

COTT CORP /CN/  
Form 10-Q  
August 09, 2016  
Table of Contents

**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: July 2, 2016**

.. **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)**

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

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

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 2, 2016
Common Shares, no par value per share	137,860,725 shares



**Table of Contents**

**TABLE OF CONTENTS**

<b><u>PART I FINANCIAL INFORMATION</u></b>	<b>3</b>
<u>Item 1. Financial Statements (unaudited)</u>	3
<u>Consolidated Statements of Operations</u>	3
<u>Condensed Consolidated Statements of Comprehensive (Loss) Income</u>	4
<u>Consolidated Balance Sheets</u>	5
<u>Consolidated Statements of Cash Flows</u>	6
<u>Consolidated Statements of Equity</u>	7
<u>Notes to the Consolidated Financial Statements</u>	8
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	46
<u>Item 3. Quantitative and Qualitative Disclosures about Market Risk</u>	60
<u>Item 4. Controls and Procedures</u>	60
<b><u>PART II. OTHER INFORMATION</u></b>	<b>61</b>
<u>Item 1. Legal Proceedings</u>	61
<u>Item 1A. Risk Factors</u>	61
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	63
<u>Item 6. Exhibits</u>	63
<b><u>SIGNATURES</u></b>	<b>64</b>

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*

	<b>For the Three Months Ended</b>		<b>For the Six Months Ended</b>	
	<b>July 2,</b>	<b>July 4,</b>	<b>July 2,</b>	<b>July 4,</b>
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
<b>Revenue, net</b>	<b>\$ 765.0</b>	<b>\$ 779.8</b>	<b>\$ 1,463.4</b>	<b>\$ 1,489.6</b>
Cost of sales	<b>512.4</b>	539.2	<b>996.8</b>	1,047.7
<b>Gross profit</b>	<b>252.6</b>	240.6	<b>466.6</b>	441.9
Selling, general and administrative expenses	<b>202.1</b>	190.2	<b>399.1</b>	378.7
Loss on disposal of property, plant & equipment, net	<b>2.2</b>	0.2	<b>3.1</b>	1.6
Acquisition and integration expenses	<b>11.7</b>	4.1	<b>13.1</b>	8.8
<b>Operating income</b>	<b>36.6</b>	46.1	<b>51.3</b>	52.8
Other expense (income), net	<b>3.0</b>	1.0	<b>0.8</b>	(9.4)
Interest expense, net	<b>27.0</b>	27.9	<b>54.8</b>	55.6
<b>Income (loss) before income taxes</b>	<b>6.6</b>	17.2	<b>(4.3)</b>	6.6
Income tax benefit	<b>2.3</b>	1.1	<b>11.3</b>	10.5
<b>Net income</b>	<b>\$ 8.9</b>	<b>\$ 18.3</b>	<b>\$ 7.0</b>	<b>\$ 17.1</b>
Less: Net income attributable to non-controlling interests	<b>1.5</b>	1.7	<b>2.9</b>	3.0
Less: Accumulated dividends on convertible preferred shares		1.8		4.5
Less: Accumulated dividends on non-convertible preferred shares		0.6		1.4
Less: Foreign exchange impact on redemption of preferred shares		12.0		12.0
<b>Net income (loss) attributed to Cott Corporation</b>	<b>\$ 7.4</b>	<b>\$ 2.2</b>	<b>\$ 4.1</b>	<b>\$ (3.8)</b>
<b>Net income (loss) per common share attributed to Cott Corporation</b>				
Basic	<b>\$ 0.06</b>	\$ 0.02	<b>\$ 0.03</b>	\$ (0.04)
Diluted	<b>\$ 0.06</b>	\$ 0.02	<b>\$ 0.03</b>	\$ (0.04)

**Weighted average common shares outstanding (in thousands)**

Basic	<b>123,239</b>	99,573	<b>118,253</b>	96,384
Diluted	<b>124,180</b>	100,165	<b>119,038</b>	96,384
<b>Dividends declared per share</b>	<b>\$ 0.06</b>	\$ 0.06	<b>\$ 0.12</b>	\$ 0.12

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

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

	For the Three Months Ended		For the Six Months Ended	
	July 2, 2016	July 4, 2015	July 2, 2016	July 4, 2015
Net income	\$ 8.9	\$ 18.3	\$ 7.0	\$ 17.1
Other comprehensive (loss) income:				
Currency translation adjustment	(14.7)	24.6	(17.9)	(1.3)
Pension benefit plan, net of tax	1 0.1	0.4	0.2	0.5
Unrealized gain (loss) on derivative instruments, net of tax	2 2.6	(2.8)	3.1	(2.8)
<b>Total other comprehensive (loss) income</b>	<b>(12.0)</b>	22.2	<b>(14.6)</b>	(3.6)
<b>Comprehensive (loss) income</b>	<b>\$ (3.1)</b>	\$ 40.5	<b>\$ (7.6)</b>	\$ 13.5
Less: Comprehensive income attributable to non-controlling interests	1.5	1.7	2.9	3.0
Less: Accumulated dividends on convertible preferred shares		1.8		4.5
Less: Accumulated dividends on non-convertible preferred shares		0.6		1.4
Less: Foreign exchange impact on redemption of preferred shares		12.0		12.0
<b>Comprehensive (loss) income attributed to Cott Corporation</b>	<b>\$ (4.6)</b>	\$ 24.4	<b>\$ (10.5)</b>	\$ (7.4)

1. Net of the effect of \$0.1 million and \$0.2 million tax benefit for the three and six months ended July 2, 2016, respectively, and net of the effect of \$0.1 million and \$0.2 million tax expense for the three and six months ended July 4, 2015, respectively.

2. Net of the effect of \$1.2 million and \$1.4 million tax benefit for the three and six months ended July 2, 2016, respectively, and net of the effect of \$1.0 million tax benefit for the three and six months ended July 4, 2015.

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*

	July 2, 2016	January 2, 2016
<b>ASSETS</b>		
<i>Current assets</i>		
Cash & cash equivalents	\$ 249.5	\$ 77.1
Restricted cash	503.1	
Accounts receivable, net of allowance of \$7.9 (\$9.2 as of January 2, 2016)	339.5	293.3
Income taxes recoverable	0.9	1.6
Inventories	247.1	249.4
Prepaid expenses and other current assets	24.1	17.2
<b>Total current assets</b>	<b>1,364.2</b>	<b>638.6</b>
Property, plant & equipment, net	770.2	769.8
Goodwill	777.4	759.6
Intangibles and other assets, net	690.4	711.7
Deferred tax assets	12.8	7.6
<b>Total assets</b>	<b>\$ 3,615.0</b>	<b>\$ 2,887.3</b>
<b>LIABILITIES AND EQUITY</b>		
<i>Current liabilities</i>		
Short-term borrowings	\$	\$ 122.0
Current maturities of long-term debt	3.6	3.4
Accounts payable and accrued liabilities	468.0	437.6
<b>Total current liabilities</b>	<b>471.6</b>	<b>563.0</b>
Long-term debt	2,013.3	1,525.4
Deferred tax liabilities	63.7	76.5
Other long-term liabilities	72.5	76.5
<b>Total liabilities</b>	<b>2,621.1</b>	<b>2,241.4</b>
<i>Equity</i>		
Common shares, no par - 137,860,725 (January 2, 2016 - 109,695,435) shares issued	904.9	534.7
Additional paid-in-capital	54.6	51.2
Retained earnings	119.0	129.6
Accumulated other comprehensive loss	(90.8)	(76.2)
<b>Total Cott Corporation equity</b>	<b>987.7</b>	<b>639.3</b>



Non-controlling interests	<b>6.2</b>	6.6
<b>Total equity</b>	<b>993.9</b>	645.9
<b>Total liabilities and equity</b>	<b>\$ 3,615.0</b>	<b>\$ 2,887.3</b>

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****July 2, July 4, July 2, July 4,**  
**2016 2015 2016 2015****Operating Activities**

Net income	\$ 8.9	\$ 18.3	\$ 7.0	\$ 17.1
Depreciation & amortization	53.5	58.2	106.0	115.6
Amortization of financing fees	1.3	1.1	2.5	2.4
Amortization of senior notes premium	(1.5)	(1.4)	(2.9)	(2.9)
Share-based compensation expense	3.8	3.7	6.2	6.1
Benefit for deferred income taxes	(2.1)	(5.2)	(12.9)	(16.9)
Loss on disposal of property, plant & equipment, net	2.2	0.2	3.1	1.6
Other non-cash items	2.6	(6.3)	0.9	(16.5)
Change in operating assets and liabilities, net of acquisitions:				
Accounts receivable	(25.7)	(19.4)	(47.4)	(60.7)
Inventories	4.6	6.1	1.3	(4.9)
Prepaid expenses and other current assets	(3.4)	(4.5)	(7.8)	25.8
Other assets	(1.2)	(1.3)	1.2	(3.7)
Accounts payable and accrued liabilities, and other liabilities	44.6	25.2	14.6	10.0
Income taxes recoverable		1.0	(2.9)	1.6
<b>Net cash provided by operating activities</b>	<b>87.6</b>	<b>75.7</b>	<b>68.9</b>	<b>74.6</b>

**Investing Activities**

Acquisitions, net of cash received	(1.8)	(0.5)	(46.2)	(0.5)
Additions to property, plant & equipment	(33.2)	(29.9)	(62.7)	(57.2)
Additions to intangibles and other assets	(1.0)	(0.1)	(3.3)	(2.2)
Proceeds from sale of property, plant & equipment and sale-leaseback	0.2	40.1	2.9	40.5
Increase in restricted cash	(2.8)		(2.8)	
<b>Net cash (used in) provided by investing activities</b>	<b>(38.6)</b>	<b>9.6</b>	<b>(112.1)</b>	<b>(19.4)</b>

**Financing Activities**

Payments of long-term debt	(0.4)	(1.1)	(1.5)	(1.9)
Borrowings under ABL	123.9	654.1	621.1	748.9
Payments under ABL	(187.7)	(674.4)	(746.0)	(777.2)

Edgar Filing: COTT CORP /CN/ - Form 10-Q

Distributions to non-controlling interests	(1.0)	(1.6)	(3.3)	(3.6)
Issuance of common shares	220.1	142.5	364.2	142.6
Financing fees		(0.2)		(0.2)
Preferred shares repurchased and cancelled		(148.8)		(148.8)
Common shares repurchased and cancelled			(1.1)	(0.7)
Dividends to common and preferred shareholders	(7.4)	(9.0)	(14.7)	(18.0)
Payment of deferred consideration for acquisitions		(2.5)		(2.5)
Net cash provided by (used in) financing activities	147.5	(41.0)	218.7	(61.4)
Effect of exchange rate changes on cash	(2.1)	0.2	(3.1)	(1.0)
<b>Net increase (decrease) in cash &amp; cash equivalents</b>	<b>194.4</b>	<b>44.5</b>	<b>172.4</b>	<b>(7.2)</b>
<b>Cash &amp; cash equivalents, beginning of period</b>	<b>55.1</b>	<b>34.5</b>	<b>77.1</b>	<b>86.2</b>
<b>Cash &amp; cash equivalents, end of period</b>	<b>\$ 249.5</b>	<b>\$ 79.0</b>	<b>\$ 249.5</b>	<b>\$ 79.0</b>
<b>Supplemental Non-cash Investing and Financing Activities:</b>				
Long-term debt funded to escrow	\$ 498.7	\$	\$ 498.7	\$
Additions to property, plant & equipment through accounts payable and accrued liabilities	10.2	3.4	11.4	5.5
Acquisition related deferred consideration		2.5		11.4
Accrued deferred financing fees	9.8	0.2	9.8	0.2
<b>Supplemental Disclosures of Cash Flow Information:</b>				
Cash paid for interest	\$ 36.1	\$ 47.1	\$ 55.3	\$ 55.4
Cash (received) paid for income taxes, net	\$ (0.1)	\$ 1.6	\$ 4.1	\$ 2.1

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 Common Shares <i>(In thousands)</i>	Common Shares	Additional Paid-in- Capital	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Non- Controlling Interests	Total Equity
<b>Balance at January 3, 2015</b>	<b>93,073</b>	<b>\$ 388.3</b>	<b>\$ 46.6</b>	<b>\$ 158.1</b>	<b>\$ (51.0)</b>	<b>\$ 6.9</b>	<b>\$ 548.9</b>
Common shares repurchased and cancelled	(87)	(0.7)					(0.7)
Common shares issued - Equity Incentive Plan	384	1.9	(1.8)				0.1
Common shares issued - Equity issuance	16,215	142.6					142.6
Share-based compensation			6.1				6.1
Common shares dividend				(12.1)			(12.1)
Redemption of preferred shares				(12.0)			(12.0)
Distributions to non-controlling interests						(3.6)	(3.6)
Comprehensive (loss) income							
Currency translation adjustment					(1.3)	0.1	(1.2)
Pension benefit plan, net of tax					0.5		0.5
Unrealized loss on derivative instruments, net of tax					(2.8)		(2.8)
Preferred shares dividend				(5.9)			(5.9)
Net income				14.1		3.0	17.1
<b>Balance at July 4, 2015</b>	<b>109,585</b>	<b>\$ 532.1</b>	<b>\$ 50.9</b>	<b>\$ 142.2</b>	<b>\$ (54.6)</b>	<b>\$ 6.4</b>	<b>\$ 677.0</b>
<b>Balance at January 2, 2016</b>	<b>109,695</b>	<b>\$ 534.7</b>	<b>\$ 51.2</b>	<b>\$ 129.6</b>	<b>\$ (76.2)</b>	<b>\$ 6.6</b>	<b>\$ 645.9</b>
Common shares repurchased and cancelled	(101)	(1.1)					(1.1)
Common shares issued - Equity Incentive Plan	353	2.7	(2.7)				
Common shares issued - Equity issuance	27,853	368.0					368.0
Common shares issued - Dividend Reinvestment Plan	9	0.1					0.1

Edgar Filing: COTT CORP /CN/ - Form 10-Q

Common shares issued -								
Employee Stock Purchase Plan	52	0.5	(0.1)					0.4
Share-based compensation			6.2					6.2
Common shares dividend				(14.7)				(14.7)
Distributions to non-controlling interests							(3.3)	(3.3)
Comprehensive (loss) income								
Currency translation adjustment					(17.9)			(17.9)
Pension benefit plan, net of tax					0.2			0.2
Unrealized gain on derivative instruments, net of tax					3.1			3.1
Net income				4.1		2.9		7.0
<b>Balance at July 2, 2016</b>	<b>137,861</b>	<b>\$ 904.9</b>	<b>\$ 54.6</b>	<b>\$ 119.0</b>	<b>\$ (90.8)</b>	<b>\$ 6.2</b>		<b>\$ 993.9</b>

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

**Table of Contents**

**Cott Corporation**

**Notes to the Consolidated Financial Statements**

**Unaudited**

**Note 1 Business and Recent Accounting Pronouncements**

***Description of Business***

As used herein, Cott, the Company, our Company, Cott Corporation, we, us, or our refers to Cott Corporation together with its consolidated subsidiaries. With the acquisitions of DS Services of America, Inc. ( DSS ) in December 2014 and the Eden Springs business ( Eden ) in August 2016, we combined leading providers in the direct-to-consumer beverage services industry with our traditional business, one of the world's largest producers of beverages on behalf of retailers, brand owners and distributors. We now have the largest volume-based national presence in the North American and European home and office delivery ( HOD ) industry for bottled water and one of the five largest national market share positions in the U.S. and European office coffee services ( OCS ) and filtration services industries. We reach over 2.3 million customers through routes located across North America and Europe supported by strategically located sales and distribution facilities and fleets. Our broad portfolio allows us to offer, on a direct-to-consumer basis, a variety of bottled water, coffee, brewed tea, water dispensers, coffee and tea brewers and filtration equipment. We believe we have the broadest distribution network in the direct-to-consumer beverage services industry in North America and Europe, which enables us to efficiently service residences and small and medium size businesses, as well as large corporations, universities and government agencies.

***Basis of Presentation***

The accompanying interim unaudited consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and Article 10 of Regulation S-X and in accordance with U.S. generally accepted accounting principles ( GAAP ) for interim financial reporting. In the opinion of management, all adjustments (consisting of normal recurring 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. The consolidated balance sheet as of January 2, 2016 included herein was derived from the audited consolidated financial statements included in our Annual Report on Form 10-K for the fiscal year ended January 2, 2016 ( 2015 Annual Report ). This Quarterly Report on Form 10-Q should be read in conjunction with the annual audited consolidated financial statements and accompanying notes in our 2015 Annual Report. The accounting policies used in these interim consolidated financial statements are consistent with those used in the annual consolidated financial statements.

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

***Significant Accounting Policies***

Included in Note 1 of the 2015 Annual Report is a summary of the Company's significant accounting policies. Provided below is a summary of additional accounting policies that are significant to the financial results of the Company.

*Restricted Cash*

Restricted cash includes cash that is restricted as to withdrawal or usage. The Company's restricted cash was \$503.1 million as of July 2, 2016 on our consolidated balance sheet and consists of the proceeds from the issuance of the 5.500% senior notes due 2024 that are held in escrow to fund a portion of the purchase price for the acquisition of Eden (see Note 16 to the consolidated financial statements).

*Cost of sales*

We record costs associated with the manufacturing of our products in costs 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. Costs incurred in shipment of products from our production facilities to customer locations are also reflected in cost of sales, with the exception of shipping and handling costs incurred to deliver products from DSS branch locations to the end-user consumer of those products which are recorded in selling, general and administrative ( SG&A ) expenses and were \$78.8 million and \$156.6 million for the three and six months ended July 2, 2016 and \$69.7 million and \$134.7 million for the three and six months ended July 4, 2015, respectively. Finished goods inventory costs include the cost of direct labor and materials and the applicable share of overhead expense chargeable to production.

---

**Table of Contents*****Recently Issued Accounting Pronouncements***

Changes to GAAP are established by the Financial Accounting Standards Board ( FASB ) in the form of Accounting Standards Updates ( ASUs ) or the issuance of new standards to the FASB's Accounting Standards Codification ( ASC ). The Company considers the applicability and impact of all ASUs. ASUs not listed below were assessed and determined to be either not applicable or are expected to have minimal impact on these 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 practices across entities, industries, jurisdictions and capital markets. The core principle 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, 2017, 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 2016-02 Leases (Topic 842)***

In February 2016, the FASB issued an update to its guidance on lease accounting. This update revises accounting for operating leases by a lessee, among other changes, and requires a lessee to recognize a liability to make lease payments and an asset representing its right to use the underlying asset for the lease term in the balance sheet. The distinction between finance and operating leases has not changed and the update does not significantly change the effect of finance and operating leases on the consolidated statements of operations and the consolidated statements of cash flows. Additionally, this update requires both qualitative and specific quantitative disclosures. For public entities, the amendments in this update are effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years, with early adoption permitted. At adoption, this update will be applied using a modified retrospective approach. We are currently assessing the impact of adoption of this standard on our consolidated financial statements.

***Update ASU 2016-09 Compensation - Stock Compensation (Topic 718)***

In March 2016, the FASB amended its guidance to simplify several areas of accounting for share-based compensation arrangements. The amendments in this update cover such areas as the recognition of excess tax benefits and deficiencies, the classification of those excess tax benefits on the consolidated statements of cash flows, an accounting policy election for forfeitures, the amount an employer can withhold to cover income taxes and still qualify for equity classification and the classification of those taxes paid on the consolidated statements of cash flows. The amendments in this update are effective for fiscal years beginning after December 15, 2016, including interim periods within those



fiscal years, with early adoption permitted. This guidance will be applied either prospectively, retrospectively or using a modified retrospective transition method, depending on the area covered in this update. We are currently assessing the impact of adoption of this standard on our consolidated financial statements.

*Update ASU 2016-13 Financial Instruments Credit Losses (Topic 326)*

In June 2016, the FASB amended its guidance to measure all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. Entities will now use forward-looking information to better form their credit loss estimates. The amended guidance also requires enhanced disclosures to help financial statement users better understand significant estimates and judgments used in estimating credit losses, as well as the credit quality and underwriting standards of an entity's portfolio. The amendments in this update are effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Early adoption will be permitted for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. This guidance will be applied using a prospective or modified retrospective transition method, depending on the area covered in this update. We are currently assessing the impact of adoption of this standard on our consolidated financial statements.

**Table of Contents****Note 2 Acquisitions*****Aquaterra Acquisition***

On January 4, 2016 (the Acquisition Date), the Company acquired 100% of the share capital of Aquaterra Corporation (Aquaterra) pursuant to a Share Purchase Agreement dated December 7, 2015 (the Aquaterra Acquisition). Aquaterra operates a Canadian direct-to-consumer HOD bottled water and OCS business. The aggregate purchase price paid by the Company in the Aquaterra Acquisition was approximately C\$61.2 million (approximately U.S. \$44.0 million). The purchase price was paid at closing in cash and was subject to a customary post-closing adjustment of actual working capital. The post-closing adjustment was completed in May 2016 and resulted in the payment of \$0.5 million by the former owners of Aquaterra to the Company.

This acquisition supports the Company's strategy to become a more diversified beverage provider across multiple channels and geographies, as well as the Company's continuing consolidation of the higher margin HOD bottled water and OCS categories. The Company has accounted for this transaction as a business combination in accordance with authoritative accounting guidance.

The adjusted purchase consideration of \$44.0 million was allocated to the assets acquired and liabilities assumed based on their estimated fair values as of the Acquisition Date. A preliminary allocation of the purchase price has been made to major categories of assets and liabilities based on management's estimates. The table below presents the preliminary purchase price allocation of the estimated acquisition date fair values of the assets acquired and the liabilities assumed and shows the allocation after the post-closing adjustment:

(in millions of U.S. dollars)	Acquired Value	Adjustments	As reported at July 2, 2016
Cash	\$ 1.3	\$	\$ 1.3
Accounts receivable	6.2		6.2
Inventories	2.1		2.1
Prepaid expenses and other current assets	1.3		1.3
Property, plant & equipment	13.4		13.4
Goodwill	19.2	(0.5) <sup>1</sup>	18.7
Intangible and other assets	17.4		17.4
Accounts payable and accrued liabilities	(15.8)		(15.8)
Long-term debt	(0.3)		(0.3)
Other long-term liabilities	(0.3)		(0.3)
<b>Total</b>	<b>\$ 44.5</b>	<b>\$ (0.5)</b>	<b>\$ 44.0</b>

<sup>1</sup> The working capital adjustment was reflected in the preliminary allocation of the purchase price to the assets acquired and liabilities assumed as reported at April 2, 2016. When the post-closing adjustment was completed in May 2016, an adjustment to goodwill was made as reported at July 2, 2016.

The fair values of acquired property, plant & equipment, identifiable intangible assets and deferred taxes are provisional pending validation and receipt of the final valuations for those assets. In addition, consideration for

potential loss contingencies are still under review.

The amount of revenues and net income related to the Aquaterra Acquisition included in the Company's consolidated statement of operations for the period from the Acquisition Date through July 2, 2016 were \$31.0 million and \$1.3 million, respectively. During the six months ended July 2, 2016, the Company incurred \$0.4 million of acquisition related costs associated with the Aquaterra Acquisition, which are included in acquisition and integration expenses in the consolidated statements of operations.

#### *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 historic financial performance and estimates of future performance of Aquaterra'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 Aquaterra's and our management. The following table sets forth the components of identified intangible assets associated with the Aquaterra Acquisition and their estimated weighted average useful lives:

**Table of Contents**

<b>(in millions of U.S. dollars)</b>	<b>Estimated Fair Market Value</b>	<b>Estimated Useful Life</b>
Customer relationships	\$ 10.0	12 years
Trademarks and trade names	6.7	Indefinite
<b>Total</b>	<b>\$ 16.7</b>	

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

Trademark 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.

*Goodwill*

The principal factor that resulted in recognition of goodwill was that the purchase price for the Aquaterra 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 Aquaterra Acquisition was allocated to the DSS reporting segment, none of which is expected to be tax deductible.

*Other HOD Water Business Acquisitions*

During the six months ended July 2, 2016, the Company, through its DSS reporting segment, acquired five HOD water businesses for cash purchase prices aggregating to \$3.5 million. The Company has accounted for these transactions as business combinations in accordance with GAAP. These tuck-in acquisitions support the Company's ongoing objective of leveraging its assets and further strengthening its customer density. Net assets, including goodwill, acquired have been allocated to the DSS reporting segment. All of the goodwill recorded is expected to be tax deductible.

**Note 3 Share-Based Compensation**

During the six months ended July 2, 2016, the Company granted 383,670 Performance-based RSUs, 201,921 Time-based RSUs, and 1,163,868 Stock Options.

The Performance-based RSUs are restricted share units with performance-based vesting granted under the Amended and Restated Cott Corporation Equity Incentive Plan (the "Equity Incentive Plan"). These Performance-based RSUs vest at the end of the performance period, or the last day of our 2018 fiscal year. The shares ultimately awarded will be based upon the performance percentage, which can range from 0% to 200% of the awards granted. The Performance-based RSUs ultimately awarded upon vesting are based primarily on the Company's achievement of a specified level of cumulative pre-tax income for the performance period. The weighted-average grant date fair value of \$11.28 per share for the Performance-based RSUs was based on the closing market price of the Company's common shares on the date of grant on the New York Stock Exchange ( "NYSE").

The Time-based RSUs are restricted share units with time-based vesting granted under the Equity Incentive Plan. The Time-based RSUs vest ratably in three equal annual installments on the first, second and third anniversaries of the

date of grant and are based upon a service condition. The weighted-average grant date fair value of \$11.29 per share for the Time-based RSUs was based on the closing market price of the Company's common shares on the date of grant on the NYSE.

The Stock Options are non-qualified stock options granted under the Equity Incentive Plan and will vest ratably in three equal installments on the first, second and third anniversaries of the date of grant, are based upon a service condition and have a ten year contractual term. The weighted-average fair value of \$2.94 per option for the Stock Options was based on the estimate of fair value on the date of grant using the Black-Scholes option pricing model and related assumptions.

During the three months ended July 2, 2016, the Company also granted 62,046 common shares to the non-management members of our board of directors under the Equity Incentive Plan with a grant date fair value of approximately \$0.9 million. The common shares were issued in consideration of the directors' annual board retainer fee and vested upon issuance.

**Table of Contents**

The Company's share-based compensation expense was \$6.2 million and \$6.1 million for the six months ended July 2, 2016 and July 4, 2015, respectively, and was recorded in SG&A expenses in our consolidated statements of operations.

**Note 4 Income Taxes**

Income tax benefit was \$11.3 million on pre-tax loss of \$4.3 million for the six months ended July 2, 2016, as compared to an income tax benefit of \$10.5 million on pre-tax income of \$6.6 million for the six months ended July 4, 2015. This is the result of recognizing income tax benefit of pre-tax losses in certain jurisdictions that is not offset by income tax expense in other jurisdictions with pre-tax income.

As we have significant global permanent book to tax differences that exceed our estimated income before taxes on an annual basis, small changes in our estimated income before taxes or changes in year to date income before taxes between jurisdictions can cause material fluctuations in our estimated effective tax rate on a quarterly basis. We have therefore calculated our quarterly income tax provision for the fiscal periods ended July 2, 2016 and July 4, 2015 on a discrete basis for the United States rather than using the estimated annual effective tax rate for the year, in accordance with ASC 740, *Income Taxes*.

The Company evaluates positive and negative evidence on a regular basis to determine if a valuation allowance should be established in our various tax jurisdictions. The interest expense generated by the issuance of our 5.500% senior notes due 2024 (see Note 10 to the consolidated financial statements) in connection with the acquisition of Eden, which closed on August 2, 2016 (see Note 16 to the consolidated financial statements), will lower future projections of Canadian taxable income. Due to the change in projections, the Company may establish a valuation allowance of approximately \$7.2 million in the third quarter of fiscal year 2016 against its Canadian tax assets.

**Note 5 Common Shares and Net Income (Loss) Per Common Share*****Common Shares***

On June 29, 2016, we completed a public offering, on a bought deal basis, of 15,088,000 common shares at a price of \$15.25 per share for total gross proceeds to us of \$230.1 million (the June 2016 Offering). We incurred and recorded \$9.2 million of underwriter commissions, \$1.1 million in professional fees and a \$2.7 million deferred tax benefit to common share capital in connection with the June 2016 Offering. The net proceeds of the 2016 June Offering were used to repay in full the borrowings under our asset based lending facility (ABL facility), to finance the acquisition of S&D Coffee, Inc. (S&D) (see Note 16 to the consolidated financial statements) and for general corporate purposes.

On March 9, 2016, we completed a public offering, on a bought deal basis, of 12,765,000 common shares at a price of \$11.80 per share for total gross proceeds to us of \$150.6 million (the March 2016 Offering). We incurred and recorded \$6.0 million of underwriter commissions, \$0.8 million in professional fees and a \$1.7 million deferred tax benefit to common share capital in connection with the March 2016 Offering. The net proceeds of the March 2016 Offering were used to repay a portion of the borrowings under our ABL facility, to finance the acquisition of Eden (see Note 16 to the consolidated financial statements) and for general corporate purposes.

***Net Income (Loss) Per Common Share***

Basic net income (loss) per common share is calculated by dividing net income (loss) attributed to Cott Corporation by the weighted average number of common shares outstanding during the periods presented. Diluted net income (loss) per common share is calculated by dividing diluted net income (loss) attributed to Cott Corporation 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, Time-based RSUs and convertible preferred shares issued as part of the acquisition of DSS ( Convertible Preferred Shares ) during the periods presented. The dilutive effect of the Convertible Preferred Shares was calculated using the if-converted method. In applying the if-converted method, the Convertible Preferred Shares are assumed to have been converted at the beginning of the period (or at the time of issuance, if later). Set forth below is a reconciliation of the numerator and denominator for the diluted net income (loss) per common share computations for the periods indicated:

(in millions of U.S. dollars)	For the Three Months Ended		For the Six Months Ended	
	July 2, 2016	July 4, 2015	July 2, 2016	July 4, 2015
<b>Diluted net income (loss) attributed to Cott Corporation (numerator)</b>	\$ 7.4	\$ 2.2	\$ 4.1	\$ (3.8)

**Table of Contents**

(in thousands)	For the Three Months Ended		For the Six Months Ended	
	July 2, 2016	July 4, 2015	July 2, 2016	July 4, 2015
Weighted average number of shares outstanding - basic	123,239	99,573	118,253	96,384
Dilutive effect of Stock Options	548	176	424	
Dilutive effect of Time-based RSUs	393	416	361	
Adjusted weighted average number of shares outstanding - diluted (denominator)	124,180	100,165	119,038	96,384

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

(in thousands)	For the Three Months Ended		For the Six Months Ended	
	July 2, 2016	July 4, 2015	July 2, 2016	July 4, 2015
Stock Options		685	380	1,886
Performance-based RSUs <sup>1</sup>	1,995	1,739	1,995	1,739
Time-based RSUs				856
Convertible Preferred Shares		18,480		18,480

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

**Note 6 Segment Reporting**

Our broad portfolio of products include bottled water, coffee, brewed tea, water dispensers, coffee and tea brewers, filtration equipment, 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, liquid enhancers, freezables, ready-to-drink alcoholic beverages, hot chocolate, coffee, malt drinks, creamers/whiteners, cereals and beverage concentrates.

Our business operates through four reporting segments: DSS, Cott North America, Cott U.K. and All Other (which includes our Mexico operating segment, Royal Crown International operating segment and other miscellaneous expenses). We refer to our Cott North America, Cott U.K. and All Other reporting segments together as our traditional business . Our corporate oversight function ( Corporate ) is not treated as a segment; it includes certain general and administrative costs that are not allocated to any of the reporting segments.

(in millions of U.S. dollars)	DSS	Cott	Cott	All	Corporate	Eliminations	Total
		North America	U.K.	Other			
<b>For the Three Months Ended July 2, 2016</b>							



Edgar Filing: COTT CORP /CN/ - Form 10-Q

Revenue, net <sup>1</sup>	\$ 275.7	\$ 349.2	\$ 132.3	\$ 14.8	\$	\$ (7.0)	\$ 765.0
Depreciation and amortization	29.3	18.6	5.4	0.2			53.5
Operating income (loss)	17.8	18.4	11.7	3.4	(14.7)		36.6
Additions to property, plant and equipment	22.7	6.6	3.8	0.1			33.2

**Table of Contents****For the Six Months Ended July 2, 2016**

Revenue, net <sup>1</sup>	\$ 533.0	\$ 662.5	\$ 252.9	\$ 28.4	\$ (13.4)	\$ 1,463.4
Depreciation and amortization	57.7	36.9	10.9	0.5		106.0
Operating income (loss)	23.5	19.0	21.6	5.9	(18.7)	51.3
Additions to property, plant and equipment	40.5	16.0	5.8	0.4		62.7
<b>As of July 2, 2016</b>						
Total assets <sup>2</sup>	1,606.2	1,610.0	369.0	29.8		3,615.0

1. Intersegment revenue between Cott North America and the other reporting segments was \$7.0 million and \$13.4 million for the three and six months ended July 2, 2016, respectively.
2. Excludes intersegment receivables, investments and notes receivable.

(in millions of U.S. dollars)	DSS	Cott North America	Cott U.K.	All Other Corporate	Eliminations	Total
<b>For the Three Months Ended July 4, 2015</b>						
Revenue, net <sup>1</sup>	\$ 257.0	\$ 359.0	\$ 153.8	\$ 16.4	\$ (6.4)	\$ 779.8
Depreciation and amortization	31.8	20.6	5.4	0.4		58.2
Operating income (loss)	13.2	18.3	14.6	3.7	(3.7)	46.1
Additions to property, plant and equipment	20.4	4.5	4.5	0.5		29.9
<b>For the Six Months Ended July 4, 2015</b>						
Revenue, net <sup>1</sup>	\$ 497.3	\$ 687.7	\$ 286.0	\$ 29.4	\$ (10.8)	\$ 1,489.6
Depreciation and amortization	62.0	41.9	10.9	0.8		115.6
Operating income (loss)	11.7	25.5	18.5	5.3	(8.2)	52.8
Additions to property, plant and equipment	38.8	11.7	6.2	0.5		57.2
<b>As of January 2, 2016</b>						
Total assets <sup>2</sup>	1,513.1	943.1	402.5	28.6		2,887.3

1. Intersegment revenue between Cott North America and the other reporting segments was \$6.4 million and \$10.8 million for the three and six months ended July 4, 2015, respectively.
2. Excludes intersegment receivables, investments and notes receivable.

For the six months ended July 2, 2016, sales to Walmart accounted for 17.9% of our total revenue (July 4, 2015 18.3%), 2.4% of our DSS reporting segment revenue (July 4, 2015 2.2%), 33.7% of our Cott North America reporting segment revenue (July 4, 2015 32.7%), 10.4% of our Cott U.K. reporting segment revenue (July 4, 2015 12.0%), and 2.1% of our All Other reporting segment revenue (July 4, 2015 3.4%).

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.

**Table of Contents**

Revenues by channel by reporting segment were as follows:

(in millions of U.S. dollars)	For the Three Months Ended July 2, 2016					
	DSS	Cott North America	Cott U.K.	All Other	Eliminations	Total
<i>Revenue, net</i>						
Private label retail	\$ 20.7	\$ 280.9	\$ 55.0	\$ 1.1	\$ (0.3)	\$ 357.4
Branded retail	22.9	24.8	41.7	1.0	(0.4)	90.0
Contract packaging		35.7	31.0	5.0	(2.5)	69.2
Home and office bottled water delivery	177.2					177.2
Office coffee services	30.0					30.0
Concentrate and other	24.9	7.8	4.6	7.7	(3.8)	41.2
Total	\$ 275.7	\$ 349.2	\$ 132.3	\$ 14.8	\$ (7.0)	\$ 765.0

(in millions of U.S. dollars)	For the Six Months Ended July 2, 2016					
	DSS	Cott North America	Cott U.K.	All Other	Eliminations	Total
<i>Revenue, net</i>						
Private label retail	\$ 37.6	\$ 529.4	\$ 106.0	\$ 1.6	\$ (0.7)	\$ 673.9
Branded retail	47.2	51.6	78.3	1.8	(0.7)	178.2
Contract packaging		67.1	59.3	9.7	(4.6)	131.5
Home and office bottled water delivery	339.2					339.2
Office coffee services	61.5					61.5
Concentrate and other	47.5	14.4	9.3	15.3	(7.4)	79.1
Total	\$ 533.0	\$ 662.5	\$ 252.9	\$ 28.4	\$ (13.4)	\$ 1,463.4

(in millions of U.S. dollars)	For the Three Months Ended July 4, 2015					
	DSS	Cott North America	Cott U.K.	All Other	Eliminations	Total
<i>Revenue, net</i>						
Private label retail	\$ 17.2	\$ 289.7	\$ 71.8	\$ 1.7	\$ (0.7)	\$ 379.7
Branded retail	20.6	30.8	48.5	1.3	(0.5)	100.7
Contract packaging		31.3	30.9	6.8	(1.6)	67.4
Home and office bottled water delivery	164.8					164.8
Office coffee services	29.7					29.7
Concentrate and other	24.7	7.2	2.6	6.6	(3.6)	37.5

Total	\$ 257.0	\$ 359.0	\$ 153.8	\$ 16.4	\$ (6.4)	\$ 779.8
-------	----------	----------	----------	---------	----------	----------

## For the Six Months Ended July 4, 2015

(in millions of U.S. dollars)	Cott					
	DSS	North America	Cott U.K.	All Other	Eliminations	Total
<u>Revenue, net</u>						
Private label retail	\$ 32.7	\$ 557.4	\$ 132.7	\$ 2.8	\$ (1.2)	\$ 724.4
Branded retail	40.3	57.9	89.3	2.4	(0.9)	189.0
Contract packaging		56.9	59.3	10.7	(1.6)	125.3
Home and office bottled water delivery	314.4					314.4
Office coffee services	61.7					61.7
Concentrate and other	48.2	15.5	4.7	13.5	(7.1)	74.8
Total	\$ 497.3	\$ 687.7	\$ 286.0	\$ 29.4	\$ (10.8)	\$ 1,489.6

**Table of Contents****Note 7 Inventories**

The following table summarizes inventories as of July 2, 2016 and January 2, 2016:

(in millions of U.S. dollars)	July 2, 2016	January 2, 2016
Raw materials	\$ 93.8	\$ 95.3
Finished goods	119.6	118.4
Resale items	13.1	15.8
Other	20.6	19.9
<b>Total</b>	<b>\$ 247.1</b>	<b>\$ 249.4</b>

**Note 8 Intangibles and Other Assets**

The following table summarizes intangibles and other assets as of July 2, 2016 and January 2, 2016:

(in millions of U.S. dollars)	July 2, 2016			January 2, 2016		
	Cost	Accumulated Amortization	Net	Cost	Accumulated Amortization	Net
<b>Intangibles</b>						
<i>Not subject to amortization</i>						
Rights <sup>1</sup>	\$ 45.0	\$	\$ 45.0	\$ 45.0	\$	\$ 45.0
Trademarks	190.2		190.2	183.1		183.1
<b>Total intangibles not subject to amortization</b>	<b>235.2</b>		<b>235.2</b>	<b>228.1</b>		<b>228.1</b>
<i>Subject to amortization</i>						
Customer relationships	665.6	269.3	396.3	663.9	241.0	422.9
Trademarks	32.3	27.9	4.4	33.0	28.1	4.9
Information technology	58.1	33.5	24.6	54.0	29.1	24.9
Other	7.5	4.8	2.7	7.8	4.5	3.3
<b>Total intangibles subject to amortization</b>	<b>763.5</b>	<b>335.5</b>	<b>428.0</b>	<b>758.7</b>	<b>302.7</b>	<b>456.0</b>
<b>Total Intangibles</b>	<b>998.7</b>	<b>335.5</b>	<b>663.2</b>	<b>986.8</b>	<b>302.7</b>	<b>684.1</b>
<b>Other Assets</b>						
Financing costs	12.6	9.0	3.6	12.6	8.5	4.1
Deposits	11.5	0.4	11.1	10.3	0.4	9.9
Other	14.4	1.9	12.5	15.2	1.6	13.6
<b>Total Other Assets</b>	<b>38.5</b>	<b>11.3</b>	<b>27.2</b>	<b>38.1</b>	<b>10.5</b>	<b>27.6</b>

<b>Total Intangibles &amp; Other Assets</b>	<b>\$ 1,037.2</b>	<b>\$ 346.8</b>	<b>\$ 690.4</b>	\$ 1,024.9	\$ 313.2	\$ 711.7
---	-------------------	-----------------	-----------------	------------	----------	----------

1. Relates to the 2001 acquisition of intellectual property from Royal Crown Company, Inc., including the right to manufacture our concentrates, with all related inventions, processes, technologies, technical and manufacturing information, know-how and the use of the Royal Crown brand outside of North America and Mexico.

**Table of Contents**

Amortization expense of intangibles and other assets was \$19.1 million and \$38.3 million for the three and six months ended July 2, 2016, compared to \$19.6 million and \$38.8 million for the three and six months ended July 4, 2015, respectively.

The estimated amortization expense for intangibles over the next five years is:

<b>(in millions of U.S. dollars)</b>	
Remainder of 2016	<b>\$ 35.5</b>
2017	<b>64.0</b>
2018	<b>56.9</b>
2019	<b>48.0</b>
2020	<b>41.7</b>
Thereafter	<b>181.9</b>
<b>Total</b>	<b>\$ 428.0</b>

**Note 9 Accounts Payable and Accrued Liabilities**

The following table summarizes accounts payable and accrued liabilities as of July 2, 2016 and January 2, 2016:

<b>(in millions of U.S. dollars)</b>	<b>July 2, 2016</b>	<b>January 2, 2016</b>
Trade payables	<b>\$ 271.5</b>	<b>\$ 227.2</b>
Accrued compensation	<b>37.3</b>	<b>49.8</b>
Accrued sales incentives	<b>25.7</b>	<b>25.2</b>
Accrued interest	<b>12.2</b>	<b>12.2</b>
Payroll, salaries and other taxes	<b>18.9</b>	<b>13.3</b>
Accrued deposits	<b>31.9</b>	<b>28.6</b>
Other accrued liabilities	<b>70.5</b>	<b>81.3</b>
<b>Total</b>	<b>\$ 468.0</b>	<b>\$ 437.6</b>

**Note 10 Debt**

Our total debt as of July 2, 2016 and January 2, 2016 was as follows:

<b>(in millions of U.S. dollars)</b>	<b>July 2, 2016</b>			<b>January 2, 2016</b>		
	<b>Principal</b>	<b>Unamortized Debt Issuance Costs</b>	<b>Net</b>	<b>Principal</b>	<b>Unamortized Debt Issuance Costs</b>	<b>Net</b>
6.750% senior notes due in 2020	<b>\$ 625.0</b>	<b>\$ 10.7</b>	<b>\$ 614.3</b>	<b>\$ 625.0</b>	<b>\$ 12.0</b>	<b>\$ 613.0</b>
10.000% senior notes due in 2021 <sup>1</sup>	<b>387.2</b>		<b>387.2</b>	<b>390.1</b>		<b>390.1</b>



Edgar Filing: COTT CORP /CN/ - Form 10-Q

5.375% senior notes due in 2022	<b>525.0</b>	<b>7.7</b>	<b>517.3</b>	525.0	8.2	516.8
5.500% senior notes due in 2024	<b>500.2</b>	<b>9.8</b>	<b>490.4</b>			
ABL facility				122.0		122.0
GE Term Loan	<b>5.5</b>	<b>0.2</b>	<b>5.3</b>	6.4	0.4	6.0
Capital leases and other debt financing	<b>2.4</b>		<b>2.4</b>	2.9		2.9
<b>Total debt</b>	<b>2,045.3</b>	<b>28.4</b>	<b>2,016.9</b>	1,671.4	20.6	1,650.8

**Table of Contents**

Less: Short-term borrowings and current debt:						
ABL facility				122.0		122.0
<b>Total short-term borrowings</b>				122.0		122.0
GE Term Loan - current maturities	<b>2.6</b>	<b>2.6</b>		2.2		2.2
Capital leases and other debt financing - current maturities	<b>1.0</b>	<b>1.0</b>		1.2		1.2
<b>Total current debt</b>	<b>3.6</b>	<b>3.6</b>		125.4		125.4
<b>Total long-term debt</b>	<b>\$ 2,041.7</b>	<b>\$ 28.4</b>	<b>\$ 2,013.3</b>	\$ 1,546.0	\$ 20.6	\$ 1,525.4

1. The outstanding aggregate principal amount of \$350.0 million of our 10.000% senior secured notes ( DSS Notes ) was assumed by Cott at a fair value of \$406.0 million in connection with Cott 's acquisition of DSS. The premium of \$56.0 million is being amortized as an adjustment to interest expense using the effective interest method over the remaining contractual term of the DSS Notes. The remaining unamortized premium is \$37.2 million and \$40.1 million at July 2, 2016 and January 2, 2016, respectively.

**Asset-Based Lending Facility**

On June 7, 2016, in connection with the acquisition of Eden (see Note 16 to the consolidated financial statements), we amended the ABL facility to permit, among other things, (1) the acquisition of Eden, (2) a new debt issuance to finance the acquisition of Eden, (3) the sale and leaseback of certain property located in the United Kingdom, and (4) certain other miscellaneous and technical changes.

**Debt Issuance**

On June 30, 2016, we issued 450.0 million (\$500.2 million at exchange rates in effect on July 2, 2016) of 5.500% senior notes due 2024 ( 2024 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 2024 Notes were initially issued by our wholly-owned subsidiary Cott Finance Corporation. In connection with the closing of the acquisition of Eden, Cott Finance Corporation amalgamated with the Company and the combined company, Cott Corporation , assumed all of the obligations of Cott Finance Corporation under the 2024 Notes, and most of Cott 's U.S., Canadian, U.K. Luxembourg and Dutch subsidiaries that are currently obligors under the 2022 Notes and the 2020 Notes entered into a supplemental indenture to guarantee the 2024 Notes. The 2024 Notes will mature on July 1, 2024 and interest is payable semi-annually on January 1st and July 1st of each year commencing on January 1, 2017. The proceeds of the 2024 Notes were recorded to restricted cash as of July 2, 2016 and will be used to fund a portion of the purchase price of the acquisition of Eden (see Note 16 to the consolidated financial statements), to repay a portion of certain outstanding indebtedness of Eden, and to pay related fees and expenses.

We incurred approximately \$9.8 million of financing fees for the issuance of the 2024 Notes and \$10.0 million of bridge financing commitment fees and professional fees in connection with the acquisition of Eden. The financing fees are being amortized using the effective interest method over an eight-year period, which represents the term to maturity of the 2024 Notes. The bridge financing commitment fees and professional fees were recorded in SG&A expenses in our consolidated statements of operations.

**Note 11 Accumulated Other Comprehensive (Loss) Income**

Changes in accumulated other comprehensive (loss) income ( AOCI ) by component for the six months ended July 2, 2016 were as follows:

(in millions of U.S. dollars) <sup>1</sup>	July 2, 2016			Total
	Gains and Losses Pension on Derivative Instruments	Benefit Plan Items	Currency Translation Adjustment Items	
Beginning balance January 2, 2016	\$ (4.7)	\$ (10.1)	\$ (61.4)	\$ (76.2)
OCI before reclassifications	5.8		(17.9)	(12.1)
Amounts reclassified from AOCI	(2.7)	0.2		(2.5)
Net current-period OCI	3.1	0.2	(17.9)	(14.6)
Ending balance July 2, 2016	\$ (1.6)	\$ (9.9)	\$ (79.3)	\$ (90.8)

1. All amounts are net of tax.

**Table of Contents**

The following table summarizes the amounts reclassified from AOCI for the three and six months ended July 2, 2016 and July 4, 2015, respectively.

(in millions of U.S. dollars) Details About AOCI Components <sup>1</sup>	For the Three Months Ended		For the Six Months Ended		Affected Line Item in the Statement Where Net Income Is Presented
	July 2, 2016	July 4, 2015	July 2, 2016	July 4, 2015	
<b>Gains and losses on derivative instruments</b>					
Foreign currency and commodity hedges	\$ 2.4	\$ (0.1)	\$ 4.0	\$ 0.2	Cost of sales
	(0.7)	0.1	(1.3)		Tax (expense) benefit
	\$ 1.7	\$	\$ 2.7	\$ 0.2	Net of tax
<b>Amortization of pension benefit plan items</b>					
Prior service costs <sup>2</sup>	\$ (0.1)	\$ (0.4)	\$ (0.2)	\$ (0.5)	Cost of sales
	(0.1)	(0.4)	(0.2)	(0.5)	Total before taxes
					Tax (expense) benefit
	\$ (0.1)	\$ (0.4)	\$ (0.2)	\$ (0.5)	Net of tax
<b>Total reclassifications for the period</b>	<b>\$ 1.6</b>	<b>\$ (0.4)</b>	<b>\$ 2.5</b>	<b>\$ (0.3)</b>	<b>Net of tax</b>

1. Amounts in parentheses indicate debits.

2. These AOCI components are included in the computation of net periodic pension cost.

**Note 12 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 \$40.7 million in standby letters of credit outstanding as of July 2, 2016 (July 4, 2015 - \$41.4 million).

In May 2014, our Cott U.K. reporting segment acquired 100% of the share capital of Aimia Foods Holdings Limited (the Aimia Acquisition), which included its operating subsidiary company, Aimia Foods Limited (together referred to as Aimia) pursuant to a Share Purchase Agreement dated May 30, 2014. The terms of the transaction included aggregate contingent consideration of up to £16.0 million (\$21.3 million at exchange rates in effect on July 2, 2016), which is payable upon achievement of certain measures related to Aimia's performance during the twelve months ended July 1, 2016. The estimated liability as of July 2, 2016 is £12.0 million (\$15.9 million at exchange rates in effect on July 2, 2016) and is expected to be paid during the third quarter of 2016.

**Note 13 Hedging Transactions and Derivative Financial Instruments**

We are directly and indirectly affected by changes in foreign currency market conditions. These changes in market conditions may adversely impact our financial performance and are referred to as market risks. When deemed appropriate by management, we use derivatives as a risk management tool to mitigate the potential impact of foreign currency market risks.

We use various types of derivative instruments including, but not limited to, forward contracts and swap agreements for certain commodities. Forward contracts are agreements to buy or sell a quantity of a currency at a predetermined future date, and at a predetermined rate or price. A swap agreement is a contract between two parties to exchange cash flows based on specified underlying notional amounts, assets and/or indices.

---

**Table of Contents**

All derivatives are carried at fair value in the consolidated balance sheets in the line item accounts receivable, net or accounts payable and accrued liabilities. The carrying values of the derivatives reflect the impact of legally enforceable agreements with the same counterparties. These allow us to net settle positive and negative positions (assets and liabilities) arising from different transactions with the same counterparty.

The accounting for gains and losses that result from changes in the fair values of derivative instruments depends on whether the derivatives have been designated and qualify as hedging instruments and the types of hedging relationships. Derivatives can be designated as fair value hedges, cash flow hedges or hedges of net investments in foreign operations. The changes in the fair values of derivatives that have been designated and qualify for fair value hedge accounting are recorded in the same line item in our consolidated statements of operations as the changes in the fair value of the hedged items attributable to the risk being hedged. The changes in fair values of derivatives that have been designated and qualify as cash flow hedges are recorded in AOCI and are reclassified into the line item in the consolidated statements of operations in which the hedged items are recorded in the same period the hedged items affect earnings. Due to the high degree of effectiveness between the hedging instruments and the underlying exposures being hedged, fluctuations in the value of the derivative instruments are generally offset by changes in the fair values or cash flows of the underlying exposures being hedged. The changes in fair values of derivatives that were not designated and/or did not qualify as hedging instruments are immediately recognized into earnings. We classify cash inflows and outflows related to derivative and hedging instruments with the appropriate cash flows section associated with the item being hedged.

For derivatives that will be accounted for as hedging instruments, we formally designate and document, at inception, the financial instrument as a hedge of a specific underlying exposure, the risk management objective and the strategy for undertaking the hedge transaction. In addition, we formally assess both at the inception and at least quarterly thereafter, whether the financial instruments used in hedging transactions are effective at offsetting changes in either the fair values or cash flows of the related underlying exposures. Any ineffective portion of a financial instrument's change in fair value is immediately recognized into earnings.

We estimate the fair values of our derivatives based on quoted market prices or pricing models using current market rates (see Note 14 to the consolidated financial statements). The notional amounts of the derivative financial instruments do not necessarily represent amounts exchanged by the parties and, therefore, are not a direct measure of our exposure to the financial risks described above. The amounts exchanged are calculated by reference to the notional amounts and by other terms of the derivatives, such as interest rates, foreign currency exchange rates or other financial indices. We do not view the fair values of our derivatives in isolation, but rather in relation to the fair values or cash flows of the underlying hedged transactions. All of our derivatives are over-the-counter instruments with liquid markets.

**Credit Risk Associated with Derivatives**

We have established strict counterparty credit guidelines and enter into transactions only with financial institutions of investment grade or better. We monitor counterparty exposures regularly and review promptly any downgrade in counterparty credit rating. We mitigate pre-settlement risk by being permitted to net settle for transactions with the same counterparty. To minimize the concentration of credit risk, we enter into derivative transactions with a portfolio of financial institutions. Based on these factors, we consider the risk of counterparty default to be minimal.

**Cash Flow Hedging Strategy**

We use cash flow hedges to minimize the variability in cash flows of assets or liabilities or forecasted transactions caused by fluctuations in foreign currency exchange rates and commodity prices. The changes in fair values of hedges

that are determined to be ineffective are immediately reclassified from AOCI into earnings. We did not discontinue any cash flow hedging relationships during the six months ended July 2, 2016 or July 4, 2015, respectively. Foreign exchange contracts typically have maturities of less than twelve months and commodity contracts typically have maturities of less than 27 months. All outstanding hedges as of July 2, 2016 are expected to settle in the next twelve months.

We maintain a foreign currency cash flow hedging program to reduce the risk that our procurement activities will be adversely affected by changes in foreign currency exchange rates. We enter into forward contracts to hedge certain portions of forecasted cash flows denominated in foreign currencies. The total notional values of derivatives that were designated and qualified for our foreign currency cash flow hedging program were \$17.9 million and \$4.5 million as of July 2, 2016 and January 2, 2016, respectively. Approximately \$0.9 million of unrealized losses net of tax and \$1.0 million of unrealized gains net of tax related to the foreign currency cash flow hedges were included in AOCI as of July 2, 2016 and July 4, 2015, respectively. The hedge ineffectiveness for these cash flow hedging instruments was not material during the periods presented.

**Table of Contents**

We have entered into commodity swaps on aluminum to mitigate the price risk associated with forecasted purchases of materials used in our manufacturing process. These derivative instruments have been designated and qualify as a part of our commodity cash flow hedging program. The objective of this hedging program is to reduce the variability of cash flows associated with future purchases of aluminum. The total notional values of derivatives that were designated and qualified for our commodity cash flow hedging program were \$23.9 million and \$49.3 million as of July 2, 2016 and January 2, 2016, respectively. Approximately \$1.0 million and \$3.8 million of unrealized losses net of tax related to the commodity swaps were included in AOCI as of July 2, 2016 and July 4, 2015, respectively. The cumulative hedge ineffectiveness for these hedging instruments was not material for the six months ended July 2, 2016 and July 4, 2015.

The fair value of the Company's derivative assets included within other receivables as a component of accounts receivable, net was \$0.1 million and \$0.6 million as of July 2, 2016 and January 2, 2016, respectively. The fair value of the Company's derivative liabilities included in accrued liabilities was \$2.9 million and \$8.0 million as of July 2, 2016 and January 2, 2016, respectively. Set forth below is a reconciliation of the Company's derivatives by contract type for the periods indicated:

(in millions of U.S. dollars) Derivative Contract	July 2, 2016		January 2, 2016	
	Assets	Liabilities	Assets	Liabilities
Foreign currency hedge	\$	\$ 1.3	\$ 0.6	\$
Aluminum swaps	0.1	1.6		8.0
	\$ 0.1	\$ 2.9	\$ 0.6	\$ 8.0

Aluminum swaps subject to enforceable master netting arrangements are presented net in the reconciliation above. The fair value of the aluminum swap assets and liabilities which are shown on a net basis are reconciled in the table below:

(in millions of U.S. dollars)	July 2, 2016	January 2, 2016
Aluminum swap assets	\$ 0.1	\$
Aluminum swap liabilities	(1.6)	(8.0)
Net asset (liability)	\$ (1.5)	\$ (8.0)

The settlement of our derivative instruments resulted in an increase to cost of sales of \$2.3 million and \$3.9 million for the three and six months ended July 2, 2016, respectively, compared with a reduction to cost of sales of nil and \$0.2 million for the comparable prior year periods.

**Zero-Cost Collar**

In June 2016, in order to fund a portion of the acquisition of Eden, the Company entered into a foreign currency option contract known as a zero-cost collar. This contract involves the Company's purchase of a Euro call option and a simultaneous sale of a Euro put option, with equivalent Euro notional amounts of 30.0 million for the options. The zero-cost collar contract matured and was settled in July 2016, resulting in a cash payment of \$33.3 million.



The fair value of the Euro call option was determined to be an asset of less than \$0.0 million and the Euro put option was determined to be a liability of \$0.2 million, resulting in an unrealized loss of \$0.2 million for the three and six months ended July 2, 2016. The unrealized loss was recorded in other expense (income), net on the consolidated statements of operations.

**Note 14 Fair Value Measurements**

ASC No. 820 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.

**Table of Contents**

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.

We have certain assets and liabilities, such as our derivative instruments that are required to be recorded at fair value on a recurring basis in accordance with GAAP.

Our derivative assets and liabilities represent Level 2 instruments. Level 2 instruments are valued based on observable inputs for quoted prices for similar assets and liabilities in active markets. The fair value for the derivative assets was \$0.1 million and \$0.6 million as of July 2, 2016 and January 2, 2016, respectively. The fair value for the derivative liabilities as of July 2, 2016 and January 2, 2016 was \$2.9 million and \$8.0 million, respectively.

Transfers into and out of the fair value hierarchy levels are assumed to be as of the end of the quarter in which the transfer occurred. Other than the transfer of the contingent consideration liability from Level 3 to Level 1 during the three months ended July 2, 2016, no transfers between levels occurred during the three and six months ended July 2, 2016 and July 4, 2015.

**Fair Value of Financial Instruments**

The carrying amounts reflected in the consolidated balance sheets for cash and cash equivalents, receivables, payables, short-term borrowings and long-term debt approximate their respective fair values, except as otherwise indicated. The carrying values and estimated fair values of our significant outstanding debt as of July 2, 2016 and January 2, 2016 were as follows:

(in millions of U.S. dollars)	July 2, 2016		January 2, 2016	
	Carrying Value	Fair Value	Carrying Value	Fair Value
6.750% senior notes due in 2020 <sup>1, 3</sup>	614.3	654.7	613.0	641.4
10.000% senior notes due in 2021 <sup>1, 2</sup>	387.2	392.9	390.1	397.3
5.375% senior notes due in 2022 <sup>1, 3</sup>	517.3	525.0	516.8	522.4
5.500% senior notes due in 2024 <sup>1, 3</sup>	490.4	513.4		
<b>Total</b>	<b>\$ 2,009.2</b>	<b>\$ 2,086.0</b>	<b>\$ 1,519.9</b>	<b>\$ 1,561.1</b>

1. The fair values were based on the trading levels and bid/offer prices observed by a market participant and are considered Level 1 financial instruments.
2. The outstanding aggregate principal amount of \$350.0 million of our DSS Notes was assumed by Cott at a fair value of \$406.0 million in connection with Cott's acquisition of DSS. The premium of \$56.0 million is being amortized as an adjustment to interest expense using the effective interest method over the remaining contractual term of the DSS Notes. The remaining unamortized premium is \$37.2 million and \$40.1 million at July 2, 2016

and January 2, 2016, respectively.

3. The carrying value of our significant outstanding debt is net of unamortized debt issuance costs of \$28.4 million and \$20.6 million as of July 2, 2016 and January 2, 2016, respectively.

### **Fair Value of Contingent Consideration**

We estimated the fair value of the contingent consideration related to the Aimia Acquisition utilizing financial projections of the acquired business and estimated probabilities of achievement of certain EBITDA targets. The fair value was previously based on significant inputs not observable in the market and thus represented a Level 3 instrument. Level 3 instruments are valued based on unobservable inputs that are supported by little or no market activity and reflect our own assumptions in measuring fair value. The fair value of the contingent consideration at July 2, 2016 was calculated using actual results for the acquired business for the twelve months ended July 1, 2016. Therefore the liability was transferred out of Level 3 and was classified as Level 1 at July 2, 2016. The acquisition date fair value of the contingent consideration was determined to be £10.6 million using a present valued probability-weighted income approach. The fair value of the contingent consideration at July 2, 2016 was determined to be £12.0 million (\$15.9 million at exchange rates in effect on July 2, 2016) and is expected to be paid during the third quarter of 2016. Changes in the fair value of contingent consideration liabilities are recognized in other expense (income), net in our consolidated statements of operations. The following tables provide a reconciliation of the beginning and ending balances of this liability.

**Table of Contents**

(in millions of U.S. dollars)	For the Three Months Ended		For the Six Months Ended	
	July 2, 2016	July 4, 2015	July 2, 2016	July 4, 2015
Fair value at beginning of period	\$ 15.9	\$ 15.8	\$ 16.4	\$ 16.5
Fair value adjustment	1.2	0.6	1.2	0.6
Foreign exchange (gain) loss	(1.2)	0.8	(1.7)	0.1
Transfers out	(15.9)		(15.9)	
Fair value at end of period	\$	\$ 17.2	\$	\$ 17.2

**Note 15 Guarantor Subsidiaries****Guarantor Subsidiaries of DSS Notes**

The DSS Notes assumed as part of the acquisition of DSS are guaranteed on a senior secured basis by Cott Corporation and certain of its 100% owned direct and indirect subsidiaries (the DSS Guarantor Subsidiaries). DSS and each DSS Guarantor Subsidiary is 100% owned by Cott Corporation. The DSS Notes are fully and unconditionally, jointly and severally, guaranteed by Cott Corporation and the DSS Guarantor Subsidiaries. The Indenture governing the DSS Notes requires any 100% owned domestic restricted subsidiary (i) that guarantees or becomes a borrower under the ABL facility or (ii) that guarantees any other debt of Cott Corporation, DSS or any of the DSS Guarantor Subsidiaries (other than junior lien obligations) secured by collateral to guarantee the DSS Notes. The guarantees of Cott Corporation and the DSS Guarantor Subsidiaries may be released in certain limited circumstances set forth in the Indenture governing the DSS Notes.

We have not presented separate financial statements and separate disclosures have not been provided concerning the DSS Guarantor Subsidiaries due to the presentation of condensed consolidating financial information set forth in this Note, consistent with Securities and Exchange Commission (SEC) interpretations governing reporting of subsidiary financial information.

The following summarized condensed consolidating financial information of the Company sets forth on a consolidating basis, our Balance Sheets, Statements of Operations and Cash Flows for Cott Corporation, DSS, the DSS Guarantor Subsidiaries and our other non-guarantor subsidiaries (the DSS Non-Guarantor Subsidiaries). This supplemental financial information reflects our investments and those of DSS in their respective subsidiaries using the equity method of accounting.

At July 2, 2016, the issuer of the 2024 Notes was Cott Finance Corporation, which was not a DSS Guarantor Subsidiary. Cott Finance Corporation was declared an unrestricted subsidiary under the Indenture governing the DSS Notes. As a result, such entity is reflected as a DSS Non-Guarantor Subsidiary in the following summarized condensed consolidating financial information. Substantially simultaneously with the closing of the acquisition of Eden on August 2, 2016, Cott Finance Corporation combined with the Company by way of an amalgamation and the combined company, Cott Corporation, assumed all of the obligations of Cott Finance Corporation as issuer under the 2024 Notes, and Cott's U.S., Canadian, U.K., Luxembourg and Dutch subsidiaries that are currently obligors under the 2022 Notes and the 2020 Notes entered into a supplemental indenture to guarantee the 2024 Notes. Currently, the obligors under the 2024 Notes are different than the obligors under the DSS Notes, but identical to the obligors under the 2022 Notes and the 2020 Notes.



**Table of Contents****Condensed Consolidating Statements of Operations***(in millions of U.S. dollars)**Unaudited*

	<b>For the Three Months Ended July 2, 2016</b>					
	<b>DSS</b>		<b>DSS</b>			
	<b>Cott</b>	<b>DS Services of</b>	<b>Guarantor</b>	<b>Non-Guarantor</b>	<b>Elimination</b>	<b>Consolidated</b>
	<b>Corporation</b>	<b>Inc. America,</b>	<b>Subsidiaries</b>	<b>Subsidiaries</b>	<b>Entries</b>	<b>Consolidated</b>
<b>Revenue, net</b>	<b>\$ 48.2</b>	<b>\$ 259.0</b>	<b>\$ 437.3</b>	<b>\$ 35.2</b>	<b>\$ (14.7)</b>	<b>\$ 765.0</b>
Cost of sales	38.9	98.9	360.6	28.7	(14.7)	512.4
<b>Gross profit</b>	<b>9.3</b>	<b>160.1</b>	<b>76.7</b>	<b>6.5</b>		<b>252.6</b>
Selling, general and administrative expenses	16.8	141.2	41.1	3.0		202.1
Loss on disposal of property, plant & equipment, net		1.4	0.8			2.2
Acquisition and integration expenses		1.1	10.6			11.7
<b>Operating (loss) income</b>	<b>(7.5)</b>	<b>16.4</b>	<b>24.2</b>	<b>3.5</b>		<b>36.6</b>
Other expense (income), net	1.8	(0.3)	1.4	0.1		3.0
Intercompany interest expense (income), net		10.8	(10.8)			
Interest expense, net	0.2	7.2	19.6			27.0
<b>(Loss) income before income tax benefit and equity income</b>	<b>(9.5)</b>	<b>(1.3)</b>	<b>14.0</b>	<b>3.4</b>		<b>6.6</b>
Income tax benefit		0.4	1.9			2.3
Equity income	16.9		1.5		(18.4)	
<b>Net income (loss)</b>	<b>\$ 7.4</b>	<b>\$ (0.9)</b>	<b>\$ 17.4</b>	<b>\$ 3.4</b>	<b>\$ (18.4)</b>	<b>\$ 8.9</b>
Less: Net income attributable to non-controlling interests				1.5		1.5
<b>Net income (loss) attributed to Cott Corporation</b>	<b>\$ 7.4</b>	<b>\$ (0.9)</b>	<b>\$ 17.4</b>	<b>\$ 1.9</b>	<b>\$ (18.4)</b>	<b>\$ 7.4</b>
<b>Comprehensive (loss) income attributed to Cott Corporation</b>	<b>\$ (4.6)</b>	<b>\$ (0.9)</b>	<b>\$ 75.4</b>	<b>\$ 4.0</b>	<b>\$ (78.5)</b>	<b>\$ (4.6)</b>



**Table of Contents****Condensed Consolidating Statements of Operations***(in millions of U.S. dollars)**Unaudited***For the Six Months Ended July 2, 2016**

	<b>Cott</b>	<b>DS Services of</b>	<b>DSS</b>	<b>DSS</b>	<b>Elimination</b>	<b>Consolidated</b>
	<b>Corporation</b>	<b>Inc.</b>	<b>Subsidiaries</b>	<b>Subsidiaries</b>	<b>Entries</b>	<b>Consolidated</b>
		<b>America,</b>				
<b>Revenue, net</b>	<b>\$ 82.0</b>	<b>\$ 502.1</b>	<b>\$ 844.1</b>	<b>\$ 63.7</b>	<b>\$ (28.5)</b>	<b>\$ 1,463.4</b>
Cost of sales	68.6	196.3	708.8	51.6	(28.5)	996.8
<b>Gross profit</b>	<b>13.4</b>	<b>305.8</b>	<b>135.3</b>	<b>12.1</b>		<b>466.6</b>
Selling, general and administrative expenses	22.3	278.4	92.7	5.7		399.1
Loss (gain) on disposal of property, plant & equipment, net		3.2	(0.1)			3.1
Acquisition and integration expenses		2.0	11.1			13.1
<b>Operating (loss) income</b>	<b>(8.9)</b>	<b>22.2</b>	<b>31.6</b>	<b>6.4</b>		<b>51.3</b>
Other expense (income), net	0.2	(1.3)	1.8	0.1		0.8
Intercompany interest expense (income), net		21.6	(21.6)			
Interest expense, net	0.4	14.6	39.8			54.8
<b>(Loss) income before income tax (benefit) expense and equity income</b>	<b>(9.5)</b>	<b>(12.7)</b>	<b>11.6</b>	<b>6.3</b>		<b>(4.3)</b>
Income tax (benefit) expense		(4.6)	(6.8)	0.1		(11.3)
Equity income	13.6		3.3		(16.9)	
<b>Net income (loss)</b>	<b>\$ 4.1</b>	<b>\$ (8.1)</b>	<b>\$ 21.7</b>	<b>\$ 6.2</b>	<b>\$ (16.9)</b>	<b>\$ 7.0</b>
Less: Net income attributable to non-controlling interests				2.9		2.9
<b>Net income (loss) attributed to Cott Corporation</b>	<b>\$ 4.1</b>	<b>\$ (8.1)</b>	<b>\$ 21.7</b>	<b>\$ 3.3</b>	<b>\$ (16.9)</b>	<b>\$ 4.1</b>
<b>Comprehensive (loss) income attributed to Cott</b>	<b>\$ (10.5)</b>	<b>\$ (8.1)</b>	<b>\$ 106.2</b>	<b>\$ 3.4</b>	<b>\$ (101.5)</b>	<b>\$ (10.5)</b>





**Table of Contents****Condensed Consolidating Statements of Operations***(in millions of U.S. dollars)**Unaudited*

	<b>For the Three Months Ended July 4, 2015</b>					
	<b>DSS</b>		<b>DSS</b>		<b>Elimination</b>	
	<b>Cott</b>	<b>DS Services of</b>	<b>Guarantor</b>	<b>Non-Guarantor</b>	<b>Entries</b>	<b>Consolidated</b>
	<b>Corporation</b>	<b>Inc. America,</b>	<b>Subsidiaries</b>	<b>Subsidiaries</b>	<b>Consolidated</b>	<b>Consolidated</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Revenue, net</b>	<b>46.9</b>	<b>257.0</b>	<b>457.5</b>	<b>38.3</b>	<b>(19.9)</b>	<b>779.8</b>
Cost of sales	38.4	100.8	389.0	30.9	(19.9)	539.2
<b>Gross profit</b>	<b>8.5</b>	<b>156.2</b>	<b>68.5</b>	<b>7.4</b>		<b>240.6</b>
Selling, general and administrative expenses	4.9	139.1	43.2	3.0		190.2
Loss (gain) on disposal of property, plant & equipment		0.9	(0.7)			0.2
Acquisition and integration expenses		3.1	1.0			4.1
<b>Operating income</b>	<b>3.6</b>	<b>13.1</b>	<b>25.0</b>	<b>4.4</b>		<b>46.1</b>
Other expense (income), net	0.7	(0.2)	0.6	(0.1)		1.0
Intercompany interest (income) expense, net	(1.9)	11.0	(9.1)			
Interest expense, net		7.5	20.4			27.9
<b>Income (loss) before income tax expense (benefit) and equity income</b>	<b>4.8</b>	<b>(5.2)</b>	<b>13.1</b>	<b>4.5</b>		<b>17.2</b>
Income tax expense (benefit)	1.8	(1.8)	(1.2)	0.1		(1.1)
Equity income	13.6		1.6		(15.2)	
<b>Net income (loss)</b>	<b>16.6</b>	<b>(3.4)</b>	<b>15.9</b>	<b>4.4</b>	<b>(15.2)</b>	<b>18.3</b>
Less: Net income attributable to non-controlling interests				1.7		1.7
Less: Accumulated dividends on convertible preferred shares	1.8					1.8
Less: Accumulated dividends on non-convertible preferred shares	0.6					0.6
Less: Foreign exchange impact on redemption of preferred shares	12.0					12.0

<b>Net income (loss) attributed to Cott Corporation</b>	<b>\$ 2.2</b>	<b>\$ (3.4)</b>	<b>\$ 15.9</b>	<b>\$ 2.7</b>	<b>\$ (15.2)</b>	<b>\$ 2.2</b>
<b>Comprehensive income (loss) attributed to Cott Corporation</b>	<b>\$ 24.4</b>	<b>\$ (3.4)</b>	<b>\$ 59.3</b>	<b>\$ 4.2</b>	<b>\$ (60.1)</b>	<b>\$ 24.4</b>

**Table of Contents****Condensed Consolidating Statements of Operations***(in millions of U.S. dollars)**Unaudited***For the Six Months Ended July 4, 2015**

	DSS		DSS			
	Cott	DS Services of	Guarantor	Non-Guarantor	Elimination	Consolidated
	Corporation	America,	Subsidiaries	Subsidiaries	Entries	Consolidated
	\$	\$	\$	\$	\$	\$
<b>Revenue, net</b>	<b>\$ 76.9</b>	<b>\$ 497.3</b>	<b>\$ 875.8</b>	<b>\$ 69.7</b>	<b>\$ (30.1)</b>	<b>\$ 1,489.6</b>
Cost of sales	65.4	201.2	754.4	56.8	(30.1)	1,047.7
<b>Gross profit</b>	<b>11.5</b>	<b>296.1</b>	<b>121.4</b>	<b>12.9</b>		<b>441.9</b>
Selling, general and administrative expenses	10.4	276.3	85.9	6.1		378.7
Loss (gain) on disposal of property, plant & equipment		2.0	(0.4)			1.6
Acquisition and integration expenses		6.1	2.7			8.8
<b>Operating income</b>	<b>1.1</b>	<b>11.7</b>	<b>33.2</b>	<b>6.8</b>		<b>52.8</b>
Other (income) expense, net	(9.8)	(0.4)	0.8			(9.4)
Intercompany interest (income) expense, net	(4.9)	21.9	(17.0)			
Interest expense, net	0.1	14.8	40.7			55.6
<b>Income (loss) before income tax expense (benefit) and equity income</b>	<b>15.7</b>	<b>(24.6)</b>	<b>8.7</b>	<b>6.8</b>		<b>6.6</b>
Income tax expense (benefit)	3.0	(9.0)	(4.7)	0.2		(10.5)
Equity income	1.4		3.0		(4.4)	
<b>Net income (loss)</b>	<b>\$ 14.1</b>	<b>\$ (15.6)</b>	<b>\$ 16.4</b>	<b>\$ 6.6</b>	<b>\$ (4.4)</b>	<b>\$ 17.1</b>
Less: Net income attributable to non-controlling interests				3.0		3.0
Less: Accumulated dividends on convertible preferred shares	4.5					4.5
Less: Accumulated dividends on non-convertible preferred shares	1.4					1.4
Less: Foreign exchange impact on redemption of preferred shares	12.0					12.0

<b>Net (loss) income attributed to Cott Corporation</b>	<b>\$ (3.8)</b>	<b>\$ (15.6)</b>	<b>\$ 16.4</b>	<b>\$ 3.6</b>	<b>\$ (4.4)</b>	<b>\$ (3.8)</b>
<b>Comprehensive (loss) income attributed to Cott Corporation</b>	<b>\$ (7.4)</b>	<b>\$ (15.6)</b>	<b>\$ 43.5</b>	<b>\$ 4.8</b>	<b>\$ (32.7)</b>	<b>\$ (7.4)</b>

**Table of Contents****Consolidating Balance Sheets***(in millions of U.S. dollars)**Unaudited*

	<b>As of July 2, 2016</b>					
	<b>DSS</b>		<b>DSS</b>			
	<b>Cott</b>	<b>DS Services of</b>	<b>Guarantor</b>	<b>Non-Guarantor</b>	<b>Elimination</b>	<b>Consolidated</b>
	<b>Corporation</b>	<b>Inc.</b>	<b>Subsidiaries</b>	<b>Subsidiaries</b>	<b>Entries</b>	
	<b>America,</b>					
<b>ASSETS</b>						
<i>Current assets</i>						
Cash & cash equivalents	\$ 182.6	\$ 26.4	\$ 33.2	\$ 7.3	\$	\$ 249.5
Restricted cash				503.1		503.1
Accounts receivable, net of allowance	37.1	124.0	226.7	13.2	(61.5)	339.5
Income taxes recoverable	0.1	1.1		0.4	(0.7)	0.9
Inventories	15.1	29.1	196.5	6.4		247.1
Prepaid expenses and other assets	1.9	9.5	12.3	0.4		24.1
<b>Total current assets</b>	<b>236.8</b>	<b>190.1</b>	<b>468.7</b>	<b>530.8</b>	<b>(62.2)</b>	<b>1,364.2</b>
Property, plant & equipment, net	30.3	379.9	353.9	6.1		770.2
Goodwill	21.2	580.7	175.5			777.4
Intangibles and other assets, net	0.9	387.7	300.9	0.9		690.4
Deferred tax assets	12.6		44.7	0.2	(44.7)	12.8
Due from affiliates	366.4		544.4		(910.8)	
Investments in subsidiaries	392.0		400.1		(792.1)	
<b>Total assets</b>	<b>\$ 1,060.2</b>	<b>\$ 1,538.4</b>	<b>\$ 2,288.2</b>	<b>\$ 538.0</b>	<b>\$ (1,809.8)</b>	<b>\$ 3,615.0</b>
<b>LIABILITIES AND EQUITY</b>						
<i>Current liabilities</i>						
Current maturities of long-term debt	\$	\$	\$ 3.4	\$ 0.2	\$	\$ 3.6
Accounts payable and accrued liabilities	70.8	158.9	277.0	23.5	(62.2)	468.0
<b>Total current liabilities</b>	<b>70.8</b>	<b>158.9</b>	<b>280.4</b>	<b>23.7</b>	<b>(62.2)</b>	<b>471.6</b>
Long-term debt		387.2	1,135.7	490.4		2,013.3
Deferred tax liabilities		92.8	15.6		(44.7)	63.7
Other long-term liabilities	0.5	37.2	33.6	1.2		72.5
Due to affiliates	1.2	543.3	340.0	26.3	(910.8)	

<b>Total liabilities</b>	<b>72.5</b>	<b>1,219.4</b>	<b>1,805.3</b>	<b>541.6</b>	<b>(1,017.7)</b>	<b>2,621.1</b>
<b>Equity</b>						
Common shares, no par	904.9	355.5	802.3	39.8	(1,197.6)	904.9
Additional paid-in-capital	54.6					54.6
Retained earnings (deficit)	119.0	(36.3)	(418.2)	(58.7)	513.2	119.0
Accumulated other comprehensive (loss) income	(90.8)	(0.2)	98.8	9.1	(107.7)	(90.8)
Total Cott Corporation equity	987.7	319.0	482.9	(9.8)	(792.1)	987.7
Non-controlling interests				6.2		6.2
Total equity	<b>987.7</b>	<b>319.0</b>	<b>482.9</b>	<b>(3.6)</b>	<b>(792.1)</b>	<b>993.9</b>
<b>Total liabilities and equity</b>	<b>\$ 1,060.2</b>	<b>\$ 1,538.4</b>	<b>\$ 2,288.2</b>	<b>\$ 538.0</b>	<b>\$ (1,809.8)</b>	<b>\$ 3,615.0</b>

**Table of Contents****Consolidating Balance Sheets***(in millions of U.S. dollars)*

	As of January 2, 2016					
	Cott	DS Services of	DSS	DSS	Elimination	Consolidated
	Corporation	America, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Entries	Consolidated
<b>ASSETS</b>						
<i>Current assets</i>						
Cash & cash equivalents	\$ 20.8	\$ 12.8	\$ 38.4	\$ 5.1	\$	\$ 77.1
Accounts receivable, net of allowance	18.3	122.6	184.6	13.0	(45.2)	293.3
Income taxes recoverable		0.5	0.9	0.2		1.6
Inventories	13.0	31.4	199.4	5.6		249.4
Prepaid expenses and other assets	2.2	4.8	10.0	0.2		17.2
<b>Total current assets</b>	<b>54.3</b>	<b>172.1</b>	<b>433.3</b>	<b>24.1</b>	<b>(45.2)</b>	<b>638.6</b>
Property, plant & equipment, net	29.7	372.6	360.8	6.7		769.8
Goodwill	19.8	579.1	160.7			759.6
Intangibles and other assets, net	0.8	402.5	305.6	2.8		711.7
Deferred tax assets	7.4		38.2	0.2	(38.2)	7.6
Due from affiliates	400.1		544.3		(944.4)	
Investments in subsidiaries	176.3		400.0		(576.3)	
<b>Total assets</b>	<b>\$ 688.4</b>	<b>\$ 1,526.3</b>	<b>\$ 2,242.9</b>	<b>\$ 33.8</b>	<b>\$ (1,604.1)</b>	<b>\$ 2,887.3</b>
<b>LIABILITIES AND EQUITY</b>						
<i>Current liabilities</i>						
Short-term borrowings	\$	\$	\$ 122.0	\$	\$	\$ 122.0
Current maturities of long-term debt			3.0	0.4		3.4
Accounts payable and accrued liabilities	47.6	131.8	295.1	8.3	(45.2)	437.6
<b>Total current liabilities</b>	<b>47.6</b>	<b>131.8</b>	<b>420.1</b>	<b>8.7</b>	<b>(45.2)</b>	<b>563.0</b>
Long-term debt		390.1	1,135.3			1,525.4
Deferred tax liabilities		97.7	17.0		(38.2)	76.5
Other long-term liabilities	0.5	36.2	38.7	1.1		76.5
Due to affiliates	1.0	543.3	371.9	28.2	(944.4)	
<b>Total liabilities</b>	<b>49.1</b>	<b>1,199.1</b>	<b>1,983.0</b>	<b>38.0</b>	<b>(1,027.8)</b>	<b>2,241.4</b>



<b>Equity</b>						
Common shares, no par	534.7	355.5	683.1	38.6	(1,077.2)	534.7
Additional paid-in-capital	51.2					51.2
Retained earnings (deficit)	129.6	(28.1)	(437.5)	(58.4)	524.0	129.6
Accumulated other comprehensive (loss) income	(76.2)	(0.2)	14.3	9.0	(23.1)	(76.2)
Total Cott Corporation equity	639.3	327.2	259.9	(10.8)	(576.3)	639.3
Non-controlling interests				6.6		6.6
Total equity	<b>639.3</b>	<b>327.2</b>	<b>259.9</b>	<b>(4.2)</b>	<b>(576.3)</b>	<b>645.9</b>
<b>Total liabilities and equity</b>	<b>\$ 688.4</b>	<b>\$ 1,526.3</b>	<b>\$ 2,242.9</b>	<b>\$ 33.8</b>	<b>\$ (1,604.1)</b>	<b>\$ 2,887.3</b>

**Table of Contents****Consolidating Statements of Condensed Cash Flows***(in millions of U.S. dollars)**Unaudited*

For the Three Months Ended July 2, 2016

	Cott Corporation	DS Services of America, Inc.	DSS Guarantor Subsidiaries	DSS Non-Guarantor Subsidiaries	Elimination Entries	Consolidated
<b>Net cash (used in) provided by operating activities</b>	\$ (0.3)	\$ 29.6	\$ 67.2	\$ 5.2	\$ (14.1)	\$ 87.6
<b>Investing Activities</b>						
Acquisitions, net of cash received	0.5	(2.3)				(1.8)
Additions to property, plant & equipment	(0.5)	(20.8)	(11.6)	(0.3)		(33.2)
Additions to intangibles and other assets		(0.6)	(0.4)			(1.0)
Proceeds from sale of property, plant & equipment			0.2			0.2
Increase in restricted cash	(2.8)					(2.8)
Net cash used in investing activities	(2.8)	(23.7)	(11.8)	(0.3)		(38.6)
<b>Financing Activities</b>						
Payments of long-term debt			(0.3)	(0.1)		(0.4)
Borrowings under ABL	57.2		66.7			123.9
Payments under ABL	(88.9)		(98.8)			(187.7)
Distributions to non-controlling interests				(1.0)		(1.0)
Issuance of common shares	220.1					220.1
Dividends paid to common shareowners	(7.4)					(7.4)
Intercompany dividends			(13.0)	(1.1)	14.1	
Net cash provided by (used in) financing activities	181.0		(45.4)	(2.2)	14.1	147.5
Effect of exchange rate changes on cash	(0.2)		(1.8)	(0.1)		(2.1)
	<b>177.7</b>	<b>5.9</b>	<b>8.2</b>	<b>2.6</b>		<b>194.4</b>

<b>Net increase in cash &amp; cash equivalents</b>						
<b>Cash &amp; cash equivalents, beginning of period</b>	<b>4.9</b>	<b>20.5</b>	<b>25.0</b>	<b>4.7</b>		<b>55.1</b>
<b>Cash &amp; cash equivalents, end of period</b>	<b>\$ 182.6</b>	<b>\$ 26.4</b>	<b>\$ 33.2</b>	<b>\$ 7.3</b>	<b>\$</b>	<b>\$ 249.5</b>

**Table of Contents****Consolidating Statements of Condensed Cash Flows***(in millions of U.S. dollars)**Unaudited*

	<b>For the Six Months Ended July 2, 2016</b>					
	<b>Cott</b>	<b>DS Services of</b>	<b>DSS</b>	<b>DSS</b>	<b>Elimination</b>	<b>Consolidated</b>
	<b>Corporation</b>	<b>America, Inc.</b>	<b>Guarantor Subsidiaries</b>	<b>Non-Guarantor Subsidiaries</b>	<b>Entries</b>	
<b>Net cash (used in) provided by operating activities</b>	<b>\$ (137.1)</b>	<b>\$ 55.7</b>	<b>\$ 156.9</b>	<b>\$ 9.9</b>	<b>\$ (16.5)</b>	<b>\$ 68.9</b>
<b>Investing Activities</b>						
Acquisitions, net of cash received	(42.7)	(3.5)				(46.2)
Additions to property, plant & equipment	(0.9)	(37.6)	(23.6)	(0.6)		(62.7)
Additions to intangibles and other assets	(0.1)	(1.1)	(2.1)			(3.3)
Proceeds from sale of property, plant & equipment		0.1	2.8			2.9
Increase in restricted cash	(2.8)					(2.8)
Net cash used in investing activities	(46.5)	(42.1)	(22.9)	(0.6)		(112.1)
<b>Financing Activities</b>						
Payments of long-term debt			(1.3)	(0.2)		(1.5)
Borrowings under ABL	144.8		476.3			621.1
Payments under ABL	(147.7)		(598.3)			(746.0)
Distributions to non-controlling interests				(3.3)		(3.3)
Issuance of common shares	364.2					364.2
Common shares repurchased and cancelled	(1.1)					(1.1)
Dividends paid to common shareowners	(14.7)					(14.7)
Intercompany dividends			(13.0)	(3.5)	16.5	
Net cash provided by (used in) financing activities	345.5		(136.3)	(7.0)	16.5	218.7
Effect of exchange rate changes on cash	(0.1)		(2.9)	(0.1)		(3.1)

<b>Net increase (decrease) in cash &amp; cash equivalents</b>	<b>161.8</b>	<b>13.6</b>	<b>(5.2)</b>	<b>2.2</b>	<b>172.4</b>
<b>Cash &amp; cash equivalents, beginning of period</b>	<b>20.8</b>	<b>12.8</b>	<b>38.4</b>	<b>5.1</b>	<b>77.1</b>
<b>Cash &amp; cash equivalents, end of period</b>	<b>\$ 182.6</b>	<b>\$ 26.4</b>	<b>\$ 33.2</b>	<b>\$ 7.3</b>	<b>\$ 249.5</b>

**Table of Contents****Consolidating Statements of Condensed Cash Flows***(in millions of U.S. dollars)**Unaudited*

	<b>For the Three Months Ended July 4, 2015</b>					
	<b>Cott</b>	<b>DS Services of</b>	<b>DSS</b>	<b>DSS</b>	<b>Elimination</b>	
	<b>Corporation</b>	<b>America,</b>	<b>Guarantor</b>	<b>Non-Guarantor</b>	<b>Entries</b>	<b>Consolidated</b>
		<b>Inc.</b>	<b>Subsidiaries</b>	<b>Subsidiaries</b>		
<b>Net cash provided by operating activities</b>	<b>\$ 29.3</b>	<b>\$ 20.6</b>	<b>\$ 24.5</b>	<b>\$ 13.5</b>	<b>\$ (12.2)</b>	<b>\$ 75.7</b>
<b>Investing Activities</b>						
Acquisition, net of cash received		(0.5)				(0.5)
Additions to property, plant & equipment	(0.2)	(20.4)	(8.9)	(0.4)		(29.9)
Additions to intangibles and other assets		(0.1)				(0.1)
Proceeds from sale of property, plant & equipment and sale-leaseback		14.2	25.9			40.1
<b>Net cash (used in) provided by investing activities</b>	<b>(0.2)</b>	<b>(6.8)</b>	<b>17.0</b>	<b>(0.4)</b>		<b>9.6</b>
<b>Financing Activities</b>						
Payments of long-term debt			(0.9)	(0.2)		(1.1)
Borrowings under ABL			654.1			654.1
Payments under ABL			(674.4)			(674.4)
Distributions to non-controlling interests				(1.6)		(1.6)
Issuance of common shares	142.5					142.5
Financing fees			(0.2)			(0.2)
Preferred shares repurchased and cancelled	(148.8)					(148.8)
Dividends paid to common and preferred shareowners	(9.0)					(9.0)
Payment of deferred consideration for acquisitions			(2.5)			(2.5)
Intercompany dividends			(2.2)	(10.0)	12.2	
	(15.3)		(26.1)	(11.8)	12.2	(41.0)

Net cash used in financing activities					
Effect of exchange rate changes on cash	(0.3)		0.6	(0.1)	0.2
<b>Net increase in cash &amp; cash equivalents</b>	<b>13.5</b>	<b>13.8</b>	<b>16.0</b>	<b>1.2</b>	<b>44.5</b>
<b>Cash &amp; cash equivalents, beginning of period</b>	<b>0.3</b>	<b>14.8</b>	<b>14.8</b>	<b>4.6</b>	<b>34.5</b>
<b>Cash &amp; cash equivalents, end of period</b>	<b>\$ 13.8</b>	<b>\$ 28.6</b>	<b>\$ 30.8</b>	<b>\$ 5.8</b>	<b>\$ 79.0</b>

**Table of Contents****Consolidating Statements of Condensed Cash Flows***(in millions of U.S. dollars)**Unaudited***For the Six Months Ended July 4, 2015**

	<b>Cott Corporation</b>	<b>DS Services of America, Inc.</b>	<b>DSS Guarantor Subsidiaries</b>	<b>DSS Non-Guarantor Subsidiaries</b>	<b>Elimination Entries</b>	<b>Consolidated</b>
<b>Net cash provided by operating activities</b>	\$ 33.7	\$ 21.2	\$ 20.9	\$ 15.2	\$ (16.4)	\$ 74.6
<b>Investing Activities</b>						
Acquisition, net of cash received		(0.5)				(0.5)
Additions to property, plant & equipment	(0.5)	(38.8)	(17.5)	(0.4)		(57.2)
Additions to intangibles and other assets		(1.9)	(0.3)			(2.2)
Proceeds from sale of property, plant & equipment and sale-leaseback		14.2	26.3			40.5
<b>Net cash (used in) provided by investing activities</b>	(0.5)	(27.0)	8.5	(0.4)		(19.4)
<b>Financing Activities</b>						
Payments of long-term debt			(1.4)	(0.5)		(1.9)
Borrowings under ABL			748.9			748.9
Payments under ABL			(777.2)			(777.2)
Distributions to non-controlling interests				(3.6)		(3.6)
Issuance of common shares	142.6					142.6
Financing fees			(0.2)			(0.2)
Preferred shares repurchased and cancelled	(148.8)					(148.8)
Common shares repurchased and cancelled	(0.7)					(0.7)
Dividends paid to common and preferred shareowners	(18.0)					(18.0)
Payment of deferred consideration for acquisitions			(2.5)			(2.5)
Intercompany dividends			(4.3)	(12.1)	16.4	



Net cash used in financing activities	(24.9)		(36.7)	(16.2)	16.4	(61.4)
Effect of exchange rate changes on cash	(0.7)		(0.1)	(0.2)		(1.0)
<b>Net increase (decrease) in cash &amp; cash equivalents</b>	<b>7.6</b>	<b>(5.8)</b>	<b>(7.4)</b>	<b>(1.6)</b>		<b>(7.2)</b>
<b>Cash &amp; cash equivalents, beginning of period</b>	<b>6.2</b>	<b>34.4</b>	<b>38.2</b>	<b>7.4</b>		<b>86.2</b>
<b>Cash &amp; cash equivalents, end of period</b>	<b>\$ 13.8</b>	<b>\$ 28.6</b>	<b>\$ 30.8</b>	<b>\$ 5.8</b>	<b>\$</b>	<b>\$ 79.0</b>

**Table of Contents**

**Guarantor Subsidiaries of 2022 Notes and 2020 Notes**

The 2022 Notes and 2020 Notes, each issued by Cott Corporation's 100% owned subsidiary Cott Beverages Inc. (CBI), are guaranteed on a senior basis by Cott Corporation and certain of its 100% owned direct and indirect subsidiaries (the Cott Guarantor Subsidiaries). The 2022 Notes and the 2020 Notes are fully and unconditionally, jointly and severally, guaranteed by Cott Corporation and the Cott Guarantor Subsidiaries. The Indentures governing the 2022 Notes and the 2020 Notes require (i) any 100% owned direct and indirect restricted subsidiary that guarantees any debt of CBI or any guarantor and (ii) any non-100% owned subsidiary that guarantees any other capital markets debt of CBI or any guarantor to guarantee the 2022 Notes and the 2020 Notes. No non-100% owned subsidiaries guarantee the 2022 Notes or the 2020 Notes. The guarantees of Cott Corporation and the Cott Guarantor Subsidiaries may be released in certain limited circumstances set forth in the Indentures governing the 2022 Notes and the 2020 Notes.

We have not presented separate financial statements and separate disclosures have not been provided concerning the Cott Guarantor Subsidiaries due to the presentation of condensed consolidating financial information set forth in this Note, consistent with the SEC interpretations governing reporting of subsidiary financial information.

The following summarized condensed consolidating financial information of the Company sets forth on a consolidating basis, our Balance Sheets, Statements of Operations and Cash Flows for Cott Corporation, CBI, the Cott Guarantor Subsidiaries and our other non-guarantor subsidiaries (the Cott Non-Guarantor Subsidiaries). This supplemental financial information reflects our investments and those of CBI in their respective subsidiaries using the equity method of accounting.

At July 2, 2016, the issuer of the 2024 Notes was Cott Finance Corporation, which was not a Cott Guarantor Subsidiary. Cott Finance Corporation was declared an unrestricted subsidiary under the Indentures governing the 2022 Notes and the 2020 Notes. As a result, such entity is reflected as a Cott Non-Guarantor Subsidiary in the following summarized condensed consolidating financial information. Substantially simultaneously with the closing of the acquisition of Eden on August 2, 2016, Cott Finance Corporation combined with the Company by way of an amalgamation and the combined company, Cott Corporation, assumed all of the obligations of Cott Finance Corporation as issuer under the 2024 Notes, and Cott's U.S., Canadian, U.K., Luxembourg and Dutch subsidiaries that are currently obligors under the 2022 Notes and the 2020 Notes entered into a supplemental indenture to guarantee the 2024 Notes.

**Table of Contents****Condensed Consolidating Statements of Operations***(in millions of U.S. dollars)**Unaudited***For the Three Months Ended July 2, 2016**

	<b>Cott</b>	<b>Cott</b>	<b>Cott</b>	<b>Cott</b>	<b>Elimination</b>	<b>Consolidated</b>
	<b>Corporation</b>	<b>Beverages Inc.</b>	<b>Subsidiaries</b>	<b>Non-Guarantor Subsidiaries</b>	<b>Entries</b>	
<b>Revenue, net</b>	<b>\$ 48.2</b>	<b>\$ 191.3</b>	<b>\$ 505.0</b>	<b>\$ 35.2</b>	<b>\$ (14.7)</b>	<b>\$ 765.0</b>
Cost of sales	38.9	158.3	301.2	28.7	(14.7)	512.4
<b>Gross profit</b>	<b>9.3</b>	<b>33.0</b>	<b>203.8</b>	<b>6.5</b>		<b>252.6</b>
Selling, general and administrative expenses	16.8	15.8	166.5	3.0		202.1
Loss on disposal of property, plant & equipment, net		0.2	2.0			2.2
Acquisition and integration expenses		10.7	1.0			11.7
<b>Operating (loss) income</b>	<b>(7.5)</b>	<b>6.3</b>	<b>34.3</b>	<b>3.5</b>		<b>36.6</b>
Other expense, net	1.8	0.1	1.0	0.1		3.0
Intercompany interest (income) expense, net		(11.3)	11.3			
Interest expense, net	0.2	19.5	7.3			27.0
<b>(Loss) income before income tax benefit and equity income</b>	<b>(9.5)</b>	<b>(2.0)</b>	<b>14.7</b>	<b>3.4</b>		<b>6.6</b>
Income tax benefit		1.6	0.7			2.3
Equity income	16.9	1.5			(18.4)	
<b>Net income</b>	<b>\$ 7.4</b>	<b>\$ 1.1</b>	<b>\$ 15.4</b>	<b>\$ 3.4</b>	<b>\$ (18.4)</b>	<b>\$ 8.9</b>
Less: Net income attributable to non-controlling interests				1.5		1.5
<b>Net income attributed to Cott Corporation</b>	<b>\$ 7.4</b>	<b>\$ 1.1</b>	<b>\$ 15.4</b>	<b>\$ 1.9</b>	<b>\$ (18.4)</b>	<b>\$ 7.4</b>
<b>Comprehensive (loss) income attributed to Cott Corporation</b>	<b>\$ (4.6)</b>	<b>\$ (0.1)</b>	<b>\$ 74.6</b>	<b>\$ 4.0</b>	<b>\$ (78.5)</b>	<b>\$ (4.6)</b>



**Table of Contents****Condensed Consolidating Statements of Operations***(in millions of U.S. dollars)**Unaudited***For the Six Months Ended July 2, 2016**

	Cott Corporation	Cott Beverages Inc.	Cott Guarantor Subsidiaries	Cott Non-Guarantor Subsidiaries	Elimination Entries	Consolidated
<b>Revenue, net</b>	<b>\$ 82.0</b>	<b>\$ 360.2</b>	<b>\$ 986.0</b>	<b>\$ 63.7</b>	<b>\$ (28.5)</b>	<b>\$ 1,463.4</b>
Cost of sales	68.6	304.3	600.8	51.6	(28.5)	996.8
<b>Gross profit</b>	<b>13.4</b>	<b>55.9</b>	<b>385.2</b>	<b>12.1</b>		<b>466.6</b>
Selling, general and administrative expenses	22.3	43.9	327.2	5.7		399.1
Loss on disposal of property, plant & equipment, net		0.5	2.6			3.1
Acquisition and integration expenses		11.0	2.1			13.1
<b>Operating (loss) income</b>	<b>(8.9)</b>	<b>0.5</b>	<b>53.3</b>	<b>6.4</b>		<b>51.3</b>
Other expense, net	0.2		0.5	0.1		0.8
Intercompany interest (income) expense, net		(22.7)	22.7			
Interest expense, net	0.4	39.6	14.8			54.8
<b>(Loss) income before income tax (benefit) expense and equity income</b>	<b>(9.5)</b>	<b>(16.4)</b>	<b>15.3</b>	<b>6.3</b>		<b>(4.3)</b>
Income tax (benefit) expense		(7.2)	(4.2)	0.1		(11.3)
Equity income	13.6	3.0	0.3		(16.9)	
<b>Net income (loss)</b>	<b>\$ 4.1</b>	<b>\$ (6.2)</b>	<b>\$ 19.8</b>	<b>\$ 6.2</b>	<b>\$ (16.9)</b>	<b>\$ 7.0</b>
Less: Net income attributable to non-controlling interests				2.9		2.9
<b>Net income (loss) attributed to Cott Corporation</b>	<b>\$ 4.1</b>	<b>\$ (6.2)</b>	<b>\$ 19.8</b>	<b>\$ 3.3</b>	<b>\$ (16.9)</b>	<b>\$ 4.1</b>
<b>Comprehensive (loss) income attributed to Cott Corporation</b>	<b>\$ (10.5)</b>	<b>\$ (7.5)</b>	<b>\$ 105.6</b>	<b>\$ 3.4</b>	<b>\$ (101.5)</b>	<b>\$ (10.5)</b>



**Table of Contents****Condensed Consolidating Statements of Operations***(in millions of U.S. dollars)**Unaudited***For the Three Months Ended July 4, 2015**

	Cott Corporation	Cott Beverages Inc.	Cott Guarantor Subsidiaries	Cott Non-Guarantor Subsidiaries	Elimination Entries	Consolidated
<b>Revenue, net</b>	<b>\$ 46.9</b>	<b>\$ 197.1</b>	<b>\$ 517.4</b>	<b>\$ 38.3</b>	<b>\$ (19.9)</b>	<b>\$ 779.8</b>
Cost of sales	38.4	164.9	324.9	30.9	(19.9)	539.2
<b>Gross profit</b>	<b>8.5</b>	<b>32.2</b>	<b>192.5</b>	<b>7.4</b>		<b>240.6</b>
Selling, general and administrative expenses	4.9	24.6	157.7	3.0		190.2
(Gain) loss on disposal of property, plant & equipment		(0.7)	0.9			0.2
Acquisition and integration expenses		0.5	3.6			4.1
<b>Operating income</b>	<b>3.6</b>	<b>7.8</b>	<b>30.3</b>	<b>4.4</b>		<b>46.1</b>
Other expense (income), net	0.7		0.4	(0.1)		1.0
Intercompany interest (income) expense, net	(1.9)	(13.3)	15.2			
Interest expense, net		20.2	7.7			27.9
<b>Income before income tax expense (benefit) and equity income</b>	<b>4.8</b>	<b>0.9</b>	<b>7.0</b>	<b>4.5</b>		<b>17.2</b>
Income tax expense (benefit)	1.8	(1.9)	(1.1)	0.1		(1.1)
Equity income	13.6	1.6			(15.2)	
<b>Net income</b>	<b>\$ 16.6</b>	<b>\$ 4.4</b>	<b>\$ 8.1</b>	<b>\$ 4.4</b>	<b>\$ (15.2)</b>	<b>\$ 18.3</b>
Less: Net income attributable to non-controlling interests				1.7		1.7
Less: Accumulated dividends on convertible preferred shares	1.8					1.8
Less: Accumulated dividends on non-convertible preferred shares	0.6					0.6
Less: Foreign exchange impact on redemption of preferred shares	12.0					12.0
	<b>\$ 2.2</b>	<b>\$ 4.4</b>	<b>\$ 8.1</b>	<b>\$ 2.7</b>	<b>\$ (15.2)</b>	<b>\$ 2.2</b>

**Net income attributed to Cott Corporation**

<b>Comprehensive income attributed to Cott Corporation</b>	<b>\$ 24.4</b>	<b>\$</b>	<b>26.5</b>	<b>\$</b>	<b>21.4</b>	<b>\$</b>	<b>4.2</b>	<b>\$</b>	<b>(52.1)</b>	<b>\$</b>	<b>24.4</b>
--	----------------	-----------	-------------	-----------	-------------	-----------	------------	-----------	---------------	-----------	-------------



**Table of Contents****Condensed Consolidating Statements of Operations***(in millions of U.S. dollars)**Unaudited***For the Six Months Ended July 4, 2015**

	Cott Corporation	Cott Beverages Inc.	Cott Guarantor Subsidiaries	Cott Non-Guarantor Subsidiaries	Elimination Entries	Consolidated
<b>Revenue, net</b>	<b>\$ 76.9</b>	<b>\$ 367.1</b>	<b>\$ 1,006.0</b>	<b>\$ 69.7</b>	<b>\$ (30.1)</b>	<b>\$ 1,489.6</b>
Cost of sales	65.4	310.7	644.9	56.8	(30.1)	1,047.7
<b>Gross profit</b>	<b>11.5</b>	<b>56.4</b>	<b>361.1</b>	<b>12.9</b>		<b>441.9</b>
Selling, general and administrative expenses	10.4	48.4	313.8	6.1		378.7
(Gain) loss on disposal of property, plant & equipment		(0.4)	2.0			1.6
Acquisition and integration expenses		2.0	6.8			8.8
<b>Operating income</b>	<b>1.1</b>	<b>6.4</b>	<b>38.5</b>	<b>6.8</b>		<b>52.8</b>
Other (income) expense, net	(9.8)		0.4			(9.4)
Intercompany interest (income) expense, net	(4.9)	(25.5)	30.4			
Interest expense, net	0.1	40.3	15.2			55.6
<b>Income (loss) before income tax expense (benefit) and equity income</b>	<b>15.7</b>	<b>(8.4)</b>	<b>(7.5)</b>	<b>6.8</b>		<b>6.6</b>
Income tax expense (benefit)	3.0	(6.5)	(7.2)	0.2		(10.5)
Equity income	1.4	3.0			(4.4)	
<b>Net income (loss)</b>	<b>\$ 14.1</b>	<b>\$ 1.1</b>	<b>\$ (0.3)</b>	<b>\$ 6.6</b>	<b>\$ (4.4)</b>	<b>\$ 17.1</b>
Less: Net income attributable to non-controlling interests				3.0		3.0
Less: Accumulated dividends on convertible preferred shares	4.5					4.5
Less: Accumulated dividends on non-convertible preferred shares	1.4					1.4
Less: Foreign exchange impact on redemption of preferred shares	12.0					12.0

<b>Net (loss) income attributed to Cott Corporation</b>	<b>\$ (3.8)</b>	<b>\$</b>	<b>1.1</b>	<b>\$</b>	<b>(0.3)</b>	<b>\$</b>	<b>3.6</b>	<b>\$</b>	<b>(4.4)</b>	<b>\$</b>	<b>(3.8)</b>
<b>Comprehensive (loss) income attributed to Cott Corporation</b>	<b>\$ (7.4)</b>	<b>\$</b>	<b>3.7</b>	<b>\$</b>	<b>0.9</b>	<b>\$</b>	<b>4.8</b>	<b>\$</b>	<b>(9.4)</b>	<b>\$</b>	<b>(7.4)</b>

**Table of Contents****Consolidating Balance Sheets***(in millions of U.S. dollars)**Unaudited*

	As of July 2, 2016					Elimination Entries	Consolidated
	Cott Corporation	Cott Beverages Inc.	Cott Guarantor Subsidiaries	Cott Non-Guarantor Subsidiaries			
<b>ASSETS</b>							
<i>Current assets</i>							
Cash & cash equivalents	\$ 182.6	\$ 2.4	\$ 57.2	\$ 7.3	\$	\$	249.5
Restricted cash				503.1			503.1
Accounts receivable, net of allowance	37.1	82.8	385.7	13.2	(179.3)		339.5
Income taxes recoverable	0.1		1.1	0.4	(0.7)		0.9
Inventories	15.1	75.1	150.5	6.4			247.1
Prepaid expenses and other assets	1.9	6.7	15.1	0.4			24.1
<b>Total current assets</b>	<b>236.8</b>	<b>167.0</b>	<b>609.6</b>	<b>530.8</b>	<b>(180.0)</b>		<b>1,364.2</b>
Property, plant & equipment, net	30.3	156.9	576.9	6.1			770.2
Goodwill	21.2	4.5	751.7				777.4
Intangibles and other assets, net	0.9	78.6	610.0	0.9			690.4
Deferred tax assets	12.6	44.7		0.2	(44.7)		12.8
Due from affiliates	366.4	583.2	142.7		(1,092.3)		
Investments in subsidiaries	392.0	847.3	729.5		(1,968.8)		
<b>Total assets</b>	<b>\$ 1,060.2</b>	<b>\$ 1,882.2</b>	<b>\$ 3,420.4</b>	<b>\$ 538.0</b>	<b>\$ (3,285.8)</b>		<b>\$ 3,615.0</b>
<b>LIABILITIES AND EQUITY</b>							
<i>Current liabilities</i>							
Current maturities of long-term debt	\$	\$ 3.0	\$ 0.4	\$ 0.2	\$	\$	3.6
Accounts payable and accrued liabilities	70.8	218.5	335.2	23.5	(180.0)		468.0
<b>Total current liabilities</b>	<b>70.8</b>	<b>221.5</b>	<b>335.6</b>	<b>23.7</b>	<b>(180.0)</b>		<b>471.6</b>
Long-term debt		1,134.6	388.3	490.4			2,013.3
Deferred tax liabilities			108.4		(44.7)		63.7
Other long-term liabilities	0.5	19.9	50.9	1.2			72.5
Due to affiliates	1.2	141.6	923.2	26.3	(1,092.3)		

Edgar Filing: COTT CORP /CN/ - Form 10-Q

<b>Total liabilities</b>	<b>72.5</b>	<b>1,517.6</b>	<b>1,806.4</b>	<b>541.6</b>	<b>(1,317.0)</b>	<b>2,621.1</b>
<b>Equity</b>						
Common shares, no par	904.9	728.4	1,606.1	39.8	(2,374.3)	904.9
Additional paid-in-capital	54.6					54.6
Retained earnings (deficit)	119.0	(345.8)	(108.7)	(58.7)	513.2	119.0
Accumulated other comprehensive (loss) income	(90.8)	(18.0)	116.6	9.1	(107.7)	(90.8)
Total Cott Corporation equity	987.7	364.6	1,614.0	(9.8)	(1,968.8)	987.7
Non-controlling interests				6.2		6.2
<b>Total equity</b>	<b>987.7</b>	<b>364.6</b>	<b>1,614.0</b>	<b>(3.6)</b>	<b>(1,968.8)</b>	<b>993.9</b>
<b>Total liabilities and equity</b>	<b>\$ 1,060.2</b>	<b>\$ 1,882.2</b>	<b>\$ 3,420.4</b>	<b>\$ 538.0</b>	<b>\$ (3,285.8)</b>	<b>\$ 3,615.0</b>

**Table of Contents****Consolidating Balance Sheets***(in millions of U.S. dollars)*

	As of January 2, 2016					
	Cott Corporation	Cott Beverages, Inc.	Cott Guarantor Subsidiaries	Cott Non-Guarantor Subsidiaries	Elimination Entries	Consolidated
<b>ASSETS</b>						
<i>Current assets</i>						
Cash & cash equivalents	\$ 20.8	\$ 1.0	\$ 50.2	\$ 5.1	\$	\$ 77.1
Accounts receivable, net of allowance	18.3	63.3	361.8	13.0	(163.1)	293.3
Income taxes recoverable		0.6	0.8	0.2		1.6
Inventories	13.0	76.7	154.1	5.6		249.4
Prepaid expenses and other assets	2.2	4.6	10.2	0.2		17.2
<b>Total current assets</b>	<b>54.3</b>	<b>146.2</b>	<b>577.1</b>	<b>24.1</b>	<b>(163.1)</b>	<b>638.6</b>
Property, plant & equipment, net	29.7	163.3	570.1	6.7		769.8
Goodwill	19.8	4.5	735.3			759.6
Intangibles and other assets, net	0.8	79.2	628.9	2.8		711.7
Deferred tax assets	7.4	38.2		0.2	(38.2)	7.6
Due from affiliates	400.1	587.5	2.6		(990.2)	
Investments in subsidiaries	176.3	847.3	702.5		(1,726.1)	
<b>Total assets</b>	<b>\$ 688.4</b>	<b>\$ 1,866.2</b>	<b>\$ 3,216.5</b>	<b>\$ 33.8</b>	<b>\$ (2,917.6)</b>	<b>\$ 2,887.3</b>
<b>LIABILITIES AND EQUITY</b>						
<i>Current liabilities</i>						
Short-term borrowings	\$	\$ 122.0	\$	\$	\$	\$ 122.0
Current maturities of long-term debt		2.6	0.4	0.4		3.4
Accounts payable and accrued liabilities	47.6	234.6	310.2	8.3	(163.1)	437.6
<b>Total current liabilities</b>	<b>47.6</b>	<b>359.2</b>	<b>310.6</b>	<b>8.7</b>	<b>(163.1)</b>	<b>563.0</b>
Long-term debt		1,134.1	391.3			1,525.4
Deferred tax liabilities			114.7		(38.2)	76.5
Other long-term liabilities	0.5	20.0	54.9	1.1		76.5
Due to affiliates	1.0	1.6	959.4	28.2	(990.2)	
<b>Total liabilities</b>	<b>49.1</b>	<b>1,514.9</b>	<b>1,830.9</b>	<b>38.0</b>	<b>(1,191.5)</b>	<b>2,241.4</b>

<b>Equity</b>						
Common shares, no par	534.7	701.5	1,486.9	38.6	(2,227.0)	534.7
Additional paid-in-capital	51.2					51.2
Retained earnings (deficit)	129.6	(333.5)	(132.1)	(58.4)	524.0	129.6
Accumulated other comprehensive (loss) income	(76.2)	(16.7)	30.8	9.0	(23.1)	(76.2)
Total Cott Corporation equity	639.3	351.3	1,385.6	(10.8)	(1,726.1)	639.3
Non-controlling interests				6.6		6.6
<b>Total equity</b>	<b>639.3</b>	<b>351.3</b>	<b>1,385.6</b>	<b>(4.2)</b>	<b>(1,726.1)</b>	<b>645.9</b>
<b>Total liabilities and equity</b>	<b>\$ 688.4</b>	<b>\$ 1,866.2</b>	<b>\$ 3,216.5</b>	<b>\$ 33.8</b>	<b>\$ (2,917.6)</b>	<b>\$ 2,887.3</b>

**Table of Contents****Consolidating Statements of Condensed Cash Flows***(in millions of U.S. dollars)**Unaudited***For the Three Months Ended July 2, 2016**

	<b>Cott Corporation</b>	<b>Cott Beverages Inc.</b>	<b>Cott Guarantor Subsidiaries</b>	<b>Cott Non-Guarantor Subsidiaries</b>	<b>Elimination Entries</b>	<b>Consolidated</b>
<b>Net cash (used in) provided by operating activities</b>	<b>\$ (0.3)</b>	<b>\$ 46.8</b>	<b>\$ 50.0</b>	<b>\$ 5.2</b>	<b>\$ (14.1)</b>	<b>\$ 87.6</b>
<b>Investing Activities</b>						
Acquisitions, net of cash received	0.5		(2.3)			(1.8)
Additions to property, plant & equipment	(0.5)	(4.3)	(28.1)	(0.3)		(33.2)
Additions to intangibles and other assets		(0.4)	(0.6)			(1.0)
Proceeds from sale of property, plant & equipment		0.1	0.1			0.2
Increase in restricted cash	(2.8)					(2.8)
Net cash used in investing activities	(2.8)	(4.6)	(30.9)	(0.3)		(38.6)
<b>Financing Activities</b>						
Payments of long-term debt		(0.3)		(0.1)		(0.4)
Borrowings under ABL	57.2	66.7				123.9
Payments under ABL	(88.9)	(98.8)				(187.7)
Distributions to non-controlling interests				(1.0)		(1.0)
Issuance of common shares	220.1					220.1
Dividends paid to common shareowners	(7.4)					(7.4)
Intercompany dividends		(8.4)	(4.6)	(1.1)	14.1	
Net cash provided by (used in) financing activities	181.0	(40.8)	(4.6)	(2.2)	14.1	147.5
Effect of exchange rate changes on cash	(0.2)		(1.8)	(0.1)		(2.1)
	<b>177.7</b>	<b>1.4</b>	<b>12.7</b>	<b>2.6</b>		<b>194.4</b>

<b>Net increase in cash &amp; cash equivalents</b>							
<b>Cash &amp; cash equivalents, beginning of period</b>	<b>4.9</b>		<b>1.0</b>		<b>44.5</b>	<b>4.7</b>	<b>55.1</b>
<b>Cash &amp; cash equivalents, end of period</b>	<b>\$ 182.6</b>	<b>\$</b>	<b>2.4</b>	<b>\$</b>	<b>57.2</b>	<b>\$ 7.3</b>	<b>\$ 249.5</b>



**Table of Contents****Consolidating Statements of Condensed Cash Flows***(in millions of U.S. dollars)**Unaudited*

	For the Six Months Ended July 2, 2016					Consolidated
	Cott Corporation	Cott Beverages Inc.	Cott Guarantor Subsidiaries	Cott Non-Guarantor Subsidiaries	Elimination Entries	
<b>Net cash (used in) provided by operating activities</b>	\$ (137.1)	\$ 145.8	\$ 66.8	\$ 9.9	\$ (16.5)	\$ 68.9
<b>Investing Activities</b>						
Acquisitions, net of cash received	(42.7)		(3.5)			(46.2)
Additions to property, plant & equipment	(0.9)	(11.0)	(50.2)	(0.6)		(62.7)
Additions to intangibles and other assets	(0.1)	(2.1)	(1.1)			(3.3)
Proceeds from sale of property, plant & equipment		0.1	2.8			2.9
Increase in restricted cash	(2.8)					(2.8)
Net cash used in investing activities	(46.5)	(13.0)	(52.0)	(0.6)		(112.1)
<b>Financing Activities</b>						
Payments of long-term debt		(1.0)	(0.3)	(0.2)		(1.5)
Borrowings under ABL	144.8	476.3				621.1
Payments under ABL	(147.7)	(598.3)				(746.0)
Distributions to non-controlling interests				(3.3)		(3.3)
Issuance of common shares	364.2					364.2
Common shares repurchased and cancelled	(1.1)					(1.1)
Dividends paid to common shareowners	(14.7)					(14.7)
Intercompany dividends		(8.4)	(4.6)	(3.5)	16.5	
Net cash provided by (used in) financing activities	345.5	(131.4)	(4.9)	(7.0)	16.5	218.7
Effect of exchange rate changes on cash	(0.1)		(2.9)	(0.1)		(3.1)

<b>Net increase in cash &amp; cash equivalents</b>	<b>161.8</b>	<b>1.4</b>	<b>7.0</b>	<b>2.2</b>	<b>172.4</b>
<b>Cash &amp; cash equivalents, beginning of period</b>	<b>20.8</b>	<b>1.0</b>	<b>50.2</b>	<b>5.1</b>	<b>77.1</b>
<b>Cash &amp; cash equivalents, end of period</b>	<b>\$ 182.6</b>	<b>\$ 2.4</b>	<b>\$ 57.2</b>	<b>\$ 7.3</b>	<b>\$ 249.5</b>

**Table of Contents****Consolidating Statements of Condensed Cash Flows***(in millions of U.S. dollars)**Unaudited***For the Three Months Ended July 4, 2015**

	<b>Cott Corporation</b>	<b>Cott Beverages Inc.</b>	<b>Cott Guarantor Subsidiaries</b>	<b>Cott Non-Guarantor Subsidiaries</b>	<b>Elimination Entries</b>	<b>Consolidated</b>
<b>Net cash provided by operating activities</b>	<b>\$ 29.3</b>	<b>\$ 9.0</b>	<b>\$ 44.5</b>	<b>\$ 5.1</b>	<b>\$ (12.2)</b>	<b>\$ 75.7</b>
<b>Investing Activities</b>						
Acquisitions, net of cash received			(0.5)			(0.5)
Additions to property, plant & equipment	(0.2)	(4.3)	(25.0)	(0.4)		(29.9)
Additions to intangibles and other assets			(0.1)			(0.1)
Proceeds from sale of property, plant & equipment and sale-leaseback		25.9	14.2			40.1
<b>Net cash (used in) provided by investing activities</b>	<b>(0.2)</b>	<b>21.6</b>	<b>(11.4)</b>	<b>(0.4)</b>		<b>9.6</b>
<b>Financing Activities</b>						
Payments of long-term debt		(0.9)		(0.2)		(1.1)
Borrowings under ABL		628.1	26.0			654.1
Payments under ABL		(645.5)	(28.9)			(674.4)
Distributions to non-controlling interests				(1.6)		(1.6)
Issuance of common shares	142.5					142.5
Financing fees		(0.2)				(0.2)
Preferred shares repurchased and cancelled	(148.8)					(148.8)
Dividends paid to common and preferred shareowners	(9.0)					(9.0)
Payment of deferred consideration for acquisitions			(2.5)			(2.5)
Intercompany dividends		(8.4)	(2.2)	(1.6)	12.2	
	(15.3)	(26.9)	(7.6)	(3.4)	12.2	(41.0)

Net cash used in financing activities					
Effect of exchange rate changes on cash	(0.3)		0.6	(0.1)	0.2
<b>Net increase in cash &amp; cash equivalents</b>	<b>13.5</b>	<b>3.7</b>	<b>26.1</b>	<b>1.2</b>	<b>44.5</b>
<b>Cash &amp; cash equivalents, beginning of period</b>	<b>0.3</b>	<b>1.4</b>	<b>28.2</b>	<b>4.6</b>	<b>34.5</b>
<b>Cash &amp; cash equivalents, end of period</b>	<b>\$ 13.8</b>	<b>\$ 5.1</b>	<b>\$ 54.3</b>	<b>\$ 5.8</b>	<b>\$ 79.0</b>

**Table of Contents****Consolidating Statements of Condensed Cash Flows***(in millions of U.S. dollars)**Unaudited***For the Six Months Ended July 4, 2015**

	<b>Cott Corporation</b>	<b>Cott Beverages Inc.</b>	<b>Cott Guarantor Subsidiaries</b>	<b>Cott Non-Guarantor Subsidiaries</b>	<b>Elimination Entries</b>	<b>Consolidated</b>
<b>Net cash provided by operating activities</b>	<b>\$ 33.7</b>	<b>\$ 25.9</b>	<b>\$ 24.6</b>	<b>\$ 6.8</b>	<b>\$ (16.4)</b>	<b>\$ 74.6</b>
<b>Investing Activities</b>						
Acquisitions, net of cash received			(0.5)			(0.5)
Additions to property, plant & equipment	(0.5)	(11.2)	(45.1)	(0.4)		(57.2)
Additions to intangibles and other assets		(0.3)	(1.9)			(2.2)
Proceeds from sale of property, plant & equipment and sale-leaseback		26.3	14.2			40.5
<b>Net cash (used in) provided by investing activities</b>	<b>(0.5)</b>	<b>14.8</b>	<b>(33.3)</b>	<b>(0.4)</b>		<b>(19.4)</b>
<b>Financing Activities</b>						
Payments of long-term debt		(1.3)	(0.1)	(0.5)		(1.9)
Borrowings under ABL		714.0	34.9			748.9
Payments under ABL		(748.3)	(28.9)			(777.2)
Distributions to non-controlling interests					(3.6)	(3.6)
Issuance of common shares	142.6					142.6
Financing fees		(0.2)				(0.2)
Preferred shares repurchased and cancelled	(148.8)					(148.8)
Common shares repurchased and cancelled	(0.7)					(0.7)
Dividends paid to common and preferred shareowners	(18.0)					(18.0)
Payment of deferred consideration for acquisitions			(2.5)			(2.5)
Intercompany dividends		(8.4)	(4.3)	(3.7)	16.4	

Net cash used in financing activities	(24.9)	(44.2)	(0.9)	(7.8)	16.4	(61.4)
Effect of exchange rate changes on cash	(0.7)		(0.1)	(0.2)		(1.0)
<b>Net increase (decrease) in cash &amp; cash equivalents</b>	<b>7.6</b>	<b>(3.5)</b>	<b>(9.7)</b>	<b>(1.6)</b>		<b>(7.2)</b>
<b>Cash &amp; cash equivalents, beginning of period</b>	<b>6.2</b>	<b>8.6</b>	<b>64.0</b>	<b>7.4</b>		<b>86.2</b>
<b>Cash &amp; cash equivalents, end of period</b>	<b>\$ 13.8</b>	<b>\$ 5.1</b>	<b>\$ 54.3</b>	<b>\$ 5.8</b>	<b>\$</b>	<b>\$ 79.0</b>

---

**Table of Contents****Note 16 Subsequent Events**

On August 2, 2016, the Company acquired the sole issued and outstanding share in the share capital of Eden, a leading European direct-to-consumer services provider specializing in HOD water, OCS and filtration, in a share purchase for 470 million (approximately \$525 million on the closing date) on a debt and cash free basis, subject to adjustments for working capital, indebtedness and certain expenses. The acquisition was funded using the escrowed proceeds from the 2024 Notes and cash on hand. This acquisition supports the Company's strategy to become a more diversified beverage provider across multiple channels and geographies, as well as the Company's continuing move toward the higher margin HOD bottled water and OCS categories. Due to the limited amount of time since the Eden acquisition closing date, the Company is unable to provide actual amounts recognized related to the Eden assets acquired and liabilities assumed as the accounting for the purchase price allocation has not yet been completed. As a result, certain required disclosures relative to the acquisition of Eden, including those related to any goodwill or bargain purchase amounts to be recognized, have not been made.

On August 3, 2016, the Company entered into a definitive stock purchase agreement to acquire S&D for approximately \$355 million, subject to adjustments for working capital, indebtedness and certain expenses. The Company expects to fund the purchase price using cash on hand as well as borrowings under the ABL facility. S&D is a premium coffee roaster and provider of customized coffee, tea, and extract solutions to the foodservice, convenience, gas, hospitality and office segments in the United States. This acquisition is expected to close during the third quarter of 2016.

On August 3, 2016, the Company amended and restated the ABL facility. The amended and restated ABL facility is a five-year revolving facility of up to \$500 million and subject to certain conditions, may be increased up to an additional \$100 million at the Company's option if agreed upon by the lenders. The amended and restated ABL facility provides the Company and its subsidiaries, CBI, Cott Beverages Limited, DSS and Cliffstar LLC, with financing in the United States, Canada, the United Kingdom, Luxembourg and the Netherlands. JPMorgan Chase Bank, N.A. serves as administrative agent and administrative collateral agent and JPMorgan Chase Bank, N.A., London Branch serves as U.K. security trustee. Availability under the amended and restated ABL facility is dependent on a borrowing base calculated as a percentage of the value of eligible inventory, accounts receivable and property, plant and equipment in the manner set forth in the credit agreement governing the amended and restated ABL facility. The debt under the amended and restated ABL facility is guaranteed by most of the Company's U.S., Canadian, U.K. and Luxembourg subsidiaries and certain of the Company's Dutch subsidiaries.

On August 3, 2016, the Company's board of directors declared a dividend of \$0.06 per share on common shares, payable in cash on September 7, 2016 to shareowners of record at the close of business on August 25, 2016.

---

**Table of Contents**

**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

This Management's Discussion and Analysis of Financial Condition and Results of Operations is intended to further the reader's understanding of the consolidated financial condition and results of operations of our Company. It should be read in conjunction with the financial statements included in this quarterly report on Form 10-Q and our annual report on Form 10-K for the fiscal year ended January 2, 2016 (our 2015 Annual Report). These historical financial statements may not be indicative of our future performance. This discussion contains a number of forward-looking statements, all of which are based on our current expectations and could be affected by the uncertainties and risks referred to under "Risk Factors" in Item 1A in our 2015 Annual Report and this quarterly report on Form 10-Q.

**Overview**

With the acquisition of DS Services of America, Inc. ( DSS ) in December 2014 and the Eden Springs business ( Eden ) in August 2016, we combined leading providers in the direct-to-consumer beverage services industry with our traditional business, one of the world's largest producers of beverages on behalf of retailers, brand owners and distributors. We now have the largest volume-based national presence in the North American and European home and office delivery ( HOD ) industry for bottled water and one of the five largest national market share positions in the U.S. and European office coffee services ( OCS ) and filtration services industries. We reach over 2.3 million customers through routes located across North America and Europe supported by strategically located sales and distribution facilities and fleets. Our broad portfolio allows us to offer, on a direct-to-consumer basis, a variety of bottled water, coffee, brewed tea, water dispensers, coffee and tea brewers and filtration equipment. We believe we have the broadest distribution network in the direct-to-consumer beverage services industry in North America and Europe, which enables us to efficiently service residences and small and medium size businesses, as well as large corporations, universities and government agencies.

The beverage market is subject to some seasonal variations. Our beverage and water delivery sales are generally higher during the warmer months, while sales of our coffee products are generally higher during the cooler months and also can be influenced by the timing of holidays and weather fluctuations. Our purchases of raw materials and related accounts payable fluctuate based upon the demand for our products as well as the timing of the fruit growing seasons. The seasonality of our sales volume combined with the seasonal nature of fruit growing causes our working capital needs to fluctuate throughout the year, with inventory levels increasing in the first half of the year in order to meet high summer demand, and with fruit inventories peaking during the last quarter of the year when purchases are made after the growing season. In addition, our accounts receivable balances decline in the fall as customers pay their higher-than-average outstanding balances from the summer deliveries.

Our traditional business typically operates at low margins and therefore relatively small changes in cost structures can materially affect results.

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 aluminum in the case of cans and ends, polyethylene terephthalate ( PET ) resin, high-density polyethylene ( HDPE ) and polycarbonate, corn in the case of high fructose corn syrup ( HFCS ), sugar, fruit and fruit concentrates. 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.

We supply Walmart and its affiliated companies, under annual non-exclusive supply agreements, with a variety of products in North America, the United Kingdom, and Mexico, including carbonated soft drinks ( CSDs ), 100% shelf stable juice and juice-based products, clear, still and sparkling flavored waters, energy drinks, sports products, new



age beverages, and ready-to-drink teas. During the first six months of 2016, we supplied Walmart with all of its private-label CSDs in the United States. In the event Walmart were to utilize additional suppliers to fulfill a portion of its requirements for CSDs, our operating results could be materially adversely affected. Sales to Walmart for the six months ended July 2, 2016 and July 4, 2015 accounted for 17.9% and 18.3% of total revenue, respectively.

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, change 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.

### **Acquisition and Financing Transactions**

On August 3, 2016, we entered into a definitive stock purchase agreement to acquire S&D Coffee, Inc. ( S&D )(the S&D Acquisition ), a premium coffee roaster and provider of customized coffee, tea, and extract solutions to the foodservice, convenience, gas, hospitality and office segments in the United States, for approximately \$355 million, subject to adjustments for working capital, indebtedness and certain expenses. We expect to fund the purchase price using cash on hand as well as borrowings under our asset based lending facility ( ABL facility ). The S&D Acquisition is expected to close during the third quarter of 2016.

---

**Table of Contents**

On August 3, 2016, the Company amended and restated the ABL facility. The amended and restated ABL facility is a five-year revolving facility of up to \$500 million and subject to certain conditions, may be increased up to an additional \$100 million at the Company's option if agreed upon by the lenders. The amended and restated ABL facility provides the Company and its subsidiaries, CBI, Cott Beverages Limited, DSS and Cliffstar LLC, with financing in the United States, Canada, the United Kingdom, Luxembourg and the Netherlands. JPMorgan Chase Bank, N.A. serves as administrative agent and administrative collateral agent and JPMorgan Chase Bank, N.A., London Branch serves as U.K. security trustee. Availability under the amended and restated ABL facility is dependent on a borrowing base calculated as a percentage of the value of eligible inventory, accounts receivable and property, plant and equipment in the manner set forth in the credit agreement governing the amended and restated ABL facility. The debt under the amended and restated ABL facility is guaranteed by most of the Company's U.S., Canadian, U.K. and Luxembourg subsidiaries and certain of the Company's Dutch subsidiaries.

On August 2, 2016, we acquired the sole issued and outstanding share in the share capital of Eden (the Eden Acquisition), a leading European direct-to-consumer services provider specializing in HOD water, OCS and filtration, in a share purchase for 470 million (approximately \$525 million on the closing date) on a debt and cash free basis, subject to adjustments for working capital, indebtedness and certain expenses. The Eden Acquisition was funded using the escrowed proceeds from the 2024 Notes (defined below) and cash on hand. This acquisition supports our strategy to become a more diversified beverage provider across multiple channels and geographies, as well as our continuing move toward the higher margin HOD bottled water and OCS categories.

On June 30, 2016, we issued 450.0 million (\$500.2 million at exchange rates in effect on July 2, 2016) of 5.500% senior notes due 2024 (2024 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 proceeds of the 2024 Notes were used to fund a portion of the purchase price of the Eden Acquisition, to repay a portion of certain outstanding indebtedness of Eden, and to pay related fees and expenses.

On June 29, 2016, we completed a public offering, on a bought deal basis, of 15,088,000 common shares at a price of \$15.25 per share for total gross proceeds to us of \$230.1 million (the June 2016 Offering). We incurred \$9.2 million of underwriter commissions, \$1.1 million in professional fees and a \$2.7 million deferred tax benefit to common share capital in connection with the June 2016 Offering. The net proceeds of the June 2016 Offering were used to repay in full the borrowings under our ABL facility, to finance the S&D Acquisition and for general corporate purposes.

On March 9, 2016, we completed a public offering, on a bought deal basis, of 12,765,000 common shares at a price of \$11.80 per share for total gross proceeds to us of \$150.6 million (the March 2016 Offering). We incurred \$6.0 million of underwriter commissions, \$0.8 million in professional fees and a \$1.7 million deferred tax benefit to common share capital in connection with the March 2016 Offering. The net proceeds of the March 2016 Offering were used to repay a portion of the borrowings under our ABL facility, to finance the Eden Acquisition and for general corporate purposes.

On January 4, 2016, we acquired 100% of the share capital of Aquaterra Corporation, a Canadian direct-to-consumer HOD bottled water and OCS business (Aquaterra), for an aggregate purchase price of approximately C\$61.2 million (approximately U.S. \$44.0 million at exchange rates in effect on January 4, 2016)(the Aquaterra Acquisition).

During the six months ended July 2, 2016, we, through our DSS reporting segment, acquired five HOD water businesses for cash purchase prices aggregating to \$3.5 million. We have accounted for all of these transactions as business combinations in accordance with U.S. generally accepted accounting principles (GAAP).

## Forward-Looking Statements

In addition to historical information, this report, and any documents incorporated in this report by reference, may contain statements relating to future events and future results. These statements are forward-looking within the meaning of the Private Securities Litigation Reform Act of 1995 and applicable Canadian securities legislation and involve known and unknown risks, uncertainties, future expectations and other factors that may cause actual results, performance or achievements of Cott 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, earnings, earnings per share, 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, may, will, plan, predict, project, should and similar terms and phrases are used to identify forward-looking statements in this report and any documents incorporated in this report by reference. These forward-looking statements reflect current expectations regarding future events and operating performance and are made only as of the date of this report.

**Table of Contents**

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, our ability to remain a low cost supplier, and effective management of commodity costs. Although we believe the assumptions underlying these forward-looking statements are reasonable, any of these assumptions could prove to be inaccurate and, as a result, the forward-looking statements based on those assumptions could prove to be incorrect. Our operations involve risks and uncertainties, many of which are outside of our control, and any one or any combination of these risks and uncertainties could also affect whether the forward-looking statements ultimately prove to be correct. These risks and uncertainties include, but are not limited to, those described in Part I, Item 1A. Risk Factors in our 2015 Annual Report, and those described from time to time in our future reports filed with the Securities and Exchange Commission ( SEC ) and Canadian securities regulatory authorities.

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

our ability to compete successfully in the markets in which we operate;

changes in consumer tastes and preferences for existing products and our ability to develop and timely launch new products that appeal to such changing consumer tastes and preferences;

a loss of or a reduction in business in our traditional business with key customers, particularly Walmart;

consolidation of retail customers;

fluctuations in commodity prices and our ability to pass on increased costs to our customers, and the impact of those increased prices on our volumes;

our ability to manage our operations successfully;

our ability to fully realize the potential benefit of acquisitions or other strategic opportunities that we pursue;

our ability to realize the expected benefits of our acquisition of DSS (the DSS Acquisition ), the Eden Acquisition and the S&D Acquisition because of integration difficulties and other challenges;

the limited nature of our indemnification rights under the DSS merger agreement, the Eden share purchase agreement and the S&D stock purchase agreement;

the incurrence of substantial indebtedness to finance the DSS Acquisition, the Eden Acquisition and the S&D Acquisition;

our exposure to intangible asset risk;

currency fluctuations that adversely affect the exchange between the U.S. dollar and the British pound sterling, the Euro, the Canadian dollar, the Mexican peso and other currencies;

our ability to maintain favorable arrangements and relationships with our suppliers;

our substantial indebtedness and our ability to meet our obligations under our debt agreements, and risks of further increases to our indebtedness;

our ability to maintain compliance with the covenants and conditions under our debt agreements;

fluctuations in interest rates which could increase our borrowing costs;

credit rating changes;

the impact of global financial events on our financial results;

our ability to fully realize the expected cost savings and/or operating efficiencies from our restructuring activities;

any disruption to production at our beverage concentrates or other manufacturing facilities;

our ability to maintain access to our water sources;

**Table of Contents**

our ability to adequately address the challenges and risks associated with our international operations and acquisition strategy and address difficulties in complying with laws and regulations including the U.S. Foreign Corrupt Practices Act and the U.K. Bribery Act of 2010;

our ability to protect our intellectual property;

compliance with product health and safety standards;

liability for injury or illness caused by the consumption of contaminated products;

liability and damage to our reputation as a result of litigation or legal proceedings;

changes in the legal and regulatory environment in which we operate;

the impact of proposed taxes on soda and other sugary drinks;

enforcement of compliance with the Ontario Environmental Protection Act;

the seasonal nature of our business and the effect of adverse weather conditions;

the impact of national, regional and global events, including those of a political, economic, business and competitive nature;

our ability to recruit, retain, and integrate new management;

our ability to renew our collective bargaining agreements on satisfactory terms;

disruptions in our information systems;

our ability to securely maintain our customers' confidential or credit card information, or other private data relating to our employees or our company;

our ability to use net operating losses to offset future taxable income; or

our ability to maintain our quarterly dividend.

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

### **Non-GAAP Measures**

In this report, we supplement our reporting of financial measures determined in accordance with GAAP by utilizing certain non-GAAP financial measures. We exclude the impact of foreign exchange to separate the impact of currency exchange rate changes from our results of operations. We exclude these items to better understand trends in the business.

We also utilize earnings (loss) before interest expense, taxes, depreciation and amortization ( EBITDA ), which is GAAP earnings (loss) attributed to Cott Corporation before interest expense, benefit for income taxes, depreciation and amortization, net income attributable to non-controlling interests, accumulated dividends on preferred shares and foreign exchange impact on redemption of preferred shares. 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, purchase accounting adjustments, unrealized loss (gain) on commodity hedging instruments, net, unrealized foreign exchange and other losses (gains), net, loss on disposal of property, plant and equipment, net, and other adjustments, 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 ongoing core operations before material charges.

We also utilize adjusted net income, which is GAAP earnings (loss) excluding acquisition and integration costs, purchase accounting adjustments, unrealized loss (gain) on commodity hedging instruments, net, unrealized foreign exchange and other losses (gains), net, foreign exchange impact on redemption of preferred shares, loss on disposal of property, plant and equipment, net, other adjustments, and tax effect of adjustments, as well as adjusted net income per diluted common share, which is adjusted net income divided by diluted weighted average common shares outstanding. We consider these measures to be indicators of our operating performance.

---

**Table of Contents**

Additionally, we supplement our reporting of net cash provided by operating activities determined in accordance with GAAP by excluding additions to property, plant & equipment to present free cash flow and adjusted free cash flow (which is free cash flow excluding cash collateral costs), which management believes provides useful information to investors about the amount of cash generated by the business that can be used for strategic opportunities, including investing in our business, making strategic acquisitions, paying dividends, and strengthening the balance sheet.

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

**Summary Financial Results**

Our net income for the three months ended July 2, 2016 (the second quarter ) and six months ended July 2, 2016 ( first half of 2016 or year to date ) was \$7.4 million or \$0.06 per diluted common share, and \$4.1 million or \$0.03 per diluted common share, compared to net income of \$2.2 million or \$0.02 per diluted common share, and net loss of \$3.8 million or \$0.04 per diluted common share for the three and six months ended July 4, 2015, respectively.

***The following items of significance affected our financial results for the first half of 2016:***

Net revenue decreased 1.8% from the prior year period due primarily to the mix shift from private label to contract manufacturing and the competitive landscape in our traditional business, partially offset by growth in our DSS reporting segment and the addition of the Aquaterra business. Excluding the impact of foreign exchange, net revenue decreased 0.2% from the prior year period;

Gross profit as a percentage of net revenue increased to 31.9% compared to 29.7% from the prior year period due primarily to ongoing operational leverage in our DSS reporting segment, the addition of the Aquaterra business and cost and efficiency initiatives in our traditional business, partially offset by unfavorable foreign exchange rates, increased operational costs, and reduced revenues in our traditional business;

Selling, general and administrative ( SG&A ) expenses increased to \$399.1 million compared to \$378.7 million in the prior year period due primarily to the Aquaterra Acquisition;

Other expense, net was \$0.8 million compared to other income, net of \$9.4 million in the prior year period due primarily to the reduction of net gains on foreign currency transactions;

Interest expense, net decreased to \$54.8 million compared to \$55.6 million in the prior year period due primarily to the reduction of outstanding borrowings under our ABL facility;



Adjusted EBITDA decreased to \$175.8 million compared to \$182.0 million in the prior year period due to the items listed above;

Adjusted net income and adjusted net income per diluted common share were \$16.3 million and \$0.14, respectively, compared to adjusted net income of \$9.9 million and adjusted net income per diluted common share of \$0.10 in the prior year period; and

Cash flows provided by operating activities was \$68.9 million compared to \$74.6 million in the prior year period. The \$5.7 million decrease was due primarily to the timing of accounts receivable receipts and accounts payable payments relative to the prior year period, partially offset by the release of cash collateral held by third parties in the prior year period.

**Table of Contents****Results of Operations**

The following table summarizes our consolidated statements of operations as a percentage of revenue for the three and six months ended July 2, 2016 and July 4, 2015:

(in millions of U.S. dollars)	For the Three Months Ended				For the Six Months Ended			
	July 2, 2016		July 4, 2015		July 2, 2016		July 4, 2015	
	\$	%	\$	%	\$	%	\$	%
Revenue, net	<b>765.0</b>	<b>100.0</b>	779.8	100.0	<b>1,463.4</b>	<b>100.0</b>	1,489.6	100.0
Cost of sales	<b>512.4</b>	<b>67.0</b>	539.2	69.1	<b>996.8</b>	<b>68.1</b>	1,047.7	70.3
Gross profit	<b>252.6</b>	<b>33.0</b>	240.6	30.9	<b>466.6</b>	<b>31.9</b>	441.9	29.7
Selling, general, and administrative expenses	<b>202.1</b>	<b>26.4</b>	190.2	24.4	<b>399.1</b>	<b>27.3</b>	378.7	25.4
Loss on disposal of property, plant and equipment, net	<b>2.2</b>	<b>0.3</b>	0.2		<b>3.1</b>	<b>0.2</b>	1.6	0.1
Acquisition and integration expenses	<b>11.7</b>	<b>1.5</b>	4.1	0.5	<b>13.1</b>	<b>0.9</b>	8.8	0.6
Operating income	<b>36.6</b>	<b>4.8</b>	46.1	5.9	<b>51.3</b>	<b>3.5</b>	52.8	3.5
Other expense (income), net	<b>3.0</b>	<b>0.4</b>	1.0	0.1	<b>0.8</b>	<b>0.1</b>	(9.4)	(0.6)
Interest expense, net	<b>27.0</b>	<b>3.5</b>	27.9	3.6	<b>54.8</b>	<b>3.7</b>	55.6	3.7
Income (loss) before income taxes	<b>6.6</b>	<b>0.9</b>	17.2	2.2	<b>(4.3)</b>	<b>(0.3)</b>	6.6	0.4
Income tax benefit	<b>2.3</b>	<b>0.3</b>	1.1	0.1	<b>11.3</b>	<b>0.8</b>	10.5	0.7
Net income	<b>8.9</b>	<b>1.2</b>	18.3	2.3	<b>7.0</b>	<b>0.5</b>	17.1	1.1
Less: Net income attributable to non-controlling interests	<b>1.5</b>	<b>0.2</b>	1.7	0.2	<b>2.9</b>	<b>0.2</b>	3.0	0.2
Less: Accumulated dividends on preferred shares			2.4	0.3			5.9	0.4
Less: Foreign exchange impact on redemption of preferred shares			12.0	1.5			12.0	0.8
Net income (loss) attributed to Cott Corporation	<b>7.4</b>	<b>1.0</b>	2.2	0.3	<b>4.1</b>	<b>0.3</b>	(3.8)	(0.3)
Depreciation & amortization	<b>53.5</b>	<b>7.0</b>	58.2	7.5	<b>106.0</b>	<b>7.2</b>	115.6	7.8

The following table summarizes the change in revenue by reporting segment for the three and six months ended July 2, 2016:

(in millions of U.S. dollars,	For the Three Months Ended July 2, 2016		
	DSS	All Other	Elimination Total

<b>except percentage amounts)</b>		<b>Cott North America</b>	<b>Cott U.K.</b>			
Change in revenue	\$ 18.7	\$ (9.8)	\$ (21.5)	\$ (1.6)	\$ (0.6)	\$ (14.8)
Impact of foreign exchange <sup>1</sup>		2.5	9.1	1.0		12.6
Change excluding foreign exchange	\$ 18.7	\$ (7.3)	\$ (12.4)	\$ (0.6)	\$ (0.6)	\$ (2.2)
Percentage change in revenue	7.3%	(2.7)%	(14.0)%	(9.8)%	9.4%	(1.9)%
Percentage change in revenue excluding foreign exchange	7.3%	(2.0)%	(8.1)%	(3.7)%	9.4%	(0.3)%

<b>For the Six Months Ended July 2, 2016</b>						
<b>(in millions of U.S. dollars,</b>		<b>Cott North America</b>	<b>Cott U.K.</b>	<b>All Other</b>	<b>Elimination</b>	<b>Total</b>
<b>except percentage amounts)</b>	<b>DSS</b>					
Change in revenue	\$ 35.7	\$ (25.2)	\$ (33.1)	\$ (1.0)	\$ (2.6)	\$ (26.2)
Impact of foreign exchange <sup>1</sup>		5.8	16.0	2.0		23.8
Change excluding foreign exchange	\$ 35.7	\$ (19.4)	\$ (17.1)	\$ 1.0	\$ (2.6)	\$ (2.4)
Percentage change in revenue	7.2%	(3.7)%	(11.6)%	(3.4)%	24.1%	(1.8)%
Percentage change in revenue excluding foreign exchange	7.2%	(2.8)%	(6.0)%	3.4%	24.1%	(0.2)%

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

**Table of Contents**

The following table summarizes our net revenue, gross profit and operating income (loss) by reporting segment for the three and six months ended July 2, 2016 and July 4, 2015 (for purposes of the table below, our corporate oversight function ( Corporate ) is not treated as a segment; it includes certain general and administrative costs that are not allocated to any of the reporting segments):

(in millions of U.S. dollars)	For the Three Months Ended		For the Six Months Ended	
	July 2, 2016	July 4, 2015	July 2, 2016	July 4, 2015
<b><u>Revenue, net</u></b>				
DSS	\$ 275.7	\$ 257.0	\$ 533.0	\$ 497.3
Cott North America	349.2	359.0	662.5	687.7
Cott U.K.	132.3	153.8	252.9	286.0
All Other	14.8	16.4	28.4	29.4
Elimination	(7.0)	(6.4)	(13.4)	(10.8)
<b>Total</b>	<b>\$ 765.0</b>	<b>\$ 779.8</b>	<b>\$ 1,463.4</b>	<b>\$ 1,489.6</b>
<b><u>Gross Profit</u></b>				
DSS	\$ 170.8	\$ 156.1	\$ 325.2	\$ 296.0
Cott North America	51.8	52.2	86.7	93.7
Cott U.K.	24.1	25.6	43.8	41.2
All Other	5.9	6.7	10.9	11.0
<b>Total</b>	<b>\$ 252.6</b>	<b>\$ 240.6</b>	<b>\$ 466.6</b>	<b>\$ 441.9</b>
<b><u>Operating income (loss)</u></b>				
DSS	\$ 17.8	\$ 13.2	\$ 23.5	\$ 11.7
Cott North America	18.4	18.3	19.0	25.5
Cott U.K.	11.7	14.6	21.6	18.5
All Other	3.4	3.7	5.9	5.3
Corporate	(14.7)	(3.7)	(18.7)	(8.2)
<b>Total</b>	<b>\$ 36.6</b>	<b>\$ 46.1</b>	<b>\$ 51.3</b>	<b>\$ 52.8</b>

The following tables summarize net revenue by channel for the three and six months ended July 2, 2016 and July 4, 2015:

(in millions of U.S. dollars)	For the Three Months Ended July 2, 2016					Total
	DSS	Cott North America	Cott U.K.	All Other	Eliminations	
<b><u>Revenue, net</u></b>						
Private label retail	\$ 20.7	\$ 280.9	\$ 55.0	\$ 1.1	\$ (0.3)	\$ 357.4
Branded retail	22.9	24.8	41.7	1.0	(0.4)	90.0

Edgar Filing: COTT CORP /CN/ - Form 10-Q

Contract packaging		<b>35.7</b>	<b>31.0</b>	<b>5.0</b>	<b>(2.5)</b>	<b>69.2</b>
Home and office bottled water delivery	<b>177.2</b>					<b>177.2</b>
Office coffee services	<b>30.0</b>					<b>30.0</b>
Concentrate and other	<b>24.9</b>	<b>7.8</b>	<b>4.6</b>	<b>7.7</b>	<b>(3.8)</b>	<b>41.2</b>
Total	<b>\$ 275.7</b>	<b>\$ 349.2</b>	<b>\$ 132.3</b>	<b>\$ 14.8</b>	<b>\$ (7.0)</b>	<b>\$ 765.0</b>

**Table of Contents****For the Six Months Ended July 2, 2016****Cott**

<b>(in millions of U.S. dollars)</b>	<b>DSS</b>	<b>North America</b>	<b>Cott U.K.</b>	<b>All Other</b>	<b>Eliminations</b>	<b>Total</b>
<b><i>Revenue, net</i></b>						
Private label retail	\$ 37.6	\$ 529.4	\$ 106.0	\$ 1.6	\$ (0.7)	\$ 673.9
Branded retail	47.2	51.6	78.3	1.8	(0.7)	178.2
Contract packaging		67.1	59.3	9.7	(4.6)	131.5
Home and office bottled water delivery	339.2					339.2
Office coffee services	61.5					61.5
Concentrate and other	47.5	14.4	9.3	15.3	(7.4)	79.1
<b>Total</b>	<b>\$ 533.0</b>	<b>\$ 662.5</b>	<b>\$ 252.9</b>	<b>\$ 28.4</b>	<b>\$ (13.4)</b>	<b>\$ 1,463.4</b>

**For the Three Months Ended July 4, 2015****Cott**

<b>(in millions of U.S. dollars)</b>	<b>DSS</b>	<b>North America</b>	<b>Cott U.K.</b>	<b>All Other</b>	<b>Eliminations</b>	<b>Total</b>
<b><i>Revenue, net</i></b>						
Private label retail	\$ 17.2	\$ 289.7	\$ 71.8	\$ 1.7	\$ (0.7)	\$ 379.7
Branded retail	20.6	30.8	48.5	1.3	(0.5)	100.7
Contract packaging		31.3	30.9	6.8	(1.6)	67.4
Home and office bottled water delivery	164.8					164.8
Office coffee services	29.7					29.7
Concentrate and other	24.7	7.2	2.6	6.6	(3.6)	37.5
<b>Total</b>	<b>\$ 257.0</b>	<b>\$ 359.0</b>	<b>\$ 153.8</b>	<b>\$ 16.4</b>	<b>\$ (6.4)</b>	<b>\$ 779.8</b>

**For the Six Months Ended July 4, 2015****Cott**

<b>(in millions of U.S. dollars)</b>	<b>DSS</b>	<b>North America</b>	<b>Cott U.K.</b>	<b>All Other</b>	<b>Eliminations</b>	<b>Total</b>
<b><i>Revenue, net</i></b>						
Private label retail	\$ 32.7	\$ 557.4	\$ 132.7	\$ 2.8	\$ (1.2)	\$ 724.4
Branded retail	40.3	57.9	89.3	2.4	(0.9)	189.0
Contract packaging		56.9	59.3	10.7	(1.6)	125.3
Home and office bottled water delivery	314.4					314.4
Office coffee services	61.7					61.7
Concentrate and other	48.2	15.5	4.7	13.5	(7.1)	74.8
<b>Total</b>	<b>\$ 497.3</b>	<b>\$ 687.7</b>	<b>\$ 286.0</b>	<b>\$ 29.4</b>	<b>\$ (10.8)</b>	<b>\$ 1,489.6</b>



**Table of Contents**

The following table summarizes our EBITDA and Adjusted EBITDA for the three and six months ended July 2, 2016 and July 4, 2015:

(in millions of U.S. dollars)	For the Three Months Ended		For the Six Months Ended	
	July 2, 2016	July 4, 2015	July 2, 2016	July 4, 2015
<b>Net income (loss) attributed to Cott Corporation</b>	\$ 7.4	\$ 2.2	\$ 4.1	\$ (3.8)
Interest expense, net	27.0	27.9	54.8	55.6
Income tax benefit	2.3	1.1	11.3	10.5
Depreciation & amortization	53.5	58.2	106.0	115.6
Net income attributable to non-controlling interests	1.5	1.7	2.9	3.0
Accumulated dividends on preferred shares		2.4		5.9
Foreign exchange impact on redemption of preferred shares		12.0		12.0
<b>EBITDA</b>	\$ 87.1	\$ 103.3	\$ 156.5	\$ 177.8
Acquisition and integration costs	11.7	4.1	13.1	8.8
Purchase accounting adjustments			0.5	4.2
Unrealized commodity hedging loss (gain), net	0.1	(0.9)	0.1	(1.2)
Unrealized foreign exchange and other losses (gains), net	2.2	0.4	(0.4)	(10.5)
Loss on disposal of property, plant & equipment, net	2.2	0.2	3.1	1.7
Other adjustments	1.6	1.2	2.9	1.2
<b>Adjusted EBITDA</b>	\$ 104.9	\$ 108.3	\$ 175.8	\$ 182.0

The following table summarizes our adjusted net income and adjusted net income per common share for the three and six months ended July 2, 2016 and July 4, 2015:

(in millions of U.S. dollars, except share and per share amounts)	For the Three Months Ended		For the Six Months Ended	
	July 2, 2016	July 4, 2015	July 2, 2016	July 4, 2015
<b>Net income (loss) attributed to Cott Corporation</b>	\$ 7.4	\$ 2.2	\$ 4.1	\$ (3.8)
Acquisition and integration costs	11.7	4.1	13.1	8.8
Purchase accounting adjustments			0.5	4.2
Unrealized commodity hedging loss (gain), net	0.1	(0.9)	0.1	(1.2)
Unrealized foreign exchange and other losses (gains), net	2.2	0.4	(0.4)	(10.5)
Foreign exchange impact on redemption of preferred shares		12.0		12.0
Loss on disposal of property, plant & equipment, net	2.2	0.2	3.1	1.7
Other adjustments	1.6	1.2	2.9	1.2
Adjustments for tax effect <sup>1</sup>	(6.4)	(1.6)	(7.1)	(2.5)
<b>Adjusted net income attributed to Cott Corporation</b>	\$ 18.8	\$ 17.6	\$ 16.3	\$ 9.9



<b>Adjusted net income per common share attributed to Cott Corporation</b>				
Basic	<b>\$ 0.15</b>	\$ 0.18	<b>\$ 0.14</b>	\$ 0.10
Diluted	<b>\$ 0.15</b>	\$ 0.18	<b>\$ 0.14</b>	\$ 0.10
<b>Weighted average common shares outstanding (in millions)</b>				
Basic	<b>123.2</b>	99.6	<b>118.3</b>	96.4
Diluted	<b>124.2</b>	100.2	<b>119.0</b>	96.9

1. Reflects tax effect of adjustments at the statutory tax rate within the applicable tax jurisdiction.

**Table of Contents**

The following table summarizes our free cash flow and adjusted free cash flow for the three and six months ended July 2, 2016 and July 4, 2015:

(in millions of U.S. dollars)	For the Three Months Ended	
	July 2, 2016	July 4, 2015
<b>Net cash provided by operating activities</b>	\$ 87.6	\$ 75.7
Less: Additions to property, plant & equipment	(33.2)	(29.9)
<b>Free Cash Flow</b>	\$ 54.4	\$ 45.8
<b>Adjusted Free Cash Flow</b>	\$ 54.4	\$ 45.8
	For the Six Months Ended	
	July 2, 2016	July 4, 2015
<b>Net cash provided by operating activities</b>	\$ 68.9	\$ 74.6
Less: Additions to property, plant & equipment	(62.7)	(57.2)
<b>Free Cash Flow</b>	\$ 6.2	\$ 17.4
Less: Cash collateral <sup>1</sup>		(29.4)
<b>Adjusted Free Cash Flow</b>	\$ 6.2	\$ (12.0)

- <sup>1</sup> In connection with the DSS Acquisition, \$29.4 million of cash was required to collateralize certain DSS self-insurance programs. The \$29.4 million was funded with borrowings under our ABL facility, and the cash collateral was included within prepaid and other current assets on our consolidated balance sheet at January 3, 2015. After January 3, 2015, additional letters of credit were issued from our available ABL facility capacity, and the cash collateral was returned to the Company and used to repay a portion of our outstanding ABL facility.

**Revenue, Net**

Net revenue decreased \$14.8 million, or 1.9%, and \$26.2 million, or 1.8%, in the second quarter and year to date, respectively, from the comparable prior year periods. Excluding the impact of foreign exchange, net revenue decreased 0.3% in the second quarter and 0.2% year to date from the comparable prior year periods.

DSS revenue increased \$18.7 million, or 7.3%, and \$35.7 million, or 7.2%, in the second quarter and year to date, respectively, from the comparable prior year periods due primarily to the addition of the Aquaterra business, growth in HOD bottled water, single cup coffee delivery and retail sales, partially offset by a declining energy surcharge as a result of lower diesel fuel prices and reduced sales in traditional brew basket coffee.

Cott North America revenue decreased \$9.8 million, or 2.7%, and \$25.2 million, or 3.7%, in the second quarter and year to date, respectively, from the comparable prior year periods. Excluding the impact of foreign exchange, revenue decreased 2.0% and 2.8% in the second quarter and year to date, respectively, due primarily to an overall product mix shift into contract manufacturing.

Cott U.K. revenue decreased \$21.5 million, or 14.0%, and \$33.1 million, or 11.6%, in the second quarter and year to date, respectively, from the comparable prior year periods. Excluding the impact of foreign exchange, revenue decreased 8.1% and 6.0% in the second quarter and year to date, respectively, due primarily to the competitive environment and an adverse product mix shift. We expect the competitive environment in the United Kingdom to affect revenues over the next several years as a result of several factors, including narrowed price gaps in the energy drink category and the ceding of market share by large format retailers to small format discount retailers, which is a customer segment in which the Cott U.K. reporting segment has historically had relatively less penetration.

---

**Table of Contents**

All Other revenue decreased \$1.6 million, or 9.8%, and \$1.0 million, or 3.4%, in the second quarter and year to date, respectively, from the comparable prior year periods. Excluding the impact of foreign exchange, revenue decreased 3.7% in the second quarter and increased 3.4% year to date, respectively, due primarily to growth in emerging markets.

***Cost of Sales***

Cost of sales represented 67.0% and 68.1% of revenue in the second quarter and year to date, respectively, compared to 69.1% and 70.3% in the comparable prior year periods. The decrease in cost of sales as a percentage of revenue was due primarily to the addition of the Aquaterra business and the growth in contract manufacturing.

***Gross Profit***

Gross profit as a percentage of revenue increased to 33.0% and 31.9% in the second quarter and year to date, respectively, from 30.9% and 29.7% in the comparable prior year periods due primarily to ongoing operational leverage in our DSS reporting segment, the addition of the Aquaterra business and cost and efficiency initiatives in our traditional business, partially offset by unfavorable foreign exchange rates, increased operational costs, and reduced revenues in our traditional business.

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

SG&A expenses increased to \$202.1 million and \$399.1 million in the second quarter and year to date, respectively, from \$190.2 million and \$378.7 million in the comparable prior year periods due primarily to the addition of the Aquaterra business.

***Operating Income***

Operating income was \$36.6 million and \$51.3 million in the second quarter and year to date, respectively, compared to \$46.1 million and \$52.8 million in the comparable prior year periods. The decrease was due primarily to higher acquisition and integration expenses during the second quarter in connection with the Eden Acquisition.

***Other Expense (Income), Net***

Other expense, net was \$3.0 million and \$0.8 million in the second quarter and year to date, respectively, compared to other expense, net of \$1.0 million in the second quarter and other income, net of \$9.4 million year to date in the comparable prior year periods. The increase was due primarily to the reduction of net gains on foreign currency transactions.

***Income Tax Benefit***

Income tax benefit was \$2.3 million and \$11.3 million in the second quarter and year to date, respectively, compared to \$1.1 million and \$10.5 million, in the comparable prior year periods. As we have significant global permanent book to tax differences that exceed our estimated income before taxes on an annual basis, small changes in our estimated income before taxes or changes in year to date income before taxes between jurisdictions can cause material fluctuations in our estimated effective tax rate on a quarterly basis. We have therefore calculated our quarterly income tax provision for the three and six months ended July 2, 2016 and July 4, 2015 on a discrete basis for the United States rather than using the estimated annual effective tax rate for the year, in accordance with Accounting Standards Codification 740, *Income Taxes*. The second quarter's effective income tax rate was (34.8%) compared to (6.4%) in the

comparable prior year period.

### **Liquidity and Capital Resources**

As of July 2, 2016, we had total debt of \$2,016.9 million and \$249.5 million of cash and cash equivalents compared to \$1,650.8 million of debt and \$77.1 million of cash and cash equivalents as of January 2, 2016.

We believe that our level of resources, which includes cash on hand, available borrowings under our ABL facility and funds provided by operations, will be adequate to meet our expenses, capital expenditures and debt service obligations for the next twelve months. 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 ABL facility or the \$625.0 million 6.750% senior notes due 2020 ( 2020 Notes ), the \$525.0 million 5.375% senior notes due 2022 ( 2022 Notes ), the \$350.0 million 10.000% senior secured notes due 2021 ( DSS Notes ), or the 2024 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 ABL facility or the indentures governing our 2020 Notes, 2022 Notes, DSS Notes, and 2024 Notes refinancing all or part of our existing debt, selling assets, incurring additional indebtedness or raising equity. The ABL facility and the DSS Notes are secured by

**Table of Contents**

substantially all of our assets and those of the respective guarantor subsidiaries. If the ABL facility or the DSS Notes were to become currently due, the lenders or the trustee, as applicable, may have the right to foreclose on such assets subject to the terms of an intercreditor agreement that gives priority to the rights of the ABL lender. If we need to seek additional financing, there is no assurance that this additional financing will be available on favorable terms or at all.

As of July 2, 2016, our total availability under the ABL facility was \$350.3 million, which was based on our borrowing base (accounts receivables, inventory, and fixed assets as of the June month end under the terms of the credit agreement governing the ABL facility). We had no outstanding borrowings under the ABL facility and \$40.7 million in outstanding letters of credit. As a result, our excess availability under the ABL facility was \$309.6 million. Each month's borrowing base is not effective until submitted to the lenders, which usually occurs on the fifteenth day of the following month.

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

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

In the future, should we require more capital to fund discretionary activities in Canada than is generated by our Canadian operations and is available through the issuance of debt or stock in Canada, we could elect to repatriate future periods' earnings from subsidiary jurisdictions. This alternative could result in a higher effective tax rate during the period of repatriation. While the likelihood is remote, we could also elect to repatriate earnings from subsidiary jurisdictions that have previously been considered to be indefinitely reinvested. Upon distribution of those earnings in the form of dividends or otherwise, we may be subject to additional Canadian income taxes and withholding taxes payable to various subsidiary jurisdictions, where applicable. This alternative could result in a higher effective tax rate in the period in which such a determination is made to repatriate prior period subsidiary earnings.

We may, from time to time, depending on market conditions, including without limitation whether the 2020 Notes, the 2022 Notes, the DSS Notes, or the 2024 Notes are then trading at a discount to their face amount, repurchase the 2020 Notes, the 2022 Notes, the DSS Notes, or the 2024 Notes for cash and/or in exchange for our common shares, warrants, preferred stock, 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 ABL facility subject such purchases to certain limitations and conditions.

A dividend of \$0.06 per common share has been declared during each quarter of 2016 for an aggregate dividend payment of approximately \$14.7 million.

The following table summarizes our cash flows for the three and six months ended July 2, 2016 and July 4, 2015, as reported in our consolidated statements of cash flows in the accompanying consolidated financial statements:

**For the Three Months Ended** **For the Six Months Ended**

**(in millions of U.S. dollars)**

	<b>July 2, 2016</b>	<b>July 4, 2015</b>	<b>July 2, 2016</b>	<b>July 4, 2015</b>
Net cash provided by operating activities	\$ 87.6	\$ 75.7	\$ 68.9	\$ 74.6
Net cash (used in) provided by investing activities	(38.6)	9.6	(112.1)	(19.4)
Net cash provided by (used in) financing activities	147.5	(41.0)	218.7	(61.4)
Effect of exchange rate changes on cash	(2.1)	0.2	(3.1)	(1.0)
Net increase (decrease) in cash & cash equivalents	194.4	44.5	172.4	(7.2)
Cash & cash equivalents, beginning of period	55.1	34.5	77.1	86.2
Cash & cash equivalents, end of period	\$ 249.5	\$ 79.0	\$ 249.5	\$ 79.0

### *Operating Activities*

Cash provided by operating activities was \$68.9 million year to date compared to \$74.6 million in the comparable prior year period. The \$5.7 million decrease in cash provided by operating activities was due primarily to the timing of accounts receivable receipts and accounts payable payments relative to the prior year period, partially offset by the release of cash collateral held by third parties in the prior year period.

## **Table of Contents**

### ***Investing Activities***

Cash used in investing activities was \$112.1 million year to date compared to \$19.4 million in the comparable prior year period. The \$92.7 million increase in cash used in investing activities was due primarily to the Aquaterra Acquisition and cash provided by the receipt of proceeds from a sale-leaseback transaction in the comparable prior year period.

### ***Financing Activities***

Cash provided by financing activities was \$218.7 million year to date compared to cash used in financing activities of \$61.4 million in the comparable prior year period. The \$280.1 million increase was due primarily to the receipt of the net proceeds from the March 2016 Offering and the June 2016 Offering, partially offset by an increase in payments under our ABL facility net of borrowings.

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

We have no off-balance sheet arrangements as defined under Item 303(a)(4) of Regulation S-K as of July 2, 2016.

### **Contractual Obligations**

Except as described below, there were no other significant changes to our outstanding contractual obligations as of July 2, 2016, from amounts previously disclosed in our 2015 Annual Report.

In June 2016, we issued the 2024 Notes which increased our future cash obligation at July 2, 2016. The 2024 Notes will increase our annual interest expense obligation by 24.8 million and the principal of 450.0 million (\$27.5 million and \$500.2 million, respectively, at exchange rates in effect on July 2, 2016) payable at maturity on July 1, 2024.

### **Debt**

#### ***Asset-Based Lending Facility***

On June 7, 2016, in connection with the Eden Acquisition, we amended the ABL facility to permit, among other things, (1) the Eden Acquisition, (2) a new debt issuance to finance the Eden Acquisition, (3) the sale and leaseback of certain property located in the United Kingdom, and (4) certain other miscellaneous and technical changes.

#### ***5.500% Senior Notes due in 2024***

On June 30, 2016, we issued 450.0 million (\$500.2 million at exchange rates in effect on July 2, 2016) of the 2024 Notes to qualified purchasers in a private placement offering under Rule 144A under the Securities Act of 1933, and outside the United States to non-U.S. purchasers pursuant to Regulation S under the Securities Act and other applicable laws. The 2024 Notes were initially issued by our wholly-owned subsidiary Cott Finance Corporation. In connection with the closing of the Eden Acquisition, Cott Finance Corporation amalgamated with the Company and the combined company, Cott Corporation, assumed all of the obligations of Cott Finance Corporation under the 2024 Notes, and most of Cott's U.S., Canadian, U.K. Luxembourg and Dutch subsidiaries that are currently obligors under the 2022 Notes and the 2020 Notes entered into a supplemental indenture to guarantee the 2024 Notes. The 2024 Notes will mature on July 1, 2024 and interest is payable semi-annually on January 1st and July 1st of each year commencing on January 1, 2017. The proceeds of the 2024 Notes were recorded to restricted cash as of July 2, 2016 and will be used to fund a portion of the purchase price of the Eden Acquisition, to repay a portion of certain



outstanding indebtedness of Eden, and to pay related fees and expenses.

We incurred approximately \$9.8 million of financing fees for the issuance of the 2024 Notes and \$10.0 million of bridge financing commitment fees and professional fees in connection with the Eden Acquisition. The financing fees are being amortized using the effective interest method over an eight-year period, which represents the term to maturity of the 2024 Notes. The bridge financing commitment fees and professional fees were recorded in SG&A expenses in our consolidated statements of operations.

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

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

We have no material changes to the disclosure on this matter made in our 2015 Annual Report.

---

**Table of Contents*****Covenant Compliance******Indentures governing 2022 Notes, DSS Notes, 2020 Notes and 2024 Notes***

Under the indentures governing the 2022 Notes, the DSS Notes, the 2020 Notes, and the 2024 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. As of July 2, 2016, we were in compliance with all of the covenants under each series of notes. There have been no amendments to any such covenants of the 2022 Notes, the DSS Notes, the 2020 Notes, or the 2024 Notes, since the date of their issuance or assumption, as applicable.

***ABL Facility***

Under the credit agreement governing the ABL facility, Cott and its restricted subsidiaries are subject to a number of business and financial covenants, including a covenant requiring a minimum fixed charge coverage ratio of at least 1.1 to 1.0 effective when and if aggregate availability is less than the greater of 10% of the lenders' commitments under the ABL facility or \$40.0 million. If excess availability is less than the greater of 12.5% of the aggregate availability under the ABL facility or \$50.0 million, the lenders will take dominion over the cash and will apply excess cash to reduce amounts owing under the facility. We were in compliance with all of the applicable covenants under the ABL facility as of July 2, 2016.

**Issuer Purchases of Equity Securities*****Tax Withholding***

In the second quarter of 2016, 1,473 common shares were withheld from delivery to our employees to satisfy their tax obligations related to share-based awards. No such withholdings occurred in the second quarter of 2015. Please refer to the table in Part II, Item 2 of this quarterly report on Form 10-Q.

**Capital Structure**

Since January 2, 2016, equity has increased by \$348.0 million. The increase was due primarily to the issuance of common shares in the March 2016 Offering and the June 2016 Offering of \$145.5 million and \$222.5 million, respectively, partially offset by common share dividend payments of \$14.7 million and distributions to non-controlling interests of \$3.3 million.

**Dividend Payments*****Common Share Dividend***

On May 3, 2016, the board of directors declared a dividend of \$0.06 per share on common shares, payable in cash on June 15, 2016 to shareowners of record at the close of business on June 3, 2016. On August 3, 2016, the board of directors declared a dividend of \$0.06 per share on common shares, payable in cash on September 7, 2016 to shareowners of record at the close of business on August 25, 2016. Cott intends to pay a regular quarterly dividend on its common shares subject to, among other things, the best interests of its shareowners, Cott's results of operations,

cash balances and future cash requirements, financial condition, statutory regulations and covenants set forth in the ABL facility and indentures governing the 2022 Notes, the DSS Notes, the 2020 Notes, and the 2024 Notes, as well as other factors that the board of directors may deem relevant from time to time.

#### *Preferred Share Dividend*

As part of the DSS Acquisition, we issued preferred equity securities that required the payment of quarterly dividends (the Preferred Shares ). On April 1, 2015, we paid dividends to the holders of the Preferred Shares for an aggregate dividend payment of approximately \$3.5 million. As of June 11, 2015, all outstanding Preferred Shares were redeemed for an aggregate cash payment of \$151.3 million, which included payment of \$2.5 million of accrued and unpaid dividends.

#### **Critical Accounting Policies**

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

## **Table of Contents**

Critical accounting policies and estimates used to prepare the financial statements are discussed with our Audit Committee as they are implemented and on an annual basis.

We have no material changes to our Critical Accounting Policies and Estimates disclosure as filed in our 2015 Annual Report.

## **Recent Accounting Pronouncements**

See Note 1 to the consolidated financial statements for a discussion of recent accounting guidance.

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

In the ordinary course of business, we are exposed to foreign currency, interest rate and commodity price risks. We hedge firm commitments or anticipated transactions and do not enter into derivatives for speculative purposes. We do not hold financial instruments for trading purposes.

### **Currency Exchange Rate Risk**

Our Cott North America and Cott U.K. reporting segments purchase a portion of their inventory for our Canadian and European operations, respectively, through transactions denominated and settled in U.S. dollars and Euros, respectively, currencies different from the functional currency of those operations. These inventory purchases are subject to exposure from movements in exchange rates. We use foreign exchange forward contracts to hedge operational exposures resulting from changes in these foreign currency exchange rates. The intent of the foreign exchange contracts is to provide predictability in our overall cost structure. These foreign exchange contracts, carried at fair value, typically have maturities of less than twelve months. We had outstanding foreign exchange forward contracts with notional amounts of \$17.9 million and \$4.5 million as of July 2, 2016 and January 2, 2016, respectively.

In order to fund a portion of the Eden Acquisition, the Company entered into a foreign currency option contract known as a zero-cost collar. This option contract was entered into as a hedge against currency fluctuations during the time between entering into the agreement to acquire Eden in early June 2016 and the closing of the transaction in August 2016. This contract involves the Company's purchase of a Euro call option and a simultaneous sale of a Euro put option, with equivalent Euro notional amounts of 30.0 million for the options. The zero-cost collar contract matured and was settled in July 2016 resulting in a cash payment of \$33.3 million.

### **Debt Obligations and Interest Rates**

We have exposure to interest rate risk from the outstanding principal amounts of our short-term borrowings on our ABL facility. Interest rates on our long-term debt are fixed and not subject to interest rate volatility. Our ABL facility is vulnerable to fluctuations in the U.S. short-term base rate and the LIBOR rate. We had no outstanding borrowings under the ABL facility as of July 2, 2016.

### **Commodity Price Risk**

We have entered into commodity swaps on aluminum to mitigate the price risk associated with forecasted purchases of materials used in our manufacturing process. These derivative instruments have been designated and qualify as a part of our commodity cash flow hedging program. The objective of this hedging program is to reduce the variability of cash flows associated with future purchases of certain commodities. The total notional values of derivatives that

were designated and qualified for our commodity cash flow hedging program were \$23.9 million and \$49.3 million as of July 2, 2016 and January 2, 2016, respectively.

#### **Item 4. Controls and Procedures**

##### **Disclosure Controls and Procedures**

The Company maintains disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended (the Exchange Act ). The Company's management, under the supervision and with the participation of the Company's Chief Executive Officer and Chief Financial Officer, carried out an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures as of July 2, 2016. Based upon this evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that, as of July 2, 2016, the Company's disclosure controls and procedures are functioning effectively to ensure that information required to be disclosed by the Company in reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and accumulated and communicated to the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

## **Table of Contents**

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

## **PART II. OTHER INFORMATION**

### **Item 1. Legal Proceedings**

Reference is made to the legal proceedings described in our 2015 Annual Report.

### **Item 1A. Risk Factors**

The risk factors set forth below supplement the risk factors disclosed in Part I. Item 1A. Risk Factors in our 2015 Annual Report. In addition to these risk factors and other information set forth in this report, you should carefully consider the various risks and uncertainties contained in Part I, Item 1A. Risk Factors in the 2015 Annual Report. Aside from the below risk factors, the Company has not identified any material change to the risk factors described in the 2015 Annual Report.

#### **Risks Related to Cott**

*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. Following the consummation of the Eden Acquisition, we now operate in 17 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.

***Our ability to use net operating losses to offset future taxable income may be subject to certain limitations, which could have a significant impact on our business.***

At January 2, 2016, we had, subject to the limitation discussed below, \$328.0 million and \$333.9 million of net operating loss carryforwards for U.S. federal and state tax purposes, respectively, and \$4.3 million for Canadian tax purposes. The U.S. loss carryforwards will expire in varying amounts through 2034 and 2035 for U.S. federal and state operating loss carryforwards, respectively, and the Canadian carryforward will expire in 2035, if not otherwise used. In general, under Section 382 and 383 of the Internal Revenue Code of 1986, as amended (the Code), a 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. If we undergo an ownership change, our ability to utilize federal NOLs or tax credits could be limited by Section 382 and 383 of the Code. In addition, future changes in our stock ownership, many of which are outside of our control, could result in an ownership change under Section 382 and 383 of the Code. Our NOLs or credits may also be impaired under state tax law. Accordingly, we may not be able to utilize a material portion of our NOLs or credits.

---

**Table of Contents**

Our ability to utilize our U.S. federal and state NOLs or credits is conditioned upon generating U.S. federal and state taxable income. If we are unable to generate U.S. federal and state taxable income to utilize our NOLs, an adjustment to reserve for these NOLs could materially impact our balance sheet.

Valuation allowances have been provided for deferred tax assets related to our state NOLs. Additionally, uncertainties exist as to the future utilization of the operating loss carryforwards. Therefore, in accordance with the Financial Accounting Standards Board Accounting Standards Certification 740, *Income Taxes*, we have established a valuation allowance of \$15.4 million at January 2, 2016.

**Risks Related to the Eden Acquisition and the S&D Acquisition**

*We may not realize the expected benefits of the Eden Acquisition and the S&D Acquisition because of integration difficulties and other challenges.*

The success of the Eden Acquisition and the S&D Acquisition will depend, in part, on our ability to realize all or some of the anticipated benefits from integrating Eden's and S&D's businesses with our existing businesses. The integration process may be complex, costly and time-consuming. The difficulties of integrating the operations of Eden's and S&D's businesses 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 Eden's and S&D's structures and our structure;

failure to retain key customers and suppliers;

unanticipated changes in applicable laws and regulations;

failure to retain key employees

operating risks inherent in Eden's and S&D's businesses and our business; and

unanticipated issues, expenses and liabilities.

We may not be able to maintain the levels of revenue, earnings or operating efficiency that each of Cott, on the one hand, and Eden and S&D, on the other hand, had achieved or might achieve separately. In addition, we may not accomplish the integration of Eden's and S&D's businesses smoothly, successfully or within the anticipated costs or



timeframe. If we experience difficulties with the integration process, the anticipated benefits of the Eden Acquisition and S&D Acquisition may not be realized fully, or at all, or may take longer to realize than expected.

Moreover, we may not achieve the revenue and cost synergies related to the Eden Acquisition and the S&D Acquisition. These synergies are inherently uncertain, and are subject to significant business, economic and competitive uncertainties and contingencies, many of which are difficult to predict and are beyond our control. If we achieve the expected benefits, they may not be achieved within the anticipated time frame. Also, the synergies from the Eden Acquisition and the S&D Acquisition may be offset by costs incurred in consummating the Eden Acquisition and the S&D Acquisition or in integrating the acquired businesses, increases in other expenses, operating losses or problems in the business unrelated to the Eden Acquisition and the S&D Acquisition. As a result, there can be no assurance that such synergies will be achieved.

***We face risks associated with the Share Purchase Agreement in connection with the Eden Acquisition and the Stock Purchase Agreement in connection with the S&D Acquisition.***

Closing of the S&D Acquisition is subject to the satisfaction of various conditions. There is no assurance that all of the various conditions will be satisfied, or that the S&D Acquisition will be completed on the proposed terms, within the expected timeframe, or at all.

The announcement and pendency of the S&D Acquisition could cause disruptions in and create uncertainty surrounding our business, including affecting our relationships with our existing and future customers, suppliers and employees, which could have an adverse effect on our business, financial results and operations, regardless of whether the S&D Acquisition is consummated. In particular, we could potentially lose important personnel as a result of the departure of employees who decide to pursue other opportunities in light of the proposed transaction. We could also potentially lose customers or suppliers, new customer or supplier contracts could be delayed or decreased and we may have difficulty in hiring new key employees. In addition, we have diverted, and will continue to divert, significant management resources towards the completion of the transaction, which could adversely affect our business and results of operations.

**Table of Contents**

In addition, in connection with the Eden Acquisition and the S&D Acquisition, we will be subject to all of the liabilities of Eden and S&D that were not satisfied on or prior to the closing date. There may be liabilities that we underestimated or did not discover in the course of performing our due diligence investigation of Eden and S&D. Under the purchase agreements for these acquisitions, we have been provided with a limited set of warranties and indemnities in relation to identified risks. Our sole remedy from the seller for any breach of those warranties is an action for damages. We have secured insurance in each of these transactions to cover losses arising in respect of the breach by the seller of those warranties. Additionally, while certain funds have been placed into escrow by the seller in the Eden Acquisition, and will be so placed by the seller in the S&D Acquisition at closing, such funds may prove not to be sufficient to reimburse us for damages we may incur. Damages resulting from a breach of warranty could have a material and adverse effect on our financial condition and results of operations.

***We have incurred significant one-time transaction costs in connection with the Eden Acquisition, and will incur such costs in connection with the S&D Acquisition.***

We incurred significant one-time transactions costs in connection with the Eden Acquisition and expect to incur such costs in connection with the closing of the S&D Acquisition. The substantial majority of these costs will be non-recurring expenses.

***Our historical and pro forma financial information may not be indicative of our future financial performance.***

The pro forma financial information with respect to the Eden Acquisition included in the Form 8-K filed with the Securities and Exchange Commission on June 21, 2016 (the Eden 8-K ) and such pro forma financial data is not necessarily indicative of the financial position or results of operations that may have actually occurred had the Eden Acquisition taken place on the date noted, or the future financial position or results of operations of the Company. The pro forma adjustments reflected in the summary pro forma financial data are based upon available information and certain assumptions that we believe are reasonable and are subject to revision as additional information becomes available. Revisions to the pro forma adjustments which may be required by the final purchase price allocations and/or pre-closing or post-closing purchase price adjustments, if any, may have a material impact on the total assets, total liabilities and stockholders' equity, revenues, SG&A expenses, depreciation and amortization and interest expense. In addition, the pro forma financial information included in the Eden 8-K does not give effect to estimated revenue and cost synergies that may be achieved with respect to the combined companies, or the impact of non-recurring items, including synergies, directly related to the Eden Acquisition. We expect to file pro forma financial information with respect to the S&D Acquisition following the closing of such acquisition. Such pro forma financial information should not be considered indicative of actual results that would have been achieved had the S&D Acquisition been consummated on the date or for the periods indicated.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds****Tax Withholdings**

The following table contains information about common shares that we withheld from delivering to employees during the second quarter of 2016 to satisfy their tax obligations related to share-based awards.

<b>Total Number of Common Shares</b>	<b>Average Price Paid per Common Share</b>	<b>Total Number of Common Shares Purchased</b>	<b>Maximum Number (or Dollar Value) of Common Shares</b>
--	--	--	--

	<b>Purchased</b>		<b>as Part of Publicly Announced Plans or Programs</b>	<b>that May Yet Be Purchased Under the Plans or Programs</b>
April 2016		\$	N/A	N/A
May 2016	<b>1,473</b>		<b>14.52</b>	N/A
June 2016			N/A	N/A
<b>Total</b>	<b>1,473</b>			

**Item 6. Exhibits**

The Index to Exhibits, which appears immediately following the signature page, is incorporated by reference herein.

Table of Contents

**SIGNATURES**

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

COTT CORPORATION  
(Registrant)

Date: August 9, 2016

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

Date: August 9, 2016

*/s/ Jason Ausher*  
Jason Ausher  
Chief Accounting Officer  
(Principal Accounting Officer)

**Table of Contents**

<b>Number</b>	<b>Description</b>
2.1	Share Purchase Agreement, dated as of June 7, 2016, by and among Hydra Luxembourg Holdings S.à.r.l., Carbon Acquisition Co B.V. and Cott Corporation (incorporated by reference to Exhibit 2.1 to our Form 8-K filed June 7, 2016).
3.1	Articles of Amalgamation of Cott Corporation (incorporated by reference to Exhibit 3.1 to our Form 10-K filed February 28, 2007)(file no. 001-31410).
3.2	Articles of Amendment to Articles of Amalgamation of Cott Corporation (incorporated by reference to Exhibit 3.1 to our Form 8-K filed December 15, 2014).
3.3	Second Amended and Restated By-laws of Cott Corporation, as amended (incorporated by reference to Exhibit 3.2 to our Form 10-Q filed May 8, 2014).
4.1	Indenture, dated as of June 30, 2016, by and among Cott Finance Corporation, BNY Trust Company of Canada, as Canadian co-trustee, The Bank of New York Mellon, as U.S. co-trustee, paying agent, registrar, transfer agent and authenticating agent, and The Bank of New York Mellon, London Branch, as London paying agent, governing the 5.50% Senior Notes due 2024 (incorporated by reference to Exhibit 4.1 to our Form 8-K filed June 30, 2016).
4.2	Form of 5.50% Senior Notes due 2024 (included as Exhibit A to Exhibit 4.1).
4.3	Fifth Supplemental Indenture, dated as of May 10, 2016, by and among Cott Beverages Inc., the guarantors party thereto and Wells Fargo Bank, National Association, as trustee, in connection with the 5.375% Senior Notes due 2022 (filed herewith).
4.4	Sixth Supplemental Indenture, dated as of July 5, 2016, by and among Cott Beverages Inc., the guarantors party thereto and Wells Fargo Bank, National Association, as trustee, in connection with the 5.375% Senior Notes due 2022 (filed herewith).
4.5	Third Supplemental Indenture, dated as of May 10, 2016, by and among Cott Beverages Inc., the guarantors party thereto and Wells Fargo Bank, National Association, as trustee, in connection with the 6.75% Senior Notes due 2020 (filed herewith).
4.6	Fourth Supplemental Indenture, dated as of July 5, 2016, by and among Cott Beverages Inc., the guarantors party thereto and Wells Fargo Bank, National Association, as trustee, in connection with the 6.75% Senior Notes due 2020 (filed herewith).
10.1	Amendment No. 7 to Credit Agreement, dated as of June 7, 2016, by and among Cott Corporation, Cott Beverages Inc., Cliffstar LLC, Cott Beverages Limited and DS Services of America, Inc., as Borrowers, the other Loan Parties party thereto, the Lenders party thereto, and JPMorgan Chase Bank, N.A., as Administrative Agent (incorporated by reference to Exhibit 10.1 to our Form 8-K filed June 7, 2016).
10.2	Employment Offer Letter to Brad Goist dated April 22, 2016 (filed herewith).
10.3	Amendment to Amended and Restated Cott Corporation Equity Incentive Plan (filed herewith).
10.4	Amendment and Restatement Agreement, dated as of August 3, 2016, to the Credit Agreement dated as of August 17, 2010, as amended, among Cott Corporation, Cott Beverages Inc., Cott Beverages Limited, Cliffstar LLC, DS Services of America, Inc. and the other Loan Parties party thereto, the Lenders party thereto, JPMorgan Chase Bank, N.A., London Branch as UK security trustee, JPMorgan Chase Bank, N.A., as administrative agent and administrative collateral agent, and each of the other parties party thereto (filed herewith).

Edgar Filing: COTT CORP /CN/ - Form 10-Q

- 31.1 Certification of the Chief Executive Officer pursuant to section 302 of the Sarbanes-Oxley Act of 2002 for the quarterly period ended July 2, 2016 (filed herewith).
- 31.2 Certification of the Chief Financial Officer pursuant to section 302 of the Sarbanes-Oxley Act of 2002 for the quarterly period ended July 2, 2016 (filed herewith).
- 32.1 Certification of the Chief Executive Officer pursuant to section 906 of the Sarbanes-Oxley Act of 2002 for the quarterly period ended July 2, 2016 (furnished herewith).

**Table of Contents**

<b>Number</b>	<b>Description</b>
32.2	Certification of the Chief Financial Officer pursuant to section 906 of the Sarbanes-Oxley Act of 2002 for the quarterly period ended July 2, 2016 (furnished herewith).
101	The following financial statements from Cott Corporation s Quarterly Report on Form 10-Q for the quarter ended July 2, 2016, filed on August 9, 2016, formatted in 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, (vi) Notes to the Consolidated Financial Statements (filed herewith).