

COTT CORP /CN/
Form 10-Q
August 07, 2014
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United States

Securities and Exchange Commission

Washington, D.C. 20549

FORM 10-Q

x **Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the quarterly period ended: June 28, 2014

.. **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

COTT CORPORATION

(Exact name of registrant as specified in its charter)

CANADA (State or Other Jurisdiction of	98-0154711 (IRS Employer
Incorporation or Organization)	Identification No.)
6525 VISCOUNT ROAD	
MISSISSAUGA, ONTARIO, CANADA	L4V 1H6
5519 WEST IDLEWILD AVENUE	
TAMPA, FLORIDA, UNITED STATES	33634
(Address of principal executive offices)	(Zip Code)
Registrant's telephone number, including area code: (905) 672-1900 and (813) 313-1800	

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes No

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

Large accelerated filer Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

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

Class	Outstanding at August 1, 2014
Common Stock, no par value per share	93,736,940 shares

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Table of Contents**PART I FINANCIAL INFORMATION****Item 1. Financial Statements (unaudited)****Cott Corporation****Consolidated Statements of Operations***(in millions of U.S. dollars, except share and per share amounts)**Unaudited*

	For the Three Months Ended		For the Six Months Ended	
	June 28, 2014	June 29, 2013	June 28, 2014	June 29, 2013
Revenue, net	\$ 550.9	\$ 563.8	\$ 1,026.0	\$ 1,069.2
Cost of sales	477.1	487.2	901.9	936.2
Gross profit	73.8	76.6	124.1	133.0
Selling, general and administrative expenses	46.9	41.7	89.2	83.0
Loss on disposal of property, plant & equipment	0.4	0.3	0.5	0.3
Restructuring and asset impairments				
Restructuring	0.1	2.0	2.3	2.0
Asset impairments	0.3		1.9	
Operating income	26.1	32.6	30.2	47.7
Other expense, net	19.8		17.5	0.3
Interest expense, net	8.4	12.8	18.2	26.1
(Loss) income before income taxes	(2.1)	19.8	(5.5)	21.3
Income tax expense	2.5	1.7	1.6	2.2
Net (loss) income	\$ (4.6)	\$ 18.1	\$ (7.1)	\$ 19.1
Less: Net income attributable to non-controlling interests	1.4	1.6	2.8	2.6
Net (loss) income attributed to Cott Corporation	\$ (6.0)	\$ 16.5	\$ (9.9)	\$ 16.5
Net (loss) income per common share attributed to Cott Corporation				
Basic	\$ (0.06)	\$ 0.17	\$ (0.11)	\$ 0.17
Diluted	(0.06)	0.17	(0.11)	0.17
Weighted average outstanding shares (thousands) attributed to Cott Corporation				

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Basic	94,234	95,159	94,276	95,265
Diluted	94,234	95,981	94,276	96,048
Dividends declared per share	\$ 0.06	\$ 0.06	\$ 0.12	\$ 0.12

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

Table of Contents**Cott Corporation****Condensed Consolidated Statements of Comprehensive Income***(in millions of U.S. dollars)**Unaudited*

	For the Three Months Ended		For the Six Months Ended	
	June 28, 2014	June 29, 2013	June 28, 2014	June 29, 2013
Net (loss) income	\$ (4.6)	\$ 18.1	\$ (7.1)	\$ 19.1
Other comprehensive income (loss):				
Currency translation adjustment	8.4	(4.4)	6.8	(16.8)
Pension benefit plan, net of tax ¹	(0.3)	0.2	(0.3)	0.4
Unrealized gain (loss) on derivative instruments, net of tax ²	0.3	(0.1)	0.2	
Total other comprehensive income (loss)	8.4	(4.3)	6.7	(16.4)
Comprehensive income (loss)	\$ 3.8	\$ 13.8	\$ (0.4)	\$ 2.7
Less: Comprehensive income attributable to non-controlling interests	1.4	1.7	2.8	2.6
Comprehensive income (loss) attributed to Cott Corporation	\$ 2.4	\$ 12.1	\$ (3.2)	\$ 0.1

1. Net of the effect of nil and \$0.1 million tax expense for the three and six months ended June 28, 2014, respectively, and net of the effect of \$0.1 million and \$0.2 million tax expense for the three and six months ended June 29, 2013, respectively.
2. Net of the effect of \$0.1 million and \$0.1 million tax expense for the three and six months ended June 28, 2014, respectively, and net of the effect of \$0.1 million and a nil tax benefit for the three and six months ended June 29, 2013, respectively.

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

Table of Contents**Cott Corporation****Consolidated Balance Sheets***(in millions of U.S. dollars, except share amounts)**Unaudited*

	June 28, 2014	December 28, 2013
ASSETS		
<i>Current assets</i>		
Cash & cash equivalents	\$ 90.9	\$ 47.2
Accounts receivable, net of allowance of \$5.3 (\$5.8 as of December 28, 2013)	285.0	204.4
Income taxes recoverable	1.0	1.1
Inventories	251.4	233.1
Prepaid expenses and other current assets	23.4	19.3
Total current assets	651.7	505.1
Property, plant & equipment, net	479.2	483.7
Goodwill	191.1	137.3
Intangibles and other assets, net	379.2	296.2
Deferred income taxes	5.7	3.6
Other tax receivable	0.2	0.2
Total assets	\$ 1,707.1	\$ 1,426.1
LIABILITIES AND EQUITY		
<i>Current liabilities</i>		
Short-term borrowings	\$ 35.8	\$ 50.8
Current maturities of long-term debt	83.4	3.9
Accounts payable and accrued liabilities	356.9	298.2
Total current liabilities	476.1	352.9
Long-term debt	536.5	403.5
Deferred income taxes	62.3	41.5
Other long-term liabilities	41.6	22.3
Total liabilities	1,116.5	820.2
<i>Equity</i>		
Capital stock, no par - 94,081,120 (December 28, 2013 - 94,238,190) shares issued	392.1	392.8
Additional paid-in-capital	46.6	44.1
Retained earnings	154.5	176.3
Accumulated other comprehensive loss	(10.1)	(16.8)

Total Cott Corporation equity	583.1	596.4
Non-controlling interests	7.5	9.5
Total equity	590.6	605.9
Total liabilities and equity	\$ 1,707.1	\$ 1,426.1

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

Table of Contents**Cott Corporation****Consolidated Statements of Cash Flows***(in millions of U.S. dollars)**Unaudited*

	For the Three Months Ended		For the Six Months Ended	
	June 28, 2014	June 29, 2013	June 28, 2014	June 29, 2013
Operating Activities				
Net (loss) income	\$ (4.6)	\$ 18.1	\$ (7.1)	\$ 19.1
Depreciation & amortization	26.0	24.9	51.3	49.6
Amortization of financing fees	0.6	0.8	1.2	1.5
Share-based compensation expense	2.1	1.8	3.4	2.5
Increase in deferred income taxes	2.6	1.6	1.5	1.6
Write-off of financing fees and discount	3.0		3.3	
Loss on disposal of property, plant & equipment	0.4	0.3	0.5	0.3
Asset impairments	0.3		1.9	
Other non-cash items	(0.5)	(0.1)	(0.7)	0.2
Change in operating assets and liabilities, net of acquisitions:				
Accounts receivable	(33.0)	(29.6)	(66.3)	(57.8)
Inventories	8.9	2.4	(7.6)	(10.8)
Prepaid expenses and other current assets	(1.2)	(1.4)	(1.0)	(2.0)
Other assets	(0.4)		(0.2)	(0.1)
Accounts payable and accrued liabilities, and other liabilities	25.8	15.2	(2.7)	(28.9)
Income taxes recoverable	(0.4)	0.1	(0.4)	0.3
Net cash provided by (used in) operating activities	29.6	34.1	(22.9)	(24.5)
Investing Activities				
Acquisitions, net of cash received	(80.8)	(6.5)	(80.8)	(6.5)
Additions to property, plant & equipment	(11.8)	(14.6)	(20.6)	(34.5)
Additions to intangibles and other assets	(1.3)	(1.7)	(2.8)	(1.9)
Proceeds from insurance recoveries				0.4
Net cash used in investing activities	(93.9)	(22.8)	(104.2)	(42.5)
Financing Activities				
Payments of long-term debt	(296.5)	(19.1)	(312.5)	(19.6)
Issuance of long-term debt	525.0		525.0	
Borrowings under ABL	188.2		283.2	

Payments under ABL	(284.3)		(299.4)	
Distributions to non-controlling interests	(2.5)	(0.7)	(4.8)	(2.8)
Financing fees	(7.9)		(7.9)	
Common shares repurchased and cancelled	(2.7)	(5.5)	(3.1)	(8.4)
Dividends to shareholders	(5.7)	(11.2)	(10.8)	(11.2)
Net cash provided by (used in) financing activities	113.6	(36.5)	169.7	(42.0)
Effect of exchange rate changes on cash	1.0	(1.0)	1.1	(3.6)
Net increase (decrease) in cash & cash equivalents	50.3	(26.2)	43.7	(112.6)
Cash & cash equivalents, beginning of period	40.6	93.0	47.2	179.4
Cash & cash equivalents, end of period	\$ 90.9	\$ 66.8	\$ 90.9	\$ 66.8

Supplemental Non-cash Investing and Financing Activities:

Acquisition related deferred consideration	51.4	5.1	51.4	5.1
Financing fees	1.8		1.8	

Supplemental Disclosures of Cash Flow Information:

Cash paid for interest	\$ 8.4	\$ 9.2	\$ 25.0	\$ 25.1
Cash (received) paid for income taxes, net	\$	\$ (0.2)	\$ 0.3	\$ 0.3

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

Table of Contents**Cott Corporation****Consolidated Statements of Equity***(in millions of U.S. dollars, except share amounts)**Unaudited*

	Cott Corporation Equity						
	Number of Common Shares <i>(In thousands)</i>	Common Shares	Additional Paid-in- Capital	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Non- Controlling Interests	Total Equity
Balance at December 29, 2012	95,371	\$ 397.8	\$ 40.4	\$ 186.0	\$ (12.4)	\$ 11.1	\$ 622.9
Common shares issued - Director Share Awards	87		0.8				0.8
Common shares repurchased and cancelled	(692)	(2.9)		(2.6)			(5.5)
Common shares issued - Time-based RSUs	7						
Share-based compensation			1.7				1.7
Dividend payment				(11.2)			(11.2)
Distributions to non-controlling interests						(2.8)	(2.8)
Comprehensive (loss) income							
Currency translation adjustment					(16.8)		(16.8)
Pension benefit plan, net of tax					0.4		0.4
Net income				16.5		2.6	19.1
Balance at June 29, 2013	94,773	\$ 394.9	\$ 42.9	\$ 188.7	\$ (28.8)	\$ 10.9	\$ 608.6
Balance at December 28, 2013	94,238	\$ 392.8	\$ 44.1	\$ 176.3	\$ (16.8)	\$ 9.5	\$ 605.9
Common shares issued - Director Share Awards	112		0.8				0.8
Common shares repurchased and cancelled	(430)	(2.0)		(1.1)			(3.1)
Common shares issued - Time-based RSUs	161	1.3	(1.3)				
Share-based compensation			3.0				3.0
Dividend payment				(10.8)			(10.8)
Distributions to non-controlling interests						(4.8)	(4.8)
Comprehensive income (loss)							

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Currency translation adjustment					6.8		6.8
Pension benefit plan, net of tax					(0.3)		(0.3)
Unrealized gain on derivative instruments, net of tax					0.2		0.2
Net (loss) income				(9.9)		2.8	(7.1)
Balance at June 28, 2014	94,081	\$ 392.1	\$ 46.6	\$ 154.5	\$ (10.1)	\$ 7.5	\$ 590.6

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

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Cott Corporation

Notes to the Consolidated Financial Statements

Unaudited

Note 1 Business and Recent Accounting Pronouncements

Description of Business

Cott Corporation, together with its consolidated subsidiaries (Cott, the Company, our Company, Cott Corporation, us, or our), is one of the world's largest producers of beverages on behalf of retailers, brand owners and distributors. Our product lines include carbonated soft drinks (CSDs), 100% shelf stable juice and juice-based products, clear, still and sparkling flavored waters, energy drinks and shots, sports products, new age beverages, ready-to-drink teas, beverage concentrates, liquid enhancers, freezables and ready-to-drink alcoholic beverages, as well as hot chocolate, coffee, malt drinks, creamers/whiteners and cereals.

Basis of Presentation

The accompanying interim unaudited consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and Article 10 of Regulation S-X and in accordance with U.S. generally accepted accounting principles (GAAP) for interim financial reporting. Accordingly, they do not include all information and notes presented in the annual consolidated financial statements in conformity with U.S. GAAP. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair statement of our results of operations for the interim periods reported and of our financial condition as of the date of the interim balance sheet have been included. This Quarterly Report on Form 10-Q should be read in conjunction with the annual audited consolidated financial statements and accompanying notes in our Annual Report on Form 10-K for the year ended December 28, 2013. The accounting policies used in these interim consolidated financial statements are consistent with those used in the annual consolidated financial statements.

The presentation of these interim consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes.

During the six months ended June 28, 2014, we recorded out-of-period adjustments which decreased net income by approximately \$0.7 million, which related to 2013 and were primarily associated with fixed assets and accrued liabilities. We evaluated the total out-of-period adjustments in relation to the current period, which is when the adjustments were recorded, as well as the period in which they originated and concluded these adjustments are not material to either the consolidated quarterly or annual financial statements for all impacted periods.

Recent Accounting Pronouncements

Update ASU 2013-11 Income Taxes (Topic 740): Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists

In July 2013, the Financial Accounting Standards Board (FASB) amended its guidance regarding the information provided in relation to the financial statement presentation of an unrecognized tax benefit when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. An unrecognized tax benefit, or a portion of an

unrecognized tax benefit, should be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward. To the extent a net operating loss carryforward, a similar tax loss, or a tax credit carryforward is not available at the reporting date under the tax law of the applicable jurisdiction to settle any additional income taxes that would result from the disallowance of a tax position or the tax law of the applicable jurisdiction does not require the entity to use, and the entity does not intend to use, the deferred tax asset for such purpose, the unrecognized tax benefit should be presented in the financial statements as a liability and should not be combined with deferred tax assets. The assessment of whether a deferred tax asset is available is based on the unrecognized tax benefit and deferred tax asset that exist at the reporting date and should be made presuming disallowance of the tax position at the reporting date. For public entities, the amendments are effective prospectively for fiscal years, and interim periods within those years, beginning after December 15, 2013. We have adopted this guidance and incorporated it into the presentation of our consolidated financial statements.

Update ASU 2014-09 Revenue from Contracts with Customers (Topic 606)

In May 2014, the FASB amended its guidance regarding revenue recognition and created a new Topic 606, Revenue from Contracts with Customers. The objectives for creating Topic 606 were to remove inconsistencies and weaknesses in revenue recognition, provide a more robust framework for addressing revenue issues, provide more useful information to users of the financial statements through improved disclosure requirements, simplify the preparation of financial statements by reducing the number of requirements to which an entity must refer, and improve comparability of revenue recognition

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practices across entities, industries, jurisdictions and capital markets. The core principal of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve the core principle, an entity should apply the following steps: 1) identify the contract(s) with a customer; 2) identify the performance obligations in the contract; 3) determine the transaction price; 4) allocate the transaction price to the performance obligations in the contract; and 5) recognize revenue when (or as) the entity satisfies a performance obligation. For public entities, the amendments are effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. The amendments may be applied retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initially applying the amendment recognized at the date of initial application. We are currently assessing the impact of adoption of this standard on our consolidated financial statements.

Update ASU 2014-12 Compensation Stock Compensation (Topic 718): Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period

In June 2014, the FASB amended its guidance regarding accounting for share-based payments when the terms of an award provide that a performance target could be achieved after the requisite service period. The amendments require that a performance target that affects vesting and that could be achieved after the requisite service period be treated as a performance condition. A reporting entity should apply existing guidance in Topic 718 as it relates to awards with performance conditions that affect vesting to account for such awards. As such, the performance target should not be reflected in estimating the grant-date fair value of the award. Compensation cost should be recognized in the period in which it becomes probable that the performance target will be achieved and should represent the compensation cost attributable to the period(s) for which the requisite service has already been rendered. If the performance target becomes probable of being achieved before the end of the requisite service period, the remaining unrecognized compensation cost should be recognized prospectively over the remaining requisite service period. The total amount of compensation cost recognized during and after the requisite service period should reflect the number of awards that are expected to vest and should be adjusted to reflect those awards that ultimately vest. The requisite service period ends when the employee can cease rendering service and still be eligible to vest in the award if the performance target is achieved. The stated vesting period (which includes the period in which the performance target could be achieved) may differ from the requisite service period. For public entities, the amendments are effective for annual reporting periods beginning after December 15, 2015, including interim periods within that reporting period. The amendments may be applied prospectively to all awards granted or modified after the effective date or retrospectively to all awards with performance targets that are outstanding as of the beginning of the earliest annual period presented in the financial statements and to all new or modified awards thereafter. We believe that the adoption of these amendments will not have a material impact on our consolidated financial statements.

Note 2 Acquisitions*Aimia Acquisition*

On May 30, 2014 (the Acquisition Date), our United Kingdom (U.K.) reporting segment acquired 100 percent of the share capital of Aimia Foods (Holdings) Limited (the Aimia Acquisition), which includes its operating subsidiary company, Aimia Foods Limited (together referred as Aimia) pursuant to a Share Purchase Agreement dated May 30, 2014. Aimia produces and distributes hot chocolate, coffee and cold cereal products primarily through food service, vending and retail channels. The aggregate purchase price for the Aimia Acquisition was £52.1 million (\$87.6 million) payable in cash, which included a payment for estimated closing balance sheet working capital, £19.9 million (\$33.5 million) in deferred consideration to be paid by September 30, 2014, and aggregate contingent consideration of up to £16.0 million (\$26.9 million), which is payable upon the achievement of certain performance measures during the

twelve months ending July 1, 2016 (the Earn Out Period).

The total consideration paid by us for the Aimia Acquisition, subject to final working capital adjustments, is summarized below:

(in millions of U.S. dollars)

Cash	\$ 80.4
Deferred consideration	33.5
Contingent consideration ¹	17.9
Working capital payment	7.2
Total consideration	\$ 139.0

1. Represents the estimated present value of the contingent consideration based on probability of achievement of performance targets recorded at fair value.

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Our primary reasons for the Aimia Acquisition were to diversify Cott's product portfolio, packaging formats and channel mix, and enhance our customer offering and growth prospects.

The Aimia Acquisition is being accounted for as a business combination which, among other things, requires that assets acquired and liabilities assumed be measured at their acquisition date fair values. Identified intangible assets, goodwill and property, plant and equipment are recorded at their estimated fair values per preliminary valuations and may change based on the final valuations. The results of operations of Aimia have been included in our operating results beginning as of the Acquisition Date. We allocated the total purchase price exchanged for Aimia to tangible assets, liabilities and identifiable intangible assets acquired based on their estimated fair values. The excess of the purchase price over the aggregate fair values was recorded as goodwill. The fair value assigned to identifiable intangible assets acquired was based on estimates and assumptions made by management. Intangible assets are amortized using a method that reflects the pattern in which economic benefits of the intangible asset are consumed using a straight-line amortization method.

The sellers are entitled to contingent consideration of up to a maximum of £16.0 million (\$26.9 million), based on the exchange rate on the Acquisition Date, which will be due by us if Aimia meets certain targets relating to net income plus interest, income taxes, depreciation and amortization (EBITDA) for the twelve months ending July 1, 2016. We estimated the fair value of the contingent consideration based on financial projections of the acquired business and estimated probabilities of achievement of the EBITDA targets. We believe that our estimates and assumptions are reasonable, but there is significant judgment involved. Changes in the fair value of contingent consideration liabilities subsequent to the acquisition will be recorded in our Consolidated Statements of Operations. The fair value of the contingent consideration was determined to be £10.6 million (\$17.9 million) using a present valued probability-weighted income approach. Key assumptions include probability-adjusted EBITDA amounts with discount rates consistent with the level of risk of achievement.

The following table summarizes the estimated allocation of the purchase price to the fair value of the assets acquired and liabilities assumed in connection with the Aimia Acquisition. The allocation of the purchase price is based on a preliminary valuation that is expected to be completed by the end of 2014. Any adjustment may affect the total purchase price and amount of goodwill.

<i>(in millions of U.S. dollars)</i>	Acquired Value
Cash	\$ 9.5
Accounts receivable	11.0
Inventories	9.6
Prepaid expenses and other assets	1.9
Property, plant & equipment	10.5
Goodwill	52.8
Intangibles and other assets	86.2
Accounts payable and accrued liabilities	(25.4)
Deferred tax liabilities	(17.1)
Total	\$ 139.0

The Company recognized \$1.8 million of acquisition related costs associated with the Aimia Acquisition that were expensed during the three and six month period ended June 28, 2014. These costs are included in the selling, general, and administrative expenses of our Consolidated Statements of Operations in accordance with ASC 805, Business

Combinations.

Table of Contents*Intangible Assets*

In our preliminary determination of the fair value of the intangible assets, we considered, among other factors, the best use of acquired assets, analysis of historical financial performance and estimates of future performance of Aimia's products. The estimated fair values of identified intangible assets were calculated considering market participant expectations and using an income approach and estimates and assumptions provided by Aimia's and our management. The following table sets forth the components of identified intangible assets associated with the Aimia Acquisition and their estimated weighted average useful lives:

<i>(in millions of U.S. dollars)</i>	Estimated Fair Market Value	Estimated Useful Life
Customer relationships	\$ 76.5	15 years
Trademarks and trade names	1.5	20 years
Non-competition agreements	2.9	5 years
Total	\$ 80.9	

Customer relationships represent future projected revenue that will be derived from sales to existing customers of Aimia.

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.

In conjunction with the closing of the Aimia Acquisition, certain key employees of Aimia executed non-competition agreements, which prevent those employees from competing with us in the specified restricted territories for a period of time from the Acquisition Date. The value of the Aimia business could be materially diminished without these noncompetition agreements.

Goodwill

The principal factor that resulted in recognition of goodwill was that the purchase price for the Aimia Acquisition was based in part on cash flow projections assuming the reduction of administration costs and the integration of acquired customers and products into our operations, which is of greater value than on a standalone basis. The goodwill recognized as part of the Aimia Acquisition was allocated to the U.K. reporting segment, none of which is expected to be tax deductible.

Selected Financial Data (unaudited)

The following unaudited financial information from the Acquisition Date through June 28, 2014 represents the activity of Aimia that has been combined with our operations as of the Acquisition Date.

(in millions of U.S. dollars)

**For the period
from
May 30,
2014
through
June 28,
2014**

Revenue	\$ 7.0
Net loss	(1.2)

Calypso Acquisition

In June 2013, our U.K. reporting segment acquired 100 percent of the share capital of Cooke Bros. Holdings Limited (the Calypso Acquisition), which includes its subsidiary companies Calypso Soft Drinks Limited and Mr. Freeze (Europe) Limited (together, Calypso). Calypso produces fruit juices, juice drinks, soft drinks, and freeze products in the United Kingdom. The aggregate purchase price for the acquisition of Calypso was \$12.1 million, which includes approximately \$7.0 million paid at closing, a deferred payment of approximately \$2.3 million paid on the first anniversary of the closing date, and a deferred payment of approximately \$3.0 million to be paid on the second anniversary of the closing date. In connection with the Calypso Acquisition, we paid \$18.5 million of outstanding debt of the acquired companies. The closing payment and the first deferred payment were funded from available cash.

The total consideration paid by us in the Calypso Acquisition is summarized below:

(in millions of U.S. dollars)

Cash	\$ 7.0
Deferred consideration ¹	5.1
Total consideration	\$ 12.1

¹ Principal amount of \$5.3 million discounted to present value.

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Our primary reasons for the Calypso Acquisition were to expand Cott's product portfolio and enhance our customer offering and growth prospects.

Supplemental Pro Forma Data (unaudited)

The following unaudited pro forma financial information for the three and six months ended June 28, 2014 and June 29, 2013 represent the combined results of our operations as if the Aimia Acquisition and the Calypso Acquisition had occurred on December 30, 2012. The unaudited pro forma results reflect certain adjustments related to these acquisitions 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.

<i>(in millions of U.S. dollars, except share amounts)</i>	For the Three Months Ended		For the Six Months Ended	
	June 28, 2014	June 29, 2013	June 28, 2014	June 29, 2013
Revenue	\$ 567.8	\$ 599.7	\$ 1,072.7	\$ 1,140.8
Net (loss) income	(4.6)	18.9	(6.0)	20.6
Net (loss) income per common share, diluted	\$ (0.05)	\$ 0.20	\$ (0.06)	\$ 0.21

Cliffstar Acquisition

On August 17, 2010, we completed the acquisition of substantially all of the assets and liabilities of Cliffstar Corporation (Cliffstar) and its affiliated companies (the Cliffstar Acquisition) for approximately \$503.0 million in cash, \$14.0 million in deferred consideration payable in equal installments over three years and contingent consideration of up to \$55.0 million. Contingent consideration of \$34.9 million was ultimately paid to the seller of Cliffstar, and all claims for contingent consideration have been resolved as of December 28, 2013.

Table of Contents**Note 3 Restructuring and Asset Impairments**

We implement restructuring programs from time to time that are designed to improve operating effectiveness and lower costs. When we implement these programs, we incur various charges, including severance, asset impairments, and other employment related costs. During the first quarter of 2014, we implemented one such program, which involved the closure of two of our smaller plants, one located in North America and another one located in the United Kingdom (the 2014 Restructuring Plan). The plant closures are expected to be completed by the end of our 2014 fiscal year and will result in cash charges associated with employee redundancy costs and relocation of assets, and non-cash charges related to asset impairments and accelerated depreciation on property, plant and equipment. In connection with the 2014 Restructuring Plan, we expect to incur total charges of approximately \$5.0 million to \$6.0 million. We also implemented a plan in June 2013, which consisted primarily of headcount reductions.

The following table summarizes restructuring charges for the three and six months ended June 28, 2014 and June 29, 2013, respectively:

<i>(in millions of U.S. dollars)</i>	For the Three Months Ended		For the Six Months Ended	
	June 28, 2014	June 29, 2013	June 28, 2014	June 29, 2013
North America	\$ 0.1	\$ 1.0	\$ 2.2	\$ 1.0
United Kingdom		0.7	0.1	0.7
Mexico		0.3		0.3
Total	\$ 0.1	\$ 2.0	\$ 2.3	\$ 2.0

There were no asset impairment charges for the three and six months ended June 29, 2013. The following table summarizes asset impairment charges for the three and six months ended June 28, 2014:

<i>(in millions of U.S. dollars)</i>	For the Three Months Ended		For the Six Months Ended	
	June 28, 2014		June 28, 2014	
North America	\$		\$	0.9
United Kingdom		0.3		1.0
Total	\$	0.3	\$	1.9