



Press Release

PRIMO WATER ANNOUNCES STRONG THIRD QUARTER 2023 RESULTS AND INCREASES ANNUAL ADJUSTED FREE CASH FLOW GUIDANCE

2023-11-02

- Delivered Q3 Revenue guidance and exceeds high-end of Adjusted EBITDA guidance
- Revenue of \$622 million, a 6% increase
- Net income of \$32 million, a \$2 million increase
- Adjusted EBITDA of \$141 million, a \$24 million or 21% increase
- Adjusted EBITDA margin of a record 22.7%, a 270 bps increase
- Full-year 2023 Revenue and Adjusted EBITDA outlook
- Increases full-year Adjusted Free Cash Flow guidance by \$10 million to approximately \$480 million
- Declares quarterly dividend of \$0.08 per common share, a 14% increase over last year
- Announces sale of significant portion of international businesses for up to \$95 million in all cash transactions

Tampa, Fla., Nov. 2, 2023 /PRNewswire/ - Primo Water Corporation (NYSE: PRMW) (the "Company" or "Primo Water"), a leading provider of sustainable drinking water solutions in North America and Europe, today announced its results for the third quarter ended September 30, 2023.

"Our third quarter results reflect the underlying momentum of improving our route density, network efficiency and optimization, and meeting the needs of our residential and pricing. We once again delivered strong revenue and earnings growth, while achieving record Adjusted EBITDA margins. I am proud of the effort of our team across the enterprise and their focus on improving the customer experience and overall execution," said Tom Harrington, Chief Executive Officer.

"This morning we announced an agreement to sell a significant portion of our International businesses. This transaction offers an attractive premium valuation and amplifies and focuses Primo Water on our core North American water business. The sale will provide us with the financial flexibility to pursue organic growth, reduce leverage, create revenue diversifying and drive direct-to-consumer sales opportunities and return capital to share repurchases," continued Mr. Harrington.

"Our third quarter performance gives us confidence to reaffirm our 2023 outlook to between \$2.32 billion and \$2.38 billion of revenue and Adjusted EBITDA to between \$480 million and \$488 million. Full-year 2023 Adjusted Free Cash Flow is now forecasted to increase to approximately \$490 million, an increase of \$10 million versus our previous guidance," said Mr. Harrington.

THIRD QUARTER PERFORMANCE

- Revenue increased 6% to \$622 million compared to \$585 million driven by revenue growth of 7% in Water Direct / Water Exchange and 18% in Water Refill / Water Filtration
- Gross margin increased 201 bps to 31.7% compared to 29.8%
- Reported net income and net income per diluted share were \$33 million and \$0.21, respectively, compared to reported net income and net income per diluted share of \$31 million and \$0.21, respectively. Adjusted net income and adjusted net income per diluted share were \$52 million and \$0.35, respectively, compared to \$50 million and \$0.32, respectively
- Adjusted EBITDA increased 21% to \$141 million and Adjusted EBITDA margin increased 275 bps to a record 22.7%
- The Company reaffirms its full-year 2023 revenue target to between \$2.32 billion and \$2.38 billion and its full-year 2023 Adjusted EBITDA to between \$480 million and \$488 million
- Full-year Adjusted Free Cash Flow is forecasted to be approximately \$490 million, an increase of \$10 million versus previous guidance
- Subject to closing the transactional sale of a significant portion of its International businesses, Primo Water anticipates it will reduce its 2024 guidance in conjunction with its 2023 year-end earnings in February 2024

For the Three Months Ended				
(In millions of U.S. dollars, except per share amounts, percentages and bps) September 30, 2023 October 1, 2022 Y/Y Change				
Revenue, net	\$	622.0	\$	584.6 6%
Net income	\$	33.4	\$	31.5 6%
Net income per diluted share	\$	0.21	\$	0.21 0 bps
Adjusted net income	\$	52.2	\$	50.1 4%
Adjusted net income per diluted share	\$	0.35	\$	0.32 9%
Adjusted EBITDA	\$	140.9	\$	116.5 21%
Adjusted EBITDA margin %		22.7%		20.1% 270 bps

SALE OF INTERNATIONAL BUSINESSES

An arm's length verbal understanding between Primo Water and a third party, definitive agreement whereby Calgon International ("Calgon"), will acquire Primo Water International businesses, including the New York, New England, Potomac, and West businesses. The all-cash transaction (the "Transaction") valued at up to \$175 million. Upon closing the Transaction, Primo Water intends to repay the outstanding balance of its cash flow loan with a long-term goal of sustaining adjusted net leverage under 3.5x Adjusted EBITDA. Also, upon closing, an estimated \$20 million (cash) together with the cash received, resulting in share repurchase authorization to \$75 million. The Transaction is expected to close by December 31, 2023, subject to the receipt of regulatory approvals and the satisfaction of other customary closing conditions.

Shareholders can read the full details of the Transaction announcement on Primo Water's website at <https://www.primowater.com/call>

OUTLOOK

Primo Water is bringing the following results from continuing operations for the fourth quarter and full-year 2023:

Q4 2023 Range				
FY 2023 Range				
Revenue	\$500	\$500	\$2,300	\$2,300
Adjusted EBITDA	\$100	\$110	\$440	\$480
CapEx			-\$25	-\$25
Interest			\$70	\$70
CapEx			-\$200	-\$200
Adj. Free Cash Flow			-\$160	-\$160

THIRD QUARTER 2023 RESULTS CONFERENCE CALL

Primo Water will host a conference call to be webcasted on Wednesday, on Thursday, November 2, 2023 at 10:00 a.m. Eastern Time. A question-and-answer session will follow management's presentation. To participate, please call the following numbers:

North America: (888) 684-6362

International: +1 (784) 8602

Conference ID: 63380328

This is a live, listen-only dial-in telephone line.

A live stream version of the call will be available through Primo Water's website at <https://www.primowater.com/call>. The earnings conference call will be recorded and archived on www.primowater.com/call. The earnings conference call will be recorded and archived on the investor relations website of the website for a period of two weeks following the event.

THIRD QUARTER GLOBAL PERFORMANCE

- Revenue increased 6% to \$622 million compared to \$585 million. This increase was driven by revenue growth of 7% in Water Direct / Water Exchange and 18% in Water Refill / Water Filtration, due primarily to pricing initiatives and increased demand for products and services from residential and business customers. Revenue growth by channel is tabulated below:

For the Three Months Ended				
September 30, 2023 October 1, 2022 Change % Change				
Revenue, net				
Water Direct/Water Exchange	\$	431.2	\$	402.2 7%
Water Refill/Water Filtration		73.2		61.6 19%
Other Water		34.1		35.4 1%
Water Disposables		16.1		23.7 9%
Other		66.8		66.7 1%
Revenue, net as reported	\$	622.0	\$	584.6 6%
Foreign exchange impact		(0.5)		— 0%
Revenue excluding foreign exchange impact		616.9		584.6 6%

- Gross profit increased 11% to \$287 million compared to \$248 million. Gross margin increased 201 bps to 31.7% compared to 29.8%, driven by pricing initiatives, increased demand and operating efficiencies.
- SG&A expenses increased 6% to \$151 million compared to \$137 million. The increase was driven by higher selling and operating costs that supported volume and revenue growth-related to delivery costs.
- Reported net income and net income per diluted share were \$33 million and \$0.21, respectively, compared to reported net income and net income per diluted share of \$31 million and \$0.21, respectively. Adjusted net income and adjusted net income per diluted share were \$52 million and \$0.35, respectively, compared to \$50 million and \$0.32 in the prior year.
- Adjusted EBITDA increased 21% to \$141 million compared to \$117 million, driven primarily by pricing initiatives, customer demand and effective expense management. Adjusted EBITDA margin was a record 22.7% for the quarter, compared to 20.1%.
- Net cash provided by operating activities of \$146 million, less \$90 million of capital expenditures and cash flow from other sources, resulted in \$56 million of free cash flow, or \$102 million of adjusted free cash flow (excluding for the items set forth on Exhibit 7), compared to adjusted free cash flow of \$41 million in the prior year.

THIRD QUARTER PERFORMANCE SUMMARY (continued)

North America

- Revenue increased 5% to \$470 million driven by revenue growth of 7% in Water Direct / Water Exchange and 18% in Water Refill / Water Filtration driven by pricing initiatives and increased demand for products and services from residential and business customers.

For the Three Months Ended				
September 30, 2023 October 1, 2022 Change % Change				
Revenue, net				
Water Direct/Water Exchange	\$	359.2	\$	334.1 7%
Water Refill/Water Filtration		62.0		52.6 16%
Other Water		13.6		9.6 6%
Water Disposables		16.5		23.7 9%
Other		21.5		20.4 5%

Selling, general and administrative expenses	\$	253.7	\$	42.4	\$	392.2	\$	201.3
SG&A % of revenue		46.3%		50.4%		50.0%		48.9%
Operating income (loss)	\$	52.6	\$	5.1	\$	(12.7)	\$	45.0
Depreciation and amortization	\$	44.2	\$	5.5	\$	5.9	\$	58.6

For the Nine Months Ended September 30, 2023

	North America		Europe		Asia		Total
Revenue, net	\$	1,011.5	\$	176.4	\$	332.4	\$ 1,520.3
Water Desinfectant Exchange		100.6		28.9		2.4	200.9
Water Refill/Water Filtration		36.8		0.8		35.6	93.2
Water Dispersants		45.9		0.7		—	46.6
Other		68.8		21.4		108.8	200.0
Total	\$	1,302.4	\$	228.2	\$	201.0	\$ 1,731.6
Gross profit	\$	852.6	\$	156.6	\$	73.9	\$ 1,083.1
Gross Margin %		64.7%		68.9%		36.9%	61.5%
Selling, general and administrative expenses	\$	107.2	\$	136.5	\$	112.7	\$ 199.5
SG&A % of Revenue		51.6%		59.9%		53.2%	52.2%
Operating income (loss)	\$	162.3	\$	15.5	\$	(40.8)	\$ 141.5
Depreciation and amortization	\$	142.5	\$	30.2	\$	17.7	\$ 198.4

For the Nine Months Ended October 1, 2022

	North America		Europe		Asia		Total	
Revenue, net	\$	933.5	\$	157.5	\$	35.0	\$	1,126.0
Water Circuits/Water Exchange		142.1		24.6		2.0		168.7
Water Refill/Water Filtration		65.8		1.3		58.8		125.9
Water Dispersants		56.4		—		—		56.4
Other		82.8		22.2		95.1		204.1
Total	\$	1,280.6	\$	255.6	\$	195.9	\$	1,682.1
Gross profit	\$	764.9	\$	139.2	\$	76.0	\$	980.1
Gross margin %		59.7%		67.7%		50.0%		58.3%
Selling, general and administrative expenses	\$	624.0	\$	134.5	\$	138.7	\$	897.2
SG&A % of revenue		48.7%		65.4%		90.9%		51.6%
Operating income (loss)	\$	129.2	\$	107.0	\$	37.9	\$	64.9
Depreciation and amortization	\$	133.8	\$	29.4	\$	17.8	\$	91.0

PRIMO WATER CORPORATION
SUPPLEMENTARY INFORMATION - NON-GAAP - ANALYSIS OF REVENUE AND GROSS PROFIT BY REPORTING SEGMENT
(In millions of U.S. dollars, except percentage amounts)

EXHIBIT 5

Unaudited

For the Three Months Ended September 30, 2023

	North America		Europe		Asia	
Change in revenue	\$	23.0	\$	84.9	\$	10.4
Impact of foreign exchange (a)		0.3		(6.7)		(5.1)
Change excluding foreign exchange	\$	23.3	\$	77.9	\$	15.5
Percentage change in revenue		6.1%		11.2%		3.0%
Percentage change in revenue excluding foreign exchange		5.2%		3.8%		9.5%

For the Nine Months Ended September 30, 2023

	North America		Europe		Asia	
Change in revenue	\$	52.0	\$	22.6	\$	5.1
Impact of foreign exchange (a)		2.3		(6.6)		(1.5)
Change excluding foreign exchange	\$	54.3	\$	16.0	\$	6.6
Percentage change in revenue		4.1%		11.0%		2.6%
Percentage change in revenue excluding foreign exchange		4.2%		8.5%		5.3%

For the Three Months Ended September 30, 2022

	North America		Europe		Asia	
Change in gross profit	\$	36.0	\$	71.9	\$	38.3
Impact of foreign exchange (a)		0.2		(4.6)		(2.8)
Change excluding foreign exchange	\$	35.8	\$	67.3	\$	41.1
Percentage change in gross profit		11.2%		14.6%		17.0%
Percentage change in gross profit excluding foreign exchange		13.3%		5.6%		10.2%

For the Nine Months Ended September 30, 2023

	North America		Europe		Asia	
Change in gross profit	\$	87.7	\$	114.9	\$	121.5
Impact of foreign exchange (a)		1.4		(23.3)		2.7
Change excluding foreign exchange	\$	89.1	\$	91.6	\$	124.2
Percentage change in gross profit		11.5%		12.5%		10.0%
Percentage change in gross profit excluding foreign exchange		11.6%		10.2%		10.0%

(a) Impact of foreign exchange is the difference between the current period revenue and gross profit translated at the current period average foreign exchange rates and the current period revenue and gross profit translated at the prior period average foreign exchange rates.

PRIMO WATER CORPORATION
SUPPLEMENTARY INFORMATION - NON-GAAP - EXPANDED REVENUE
(IN \$ MIL.)
(In millions of U.S. dollars, except percentage amounts)

EXHIBIT 6

Unaudited

For the Three Months Ended

	September 30, 2023		October 1, 2022		September 30, 2022	
Net income (loss)	\$	35.4	\$	1.3	\$	85.5
Interest expense, net		18.6		17.4		37.2
Income tax expense		13.6		5.1		28.0
Depreciation and amortization		65.1		108.8		168.4
EBITDA	\$	130.9	\$	89.4	\$	386.1
Acquisition and integration costs (a)		2.6		5.3		6.4
Share-based compensation costs (b)		1.4		3.2		6.7
Impairment charges (c)		—		—		29.1
Foreign exchange and other income (expense), net (d)		18.6		21.3		83.6
Loss on disposal of property, plant and equipment, net (e)(1)		—		2.5		4.0
Gain on sale of property (f)		(5.3)		—		(5.3)
Other adjustments, net (g)		(0.8)		3.1		6.1
Adjusted EBITDA	\$	142.0	\$	119.9	\$	322.4
Revenue, net	\$	1,020.0	\$	1,066.6	\$	1,170.8
Adjusted EBITDA margin %		22.7%		20.0%		28.0%

	For the Three Months Ended		For the Nine Months Ended		
Location in Consolidated Statement of Operations	September 30, 2023	October 1, 2022	September 30, 2023	October 1, 2022	
			(in millions)		
(a) Acquisition and integration expenses	2.6	\$	3.3	\$	6.4
(b) Share-based compensation costs	1.4		3.2		6.7
(c) Impairment charges	—		—		29.1
(d) Foreign exchange and other income (expense), net	18.6		21.3	(in loss)	36.7
(e) Loss on disposal of property, plant and equipment, net	1.5		2.6		4.0
(f) Gain on sale of property	(5.3)		—		—
(g) Other adjustments, net	(0.8)		3.1		6.1
(h) Selling, general and administrative expenses	—		3.0		11.3

PRIMO WATER CORPORATION
SUPPLEMENTARY INFORMATION - NON-GAAP - FREE CASH FLOW AND ADJUSTED FREE CASH FLOW
(In millions of U.S. dollars)

EXHIBIT 7

Unaudited

For the Three Months Ended

	September 30, 2023		October 1, 2022	
Net cash provided by operating activities	\$	146.1	\$	92.7
Less: Additions to property, plant, and equipment		(46.3)		(70.6)
Less: Additions to intangible assets		(3.9)		(8.0)
Free Cash Flow	\$	95.9	\$	14.1
Acquisition and integration cash costs		2.0		2.1
Net cash provided by operating activities	\$	100.0	\$	14.0
Adjusted Free Cash Flow	\$	101.5	\$	20.8

For the Nine Months Ended

	September 30, 2023		October 1, 2022	
Net cash provided by operating activities	\$	259.2	\$	180.0

Less: Additions to property, plant, and equipment	(136.0)	(152.2)
Less: Additions to intangible assets	(6.5)	(8.8)
Free Cash Flow	\$ 114.3	\$ 18.9
Acquisition and integration cash costs	6.0	10.2
Cash costs related to additions to property, plant and equipment for integration of acquired entities ⁽²⁾	—	—
Cash loans paid for property sales	0.8	—
Termination awards related to property, plant, and equipment	2.4	—
Adjusted Free Cash Flow	\$ 123.9	\$ 29.1

PRIMO WATER CORPORATION

EXHIBIT 8

SUPPLEMENTARY INFORMATION-NON-GAAP-ADJUSTED NET INCOME AND ADJUSTED EPS

(in millions of U.S. dollars, except share amounts)

Unaudited

	For the Three Months Ended		For the Nine Months Ended	
	September 30, 2023	October 1, 2022	September 30, 2023	October 1, 2022
Net income (loss) (see reported)	\$ 30.4	\$ 1.3	\$ 60.5	\$ (27.9)
Adjustments:				
Amortization expense of customer lists	11.6	11.7	34.1	36.7
Acquisition and integration costs	2.4	3.3	6.4	12.5
Share-based compensation costs	1.4	3.2	6.7	10.7
Impairment charges	—	—	—	28.1
Foreign exchange and other losses (gains), net	10.8	21.3	(0.3)	36.7
Gain on sale of property	(5.0)	—	(5.3)	—
Other adjustments, net	(0.0)	3.1	9.6	4.5
Tax impact of adjustments (a)	(1.2)	(8.2)	(6.0)	(21.0)
Adjusted net income	\$ 52.2	\$ 25.7	\$ 105.9	\$ 82.9
<u>Reconciling Items (see reported)</u>				
Net income (loss)	\$ 30.4	\$ 1.3	\$ 60.5	\$ (27.9)
Basic EPS	\$ 0.21	\$ 0.01	\$ 0.38	\$ (0.17)
Diluted EPS	\$ 0.21	\$ 0.01	\$ 0.38	\$ (0.17)
Weighted average common shares outstanding (in thousands)				
Basic	155,407	161,117	158,446	161,064
Diluted	160,042	161,388	162,236	161,064
<u>Adjusted Earnings Per Share (Non-GAAP)</u>				
Adjusted net income (Non-GAAP)	\$ 52.2	\$ 25.7	\$ 105.9	\$ 82.9
Adjusted diluted EPS (Non-GAAP)	\$ 0.33	\$ 0.22	\$ 0.66	\$ 0.51
Diluted-weighted average common shares outstanding (in thousands) (Non-GAAP) (b)(10)(12)	161,388	162,236	162,236	161,099

(a) The tax effect for adjusted net income is based upon an analysis of the statutory tax treatment and the applicable tax rate for the jurisdiction in which the pre-tax adjusting items incurred and for which realization of the resulting tax benefit (if any) is expected. A reduced or 0% tax rate is applied to jurisdictions where we do not expect to realize a tax benefit due to a history of operating losses or other factors resulting in a valuation allowance related to deferred tax assets.

(b) Includes the impact of dilutive securities of 152 for the nine months ended October 1, 2022. These dilutive securities were excluded from GAAP diluted weighted average common shares outstanding due to net loss reported in the period.

View original content to download multimedia: <https://www.primowater.com/news-releases/primowater-announces-strong-third-quarter-2023-results-and-renews-annual-adjusted-free-cash-flow-guidance-201794601.html>

SOURCE: Primo Water Corporation