	$ 239.8	2.3 %
2023	18.2	3.3 %
2024	15.3	3.6 %
2025	14.9	3.6 %
2026	11.6	3.6 %
Thereafter	1,278.0	4.2 %
Total	$ 1,577.8	

Commodity Price Risk

The competitive marketplace in which we operate may limit our ability to recover increased costs through higher prices. As a result, we are subject to market risk with respect to commodity price fluctuations principally related to our purchases of resin for PET, HDPE and polycarbonate bottles, and fuel. We manage some of our exposure to this risk through the use of supplier pricing agreements, which enable us to fix the purchase prices for certain commodities, as well as derivative financial instruments. We estimate that a 10% increase in the market prices of these commodities over the current market prices would cumulatively increase our cost of sales during the next 12 months by approximately $8.1 million. This change would be material to our cash flows and our results of operations.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

See "Index to Consolidated Financial Statements."

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Our management, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of January 1, 2022 (the "Evaluation"). Based upon the Evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures (as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934 (the "Exchange Act")) are effective.

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Exchange Act Rules 13a-15(f) and 15d-15(f). Management evaluates the effectiveness of our internal control over financial reporting using the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control—Integrated Framework (2013). Management, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, assessed the effectiveness of our internal control over financial reporting as of January 1, 2022, and concluded that it was effective as of January 1, 2022.

The effectiveness of our internal control over financial reporting as of January 1, 2022 has been audited by PricewaterhouseCoopers LLP, our independent registered public accounting firm, who also audited our Consolidated Financial Statements included in this Annual Report on Form 10-K, as stated in their report which appears herein.

Changes in Internal Control Over Financial Reporting

There was no change in our internal control over financial reporting during the quarter ended January 1, 2022 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by this item regarding directors is incorporated by reference to, and will be contained in, the “Election of Directors” section of our definitive proxy statement for the 2022 Annual Meeting of Shareowners, which is expected to be filed within 120 days after January 1, 2022 (the “2022 Proxy Statement”). The information required by this item regarding executive officers appears as the Supplemental Item in Part I. There have been no material changes to the procedures by which shareholders may recommend nominees to our Board of Directors.

The Audit Committee of our Board of Directors is an “audit committee” for the purposes of Section 3(a)(58)(A) of the Securities Exchange Act of 1934, as amended. The Audit Committee charter is posted on our website at www.primowatercorp.com. The members of the Audit Committee are Graham Savage (Chairman), Gregory Monahan and Susan E. Cates. As required by the NYSE rules, the Board of Directors has determined that each member of the Audit Committee is independent and financially literate and that each of Mr. Savage and Ms. Cates qualifies as an “audit committee financial expert” within the meaning of the rules of the U.S. Securities and Exchange Commission.

All of our directors, officers and employees must comply with our Code of Business Conduct and Ethics. In addition, our Chief Executive Officer, Chief Financial Officer and principal accounting officer and certain other employees have a further obligation to comply with our Code of Ethics for Senior Officers. Our Code of Business Conduct and Ethics and our Code of Ethics for Senior Officers are posted on our website, www.primowatercorp.com, and we intend to comply with obligations to disclose any amendment to, or waiver of, provisions of these codes by posting such information on our website.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this item is incorporated by reference to, and will be contained in, the “Compensation of Executive Officers,” “The Human Resources and Compensation Committee Report” and “Compensation Committee Interlocks and Insider Participation” sections of our 2022 Proxy Statement.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED SHAREOWNER MATTERS

The information required by this item is incorporated by reference to, and will be contained in, the “Principal Shareowners,” “Security Ownership of Directors and Management” and “Equity Compensation Plan Information” sections of our 2022 Proxy Statement.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this item is incorporated by reference to, and will be contained in, the “Certain Relationships and Related Transactions” section of our 2022 Proxy Statement.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this item is incorporated by reference to, and will be contained in, the “Independent Registered Public Accounting Firm” section of our 2022 Proxy Statement.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) The documents filed as part of this report are as follows:

1. Financial Statements

The consolidated financial statements and accompanying report of a registered independent public accounting firm are listed in the Index to Consolidated Financial Statements and are filed as part of this report.

2. Financial Statement Schedule

Schedule II—Valuation and Qualifying Accounts for the Years Ended January 1, 2022, January 2, 2021, and December 28, 2019, page F-57 of this Annual Report on Form 10-K.

3. Exhibits

		Incorporated by Reference				Filed Herewith
Exhibit No.	Description of Exhibit	Form	Exhibit	Filing Date	File No.	
2.1	Share Purchase Agreement, dated as of July 24, 2017, by and among Cott Corporation, Refresco Group B.V., Refresco US Holdings Inc. and certain other parties thereto	8-K	2.1	7/26/2017	001-31410	
2.2 [(1)]	Agreement and Plan of Merger, dated as of January 13, 2020, by and among Cott Corporation, Cott Holdings Inc., Fore Merger LLC, Fore Acquisition Corporation and Primo Water Corporation	8-K	2.1	1/13/2020	001-31410	
2.3	Amendment No. 1 to Agreement and Plan of Merger, dated as of January 28, 2020, by and among Cott Corporation, Cott Holdings Inc., Fore Merger LLC, Fore Acquisition Corporation and Primo Water Corporation (incorporated by reference to the copy included as Annex A-2 to Part I of Cott's Registration Statement on Form S-4, filed on January 28, 2020)	S-4	2.2	1/28/2020	333-236122	
2.4 [(1)]	Stock Purchase Agreement, dated as of January 30, 2020, by and among Cott Corporation, Cott Holdings Inc., S. & D. Coffee, Inc. and Westrock Coffee Company, LLC	8-K	2.1	2/3/2020	001-31410	
3.1	Articles of Continuance of Primo Water Corporation	10-Q	3.1	8/6/2021	011-31410	
3.2	By-laws of Primo Water Corporation, as amended	10-Q	3.2	8/6/2021	001-31410	
4.1	Amended and Restated Shareholder Rights Plan Agreement, dated as of May 4, 2021, between Primo Water Corporation and Computershare Investor Services Inc., as Rights Agent	10-Q	4.1	8/6/2021	001-31410	
4.2	Indenture, dated as of October 22, 2020, by and among Primo Water Holdings Inc., the guarantors party thereto, BNY Trust Company of Canada, as Canadian Trustee, The Bank of New York Mellon, as U.S. Trustee, Paying Agent, Registrar, Transfer Agent and Authenticating Agent, and The Bank of New York Mellon, London Branch, as London Paying Agent, governing the 3.875% Senior Notes due 2028	8-K	4.1	10/22/2020	001-31410	

4.3	Form of 3.875% Senior Note due 2028 (included as Exhibit A to Exhibit 4.2)	8-K	4.1	10/22/2020	001-31410
4.4	Indenture, dated as of April 30, 2021, by and among Primo Water Holdings Inc., the guarantors party thereto, BNY Trust Company of Canada, as Canadian Trustee and the Bank of New York Mellon, as U.S. Trustee, Paying Agent, Registrar, Transfer Agent and Authenticating Agent, governing the 4.375% Senior Notes due 2029	8-K	4.1	4/30/2021	001-31410
4.5	Form of 4.375% Senior Notes due 2029 (included as Exhibit A to Exhibit 4.4)	8-K	4.1	4/30/2021	001-31410
4.6	Description of the Registrant's Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934	10-K	4.18	3/3/2021	001-31410
10.1 (2)	Credit Agreement, dated as of March 6, 2020, by and among Primo Water Corporation, as parent borrower, Cott Holdings Inc. and Eden Springs Nederland B.V., as subsidiary borrowers, certain other subsidiaries of the Company designated as subsidiary borrowers from time to time, Bank of America, N.A., as administrative agent, collateral agent, lead arranger and bookrunner, and the lenders party thereto	8-K	10.1	3/10/2020	001-31410
10.2	Amendment to Credit Agreement, dated September 23, 2021, by and among Primo Water Corporation, as parent borrower, and Bank of America, N.A., as administrative agent	10-Q	10.1	11/5/2021	001-31410
10.3 (4)	Offer Letter Agreement with Thomas Harrington dated August 1, 2018	8-K	10.2	8/3/2018	001-31410
10.4 (4)	Employment Offer Letter to Jay Wells dated December 22, 2020	10-K	10.10	3/3/2021	001-31410
10.5 (4)	Employment Offer Letter to Marni Morgan Poe dated December 22, 2020	10-K	10.11	3/3/2021	001-31410
10.6 (4)	Employment Offer Letter to Jason Ausher dated December 22, 2020	10-K	10.12	3/3/2021	001-31410
10.7 (4)	Employment Offer Letter to William Jamieson dated January 15, 2019	10-Q	10.1	5/9/2019	001-31410
10.8 (4)	Employment Offer Letter to Ghire Shivprasad dated June 15, 2020, as amended on December 22, 2020	10-Q	10.1	5/7/2021	001-31410
10.9 (4)	Employment Offer Letter to Mercedes Romero dated July 27, 2020, as amended on December 22, 2020	10-Q	10.3	5/7/2021	001-31410
10.10 (4)	Employment Offer Letter to Anne Melaragni dated May 4, 2021	10-Q	10.1	8/6/2021	001-31410
10.11 (4)	Offer Letter with Cate Gutowski, dated September 16, 2021	8-K	10.1	9/30/2021	001-31410

10.12 [4]	Amended and Restated Primo Water Corporation Severance and Non-Competition Plan, dated as of December 9, 2020	10-K	10.18	3/3/2021	001-31410	
10.13 [2]	Amended and Restated Primo Water Corporation Equity Incentive Plan	DEF 14A	Appendix B	3/28/2013	001-31410	
10.14 [2]	Amendment No. 1 to the Amended and Restated Primo Water Corporation Equity Incentive Plan	DEF 14A	Appendix B	3/26/2015	001-31410	
10.15 [2]	Amendment No. 2 to the Amended and Restated Primo Water Corporation Equity Incentive Plan	10-Q	10.3	8/9/2016	001-31410	
10.16 [2]	Amendment No. 3 to the Amended and Restated Primo Water Corporation Equity Incentive Plan, dated March 13, 2020	10-Q	10.6	5/7/2020	001-31410	
10.17 [2]	Amendment No. 4 to the Amended and Restated Primo Water Corporation Equity Incentive Plan, dated August 4, 2020	10-Q	10.2	11/5/2020	001-31410	
10.18 [2]	Primo Water Corporation 2018 Equity Incentive Plan	DEF 14A	Appendix B	3/21/2018	001-31410	
10.19 [2]	Amendment No. 1 to the Primo Water Corporation 2018 Equity Incentive Plan, dated March 13, 2020	10-Q	10.7	5/7/2020	001-31410	
10.20 [2]	Amendment No. 2 to the Primo Water Corporation 2018 Equity Incentive Plan, dated August 4, 2020	10-Q	10.3	11/5/2020	001-31410	
10.21 [2]	Form of Restricted Share Unit Award Agreement with Time-Based Vesting under the Primo Water Corporation Equity Incentive Plans	10-Q	10.2	11/5/2021	001-31410	
10.22 [2]	Form of Restricted Share Unit Award Agreement with Performance-Based Vesting under the Amended and Restated Primo Water Corporation Equity Incentive Plan and the Primo Water Corporation 2018 Equity Incentive Plan	10-K	10.28	3/3/2021	001-31410	
10.23 [2]	Form of Nonqualified Stock Option Agreement under the Primo Water Corporation Equity Incentive Plans	10-Q	10.3	11/5/2021	001-31410	
21.1	List of Subsidiaries of Primo Water Corporation					*
23.1	Consent of Independent Registered Public Accounting Firm					*
31.1	Certification of the Chief Executive Officer pursuant to section 302 of the Sarbanes-Oxley Act of 2002 for the year ended January 1, 2022.					*
31.2	Certification of the Chief Financial Officer pursuant to section 302 of the Sarbanes-Oxley Act of 2002 for the year ended January 1, 2022.					*
32.1	Certification of the Chief Executive Officer pursuant to section 906 of the Sarbanes-Oxley Act of 2002 for the year ended January 1, 2022.					*

32.2	Certification of the Chief Financial Officer pursuant to section 906 of the Sarbanes-Oxley Act of 2002 for the year ended January 1, 2022.	*
101	The following financial statements from Primo Water Corporation's Annual Report on Form 10-K for the fiscal year ended January 1, 2022, formatted in Inline XBRL (eXtensible Business Reporting Language): (i) Consolidated Statements of Operations, (ii) Condensed Consolidated Statements of Comprehensive (Loss) Income, (iii) Consolidated Balance Sheets, (iv) Consolidated Statements of Cash Flows, (v) Consolidated Statements of Equity, and (vi) Notes to the Consolidated Financial Statements.	*
104	Cover Page Interactive Date File (formatted as Inline XBRL and contained in Exhibit 101).	*

[1] Schedules and exhibits have been omitted pursuant to Item 601(b)(2) of Regulation S-K. A copy of any omitted schedule or exhibit will be furnished to the Securities and Exchange Commission upon request.

[2] Schedules and exhibits have been omitted pursuant to Item 601(a)(5) of Regulation S-K. A copy of any omitted schedule or exhibit will be furnished to the Securities and Exchange Commission upon request.

3 Portions of this exhibit have been omitted because they are both (i) not material and (ii) would be competitively harmful if publicly disclosed.

[4] Indicates a management contract or compensatory plan.

ITEM 16. FORM 10-K SUMMARY

Not applicable.

Signatures

Pursuant to the requirements of Section 13 or 15(d) 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

/s/ THOMAS J HARRINGTON

Thomas J. Harrington
Chief Executive Officer
Date: March 2, 2022

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated:

/s/ THOMAS J HARRINGTON **Thomas J. Harrington** **Chief Executive Officer, Director** **(Principal Executive Officer)** **Date: March 2, 2022**	/s/ ARCHANA SINGH **Archana Singh** **Director** **Date: March 2, 2022**
/s/ JAY WELLS **Jay Wells** **Chief Financial Officer** **(Principal Financial Officer)** **Date: March 2, 2022**	/s/GREGORY MONAHAN **Gregory Monahan** **Director** **Date: March 2, 2022**
/s/ JASON AUSHER **Jason Ausher** **Chief Accounting Officer** **(Principal Accounting Officer)** **Date: March 2, 2022**	/s/ MARIO PILOZZI **Mario Pilozzi** **Director** **Date: March 2, 2022**
/s/ JERRY FOWDEN **Jerry Fowden** **Executive Chairman, Director** **Date: March 2, 2022**	/s/ BRITTA BOMHARD **Britta Bomhard** **Director** **Date: March 2, 2022**
/s/ STEVEN P. STANBROOK **Steven P. Stanbrook** **Director** **Date: March 2, 2022**	/s/ GRAHAM SAVAGE **Graham Savage** **Director** **Date: March 2, 2022**
/s/ STEPHEN H. HALPERIN **Stephen H. Halperin** **Director** **Date: March 2, 2022**	/s/ ERIC ROSENFELD **Eric Rosenfeld** **Director** **Date: March 2, 2022**
/s/ SUSAN E. CATES **Susan E. Cates** **Director** **Date: March 2, 2022**	/s/ BILLY D. PRIM **Billy D. Prim** **Director** **Date: March 2, 2022**

PRIMO WATER CORPORATION
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Primo Water Corporation

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Primo Water Corporation and its subsidiaries (the "Company") as of January 1, 2022 and January 2, 2021, and the related consolidated statements of operations, of comprehensive income (loss), of equity and of cash flows for each of the three years in the period ended January 1, 2022, including the related notes and financial statement schedule listed in the index appearing under Item 15(a)(2) (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of January 1, 2022, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of January 1, 2022 and January 2, 2021, and the results of its operations and its cash flows for each of the three years in the period ended January 1, 2022 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of January 1, 2022, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

Change in Accounting Principle

As discussed in Note 1 to the consolidated financial statements, the Company changed the manner in which it accounts for leases in 2019.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matters

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that (i) relates to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Insurance Reserves

As described in Note 1 to the consolidated financial statements, the Company’s consolidated insurance reserves balance was $60.1 million as of January 1, 2022. The Company maintains insurance retention programs under its general liability, auto liability and workers’ compensation insurance programs. Management accrues for insurance reserves on an undiscounted basis based on known claims and estimated incurred but not reported claims not otherwise covered by insurance. The estimates are developed utilizing standard actuarial methods and are based on historical claims experience and actuarial assumptions, including loss development factors and expected ultimate loss selections.

The principal considerations for our determination that performing procedures relating to insurance reserves is a critical audit matter are (i) the significant judgment by management when developing the estimated insurance reserves; (ii) a high degree of auditor judgment and effort in performing procedures and evaluating audit evidence related to the standard actuarial methods and significant assumptions related to the loss development factors and expected ultimate loss selections; and (iii) the audit effort involved the use of professionals with specialized skill and knowledge.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to management’s estimate of insurance reserves, including controls over the standard actuarial methods and significant assumptions related to the loss development factors and expected ultimate loss selections and the completeness and accuracy of data related to historical claims experience. These procedures also included, among others, (i) testing management’s process for developing the estimated insurance reserves; (ii) evaluating the appropriateness of management’s standard actuarial methods; (iii) testing the completeness and accuracy of data related to historical claims experience; and (iv) evaluating the reasonableness of the significant assumptions used by management related to the loss development factors and expected ultimate loss selections. Professionals with specialized skill and knowledge were used to assist in evaluating (i) the appropriateness of management’s standard actuarial methods and (ii) the reasonableness of the loss development factor and expected ultimate loss selection significant assumptions.

/s/PricewaterhouseCoopers LLP
Tampa, Florida
March 2, 2022

We have served as the Company’s auditor since 2007.

PRIMO WATER CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS
(in millions of U.S. dollars, except share and per share amounts)

	For the Year Ended		
	January 1, 2022	**January 2, 2021**	**December 28, 2019**
Revenue, net	**$ 2,073.3**	$ 1,953.5	$ 1,795.4
Cost of sales	**915.9**	839.6	734.2
Gross profit	**1,157.4**	1,113.9	1,061.2
Selling, general and administrative expenses	**1,034.3**	1,006.6	962.2
Loss on disposal of property, plant and equipment, net	**9.3**	10.6	7.6
Acquisition and integration expenses	**10.8**	33.7	16.4
Goodwill and intangible asset impairment charges	**—**	115.2	—
Operating income (loss)	**103.0**	(52.2)	75.0
Other expense, net	**27.9**	18.7	3.7
Interest expense, net	**68.8**	81.6	77.6
Income (loss) from continuing operations before income taxes	**6.3**	(152.5)	(6.3)
Income tax expense	**9.5**	4.3	4.5
Net loss from continuing operations	**$ (3.2)**	$ (156.8)	$ (10.8)
Net income from discontinued operations, net of income taxes (Note 2)	**—**	25.1	13.7
Net (loss) income	**$ (3.2)**	$ (131.7)	$ 2.9
Net (loss) income per common share			
Basic:			
Continuing operations	**$ (0.02)**	$ (1.01)	$ (0.08)
Discontinued operations	**$ —**	$ 0.16	$ 0.10
Net (loss) income	**$ (0.02)**	$ (0.85)	$ 0.02
Diluted:			
Continuing operations	**$ (0.02)**	$ (1.01)	$ (0.08)
Discontinued operations	**$ —**	$ 0.16	$ 0.10
Net (loss) income	**$ (0.02)**	$ (0.85)	$ 0.02
Weighted average common shares outstanding (in thousands)			
Basic	**160,778**	155,446	135,224
Diluted	**160,778**	155,446	135,224

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

PRIMO WATER CORPORATION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(in millions of U.S. dollars)

	For the Year Ended		
	January 1, 2022	**January 2, 2021**	**December 28, 2019**
Net (loss) income	**$ (3.2)**	$ (131.7)	$ 2.9
Other comprehensive income (loss):			
Currency translation adjustment	**18.2**	(6.9)	13.6
Pension benefit plan, net of tax [1]	**(0.6)**	(0.1)	(1.3)
(Loss) income on derivative instruments, net of tax [2,3]	**—**	(11.2)	20.9
Total other comprehensive income (loss)	**17.6**	(18.2)	33.2
Comprehensive income (loss)	**$ 14.4**	$ (149.9)	$ 36.1

1 Net of the effect of $0.2 million tax benefit for the year ended December 28, 2019.

2 Net of $1.3 million of associated tax impact that resulted in a decrease to the gain on sale of discontinued operations for the year ended January 2, 2021.

3 Net of the effect of $3.0 million tax benefit and $6.8 million tax expense for the years ended January 2, 2021 and December 28, 2019, respectively.

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)

		January 1, 2022		January 2, 2021
ASSETS				
Current assets				
Cash and cash equivalents	**$**	**128.4**	$	115.1
Accounts receivable, net of allowance of $20.8 ($20.7 as of January 2, 2021)		**261.6**		222.3
Inventories		**94.6**		83.8
Prepaid expenses and other current assets		**25.2**		21.3
Total current assets		**509.8**		442.5
Property, plant and equipment, net		**718.1**		685.6
Operating lease right-of-use-assets		**177.4**		180.6
Goodwill		**1,321.4**		1,284.3
Intangible assets, net		**969.8**		987.6
Other long-term assets, net		**26.9**		24.1
Total assets	**$**	**3,723.4**	$	3,604.7
LIABILITIES AND EQUITY				
Current liabilities				
Short-term borrowings	**$**	**222.1**	$	107.7
Current maturities of long-term debt		**17.7**		17.9
Accounts payable and accrued liabilities		**437.7**		387.7
Current operating lease obligations		**32.3**		35.5
Total current liabilities		**709.8**		548.8
Long-term debt		**1,321.1**		1,345.1
Operating lease obligations		**148.7**		148.0
Deferred tax liabilities		**158.8**		148.1
Other long-term liabilities		**64.9**		67.8
Total liabilities		**2,403.3**		2,257.8
Commitments and contingencies - Note 20				
Equity				
Common shares, no par value - 160,732,552 (January 2, 2021 - 160,406,464) shares issued		**1,286.9**		1,268.0
Additional paid-in-capital		**85.9**		84.5
Retained earnings		**16.4**		81.1
Accumulated other comprehensive loss		**(69.1)**		(86.7)
Total Primo Water Corporation equity		**1,320.1**		1,346.9
Total liabilities and equity	**$**	**3,723.4**	$	3,604.7

Approved by the Board of Directors:
/s/ Susan E. Cates
Director

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)

	For the Year Ended		
	January 1, 2022	**January 2, 2021**	**December 28, 2019**
Cash flows from operating activities of continuing operations:			
Net (loss) income	**$ (3.2)**	$ (131.7)	$ 2.9
Net income from discontinued operations, net of income taxes	**—**	25.1	13.7
Net loss from continuing operations	**(3.2)**	(156.8)	(10.8)
Adjustments to reconcile net loss from continuing operations to cash flows from operating activities:			
Depreciation and amortization	**219.1**	202.1	168.6
Amortization of financing fees	**3.4**	3.5	3.5
Share-based compensation expense	**17.5**	22.1	11.7
Provision (benefit) for deferred income taxes	**4.0**	0.2	(1.1)
Loss on extinguishment of long-term debt	**27.2**	19.7	—
(Gain) loss on sale of business	**(3.8)**	(0.6)	6.0
Goodwill and intangible asset impairment charges	**—**	115.2	—
Loss on disposal of property, plant and equipment, net	**9.3**	10.6	7.6
Other non-cash items	**6.8**	(1.2)	(2.4)
Change in operating assets and liabilities, net of acquisitions:			
Accounts receivable	**(32.6)**	14.2	13.9
Inventories	**(10.9)**	1.0	(5.4)
Prepaid expenses and other current assets	**(4.5)**	2.4	4.4
Other assets	**0.2**	(3.6)	1.5
Accounts payable and accrued liabilities and other liabilities	**26.2**	(35.2)	7.7
Net cash provided by operating activities from continuing operations	**258.7**	193.6	205.2
Cash flows from investing activities of continuing operations:			
Acquisitions, net of cash received	**(90.5)**	(446.1)	(54.6)
Additions to property, plant and equipment	**(152.0)**	(114.0)	(101.3)
Additions to intangible assets	**(9.7)**	(9.3)	(8.8)
Proceeds from sale of property, plant and equipment	**1.9**	1.8	2.2
Proceeds from sale of business, net of cash sold	**7.1**	—	50.5
Other investing activities	**2.3**	0.7	0.4
Net cash used in investing activities from continuing operations	**(240.9)**	(566.9)	(111.6)
Cash flows from financing activities of continuing operations:			

Payments of long-term debt	**(763.9)**	(545.6)	(5.0)
Issuance of long-term debt	**750.0**	533.5	—
Payments on short-term borrowings	**(28.0)**	(334.7)	(64.2)
Proceeds from short-term borrowings	**134.2**	347.5	75.1
Premiums and costs paid upon extinguishment of long-term debt	**(20.6)**	(14.7)	—
Issuance of common shares	**25.5**	3.4	1.2
Common shares repurchased and canceled	**(48.1)**	(33.2)	(31.8)
Financing fees	**(11.6)**	(11.2)	—
Equity issuance fees	**—**	(1.1)	—
Dividends paid to common and preferred shareholders	**(38.9)**	(39.6)	(32.5)
Payment of contingent consideration for acquisitions	**(2.9)**	(1.2)	(0.3)
Other financing activities	**3.5**	5.9	(7.9)
Net cash used in financing activities from continuing operations	**(0.8)**	(91.0)	(65.4)
Cash flows from discontinued operations:			
Operating activities of discontinued operations	**(1.8)**	(17.4)	41.6
Investing activities of discontinued operations	**—**	388.9	(36.2)
Financing activities of discontinued operations	**—**	(0.1)	(0.6)
Net cash (used in) provided by discontinued operations	**(1.8)**	371.4	4.8
Effect of exchange rate changes on cash	**(1.9)**	2.5	1.7
Net increase (decrease) in cash, cash equivalents and restricted cash	**13.3**	(90.4)	34.7
Cash and cash equivalents and restricted cash, beginning of year	**115.1**	205.5	170.8
Cash and cash equivalents and restricted cash, end of year	**128.4**	115.1	205.5
Cash and cash equivalents and restricted cash of discontinued operations, end of year	**—**	—	48.6
Cash and cash equivalents and restricted cash from continuing operations, end of year	**$ 128.4**	$ 115.1	$ 156.9
Supplemental Non-cash Investing and Financing Activities:			
Shares issued in connection with business combination	**$ —**	$ 377.6	$ —
Additions to property, plant and equipment through accounts payable and accrued liabilities and other liabilities	**$ 21.5**	$ 12.5	$ 14.2
Accrued deferred financing fees	**$ —**	$ 0.7	$ —
Dividends payable issued through accounts payable and other accrued liabilities	**$ 0.4**	$ 0.3	$ 0.1
Supplemental Disclosures of Cash Flow Information:			
Cash paid for interest	**$ 70.7**	$ 87.2	$ 74.6
Cash paid for income taxes, net	**$ 8.3**	$ 8.1	$ 6.7

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 amounts)

	Primo Water Corporation Equity					
	Number of Common Shares (In thousands)	Common Shares	Additional Paid-in-Capital	Retained Earnings (Accumulated deficit)	Accumulated Other Comprehensive Loss	Total Equity
Balance at December 29, 2018	**136,195**	**$ 899.4**	**$ 73.9**	**$ 298.8**	**$ (101.7)**	**$ 1,170.4**
Cumulative effect of changes in accounting principle, net of taxes	—	—	—	10.5	—	10.5
Net income	—	—	—	2.9	—	2.9
Other comprehensive income, net of tax	—	—	—	—	33.2	$ 33.2
Common shares dividends ($0.24 per common share)	—	—	—	(32.6)	—	$ (32.6)
Share-based compensation	—	—	12.4	—	—	12.4
Common shares repurchased and canceled	(2,270)	(17.2)	—	(14.6)	—	(31.8)
Common shares issued - Equity Incentive Plan	781	8.8	(8.7)	—	—	0.1
Common shares issued - Dividend Reinvestment Plan	3	—	—	—	—	—
Common shares issued - Employee Stock Purchase Plan	94	1.3	(0.2)	—	—	1.1
Balance at December 28, 2019	134,803	892.3	77.4	265.0	(68.5)	1,166.2
Cumulative effect of changes in accounting principle, net of taxes	—	$ —	$ —	$ (3.6)	$ —	$ (3.6)
Net loss	—	—	—	(131.7)	—	(131.7)
Other comprehensive loss, net of tax	—	—	—	—	(18.2)	(18.2)
Common shares dividends ($0.24 per common share)	—	—	—	(38.9)	—	(38.9)
Share-based compensation	—	—	19.8	—	—	19.8
Common shares issued in connection with business combination and assumed vested awards, net of equity issuance costs of $1.1 million	26,497	376.5	2.9	—	—	379.4
Common shares repurchased and canceled	(2,857)	(23.5)	—	(9.7)	—	(33.2)
Common shares issued - Equity Incentive Plan	1,833	21.2	(15.3)	—	—	5.9
Common shares issued - Dividend Reinvestment Plan	1	—	—	—	—	—
Common shares issued - Employee Stock Purchase Plan	129	1.5	(0.3)	—	—	1.2
Balance at January 2, 2021	**160,406**	**$ 1,268.0**	**$ 84.5**	**$ 81.1**	**$ (86.7)**	**$ 1,346.9**
Net loss	—	—	—	(3.2)	—	(3.2)
Other comprehensive income, net of tax	—	—	—	—	17.6	17.6

Common shares dividends ($0.24 per common share)	—	—	—	(39.0)	—	(39.0)
Share-based compensation	—	—	17.5	—	—	17.5
Common shares repurchased and canceled	(2,910)	(25.6)	—	(22.5)	—	(48.1)
Common shares issued - Equity Incentive Plan	3,124	42.6	(15.8)	—	—	26.8
Common shares issued - Dividend Reinvestment Plan	1	—	—	—	—	—
Common shares issued - Employee Stock Purchase Plan	111	1.9	(0.3)	—	—	1.6
Balance at January 1, 2022	**160,732**	**$ 1,286.9**	**$ 85.9**	**$ 16.4**	**$ (69.1)**	**$ 1,320.1**

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

Notes to Consolidated Financial Statements

Description of Business

On March 2, 2020, Cott Corporation completed the acquisition of Primo Water Corporation ("Legacy Primo" and such transaction, the "Legacy Primo Acquisition"). In connection with the closing of the Legacy Primo Acquisition, Cott Corporation changed its corporate name to Primo Water Corporation ("Primo") and its ticker symbol on the New York Stock Exchange and Toronto Stock Exchange to "PRMW". The Legacy Primo Acquisition is consistent with our strategy of transitioning to a pure-play water solutions provider.

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 pure-play water solutions provider 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 major retailers and online at various price points or leased to customers. The dispensers help increase household penetration, which drives recurring purchases of Primo's razorblade offering. Primo's razorblade offering is comprised of Water Direct, Water Exchange, and Water Refill. Through its Water Direct business, Primo delivers sustainable hydration solutions across its 22-country footprint direct to the customer's door, whether at home or to commercial businesses. Through its Water Exchange and Water Refill businesses, Primo offers pre-filled and reusable containers at over 13,000 locations and water refill units at approximately 22,000 locations, respectively. Primo also offers water filtration units across its 22-country footprint representing a top five position.

Primo's water solutions expand consumer access to purified, spring and mineral water to promote a healthier, more sustainable lifestyle while simultaneously reducing plastic waste and pollution. Primo is committed to its water stewardship standards and is proud to partner with the International Bottled Water Association in North America as well as with Watercoolers Europe, which ensure strict adherence to safety, quality, sanitation and regulatory standards for the benefit of consumer protection. During 2020, our U.S. operations achieved a carbon neutral certification under the Carbon Neutral Protocol, an international standard administered by Natural Capital Partners. This certification is in addition to the certifications in our European operations where we have maintained carbon neutrality for the past ten consecutive years in many of our markets. 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 production of plastic water bottles by more than 400 million, annually, while also improving overall margins. The exit is anticipated to be completed by the middle of 2022.

Note 1—Summary of Significant Accounting Policies

Basis of Presentation

These Consolidated Financial Statements have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") using the U.S. dollar as the reporting currency, as the majority of our business and the majority of our shareowners are in the United States.

Our fiscal year is based on either a 52- or 53- week period ending on the Saturday closest to December 31. For the fiscal years ended January 1, 2022 and December 28, 2019, we had 52- weeks of activity, compared to 53- weeks of activity for the fiscal year ended January 2, 2021. We estimate the additional week contributed $19.4 million of additional revenue and $3.9 million of additional operating income for the fiscal year ended January 2, 2021.

One of our subsidiaries uses a calendar year-end which differs from the Company's 52- or 53- week fiscal year end. Differences arising from the use of the different fiscal year ends were not deemed material for the fiscal years ended January 1, 2022, January 2, 2021 or December 28, 2019.

Basis of Consolidation

The Consolidated Financial Statements include our accounts, our wholly-owned and majority-owned subsidiaries that we control. All intercompany transactions and accounts have been eliminated in consolidation.

Discontinued Operations

On February 28, 2020, we completed the sale of our coffee, tea and extract solutions business, S. & D. Coffee, Inc. ("S&D") for consideration of $405.0 million paid at closing in cash, with customary post-closing working capital adjustments, which were resolved in June 2020 by payment of $1.5 million from the Company to the purchasers of S&D. As a result of this transaction representing a strategic shift in our operations, the Company has reclassified the financial results of our discontinued operations to net income from discontinued operations, net of income taxes in the Consolidated Statements of Operations for the year ended December 28, 2019. Cash flows from our discontinued operations are presented in the Consolidated Statements of Cash Flows for the year ended December 28, 2019. The Notes to the Consolidated Financial Statements are presented on a continuing operations basis unless otherwise noted.

In July 2017, we entered into a Share Purchase Agreement with Refresco Group B.V., a Dutch company ("Refresco"), pursuant to which we sold to Refresco, on January 30, 2018, our carbonated soft drinks and juice businesses and our Royal Crown International finished goods export business (collectively, the "Traditional Business" and such transaction, the "Traditional Business Divestiture"). The sale of the Traditional Business represented a strategic shift and had a major effect on our operations and, therefore, the Traditional Business is presented herein as discontinued operations.

See Note 2 to the Consolidated Financial Statements for additional information on discontinued operations.

Impact of the COVID-19 Pandemic

The outbreak of the novel coronavirus ("COVID-19") had a significant impact on our business, financial condition, results of operations and cash flows for the year ended January 1, 2022. 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.

In response to COVID-19, certain government authorities have enacted programs that 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 year ended January 1, 2022 and January 2, 2021, we received wage subsidies under these programs totaling $3.7 million and $7.4 million. We review our eligibility for these programs for each qualifying period and account for such wage subsidies on an accrual basis when the conditions for eligibility are met. The Company has adopted an accounting policy to present wage subsidies as a reduction of selling, general and administrative ("SG&A") expenses. In addition, deferred payroll and other taxes totaling $7.5 million and $9.0 million were included in accounts payable and accrued liabilities on our Consolidated Balance Sheet as of January 1, 2022 and January 2, 2021, respectively, and $7.5 million was included in other long-term liabilities on our Consolidated Balance Sheet as of January 2, 2021.

During the year ended January 2, 2021, we recorded a total of $115.2 million of non-cash impairment charges related to goodwill and intangible assets. See goodwill and intangible asset impairment information below. The impairment charges were driven primarily by the impact of the COVID-19 pandemic and revised projections of future operating results.

In addition, on June 11, 2020, we announced that our Board of Directors approved a plan intended to optimize synergies from the Company's transition to a pure-play water company following the Legacy Primo Acquisition and to mitigate the negative financial and operational impacts of the COVID-19 pandemic, including implementing headcount reductions and furloughs in our North America and Rest of World reporting segments ("2020 Restructuring Plan"). When we implement these programs, we incur various charges, including severance, asset impairments, and other employment related costs. In connection with the 2020 Restructuring Plan, we incurred $10.5 million in severance costs and all costs related to the 2020 Restructuring Plan were recorded as of January 2, 2021. All severance costs incurred by the 2020 Restructuring Plan during the year ended January 2, 2021 were included in SG&A expenses on the Consolidated Statement of Operations.

The following table summarizes restructuring charges for the year ended January 2, 2021:

(in millions of U.S. dollars)	For the Year Ended January 2, 2021
North America	$ 2.7
Rest of World	7.8
Total	$ 10.5

The following table summarizes our restructuring liability as of January 2, 2021, along with charges to costs and expenses and cash payments. The remaining liabilities were paid during 2021.

	Restructuring Liability			
(in millions of U.S. dollars)	Balance at December 28, 2019	Charges to Costs and Expenses	Cash Payments	Balance at January 2, 2021
North America	$ —	$ 2.7	$ (2.7)	$ —
Rest of World	—	7.8	(7.5)	0.3
Total	$ —	$ 10.5	$ (10.2)	$ 0.3

Estimates

The preparation of these Consolidated Financial Statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the amount of revenue and expenses during the reporting period. Actual results could differ from those estimates. The Consolidated Financial Statements include estimates and assumptions that, in the opinion of management, were significant to the underlying amounts representing the future valuation of intangible assets, long-lived assets and goodwill, insurance reserves, realization of deferred income tax assets, the resolution of tax contingencies and projected benefit plan obligations.

Revenue Recognition

We recognize revenue, net of sales returns, when ownership passes to customers for products manufactured in our own plants and/or by third-parties on our behalf, and when prices to our customers are fixed or determinable and collection is reasonably assured. 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. Although we occasionally accept returns of products from our customers, historically returns have not been material.

We also recognize rental income on filtration, brewers and dispensing equipment at customer locations based on the terms of the related rental agreements, which are generally measured based on 28-day periods. Amounts billed to customers for rental in future periods are deferred and included in accounts payable and accrued liabilities on the Consolidated Balance Sheets.

Sales Incentives

We participate in various incentive programs with our customers, including volume-based incentives, contractual rebates and promotional allowances. Volume incentives are based on our customers achieving volume targets for a period of time. Volume incentives and contractual rebates are deducted from revenue and accrued as the incentives are earned and are based on management's estimate of the total the customer is expected to earn and claim. Promotional allowances are accrued at the time of revenue recognition and are deducted from revenue based on either the volume shipped or the volume sold at the retailer location, depending on the terms of the allowance. We regularly review customer sales forecasts to ensure volume targets will be met and adjust incentive accruals and revenues accordingly.

Cost of Sales

We record costs associated with the manufacturing of our products in cost of sales. Shipping and handling costs incurred to store, prepare and move products between production facilities or from production facilities to branch locations or storage facilities are recorded in cost of sales. Shipping and handling costs incurred to deliver products from our North America and Rest of World reporting segments branch locations to the end-user consumer of those products are recorded in selling, general and administrative ("SG&A") expenses. All other costs incurred in shipment of products from our production facilities to customer locations are reflected in cost of sales. Shipping and handling costs included in SG&A were $477.2 million, $441.4 million, and $479.3 million for the years ended January 1, 2022, January 2, 2021, and December 28, 2019, respectively. Finished goods inventory costs include the cost of direct labor and materials and the applicable share of overhead expense chargeable to production.

Selling, General and Administrative Expenses

We record all other expenses not charged to production as SG&A expenses. Advertising costs are expensed at the commencement of an advertising campaign and are recognized as a component of SG&A expenses. Advertising costs expensed were approximately $21.7 million, $21.2 million, and $22.5 million for the years ended January 1, 2022, January 2, 2021, and December 28, 2019, respectively.

Share-Based Compensation

We have in effect equity incentive plans under which Time-based RSUs, Performance-based RSUs, non-qualified stock options and director share awards have been granted (as such terms are defined in Note 9 of the Consolidated Financial Statements). Share-based compensation expense for all share-based compensation awards is based on the grant-date fair value. We recognized these compensation costs on a straight-line basis over the requisite service period of the award, which is generally the vesting term of three years, and account for forfeitures when they occur. The fair value of the Company's Time-based RSUs, Performance-based RSUs and director share awards are based on the closing market price of its common shares on the date of grant as stated on the NYSE. We estimate the fair value of non-qualified options as of the date of grant using the Black-Scholes option pricing model. This model considers, among other factors, the expected life of the award, the expected volatility of the Company's share price, and expected dividends. The Company records share-based compensation expense in SG&A expenses.

All excess tax benefits and tax deficiencies related to share-based compensation are recognized in results of operations at settlement or expiration of the award. The excess tax benefit or deficiency is calculated as the difference between the grant date price and the price of our common shares on the vesting or exercise date.

Cash and Cash Equivalents

Cash and cash equivalents include all highly liquid investments with original maturities not exceeding three months at the time of purchase. The fair values of our cash and cash equivalents approximate the amounts shown on our Consolidated Balance Sheets due to their short-term nature.

Accounts Receivable, Net of Allowance for Credit Losses

All trade accounts receivable are uncollected amounts owed to us from transactions with our North America and Rest of World customers. Trade accounts receivable represent amounts billed to customers and not yet collected, and are presented net of allowance for credit losses. We estimate an allowance for credit losses based on historical loss experience, adverse situations that may affect a customer's ability to pay, current conditions, reasonable and supportable forecasts and current economic outlook. Customer demographic, such as large commercial customers as compared to small businesses or individual customers, and the customer's geographic market are also considered when estimating credit losses. Historical loss experience was based on actual loss rates over a one year period. Additionally, we evaluate current conditions and review third-party economic forecasts on a quarterly basis to determine the impact on the allowance for credit losses. The assumptions used in determining an estimate of credit losses are inherently subjective and actual results may differ significantly from estimated reserves.

Inventories

Inventories are stated at the lower of cost, determined on the first-in, first-out method, or net realizable value. Finished goods and work-in-process include the inventory costs of raw materials, direct labor and manufacturing overhead costs. As a result, we use an inventory reserve to adjust our inventory costs down to a net realizable value and to reserve for estimated obsolescence of both raw materials and finished goods.

Customer Deposits

The Company generally collects deposits on multi-gallon bottles used by our residential and commercial water delivery customers. Such deposits are refunded only after customers return such bottles in satisfactory condition. The associated bottle deposit liability is estimated based on the number of water customers, average consumption and return rates and bottle deposit market rates. The Company analyzes these assumptions quarterly and adjusts the bottle deposit liability as necessary.

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation. Depreciation is allocated between cost of sales and SG&A expenses and is determined using the straight-line method over the estimated useful lives of the assets.

Leasehold improvements are amortized using the straight-line method over the remaining life of the lease or useful life of the asset, whichever is shorter. Maintenance and repairs are charged to operating expense when incurred.

Leases

We have operating and finance leases for manufacturing and production facilities, branch distribution and warehouse facilities, vehicles and machinery and equipment. At inception, we determine whether an agreement represents a lease and, at commencement, we evaluate each lease agreement to determine whether the lease constitutes an operating or financing lease. Some of our lease agreements have renewal options, tenant improvement allowances, rent holidays and rent escalation clauses.

We adopted the Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2016-02 - Leases as of December 30, 2018 using the cumulative-effect adjustment method and elected the package of practical expedients permitted in Accounting Standards Codification ("ASC") Topic 842. Accordingly, we accounted for our existing leases as operating or finance leases under the new guidance, without reassessing (a) whether the contracts contain a lease under ASC Topic 842, (b) whether classification of the leases would be different in accordance with ASC Topic 842, or (c) whether the unamortized initial direct costs before transition adjustments (as of December 29, 2018) would have met the definition of initial direct costs in ASC Topic 842 at lease commencement. We also elected to not separate lease components from non-lease components for all fixed payments.

Adoption of ASU 2016-02 did not have a material impact on the Company's cash flows from operations and had no impact on the Company's operating results. The most significant impact was the recognition of operating lease right-of-use assets and operating lease obligations on our balance sheet. Right-of-use lease assets represent our right to use the underlying asset for the lease term, and the operating lease obligation represents our commitment to make the lease payments arising from the lease. We have elected not to recognize on the balance sheet leases with terms of one-year or less. Lease liabilities and their corresponding right-of-use assets are recorded based on the present value of lease payments over the expected lease term. The interest rate implicit in lease contracts is typically not readily determinable. As such, we utilize the appropriate incremental borrowing rate, which is the rate incurred to borrow on a collateralized basis over a similar term an amount equal to the lease payments in a similar economic environment. Certain adjustments to the right-of-use asset may be required for items such as initial direct costs paid or incentives received. The lease term may include options to extend or terminate the lease when it is reasonably certain that we will exercise that option. Operating lease expense is recognized on a straight-line basis over the lease term, subject to any changes in the lease or expectations regarding the terms.

Goodwill

Goodwill represents the excess purchase price of acquired businesses over the fair value of the net assets acquired. Goodwill is not amortized, but instead is tested for impairment at least annually.

The following table summarizes our goodwill on a reporting segment basis as of January 1, 2022 and January 2, 2021:

	Reporting Segment			
(in millions of U.S. dollars)	**North America**	**Rest of World**	**All Other**	**Total**
Balance December 28, 2019				
Goodwill	$ 673.1	$ 374.4	$ —	$ 1,047.5
Accumulated impairment losses	—	—	—	—
	$ 673.1	$ 374.4	$ —	$ 1,047.5
Goodwill acquired during the year	343.3	5.6	—	348.9
Measurement period adjustments	(35.9)	—	—	(35.9)
Impairment Losses	—	(104.1)	—	(104.1)
Foreign exchange	1.6	26.3	—	27.9
Balance January 2, 2021				
Goodwill	982.1	406.3	—	1,388.4
Accumulated impairment losses	—	(104.1)	—	(104.1)
	$ 982.1	$ 302.2	$ —	$ 1,284.3
Goodwill acquired during the year	10.3	48.7	—	59.0
Measurement period adjustments	1.8	0.5	—	2.3
Impairment losses	—	—	—	—
Divestitures	—	(4.2)	—	(4.2)
Foreign exchange	(0.1)	(19.9)	—	(20.0)
Balance January 1, 2022				
Goodwill	994.1	431.4	—	1,425.5
Accumulated impairment losses	—	(104.1)	—	(104.1)
	$ 994.1	$ 327.3	$ —	$ 1,321.4

The Company operates through two operating segments: North America and Rest of World. These two operating segments are also reportable segments.

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.

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 Rest of World operating segment was determined to have five components: Eden, Aimia, Decantae, Fonthill, and Farrers, none of which have similar economic characteristics. For the purpose of testing goodwill for impairment in 2021, we have determined reporting units are DSSAqua, Mountain Valley, Eden, Aimia, Decantae, Fonthill, and Farrers.

We had goodwill of $1,321.4 million on our Consolidated Balance Sheet at January 1, 2022, which represents amounts for the DSSAqua, Mountain Valley, Eden, Aimia, Fonthill, and Decantae reporting units.

For purposes of the 2021 annual test, we elected to perform a qualitative assessment for all reporting units to assess whether it was more likely than not that the fair value of these reporting units exceeded their respective carrying values. In performing these assessments, management relied on a number of factors including, but not limited to, macroeconomic conditions, industry and market considerations, cost factors that would have a negative effect on earnings and cash flows, overall financial performance compared with forecasted projections in prior periods, and other relevant reporting unit events, the impact of which are all significant judgments and estimates. Based on these factors, management concluded that it was more likely than not that the fair values of our reporting units were greater than their respective carrying amounts, including goodwill, indicating no impairment. Goodwill allocated to the DSSAqua, Mountain Valley, Eden, Aimia, Fonthill, and Decantae reporting units as of January 1, 2022 are $978.1 million, $16.0 million, $271.6 million, $53.3 million, $1.1 million and $1.3 million, respectively.

Each year during the fourth quarter, we re-evaluate the assumptions used in our assessments, such as revenue growth rates, SG&A expenses, capital expenditures and discount rates, to reflect any significant changes in the business environment that could materially affect the fair value of our reporting units. Based on the evaluations performed in 2021, we determined that the fair value of each of our reporting units exceeded their carrying amounts.

There are inherent uncertainties related to each of the above listed assumptions, and our judgment in applying them. Changes in the assumptions used in our qualitative assessment could result in impairment charges that could be material to our Consolidated Financial Statements in any given period.

During 2020, we identified a triggering event arising from the impact of the COVID-19 pandemic and performed an interim quantitative impairment test as of June 27, 2020. We determined that goodwill was impaired for the Eden, Decantae, and Farrers reporting units and recognized impairment charges of $103.3 million, $0.3 million and $0.5 million, respectively. These impairment charges are included in goodwill and intangible asset impairment charges in the Consolidated Statement of Operations for the year ended January 2, 2021.

Intangible Assets

As of January 1, 2022, our intangible assets subject to amortization, net of accumulated amortization were $509.9 million, consisting principally of $462.7 million of customer relationships that arose from acquisitions, $23.7 million of software, and $10.5 million of patents. Customer relationships are typically amortized over the period for which we expect to receive the economic benefits. The customer relationship intangible assets acquired in our acquisitions are amortized over the expected remaining useful life of those relationships on a basis that reflects the pattern of realization of the estimated undiscounted after-tax cash flows. We review the estimated useful life of these intangible assets annually, unless a review is required more frequently due to a triggering event, such as a loss of a significant customer. Our review of the estimated useful life takes into consideration the specific net cash flows related to the intangible asset. The permanent loss of, or significant decline in sales to customers included in the intangible asset would result in either an impairment in the value of the intangible asset or an accelerated amortization of any remaining value and could lead to an impairment of the fixed assets that were used to service that customer. We did not record impairment charges for our intangible assets subject to amortization in 2021, 2020 or 2019.

Our intangible assets with indefinite lives relate to trademarks acquired in the acquisition of Legacy Primo, trademarks acquired in the acquisition of DSS, trademarks acquired in the acquisition of Eden, one of the trademarks acquired in the acquisition of Aquaterra, trademarks acquired in the Mountain Valley Acquisition and trademarks acquired in the Crystal Rock Acquisition (collectively the "Trademarks"). The trademark acquired in the acquisition of SipWell (the "SipWell Trademark") was also assigned an indefinite life. These assets have an aggregate net book value of $459.2 million as of January 1, 2022. There are no legal, regulatory, contractual, competitive, economic, or other factors that limit the useful life of these intangible assets.

The lives of the Trademarks are considered to be indefinite and therefore these intangible assets are not amortized. Rather, they are tested for impairment at least annually or more frequently if we determine a triggering event has occurred during the year. We compare the carrying amount of the intangible asset to its fair value and when the carrying amount is greater than the fair value, we recognize an impairment loss.

We assessed qualitative factors to determine whether the existence of events or circumstances indicated that it was more likely than not that the fair value of the Trademarks were less than their respective carrying value. The qualitative factors we assessed included macroeconomic conditions, industry and market considerations, cost factors that would have a negative effect on earnings and cash flows, overall financial performance compared with forecasted projections in prior periods, and other relevant events, the impact of which are all significant judgments and estimates. During the fourth quarter of 2021, we concluded that it was more likely than not that the fair value of the Trademarks was more than their carrying value and therefore we were not required to perform any additional testing. The SipWell Trademark was acquired on December 30, 2021 and valued as of that date. As such, we did not perform an impairment test with respect to this trademark.

There are inherent uncertainties related to each of the above listed assumptions, and our judgment in applying them. Changes in the assumptions used in our qualitative assessment could result in impairment charges that could be material to our Consolidated Financial Statements in any given period.

During 2020, we identified a triggering event arising from the impact of the COVID-19 pandemic and performed an interim quantitative impairment test as of June 27, 2020. We determined the Eden Trademarks and the Aquaterra Trademark were impaired and recognized impairment charges of $9.9 million and $1.2 million, respectively. These impairment charges are included in goodwill and intangible asset impairment charges in the Consolidated Statement of Operations for the year ended January 2, 2021.

Impairment and Disposal of Long-Lived Assets

When adverse events occur, we compare the carrying amount of long-lived assets to the estimated undiscounted future cash flows at the lowest level of independent cash flows for the group of long-lived assets and recognize any impairment loss based on discounted cash flows in the Consolidated Statements of Operations, taking into consideration the timing of testing and the asset's remaining useful life. The expected life and value of these long-lived assets is based on an evaluation of the competitive environment, history and future prospects as appropriate. We did not record impairments of long-lived assets in 2021, 2020 or 2019. As part of normal business operations, we identify long-lived assets that are no longer productive and dispose of them. Losses on disposals of assets are presented separately in our Consolidated Statements of Operations as part of operating income. We recognized losses on disposal of property, plant and equipment, net of $9.3 million for the year ended January 1, 2022 ($10.6 million—January 2, 2021; $7.6 million—December 28, 2019).

Insurance Reserves

We maintain insurance retention programs under our general liability, auto liability, and workers' compensation insurance programs. We also carry excess coverage to mitigate catastrophic losses. We use an independent third-party actuary to assist in determining our insurance reserves. Insurance reserves are accrued on an undiscounted basis based on known claims and estimated incurred but not reported claims not otherwise covered by insurance. The estimates are developed utilizing standard actuarial methods and are based on historical claims experience and actuarial assumptions, including loss development factors and expected ultimate loss selections. The inherent uncertainty of future loss projections could cause actual claims to differ from our estimates. The Company recorded insurance reserves of $60.1 million and $52.2 million as of January 1, 2022 and January 2, 2021, respectively, within accounts payable and accrued liabilities and other long-term liabilities, of which $17.2 million and $10.8 million, respectively, was covered by insurance and included as a component of accounts receivable, net of allowance and other long-term assets.

Foreign Currency Translation

The assets and liabilities of non-U.S. active operations, all of which are self-sustaining, are translated to U.S. dollars at the exchange rates in effect at the balance sheet dates. Revenues and expenses are translated using average monthly exchange rates prevailing during the period. The resulting gains or losses are recorded in accumulated other comprehensive (income) loss.

Income Taxes

We account for income taxes under the asset and liability method. Deferred tax assets and liabilities are recognized based on the differences between the financial statement carrying amount of assets and liabilities and their respective tax bases, using currently enacted income tax rates. A valuation allowance is established to reduce deferred income tax assets if, on the basis of available evidence, it is not more likely than not that all or a portion of any deferred tax assets will be realized. The consideration of available evidence requires significant management judgment including an assessment of the future periods in which the deferred tax assets and liabilities are expected to be realized and projections of future taxable income.

The ultimate realization of the deferred tax assets, including net operating losses, is dependent upon the generation of future taxable income during the periods prior to their expiration. If our estimates and assumptions about future taxable income are not appropriate, the value of our deferred tax assets may not be recoverable, which may result in an increase to our valuation allowance that will impact current earnings.

We account for uncertain tax positions using a two-step process. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates that it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, based on the technical merits. The second step requires management to estimate and measure the tax benefit as the largest amount that is more than 50% likely to be realized upon ultimate settlement. It is inherently difficult and subjective to estimate such amounts, as we have to determine the probability of various possible outcomes. We re-evaluate these uncertain tax positions on a quarterly basis. This evaluation is based on factors including, but not limited to, changes in facts or circumstances, changes in tax law, effectively settled issues under audit, and new audit activity. Such a change in recognition or measurement would result in the recognition of a tax benefit or an additional charge to the tax provision.

We recognize interest and penalties related to unrecognized tax benefits within the income tax expense (benefit) line in the accompanying Consolidated Statements of Operations, and we include accrued interest and penalties within the other long-term liabilities line in the accompanying Consolidated Balance Sheets.

Pension Costs

We record annual amounts relating to defined benefit pension plans based on calculations, which include various actuarial assumptions such as discount rates and assumed rates of return on plan assets depending on the pension plan. Material changes in pension costs may occur in the future due to changes in these assumptions. Future annual amounts could be impacted by changes in the discount rate, changes in the expected long-term rate of return on plan assets, changes in the level of contributions to the plans and other factors. The funded status is the difference between the fair value of plan assets and the benefit obligation. Future actuarial gains or losses that are not recognized as net periodic benefits cost in the same periods will be recognized as a component of other comprehensive income. The service cost component of net periodic pension cost is included in cost of sales and SG&A and all other components are included in other expense (income), net in the Consolidated Statements of Operations.

Recently adopted accounting pronouncements

Update ASU 2018-14 – Compensation—Retirement Benefits—Defined Benefit Plans—General (Subtopic 715-20)

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

Recently issued accounting pronouncements

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

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

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.

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

In November 2021, the FASB issued guidance which 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. We do not expect adoption of this standard to result in additional disclosures within our Consolidated Financial Statements.

Note 2—Discontinued Operations

On February 28, 2020, the Company completed the sale of S&D Coffee, Inc. ("S&D") to Westrock Coffee Company, LLC (“Westrock”), pursuant to which Westrock acquired all of the issued and outstanding equity of S&D from the Company ("S&D Divestiture”). The consideration was $405.0 million paid at closing in cash, with customary post-closing working capital adjustments, which were resolved in June 2020 by payment of $1.5 million from the Company to Westrock. The Company used the proceeds of the S&D Divestiture to finance a portion of the Legacy Primo Acquisition. See Note 5 to the Consolidated Financial Statements for additional information on the Legacy Primo Acquisition.

On January 30, 2018, the Company completed the sale of the Traditional Business to Refresco. In July 2020, a settlement agreement was reached with Refresco related to the $12.4 million of the total sale proceeds that were being held in escrow by a third-party escrow agent to secure potential indemnification claims. In exchange for a settlement of pending and future claims, $4.0 million of the escrow funds were released to Refresco and the remaining $8.4 million were released to us.

For the year ended December 28, 2019, the Company paid Refresco $0.7 million for the contract manufacture of beverage products and reimbursed Refresco $0.7 million for various operational expenses that were paid by Refresco on its behalf. For the year ended December 28, 2019, Refresco paid the Company $7.2 million for the contract manufacture of beverage products.

The major components of net income from discontinued operations, net of income taxes in the accompanying Consolidated Statements of Operations include the following:

	For the Year Ended	
(in millions of U.S. dollars)	January 2, 2021	December 28, 2019
Revenue, net [1]	$ 97.1	$ 605.0
Cost of sales	71.1	438.4
Operating (loss) income from discontinued operations	(0.5)	15.4
Gain on sale of discontinued operations	53.7	—
Income from discontinued operations, before income taxes	53.1	15.7
Income tax expense [2, 3]	28.0	2.0
Net income from discontinued operations, net of income taxes	25.1	13.7

[1] Includes related party sales to continuing operations of $1.0 million and $5.9 million for the years ended January 2, 2021 and December 28, 2019, respectively.

[2] During 2019, $3.0 million of tax benefit was recorded related to the finalization of the U.S. tax gain calculation for the Traditional Business Divestiture.

[3] The S&D Divestiture resulted in tax expense of $28.5 million on the gain on sale in 2020 and utilized a significant portion of the existing U.S. net operating loss carryforwards.

Note 3—Leases

We have operating and finance leases for manufacturing and production facilities, branch distribution and warehouse facilities, vehicles and machinery and equipment. The remaining terms on our finance leases range from one year to 35 years, while our operating leases range from one year to 20 years, some of which may include options to extend the leases generally between one year and 10 years, and some of which may include options to terminate the leases within one year.

The components of lease expense were as follows:

	For the Year Ended	
(in millions of U.S. dollars)	January 1, 2022	January 2, 2021
Operating lease cost	**$ 50.0**	$ 49.0
Short-term lease cost	**6.3**	8.0
Finance lease cost		
Amortization of right-of-use assets	**$ 15.7**	$ 11.7
Interest on lease liabilities	**3.6**	3.5
Total finance lease cost	**$ 19.3**	$ 15.2
Sublease income	**$ 0.8**	$ 0.7

Supplemental cash flow information related to leases was as follows:

	For the Year Ended	
(in millions of U.S. dollars)	January 1, 2022	January 2, 2021
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	**$ 51.4**	$ 52.2
Operating cash flows from finance leases	**3.3**	3.6
Financing cash flows from finance leases	**13.8**	10.5
Right-of-use assets obtained in exchange for lease obligations:		
Operating leases	**$ 37.2**	$ 29.5
Finance leases	**35.8**	52.2

Supplemental balance sheet information related to leases was as follows:

(in millions of U.S. dollars, except lease term and discount rate)	January 1, 2022	January 2, 2021
Operating leases		
Operating lease right-of-use assets	**$ 177.4**	$ 180.6
Current operating lease obligations	**32.3**	35.5
Operating lease obligations	**148.7**	148.0
Total operating lease obligations	**$ 181.0**	$ 183.5
Financing leases		
Property, plant and equipment, net	**$ 90.4**	$ 71.0
Current maturities of long-term debt	**17.0**	13.2
Long-term debt	**75.8**	58.3
Total finance lease obligations	**$ 92.8**	$ 71.5

Weighted Average Remaining Lease Term	January 1, 2022	January 2, 2021
Operating leases	**7.7 years**	7.6 years
Finance leases	**10.1 years**	5.5 years
Weighted Average Discount Rate		
Operating leases	**5.9 %**	6.1 %
Finance leases	**3.6 %**	4.9 %

Maturities of operating lease obligations were as follows:

(in millions of U.S. dollars)	January 1, 2022
2022	**$ 41.4**
2023	**36.9**
2024	**31.2**
2025	**25.7**
2026	**17.6**
Thereafter	**80.5**
Total lease payments	**233.3**
Less imputed interest	**(52.3)**
Present value of lease obligations	**$ 181.0**

Maturities of finance lease obligations were as follows:

(in millions of U.S. dollars)		January 1, 2022
2022	$	19.7
2023		18.5
2024		16.6
2025		15.5
2026		11.8
Thereafter		36.0
Total lease payments		118.1
Less imputed interest		(25.3)
Present value of lease obligations	$	92.8

Prior to January 1, 2022, we entered into two building leases; the first with a 10 year term beginning in 2022 and the second with a 13.3 year term beginning in 2022. The total lease commitment for these two operating leases is approximately $21.9 million.

Prior to January 1, 2022, we entered into a 10.8 year office lease beginning in 2022. The total lease commitment for this operating lease is approximately $18.7 million.

Note 4—Revenue

Our principal source of revenue is from bottled water delivery direct to customers primarily in North America and Europe and from providing multi-gallon purified bottled water, self-service refill drinking water and water dispensers through major retailers in North America for the years ended January 1, 2022, January 2, 2021 and December 28, 2019. 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 client arrangement, and revenue is recognized when the performance obligations in the client 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. Clients typically receive the benefit of our services as they are performed. Substantially all our client 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 the Company's 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, the Company estimates the rebate or discount that will be granted to the customer and records an accrual upon invoicing. These estimated rebates or discounts are included in the transaction price of the Company's 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. This methodology is consistent with the manner in which the Company historically estimated and recorded promotional programs and discounts. Accrued sales incentives were $8.0 million and $9.9 million at January 1, 2022 and January 2, 2021, respectively.

We do not disclose the value of unsatisfied performance obligations for contracts (i) with an original expected length of one year or less or (ii) for which the Company recognizes 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 the Company's 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 January 1, 2022 and January 2, 2021 were $12.6 million and $11.7 million, respectively. The amount of revenue recognized for the year ended January 1, 2022 that was included in the January 2, 2021 deferred revenue balance was $11.3 million.

The Company does not have any material contract assets as of January 1, 2022 and January 2, 2021.

Disaggregated Revenue

In general, the Company's business segmentation is aligned according to the nature and economic characteristics of its 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:

	For the Year Ended		
(in millions of U.S. dollars)	January 1, 2022	January 2, 2021	December 28, 2019
United States	$ 1,493.7	$ 1,429.6	$ 1,210.0
United Kingdom	157.8	142.2	172.0
Canada	69.9	64.1	67.0
All other countries	351.9	317.6	346.4
Total	$ 2,073.3	$ 1,953.5	$ 1,795.4

Note 5—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:

(in millions of U.S. dollars)	Acquired Value
Cash and cash equivalents	$ 6.8
Accounts receivable	1.3
Inventory	0.1
Prepaid expenses and other current assets	0.2
Property, plant and equipment	21.7
Operating lease right-of-use-assets	0.4
Goodwill	38.1
Intangible assets	20.0
Current maturities of long-term debt	(1.6)
Accounts payable and accrued liabilities	(9.9)
Current operating lease obligations	(0.4)
Long-term debt	(17.7)
Deferred tax liabilities	(5.9)
Total	$ 53.1

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.

The amount of revenues and net income related to the SipWell Acquisition for the period from the acquisition date through January 1, 2022 was immaterial. During the year ended January 1, 2022, the Company incurred $0.3 million of acquisition-related costs associated with the SipWell Acquisition, which are included in acquisition and integration expenses in the Consolidated Statement of Operations for the year ended January 1, 2022.

Legacy Primo Acquisition

On March 2, 2020, the Company completed the Legacy Primo Acquisition, adding North America's leading single source provider of multi-gallon purified bottled water, self-service refill drinking water and water dispensers sold through major retailers to the Company's catalog of residential and commercial bottled water delivery businesses in North America and Europe. Primo is a familiar name in sustainable water solutions that will help drive the visibility of our water businesses, moving us towards a pure-play water solutions company. The Legacy Primo Acquisition broadens our capabilities and our portfolio, creating new cross-selling opportunities and vertical integration across residential and commercial delivery, retail, filtration, refill and exchange services. Integrating Legacy Primo with our North America business will enable us to combine the expertise and innovation of these two growing companies with complementary business models. The integration gives us the ability to expand Legacy Primo's products and services across our 22-country footprint.

The Legacy Primo Acquisition was structured as an exchange offer to purchase all of the outstanding shares of common stock of Legacy Primo for per-share consideration of (i) $14.00 in cash, (ii) 1.0229 common shares plus cash in lieu of any fractional common share, or (iii) $5.04 in cash and 0.6549 common shares, at the election of Legacy Primo's stockholders, subject to the proration procedures set forth in the merger agreement. Immediately following the consummation of the exchange offer, we indirectly acquired the remaining Legacy Primo shares through a merger between Legacy Primo and one of our wholly-owned subsidiaries.

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

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

The Legacy Primo Acquisition supported the Company's strategy of transitioning to a pure-play water solutions provider. 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.

The purchase price of $798.2 million has been allocated to the assets acquired and liabilities assumed based on management's estimates of their fair values as of the acquisition date. The excess of the adjusted purchase price over the aggregate fair values was recorded as goodwill. Measurement period adjustments recorded during the year ended January 1, 2022 included a deferred tax adjustment related to the final valuation and an adjustment to accounts payable and accrued liabilities based on a review of the respective fair value as of the date of the Legacy Primo Acquisition. The measurement period adjustments did not have a material effect on our results of operations in prior periods.

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

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

We incurred $27.1 million of acquisition-related costs associated with the Legacy Primo Acquisition, which are included in acquisition and integration expenses in the Consolidated Statement of Operations for the year ended January 2, 2021. During the third quarter of 2020, Legacy Primo was integrated with our North America business, therefore it is impracticable to determine the amount of revenue and net income related to the Legacy Primo Acquisition included in our Consolidated Statement of Operations for the period from the date of the Legacy Primo Acquisition through January 1, 2022.

Intangible Assets

In our determination of the fair value of intangible assets, we consider, among other factors, the best use of acquired assets, analysis of historical financial performance and estimates of future performance of the acquired business' products. The estimated fair values of identified intangible assets are calculated considering both market participant assumptions, using an income approach, as well as estimates and assumptions provided by Primo management and management of the acquired business.

The estimated fair value of customer relationships represent future after-tax discounted cash flows that will be derived from sales to existing customers of the acquired business as of the date of acquisition. Critical assumptions used in our valuation of customer relationships for SipWell include, but are not limited to, anticipated future cash flows, customer attrition rate and risk adjusted discount rate. Anticipated future cash flows assumption reflects projected revenue growth rates, EBITDA margins, and capital expenditures. Critical assumptions used in our valuation of customer relationships for Legacy Primo include, but are not limited to, anticipated future cash flows, customer attrition rate and risk adjusted discount rate. Anticipated future cash flows assumption reflects projected revenue growth rates, EBITDA margins, synergies and capital expenditures.

The estimated fair value of trademarks and trade names represent the future projected cost savings associated with the premium and brand image obtained as a result of owning the trademark or trade name as opposed to obtaining the benefit of the trademark or trade name through a royalty or rental fee. Critical assumptions used in our valuation of trademarks and trade names include, but are not limited to, projected revenue growth rates, weighted-average terminal growth rate, risk adjusted discount rate and royalty rate.

SipWell Acquisition

The following table sets forth the components of identified intangible assets associated with the SipWell Acquisition and their estimated weighted average useful lives:

(in millions of U.S. dollars)	Estimated Fair Market Value	Estimated Useful Life
Customer relationships	$ 11.5	19 years
Trade names	8.3	Indefinite
Software	0.2	3 years
Total	$ 20.0	

Legacy Primo Acquisition

The following table sets forth the components of identified intangible assets associated with the Legacy Primo Acquisition and their estimated weighted average useful lives:

(in millions of U.S. dollars)	Estimated Fair Market Value	Estimated Useful Life
Customer relationships	$ 245.2	26 years
Trade names	174.9	Indefinite
Software	1.5	3 years
Total	$ 421.6	

Goodwill

Goodwill is calculated as the excess of the purchase consideration transferred over the fair value of the identifiable assets acquired less the liabilities assumed.

SipWell Acquisition

The primary factors that contributed to the recognition of goodwill are cash flow projections that include expected future earnings, projections of growth and expected cost synergies resulting from integration of SipWell into our operations. The goodwill recognized as part of the SipWell Acquisition was allocated to the Rest of World reporting segment, none of which is expected to be tax deductible.

Legacy Primo Acquisition

The primary factors that contributed to the recognition of goodwill are cash flow projections that include expected future earnings, projections of growth and expected cost synergies resulting from integration of Legacy Primo into our operations. The goodwill recognized as part of the Legacy Primo Acquisition was allocated to the North America reporting segment, of which $31.3 million is tax deductible.

Supplemental Pro Forma Data (unaudited)

The following unaudited pro forma financial information for the years ended January 2, 2021 and December 28, 2019, represent the combined results of our operations as if the Legacy Primo Acquisition had occurred on December 30, 2018. The unaudited pro forma financial information results reflect certain adjustments related to the Legacy Primo Acquisition such as increased amortization expense on acquired intangible assets resulting from the preliminary fair valuation of assets acquired. The unaudited pro forma financial information does not necessarily reflect the results of operations that would have occurred had we operated as a single entity during such periods. Unaudited pro forma consolidated results of operations for the SipWell Acquisition were not included in the combined results of our operations for the year ended January 2, 2021 as the Company determined they were immaterial.

	For the Year Ended	
(in millions of U.S. dollars, except per share amounts)	**January 2, 2021**	**December 28, 2019**
Revenue	$ 1,993.3	$ 2,064.5
Net loss from continuing operations	$ (136.3)	$ (20.5)
Net loss	$ (111.2)	$ (6.8)
Net loss per common share from continuing operations, diluted	$ (0.88)	$ (0.13)
Net loss per common share, diluted	$ (0.72)	$ (0.04)

Note 6—Other Expense, Net

The following table summarizes other expense, net for the years ended January 1, 2022, January 2, 2021 and December 28, 2019:

	For the Year Ended		
(in millions of U.S. dollars)	**January 1, 2022**	**January 2, 2021**	**December 28, 2019**
Foreign exchange losses, net	**$ 8.7**	$ 1.5	$ 0.9
Proceeds from legal settlements	**—**	(1.9)	—
(Gain) loss on sale of business	**(3.8)**	(0.6)	6.0
Transition services agreement service income	**—**	—	(0.3)
Loss on extinguishment of long-term debt	**27.2**	19.7	—
Other gains, net	**(4.2)**	—	(2.9)
Total	**$ 27.9**	$ 18.7	$ 3.7

Note 7—Interest Expense, Net

The following table summarizes interest expense, net for the years ended January 1, 2022, January 2, 2021 and December 28, 2019:

	For the Year Ended		
(in millions of U.S. dollars)	**January 1, 2022**	**January 2, 2021**	**December 28, 2019**
Interest on long-term debt	**$ 56.3**	$ 68.7	$ 69.5
Interest on short-term debt	**4.6**	5.0	4.3
Other interest expense, net	**7.9**	7.9	3.8
Total	**$ 68.8**	$ 81.6	$ 77.6

Note 8—Income Taxes

Provision (Benefit) for Income Taxes

Income (loss) from continuing operations, before income taxes consisted of the following:

(in millions of U.S. dollars)	For the Year Ended January 1, 2022	January 2, 2021	December 28, 2019
Canada	**$ (23.9)**	$ (88.4)	$ (57.0)
Outside Canada	**30.2**	(64.1)	50.7
Income (loss) from continuing operations, before income taxes	**$ 6.3**	$ (152.5)	$ (6.3)

Income tax expense consisted of the following:

(in millions of U.S. dollars)	For the Year Ended January 1, 2022	January 2, 2021	December 28, 2019
Current			
Canada	**$ —**	—	$ (0.2)
Outside Canada	**5.4**	1.9	12.2
	$ 5.4	$ 1.9	$ 12.0
Deferred			
Canada	**$ —**	$ —	$ (1.0)
Outside Canada	**4.1**	2.4	(6.5)
	$ 4.1	$ 2.4	$ (7.5)
Income tax expense	**$ 9.5**	$ 4.3	$ 4.5

The following table reconciles income taxes calculated at the basic Canadian corporate rates with the income tax provision:

	For the Year Ended		
(in millions of U.S. dollars)	January 1, 2022	January 2, 2021	December 28, 2019
Income tax expense (benefit) based on Canadian statutory rates	**$ 1.6**	$ (40.4)	$ (1.7)
Foreign tax rate differential	**(7.1)**	(4.3)	(10.0)
Local taxes	**2.2**	2.1	1.1
Nontaxable interest income	**(9.3)**	(8.7)	(8.4)
Impairment expense	**—**	17.6	—
Impact of intercompany transactions and dividends	**5.9**	10.8	12.2
Income tax credits	**(0.3)**	(0.5)	(0.7)
Change in enacted tax rates	**(0.2)**	(1.7)	(0.1)
Change in valuation allowance	**9.6**	28.5	19.7
Change in uncertain tax positions	**0.9**	(1.5)	0.1
Equity compensation	**2.2**	1.9	1.3
Permanent differences	**0.9**	1.6	1.3
Adjustments to prior year taxes	**3.1**	(1.1)	(10.4)
Other items	**—**	—	0.1
Income tax expense	**$ 9.5**	$ 4.3	$ 4.5

Deferred Tax Assets and Liabilities

Deferred income tax assets and liabilities were recognized on temporary differences between the financial and tax bases of existing assets and liabilities as follows:

(in millions of U.S. dollars)	January 1, 2022	January 2, 2021
Deferred tax assets		
Net operating loss carryforwards	**$ 198.5**	$ 196.4
Capital loss carryforwards	**18.0**	14.5
Liabilities and reserves	**31.0**	32.0
Stock options	**9.4**	10.7
Inventories	**3.2**	2.4
Interest expense	**17.6**	9.8
Right of use lease obligations	**53.8**	50.7
	331.5	316.5
Deferred tax liabilities		
Property, plant and equipment	**(73.5)**	(65.0)
Intangible assets	**(197.8)**	(191.8)
Right of use assets	**(52.7)**	(50.1)
Other	**(0.8)**	(0.7)
	(324.8)	(307.6)
Valuation allowance	**(164.7)**	(156.5)
Net deferred tax liability	**$ (158.0)**	$ (147.6)

As of January 1, 2022, we have outside tax basis differences, including undistributed earnings, in our foreign subsidiaries. For 2021, deferred taxes have not been recorded on the undistributed earnings because our foreign subsidiaries have the ability to repatriate funds to their respective parent company tax-efficiently or the undistributed earnings are indefinitely reinvested under the accounting guidance. In order to arrive at this conclusion, we considered factors including, but not limited to, past experience, domestic cash requirements, cash requirements to satisfy the ongoing operations, capital expenditures and other financial obligations of our subsidiaries. It is not practicable to determine the excess book basis over outside tax basis in the shares or the amount of incremental taxes that might arise if these earnings were to be remitted. The amount of tax payable could be significantly impacted by the jurisdiction in which a distribution was made, the amount of the distribution, foreign withholding taxes under applicable tax laws when distributed, relevant tax treaties and foreign tax credits. We repatriated earnings of $40.2 million and $221.8 million to Canada in 2021 and 2020, respectively, incurring no tax expense.

As of January 1, 2022, we have operating loss carryforwards totaling $794.8 million, capital loss carryforwards totaling $68.6 million, and tax credit carryforwards totaling $2.7 million. The operating loss carryforward amount was attributable to Canadian operating loss carryforwards of $274.6 million that will expire from 2027 to 2041; U.S. federal and state operating loss carryforwards of $231.2 million and $16.9 million, respectively, that will expire from 2022 to 2041; U.S. federal operating loss carryforwards of $55.2 million that have indefinite lives; Dutch operating loss carryforwards of $115.1 million that have indefinite lives; and various other operating loss carryforwards of $101.8 million that will expire from 2022 to 2041.

The capital loss carryforward is primarily attributable to Canadian capital losses of $62.6 million and Israeli capital losses of $6.0 million, all with indefinite lives. The tax credit carryforward of $2.7 million will expire from 2022 to 2023.

In general, under Section 382 and 383 of the U.S. Internal Revenue Code of 1986, as amended (the "Code"), a U.S. corporation that undergoes an "ownership change" is subject to limitations on its ability to utilize its pre-change net operating losses ("NOLs") or tax credits to offset future taxable income. Therefore, current or future changes in our Canadian stock ownership, many of which are outside of our control, could result in a U.S. ownership change under Section 382 and 383 of the Code. If we undergo a U.S. ownership change, our ability to utilize U.S. federal or state NOLs or tax credits could be limited. We monitor changes in our ownership on an ongoing basis and do not believe we had a change of control limitation as of January 1, 2022.

We establish a valuation allowance to reduce deferred tax assets if, based on the weight of the available evidence, both positive and negative, for each respective tax jurisdiction, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Due to recent cumulative losses, it was determined that it is more likely than not we will not realize the benefit of net operating loss carryforwards and other net deferred assets in Canada, and certain jurisdictions within the Eden business. The balance of the valuation allowance was $164.7 million and $156.5 million for the years ended January 1, 2022 and January 2, 2021, respectively. The valuation allowance increase in 2021 was primarily related to losses generated in tax jurisdictions with existing valuation allowances.

Additionally, we have determined that it is more likely than not that the benefit from our capital losses in Canada and Israel will not be realized in the future due to the uncertainty regarding potential future capital gains in the jurisdiction. In recognition of this risk, we have provided a valuation allowance of $18.0 million on our capital losses.

Unrecognized Tax Benefits

A reconciliation of the beginning and ending amount of our unrecognized tax benefits is as follows:

	For the Year Ended		
(in millions of U.S. dollars)	January 1, 2022	January 2, 2021	December 28, 2019
Unrecognized tax benefits at beginning of year	**$ 15.6**	$ 16.9	$ 15.1
Additions based on tax positions taken during a prior period	**1.1**	—	5.0
Reductions based on tax positions taken during a prior period	**—**	—	(1.9)
Settlement on tax positions taken during a prior period	**—**	(1.7)	—
Additions related to acquired entities	**1.7**	—	—
Lapse in statute of limitations	**(2.5)**	(1.0)	(2.9)
Additions based on tax positions taken during the current period	**1.7**	1.3	1.7
Cash payments	**—**	(0.2)	(0.2)
Foreign exchange	**(0.1)**	0.3	0.1
Unrecognized tax benefits at end of year	**$ 17.5**	$ 15.6	$ 16.9

As of January 1, 2022, we had $17.5 million of unrecognized tax benefits, a net increase of $1.9 million from $15.6 million as of January 2, 2021. If we recognized our tax positions, approximately $16.6 million would favorably impact the effective tax rate. We believe it is reasonably possible that our unrecognized tax benefits will decrease or be recognized in the next twelve months by up to $2.5 million due to the settlement of certain tax positions and lapses in statutes of limitation in various tax jurisdictions.

We recognize interest and penalties related to unrecognized tax benefits in the provision for income taxes. No interest or penalties were recovered during the years ended January 1, 2022, January 2, 2021 and December 28, 2019. The amount of interest and penalties recognized on the Consolidated Balance Sheets for 2021 and 2020 were a liability of $1.3 million and $0.8 million, respectively.

We are subject to taxation in Canada, the United States, and other foreign jurisdictions. With few exceptions, we are no longer subject to income tax examination for years prior to 2016. To the extent that income tax attributes such as net operating losses and tax credits have been carried forward from years prior to 2016, those attributes can still be audited when utilized on returns subject to audit. We are currently under audit in Canada by the Canada Revenue Agency (“CRA”) for tax years 2014, 2016 and 2017. We are currently under audit in Israel for the 2015 to 2019 tax years and Netherlands for the 2018 tax year.

Note 9—Share-Based Compensation

Our shareowners approved our Amended and Restated Primo Water Corporation Equity Incentive Plan (the “Amended and Restated Equity Plan”) in its current form in May 2016, and approved the Primo Water Corporation 2018 Equity Incentive Plan (“2018 Equity Plan” and together with the Amended and Restated Equity Plan, the “Equity Plans”) in May 2018. Awards under the Equity Plans may be in the form of incentive stock options, non-qualified stock options, restricted shares, restricted share units, performance shares, performance units, stock appreciation rights, and stock payments to employees, directors and outside consultants. The Equity Plans are administered by the Human Resources and Compensation Committee (“HRCC”) of the Board of Directors or any other board committee as may be designated by the Board of Directors from time to time. Under the Amended and Restated Equity Plan, 20,000,000 shares are reserved for future issuance, and under the 2018 Equity Plan, 8,000,000 shares are reserved for future issuance, subject to adjustment upon a share split, share dividend, recapitalization, and other similar transactions and events. Shares that are issued under the Equity Plans are applied to reduce the maximum number of shares remaining available for issuance under the Equity Plans; provided that the total number of shares available for issuance under the Equity Plans are reduced two shares for each share issued pursuant to a “full-value” award (i.e., an award other than an option or stock appreciation right).

Shares to be issued pursuant to Time-based RSUs, Performance-based RSUs, or stock options that are forfeited, expired, or are canceled or settled without the issuance of shares return to the pool of shares available for issuance under the Equity Plans. As of January 1, 2022, there were approximately 139,000 shares available for future issuance under the Amended and Restated Equity Plan, and approximately 3,859,271 shares available for future issuance under the 2018 Equity Plan.

In the second quarter of 2020, the Human Resources and Compensation Committee of the Board of Directors (the "HRCC") approved a bonus for a select group of associates that was settled in fully vested common shares based on the closing share price on the date the achievement of the performance target described below was certified by the HRCC. The aggregate target payout of $2.4 million was based on (1) attainment of a specified percentage target under the Company's annual cash performance bonus plan for the DSS business, and (2) attainment of a specified annualized 2020 synergy target. This bonus was accounted for as a liability-classified award with a performance condition. The final bonus payout was based upon the performance percentage, which was 122% of the target payout. For the year ended January 2, 2021, the Company recorded $2.9 million of share-based compensation expense, which is included in SG&A expenses on the Consolidated Statement of Operations. A related liability associated with these awards of $2.9 million was recorded in accounts payable and accrued liabilities on the Consolidated Balance Sheet as of January 2, 2021 and was subsequently paid in the first quarter of 2021.

The table below summarizes the share-based compensation expense for the years ended January 1, 2022, January 2, 2021, and December 28, 2019. Share-based compensation expense is recorded in SG&A expenses in the Consolidated Statements of Operations. As referenced below: (i) "Performance-based RSUs" represent restricted share units with performance-based vesting, (ii) "Time-based RSUs" represent restricted share units with time-based vesting, (iii) "Stock options" represent non-qualified stock options, (iv) "Director share awards" represent common shares issued in consideration of the annual board retainer fee to non-management members of our Board of Directors, and (v) the "ESPP" represents the Primo Water Corporation Employee Share Purchase Plan, under which common shares are issued to eligible employees at a discount through payroll deductions.

	For the Year Ended		
(in millions of U.S. dollars)	**January 1, 2022**	**January 2, 2021**	**December 28, 2019**
Stock options	**$ 3.0**	$ 5.5	$ 3.3
Performance-based RSUs	**7.4**	7.8	5.7
Time-based RSUs	**5.5**	4.9	2.1
Director share awards	**1.3**	1.3	1.1
Liability-classified awards	**—**	2.9	—
Employee Share Purchase Plan	**0.3**	0.3	0.2
Total [1]	**$ 17.5**	$ 22.7	$ 12.4

1 Includes $0.6 million and $0.7 million of share-based compensation expense from our discontinued operations, which were included in net income from discontinued operations, net of income taxes on the Consolidated Statements of Operations for the years ended January 2, 2021 and December 28, 2019, respectively.

On August 4, 2020, we amended the Equity Plans to provide for defined criteria for a retirement along with continued vesting of equity awards upon a retirement. The total incremental compensation expense associated with the modification was $5.9 million and was included in SG&A expenses on the Consolidated Statement of Operations for the year ended January 2, 2021.

The tax benefit recognized related to share-based compensation expense for the fiscal year ended January 1, 2022 was $2.2 million (January 2, 2021 - $0.8 million; December 28, 2019 - $0.6 million).

As of January 1, 2022, the unrecognized share-based compensation expense and weighted average years over which we expect to recognize it as compensation expense were as follows:

(in millions of U.S. dollars, except years)	Unrecognized share-based compensation expense as of January 1, 2022	Weighted average years expected to recognize compensation
Stock options	$ 1.2	1.5
Performance-based RSUs	8.5	2.5
Time-based RSUs	8.9	1.8
Total	$ 18.6	

Stock Options

During 2021, 2020 and 2019 approximately 18,000, 1,053,600, and 1,138,000 options were granted to certain employees under the Amended and Restated Equity Plan at a weighted-average exercise price of $17.79, $15.48, and $13.68 per share, respectively. The weighted-average grant date fair value of the options was estimated to be $5.47, $4.63, and $3.42 per share in 2021, 2020 and 2019, respectively, using the Black-Scholes option pricing model. The contractual term of an option granted is fixed by the Amended and Restated Equity Plan and cannot exceed ten years from the grant date.

Following a review of peer group and survey data, and with input from its compensation consultant, the HRCC determined to change the mix of awards granted to participants in our Equity Plans commencing with the awards granted in 2021 by eliminating stock options from the mix and allocating awards 60% to performance-based restricted share units and 40% to time-based restricted share units.

The grant date fair value of each option granted during 2021, 2020 and 2019 was estimated on the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions:

	For the Year Ended		
	January 1, 2022	January 2, 2021	December 28, 2019
Risk-free interest rate	1.2 %	0.7 %	1.8 %
Average expected life (years)	6.0	6.0	6.0
Expected volatility	35.9 %	36.2 %	29.0 %
Expected dividend yield	1.4 %	1.6 %	1.8 %

The following table summarizes the activity for Company stock options:

	Stock Options (in thousands)	Weighted average exercise price	Weighted average contractual term (years)	Aggregate intrinsic value (in thousands)
Outstanding at December 29, 2018	5,446	$ 12.30	7.3	$ 11,993.0
Granted	1,138	13.68		
Exercised	(91)	10.47		389.1
Forfeited or expired	—	—		
Outstanding at December 28, 2019	6,493	$ 12.57	6.9	$ 11,045.4
Granted	1,054	15.48		
Exercised	(252)	10.27		1,185.9
Forfeited or expired	(25)	11.98		
Outstanding at January 2, 2021	7,270	$ 13.07	6.5	$ 20,659.3
Granted	18	17.79		
Exercised	(2,382)	10.32		17,439.4
Forfeited or expired	(51)	13.62		
Outstanding at January 1, 2022	4,855	$ 14.42	6.0	$ 15,588.1
Exercisable at January 1, 2022	3,961	$ 14.30	5.4	$ 13,192.7
Vested or expected to vest at January 1, 2022	4,855	$ 14.42	6.0	$ 15,588.1

The aggregate intrinsic value amounts in the table above represent the difference between the closing price of our common shares on the New York Stock Exchange on December 31, 2021, which was $17.63 (December 31, 2020—$15.68; December 27, 2019—$13.45), and the exercise price, multiplied by the number of in-the-money stock options as of the same date.

Stock options granted during the year ended January 1, 2022 vest in three equal annual installments on the first, second and third anniversaries of the date of grant.

The total amount of cash received from the exercise of stock options was $23.8 million and $2.0 million during the fiscal year ended January 1, 2022 and January 2, 2021, respectively, with an associated tax benefit of $1.3 million and $0.1 million realized in each period. The total amount of cash received from the exercise of stock options was not material during the fiscal year ended December 28, 2019 with no associated tax benefit realized. The total fair value of options that vested during the year ended January 1, 2022 was $16.7 million (January 2, 2021 — $15.8 million; December 28, 2019 — $19.0 million).

Other Awards

In 2021, we granted 76,500 common shares to the non-management members of our Board of Directors under the Amended and Restated Equity Plan with a grant date fair value of approximately $1.3 million. The common shares were issued in consideration of the directors' annual board retainer fee and were vested upon issuance.

Additionally, in 2021, we granted 484,000 Performance-based RSUs, which vest at the end of a three-year performance period beginning on the first day of our 2022 fiscal year, and ending on the last day of our 2024 fiscal year. The number of shares ultimately awarded will be based upon the performance payout rate, which can range from 0% to 200% of the awards granted. The Performance-based RSUs vest primarily on the Company's achievement of average annual return on invested capital ("ROIC") and aggregate revenues for the applicable performance period (the "Performance Objectives"). The number of Performance-based RSUs that may vest and the related unrecognized compensation cost is subject to change based on the Performance Objectives achieved during the vesting period. The Company also granted 665,000 Time-based RSUs, which vest over two to three years in equal annual installments on the first, second and third anniversaries of the date of grant and include a service condition.

	Number of Performance-based RSUs (in thousands)	Weighted Average Grant-Date Fair Value	Number of Time-based RSUs (in thousands)	Weighted Average Grant-Date Fair Value
Balance at December 29, 2018	1,665	$ 13.90	427	$ 14.23
Awarded	285	13.69	216	13.69
Awarded in connection with modification	190	11.22	—	—
Issued	(441)	11.30	(239)	13.38
Forfeited	(100)	12.33	(7)	14.89
Balance at December 28, 2019	1,599	$ 14.36	397	$ 14.43
Awarded	458	15.64	542	14.85
Awarded in connection with modification	344	17.50	—	—
Issued	(842)	16.80	(371)	13.82
Forfeited	(374)	16.03	(20)	14.18
Outstanding at January 2, 2021	1,185	$ 15.27	548	$ 14.75
Awarded	484	17.06	665	16.50
Awarded in connection with modification	119	17.46	—	—
Issued	(467)	17.46	(266)	14.59
Forfeited	(75)	15.02	(62)	14.88
Outstanding at January 1, 2022	1,246	$ 15.65	885	$ 16.10
Vested or expected to vest at January 1, 2022	1,524	$ 15.34	885	$ 16.10

The total fair value of Performance-based RSUs vested and issued during the years ended January 1, 2022, January 2, 2021 and December 28, 2019 were $8.1 million, $14.1 million and $5.0 million, respectively. The total fair value of Time-based RSUs vested and issued during the years ended January 1, 2022, January 2, 2021, and December 28, 2019 were $3.9 million, $5.1 million, and $3.2 million.

Employee Share Purchase Plan

The Company has maintained the Primo Water Corporation Employee Share Purchase Plan (the "ESPP") since 2015. The ESPP qualifies as an "employee share purchase plan" under Section 423 of the Internal Revenue Code of 1986 ("IRC"), as amended. Substantially all employees are eligible to participate in the ESPP and may elect to participate at the beginning of any quarterly offering period. The ESPP authorizes the issuance, and the purchase by eligible employees, of up to 3,000,000 shares of Primo common shares through payroll deductions. Eligible employees who choose to participate may purchase Primo common shares at 90% of market value on the first or last day of the quarterly offering period, whichever is lower. The minimum contribution which an eligible employee may make under the ESPP is 1% of the employee's eligible compensation, with the maximum contribution limited to 15% of the employee's eligible compensation. At the end of each quarterly offering period for which the employee participates, the total amount of each employee's payroll deduction for that offering period will be used to purchase Primo common shares. The Company recognized $0.3 million, $0.3 million and $0.2 million of share-based compensation expense in SG&A expenses in the Consolidated Statements of Operations for 2021, 2020 and 2019, respectively. At January 1, 2022, 2,342,096 shares remained available for issuance under the ESPP.

Note 10—Common Shares and Net (Loss) Income per Common Share

Common Shares

On December 11, 2018, our Board of Directors approved a share repurchase program for up to $50.0 million of Primo's outstanding common shares over a 12-month period commencing on December 14, 2018. For the year ended December 28, 2019, we repurchased 2,006,789 common shares for approximately $27.8 million, respectively, through open market transactions under the repurchase plan. During the second quarter of 2019, we utilized all funds under this repurchase plan.

On December 11, 2019, our Board of Directors approved a share repurchase program for up to $50.0 million of Primo's outstanding common shares over a 12-month period that expired on December 15, 2020. We made no repurchases of our common shares under this repurchase plan for the year ended December 28, 2019. For the year ended January 2, 2021, we repurchased 2,316,835 common shares for $25.0 million through open market transactions under this repurchase plan.

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. For the year ended January 1, 2022, we repurchased 2,646,831 common shares for $43.5 million through open market transactions under this repurchase plan.

Shares purchased under these repurchase plans were subsequently canceled.

On March 2, 2020, the Company completed the Legacy Primo Acquisition, with 26,497,015 common shares issued at $14.25 per share to holders of Legacy Primo (see Note 5 to the Consolidated Financial Statements).

Net (Loss) Income Per Common Share

Basic net (loss) income per common share is calculated by dividing net (loss) income by the weighted average number of common shares outstanding during the periods presented. Diluted net (loss) income per common share is calculated by dividing diluted net (loss) income by the weighted average number of common shares outstanding adjusted to include the effect, if dilutive, of the exercise of in-the-money stock options, Performance-based RSUs, and Time-based RSUs during the periods presented.

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

	For the Year Ended		
	January 1, 2022	January 2, 2021	December 28, 2019
Numerator (in millions):			
Continuing operations	**$ (3.2)**	$ (156.8)	$ (10.8)
Discontinued operations	**—**	25.1	13.7
Net (loss) income	**(3.2)**	(131.7)	2.9
Basic Earnings Per Share			
Denominator (in thousands):			
Weighted average common shares outstanding - basic	**160,778**	155,446	135,224
Basic Earnings Per Share:			
Continuing operations	**(0.02)**	(1.01)	(0.08)
Discontinued operations	**—**	0.16	0.10
Net (loss) income	**(0.02)**	(0.85)	0.02
Diluted Earnings Per Share			
Denominator (in thousands):			
Weighted average common shares outstanding - basic	**160,778**	155,446	135,224
Dilutive effect of Stock Options	**—**	—	—
Dilutive effect of Performance based RSUs	**—**	—	—
Dilutive effect of Time-based RSUs	**—**	—	—
Weighted average common shares outstanding - diluted	**160,778**	155,446	135,224
Diluted Earnings Per Share:			
Continued operations	**(0.02)**	(1.01)	(0.08)
Discontinued operations	**—**	0.16	0.10
Net (loss) income	**(0.02)**	(0.85)	0.02

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

	For the Year Ended		
(in thousands)	January 1, 2022	January 2, 2021	December 28, 2019
Stock options	**4,855**	7,270	6,493
Performance-based RSUs [1]	**1,524**	1,185	1,594
Time-based RSUs [2]	**885**	548	397

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

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

Note 11—Segment Reporting

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

Our business operates through two reporting segments: North America and Rest of World. Our corporate oversight function and other miscellaneous expenses are aggregated and included in the All Other category.

	January 1, 2022			
(in millions of U.S. dollars)	**North America**	**Rest of World**	**All Other**	**Total**
Revenue, net	**$ 1,562.9**	**$ 510.4**	**$ —**	**$ 2,073.3**
Depreciation and amortization	**156.9**	**60.7**	**1.5**	**219.1**
Operating income (loss)	**146.0**	**1.5**	**(44.5)**	**103.0**
Property, plant and equipment, net	**554.2**	**163.3**	**0.6**	**718.1**
Goodwill	**994.1**	**327.3**	**—**	**1,321.4**
Intangible assets, net	**748.1**	**217.3**	**4.4**	**969.8**
Total segment assets [1]	**2,744.4**	**938.0**	**41.0**	**3,723.4**
Additions to property, plant and equipment	**113.5**	**38.5**	**—**	**152.0**

1 Excludes intersegment receivables, investments and notes receivable.

	January 2, 2021			
(in millions of U.S. dollars)	**North America**	**Rest of World**	**All Other**	**Total**
Revenue, net	$ 1,493.2	$ 460.3	$ —	$ 1,953.5
Depreciation and amortization	142.4	58.4	1.3	202.1
Operating income (loss)[2]	130.0	(118.3)	(63.9)	(52.2)
Property, plant and equipment, net	550.7	134.1	0.8	685.6
Goodwill	982.1	302.2	—	1,284.3
Intangible assets, net	759.7	222.9	5.0	987.6
Total segment assets [1]	2,729.7	841.3	33.7	3,604.7
Additions to property, plant and equipment	87.0	27.2	(0.2)	114.0

1 Excludes intersegment receivables, investments and notes receivable.

2 During 2021, we revised the allocation of information technology costs from the All Other category to our North America and Rest of World reporting segments to reflect how the Chief Executive Officer, who is our chief operating decision maker, currently measures the performance of our segments. Operating income (loss) for the year months ended January 2, 2021 has been recast to decrease operating income in our North America reporting segment by $2.1 million, increase operating loss in our Rest of World reporting segment by $6.9 million, and decrease operating loss in the All Other category by $9.0 million.

(in millions of U.S. dollars)	December 28, 2019			
	North America	Rest of World	All Other	Total
Revenue, net	$ 1,269.8	$ 518.4	$ 7.2	$ 1,795.4
Depreciation and amortization	113.1	55.2	0.3	168.6
Operating income (loss)[2]	91.2	22.6	(38.8)	$ 75.0
Property, plant and equipment, net	433.2	123.8	1.1	$ 558.1
Goodwill	673.1	374.4	—	$ 1,047.5
Intangible assets, net	358.8	237.2	1.0	$ 597.0
Total segment assets [1]	1,874.5	941.6	48.3	$ 2,864.4
Additions to property, plant and equipment	70.7	30.2	0.4	$ 101.3

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1 Excludes intersegment receivables, investments and notes receivable.

2 During 2021, we revised the allocation of information technology costs from the All Other category to our North America and Rest of World reporting segments to reflect how the Chief Executive Officer, who is our chief operating decision maker, currently measures the performance of our segments. Operating income (loss) for the year months ended December 28, 2019 has been recast to decrease operating income in our North America reporting segment by $1.5 million, decrease operating income in our Rest of World reporting segment by $6.5 million, and decrease operating loss in the All Other category by $8.0 million.

Credit risk arises from the potential default of a customer in meeting its financial obligations to us. Concentrations of credit exposure may arise with a group of customers that have similar economic characteristics or that are located in the same geographic region. The ability of such customers to meet obligations would be similarly affected by changing economic, political or other conditions. We are not currently aware of any facts that would create a material credit risk.

The impact of the COVID-19 pandemic may affect the ability of such customers to meet obligations to us. The full extent to which the COVID-19 pandemic will negatively affect our results of operations, financial condition and cash flows will depend on future developments that are highly uncertain and cannot be predicted, including the scope and duration 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, including disruptions in the global supply chain, inflation and labor shortages, and actions taken by governmental authorities in the markets in which we operate and other third parties in response to the pandemic.

We have limited customer concentration; no customer accounts for more than 10% of our net revenues.

Revenues are attributed to countries based on the location of the customer. Revenues generated from sales to external customers by geographic area were as follows:

(in millions of U.S. dollars)	For the Year Ended		
	January 1, 2022	January 2, 2021	December 28, 2019
United States	**$ 1,493.7**	$ 1,429.6	$ 1,210.0
United Kingdom	**157.8**	142.2	172.0
Canada	**69.9**	64.1	67.0
All other countries	**351.9**	317.6	346.4
Total	**$ 2,073.3**	$ 1,953.5	$ 1,795.4

Revenues by channel by reporting segment were as follows:

(in millions of U.S. dollars)	For the Year Ended January 1, 2022			
	North America	Rest of World	All Other	Total
Revenue, net				
Water Direct/Water Exchange	**$ 1,051.0**	**$ 225.5**	**$ —**	**$ 1,276.5**
Water Refill/Water Filtration	**180.5**	**32.9**	**—**	**213.4**
Other Water	**162.6**	**81.7**	**—**	**244.3**
Water Dispensers	**65.4**	**—**	**—**	**65.4**
Other	**103.4**	**170.3**	**—**	**273.7**
Total	**$ 1,562.9**	**$ 510.4**	**$ —**	**$ 2,073.3**

(in millions of U.S. dollars)	For the Year Ended January 2, 2021			
	North America	Rest of World	All Other	Total
Revenue, net				
Water Direct/Water Exchange	$ 965.8	$ 211.6	$ —	$ 1,177.4
Water Refill/Water Filtration	175.1	29.3	—	204.4
Other Water	160.7	63.5	—	224.2
Water Dispensers	75.9	—	—	75.9
Other	115.7	155.9	—	271.6
Total	$ 1,493.2	$ 460.3	$ —	$ 1,953.5

(in millions of U.S. dollars)	For the Year Ended December 28, 2019			
	North America	Rest of World	All Other	Total
Revenue, net				
Water Direct/Water Exchange	$ 905.1	$ 252.7	$ —	$ 1,157.8
Water Refill/Water Filtration	35.6	26.8	—	62.4
Other Water	157.8	59.4	—	217.2
Other	171.3	179.5	7.2	358.0
Total	$ 1,269.8	$ 518.4	$ 7.2	$ 1,795.4

Property, plant and equipment, net by geographic area as of January 1, 2022 and January 2, 2021 were as follows:

(in millions of U.S. dollars)	January 1, 2022	January 2, 2021
United States	**$ 533.2**	$ 527.4
United Kingdom	**22.1**	21.9
Canada	**21.7**	24.1
All other countries [1]	**141.1**	112.2
Total	**$ 718.1**	$ 685.6

1 No individual country is greater than 10% of total property, plant and equipment, net as of January 1, 2022 and January 2, 2021.

Note 12—Accounts Receivable, Net

The following table summarizes accounts receivable, net as of January 1, 2022 and January 2, 2021:

(in millions of U.S. dollars)	January 1, 2022	January 2, 2021
Trade receivables	**$ 261.9**	$ 226.5
Allowance for doubtful accounts	**(20.8)**	(20.7)
Other	**20.5**	16.5
Total	**$ 261.6**	$ 222.3

Note 13—Inventories

The following table summarizes inventories as of January 1, 2022 and January 2, 2021:

(in millions of U.S. dollars)	January 1, 2022	January 2, 2021
Raw materials	**$ 56.7**	$ 43.6
Finished goods	**27.0**	28.0
Resale items	**9.1**	11.1
Other	**1.8**	1.1
Total	**$ 94.6**	$ 83.8

Note 14—Property, Plant and Equipment, Net

The following table summarizes property, plant and equipment, net as of January 1, 2022 and January 2, 2021:

		January 1, 2022			January 2, 2021		
(in millions of U.S. dollars)	Estimated Useful Life in Years	Cost	Accumulated Depreciation	Net	Cost	Accumulated Depreciation	Net
Land	n/a	**$ 94.7**	**$ —**	**$ 94.7**	$ 95.8	$ —	$ 95.8
Buildings	10-40	**94.9**	**37.1**	**57.8**	93.5	32.2	61.3
Machinery and equipment	5-15	**171.6**	**94.7**	**76.9**	167.2	85.6	81.6
Plates, films and molds	1-10	**2.0**	**1.2**	**0.8**	1.8	0.9	0.9
Vehicles and transportation equipment	3-15	**99.7**	**76.4**	**23.3**	94.6	66.6	28.0
Leasehold improvements [1]		**21.1**	**13.9**	**7.2**	21.0	13.1	7.9
IT Systems	3-7	**20.3**	**14.6**	**5.7**	17.8	12.2	5.6
Furniture and fixtures	3-10	**14.1**	**10.9**	**3.2**	12.7	10.1	2.6
Customer equipment [2]	2-15	**542.4**	**236.9**	**305.5**	470.2	189.3	280.9
Returnable bottles [3]	1.5-5	**111.6**	**59.0**	**52.6**	102.5	52.5	50.0
Finance leases [4]		**121.4**	**31.0**	**90.4**	88.4	17.4	71.0
Total		**$ 1,293.8**	**$ 575.7**	**$ 718.1**	$ 1,165.5	$ 479.9	$ 685.6

1 Leasehold improvements are amortized over the shorter of their estimated useful lives or the related lease life.

2 Customer equipment consists of coolers, refill equipment, brewers, refrigerators, water purification devices and storage racks held on site at customer locations.

3 Returnable bottles are those bottles on site at customer locations.

4 Our recorded assets under finance leases relate to machinery and equipment, customer equipment, IT systems, customer equipment and vehicles and transportation equipment.

The amounts above include construction in progress of $2.6 million and $1.2 million for 2021 and 2020, respectively.

Depreciation expense, which includes depreciation recorded for assets under finance leases, for the year ended January 1, 2022 was $155.5 million (2020 - $138.8 million; 2019 - $112.1 million).

Note 15—Intangible Assets, Net

The following table summarizes intangible assets, net as of January 1, 2022 and January 2, 2021:

(in millions of U.S. dollars)	January 1, 2022 Cost	January 1, 2022 Accumulated Amortization	January 1, 2022 Net	January 2, 2021 Cost	January 2, 2021 Accumulated Amortization	January 2, 2021 Net
Intangible Assets						
Not subject to amortization						
Trademarks	**$ 459.2**	$ —	**$ 459.2**	$ 455.5	$ —	$ 455.5
Intellectual Property	**0.7**	—	**0.7**	—	—	—
Total intangible assets not subject to amortization	**$ 459.9**	$ —	**$ 459.9**	$ 455.5	$ —	$ 455.5
Subject to amortization						
Customer relationships	**831.4**	**368.7**	**462.7**	809.5	324.3	485.2
Patents	**19.2**	**8.7**	**10.5**	19.2	6.4	12.8
Software	**72.2**	**48.5**	**23.7**	62.5	38.2	24.3
Other	**20.4**	**7.4**	**13.0**	15.9	6.1	9.8
Total intangible assets subject to amortization	**$ 943.2**	**$ 433.3**	**$ 509.9**	$ 907.1	$ 375.0	$ 532.1
Total intangible assets	**$ 1,403.1**	**$ 433.3**	**$ 969.8**	$ 1,362.6	$ 375.0	$ 987.6

Amortization expense of intangible assets was $63.6 million during 2021 (2020 - $63.3 million; 2019 - $56.5 million).

The estimated amortization expense for intangible assets subject to amortization over the next five years is:

(in millions of U.S. dollars)	
2022	**$ 64.0**
2023	**53.4**
2024	**47.2**
2025	**38.2**
2026	**37.5**
Thereafter	**269.6**
Total	**$ 509.9**

Note 16—Accounts Payable and Accrued Liabilities

The following table summarizes accounts payable and accrued liabilities as of January 1, 2022 and January 2, 2021:

(in millions of U.S. dollars)	January 1, 2022	January 2, 2021
Trade payables	$ **181.4**	$ 135.2
Accrued compensation	**52.2**	55.5
Accrued sales incentives	**8.0**	9.9
Accrued interest	**9.3**	14.8
Payroll, sales and other taxes	**23.6**	25.2
Accrued deposits	**62.1**	70.1
Insurance reserves	**20.7**	15.5
Other accrued liabilities	**80.4**	61.5
Total	$ **437.7**	$ 387.7

Note 17—Debt

Our total debt as of January 1, 2022 and January 2, 2021 was as follows:

	January 1, 2022			January 2, 2021		
(in millions of U.S. dollars)	Principal	Unamortized Debt Costs	Net	Principal	Unamortized Debt Costs	Net
5.500% senior notes due in 2025	—	—	—	750.0	7.0	743.0
3.875% senior notes due in 2028	**509.6**	**6.9**	**502.7**	551.9	8.3	543.6
4.375% senior notes due in 2029	**750.0**	**10.0**	**740.0**	—	—	—
Revolving Credit Facility	**211.0**	—	**211.0**	104.8	—	104.8
Short-term borrowings	**11.1**	—	**11.1**	2.9	—	2.9
Finance leases	**92.8**	—	**92.8**	71.5	—	71.5
Other debt financing	**3.3**	—	**3.3**	4.9	—	4.9
Total debt	$ **1,577.8**	$ **16.9**	$ **1,560.9**	$ 1,486.0	$ 15.3	$ 1,470.7
Less: Short-term borrowings and current debt:						
Revolving Credit Facility	**211.0**	—	**211.0**	104.8	—	104.8
Short-term borrowings	**11.1**	—	**11.1**	2.9	—	2.9
Finance leases - current maturities	**17.0**	—	**17.0**	13.2	—	13.2
Other debt financing	**0.7**	—	**0.7**	4.7	—	4.7
Total current debt	$ **239.8**	$ —	$ **239.8**	$ 125.6	$ —	$ 125.6
Total long-term debt	$ **1,338.0**	$ **16.9**	$ **1,321.1**	$ 1,360.4	$ 15.3	$ 1,345.1

The long-term debt payments (which include current maturities of long-term debt) required in each of the next five years and thereafter are as follows:

(in millions of U.S. dollars)	Long-Term Debt (including current)
2022	$ **239.8**
2023	**18.2**
2024	**15.3**
2025	**14.9**
2026	**11.6**
Thereafter	**1,278.0**
	$ **1,577.8**

Revolving Credit Facility

On March 6, 2020, the Company entered into a credit agreement (the "Credit Agreement") among the Company, as parent borrower, Primo Water Holdings Inc. and certain other subsidiary borrowers, certain other subsidiaries of the Company from time to time designated as subsidiary borrowers, Bank of America, N.A., as administrative agent and collateral agent, and the lenders from time to time party thereto.

The Credit Agreement provides for a senior secured revolving credit facility in an initial aggregate committed amount of $350.0 million (the "Revolving Credit Facility"), which may be increased by incremental credit extensions from time to time in the form of term loans or additional revolving credit commitments. The Revolving Credit Facility has a five year maturity date and includes letter of credit and swing line loan sub facilities.

Borrowings under the Revolving Credit Facility were used to refinance in full and terminate our previously existing asset-based lending credit facility ("ABL facility"), governed by the Second Amended and Restated Credit Agreement, dated January 30, 2019, by and among the Company, the other loan parties party thereto from time to time, JPMorgan Chase Bank, N.A., as administrative agent and as collateral agent, and the lenders from time to time party thereto (as amended, the "ABL Credit Agreement"). Certain letters of credit outstanding under the ABL Credit Agreement were rolled over under the Revolving Credit Facility. We incurred approximately $3.4 million of financing fees in connection with the Revolving Credit Facility. The Revolving Credit Facility was considered to be a modification of the ABL facility under GAAP. These new financing fees along with $1.8 million of unamortized deferred costs of the ABL facility are being amortized using the straight-line method over the duration of the Revolving Credit Facility.

As of January 1, 2022, the outstanding borrowings under the Revolving Credit Facility were $211.0 million and were recorded in short-term borrowings on the Consolidated Balance Sheet. Outstanding letters of credit totaled $59.4 million resulting in total utilization under the Revolving Credit Facility of $270.4 million. Accordingly, unused availability under the Revolving Credit Facility as of January 1, 2022 amounted to $79.6 million.

The weighted average effective interest rate at January 1, 2022 and January 2, 2021 on the Revolving Credit Facility outstanding borrowings was 2.4% and 2.1%, respectively. The effective interest rates are based on our aggregate availability.

Borrowings under the Credit Agreement will bear interest at a rate per annum equal to either: (a) a euro currency rate as determined under the Credit Agreement, plus the applicable margin, or (b) a base rate equal to the highest of (i) Bank of America's prime rate, (ii) 0.5% per annum above the federal funds rate, and (iii) the euro currency rate, as determined under the Credit Agreement, for a one month interest period, plus 1.0%, plus the applicable margin. The applicable margin for euro currency rate loans ranges from 137.5 to 200 basis points and the applicable margin for base rate loans ranges from 37.5 to 100 basis points, in each case depending on our consolidated total leverage ratio. Unutilized commitments under the Credit Agreement are subject to a commitment fee ranging from 20 to 30 basis points per annum depending on our consolidated total leverage ratio, payable on a quarterly basis.

4.375% Senior Notes due in 2029

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

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

3.875% Senior Notes due in 2028

On October 22, 2020, we issued €450.0 million ($509.6 million at exchange rates in effect on January 1, 2022) of 3.875% senior notes due October 31, 2028 (“2028 Notes”) to qualified purchasers in a private placement offering under Rule 144A under the Securities Act, and outside the United States to non-U.S. purchasers pursuant to Regulation S under the Securities Act and other applicable laws. The 2028 Notes were issued by our wholly-owned subsidiary Primo Water Holdings Inc. The 2028 Notes are guaranteed by the Company and certain subsidiaries that are currently obligors under the Revolving Credit Facility, the €450.0 million of 5.500% senior notes due July 1, 2024 (“2024 Notes”) and the 2025 Notes. The 2028 Notes will mature on October 31, 2028 and interest is payable semi-annually on April 30th and October 31st of each year commencing on April 30, 2021.

We incurred approximately $8.5 million of financing fees for the issuance of the 2028 Notes. The financing fees are being amortized using the effective interest method over a period of eight years, which represents the term to maturity of the 2028 Notes.

On October 22, 2020, we used the €450.0 million proceeds of the 2028 Notes (U.S. $533.5 million at the exchange rate in effect on October 22, 2020), along with borrowings from the Revolving Credit Facility, to redeem in full the 2024 Notes. The redemption of the 2024 Notes included $14.7 million in premium payments, accrued interest of $9.0 million, and the write-off of $5.1 million in deferred financing fees.

5.500% Senior Notes due in 2025

In March 2017, we issued $750.0 million of our 2025 Notes to qualified purchasers in a private placement offering under Rule 144A 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 2025 Notes were issued by our wholly-owned subsidiary Primo Water Holdings Inc. (formerly Cott Holdings Inc.), and most of our U.S., Canadian, U.K. and Dutch subsidiaries guarantee the 2025 Notes. The 2025 Notes will mature on April 1, 2025 and interest is payable semi-annually on April 1st and October 1st of each year commencing on October 1, 2017. The proceeds of the 2025 Notes were used to redeem in full $625.0 million of our 6.750% senior notes due 2020, redeem $100.0 million aggregate principal amount of our 10.000% senior secured notes due 2021 and to pay related fees and expenses.

We incurred $11.7 million of financing fees in connection with the issuance of the 2025 Notes. The financing fees are being amortized using the effective interest method over a period of eight years, which represents the term to maturity of the 2025 Notes.

On April 30, 2021, we used the proceeds of the 2029 Notes, along with available cash on hand, to redeem in full the 2025 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.

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 January 1, 2022, we were in compliance with all of the covenants under each series of notes. There have been no amendments to any covenants of our outstanding notes since the date of their issuance or assumption, as applicable.

Revolving Credit Facility

The Credit Agreement has two financial covenants, 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 the Company consummates 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. The Company was in compliance with these financial covenants as of January 1, 2022.

In addition, the Credit Agreement has certain non-financial covenants, such as covenants regarding indebtedness, investments, and asset dispositions. The Company was in compliance with all covenants as of January 1, 2022.

Note 18—Retirement Plans

The Company maintains certain defined contribution ("DC") retirement plans covering qualifying employees. The total expense with respect to these DC plans was $6.3 million for the year ended January 1, 2022 (2020—$6.0 million; 2019—$5.2 million).

The Company also maintains several defined benefit ("DB") plans acquired as a part of acquisitions covering certain U.S. and non-U.S. employees, referred to as the U.S. and International Plans, respectively. Retirement benefits are based on years of service multiplied by a monthly benefit factor. Pension costs are funded in accordance with the provisions of the applicable law.

Our U.S. Plan is closed to new participants and is frozen. Effective as of December 31, 2021, our U.S. Plan was terminated. In accordance with the amended plan documents, we anticipate making distributions for all plan participants (either directly to the participant or to an insurance company depending upon their optional payment election) and expect to distribute all plan assets in fiscal year 2022.

The Company uses a December 31, 2021 measurement date for all DB plans.

Obligations and Funded Status

The following table summarizes the change in the projected benefit obligation, change in plan assets and unfunded status of the DB plans as of January 1, 2022 and January 2, 2021:

	January 1, 2022		
(in millions of U.S. dollars)	**U.S.**	**International**	**Total**
Change in Projected Benefit Obligation			
Projected benefit obligation at beginning of year	$ 9.5	$ 13.4	$ 22.9
Service cost	—	0.8	0.8
Interest cost	0.2	0.1	0.3
Plan participant contributions	—	0.3	0.3
Benefit payments	(0.4)	(1.2)	(1.6)
Actuarial losses	0.1	0.6	0.7
Translation losses	—	(0.1)	(0.1)
Projected benefit obligation at end of year	$ 9.4	$ 13.9	$ 23.3
Change in Plan Assets			
Plan assets beginning of year	$ 9.1	$ 6.0	$ 15.1
Employer contributions	0.2	0.4	0.6
Plan participant contributions	—	0.3	0.3
Benefit payments	(0.4)	(0.7)	(1.1)
Actuarial gain	—	0.2	0.2
Expected return on plan assets	—	0.1	0.1
Actual return on plan assets	0.3	—	0.3
Translation gains	—	(0.1)	(0.1)
Fair value at end of year	$ 9.2	$ 6.2	$ 15.4
Funded Status of Plan			
Projected benefit obligation	$ (9.4)	$ (13.9)	$ (23.3)
Fair value of plan assets	9.2	6.2	15.4
Unfunded status	$ (0.2)	$ (7.7)	$ (7.9)

(in millions of U.S. dollars)	January 2, 2021 U.S.	International	Total
Change in Projected Benefit Obligation			
Projected benefit obligation at beginning of year	$ 8.6	$ 13.1	$ 21.7
Service cost	—	1.0	1.0
Interest cost	0.3	0.1	0.4
Plan participant contributions	—	0.3	0.3
Benefit payments	(0.4)	(1.1)	(1.5)
Actuarial losses (gains)	1.0	(0.2)	0.8
Curtailment gains	—	(0.9)	(0.9)
Translation losses	—	1.1	1.1
Projected benefit obligation at end of year	$ 9.5	$ 13.4	$ 22.9
Change in Plan Assets			
Plan assets beginning of year	$ 8.1	$ 5.9	$ 14.0
Employer contributions	0.3	0.5	0.8
Plan participant contributions	—	0.3	0.3
Benefit payments	(0.4)	(0.8)	(1.2)
Curtailment losses	—	(0.6)	(0.6)
Expected return on plan assets	—	0.2	0.2
Actual return on plan assets	1.1	—	1.1
Translation gains	—	0.5	0.5
Fair value at end of year	$ 9.1	$ 6.0	$ 15.1
Funded Status of Plan			
Projected benefit obligation	$ (9.5)	$ (13.4)	$ (22.9)
Fair value of plan assets	9.1	6.0	15.1
Unfunded status	$ (0.4)	$ (7.4)	$ (7.8)

The accumulated benefit obligation for the U.S. Plans equaled $9.4 million and $9.5 million at the end of 2021 and 2020, respectively. The accumulated benefit obligation for the International Plans equaled $13.9 million and $13.4 million at the end of 2021 and 2020, respectively.

Periodic Pension Costs

The components of net periodic pension cost were as follows:

(in millions of U.S. dollars)	January 1, 2022 U.S.	International	Total
Service cost	**$ —**	**$ 0.8**	**$ 0.8**
Interest cost	**0.2**	**0.1**	**0.3**
Expected return on plan assets	**(0.2)**	**(0.1)**	**(0.3)**
Net periodic pension cost	**$ —**	**$ 0.8**	**$ 0.8**

(in millions of U.S. dollars)	January 2, 2021		
	U.S.	International	Total
Service cost	$ —	$ 1.0	$ 1.0
Interest cost	0.3	0.1	0.4
Expected return on plan assets	(0.5)	(0.1)	(0.6)
Curtailment gain	—	(0.3)	(0.3)
Net periodic pension (benefit) cost	$ (0.2)	$ 0.7	$ 0.5

(in millions of U.S. dollars)	December 28, 2019		
	U.S.	International	Total
Service cost	$ —	$ 0.8	$ 0.8
Interest cost	0.3	0.2	0.5
Expected return on plan assets	(0.5)	—	(0.5)
Net periodic pension (benefit) cost	$ (0.2)	$ 1.0	$ 0.8

Accumulated Other Comprehensive (Loss) Income

Amounts included in accumulated other comprehensive (loss) income, net of tax, at year-end which have not yet been recognized in net periodic benefit cost were as follows:

(in millions of U.S. dollars)	January 1, 2022		
	U.S.	International	Total
Unrecognized net actuarial loss	**$ (0.6)**	**$ (1.1)**	**$ (1.7)**
Total accumulated other comprehensive loss	**$ (0.6)**	**$ (1.1)**	**$ (1.7)**

(in millions of U.S. dollars)	January 2, 2021		
	U.S.	International	Total
Unrecognized net actuarial loss	$ (0.4)	$ (0.7)	$ (1.1)
Total accumulated other comprehensive loss	$ (0.4)	$ (0.7)	$ (1.1)

(in millions of U.S. dollars)	December 28, 2019		
	U.S.	International	Total
Unrecognized net actuarial loss	$ (0.1)	$ (0.9)	$ (1.0)
Total accumulated other comprehensive loss	$ (0.1)	$ (0.9)	$ (1.0)

Actuarial Assumptions

The following table summarizes the weighted average actuarial assumptions used to determine the projected benefit obligation:

	For the Year Ended		
	January 1, 2022	**January 2, 2021**	**December 28, 2019**
U.S. Plans			
Discount rate	**2.5 %**	2.0 %	3.0 %
Expected long-term rate of return on plan assets	**2.0 %**	6.3 %	6.3 %
International Plans			
Discount rate	**1.8 %**	1.3 %	1.1 %
Expected long-term rate of return on plan assets	**2.0 %**	2.1 %	1.3 %
Rate of compensation increase	**1.8 %**	1.2 %	2.7 %
CPI Inflation factor	**0.1 %**	0.1 %	0.3 %

The following table summarizes the weighted average actuarial assumptions used to determine net periodic benefit cost:

	For the Year Ended		
	January 1, 2022	**January 2, 2021**	**December 28, 2019**
U.S. Plans			
Discount rate	**2.0 %**	3.0 %	4.0 %
Expected long-term rate of return on plan assets	**2.0 %**	6.3 %	6.3 %
International Plans			
Discount rate	**1.8 %**	1.3 %	1.1 %
Expected long-term rate of return on plan assets	**2.0 %**	2.1 %	1.3 %
Inflation factor	**0.1 %**	0.1 %	0.3 %

The Company utilizes a yield curve analysis to determine the discount rates for its DB plan obligations. The yield curve considers pricing and yield information for high quality corporate bonds with maturities matched to estimated payouts of future pension benefits. The Company evaluates its assumption regarding the estimated long-term rate of return on plan assets based on historical experience, future expectations of investment returns, asset allocations, and its investment strategy. The Company's long-term rate of return on plan assets reflect expectations of projected weighted average market returns of plan assets. Changes in expected returns on plan assets also reflect any adjustments to the Company's targeted asset allocation.

Asset Mix

Our DB plans weighted-average asset allocations by asset category were as follows:

	January 1, 2022	**January 2, 2021**
U.S. Plans		
Equity securities	**— %**	48.2 %
Fixed income investments	**100.0 %**	51.8 %
International Plans		
Equity securities	**57.5 %**	57.3 %
Fixed income investments	**32.4 %**	32.6 %
Real estate	**10.1 %**	10.1 %

Plan Assets

Our investment policy is that plan assets will be managed utilizing an investment philosophy and approach characterized by all of the following, listed in priority order: (1) emphasis on total return, (2) emphasis on high-quality securities, (3) sufficient income and stability of income, (4) safety of principal with limited volatility of capital through proper diversification and (5) sufficient liquidity.

In connection with termination of the U.S. Plan, the U.S. Plan assets were 100% allocated to fixed income investments.

The target allocation percentages for the International Plans' assets range between 50% to 80% in equity securities, 20% to 50% in fixed income investments, 0% to 30% in real estate and 0% to 15% in alternative investments. None of our equity or debt securities are included in plan assets.

Cash Flows

We expect to contribute $0.5 million to the DB plans during the 2022 fiscal year.

The following benefit payments are expected to be paid in the periods indicated below:

(in millions of U.S. dollars)	U.S.	International	Total
Expected benefit payments			
FY 2022	$ 9.4	$ 1.2	$ 10.6
FY 2023	—	0.6	0.6
FY 2024	—	0.7	0.7
FY 2025	—	0.6	0.6
FY 2026	—	0.6	0.6
FY 2027 through FY 2031	—	2.2	2.2

The fair values of the Company's U.S. Plan assets are measured daily at their net asset value and valued at $9.2 million and $9.1 million at January 1, 2022 and January 2, 2021, respectively.

The fair values of the Company's International Plan assets at January 1, 2022 and January 2, 2021 were as follows:

	January 1, 2022		
(in millions of U.S. dollars)	Level 1	Level 2	Level 3
Mutual funds:			
Non-U.S. equity securities	**1.9**	—	—
Fixed income:			
Non-U.S. bonds	**1.7**	—	—
Insurance contract	—	**2.0**	—
Real estate:			
Real estate	—	**0.6**	—
Total	**$ 3.6**	**$ 2.6**	$ —

(in millions of U.S. dollars)	January 2, 2021 Level 1	Level 2	Level 3
Mutual funds:			
Non-U.S. equity securities	1.8	—	—
Fixed income:			
Non-U.S. bonds	1.6	—	—
Insurance contract	—	2.0	—
Real estate:			
Real estate	—	0.6	—
Total	$ 3.4	$ 2.6	$ —

Note 19—Consolidated Accumulated Other Comprehensive (Loss) Income

With the Traditional Business Divestiture in 2018, the foreign currency translation balances associated with the Traditional Business were recognized in earnings in the period of disposition. Changes in consolidated accumulated other comprehensive (loss) income ("AOCI") by component for the years ended January 1, 2022, January 2, 2021 and December 28, 2019 were as follows:

(in millions of U.S. dollars) [1]	Gains and Losses on Derivative Instruments	Pension Benefit Plan Items	Currency Translation Adjustment Items	Total
Balance December 29, 2018	$ (9.7)	$ 0.3	$ (92.3)	$ (101.7)
OCI before reclassifications	12.9	(1.3)	13.6	25.2
Amounts reclassified from AOCI	8.0	—	—	8.0
Net current-period OCI	20.9	(1.3)	13.6	33.2
Balance December 28, 2019	$ 11.2	$ (1.0)	$ (78.7)	$ (68.5)
OCI before reclassifications	(8.7)	(0.1)	(6.9)	(15.7)
Amounts reclassified from AOCI	(2.5)	—	—	(2.5)
Net current-period OCI	(11.2)	(0.1)	(6.9)	(18.2)
Balance January 2, 2021	$ —	$ (1.1)	$ (85.6)	$ (86.7)
OCI before reclassifications	—	(0.6)	18.2	17.6
Amounts reclassified from AOCI	—	—	—	—
Net current-period OCI	—	(0.6)	18.2	17.6
Balance January 1, 2022	$ —	$ (1.7)	$ (67.4)	$ (69.1)

[1] All amounts are net of tax.

The following table summarizes the amounts reclassified from AOCI to total net (loss) income for the years ended January 1, 2022, January 2, 2021 and December 28, 2019:

(in millions of U.S. dollars) Details About AOCI Components [1]	For the Year Ended January 1, 2022	For the Year Ended January 2, 2021	For the Year Ended December 28, 2019	Affected Line Item in the Statement Where Net Income Is Presented
Gains and losses on derivative instruments				
Foreign currency and commodity hedges	$ —	$ 0.1	$ (8.0)	Cost of sales
Commodity hedges [2]	$ —	$ 2.4	$ —	Gain on sale of discontinued operations
	$ —	$ 2.5	$ (8.0)	Total before taxes
	—	—	—	Tax (expense) or benefit
Total reclassifications for the period	$ —	$ 2.5	$ (8.0)	Net of tax

1 Amounts in parenthesis indicate debits.

2 Net of $1.3 million of associated tax impact that resulted in a decrease to the gain on the sale of discontinued operations for the year ended January 2, 2021.

Note 20—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 $59.4 million in standby letters of credit outstanding as of January 1, 2022 ($50.6 million—January 2, 2021; $47.4 million—December 28, 2019).

We have future purchase obligations of $43.4 million that consist of commitments for the purchase of inventory, energy transactions, and payments related to professional fees and information technology outsourcing agreements. These obligations represent the minimum contractual obligations expected under the normal course of business.

Guarantees

After completion of the Traditional Business Divestiture, the Company continues to provide contractual payment guarantees to two third-party lessors of certain real property used in the Traditional Business. The leases were conveyed to Refresco as part of the Traditional Business Divestiture, but the Company's 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 $16.3 million as of January 1, 2022 was calculated based on the minimum lease payments of the leases over the remaining term of the agreements. The sale documents require Refresco to pay all post-closing obligations under these conveyed leases, and to reimburse us if the landlord calls on a guarantee. Refresco has also agreed to a covenant to negotiate with the landlords for a release of our guarantees. Discussions with the landlords are ongoing. We currently do not believe it is probable we would be required to perform under any of these guarantees or any of the underlying obligations.

Note 21—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 January 1, 2022 and January 2, 2021 were as follows:

	January 1, 2022		January 2, 2021	
(in millions of U.S. dollars)	Carrying Value	Fair Value	Carrying Value	Fair Value
5.500% senior notes due in 2025 [1,2]	$ —	$ —	$ 743.0	$ 767.2
3.875% senior notes due in 2028 [1,2]	**502.7**	**516.2**	543.6	559.9
4.375% senior notes due in 2029[1,2]	**740.0**	**735.8**	—	—
Total	**$ 1,242.7**	**$ 1,252.0**	$ 1,286.6	$ 1,327.1

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

2 Carrying value of our significant outstanding debt is net of unamortized debt issuance costs as of January 1, 2022 and January 2, 2021 (see Note 17 to the Consolidated Financial Statements).

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 unobservable Level 3 inputs.

During the second quarter of 2020, given the general deterioration in economic and market conditions in which we operate arising from the COVID-19 pandemic, 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. We did not identify impairment of our property, plant and equipment, lease-related right-of-use assets, or long-lived assets.

Note 22—Subsequent Events

On February 23, 2022, the Board of Directors declared a dividend of $0.07 per common share, payable in cash on March 28, 2022 to shareholders of record at the close of business on March 11, 2022.

SCHEDULE II—VALUATION AND QUALIFYING ACCOUNTS

(in millions of U.S. dollars)	Year Ended January 1, 2022					
Description	Balance at Beginning of Year	Reduction in Sales	Charged to Costs and Expenses	Charged to Other Accounts	Deductions [1]	Balance at End of Year
Reserves deducted in the balance sheet from the asset to which they apply						
Allowances for losses on:						
Accounts receivables	$ (20.7)	$ —	$ (10.7)	$ 0.1	$ 10.5	$ (20.8)
Inventories	(1.8)	—	(0.4)	0.1	0.6	(1.5)
Deferred tax assets	(156.5)	—	(9.6)	1.4	—	(164.7)
	$ (179.0)	$ —	$ (20.7)	$ 1.6	$ 11.1	$ (187.0)

(in millions of U.S. dollars)	Year Ended January 2, 2021					
Description	Balance at Beginning of Year	Reduction in Sales	Charged to Costs and Expenses	Charged to Other Accounts	Deductions [1]	Balance at End of Year
Reserves deducted in the balance sheet from the asset to which they apply						
Allowances for losses on:						
Accounts receivables	$ (8.8)	$ 0.1	$ (13.4)	$ (4.0)	$ 5.4	$ (20.7)
Inventories	(1.2)	—	(0.6)	—	—	(1.8)
Deferred tax assets	(120.3)	—	(28.5)	(7.7)	—	(156.5)
	$ (130.3)	$ 0.1	$ (42.5)	$ (11.7)	$ 5.4	$ (179.0)

(in millions of U.S. dollars)	Year Ended December 28, 2019					
Description	Balance at Beginning of Year	Reduction in Sales	Charged to Costs and Expenses	Charged to Other Accounts	Deductions [1]	Balance at End of Year
Reserves deducted in the balance sheet from the asset to which they apply						
Allowances for losses on:						
Accounts receivables	$ (9.6)	$ —	$ (12.7)	$ 0.1	$ 13.4	$ (8.8)
Inventories	(1.4)	—	—	—	0.2	(1.2)
Deferred tax assets	(98.0)	—	(19.7)	(2.6)	—	(120.3)
	$ (109.0)	$ —	$ (32.4)	$ (2.5)	$ 13.6	$ (130.3)

[1] Deductions primarily represent uncollectible accounts written off.

EXHIBIT 21.1

LIST OF SUBSIDIARIES OF PRIMO WATER CORPORATION

	Name of Subsidiary	Jurisdiction of Incorporation or Organization	Direct or Indirect Percentage of Ownership
1	Aimia Foods Limited	United Kingdom	100%
2	Aquaterra Corporation	Canada	100%
3	Bibo Limited	United Kingdom	10%
4	Café Espresso Italia Ltd	Israel	100%
5	Carbon Luxembourg S.à r.l	Luxembourg	100%
6	Chateau d'Eau SAS	France	100%
7	Chateaud’eau Sarl	Luxembourg	100%
8	Clearwater Kereskedelmi és Szolgáltató Korlátolt Felelősségű Társaság	Hungary	100%
9	Cott Beverages Luxembourg S.à r.l.	Luxembourg	100%
10	Cott (Barbados) IBC Ltd.	Barbados	100%
11	Cott Cayman	Cayman Islands	100%
12	Cott Retail Brands Limited	United Kingdom	100%
13	Cott Switzerland GmbH	Switzerland	100%
14	Decantae Mineral Water Limited	United Kingdom	100%
15	Dispensing Coffee Club (IAI-2003) Ltd	Israel	100%
16	DS Services of America, Inc.	Delaware	100%
17	Eden Centro Especial De Empleo S.L.U.	Spain	100%
18	Eden Springs (Denmark) AS	Denmark	100%
19	Eden Springs (Deutschland) GmbH	Germany	100%
20	Eden Springs (Norway) AS	Norway	100%
21	Eden Springs (Sweden) AB	Sweden	100%
22	Eden Springs (Switzerland) SA	Switzerland	100%
23	Eden Springs Espana S.A.U	Spain	100%
24	Eden Springs Estonia OÜ	Estonia	100%
25	Eden Springs i Porla Brunn AB	Sweden	100%
26	Eden Springs International S.A.	Switzerland	100%
27	Eden Springs Latvia SIA	Latvia	100%
28	Eden Springs Limited Liability Company	Russia	100%
29	Eden Springs Netherlands B.V.	Netherlands	100%
30	Eden Springs OY Finland	Finland	100%
31	Eden Springs Portugal S.A.	Portugal	100%
32	Eden Springs Scandinavia AB	Sweden	100%
33	Eden Springs sp. z o.o.	Poland	100%
34	Eden Springs UK Limited	United Kingdom	100%
35	Eden Water and Coffee Deutschland GmbH	Germany	100%
36	Entrepure Industries LLC	Colorado	100%
37	Fairview HK Ltd.	Hong Kong	100%
38	Fonthill Waters Limited	United Kingdom	100%
39	Garraways Ltd	United Kingdom	100%

40	GW Services, LLC	California	100%
41	Hydropure Distribution Ltd	United Kingdom	100%
42	John Farrer & Company (Kendal) Limited	United Kingdom	100%
43	Kafevend Group Limited	United Kingdom	100%
44	Kafevend Holdings Limited	United Kingdom	100%
45	Mey Eden Ltd	Israel	100%
46	Nowa Woda Sp. Zo o.	Poland	100%
47	Old WCS (Bottlers) Limited	United Kingdom	100%
48	Pauza Coffee Services Ltd	Israel	100%
49	Primo Customer Care, LLC	Delaware	100%
50	Primo European Central Services SL	Spain	100%
51	Primo Products, LLC	North Carolina	100%
52	Primo Refill, LLC	North Carolina	100%
53	Primo Water Europe S.L.U.	Spain	100%
54	Primo Water Holdings Inc.	Delaware	100%
55	Primo Water Holdings UK Limited	United Kingdom	100%
56	Pure Choice Watercoolers Ltd	United Kingdom	100%
57	SEMD, Société des eaux minérales de Dorénaz SA	Switzerland	100%
58	SIA << OCS Services >>	Latvia	100%
59	Sip-Well NV	Belgium	100%
60	Tea UK Limited	United Kingdom	100%
61	The Interesting Drinks Company Limited	United Kingdom	74%
62	The Shakespeare Coffee Company Ltd	United Kingdom	100%
63	TWS Bidco 1 Limited	United Kingdom	100%
64	UAB Eden Springs Lietuva	Lithuania	100%
65	Wax Water Limited	United Kingdom	34.5%
66	Water Coolers (Scotland) Limited	United Kingdom	100%

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (No. 333-224772, 333-204286, 333-204285, 333-188735 and 333-166507), and Form S-3 (No. 333-204287) of Primo Water Corporation of our report dated March 2, 2022 relating to the financial statements and financial statement schedule and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP
Tampa, Florida
March 2, 2022

EXHIBIT 31.1

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

I, Thomas J. Harrington, certify that:

1. I have reviewed this annual report on Form 10-K 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: March 2, 2022

EXHIBIT 31.2

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

I, Jay Wells, certify that:

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

/s/ Jay Wells

Jay Wells
Chief Financial Officer
Dated: March 2, 2022

EXHIBIT 32.1

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 Annual Report on Form 10-K for the year ended January 1, 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 2nd day of March, 2022.

/s/ Thomas J. Harrington

Thomas J. Harrington
Chief Executive Officer

EXHIBIT 32.2

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 Annual Report on Form 10-K for the year ended January 1, 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 2nd day of March, 2022.

/s/ Jay Wells

Jay Wells
Chief Financial Officer