

COTT CORP /CN/
Form 10-Q
August 05, 2015
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 4, 2015**

.. **Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from _____ to _____**

Commission File Number: 001-31410

COTT CORPORATION

(Exact name of registrant as specified in its charter)

CANADA
(State or Other Jurisdiction of

98-0154711
(IRS Employer

Incorporation or Organization)

Identification No.)

6525 VISCOUNT ROAD

L4V 1H6

MISSISSAUGA, ONTARIO, CANADA

5519 WEST IDLEWILD AVENUE

TAMPA, FLORIDA, UNITED STATES
(Address of principal executive offices)

33634
(Zip Code)

Registrant's telephone number, including area code: (905) 672-1900 and (813) 313-1800

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

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

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):

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

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 July 31, 2015
Common Shares, no par value per share	109,660,142 shares

Table of Contents

TABLE OF CONTENTS

<u>PART I FINANCIAL INFORMATION</u>	3
<u>Item 1. Financial Statements (unaudited)</u>	3
<u>Consolidated Statements of Operations</u>	3
<u>Condensed Consolidated Statements of Comprehensive Income (Loss)</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>	57
<u>Overview</u>	57
<u>Results of Operations</u>	65
<u>Liquidity and Capital Resources</u>	71
<u>Item 3. Quantitative and Qualitative Disclosures about Market Risk</u>	77
<u>Item 4. Controls and Procedures</u>	77
<u>PART II. OTHER INFORMATION</u>	78
<u>Item 1. Legal Proceedings</u>	78
<u>Item 1A. Risk Factors</u>	78
<u>Item 6. Exhibits</u>	79
<u>SIGNATURES</u>	80

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

	For the Three Months Ended		For the Six Months Ended	
	July 4, 2015	June 28, 2014	July 4, 2015	June 28, 2014
Revenue, net	\$ 779.8	\$ 549.2	\$ 1,489.6	\$ 1,024.3
Cost of sales	539.2	470.2	1,047.7	889.1
Gross profit	240.6	79.0	441.9	135.2
Selling, general and administrative expenses	190.2	50.7	378.7	97.6
Loss (gain) on disposal of property, plant & equipment	0.2	(0.1)	1.6	
Restructuring		0.1		2.3
Asset impairments		0.3		1.9
Acquisition and integration expenses	4.1	1.8	8.8	2.9
Operating income	46.1	26.2	52.8	30.5
Other expense (income), net	1.0	19.8	(9.4)	17.5
Interest expense, net	27.9	8.4	55.6	18.2
Income (loss) before income taxes	17.2	(2.0)	6.6	(5.2)
Income tax (benefit) expense	(1.1)	2.5	(10.5)	2.0
Net income (loss)	\$ 18.3	\$ (4.5)	\$ 17.1	\$ (7.2)
Less: Net income attributable to non-controlling interests	1.7	1.4	3.0	2.8
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	
Net income (loss) attributed to Cott Corporation	\$ 2.2	\$ (5.9)	\$ (3.8)	\$ (10.0)

Net income (loss) per common share attributed to Cott Corporation

Basic	\$	0.02	\$	(0.06)	\$	(0.04)	\$	(0.11)
Diluted		0.02		(0.06)		(0.04)		(0.11)

Weighted average outstanding shares (thousands) attributed to Cott Corporation

Basic	99,573	94,234	96,384	94,276
Diluted	100,165	94,234	96,384	94,276

Dividends declared per share	\$	0.06	\$	0.06	\$	0.12	\$	0.12
-------------------------------------	----	-------------	----	------	----	-------------	----	------

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

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

	For the Three Months Ended		For the Six Months Ended	
	July 4, 2015	June 28, 2014	July 4, 2015	June 28, 2014
Net income (loss)	\$ 18.3	\$ (4.5)	\$ 17.1	\$ (7.2)
Other comprehensive income (loss):				
Currency translation adjustment	24.6	8.4	(1.3)	6.8
Pension benefit plan, net of tax	¹ 0.4	(0.3)	0.5	(0.3)
Unrealized (loss) gain on derivative instruments, net of tax	² (2.8)	0.3	(2.8)	0.2
Total other comprehensive income (loss)	22.2	8.4	(3.6)	6.7
Comprehensive income (loss)	\$ 40.5	\$ 3.9	\$ 13.5	\$ (0.5)
Less: Comprehensive income attributable to non-controlling interests	1.7	1.4	3.0	2.8
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	
Comprehensive income (loss) attributed to Cott Corporation	\$ 24.4	\$ 2.5	\$ (7.4)	\$ (3.3)

1. 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, and net of the effect of nil and \$0.1 million tax expense for the three and six months ended June 28, 2014, respectively.
2. Net of the effect of \$1.0 million and \$1.0 million tax benefit for the three and six months ended July 4, 2015, respectively, and net of the effect of \$0.1 million and \$0.1 million tax expense for the three and six months ended June 28, 2014, respectively.

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 4, 2015	January 3, 2015
ASSETS		
<i>Current assets</i>		
Cash & cash equivalents	\$ 79.0	\$ 86.2
Accounts receivable, net of allowance of \$8.7 (\$6.5 as of January 3, 2015)	366.6	305.7
Income taxes recoverable	1.3	1.6
Inventories	266.7	262.4
Prepaid expenses and other current assets	39.5	59.3
Total current assets	753.1	715.2
Property, plant & equipment, net	820.2	864.5
Goodwill	748.9	743.6
Intangibles and other assets, net	749.9	781.7
Deferred income taxes	1.3	2.5
Other tax receivable	0.1	0.2
Total assets	\$ 3,073.5	\$ 3,107.7
LIABILITIES, PREFERRED SHARES AND EQUITY		
<i>Current liabilities</i>		
Short-term borrowings	\$ 198.2	\$ 229.0
Current maturities of long-term debt	3.9	4.0
Accounts payable and accrued liabilities	453.9	420.3
Total current liabilities	656.0	653.3
Long-term debt	1,550.2	1,565.0
Deferred income taxes	101.8	119.9
Other long-term liabilities	88.5	71.8
Total liabilities	2,396.5	2,410.0
Convertible preferred shares, \$1,000 stated value, no shares issued (January 3, 2015 - 116,054 shares issued)		116.1
Non-convertible preferred shares, \$1,000 stated value, no shares issued (January 3, 2015 - 32,711 shares issued)		32.7
Equity	532.1	388.3

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

Capital stock, no par - 109,585,142 shares issued (January 3, 2015 - 93,072,850 shares issued)

Additional paid-in-capital	50.9	46.6
Retained earnings	142.2	158.1
Accumulated other comprehensive loss	(54.6)	(51.0)
Total Cott Corporation equity	670.6	542.0
Non-controlling interests	6.4	6.9
Total equity	677.0	548.9
Total liabilities, preferred shares and equity	\$ 3,073.5	\$ 3,107.7

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 4, 2015	June 28, 2014	July 4, 2015	June 28, 2014
Operating Activities				
Net income (loss)	\$ 18.3	\$ (4.5)	\$ 17.1	\$ (7.2)
Depreciation & amortization	58.2	25.8	115.6	50.9
Amortization of financing fees	1.1	0.6	2.4	1.2
Amortization of senior notes premium	(1.4)		(2.9)	
Share-based compensation expense	3.7	2.1	6.1	3.4
(Decrease) increase in deferred income taxes	(5.2)	2.6	(16.9)	1.9
Write-off of financing fees and discount		3.0		3.3
Loss (gain) on disposal of property, plant & equipment	0.2	(0.1)	1.6	
Asset impairments		0.3		1.9
Other non-cash items	(6.3)	(0.5)	(16.5)	(0.7)
Change in operating assets and liabilities, net of acquisitions:				
Accounts receivable	(19.4)	(33.0)	(60.7)	(66.3)
Inventories	6.1	8.9	(4.9)	(7.6)
Prepaid expenses and other current assets	(4.5)	(1.2)	25.8	(1.0)
Other assets	(1.3)	(0.4)	(3.7)	(0.2)
Accounts payable and accrued liabilities, and other liabilities	25.2	26.3	10.0	(2.2)
Income taxes recoverable	1.0	(0.4)	1.6	(0.4)
Net cash provided by (used in) operating activities	75.7	29.5	74.6	(23.0)
Investing Activities				
Acquisitions, net of cash received	(0.5)	(80.8)	(0.5)	(80.8)
Additions to property, plant & equipment	(29.9)	(11.8)	(57.2)	(20.6)
Additions to intangibles and other assets	(0.1)	(1.3)	(2.2)	(2.8)
Proceeds from sale of property, plant & equipment and sale-leaseback	40.1		40.5	
Net cash provided by (used in) investing activities	9.6	(93.9)	(19.4)	(104.2)
Financing Activities				
Payments of long-term debt	(1.1)	(296.5)	(1.9)	(312.5)
Issuance of long-term debt		525.0		525.0

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

Borrowings under ABL	654.1	188.2	748.9	283.2
Payments under ABL	(674.4)	(284.3)	(777.2)	(299.4)
Distributions to non-controlling interests	(1.6)	(2.5)	(3.6)	(4.8)
Issuance of common shares	142.5		142.6	
Financing fees	(0.2)	(7.9)	(0.2)	(7.9)
Preferred shares repurchased and cancelled	(148.8)		(148.8)	
Common shares repurchased and cancelled		(2.7)	(0.7)	(3.1)
Dividends to common and preferred shareholders	(9.0)	(5.7)	(18.0)	(10.8)
Payment of deferred consideration for acquisitions	(2.5)		(2.5)	
Net cash (used in) provided by financing activities	(41.0)	113.6	(61.4)	169.7
Effect of exchange rate changes on cash	0.2	1.1	(1.0)	1.2
Net increase (decrease) in cash & cash equivalents	44.5	50.3	(7.2)	43.7
Cash & cash equivalents, beginning of period	34.5	40.6	86.2	47.2
Cash & cash equivalents, end of period	\$ 79.0	\$ 90.9	\$ 79.0	\$ 90.9

Supplemental Non-cash Investing and Financing Activities:

Dividend payable issued through accounts payable and accrued liabilities	\$ (0.1)	\$	\$	\$
Additions to property, plant & equipment through accounts payable and accrued liabilities	(0.7)		5.5	
Acquisition related deferred consideration	2.5	51.4	11.4	51.4
Accrued deferred financing fees	0.2	1.8	0.2	1.8

Supplemental Disclosures of Cash Flow Information:

Cash paid for interest	\$ 47.1	\$ 8.4	\$ 55.4	\$ 25.0
Cash paid for income taxes, net	\$ 1.6	\$	\$ 2.1	\$ 0.3

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

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

	Cott Corporation Equity						
	Number of Common Shares <i>(In thousands)</i>	Common Shares	Additional Paid-in- Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Non- Controlling Interests	Total Equity
Balance at December 28, 2013	94,238	\$ 392.8	\$ 44.1	\$ 174.8	\$ (16.8)	\$ 9.5	\$ 604.4
Common shares issued - Director Share Awards	112		0.8				0.8
Common shares repurchased and cancelled	(430)	(2.0)		(1.1)			(3.1)
Common shares issued - Time-based RSUs	161	1.3	(1.3)				
Share-based compensation			3.0				3.0
Dividend payment				(10.8)			(10.8)
Distributions to non-controlling interests						(4.8)	(4.8)
Comprehensive income (loss)							
Currency translation adjustment					6.8		6.8
Pension benefit plan, net of tax					(0.3)		(0.3)
Unrealized gain on derivative instruments, net of tax					0.2		0.2
Net (loss) income				(10.0)		2.8	(7.2)
Balance at June 28, 2014	94,081	\$ 392.1	\$ 46.6	\$ 152.9	\$ (10.1)	\$ 7.5	\$ 589.0
Balance at January 3, 2015	93,073	\$ 388.3	\$ 46.6	\$ 158.1	\$ (51.0)	\$ 6.9	\$ 548.9
Common shares issued - Director Share Awards	110		1.0				1.0
Common shares repurchased and cancelled	(87)	(0.7)					(0.7)
Common shares issued - Performance-based RSUs	255	1.7	(1.7)				
Common shares issued - Equity issuance	16,215	142.6					142.6
Options exercised	19	0.2	(0.1)				0.1

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

Share-based compensation	5.1			5.1
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

Balance at July 4, 2015 **109,585** **\$ 532.1** **\$ 50.9** **\$ 142.2** **\$ (54.6)** **\$ 6.4** **\$ 677.0**

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

Cott Corporation, together with its consolidated subsidiaries (Cott, the Company, our Company, Cott Corporation, us, or our), is one of the world's largest producers of beverages on behalf of retailers, brand owners and distributors and has one of the broadest home and office bottled water and office coffee services distribution networks in the United States, with the ability to service approximately 90% of U.S. households, as well as national, regional and local offices. Our product lines include carbonated soft drinks (CSDs), 100% shelf stable juice and juice-based products, clear, still and sparkling flavored waters, purified, spring, artesian, distilled and fluoridated bottled water, energy drinks and shots, sports products, new age beverages, ready-to-drink teas and alcoholic beverages, beverage concentrates, liquid enhancers and freezables, as well as hot chocolate, coffee, malt drinks, creamers/whiteners and cereals. In addition, Cott is now a national direct-to-consumer provider of bottled water, office coffee and water filtration services offering a comprehensive portfolio of beverage products, equipment and supplies to approximately 1.5 million customer locations through its network of over 180 warehouse, branch and distribution facilities and daily operation of over 2,200 routes.

Basis of Presentation

The accompanying interim unaudited consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and Article 10 of Regulation S-X and in accordance with U.S. generally accepted accounting principles (GAAP) for interim financial reporting. Accordingly, they do not include all information and notes presented in the annual consolidated financial statements in conformity with U.S. GAAP. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair statement of our results of operations for the interim periods reported and of our financial condition as of the date of the interim balance sheet have been included. This Quarterly Report on Form 10-Q should be read in conjunction with the annual audited consolidated financial statements and accompanying notes in our Annual Report on Form 10-K for the year ended January 3, 2015. The accounting policies used in these interim consolidated financial statements are consistent with those used in the annual consolidated financial statements.

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

Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the reported results of operations. For the three and six months ended June 28, 2014, the Company concluded that it was appropriate to reclassify the amortization of customer list intangible assets to selling, general and administrative (SG&A) expenses. Previously, such amortization had been classified as cost of sales. Accordingly, the Company has revised the classification to report these SG&A expenses in the Consolidated Statement of Operations for the three and six months ended June 28, 2014. Also, for the three and six months ended June 28, 2014, the Company concluded that it was appropriate to reclassify acquisition and integration expenses separately. Previously, such expenses had been classified as SG&A expenses. Accordingly, the Company has revised

the classification to report these expenses separately in the Consolidated Statement of Operations for the three and six months ended June 28, 2014. Additionally, as of January 3, 2015, the Company concluded that it was appropriate to reclassify certain recently acquired assets in connection with the DSS Acquisition (see Note 3 to the Consolidated Financial Statements) from inventories to property, plant and equipment, net to be consistent with Cott's accounting treatment. Accordingly, the Company has revised the classification to report these assets under property, plant and equipment, net in the Consolidated Balance Sheet as of January 3, 2015. The impacts of the reclassifications are shown in the tables below:

(in millions of U.S. dollars)	For the three months ended		For the six months ended June 28, 2014
	June 28, 2014		
Decrease to cost of sales	\$	(5.8)	\$ (11.5)
Increase to SG&A expenses	\$	5.8	\$ 11.5

Table of Contents

(in millions of U.S. dollars)	For the three months ended	
	June 28, 2014	For the six months ended June 28, 2014
Decrease to SG&A expenses	\$ (1.8)	\$ (2.9)
Increase to acquisition and integration expenses	\$ 1.8	\$ 2.9

(in millions of U.S. dollars)	January 3, 2015
Decrease to inventories	\$ (8.9)
Increase to property, plant and equipment, net	\$ 8.9

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

In June 2014, the FASB amended its guidance regarding accounting for share-based payments when the terms of an award provide that a performance target could be achieved after the requisite service period. The amendments require that a performance target that affects vesting and that could be achieved after the requisite service period be treated as a performance condition. A reporting entity should apply existing guidance in Topic 718 as it relates to awards with performance conditions that affect vesting to account for such awards. As such, the performance target should not be

reflected in estimating the grant-date fair value of the award. Compensation cost should be recognized in the period in which it becomes probable that the performance target will be achieved and should represent the compensation cost attributable to the period(s) for which the requisite service has already been rendered. If the performance target becomes probable of being achieved before the end of the requisite service period, the remaining unrecognized compensation cost should be recognized prospectively over the remaining requisite service period. The total amount of compensation cost recognized during and after the requisite service period should reflect the number of awards that are expected to vest and should be adjusted to reflect

Table of Contents

those awards that ultimately vest. The requisite service period ends when the employee can cease rendering service and still be eligible to vest in the award if the performance target is achieved. The stated vesting period (which includes the period in which the performance target could be achieved) may differ from the requisite service period. For public entities, the amendments are effective for annual reporting periods beginning after December 15, 2015, including interim periods within that reporting period. The amendments may be applied prospectively to all awards granted or modified after the effective date or retrospectively to all awards with performance targets that are outstanding as of the beginning of the earliest annual period presented in the financial statements and to all new or modified awards thereafter. We believe that the adoption of these amendments will not have a material impact on our consolidated financial statements.

Update ASU 2015-03 Interest Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs

In April 2015, the FASB amended its guidance to simplify the presentation of debt issuance costs. The amendments require that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs are not affected by these amendments. For public entities, the amendments in this update are effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2015. We are currently assessing the impact of adoption of this standard on our consolidated financial statements.

Table of Contents**Note 2 Revisions**

The Company has revised its Consolidated Statement of Operations, Consolidated Statement of Comprehensive Income, Consolidated Statement of Cash Flows for the three and six months ended June 28, 2014 and its Consolidated Statement of Equity for the six months ended June 28, 2014 to correct errors comprising (i) an overstatement of historical property, plant and equipment, net, including a portion related to a prior acquisition, and the related depreciation expense recorded during the periods, (ii) an overstatement of deferred tax liabilities, and (iii) an understatement of inventories and revenue, net, cost of sales, and SG&A expenses for an exchange rate error. The impact on the previously issued financial statements is detailed in the reconciliations below. These adjustments were not considered to be material individually or in the aggregate to previously issued financial statements.

Consolidated Statements of Operations (in millions of U.S. dollars)	As previously filed		As revised	Difference
	For the three months ended June 28, 2014			
Revenue, net		\$ 550.9	\$ 549.2	\$ (1.7)
Cost of sales	1	\$ 477.1	\$ 476.0	\$ (1.1)
Gross profit	1	\$ 73.8	\$ 73.2	\$ (0.6)
Selling, general and administrative expenses		\$ 46.9	\$ 46.7	\$ (0.2)
Loss (gain) on disposal of property, plant & equipment		\$ 0.4	\$ (0.1)	\$ (0.5)
Operating income		\$ 26.1	\$ 26.2	\$ 0.1
(Loss) income before income taxes		\$ (2.1)	\$ (2.0)	\$ 0.1
Net (loss) income		\$ (4.6)	\$ (4.5)	\$ 0.1
Net (loss) income attributed to Cott Corporation		\$ (6.0)	\$ (5.9)	\$ 0.1

Consolidated Statements of Operations (in millions of U.S. dollars)	As previously filed		As revised	Difference
	For the six months ended June 28, 2014			
Revenue, net		\$ 1,026.0	\$ 1,024.3	\$ (1.7)
Cost of sales	1	\$ 901.9	\$ 900.6	\$ (1.3)
Gross profit	1	\$ 124.1	\$ 123.7	\$ (0.4)
Selling, general and administrative expenses		\$ 89.2	\$ 89.0	\$ (0.2)
Loss (gain) on disposal of property, plant & equipment		\$ 0.5	\$	\$ (0.5)
Operating income		\$ 30.2	\$ 30.5	\$ 0.3
(Loss) income before income taxes		\$ (5.5)	\$ (5.2)	\$ 0.3
Income tax expense		\$ 1.6	\$ 2.0	\$ 0.4
Net (loss) income		\$ (7.1)	\$ (7.2)	\$ (0.1)
Net loss attributed to Cott Corporation		\$ (9.9)	\$ (10.0)	\$ (0.1)

1. The revised balances do not include the reclassification of the amortization of customer list intangible assets from cost of sales to SG&A expenses as presented in the Consolidated Statement of Operations for the three and six months ended June 28, 2014 (see Note 1 to the Consolidated Financial Statements).

Table of Contents

Consolidated Statements of Comprehensive Income (in millions of U.S. dollars)	As previously filed		As revised	Difference
	For the three months ended June 28, 2014			
Net (loss) income	\$	(4.6)	\$ (4.5)	\$ 0.1
Comprehensive income (loss)	\$	3.8	\$ 3.9	\$ 0.1
Comprehensive income (loss) attributed to Cott Corporation	\$	2.4	\$ 2.5	\$ 0.1

Consolidated Statements of Comprehensive Income (in millions of U.S. dollars)	As previously filed		As revised	Difference
	For the six months ended June 28, 2014			
Net (loss) income	\$	(7.1)	\$ (7.2)	\$ (0.1)
Comprehensive income (loss)	\$	(0.4)	\$ (0.5)	\$ (0.1)
Comprehensive income (loss) attributed to Cott Corporation	\$	(3.2)	\$ (3.3)	\$ (0.1)

Consolidated Statements of Cash Flows (in millions of U.S. dollars)	As previously filed		As revised	Difference
	For the three months ended June 28, 2014			
Operating Activities				
Net (loss) income	\$	(4.6)	\$ (4.5)	\$ 0.1
Depreciation & amortization	\$	26.0	\$ 25.8	\$ (0.2)
Loss (gain) on disposal of property, plant & equipment	\$	0.4	\$ (0.1)	\$ (0.5)
Accounts payable and accrued liabilities, and other liabilities	\$	25.8	\$ 26.3	\$ 0.5
Net cash provided by (used in) operating activities	\$	29.6	\$ 29.5	\$ (0.1)
Effect of exchange rate changes on cash	\$	1.0	\$ 1.1	\$ 0.1

Consolidated Statements of Cash Flows (in millions of U.S. dollars)	As previously filed		As revised	Difference
	For the six months ended June 28, 2014			
Operating Activities				
Net (loss) income	\$	(7.1)	\$ (7.2)	\$ (0.1)
Depreciation & amortization	\$	51.3	\$ 50.9	\$ (0.4)
Increase in deferred income taxes	\$	1.5	\$ 1.9	\$ 0.4
Loss (gain) on disposal of property, plant & equipment	\$	0.5	\$	\$ (0.5)
Accounts payable and accrued liabilities, and other liabilities	\$	(2.7)	\$ (2.2)	\$ 0.5

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

Net cash provided by (used in) operating activities	\$ (22.9)	\$ (23.0)	\$ (0.1)
Effect of exchange rate changes on cash	\$ 1.1	\$ 1.2	\$ 0.1

Table of Contents

Consolidated Statements of Equity (in millions of U.S. dollars)	As previously		Difference
	filed	As revised	
	For the six months ended		
	June 28, 2014		
Retained earnings at December 28, 2013	\$ 176.3	\$ 174.8	\$ (1.5)
Total equity at December 28, 2013	\$ 605.9	\$ 604.4	\$ (1.5)
Retained earnings at June 28, 2014	\$ 154.5	\$ 152.9	\$ (1.6)
Total equity at June 28, 2014	\$ 590.6	\$ 589.0	\$ (1.6)
Net (loss) income	\$ (7.1)	\$ (7.2)	\$ (0.1)

Note 3 Acquisitions*DSS Acquisition*

In December 2014, we completed the acquisition by merger of DSS Group, Inc. (DSS Group), parent company to DS Services of America Inc. (collectively DSS), a leading bottled water and coffee direct-to-consumer services provider in the United States (the DSS Acquisition). The DSS Acquisition was consummated pursuant to an Agreement and Plan of Merger (the DSS Merger Agreement) dated November 6, 2014. Aggregate consideration was approximately \$1.246 billion payable through a combination of incremental borrowings under the ABL facility (as defined below) of \$180.0 million, the issuance of \$625.0 million of our 6.75% senior notes due January 1, 2020 (2020 Notes), assumption of existing \$350.0 million senior notes due 2021 originally issued by DSS, the issuance of Series A Convertible First Preferred Shares (the Convertible Preferred Shares), having an aggregate value of approximately \$116.1 million and Series B Non-Convertible First Preferred Shares (the Non-Convertible Preferred Shares and together with the Convertible Preferred Shares, the Preferred Shares), having an aggregate value of approximately \$32.7 million. A portion of the aggregate consideration is being held in escrow to secure the indemnification obligations of DSS s former security holders under the DSS Merger Agreement.

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

(in millions of U.S. dollars)	
Cash paid to sellers	\$ 449.7
Deferred consideration	11.4
Cash paid on behalf of sellers for sellers expenses	25.3
Cash paid to retire term loan on behalf of sellers	317.3
Convertible Preferred Shares	116.1
Non-Convertible Preferred Shares	32.7
Total consideration	\$ 952.5

The estimated merger consideration was subject to adjustment upon the determination of actual working capital, net indebtedness and certain transaction related expenses, which adjustment was resolved in July 2015 by the payment of deferred consideration of \$11.4 million made to the former security holders of DSS.

Our primary reasons for the DSS Acquisition were to accelerate Cott s acquisition-based diversification outside of CSDs and shelf stable juices, broaden our distribution platform by adding a national direct-to-consumer distribution channel and extend our beverage portfolio into new and growing markets, including home and office bottled water

delivery services, office coffee services and filtration services, while creating opportunities for revenue, cost synergies and growth prospects.

Table of Contents

The DSS Acquisition is being accounted for as a business combination which, among other things, requires that assets acquired and liabilities assumed be measured at their acquisition date fair values. Identified intangible assets, goodwill and property, plant and equipment are recorded at their estimated fair values per preliminary valuations and may change based on the final valuation results. The results of operations of DSS have been included in our operating results beginning as of the acquisition date. We allocated the purchase price in the DSS Acquisition to tangible assets, liabilities and identifiable intangible assets acquired based on their estimated fair values. The excess of the purchase price over the aggregate fair values was recorded as goodwill. The fair value assigned to identifiable intangible assets acquired was based on estimates and assumptions made by management.

The following table summarizes the estimated allocation of the purchase price to the fair value of the assets acquired and liabilities assumed in connection with the DSS Acquisition. The allocation of the purchase price is based on a preliminary valuation that is expected to be completed by the end of 2015.

(in millions of U.S. dollars)	As reported at April 4, 2015	Adjustments	As reported at July 4, 2015
Cash and cash equivalents	\$ 74.5	\$	\$ 74.5
Accounts receivable	102.6		102.6
Inventories	46.4		46.4
Prepaid expenses and other current assets	8.8		8.8
Deferred income taxes	4.1	0.3	4.4
Property, plant & equipment	412.7		412.7
Goodwill	559.8	3.0	562.8
Intangible and other assets	417.2		417.2
Accounts payable and accrued liabilities	(117.7)	(0.8)	(118.5)
Long-term debt	(406.0)		(406.0)
Deferred income taxes liabilities	(122.9)		(122.9)
Other long-term liabilities	(29.5)		(29.5)
Total	\$ 950.0	\$ 2.5	\$ 952.5

The principal factor that resulted in recognition of goodwill was that the purchase price for the DSS 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 results in a greater value than on a standalone basis. The goodwill recognized as part of the DSS Acquisition was allocated to the DSS reporting segment, a portion of which is expected to be tax deductible.

Aimia Acquisition

In May 2014, our United Kingdom (U.K.) reporting segment acquired 100 percent of the share capital of Aimia Foods Holdings Limited (the Aimia Acquisition), which includes its operating subsidiary company, Aimia Foods Limited (together referred to as Aimia). Aimia produces and distributes hot chocolate, coffee and powdered beverages primarily through food service, vending and retail channels, and produces hot and cold cereal products on a contract manufacturing basis. The aggregate purchase price for the Aimia Acquisition was £52.1 million (\$87.6 million) payable in cash, which included a payment for estimated closing balance sheet working capital, £19.9 million (\$33.5 million) in deferred consideration paid on September 15, 2014, and aggregate contingent consideration of up to

£16.0 million (\$25.0 million at exchange rates in effect on July 4, 2015), which is payable upon the achievement of certain measures related to Aimia's performance during the twelve months ending July 1, 2016. The closing payment was funded from borrowings under the ABL facility and available cash.

Table of Contents

The total consideration paid by us for the Aimia Acquisition is summarized below:

(in millions of U.S. dollars)	
Cash	\$ 80.4
Deferred consideration	33.5
Contingent consideration	¹ 17.9
Working capital payment	7.2
Total consideration	\$ 139.0

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

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

The Aimia Acquisition was accounted for as a business combination, which, among other things, required that assets acquired and liabilities assumed be measured at their acquisition date fair values. Identified intangible assets, goodwill and property, plant and equipment were recorded at their estimated fair values per valuations. The results of operations of Aimia have been included in our operating results beginning as of the acquisition date. We allocated the total purchase price to tangible assets, liabilities and identifiable intangible assets acquired based on their estimated fair values. The excess of the purchase price over the aggregate fair values was recorded as goodwill.

The sellers are entitled to contingent consideration of up to a maximum of £16.0 million (\$25.0 million at exchange rates in effect on July 4, 2015), based on the exchange rate on the acquisition date, which will become due by us if Aimia meets certain targets relating to net income plus interest, income taxes, depreciation and amortization (EBITDA) for the twelve months ending July 1, 2016. We estimated the fair value of the contingent consideration based on financial projections of the acquired business and estimated probabilities of achievement of the EBITDA targets. We believe that our estimates and assumptions are reasonable, but there is significant judgment involved. The fair value of the contingent consideration was determined to be £10.9 million (\$17.0 million at exchange rates in effect on July 4, 2015) using a present value probability-weighted income approach. For the six months ended July 4, 2015, we recorded a fair value adjustment of £0.4 million (\$0.6 million at exchange rates in effect on July 4, 2015) to the contingent consideration based on review of the key assumptions used to calculate the fair value at the acquisition date. The change in the fair value adjustment of the contingent consideration was recognized in other expense (income), net in the Consolidated Statement of Operations.

The following table summarizes the allocation of the purchase price to the fair value of the assets acquired and liabilities assumed in the Aimia Acquisition.

(in millions of U.S. dollars)	Acquired Value
Cash	\$ 9.5
Accounts receivable	11.0
Inventories	9.6

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

Prepaid expenses and other assets	1.9
Property, plant & equipment	10.9
Goodwill	54.5
Intangibles and other assets	86.2
Accounts payable and accrued liabilities	(27.4)
Deferred tax liabilities	(17.2)
Total	\$ 139.0

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

Table of Contents**Supplemental Pro Forma Data (unaudited)**

The following unaudited pro forma financial information for the three and six months ended June 28, 2014 represent the combined results of our operations as if the DSS Acquisition and Aimia Acquisition had occurred on December 30, 2012. The unaudited pro forma financial information does not necessarily reflect the results of operations that would have occurred had we operated as a single entity during such periods.

(in millions of U.S. dollars, except share amounts)	For the Three Months Ended	
	June 28, 2014	June 28, 2014
Revenue	\$ 826.4	\$ 1,561.9
Net loss	(7.8)	(22.0)
Net loss per common share, diluted	\$ (0.08)	\$ (0.23)

Table of Contents**Note 4 Restructuring and Asset Impairments**

We implement restructuring programs from time to time that are designed to improve operating effectiveness and lower costs. When we implement these programs, we incur various charges, including severance, asset impairments, and other employment related costs. We had no restructuring activities during the six months ended July 4, 2015. During the first quarter of 2014, we implemented one such program, which involved the closure of two of our smaller plants, one located in North America and another one located in the United Kingdom (the 2014 Restructuring Plan). For the three and six months ended June 28, 2014, in connection with the 2014 Restructuring Plan, we incurred charges of approximately \$0.1 million and \$2.3 million related primarily to headcount reductions and \$0.3 million and \$1.9 million related to asset impairments, respectively.

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

<i>(in millions of U.S. dollars)</i>	For the Three Months Ended		For the Six Months Ended	
	June 28, 2014	June 28, 2014	June 28, 2014	June 28, 2014
North America	\$	0.1	\$	2.2
U.K.				0.1
Total	\$	0.1	\$	2.3

The following table summarizes asset impairment charges for the three and six months ended June 28, 2014:

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

The following tables summarize our restructuring liability as of June 28, 2014, along with charges to costs and expenses and cash payments in connection with the 2014 Restructuring Plan:

<i>(in millions of U.S. dollars)</i>	North America				
	Balance at December 28, 2013	Charges to costs and expenses	Cash payments	Balance at June 28, 2014	
Restructuring liability	\$	\$	2.2	\$	(2.2)
	\$	\$	2.2	\$	(2.2)

<i>(in millions of U.S. dollars)</i>	U.K.				
	Balance at December 28, 2013	Charges to costs and expenses	U.K. Cash payments	Balance at June 28, 2014	
Restructuring liability	\$	\$	0.1	\$	(0.1) \$
	\$	\$	0.1	\$	(0.1) \$

Table of Contents**Note 5 Share-Based Compensation**

The table below summarizes the share-based compensation expense for the three and six months ended July 4, 2015 and June 28, 2014. This share-based compensation expense was recorded in SG&A expenses in our Consolidated Statements of Operations. As used below: (i) Performance-based RSUs mean restricted share units with performance-based vesting granted under the Amended and Restated Cott Corporation Equity Incentive Plan, as amended (the Equity Incentive Plan), (ii) Time-based RSUs mean restricted share units with time-based vesting granted under the Equity Incentive Plan (iii) Stock options mean non-qualified stock options granted under the Equity Incentive Plan or the Restated 1986 Common Share Option Plan, as amended (the Option Plan), as the case may be, and (iv) Director share awards mean common shares issued in consideration of the annual board retainer fee to non-management members of our board of directors under the Equity Incentive Plan.

<i>(in millions of U.S. dollars)</i>	For the Three Months Ended		For the Six Months Ended	
	July 4, 2015	June 28, 2014	July 4, 2015	June 28, 2014
Stock options	\$ 0.5	\$ 0.4	\$ 0.9	\$ 0.8
Performance-based RSUs	1.5	0.6	3.0	0.8
Time-based RSUs	0.7	0.7	1.2	1.4
Director share awards	1.0	0.4	1.0	0.4
Total	\$ 3.7	\$ 2.1	\$ 6.1	\$ 3.4

As of July 4, 2015, the unrecognized share-based compensation expense and years we expect to recognize it as compensation expense were as follows:

<i>(in millions of U.S. dollars, except years)</i>	Unrecognized share-based	
	compensation expense as of July 4, 2015	Weighted average years expected to recognize compensation
Stock options	\$ 3.8	2.1
Performance-based RSUs	9.7	2.4
Time-based RSUs	3.6	1.8
Total	\$ 17.1	

Stock option activity for the six months ended July 4, 2015 was as follows:

	Shares <i>(in thousands)</i>	Weighted average exercise price
Balance at January 3, 2015	1,221	7.77

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

Awarded	685		9.22
Exercised	(19)		6.58
Outstanding at July 4, 2015	1,886	\$	8.31
Exercisable at July 4, 2015	391	\$	6.12

Table of Contents

During the six months ended July 4, 2015, Performance-based RSU and Time-based RSU activity was as follows:

	Number of Performance- based RSUs (in thousands)	Weighted Average Grant-Date Fair Value	Number of Time-based RSUs (in thousands)	Weighted Average Grant-Date Fair Value
Balance at January 3, 2015	1,782	\$ 7.01	664	\$ 8.63
Awarded	320	9.22	212	9.22
Awarded in connection with modification	55	7.90		
Issued	(255)	6.87		
Forfeited	(5)	8.52	(21)	8.51
Outstanding at July 4, 2015	1,897	\$ 7.42	855	\$ 8.78

Certain outstanding stock options were granted under the Option Plan, which was subsequently terminated in 2011. In connection with the termination of the Option Plan, outstanding options will continue in accordance with the terms of the Option Plan until exercised, forfeited or terminated, as applicable.

Note 6 Income Taxes

Income tax benefit was \$10.5 million on pre-tax income of \$6.6 million for the six months ended July 4, 2015, as compared to an income tax expense of \$2.0 million on pre-tax loss of \$5.2 million for the six months ended June 28, 2014.

With the release of our federal tax valuation allowance in the United States during the fourth quarter of 2014, we are now able to realize tax benefits generated in the United States. 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 can cause material fluctuations in our estimated effective tax rate on a quarterly basis. We have therefore calculated our income tax provision for the six months ended July 4, 2015 on a discrete basis rather than using the estimated annual effective tax rate for the year, in accordance with ASC 740.

Note 7 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 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 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 earnings per common share computations for the periods indicated:

Numerator

(in millions of U.S. dollars)	For the Three Months Ended		For the Six Months Ended	
	July 4, 2015	June 28, 2014	July 4, 2015	June 28, 2014
Net income (loss) attributed to Cott Corporation	\$ 2.2	\$ (5.9)	\$ (3.8)	\$ (10.0)
Plus:				
Accumulated dividends on convertible preferred shares	1			
Foreign exchange impact on redemption of convertible preferred shares	1			
Diluted net income (loss) attributed to Cott Corporation	\$ 2.2	\$ (5.9)	\$ (3.8)	\$ (10.0)

Table of Contents**Denominator**

(in thousands)	For the Three Months Ended		For the Six Months Ended	
	July 4, 2015	June 28, 2014	July 4, 2015	June 28, 2014
Weighted average number of shares outstanding - basic	99,573	94,234	96,384	94,276
Dilutive effect of stock options	176			
Dilutive effect of Performance-based RSUs ²				
Dilutive effect of Time-based RSUs	416			
Dilutive effect of Convertible Preferred Shares ¹				
Adjusted weighted average number of shares outstanding - diluted	100,165	94,234	96,384	94,276

1. For the three months ended July 4, 2015, we excluded the impact of the Convertible Preferred Shares from the computation of diluted net income per share as the Convertible Preferred Shares were anti-dilutive for purposes of calculating diluted net income per share as a result of the addition of the accumulated dividends and foreign exchange impact on redemption to net income per common share attributable to Cott Corporation to the numerator and the addition of 12,761,261 incremental common shares assumed outstanding applying the if-converted method to the denominator in such calculation.
2. For the three months ended July 4, 2015, we excluded the outstanding Performance-based RSUs from the computation of diluted net income per share as the performance conditions would not have been satisfied assuming July 4, 2015 was the end of the performance measurement period.

At July 4, 2015, we excluded 991,259 (June 28, 2014 832,951) stock options from the computation of diluted net income (loss) per share because the options' exercise price was greater than the average market price of the common shares. In addition, we excluded the impact of the remaining stock options, Performance-based RSUs, Time-based RSUs and Convertible Preferred Shares from the computation of diluted net loss per share as they were considered anti-dilutive for purposes of calculating loss per share for the six months ended July 4, 2015 and the three and six months ended June 28, 2014.

Table of Contents**Note 8 Segment Reporting**

Our product lines include CSDs, 100% shelf stable juice and juice-based products, clear, still and sparkling flavored waters, purified, spring, artesian, distilled and fluoridated bottled water, energy drinks and shots, sports products, new age beverages, ready-to-drink teas and alcoholic beverages, beverage concentrates, liquid enhancers and freezeables, as well as hot chocolate, coffee, malt drinks, creamers/whiteners and cereals. In addition, Cott is now a national direct-to-consumer provider of bottled water, office coffee and water filtration services offering a comprehensive portfolio of beverage products, equipment and supplies to approximately 1.5 million customer locations through its network of over 180 warehouse, branch and distribution facilities and daily operation of over 2,200 routes. During the six months ended June 28, 2014, our business operated through three reporting segments North America, U.K., and All Other (which includes our Mexico operating segment, our Royal Crown International (RCI) operating segment and other miscellaneous expenses). 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 December 2014, we added a fourth reporting segment, DSS, in connection with the DSS Acquisition.

<i>(in millions of U.S. dollars)</i>		North America	DSS	U.K.	All Other	Corporate Elimination	Total
For the Three Months Ended July 4, 2015							
Revenue, net	1	\$ 359.0	\$ 257.0	\$ 153.8	\$ 16.4	\$ (6.4)	\$ 779.8
Depreciation and amortization		20.6	31.8	5.4	0.4		58.2
Operating income (loss)		18.3	13.2	14.6	3.7	(3.7)	46.1
Additions to property, plant and equipment		4.5	20.4	4.5	0.5		29.9
For the Six Months Ended July 4, 2015							
Revenue, net	1	\$ 687.7	497.3	286.0	29.4	(10.8)	\$ 1,489.6
Depreciation and amortization		41.9	62.0	10.9	0.8		115.6
Operating income (loss)		25.5	11.7	18.5	5.3	(8.2)	52.8
Additions to property, plant and equipment		11.7	38.8	6.2	0.5		57.2
As of July 4, 2015							
Property, plant and equipment		303.0	401.4	109.1	6.7		820.2
Goodwill		122.1	563.0	59.3	4.5		748.9
Intangibles and other assets		253.1	400.8	95.9	0.1		749.9
Total assets	2	1,037.2	1,554.2	450.9	31.2		3,073.5

1. Intersegment revenue between 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.

Table of Contents

<i>(in millions of U.S. dollars)</i>		North America	DSS	U.K.	All Other Corporat	Elimination	Total
For the Three Months Ended June 28, 2014							
Revenue, net	1	\$ 379.3	\$	\$ 157.7	\$ 18.3	\$	(6.1) \$ 549.2
Depreciation and amortization		20.4		4.9	0.5		25.8
Operating income (loss)		15.3		10.7	3.1	(2.9)	26.2
Additions to property, plant and equipment		7.2		4.6			11.8
For the Six Months Ended June 28, 2014							
Revenue, net	1	\$ 730.1	\$	\$ 273.3	\$ 33.1	\$	(12.2) \$ 1,024.3
Depreciation and amortization		41.1		8.9	0.9		50.9
Operating income (loss)		17.8		12.9	5.6	(5.8)	30.5
Additions to property, plant and equipment		13.0		7.6			20.6
As of January 3, 2015							
Property, plant and equipment		331.9	415.4	109.9	7.3		864.5
Goodwill		123.7	556.9	58.5	4.5		743.6
Intangibles and other assets		266.8	415.5	99.2	0.2		781.7
Total assets	2	1,077.7	1,572.8	426.8	30.4		3,107.7

1. Intersegment revenue between North America and the other reporting segments was \$6.1 million and \$12.2 million for the three and six months ended June 28, 2014, respectively.

2. Excludes intersegment receivables, investments and notes receivable.

For the six months ended July 4, 2015, sales to Walmart accounted for 18.3% (June 28, 2014 27.0%) of our total revenue, 32.7% of our North America reporting segment revenue (June 28, 2014 32.8%), 12.0% of our U.K. reporting segment revenue (June 28, 2014 13.4%), 3.4% of our All Other reporting segment revenue (June 28, 2014 2.2%), and 2.2% of our DSS reporting segment revenue.

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.

Revenues for our DSS reporting segment from sales to external customers were generated exclusively in the United States. In our other reporting segments, revenues attributed to external customers located outside of Canada are displayed separately within the U.K. and All Other reporting segments above, with the exception of revenues attributed to external customers located in the United States, which are reported within the North America reporting segment. Revenues generated from sales to external customers in the United States for the North America reporting segment were as follows:

<i>(in millions of U.S. dollars)</i>	For the Three Months Ended		For the Six Months Ended	
	July 4, 2015	June 28, 2014	July 4, 2015	June 28, 2014
United States	\$ 311.1	\$ 327.9	\$ 608.3	\$ 638.7
Total	\$ 311.1	\$ 327.9	\$ 608.3	\$ 638.7

Table of Contents

Revenues are attributed to reporting segments based on the location of the customer. Revenues by channel by reporting segment were as follows:

For the Three Months Ended July 4, 2015

<i>(in millions of U.S. dollars)</i>	North America	DSS	U.K.	All Other	Elimination	Total
<u>Revenue</u>						
Private label retail	\$ 289.7	\$ 17.2	\$ 71.8	\$ 1.7	(0.7)	\$ 379.7
Branded retail	30.8	20.6	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
Other	7.2	24.7	2.6	6.6	(3.6)	37.5
Total	\$ 359.0	\$ 257.0	\$ 153.8	\$ 16.4	\$ (6.4)	\$ 779.8

For the Six Months Ended July 4, 2015

<i>(in millions of U.S. dollars)</i>	North America	DSS	U.K.	All Other	Elimination	Total
<u>Revenue</u>						
Private label retail	\$ 557.4	\$ 32.7	\$ 132.7	\$ 2.8	(1.2)	\$ 724.4
Branded retail	57.9	40.3	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
Other	15.5	48.2	4.7	13.5	(7.1)	74.8
Total	\$ 687.7	\$ 497.3	\$ 286.0	\$ 29.4	\$ (10.8)	\$ 1,489.6

For the Three Months Ended June 28, 2014

<i>(in millions of U.S. dollars)</i>	North America	U.K.	All Other	Elimination	Total
<u>Revenue</u>					
Private label retail	\$ 313.9	\$ 79.0	\$ 1.8	\$ (0.3)	\$ 394.4
Branded retail	27.9	48.3	1.1	(0.5)	76.8
Contract packaging	28.4	29.3	7.7	(1.9)	63.5
Home and office bottled water delivery					
Office coffee services					
Other	9.1	1.1	7.7	(3.4)	14.5
Total	\$ 379.3	\$ 157.7	\$ 18.3	\$ (6.1)	\$ 549.2

Table of Contents**For the Six Months Ended June 28, 2014**

<i>(in millions of U.S. dollars)</i>	North America	U.K.	All Other	Elimination	Total
<u>Revenue</u>					
Private label retail	\$ 613.6	\$ 142.5	\$ 2.7	\$ (0.4)	\$ 758.4
Branded retail	53.0	79.7	2.3	(0.9)	134.1
Contract packaging	48.3	49.4	14.5	(4.8)	107.4
Home and office bottled water delivery					
Office coffee services					
Other	15.2	1.7	13.6	(6.1)	24.4
Total	\$ 730.1	\$ 273.3	\$ 33.1	\$ (12.2)	\$ 1,024.3

Property, plant and equipment, net by geographic area as of July 4, 2015 and January 3, 2015 were as follows:

<i>(in millions of U.S. dollars)</i>	July 4, 2015	January 3, 2015
North America	\$ 704.4	\$ 747.3
U.K.	109.1	109.9
All Other	6.7	7.3
Total	\$ 820.2	\$ 864.5

Note 9 Inventories

The following table summarizes inventories as of July 4, 2015 and January 3, 2015:

<i>(in millions of U.S. dollars)</i>	July 4, 2015	January 3, 2015
Raw materials	\$ 100.4	\$ 105.8
Finished goods	132.3	118.4
Resale items	13.6	17.4
Other	20.4	20.8
Total	\$ 266.7	\$ 262.4

1. Recently acquired DSS finished goods inventory of \$8.9 million were reclassified to property, plant and equipment, net as of January 3, 2015 (see Note 1 to the Consolidated Financial Statements) to be consistent with Cott's accounting treatment.

Table of Contents**Note 10 Intangibles and Other Assets**

The following table summarizes intangibles and other assets as of July 4, 2015:

<i>(in millions of U.S. dollars)</i>	Cost	July 4, 2015 Accumulated Amortization	Net
Intangibles			
<i>Not subject to amortization</i>			
Rights	1 \$ 45.0		\$ 45.0
DSS Trademarks	183.1		183.1
Total intangibles not subject to amortization	228.1		228.1
<i>Subject to amortization</i>			
Customer relationships	648.0	(206.6)	441.4
Trademarks	33.5	(27.8)	5.7
Information technology	52.7	(27.4)	25.3
Other	7.7	(4.1)	3.6
Total intangibles subject to amortization	741.9	(265.9)	476.0
Total intangibles	970.0	(265.9)	704.1
Other assets			
Financing costs	37.9	(11.0)	26.9
Deposits	9.1		9.1
Other	11.3	(1.5)	9.8
Total other assets	58.3	(12.5)	45.8
Total intangibles and other assets	\$ 1,028.3	\$ (278.4)	\$ 749.9

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. Amortization expense of intangibles and other assets was \$19.6 million and \$38.8 million for the three and six months ended July 4, 2015, respectively, compared to \$8.8 million and \$17.2 million for the comparable prior year periods.

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

(in millions of U.S. dollars)

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

Remainder of 2015	\$ 36.2
2016	67.0
2017	58.7
2018	52.3
2019	44.4
Thereafter	217.4
Total	\$ 476.0

Table of Contents**Note 11 Debt**

Our total debt as of July 4, 2015 and January 3, 2015 was as follows:

<i>(in millions of U.S. dollars)</i>	July 4, 2015	January 3, 2015
6.750% senior notes due in 2020	1 \$ 625.0	\$ 625.0
10.000% senior notes due in 2021	392.8	405.6
5.375% senior notes due in 2022	525.0	525.0
ABL facility	198.2	229.0
GE Term Loan	7.3	8.2
Capital leases and other debt financing	4.0	5.2
Total debt	1,752.3	1,798.0
Less: Short-term borrowings and current debt:		
ABL facility	198.2	229.0
Total short-term borrowings	198.2	229.0
GE Term Loan - current maturities	2.0	2.0
Capital leases and other financing - current maturities	1.9	2.0
Total current debt	202.1	233.0
Total long-term debt	\$ 1,550.2	\$ 1,565.0

1. The outstanding aggregate principal amount of the DSS Notes of \$350.0 million was assumed by Cott at fair value of \$406.0 million in connection with the DSS Acquisition. 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 effective interest rate is 7.515%.

Asset-Based Lending Facility

In March 2008, we entered into a credit agreement with JPMorgan Chase Bank N.A. as Agent that created an asset-based lending credit facility (the ABL facility) to provide financing for our North America, U.K. and Mexico operations. We have amended and refinanced the ABL facility from time to time and incurred financing fees in connection therewith, an aggregate of \$9.0 million of which have been capitalized and deferred and are being amortized using the straight-line method over the duration of the amended ABL facility.

On December 12, 2014, in connection with the DSS Acquisition, we amended the ABL facility to, among other things, (1) provide for an increase in the lenders' commitments under the ABL facility to \$400.0 million (which, with the accordion feature, if used, permits us to increase the lenders' commitments under the ABL facility to \$450.0 million, subject to certain conditions), (2) extend the maturity date to the earliest of (i) December 12, 2019, (ii) June 12, 2019, if we have not redeemed, repurchased or refinanced the 2020 Notes by May 28, 2019, or (iii) any earlier date on which the commitments under the ABL facility are reduced to zero or otherwise terminated, (3) include DSS and its subsidiaries as borrowers, (4) permit certain adjustments to the borrowing base calculation, (5) permit the

debt, liens and intercreditor arrangements contemplated by the supplemental indenture entered into in connection with the DSS Notes, (6) permit certain other indebtedness that we intend to issue or assume in connection with the DSS Acquisition, and (7) permit certain other changes to dollar thresholds and limitations within our covenants generally reflecting the increased size of the facility. We incurred approximately \$1.7 million of financing fees in connection with the amendment of the ABL facility.

On May 26, 2015, we amended the ABL facility to, among other things, (1) increase the maximum annual amount of Preferred Shares that may be redeemed in order to facilitate the redemption in full of the Preferred Shares that was completed in June 2015, (2) modify the sale-leaseback covenant to allow for the inclusion of properties that have been owned by certain subsidiaries of the Company for more than 180 days, and (3) make miscellaneous other technical changes.

As of July 4, 2015, we had \$198.2 million of outstanding borrowings under the ABL facility. The commitment fee was 0.375% per annum of the unused commitment, which, taking into account \$41.4 million of letters of credit, was \$160.4

Table of Contents

million as of July 4, 2015. As of July 4, 2015, our total availability under the ABL facility was \$386.9 million, which was based on our borrowing base (accounts receivable, inventory, and fixed assets). As a result of our outstanding borrowings under the ABL facility of \$198.2 million and outstanding letters of credit of \$41.4 million, our excess availability under the ABL facility was \$147.3 million.

5.375% Senior Notes due in 2022

On June 24, 2014, we issued \$525.0 million of the 5.375% senior notes due 2022 to qualified purchasers in a private placement under Rule 144A and Regulation S under the Securities Act of 1933. The issuer of the notes is our wholly-owned U.S. subsidiary Cott Beverages Inc. (CBI), and we and most of our U.S., Canadian and U.K. subsidiaries guarantee our obligations under them. The interest is payable semi-annually on January 1st and July 1st of each year commencing on January 1, 2015. On May 13, 2015, we exchanged the notes for notes that are registered under the Securities Act and that do not contain transfer restrictions, registration rights or additional interest provisions, but otherwise contain identical economic terms (the 2022 Notes).

We incurred \$9.6 million of financing fees in connection with the issuance of the 2022 Notes. The financing fees are being amortized using the effective interest method over an eight-year period, which represents the term to maturity of the 2022 Notes.

10.000% Senior Notes due in 2021

On August 30, 2013, DS Services of America, Inc. (formerly DS Waters of America, Inc.) issued \$350.0 million of notes to qualified purchasers in a private placement under Rule 144A and Regulation S under the Securities Act. In July 2014, the notes were exchanged for notes that are registered under the Securities Act and that do not contain transfer restrictions, registration rights or additional interest provisions, but otherwise contain identical economic terms (the DSS Notes). In November 2014, DSS solicited consent from the holders of the DSS Notes to certain modifications and amendments to the August 30, 2013 indenture and related security documents. On December 2, 2014, the requisite consents from the holders of the DSS Notes were obtained, with a consent payment of approximately \$19.2 million. At the DSS Acquisition closing, we and most of our U.S., Canadian and U.K. subsidiaries executed a supplemental indenture to be added as guarantors to the DSS Notes. The interest on the DSS Notes is payable semi-annually on March 1st and September 1st of each year.

The DSS Notes were recorded at their fair value of \$406.0 million as part of the DSS Acquisition. The difference between the fair value and the principal amount of \$350.0 million is amortized as a component of interest expense over the remaining contractual term of the DSS Notes. In connection with the DSS Acquisition, we arranged for backstop bridge financing that was not ultimately necessary to utilize to close the transaction. The aggregate amount of fees for the DSS Notes consent solicitation and bridge financing commitment was approximately \$26.5 million.

6.750% Senior Notes due in 2020

On December 12, 2014, we issued the 2020 Notes to qualified purchasers in a private placement under Rule 144A and Regulation S under the Securities Act. The issuer of the 2020 Notes is CBI, and we and most of our U.S., Canadian and U.K. subsidiaries guarantee the 2020 Notes. The interest on the 2020 Notes is payable semi-annually on January 1st and July 1st of each year commencing on July 1, 2015.

We incurred \$14.4 million of financing fees in connection with the issuance of the 2020 Notes. The financing fees are being amortized using the effective interest method over a five-year period, which represents the term to maturity of the 2020 Notes.

8.125% Senior Notes due in 2018

On August 17, 2010, we issued \$375.0 million aggregate principal amount of our 8.125% senior notes due 2018 (the 2018 Notes). The issuer of the 2018 Notes was CBI. We incurred \$8.6 million of financing fees in connection with the issuance of the 2018 Notes.

On June 24, 2014, we used a portion of the proceeds from our issuance of the 2022 Notes to purchase \$295.9 million aggregate principal amount of our 2018 Notes in a cash tender offer. The tender offer included approximately \$16.2 million in premium payments as well as accrued interest of \$7.5 million, the write-off of approximately \$3.0 million in deferred financing fees, and other costs of approximately \$0.2 million.

Table of Contents

On July 9, 2014 and July 24, 2014, we redeemed the remaining \$79.1 million aggregate principal amount of our 2018 Notes. The redemption included approximately \$3.8 million in premium payments as well as accrued interest of approximately \$2.5 million and the write-off of approximately \$0.8 million in deferred financing fees.

8.375% Senior Notes due in 2017

On November 13, 2009, we issued \$215.0 million of our 8.375% senior notes due 2017 (the 2017 Notes). The 2017 Notes were issued at a \$3.1 million discount. The issuer of the 2017 Notes was CBI. We incurred \$5.1 million of financing fees in connection with the 2017 Notes.

On November 15, 2013, we redeemed \$200.0 million aggregate principal amount of our 2017 Notes at 104.118% of par. The redemption included approximately \$8.2 million in premium payments, the write-off of approximately \$4.0 million in deferred financing fees, and discount charges and other costs of approximately \$0.5 million.

On February 19, 2014, we redeemed all of the remaining \$15.0 million aggregate principal amount of the 2017 Notes at 104.118% of par. The redemption included approximately \$0.6 million in premium payments as well as the write-off of approximately \$0.3 million in deferred financing fees and discount charges.

GE Term Loan

In January 2008, we entered into a capital lease finance arrangement with General Electric Capital Corporation (GE Capital) for the lease of equipment. In September 2013, we purchased the equipment subject to the lease for an aggregate purchase price of \$10.7 million, with the financing for such purchase provided by GE Capital at 5.23% interest.

Note 12 Accumulated Other Comprehensive (Loss) Income

Changes in accumulated other comprehensive (loss) income (AOCI) by component for the six months ended July 4, 2015 were as follows:

	July 4, 2015			
	Gains and Losses			Total
<i>(in millions of U.S. dollars)</i>	on Derivative Instruments	Pension Benefit Plan Items	Currency Translation Adjustment Items	
Beginning balance January 3, 2015	\$ 0.2	\$ (12.4)	\$ (38.8)	\$ (51.0)
OCI before reclassifications	(2.6)		(1.3)	(3.9)
Amounts reclassified from AOCI	(0.2)	0.5		0.3
Net current-period OCI	(2.8)	0.5	(1.3)	(3.6)
Ending balance July 4, 2015	\$ (2.6)	\$ (11.9)	\$ (40.1)	\$ (54.6)

1. All amounts are net of tax. Amounts in parentheses indicate debits.

Table of Contents

The following table summarizes the amounts reclassified from AOCI¹ for the three and six months ended July 4, 2015 and June 28, 2014, respectively.

<i>(in millions of U.S. dollars)</i>	For the Three Months Ended				For the Six Months Ended		Affected Line Item in
Details About AOCI Components	July 4,	June 28,	July 4,	June 28,	the Statement Where		
Gains and losses on derivative instruments	2015	2014	2015	2014	Net Income Is Presented		
Foreign currency and commodity hedges	\$ (0.1)	\$ 0.1	\$ 0.2	\$ 0.2	Cost of sales		
	\$ (0.1)	\$ 0.1	\$ 0.2	\$ 0.2	Total before taxes		
	0.1				Tax (expense) or benefit		
	\$	\$ 0.1	\$ 0.2	\$ 0.2	Net of tax		
Amortization of pension benefit plan items							
Prior service costs	2 \$ (0.4)	\$ (0.2)	\$ (0.5)	\$ (0.2)			
	(0.4)	(0.2)	(0.5)	(0.2)	Total before taxes		
					Tax (expense) or benefit		
	\$ (0.4)	\$ (0.2)	\$ (0.5)	\$ (0.2)	Net of tax		
Total reclassifications for the period	\$ (0.4)	\$ (0.1)	\$ (0.3)	\$	Net of tax		

1. Amounts in parentheses indicate debits.
2. These AOCI components are included in the computation of net periodic pension cost.

Note 13 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 \$41.4 million in standby letters of credit outstanding as of July 4, 2015 (June 28, 2014 - \$6.9 million).

In March 2014, we had a favorable legal settlement in the amount of \$3.5 million, of which \$3.0 million was collected in April 2014 and the remaining \$0.5 million was collected in December 2014.

In May 2014, we completed the Aimia Acquisition, which included deferred consideration of £19.9 million (\$33.5 million), which was paid by us on September 15, 2014 and aggregate contingent consideration of up to £16.0 million (\$25.0 million at exchange rates in effect on July 4, 2015), which is payable upon achievement of certain measures related to Aimia's performance during the twelve months ending July 1, 2016.

In June 2013, our U.K. reporting segment acquired 100% of the share capital of Cooke Bros. Holdings Limited. The terms of the transaction included the payment of deferred consideration, the final payment of which (approximately

\$2.5 million) was paid during the quarter.

Note 14 Preferred Shares

As a portion of the consideration in the DSS Acquisition, we issued to certain former security holders of DSS approximately \$116.1 million of Convertible Preferred Shares and approximately \$32.7 million of Non-Convertible Preferred Shares, which shares were redeemable at our option. As of June 11, 2015, the outstanding Preferred Shares were redeemed in full, which resulted in an aggregate cash payment of \$151.3 million, which included accrued and unpaid dividends of \$2.5 million. The aggregate cash payment was funded primarily through the issuance of common share equity, which generated cash proceeds, net of related issuance expenses and broker commissions of approximately \$142.5 million. The difference in the U.S. dollar and Canadian dollar exchange rates at issuance of the Preferred Shares compared to those exchanges rates in effect at redemption, resulted in an adjustment to retained earnings upon redemption of approximately \$12.0 million.

Table of Contents

Note 15 Share Repurchase Program

On May 6, 2014, our board of directors approved the renewal of our share repurchase program for up to 5% of Cott's outstanding common shares over a 12-month period commencing upon the expiration of the prior share repurchase program on May 21, 2014. In connection with the DSS Acquisition, we suspended our share repurchase program during the fourth quarter of 2014 and we made no additional repurchases of our common shares under the share repurchase program prior to its expiration on May 21, 2015.

Note 16 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.

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.

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 17 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 the counterparty default to be minimal.

Table of Contents**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 4, 2015 or June 28, 2014, respectively. These foreign exchange contracts typically have maturities of less than eighteen 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 \$19.7 million and \$22.5 million as of July 4, 2015 and January 3, 2015, respectively. Approximately \$1.0 million of unrealized net of tax gains and \$0.2 million of unrealized net of tax losses related to the foreign currency cash flow hedges were included in AOCI as of July 4, 2015 and June 28, 2014, respectively. The hedge ineffectiveness for these cash flow hedging instruments was not material during the periods presented.

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 \$55.6 million and \$55.4 million as of July 4, 2015 and January 3, 2015, respectively. Approximately \$3.8 million and \$0.4 million of unrealized net of tax losses related to the commodity swaps were included in AOCI as of July 4, 2015 and June 28, 2014, respectively. The cumulative hedge ineffectiveness for these hedging instruments was not material for the six months ended July 4, 2015 and June 28, 2014, respectively.

The fair value of the Company's derivative assets included within other receivables as a component of accounts receivable, net was \$1.4 million and \$1.2 million as of July 4, 2015 and January 3, 2015, respectively. The fair value of the Company's derivative liabilities included in accrued liabilities was \$5.8 million and \$2.3 million as of July 4, 2015 and January 3, 2015, 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 4, 2015		January 3, 2015	
	Assets	Liabilities	Assets	Liabilities
Foreign currency hedge	\$ 1.4	\$	\$ 1.0	\$
Aluminum swaps		(5.8)	0.2	(2.3)
	\$ 1.4	\$ (5.8)	\$ 1.2	\$ (2.3)

Table of Contents

Aluminum swaps subject to enforceable master netting arrangements are presented on a net basis 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 4, 2015		January 3, 2015	
	Assets	Liabilities	Assets	Liabilities
Aluminum swap assets	\$	\$	\$ 0.2	\$ 0.2
Aluminum swap liabilities		(5.8)		(2.5)
Net asset (liability)	\$	\$ (5.8)	\$ 0.2	\$ (2.3)

The settlement of our derivative instruments resulted in a credit to cost of sales of nil and \$0.2 million for the three and six months ended July 4, 2015, respectively, compared with \$0.1 million and \$0.2 million for the comparable prior year periods.

Note 17 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.

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 U.S. GAAP.

Our derivative assets 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 as of July 4, 2015 and January 3, 2015 was \$1.4 million and \$1.2 million, respectively. The fair value for the derivative liabilities as of July 4, 2015 and January 3, 2015 was \$5.8 million and \$2.3 million, respectively.

Table of Contents**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 4, 2015 and January 3, 2015 were as follows:

<i>(in millions of U.S. dollars)</i>		July 4, 2015		January 3, 2015	
		Carrying Value	Fair Value	Carrying Value	Fair Value
6.750% senior notes due in 2020	1	625.0	651.6	625.0	630.1
10.000% senior notes due in 2021	1, 2	392.8	409.5	405.6	403.4
5.375% senior notes due in 2022	1	525.0	509.3	525.0	481.7
Total		\$ 1,542.8	\$ 1,570.4	\$ 1,555.6	\$ 1,515.2

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 the DSS Notes of \$350.0 million was assumed by Cott at fair value of \$406.0 million in connection with the DSS Acquisition. 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.

Fair Value of contingent consideration

We estimated the fair value of the contingent consideration related to the Aimia Acquisition based on financial projections of the acquired business and estimated probabilities of achievement of certain EBITDA targets. The fair value was 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 acquisition date fair value of the contingent consideration was determined to be £10.9 million (\$17.0 million at exchange rates in effect on July 4, 2015) using a present valued probability-weighted income approach. For the six months ended July 4, 2015, we recorded a fair value adjustment of £0.4 million (\$0.6 million at exchange rates in effect on July 4, 2015) to the contingent consideration based on review of the key assumptions used to calculate the fair value at the acquisition date. The change in the fair value adjustment of the contingent consideration was recognized in other expense (income), net in the Consolidated Statement of Operations. The maximum potential payout is £16.0 million (\$25.0 million at exchange rates in effect on July 4, 2015) on an undiscounted basis.

Table of Contents

Note 18 Guarantor Subsidiaries

The DSS Notes assumed as part of the DSS Acquisition are guaranteed on a senior basis pursuant to guarantees by Cott Corporation and certain other 100% owned direct and indirect subsidiaries (the DSS Guarantor Subsidiaries). DSS and each DSS Guarantor Subsidiary is 100% owned by Cott Corporation. The guarantees of the DSS Notes by Cott Corporation and the DSS Guarantor Subsidiaries are full and unconditional, and all such guarantees are joint and several. The guarantees of the DSS Guarantor Subsidiaries are subject to release in limited circumstances only upon the occurrence of certain customary conditions.

We have not presented separate financial statements and separate disclosures have not been provided concerning 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 supplemental financial information sets forth on a consolidating basis, our Balance Sheets, Statements of Operations and Cash Flows for Cott Corporation, DSS, DSS Guarantor Subsidiaries and our other non-guarantor subsidiaries (the DSS Non-Guarantor Subsidiaries). The supplemental financial information reflects our investments and those of DSS in their respective subsidiaries using the equity method of accounting.

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

	For the Three Months Ended July 4, 2015					
	DS Services of		DSS		DSS	
	Cott	America,	Guarant	Non-Guarant	Elimination	Consolidated
	Corporation	Inc.	Subsidiaries	Subsidiaries	Entries	Consolidated
Revenue, net	\$ 46.9	\$ 257.0	\$ 457.5	\$ 38.3	\$ (19.9)	\$ 779.8
Cost of sales	38.4	100.8	389.0	30.9	(19.9)	539.2
Gross profit	8.5	156.2	68.5	7.4		240.6
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
Operating income	3.6	13.1	25.0	4.4		46.1
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
Income (loss) before income tax expense (benefit) and equity income	4.8	(5.2)	13.1	4.5		17.2
Income tax expense (benefit)	1.8	(1.8)	(1.2)	0.1		(1.1)
Equity income	13.6		1.6		(15.2)	
Net income (loss)	\$ 16.6	\$ (3.4)	\$ 15.9	\$ 4.4	\$ (15.2)	\$ 18.3
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
Net income (loss) attributed to Cott Corporation	\$ 2.2	\$ (3.4)	\$ 15.9	\$ 2.7	\$ (15.2)	\$ 2.2
	\$ 24.4	\$ (3.4)	\$ 59.3	\$ 4.2	\$ (60.1)	\$ 24.4

**Comprehensive income (loss) attributed to
Cott Corporation**

35

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

	For the Six Months Ended July 4, 2015					
	DS Services of		DSS		DSS	
	Cott	America,	Guarante	Non-Guarante	Elimination	Consolidated
	Corporation	Inc.	Subsidiaries	Subsidiaries	Entries	Consolidated
Revenue, net	\$ 76.9	\$ 497.3	\$ 875.8	\$ 69.7	\$ (30.1)	\$ 1,489.6
Cost of sales	65.4	201.2	754.4	56.8	(30.1)	1,047.7
Gross profit	11.5	296.1	121.4	12.9		441.9
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
Operating income	1.1	11.7	33.2	6.8		52.8
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
Income (loss) before income tax expense (benefit) and equity income	15.7	(24.6)	8.7	6.8		6.6
Income tax expense (benefit)	3.0	(9.0)	(4.7)	0.2		(10.5)
Equity income	1.4		3.0		(4.4)	
Net income (loss)	\$ 14.1	\$ (15.6)	\$ 16.4	\$ 6.6	\$ (4.4)	\$ 17.1
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
Net (loss) income attributed to Cott Corporation	\$ (3.8)	\$ (15.6)	\$ 16.4	\$ 3.6	\$ (4.4)	\$ (3.8)
	\$ (7.4)	\$ (15.6)	\$ 43.5	\$ 4.8	\$ (32.7)	\$ (7.4)

**Comprehensive (loss) income attributed to
Cott Corporation**

36

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

	For the Three Months Ended June 28, 2014					
	DS Services of		DSS		DSS	
	Cott	America, Guaranto	Non-Guaranto	Elimination	Consolidated	
	Corporation Inc.	Subsidiaries	Subsidiaries	Entries	Consolidated	
Revenue, net	\$ 49.5	\$	\$ 476.7	\$ 36.0	\$ (13.0)	\$ 549.2
Cost of sales	41.0		412.3	29.9	(13.0)	470.2
Gross profit	8.5		64.4	6.1		79.0
Selling, general and administrative expenses	6.3		41.3	3.1		50.7
Gain on disposal of property, plant & equipment			(0.1)			(0.1)
Restructuring	0.1					0.1
Asset impairments			0.3			0.3
Acquisition and integration expenses			1.8			1.8
Operating income	2.1		21.1	3.0		26.2
Other (income) expense, net	(9.5)		29.3			19.8
Interest expense, net			8.4			8.4
Income (loss) before income tax (benefit) expense and equity (loss) income	11.6		(16.6)	3.0		(2.0)
Income tax (benefit) expense	(0.4)		2.9			2.5
Equity (loss) income	(17.9)		8.2		9.7	
Net (loss) income	\$ (5.9)	\$	\$ (11.3)	\$ 3.0	\$ 9.7	\$ (4.5)
Less: Net income attributable to non-controlling interests				1.4		1.4
Net (loss) income attributed to Cott Corporation	\$ (5.9)	\$	\$ (11.3)	\$ 1.6	\$ 9.7	\$ (5.9)
Comprehensive income attributed to Cott Corporation	\$ 2.5	\$	\$ 26.6	\$ 0.9	\$ (27.5)	\$ 2.5

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

	For the Six Months Ended June 28, 2014				
	DS Services of	DSS	DSS	Elimination	Consolidated
	Cott Corporation Inc.	America, Guaranto	Non-Guaranto	Subsidiaries	Subsidiaries
				Entries	
Revenue, net	\$ 86.7	894.1	68.3	(24.8)	\$ 1,024.3
Cost of sales	75.2	782.2	56.5	(24.8)	889.1
Gross profit	11.5	111.9	11.8		135.2
Selling, general and administrative expenses	12.8	78.6	6.2		97.6
Restructuring	2.0	0.3			2.3
Asset impairments	0.9	1.0			1.9
Acquisition and integration expenses		2.9			2.9
Operating (loss) income	(4.2)	29.1	5.6		30.5
Other (income) expense, net	(9.3)	26.7	0.1		17.5
Interest expense, net	0.1	18.1			18.2
Income (loss) before income tax (benefit) expense and equity (loss) income	5.0	(15.7)	5.5		(5.2)
Income tax (benefit) expense	(1.4)	3.3	0.1		2.0
Equity (loss) income	(16.4)	2.7		13.7	
Net (loss) income	\$ (10.0)	\$ (16.3)	\$ 5.4	\$ 13.7	\$ (7.2)
Less: Net income attributable to non-controlling interests			2.8		2.8
Net (loss) income attributed to Cott Corporation	\$ (10.0)	\$ (16.3)	\$ 2.6	\$ 13.7	\$ (10.0)
Comprehensive (loss) income attributed to Cott Corporation	\$ (3.3)	\$ 39.7	\$ 1.8	\$ (41.5)	\$ (3.3)

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

	As of July 4, 2015					
	Cott Corporation	DS Services of America, Inc.	DSS Guaranto Subsidiaries	DSS Non-Guaranto Subsidiaries	Elimination Entries	Consolidated
ASSETS						
<i>Current assets</i>						
Cash & cash equivalents	\$ 13.8	\$ 28.6	\$ 30.8	\$ 5.8	\$	\$ 79.0
Accounts receivable, net of allowance	22.3	135.3	248.9	16.2	(56.1)	366.6
Income taxes recoverable		0.6	0.7			1.3
Inventories	15.2	28.9	215.7	6.9		266.7
Prepaid expenses and other assets	3.1	10.8	25.4	0.2		39.5
Total current assets	54.4	204.2	521.5	29.1	(56.1)	753.1
Property, plant & equipment, net	33.6	401.4	378.0	7.2		820.2
Goodwill	21.8	563.0	164.1			748.9
Intangibles and other assets, net	0.7	400.8	343.7	4.7		749.9
Deferred income taxes	1.2			0.1		1.3
Other tax receivable	0.1					0.1
Due from affiliates	33.1		544.5		(577.6)	
Investments in subsidiaries	577.3		49.4		(626.7)	
Total assets	\$ 722.2	\$ 1,569.4	\$ 2,001.2	\$ 41.1	\$ (1,260.4)	\$ 3,073.5
LIABILITIES AND EQUITY						
<i>Current liabilities</i>						
Short-term borrowings	\$	\$	\$ 198.2	\$	\$	\$ 198.2
Current maturities of long-term debt			3.1	0.8		3.9
Accounts payable and accrued liabilities	49.9	150.3	298.4	11.4	(56.1)	453.9
Total current liabilities	49.9	150.3	499.7	12.2	(56.1)	656.0
Long-term debt		392.8	1,157.2	0.2		1,550.2
Deferred income taxes		113.4	(11.6)			101.8
Other long-term liabilities	0.5	32.3	54.4	1.3		88.5
Due to affiliates	1.2	543.3	2.1	31.0	(577.6)	
Total liabilities	51.6	1,232.1	1,701.8	44.7	(633.7)	2,396.5
<i>Equity</i>						
Capital stock, no par	532.1	355.6	981.7	39.1	(1,376.4)	532.1

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

Additional paid-in-capital	50.9					50.9
Retained earnings (deficit)	142.2	(18.4)	(704.7)	(55.5)	778.6	142.2
Accumulated other comprehensive (loss) income	(54.6)	0.1	22.4	6.4	(28.9)	(54.6)
Total Cott Corporation equity	670.6	337.3	299.4	(10.0)	(626.7)	670.6
Non-controlling interests				6.4		6.4
Total equity	670.6	337.3	299.4	(3.6)	(626.7)	677.0
Total liabilities and equity	\$ 722.2	\$ 1,569.4	\$ 2,001.2	\$ 41.1	\$ (1,260.4)	\$ 3,073.5

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

	As of January 3, 2015					
	Cott Corporation	DS Services of America, Inc.	DSS Guaranto Subsidiaries	DSS Non-Guaranto Subsidiaries	Elimination Entries	Consolidated
ASSETS						
<i>Current assets</i>						
Cash & cash equivalents	\$ 6.2	\$ 34.4	\$ 38.2	\$ 7.4	\$	\$ 86.2
Accounts receivable, net of allowance	16.2	105.4	358.8	12.2	(186.9)	305.7
Income taxes recoverable		0.6	0.6	0.4		1.6
Inventories	12.4	34.2	210.3	5.5		262.4
Prepaid expenses and other assets	3.2	10.3	45.4	0.4		59.3
Total current assets	38.0	184.9	653.3	25.9	(186.9)	715.2
Property, plant & equipment, net	38.2	415.5	403.0	7.8		864.5
Goodwill	23.4	556.9	163.3			743.6
Intangibles and other assets, net	0.7	415.6	358.7	6.7		781.7
Deferred income taxes	2.5					2.5
Other tax receivable	0.1		0.1			0.2
Due from affiliates	183.8		403.0	0.1	(586.9)	
Investments in subsidiaries	436.3		973.1		(1,409.4)	
Total assets	\$ 723.0	\$ 1,572.9	\$ 2,954.5	\$ 40.5	\$ (2,183.2)	\$ 3,107.7
LIABILITIES, PREFERRED SHARES AND EQUITY						
<i>Current liabilities</i>						
Short-term borrowings	\$	\$	\$ 229.0	\$	\$	\$ 229.0
Current maturities of long-term debt	0.1		3.0	0.9		4.0
Accounts payable and accrued liabilities	30.4	106.8	461.9	8.1	(186.9)	420.3
Total current liabilities	30.5	106.8	693.9	9.0	(186.9)	653.3
Long-term debt		405.6	1,158.8	0.6		1,565.0
Deferred income taxes		129.3	(9.4)			119.9
Other long-term liabilities	0.4	29.6	40.5	1.3		71.8
Due to affiliates	1.3	548.8	3.9	32.9	(586.9)	
Total liabilities	32.2	1,220.1	1,887.7	43.8	(773.8)	2,410.0
Convertible preferred shares	116.1					116.1
Non-convertible preferred shares	32.7					32.7
<i>Equity</i>						

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

Capital stock, no par	388.3	355.5	1,766.0	39.7	(2,161.2)	388.3
Additional paid-in-capital	46.6					46.6
Retained earnings (deficit)	158.1	(2.8)	(694.5)	(55.1)	752.4	158.1
Accumulated other comprehensive (loss) income	(51.0)	0.1	(4.7)	5.2	(0.6)	(51.0)
Total Cott Corporation equity	542.0	352.8	1,066.8	(10.2)	(1,409.4)	542.0
Non-controlling interests				6.9		6.9
Total equity	542.0	352.8	1,066.8	(3.3)	(1,409.4)	548.9
Total liabilities, preferred shares and equity	\$ 723.0	\$ 1,572.9	\$ 2,954.5	\$ 40.5	\$ (2,183.2)	\$ 3,107.7

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

	For the Three Months Ended July 4, 2015					
	DS Services of		DSS		DSS	
	Cott	America,	Guaranto	Non-Guaranto	Elimination	Consolidated
	Corporation	Inc.	Subsidiaries	Subsidiaries	Entries	Consolidated
Operating Activities						
Net income (loss)	\$ 16.6	\$ (3.4)	\$ 15.9	\$ 4.4	\$ (15.2)	\$ 18.3
Depreciation & amortization	1.2	31.8	23.8	1.4		58.2
Amortization of financing fees			1.1			1.1
Amortization of senior notes premium		(1.4)				(1.4)
Share-based compensation expense	1.1	0.5	2.0	0.1		3.7
Increase (decrease) in deferred income taxes	0.7	(4.9)	(0.9)	(0.1)		(5.2)
Loss (gain) on disposal of property, plant & equipment		0.9	(0.7)			0.2
Equity income, net of distributions	(13.6)		(1.6)		15.2	
Intercompany dividends	2.2		10.0		(12.2)	
Other non-cash items	(6.8)		0.5			(6.3)
Net change in operating assets and liabilities, net of acquisition	27.9	(2.9)	(25.6)	7.7		7.1
Net cash provided by operating activities	29.3	20.6	24.5	13.5	(12.2)	75.7
Investing Activities						
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
Net cash (used in) provided by investing activities	(0.2)	(6.8)	17.0	(0.4)		9.6
Financing Activities						
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

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

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
Net cash used in financing activities	(15.3)		(26.1)	(11.8)	12.2
Effect of exchange rate changes on cash	(0.3)		0.6	(0.1)	0.2
Net increase in cash & cash equivalents	13.5	13.8	16.0	1.2	44.5
Cash & cash equivalents, beginning of period	0.3	14.8	14.8	4.6	34.5
Cash & cash equivalents, end of period	\$ 13.8	\$ 28.6	\$ 30.8	\$ 5.8	\$ 79.0

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

	For the Six Months Ended July 4, 2015					
	DS Services of		DSS		DSS	
	Cott	America,	Guaranto	Non-Guaranto	Elimination	Consolidated
	Corporation	Inc.	Subsidiaries	Subsidiaries	Entries	Consolidated
Operating Activities						
Net income (loss)	\$ 14.1	\$ (15.6)	\$ 16.4	\$ 6.6	\$ (4.4)	\$ 17.1
Depreciation & amortization	2.4	62.0	48.4	2.8		115.6
Amortization of financing fees			2.4			2.4
Amortization of senior notes premium		(2.9)				(2.9)
Share-based compensation expense	1.2	1.1	3.7	0.1		6.1
Increase (decrease) in deferred income taxes	1.1	(12.6)	(5.2)	(0.2)		(16.9)
Loss (gain) on disposal of property, plant & equipment		2.0	(0.4)			1.6
Equity income, net of distributions	(1.4)		(3.0)		4.4	
Intercompany dividends	4.3		12.1		(16.4)	
Other non-cash items	(6.8)		(9.7)			(16.5)
Net change in operating assets and liabilities, net of acquisition	18.8	(12.8)	(43.8)	5.9		(31.9)
Net cash provided by operating activities	33.7	21.2	20.9	15.2	(16.4)	74.6
Investing Activities						
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
Net cash (used in) provided by investing activities	(0.5)	(27.0)	8.5	(0.4)		(19.4)
Financing Activities						
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

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

Financing fees			(0.2)		(0.2)
Common shares repurchased and cancelled	(0.7)				(0.7)
Preferred shares repurchased and cancelled	(148.8)				(148.8)
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
Effect of exchange rate changes on cash	(0.7)		(0.1)	(0.2)	(1.0)
Net increase (decrease) in cash & cash equivalents	7.6	(5.8)	(7.4)	(1.6)	(7.2)
Cash & cash equivalents, beginning of period	6.2	34.4	38.2	7.4	86.2
Cash & cash equivalents, end of period	\$ 13.8	\$ 28.6	\$ 30.8	\$ 5.8	\$ 79.0

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

	For the Three Months Ended June 28, 2014					
	DS Services of		DSS		DSS	
	Cott	America, Guaranto	Non-Guaranto	Elimination		
	Corporation Inc.	Subsidiaries	Subsidiaries	Entries	Consolidated	
Operating Activities						
Net (loss) income	\$ (5.9)	\$	\$ (11.3)	\$ 3.0	\$ 9.7	\$ (4.5)
Depreciation & amortization	1.6		22.8	1.4		25.8
Amortization of financing fees	0.1		0.5			0.6
Share-based compensation expense	0.6		1.5			2.1
(Decrease) increase in deferred income taxes	(0.4)		2.7	0.3		2.6
Gain on disposal of property, plant & equipment			(0.1)			(0.1)
Asset impairments			0.3			0.3
Write off of financing fees and discount			3.0			3.0
Equity loss (income), net of distributions	17.9		(8.2)		(9.7)	
Intercompany dividends	15.9		2.6		(18.5)	
Other non-cash items	(0.2)		(0.3)			(0.5)
Net change in operating assets and liabilities	(18.0)		15.7	2.5		0.2
Net cash provided by operating activities	11.6		29.2	7.2	(18.5)	29.5
Investing Activities						
Acquisitions, net of cash received			(80.8)			(80.8)
Additions to property, plant & equipment	(0.3)		(11.5)			(11.8)
Additions to intangibles and other assets			(1.3)			(1.3)
Net cash used in investing activities	(0.3)		(93.6)			(93.9)
Financing Activities						
Payments of long-term debt	(0.1)		(296.7)	0.3		(296.5)
Issue of long-term debt			525.0			525.0
Borrowings under ABL			188.2			188.2
Payments under ABL			(284.3)			(284.3)
Distributions to non-controlling interests				(2.5)		(2.5)
Common shares repurchased and cancelled	(2.7)					(2.7)
Dividends paid to shareholders	(5.7)					(5.7)
Financing fees			(7.9)			(7.9)

Intercompany dividends		(15.9)	(2.6)	18.5	
Net cash (used in) provided by financing activities	(8.5)	108.4	(4.8)	18.5	113.6
Effect of exchange rate changes on cash	0.4	0.7			1.1
Net increase in cash & cash equivalents	3.2	44.7	2.4		50.3
Cash & cash equivalents, beginning of period	4.0	32.3	4.3		40.6
Cash & cash equivalents, end of period	\$ 7.2	\$ 77.0	\$ 6.7	\$	\$ 90.9

Table of Contents**Consolidating Statements of Condensed Cash Flows***(in millions of U.S. dollars)**Unaudited***For the Six Months Ended June 28, 2014**

	Cott Corporation	DS Services of America, Inc.	DSS Guarantor Subsidiaries	DSS Non-Guarantor Subsidiaries	Elimination Entries	Consolidated
Operating Activities						
Net (loss) income	\$ (10.0)	\$	\$ (16.3)	\$ 5.4	\$ 13.7	\$ (7.2)
Depreciation & amortization	3.1		44.9	2.9		50.9
Amortization of financing fees	0.1		1.1			1.2
Share-based compensation expense	0.8		2.6			3.4
(Decrease) increase in deferred income taxes	(1.3)		3.2			1.9
Asset impairments	0.9		1.0			1.9
Write off of financing fees and discount			3.3			3.3
Equity loss (income), net of distributions	16.4		(2.7)		(13.7)	
Intercompany dividends	18.2		5.0		(23.2)	
Other non-cash items	(0.2)		(0.5)			(0.7)
Net change in operating assets and liabilities	(7.7)		(72.7)	2.7		(77.7)
Net cash provided by (used in) operating activities	20.3		(31.1)	11.0	(23.2)	(23.0)
Investing Activities						
Acquisitions, net of cash received			(80.8)			(80.8)
Additions to property, plant & equipment	(0.9)		(19.7)			(20.6)
Additions to intangibles and other assets			(2.8)			(2.8)
Net cash used in investing activities	(0.9)		(103.3)			(104.2)
Financing Activities						
Payments of long-term debt	(0.1)		(312.4)			(312.5)
Issue of long-term debt			525.0			525.0
Borrowings under ABL			283.2			283.2
Payments under ABL			(299.4)			(299.4)

Distributions to non-controlling interests			(4.8)		(4.8)
Common shares repurchased and cancelled	(3.1)				(3.1)
Dividends paid to shareholders	(10.8)				(10.8)
Financing fees		(7.9)			(7.9)
Intercompany dividends		(18.2)	(5.0)	23.2	
Net cash (used in) provided by financing activities	(14.0)	170.3	(9.8)	23.2	169.7
Effect of exchange rate changes on cash	0.3	0.9			1.2
Net increase in cash & cash equivalents	5.7	36.8	1.2		43.7
Cash & cash equivalents, beginning of period	1.5	40.2	5.5		47.2
Cash & cash equivalents, end of period	\$ 7.2	\$ 77.0	\$ 6.7	\$	\$ 90.9

Table of Contents

The 2022 Notes and 2020 Notes, each issued by our 100% owned subsidiary, CBI, are guaranteed on a senior basis pursuant to guarantees by Cott Corporation and certain other 100% owned direct and indirect subsidiaries (the Cott Guarantor Subsidiaries). CBI and each Cott Guarantor Subsidiary is 100% owned by Cott Corporation. The guarantees of the 2022 Notes and the 2020 Notes by Cott Corporation and the Cott Guarantor Subsidiaries are full and unconditional, and all such guarantees are joint and several. The guarantees of the Cott Guarantor Subsidiaries are subject to release in limited circumstances only upon the occurrence of certain customary conditions.

We have not presented separate financial statements and separate disclosures have not been provided concerning 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 supplemental financial information sets forth on an unconsolidated basis, our Balance Sheets, Statements of Operations and Cash Flows for Cott Corporation, CBI, Cott Guarantor Subsidiaries and our other non-guarantor subsidiaries (the Cott Non-Guarantor Subsidiaries). The supplemental financial information reflects our investments and those of CBI in their respective subsidiaries using the equity method of accounting.

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

	For the Three Months Ended July 4, 2015					
	Cott		Cott		Elimination	
	Cott	Cott	Guarant	Non-Guarant	Entries	Consolidated
	Corporation	Beverages	In	Subsidiaries	Subsidiaries	Consolidated
Revenue, net	\$ 46.9	\$ 197.1	\$ 517.4	\$ 38.3	\$ (19.9)	\$ 779.8
Cost of sales	38.4	164.9	324.9	30.9	(19.9)	539.2
Gross profit	8.5	32.2	192.5	7.4		240.6
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
Operating income	3.6	7.8	30.3	4.4		46.1
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
Income before income tax expense (benefit) and equity income	4.8	0.9	7.0	4.5		17.2
Income tax expense (benefit)	1.8	(1.9)	(1.1)	0.1		(1.1)
Equity income	13.6	1.6			(15.2)	
Net income	\$ 16.6	\$ 4.4	\$ 8.1	\$ 4.4	\$ (15.2)	\$ 18.3
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
Net income attributed to Cott Corporation	\$ 2.2	\$ 4.4	\$ 8.1	\$ 2.7	\$ (15.2)	\$ 2.2
Comprehensive income attributed to Cott Corporation	\$ 24.4	\$ 26.5	\$ 21.4	\$ 4.2	\$ (52.1)	\$ 24.4

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

	For the Six Months Ended July 4, 2015					
	Cott	Cott	Cott	Cott	Elimination	Consolidated
	Corporation	Beverages Inc	Subsidiaries	Subsidiaries	Entries	
Revenue, net	\$ 76.9	\$ 367.1	\$ 1,006.0	\$ 69.7	\$ (30.1)	\$ 1,489.6
Cost of sales	65.4	310.7	644.9	56.8	(30.1)	1,047.7
Gross profit	11.5	56.4	361.1	12.9		441.9
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
Operating income	1.1	6.4	38.5	6.8		52.8
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
Income (loss) before income tax expense (benefit) and equity income	15.7	(8.4)	(7.5)	6.8		6.6
Income tax expense (benefit)	3.0	(6.5)	(7.2)	0.2		(10.5)
Equity income	1.4	3.0			(4.4)	
Net income (loss)	\$ 14.1	\$ 1.1	\$ (0.3)	\$ 6.6	\$ (4.4)	\$ 17.1
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
Net (loss) income attributed to Cott Corporation	\$ (3.8)	\$ 1.1	\$ (0.3)	\$ 3.6	\$ (4.4)	\$ (3.8)
	\$ (7.4)	\$ 3.7	\$ 0.9	\$ 4.8	\$ (9.4)	\$ (7.4)

**Comprehensive (loss) income attributed
to Cott Corporation**

47

Table of Contents**Condensed Consolidating Statement of Operations***(in millions of U.S. dollars)**Unaudited***For the Three Months Ended June 28, 2014**

	Cott Corporation	Cott Beverages Inc	Cott Guarantee Subsidiaries	Cott Non-Guarantee Subsidiaries	Elimination Entries	Consolidated
Revenue, net	\$ 49.5	\$ 199.9	\$ 276.8	\$ 36.0	\$ (13.0)	\$ 549.2
Cost of sales	41.0	168.7	243.7	29.8	(13.0)	470.2
Gross profit	8.5	31.2	33.1	6.2		79.0
Selling, general and administrative expenses	6.3	25.5	15.7	3.2		50.7
Gain on disposal of property, plant & equipment		(0.1)				(0.1)
Restructuring	0.1					0.1
Asset impairments			0.3			0.3
Acquisition and integration expenses		1.0	0.8			1.8
Operating income	2.1	4.8	16.3	3.0		26.2
Other (income) expense, net	(9.5)	19.7	9.6			19.8
Intercompany interest (income) expense, net		(3.9)	3.9			
Interest expense (income), net		8.5	(0.1)			8.4
Income (loss) before income tax (benefit) expense and equity (loss) income	11.6	(19.5)	2.9	3.0		(2.0)
Income tax (benefit) expense	(0.4)	2.6	0.3			2.5
Equity (loss) income	(17.9)	1.4	13.8		2.7	
Net (loss) income	\$ (5.9)	\$ (20.7)	\$ 16.4	\$ 3.0	\$ 2.7	\$ (4.5)
Less: Net income attributable to non-controlling interests				1.4		1.4
Net (loss) income attributed to Cott Corporation	\$ (5.9)	\$ (20.7)	\$ 16.4	\$ 1.6	\$ 2.7	\$ (5.9)
Comprehensive income (loss) attributed to Cott Corporation	\$ 2.5	\$ (3.6)	\$ 37.6	\$ 0.9	\$ (34.9)	\$ 2.5

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

	For the Six Months Ended June 28, 2014					
	Cott	Cott	Guarant	Non-Guarant	Elimination	Consolidated
	Corporation	Beverages	In	Subsidiaries	Subsidiaries	Entries
Revenue, net	\$ 86.7	\$ 375.0	\$ 519.1	\$ 68.3	\$ (24.8)	\$ 1,024.3
Cost of sales	75.2	322.7	459.5	56.5	(24.8)	889.1
Gross profit	11.5	52.3	59.6	11.8		135.2
Selling, general and administrative expenses	12.8	51.2	27.4	6.2		97.6
Restructuring	2.0	0.2	0.1			2.3
Asset impairments	0.9		1.0			1.9
Acquisition and integration expenses		1.0	1.9			2.9
Operating (loss) income	(4.2)	(0.1)	29.2	5.6		30.5
Other (income) expense, net	(9.3)	17.1	9.6	0.1		17.5
Intercompany interest (income) expense, net		(7.4)	7.4			
Interest expense, net	0.1	17.5	0.6			18.2
Income (loss) before income tax (benefit) expense and equity (loss) income	5.0	(27.3)	11.6	5.5		(5.2)
Income tax (benefit) expense	(1.4)	2.9	0.4	0.1		2.0
Equity (loss) income	(16.4)	2.7	7.0		6.7	
Net (loss) income	\$ (10.0)	\$ (27.5)	\$ 18.2	\$ 5.4	\$ 6.7	\$ (7.2)
Less: Net income attributable to non-controlling interests				2.8		2.8
Net (loss) income attributed to Cott Corporation	\$ (10.0)	\$ (27.5)	\$ 18.2	\$ 2.6	\$ 6.7	\$ (10.0)
Comprehensive (loss) income attributed to Cott Corporation	\$ (3.3)	\$ (6.3)	\$ 53.4	\$ 1.8	\$ (48.9)	\$ (3.3)

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

	As of July 4, 2015					Elimination Entries	Consolidated
	Cott Corporation	Cott Beverages Inc.	Cott Guarantor Subsidiaries	Cott Non-Guarantor Subsidiaries			
ASSETS							
<i>Current assets</i>							
Cash & cash equivalents	\$ 13.8	\$ 5.1	\$ 54.3	\$ 5.8	\$	\$	79.0
Accounts receivable, net of allowance	22.3	168.6	387.3	16.2	(227.8)		366.6
Income taxes recoverable		0.6	0.7				1.3
Inventories	15.2	76.7	167.9	6.9			266.7
Prepaid expenses and other assets	3.1	17.3	18.9	0.2			39.5
Total current assets	54.4	268.3	629.1	29.1	(227.8)		753.1
Property, plant & equipment, net	33.6	165.1	614.3	7.2			820.2
Goodwill	21.8	4.5	722.6				748.9
Intangibles and other assets, net	0.7	100.8	643.7	4.7			749.9
Deferred income taxes	1.2	33.8		0.1	(33.8)		1.3
Other tax receivable	0.1						0.1
Due from affiliates	33.0	709.3	2.8		(745.1)		
Investments in subsidiaries	577.4	630.6	621.1		(1,829.1)		
Total assets	\$ 722.2	\$ 1,912.4	\$ 3,233.6	\$ 41.1	\$ (2,835.8)		\$ 3,073.5
LIABILITIES AND EQUITY							
<i>Current liabilities</i>							
Short-term borrowings	\$	\$ 192.0	\$ 6.2	\$	\$	\$	198.2
Current maturities of long-term debt		2.6	0.5	0.8			3.9
Accounts payable and accrued liabilities	49.9	234.2	386.2	11.4	(227.8)		453.9
Total current liabilities	49.9	428.8	392.9	12.2	(227.8)		656.0
Long-term debt		1,155.7	394.3	0.2			1,550.2

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

Deferred income taxes			135.6		(33.8)	101.8
Other long-term liabilities	0.5	15.6	71.1	1.3		88.5
Due to affiliates	1.2	1.6	711.3	31.0	(745.1)	
Total liabilities	51.6	1,601.7	1,705.2	44.7	(1,006.7)	2,396.5
Equity						
Capital stock, no par	532.1	685.2	1,909.5	39.1	(2,633.8)	532.1
Additional paid-in-capital	50.9					50.9
Retained earnings (deficit)	142.2	(368.5)	(386.3)	(55.5)	810.3	142.2
Accumulated other comprehensive (loss) income	(54.6)	(6.0)	5.2	6.4	(5.6)	(54.6)
Total Cott Corporation equity	670.6	310.7	1,528.4	(10.0)	(1,829.1)	670.6
Non-controlling interests				6.4		6.4
Total equity	670.6	310.7	1,528.4	(3.6)	(1,829.1)	677.0
Total liabilities and equity	\$ 722.2	\$ 1,912.4	\$ 3,233.6	\$ 41.1	\$ (2,835.8)	\$ 3,073.5

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

	As of January 3, 2015					
	Cott		Cott		Elimination	
	Corporate	Beverages, Inc	Guarantor	Non-Guarantor	Entries	Consolidated
	Subsidiaries	Subsidiaries	Subsidiaries	Subsidiaries	Subsidiaries	Subsidiaries
ASSETS						
<i>Current assets</i>						
Cash & cash equivalents	\$ 6.2	\$ 8.6	\$ 64.0	\$ 7.4	\$	\$ 86.2
Accounts receivable, net of allowance	16.2	130.4	333.8	12.2	(186.9)	305.7
Income taxes recoverable		0.6	0.6	0.4		1.6
Inventories	12.4	72.5	172.0	5.5		262.4
Prepaid expenses and other assets	3.2	39.5	16.2	0.4		59.3
Total current assets	38.0	251.6	586.6	25.9	(186.9)	715.2
Property, plant & equipment, net	38.2	178.4	640.1	7.8		864.5
Goodwill	23.4	4.5	715.7			743.6
Intangibles and other assets, net	0.7	105.3	669.0	6.7		781.7
Deferred income taxes	2.5	30.5			(30.5)	2.5
Other tax receivable	0.1	0.1				0.2
Due from affiliates	183.8	564.5	3.0	0.1	(751.4)	
Investments in subsidiaries	436.3	623.5	349.6		(1,409.4)	
Total assets	\$ 723.0	\$ 1,758.4	\$ 2,964.0	\$ 40.5	\$ (2,378.2)	\$ 3,107.7
LIABILITIES, PREFERRED SHARES AND EQUITY						
<i>Current liabilities</i>						
Short-term borrowings	\$	\$ 229.0	\$	\$	\$	\$ 229.0
Current maturities of long-term debt	0.1	2.5	0.5	0.9		4.0
Accounts payable and accrued liabilities	30.4	212.4	356.3	8.1	(186.9)	420.3
Total current liabilities	30.5	443.9	356.8	9.0	(186.9)	653.3
Long-term debt		1,157.1	407.3	0.6		1,565.0
Deferred income taxes			150.4		(30.5)	119.9
Other long-term liabilities	0.4	5.8	64.3	1.3		71.8
Due to affiliates	1.3	1.7	715.5	32.9	(751.4)	
Total liabilities	32.2	1,608.5	1,694.3	43.8	(968.8)	2,410.0
Convertible preferred shares	116.1					116.1
Non-convertible preferred shares	32.7					32.7
<i>Equity</i>						

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

Capital stock, no par	388.3	525.7	1,595.8	39.7	(2,161.2)	388.3
Additional paid-in-capital	46.6					46.6
Retained earnings (deficit)	158.1	(367.2)	(330.1)	(55.1)	752.4	158.1
Accumulated other comprehensive (loss) income	(51.0)	(8.6)	4.0	5.2	(0.6)	(51.0)
Total Cott Corporation equity	542.0	149.9	1,269.7	(10.2)	(1,409.4)	542.0
Non-controlling interests				6.9		6.9
Total equity	542.0	149.9	1,269.7	(3.3)	(1,409.4)	548.9
Total liabilities, preferred shares and equity	\$ 723.0	\$ 1,758.4	\$ 2,964.0	\$ 40.5	\$ (2,378.2)	\$ 3,107.7

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

	Cott Corporate	Cott Beverages	Cott Guarantor Subsidiaries	Cott Non-Guarantor Subsidiaries	Elimination Entries	Consolidated
Operating Activities						
Net income	\$ 16.6	\$ 4.4	\$ 8.1	\$ 4.4	\$ (15.2)	\$ 18.3
Depreciation & amortization	1.2	10.7	44.9	1.4		58.2
Amortization of financing fees		1.0	0.1			1.1
Amortization of senior notes premium		(1.4)				(1.4)
Share-based compensation expense	1.1	1.8	0.7	0.1		3.7
Increase (decrease) in deferred income taxes	0.7	(1.7)	(4.1)	(0.1)		(5.2)
(Gain) loss on disposal of property, plant & equipment		(0.7)	0.9			0.2
Equity income, net of distributions	(13.6)	(1.6)			15.2	
Intercompany dividends	2.2	1.6	8.4		(12.2)	
Other non-cash items	(6.8)	6.3	(5.8)			(6.3)
Net change in operating assets and liabilities, net of acquisitions	27.9	(11.4)	(8.7)	(0.7)		7.1
Net cash provided by operating activities	29.3	9.0	44.5	5.1	(12.2)	75.7
Investing Activities						
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
Net cash (used in) provided by investing activities	(0.2)	21.6	(11.4)	(0.4)		9.6
Financing Activities						
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

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

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	
Net cash used in financing activities	(15.3)	(26.9)	(7.6)	(3.4)	12.2	(41.0)
Effect of exchange rate changes on cash	(0.3)		0.6	(0.1)		0.2
Net increase in cash & cash equivalents	13.5	3.7	26.1	1.2		44.5
Cash & cash equivalents, beginning of period	0.3	1.4	28.2	4.6		34.5
Cash & cash equivalents, end of period	\$ 13.8	\$ 5.1	\$ 54.3	\$ 5.8	\$	\$ 79.0

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

	For the Six Months Ended July 4, 2015					
	Cott	Cott	Cott	Cott	Elimination	Consolidated
	Corporate	Beverages	In Subsidiaries	Non-Guaranteed Subsidiaries	Entries	
Operating Activities						
Net income (loss)	\$ 14.1	\$ 1.1	\$ (0.3)	\$ 6.6	\$ (4.4)	\$ 17.1
Depreciation & amortization	2.4	22.2	88.2	2.8		115.6
Amortization of financing fees		2.3	0.1			2.4
Amortization of senior notes premium		(2.9)				(2.9)
Share-based compensation expense	1.2	3.3	1.5	0.1		6.1
Increase (decrease) in deferred income taxes	1.1	(6.9)	(10.9)	(0.2)		(16.9)
(Gain) loss on disposal of property, plant & equipment		(0.4)	2.0			1.6
Equity income, net of distributions	(1.4)	(3.0)			4.4	
Intercompany dividends	4.3	3.7	8.4		(16.4)	
Other non-cash items	(6.8)	(3.9)	(5.8)			(16.5)
Net change in operating assets and liabilities, net of acquisitions	18.8	10.4	(58.6)	(2.5)		(31.9)
Net cash provided by operating activities	33.7	25.9	24.6	6.8	(16.4)	74.6
Investing Activities						
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
Net cash (used in) provided by investing activities	(0.5)	14.8	(33.3)	(0.4)		(19.4)
Financing Activities						
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

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

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)
Net increase (decrease) cash & cash equivalents	7.6	(3.5)	(9.7)	(1.6)		(7.2)
Cash & cash equivalents, beginning of period	6.2	8.6	64.0	7.4		86.2
Cash & cash equivalents, end of period	\$ 13.8	\$ 5.1	\$ 54.3	\$ 5.8	\$	\$ 79.0

Table of Contents**Consolidating Statements of Condensed Cash Flows***(in millions of U.S. dollars)**Unaudited***For the Three Months Ended June 28, 2014**

	Cott Corporate	Cott Beverages Inc	Cott Guarantee Subsidiaries	Cott Non-Guarantee Subsidiaries	Elimination Entries	Consolidated
Operating Activities						
Net (loss) income	\$ (5.9)	\$ (20.7)	\$ 16.4	\$ 3.0	\$ 2.7	\$ (4.5)
Depreciation & amortization	1.6	10.0	12.8	1.4		25.8
Amortization of financing fees	0.1	0.4	0.1			0.6
Share-based compensation expense	0.6	1.3	0.2			2.1
(Decrease) increase in deferred income taxes	(0.4)	2.7		0.3		2.6
Gain on disposal of property, plant & equipment		(0.1)				(0.1)
Asset impairments			0.3			0.3
Write-off of financing fees and discount		3.0				3.0
Equity loss (income), net of distributions	17.9	(1.4)	(13.8)		(2.7)	
Intercompany dividends	15.9	2.6	9.3		(27.8)	
Other non-cash items	(0.2)		(0.3)			(0.5)
Net change in operating assets and liabilities, net of acquisitions	(18.0)	(77.5)	93.2	2.5		0.2
Net cash provided by (used in) operating activities	11.6	(79.7)	118.2	7.2	(27.8)	29.5
Investing Activities						
Acquisitions, net of cash received			(80.8)			(80.8)
Additions to property, plant & equipment	(0.3)	(7.1)	(4.4)			(11.8)
Additions to intangibles and other assets		(1.3)				(1.3)
Net cash used in investing activities	(0.3)	(8.4)	(85.2)			(93.9)
Financing Activities						
Payments of long-term debt	(0.1)	(296.6)	(0.1)	0.3		(296.5)
Issuance of long-term debt		525.0				525.0
Borrowings under ABL		188.2				188.2
Payments under ABL		(284.3)				(284.3)
Distributions to non-controlling interests				(2.5)		(2.5)
Financing fees		(7.9)				(7.9)
Common shares repurchased and cancelled	(2.7)					(2.7)

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

Dividends paid to shareholders	(5.7)					(5.7)
Intercompany dividends		(9.3)	(15.9)	(2.6)	27.8	
Net cash (used in) provided by financing activities	(8.5)	115.1	(16.0)	(4.8)	27.8	113.6
Effect of exchange rate changes on cash	0.4		0.7			1.1
Net increase in cash & cash equivalents	3.2	27.0	17.7	2.4		50.3
Cash & cash equivalents, beginning of period	4.0	5.9	26.4	4.3		40.6
Cash & cash equivalents, end of period	\$ 7.2	\$ 32.9	\$ 44.1	\$ 6.7	\$	\$ 90.9

Table of Contents**Consolidating Statements of Condensed Cash Flows***(in millions of U.S. dollars)**Unaudited***For the Six Months Ended June 28, 2014**

	Cott Corporate	Cott Beverages	Guarantor Subsidiaries	Cott Non-Guarantor Subsidiaries	Elimination Entries	Consolidated
Operating Activities						
Net (loss) income	\$ (10.0)	\$ (27.5)	\$ 18.2	\$ 5.4	\$ 6.7	\$ (7.2)
Depreciation & amortization	3.1	20.0	24.9	2.9		50.9
Amortization of financing fees	0.1	1.0	0.1			1.2
Share-based compensation expense	0.8	2.3	0.3			3.4
(Decrease) increase in deferred income taxes	(1.3)	2.6	0.6			1.9
Asset impairments	0.9		1.0			1.9
Write-off of financing fees and discount		3.3				3.3
Equity loss (income), net of distributions	16.4	(2.7)	(7.0)		(6.7)	
Intercompany dividends	18.2	5.0	9.3		(32.5)	
Other non-cash items	(0.2)	(0.2)	(0.3)			(0.7)
Net change in operating assets and liabilities, net of acquisitions	(7.7)	(136.4)	63.7	2.7		(77.7)
Net cash provided by (used in) operating activities	20.3	(132.6)	110.8	11.0	(32.5)	(23.0)
Investing Activities						
Acquisitions, net of cash received			(80.8)			(80.8)
Additions to property, plant & equipment	(0.9)	(12.2)	(7.5)			(20.6)
Additions to intangibles and other assets		(2.8)				(2.8)
Net cash used in investing activities	(0.9)	(15.0)	(88.3)			(104.2)
Financing Activities						
Payments of long-term debt	(0.1)	(312.2)	(0.2)			(312.5)
Issuance of long-term debt		525.0				525.0
Borrowings under ABL		283.2				283.2
Payments under ABL		(299.4)				(299.4)
Distributions to non-controlling interests				(4.8)		(4.8)
Financing fees		(7.9)				(7.9)
Common shares repurchased and cancelled	(3.1)					(3.1)
Dividends paid to shareholders	(10.8)					(10.8)
Intercompany dividends		(9.3)	(18.2)	(5.0)	32.5	

Net cash (used in) provided by financing activities	(14.0)	179.4	(18.4)	(9.8)	32.5	169.7
Effect of exchange rate changes on cash	0.3		0.9			1.2
Net increase in cash & cash equivalents	5.7	31.8	5.0	1.2		43.7
Cash & cash equivalents, beginning of period	1.5	1.1	39.1	5.5		47.2
Cash & cash equivalents, end of period	\$ 7.2	\$ 32.9	\$ 44.1	\$ 6.7		\$ 90.9

Table of Contents

Note 19 Subsequent Events

On July 28, 2015, our board of directors declared a dividend of \$0.06 per share on common shares, payable in cash on September 9, 2015 to shareowners of record at the close of business on August 27, 2015.

In July 2015, deferred consideration payments in aggregate of \$11.4 million were made to the former security holders of DSS upon the final determination of actual working capital, net indebtedness and certain transaction-related expenses in connection with the DSS Acquisition.

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 year ended January 3, 2015 (the 2014 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 2014 Annual Report.

Overview

We are one of the world's largest producers of beverages on behalf of retailers, brand owners and distributors and have one of the broadest home and office bottled water and office coffee services distribution networks in the United States with the ability to service approximately 90 percent of U.S. households, as well as national, regional and local offices. Our objective of creating sustainable long-term growth in revenue and profitability is predicated on working closely with our customers to provide proven profitable products. As a fast follower of innovative products, our goal is to identify which new products are succeeding in the marketplace and develop similar high quality products at a better value. This objective is increasingly relevant in more difficult economic times.

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 Cott 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 2015, 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 all or a portion of its requirements for CSDs, our operating results could be materially adversely affected. Sales to Walmart for the six months ended July 4, 2015 and June 28, 2014 accounted for 18.3% and 27.0% 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.

Table of Contents**Acquisition and Financing Transactions**

On June 25, 2015, the Company entered into a sale-leaseback transaction (the **Sale-Leaseback Transaction**) involving five of our manufacturing, production and distribution facilities in North America and received cash proceeds of \$40.1 million, after related transaction expenses, and recorded a gain of \$22.6 million. The facilities are being leased from the buyer-lessor over an initial lease term of 20 years and the lease is classified as an operating lease. The Company determined it has retained the lease rights to the facilities but not the benefits and risks incident to ownership; thus \$21.6 million of the \$22.6 million gain was deferred, with the remaining \$1.0 million recognized as a gain on sale in other expense (income), net in our Consolidated Statement of Operations. This deferred gain is being amortized as a reduction to rent expense over the 20-year initial lease term.

On May 26, 2015, we completed an offering, on a bought deal basis, of 16,215,000 common shares at a price of \$9.25 per share for gross proceeds to the Company of approximately \$150.0 million (the **Offering**). We incurred \$6.0 million of underwriter commissions and \$1.5 million in professional fees in connection with the Offering. The proceeds of the Offering were used to redeem all of the Preferred Shares (as defined below) (see Note 14 to the Consolidated Financial Statements).

In connection with the Offering, we amended the ABL facility on May 26, 2015 to, among other things, (1) facilitate the redemption of the Preferred Shares, (2) modify the sale-leaseback covenant to allow for the inclusion of properties that have been owned by certain subsidiaries of the Company for more than 180 days, and (3) make miscellaneous other technical changes.

In December 2014, we completed the acquisition by merger of DSS Group, Inc. (the **DSS Group**), parent company to DS Services of America, Inc. (collectively **DSS**), a leading bottled water and coffee direct-to-consumer services provider in the United States (the **DSS Acquisition**). The DSS Acquisition was consummated pursuant to an Agreement and Plan of Merger (the **DSS Merger Agreement**) dated November 6, 2014. Aggregate consideration was approximately \$1.246 billion payable through a combination of incremental borrowings under our asset based lending facility (**ABL facility**) of \$180.0 million, the issuance of \$625.0 million of our 6.75% senior notes due January 1, 2020 (**2020 Notes**), the assumption of existing \$350.0 million senior notes due 2021 originally issued by DSS, and the issuance of Series A Convertible First Preferred Shares (the **Convertible Preferred Shares**) having an aggregate value of approximately \$116.1 million and Series B Non-Convertible First Preferred Shares (the **Non-Convertible Preferred Shares**, and together with the Convertible Preferred Shares, the **Preferred Shares**) having an aggregate value of approximately \$32.7 million.

In connection with the DSS Acquisition, we amended the ABL facility on December 12, 2014 to, among other things, provide an increase in the lenders' commitments under the ABL facility to \$400.0 million, an increase to the accordion feature, which permits us to increase the lenders' commitments under the ABL facility to \$450.0 million, subject to certain conditions, and an extension of the maturity date to the earliest of (i) December 12, 2019, (ii) June 12, 2019, if we have not redeemed, repurchased or refinanced the 2020 Notes by May 28, 2019, or (iii) any earlier date on which the commitments under the ABL facility are reduced to zero or otherwise terminated.

We also issued \$625.0 million of the 2020 Notes in December 2014 to qualified purchasers in a private placement under Rule 144A and Regulation S under the Securities Act of 1933, as amended (the **Securities Act**) and used the proceeds from the issuance to partially finance the DSS Acquisition.

In June 2014, we issued \$525.0 million of our 5.375% senior notes due 2022 to qualified purchasers in a private placement under Rule 144A and Regulation S under the Securities Act. We used the proceeds to redeem \$375.0 million aggregate principal amount of our 8.125% senior notes due 2018 (the **2018 Notes**) and provide additional

funding for our operations. On May 13, 2015, we exchanged the notes for notes that are registered under the Securities Act and that do not contain transfer restrictions, registration rights or additional interest provisions, but otherwise contain identical economic terms (the 2022 Notes).

In May 2014, our U.K. reporting segment acquired 100% of the share capital of Aimia Foods Holdings Limited (the Aimia Acquisition), which includes its operating subsidiary company, Aimia Foods Limited (together referred to as Aimia). Aimia produces and distributes hot chocolate, coffee and powdered beverages primarily through food service, vending and retail channels, and produces hot and cold cereal products on a contract manufacturing basis. The aggregate purchase price for the Aimia Acquisition was £52.1 million (\$87.6 million) payable in cash, which included a payment for estimated closing balance sheet working capital, £19.9 million (\$33.5 million) in deferred consideration paid on September 15, 2014, and aggregate contingent consideration of up to £16.0 million (\$25.0 million at exchange rates in effect on July 4, 2015), which is payable upon the achievement of certain measures related to Aimia s performance during the twelve months ending July 1, 2016. The closing payment was funded from ABL borrowings and available cash.

Table of Contents

In June 2013, our U.K. reporting segment acquired 100% of the share capital of Cooke Bros. Holdings Limited, which included a deferred payment of approximately \$2.3 million paid on the first anniversary of the closing date, and a deferred payment of approximately \$2.5 million paid on the second anniversary of the closing date.

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, discussions of estimated future revenue enhancements and cost savings. These statements also relate to our business strategy, goals and expectations concerning our market position, future operations, margins, profitability, liquidity and capital resources. Generally, words such as anticipate, believe, continue, could, endeavor, estimate, expect, intend, may, will, plan, predict, project, should and similar terms and phrases are used in forward-looking statements in this report and any documents incorporated in this report by reference. These forward-looking statements reflect current expectations regarding future events and operating performance and are made only as of the date of this report.

The forward-looking statements are not guarantees of future performance or events and, by their nature, are based on certain estimates and assumptions regarding interest and foreign exchange rates, expected growth, results of operations, performance, business prospects and opportunities and effective income tax rates, which are subject to inherent risks and uncertainties. Material factors or assumptions that were applied in drawing a conclusion or making an estimate set out in forward-looking statements may include, but are not limited to, assumptions regarding management's current plans and estimates, 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 2014 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 a highly competitive beverage category;

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 legacy Cott 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 the DSS Acquisition because of integration difficulties and other challenges;

risks associated with the DSS Merger Agreement;

Table of Contents

changes resulting from our assessment of the system of internal control over financial reporting maintained by DSS;

limited financial information on which to evaluate the combined company;

the incurrence of substantial indebtedness to finance the DSS 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;

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; or

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

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

Non-GAAP Measures

In this report, we supplement our reporting of financial measures determined in accordance with U.S. generally accepted accounting principles (GAAP) by utilizing certain non-GAAP financial measures. We exclude the impact of foreign exchange, the impact of energy surcharges, and, in some cases, the impact of DSS or Aimia operating results, to separate the impact of currency exchange rate changes, energy surcharges and recent acquisitions from our results of operations. We exclude these items to better understand trends in the business.

Table of Contents

We also utilize earnings before interest expense, taxes, depreciation and amortization (EBITDA), on both a global and reporting segment basis, which is GAAP earnings (loss) before interest expense, provision for income taxes, depreciation and amortization. We consider EBITDA to be an indicator of operating performance. We also use EBITDA, as do analysts, lenders, investors and others, because it excludes certain items that can vary widely across different industries or among companies within the same industry. These differences can result in considerable variability in the relative costs of productive assets and the depreciation and amortization expense among companies. We also utilize adjusted EBITDA, on both a global and reporting segment basis, which is EBITDA excluding restructuring expenses and asset impairments, bond redemption and other financing costs, certain tax reorganization and regulatory costs, unrealized (gain) loss on commodity hedging instruments, unrealized foreign exchange (gain) loss, loss on disposal of property, plant and equipment (excluding cash proceeds received), acquisition and integration costs related to the DSS Acquisition or the Aimia Acquisition, 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 (losses) excluding restructuring expenses and asset impairments, bond redemption and other financing costs, certain tax reorganization and regulatory costs, acquisition and integration costs, purchase accounting adjustments, unrealized (gain) loss on commodity hedging instruments, unrealized foreign exchange (gain) loss, foreign exchange impact on redemption of preferred shares, loss on disposal of property, plant and equipment (excluding cash proceeds received), and other adjustments, as well as adjusted earnings per diluted share, which is adjusted net income divided by diluted weighted average outstanding shares. We consider these measures to be indicators of our operating performance.

Additionally, we supplement our reporting of net cash provided by operating activities determined in accordance with GAAP by excluding capital expenditures to present free cash flow and adjusted free cash flow (which is free cash flow excluding bond redemption cash costs and acquisition related cash 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 4, 2015 (the second quarter) was \$2.2 million, or \$0.02 per diluted share, and our net loss for the six months ended July 4, 2015 (first half of 2015 or year to date) was \$3.8 million, or \$0.04 per diluted share, respectively, compared to net loss of \$5.9 million, or \$0.06 per diluted share, and \$10.0 million, or \$0.11 per diluted share, for the three and six months ended June 28, 2014, respectively.

The following items of significance affected our financial results for the first half of 2015:

revenue increased 45.4% from the comparable prior year period due primarily to the DSS Acquisition, partially offset by a mix shift from private label to contract manufacturing in North America and the United Kingdom. Excluding the impact of foreign exchange, revenue increased 49.1% from the comparable prior year period;

gross profit as a percentage of revenue increased to 29.7% compared to 13.2% from the comparable prior year period due primarily to the addition of the Aimia and DSS businesses and cost and efficiency savings, partially offset by the impact of unfavorable foreign exchange rates and increased costs in the U.K. reporting segment;

SG&A expenses increased to \$378.7 million compared to \$97.6 million in the comparable prior year period due primarily to the addition of the DSS business. As a percentage of revenue, SG&A expenses increased to 25.4% from 9.5% in the comparable prior year period;

Table of Contents

other income was \$9.4 million compared to other expense of \$17.5 million in the comparable prior year period due primarily to net realized gains on translation of balances denominated in foreign currencies in the first half of 2015 compared to expenses incurred due to the redemption of our 2018 Notes in the comparable prior year period;

interest expense increased by \$37.4 million, or 205.5%, as compared to the prior year period due primarily to the issuance of our 2020 Notes, 2022 Notes and the assumption of the existing DSS Notes (as defined below) in connection with the DSS Acquisition;

income tax benefit was \$10.5 million compared to an income tax expense of \$2.0 million in the comparable prior year period due primarily to the recognition of tax benefits in the United States. In the first half of 2014, a valuation allowance offset the tax benefits generated in the United States;

Adjusted EBITDA increased to \$182.0 million from \$90.9 million in the comparable prior year period due to the items listed above; and

Adjusted net income and adjusted net income per diluted share were \$9.9 million and \$0.10, respectively, compared to adjusted net income of \$15.0 million and adjusted income per diluted share of \$0.16 in the comparable prior year period, respectively.

The following items of significance affected our financial results for the first half of 2014:

revenue decreased 4.2% from the comparable prior year period due primarily to adverse CSD volume arising from continued aggressive promotional activity from the national brands as well as an overall mix shift toward contract manufacturing. Excluding the impact of foreign exchange, revenue decreased 5.4% from the comparable prior year period;

gross profit as a percentage of revenue decreased to 13.2% compared to 13.5% from the comparable prior year period due primarily to the competitive environment and lower North America volume alongside additional freight and operating costs caused by inclement weather in North America as well as increased freight costs from internal transfers associated with the initial start-up and expansion of contract manufacturing volume, offset in part by a product mix shift into higher margin products;

SG&A expenses for the period increased to \$97.6 million from \$94.7 million in the comparable prior year period due primarily to higher employee-related incentive costs in the current year and the addition of the Calypso and Aimia businesses;

other expense was \$17.5 million for the period compared to other expense of \$0.3 million in the comparable prior year period due primarily to the purchase of \$295.9 million aggregate principal amount of our 2018 Notes in a cash tender offer in the second quarter partially offset by a favorable legal settlement;

interest expense decreased by \$7.9 million, or 30.3%, as compared to the prior year period due primarily to the redemption of our 8.375% Senior Notes due 2017 (the 2017 Notes) and the amendment to our ABL facility to more favorable terms in the prior year;

income tax expense was \$2.0 million compared to an income tax expense of \$1.8 million in the comparable prior year period, due primarily to both a reduction in pre-tax income in the prior year period to a pre-tax loss in the current year period as well as current year period pre-tax income in certain jurisdictions that is not offset by losses in other jurisdictions that have valuation allowances;

Adjusted EBITDA decreased to \$90.9 million from \$100.8 million in the comparable prior year period due to the items listed above; and

Adjusted net income and adjusted income per diluted share were \$15.0 million and \$0.16, respectively, compared to adjusted net income of \$20.0 million and adjusted income per diluted share of \$0.21 in the comparable prior year period, respectively.

Table of Contents

The following table summarizes our Consolidated Statements of Operations as a percentage of revenue for the three and six months ended July 4, 2015 and June 28, 2014, respectively:

<i>(in millions of U.S. dollars)</i>	For the Three Months Ended				For the Six Months Ended			
	July 4, 2015		June 28, 2014		July 4, 2015		June 28, 2014	
	\$	%	\$	%	\$	%	\$	%
Revenue, net	779.8	100.0	549.2	100.0	1,489.6	100.0	1,024.3	100.0
Cost of sales	539.2	69.1	470.2	85.6	1,047.7	70.3	889.1	86.8
Gross profit	240.6	30.9	79.0	14.4	441.9	29.7	135.2	13.2
Selling, general, and administrative expenses	190.2	24.4	50.7	9.2	378.7	25.4	97.6	9.5
Loss (gain) on disposal of property, plant and equipment	0.2		(0.1)		1.6	0.1		
Restructuring			0.1				2.3	0.2
Asset impairments			0.3	0.1			1.9	0.2
Acquisition and integration expenses	4.1	0.5	1.8	0.3	8.8	0.6	2.9	0.3
Operating income	46.1	5.9	26.2	4.8	52.8	3.5	30.5	3.0
Other expense (income), net	1.0	0.1	19.8	3.6	(9.4)	(0.6)	17.5	1.7
Interest expense, net	27.9	3.6	8.4	1.5	55.6	3.7	18.2	1.8
Income (loss) before income taxes	17.2	2.2	(2.0)	(0.4)	6.6	0.4	(5.2)	(0.5)
Income tax (benefit) expense	(1.1)	(0.1)	2.5	0.5	(10.5)	(0.7)	2.0	0.2
Net income (loss)	18.3	2.3	(4.5)	(0.8)	17.1	1.1	(7.2)	(0.7)
Less: Net income attributable to non-controlling interests	1.7	0.2	1.4	0.3	3.0	0.2	2.8	0.3
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	2.2	0.3	(5.9)	(1.1)	(3.8)	(0.3)	(10.0)	(1.0)
Depreciation & amortization	58.2	7.5	25.8	4.7	115.6	7.8	50.9	5.0

The following table summarizes our revenue and operating income (loss) by reporting segment for the three and six months ended July 4, 2015 and June 28, 2014, respectively:

<i>(in millions of U.S. dollars)</i>	For the Three Months Ended		For the Six Months Ended	
	July 4, 2015	June 28, 2014	July 4, 2015	June 28, 2014
<u>Revenue</u>				

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

North America	\$ 359.0	\$ 379.3	\$ 687.7	\$ 730.1
DSS	257.0		497.3	
U.K.	153.8	157.7	286.0	273.3
All Other	16.4	18.3	29.4	33.1
Elimination	(6.4)	(6.1)	(10.8)	(12.2)
Total	\$ 779.8	\$ 549.2	\$ 1,489.6	\$ 1,024.3

Operating income (loss)

North America	\$ 18.3	\$ 15.3	\$ 25.5	\$ 17.8
DSS	13.2		11.7	
U.K.	14.6	10.7	18.5	12.9
All Other	3.7	3.1	5.3	5.6
Corporate	(3.7)	(2.9)	(8.2)	(5.8)
Total	\$ 46.1	\$ 26.2	\$ 52.8	\$ 30.5

Table of Contents

Revenues are attributed to reporting segments based on the location of the customer.

The following tables summarize revenue by channel for the three and six months ended July 4, 2015 and June 28, 2014, respectively:

For the Three Months Ended July 4, 2015

<i>(in millions of U.S. dollars)</i>	North America	DSS	U.K.	All Other	Elimination	Total
Revenue						
Private label retail	\$ 289.7	\$ 17.2	\$ 71.8	\$ 1.7	(0.7)	\$ 379.7
Branded retail	30.8	20.6	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
Other	7.2	24.7	2.6	6.6	(3.6)	37.5
Total	\$ 359.0	\$ 257.0	\$ 153.8	\$ 16.4	\$ (6.4)	\$ 779.8

For the Six Months Ended July 4, 2015

<i>(in millions of U.S. dollars)</i>	North America	DSS	U.K.	All Other	Elimination	Total
Revenue						
Private label retail	\$ 557.4	\$ 32.7	\$ 132.7	\$ 2.8	(1.2)	\$ 724.4
Branded retail	57.9	40.3	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
Other	15.5	48.2	4.7	13.5	(7.1)	74.8
Total	\$ 687.7	\$ 497.3	\$ 286.0	\$ 29.4	\$ (10.8)	\$ 1,489.6

For the Three Months Ended June 28, 2014

<i>(in millions of U.S. dollars)</i>	North America	U.K.	All Other	Elimination	Total
Revenue					
Private label retail	\$ 313.9	\$ 79.0	\$ 1.8	\$ (0.3)	\$ 394.4
Branded retail	27.9	48.3	1.1	(0.5)	76.8
Contract packaging	28.4	29.3	7.7	(1.9)	63.5
Home and office bottled water delivery					
Office coffee services					
Other	9.1	1.1	7.7	(3.4)	14.5

Total	\$	379.3	\$	157.7	\$	18.3	\$	(6.1)	\$	549.2
-------	----	-------	----	-------	----	------	----	-------	----	-------

Table of Contents**For the Six Months Ended June 28, 2014**

<i>(in millions of U.S. dollars)</i>	North America	U.K.	All Other	Elimination	Total
Revenue					
Private label retail	\$ 613.6	\$ 142.5	\$ 2.7	\$ (0.4)	\$ 758.4
Branded retail	53.0	79.7	2.3	(0.9)	134.1
Contract packaging	48.3	49.4	14.5	(4.8)	107.4
Home and office bottled water delivery					
Office coffee services					
Other	15.2	1.7	13.6	(6.1)	24.4
Total	\$ 730.1	\$ 273.3	\$ 33.1	\$ (12.2)	\$ 1,024.3

Results of Operations

The following tables summarize the change in revenue by reporting segment for the three and six months ended July 4, 2015 and June 28, 2014, respectively:

For the Three Months Ended July 4, 2015

<i>(in millions of U.S. dollars, except percentage amounts)</i>	North America	DSS	U.K.	All Other	Elimination	Total
Change in revenue	\$ (20.3)	\$ 257.0	\$ (3.9)	\$ (1.9)	\$ (0.3)	\$ 230.6
Impact of foreign exchange	¹ 5.2		14.8	1.3		21.3
Change excluding foreign exchange	\$ (15.1)	\$ 257.0	\$ 10.9	\$ (0.6)	\$ (0.3)	\$ 251.9
Percentage change in revenue	(5.4)%		% (2.5)%	(10.4)%	4.9%	42.0%
Percentage change in revenue excluding foreign exchange	(4.0)%		% 6.9%	(3.3)%	4.9%	45.9%
Impact of DSS Acquisition	\$ (1.6)	\$ (257.0)	\$	\$	\$ 1.6	\$ (257.0)
Change excluding foreign exchange and DSS Acquisition	\$ (16.7)	\$	\$ 10.9	\$ (0.6)	\$ 1.3	\$ (5.1)
Percentage change in revenue excluding foreign exchange and DSS Acquisition	(4.4)%		% 6.9%	(3.3)%	(21.3)%	(0.9)%

For the Six Months Ended July 4, 2015

<i>(in millions of U.S. dollars, except percentage amounts)</i>	North America	DSS	U.K.	All Other	Elimination	Total
Change in revenue	\$ (42.4)	\$ 497.3	\$ 12.7	\$ (3.7)	\$ 1.4	\$ 465.3
Impact of foreign exchange	¹ 8.6		27.0	2.0		37.6

Change excluding foreign exchange	\$ (33.8)	\$ 497.3	\$ 39.7	\$ (1.7)	\$ 1.4	\$ 502.9
Percentage change in revenue	(5.8)%		% 4.6%	(11.2)%	(11.5)%	45.4%
Percentage change in revenue excluding foreign exchange	(4.6)%		% 14.5%	(5.1)%	(11.5)%	49.1%
Impact of DSS Acquisition	\$ (1.6)	\$ (497.3)	\$	\$	\$ 1.6	\$ (497.3)
Change excluding foreign exchange and DSS Acquisition	\$ (35.4)	\$	\$ 39.7	\$ (1.7)	\$ 3.0	\$ 5.6
Percentage change in revenue excluding foreign exchange and DSS Acquisition	(4.8)%		% 14.5%	(5.1)%	(24.6)%	0.5%

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

Table of Contents

For the Three Months Ended June 28, 2014					
<i>(in millions of U.S. dollars, except percentage amounts)</i>	North America	U.K.	All Other	Elimination	Total
Change in revenue	\$ (44.2)	\$ 29.8	\$ 0.5	\$ (0.7)	\$ (14.6)
Impact of foreign exchange	¹ 2.9	(13.0)	0.3		(9.8)
Change excluding foreign exchange	\$ (41.3)	\$ 16.8	\$ 0.8	\$ (0.7)	\$ (24.4)
Percentage change in revenue	(10.4)%	23.3%	2.8%	(13.0)%	(2.6)%
Percentage change in revenue excluding foreign exchange	(9.8)%	13.1%	4.5%	(13.0)%	(4.3)%

For the Six Months Ended June 28, 2014					
<i>(in millions of U.S. dollars, except percentage amounts)</i>	North America	U.K.	All Other	Elimination	Total
Change in revenue	\$ (90.4)	\$ 48.0	\$ 0.5	\$ (3.0)	\$ (44.9)
Impact of foreign exchange	¹ 6.1	(19.7)	0.5		(13.1)
Change excluding foreign exchange	\$ (84.3)	\$ 28.3	\$ 1.0	\$ (3.0)	\$ (58.0)
Percentage change in revenue	(11.0)%	21.3%	1.5%	(32.6)%	(4.2)%
Percentage change in revenue excluding foreign exchange	(10.3)%	12.6%	3.1%	(32.6)%	(5.4)%

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

Table of Contents

The following table summarizes our EBITDA and Adjusted EBITDA for the three and six months ended July 4, 2015 and June 28, 2014, respectively:

<i>(in millions of U.S. dollars)</i>	For the Three Months Ended		For the Six Months Ended	
	July 4, 2015	June 28, 2014	July 4, 2015	June 28, 2014
Net income (loss) attributed to Cott Corporation	\$ 2.2	\$ (5.9)	\$ (3.8)	\$ (10.0)
Interest expense, net	27.9	8.4	55.6	18.2
Income tax (benefit) expense	(1.1)	2.5	(10.5)	2.0
Depreciation & amortization	58.2	25.8	115.6	50.9
Net income attributable to non-controlling interests	1.7	1.4	3.0	2.8
Accumulated dividends on preferred shares	2.4		5.9	
Foreign exchange impact on redemption of preferred shares	12.0		12.0	
EBITDA	\$ 103.3	\$ 32.2	\$ 177.8	\$ 63.9
Restructuring and asset impairments		0.4		4.2
Bond redemption and other financing costs		19.6		20.5
Tax reorganization and other fees		0.2		0.3
Acquisition and integration expenses	4.1	1.8	8.8	2.9
Purchase accounting adjustments, net		1.2	4.2	1.2
Other adjustments	1.2		1.2	(3.5)
Unrealized commodity hedging gain, net	(0.9)		(1.2)	
Unrealized foreign exchange and other losses (gains), net	0.4	0.7	(10.5)	1.3
Loss on disposal of property, plant & equipment	0.2		1.7	0.1
Adjusted EBITDA	\$ 108.3	\$ 56.1	\$ 182.0	\$ 90.9

The following table summarizes our adjusted net income and adjusted net income per common share for the three and six months ended July 4, 2015 and June 28, 2014, respectively:

<i>(in millions of U.S. dollars, except share and per share amounts)</i>	For the Three Months Ended		For the Six Months Ended	
	July 4, 2015	June 28, 2014	July 4, 2015	June 28, 2014
Net income (loss) attributed to Cott Corporation	\$ 2.2	\$ (5.9)	\$ (3.8)	\$ (10.0)
Restructuring and asset impairments, net of tax		0.4		3.3
Bond redemption and other financing costs, net of tax		19.6		20.5
Tax reorganization and other fees, net of tax		0.2		0.3
Acquisition and integration, net of tax	2.7	1.4	5.7	2.4

Table of Contents

The following table summarizes our free cash flow and adjusted free cash flow for the three and six months ended July 4, 2015 and June 28, 2014, respectively:

<i>(in millions of U.S. dollars)</i>	For the Three Months Ended	
	July 4, 2015	June 28, 2014
Net cash provided by operating activities	\$ 75.7	\$ 29.5
Less: Capital expenditures	(29.9)	(11.8)
Free Cash Flow	\$ 45.8	\$ 17.7
Plus: Bond redemption cash costs		16.4
Adjusted Free Cash Flow	\$ 45.8	\$ 34.1
	For the Six Months Ended	
	July 4, 2015	June 28, 2014
Net cash provided by (used in) operating activities	\$ 74.6	\$ (23.0)
Less: Capital expenditures	(57.2)	(20.6)
Free Cash Flow	\$ 17.4	\$ (43.6)
Plus: Bond redemption cash costs		17.0
Less: Cash collateral ¹	(29.4)	
Adjusted Free Cash Flow	\$ (12.0)	\$ (26.6)

1. 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 against our ABL facility, and the cash collateral was included within prepaid and other current assets on our Consolidated Balance Sheet at January 3, 2015. Subsequent to 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.

Table of Contents

The following unaudited financial information for the three and six months ended July 4, 2015 represents the activity of Aimia for such periods. Aimia was combined with our U.K. operations as of the date of its acquisition:

<i>(in millions of U.S. dollars)</i>	For the Three Months Ended July 4, 2015	For the Six Months Ended July 4, 2015
Revenue		
U.K.	\$ 153.8	\$ 286.0
Less: Aimia	(22.7)	(48.6)
U.K. excluding Aimia	\$ 131.1	\$ 237.4

The following unaudited financial information for the three and six months ended July 4, 2015 represents the activity of DSS for such periods. DSS was combined with our consolidated operations as of the date of its acquisition:

<i>(in millions of U.S. dollars)</i>	For the Three Months Ended July 4, 2015	For the Six Months Ended July 4, 2015
Revenue		
Cott Corporation	\$ 779.8	\$ 1,489.6
Less: DSS	(257.0)	(497.3)
Cott Corporation excluding DSS	\$ 522.8	\$ 992.3

Revenue

Revenue increased \$230.6 million, or 42.0%, and \$465.3 million, or 45.4%, in the second quarter and year to date, respectively, from the comparable prior year periods. Excluding the impact of DSS and foreign exchange, revenue decreased 0.9% in the second quarter and increased 0.5% year to date from the comparable prior year periods.

North America revenue decreased \$20.3 million, or 5.4%, and \$42.4 million, or 5.8%, in the second quarter and year to date, respectively, from the comparable prior year periods. Excluding the impact of foreign exchange, revenue decreased 4.0% and 4.6% in the second quarter and year to date, respectively, due primarily to lower volumes as a result of a general market decline in CSD and private label shelf stable juice, partially offset by increases in contract manufacturing and other growth areas such as sparkling waters and mixers.

U.K. revenue decreased \$3.9 million, or 2.5%, in the second quarter, and increased \$12.7 million, or 4.6%, year to date from the comparable prior year periods due primarily to the impact of unfavorable foreign exchange rates and the competitive environment, partially offset by a full quarter of Aimia operations. Excluding the impact of foreign exchange, U.K. revenue increased 6.9% and 14.5% in the second quarter and year to date, respectively.

All Other revenue decreased \$1.9 million, or 10.4%, and \$3.7 million, or 11.2%, in the second quarter and year to date, respectively, from the comparable prior year periods due primarily to a product mix shift into concentrates which

has a lower revenue per case when compared to finished goods.

Cost of Sales

Cost of sales represented 69.1% and 70.3% of revenue in the second quarter and year to date, respectively, compared to 85.6% and 86.8% 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 Aimia and DSS businesses and the growth in contract manufacturing.

Gross Profit

Gross profit as a percentage of revenue increased to 30.9% and 29.7% in the second quarter and year to date, respectively, from 14.4% and 13.2% in the comparable prior year periods due primarily to the addition of the higher margin businesses of Aimia and DSS and cost and efficiency savings, offset by the impact of unfavorable foreign exchange rates and the competitive environment in our U.K. reporting segment.

Table of Contents***Selling, General and Administrative Expenses***

SG&A expenses increased \$139.5 million, or 275.1%, and \$281.1 million, or 288.0%, in the second quarter and year to date, respectively, from the comparable prior year periods. The increase in SG&A expenses was due primarily to the addition of the DSS business. As a percentage of revenue, SG&A increased to 24.4% and 25.4% in the second quarter and year to date, respectively, from 9.2% and 9.5% in the comparable prior year periods.

Restructuring and Asset Impairments

We implement restructuring programs from time to time that are designed to improve operating effectiveness and lower costs. When we implement these programs, we incur various charges, including severance, asset impairments, and other employment related costs. We had no restructuring activities during the six months ended July 4, 2015. During the first quarter of 2014, we implemented one such program, which involved the closure of two of our smaller plants, one located in North America and another one located in the United Kingdom (the 2014 Restructuring Plan). For the six months ended June 28, 2014, in connection with the 2014 Restructuring Plan, we incurred charges of approximately \$2.3 million related primarily to headcount reductions and \$1.9 million related to asset impairments.

Operating Income

Operating income was \$46.1 million and \$52.8 million in the second quarter and year to date, respectively, compared to \$26.2 million and \$30.5 million in the comparable prior year periods. The increase was due primarily to higher gross profit as a percentage of revenue and the reduction of restructuring and asset impairment charges incurred in the comparable prior year period, partially offset by higher SG&A expenses and losses on disposal of property, plant and equipment.

Other Expense (Income), Net

Other expense was \$1.0 million in the second quarter and other income was \$9.4 million year to date, compared to other expense of \$19.8 million and \$17.5 million in the comparable prior year periods. The decrease in the second quarter compared to the prior year period was due to expenses related to the redemption of our 2018 Notes in the prior year.

Income Taxes

Income tax benefit was \$1.1 million and \$10.5 million in the second quarter and year to date, respectively, compared to income tax expense of \$2.5 million and \$2.0 million, respectively, in the comparable prior year periods. With the release of our federal tax valuation allowance in the United States during the fourth quarter of 2014, we are now able to realize tax benefits generated in the United States. For the six months ended July 4, 2015, the income tax rate was (159.0%) compared to (38.0%) in the comparable prior year period. This is due primarily to significant permanent benefits that create additional losses for tax purposes that we have recognized a benefit for during the six months ended July 4, 2015. In the comparable prior year period a federal and partial state valuation allowance was recorded for United States losses.

Table of Contents**Liquidity and Capital Resources**

The following table summarizes our cash flows for the three and six months ended July 4, 2015 and June 28, 2014, as reported in our Consolidated Statements of Cash Flows in the accompanying Consolidated Financial Statements:

<i>(in millions of U.S. dollars)</i>	For the Three Months Ended		For the Six Months Ended	
	July 4, 2015	June 28, 2014	July 4, 2015	June 28, 2014
Net cash provided by (used in) operating activities	\$ 75.7	\$ 29.5	\$ 74.6	\$ (23.0)
Net cash provided by (used in) investing activities	9.6	(93.9)	(19.4)	(104.2)
Net cash (used in) provided by financing activities	(41.0)	113.6	(61.4)	169.7
Effect of exchange rate changes on cash	0.2	1.1	(1.0)	1.2
Net increase (decrease) in cash & cash equivalents	44.5	50.3	(7.2)	43.7
Cash & cash equivalents, beginning of period	34.5	40.6	86.2	47.2
Cash & cash equivalents, end of period	\$ 79.0	\$ 90.9	\$ 79.0	\$ 90.9

Financial and Capital Resources and Liquidity

As of July 4, 2015, we had total debt of \$1,752.3 million and \$79.0 million of cash and cash equivalents compared to \$655.7 million of debt and \$90.9 million of cash and cash equivalents as of June 28, 2014. The \$1,096.6 million increase in debt was primarily due to the issuance of our 2020 Notes and the assumption of the DSS Notes in connection with the DSS Acquisition.

We believe that our level of resources, which includes cash on hand, available borrowings under the 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 2020 Notes, the 2022 Notes, or the DSS 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, and DSS 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 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 4, 2015, our total availability under the ABL facility was \$386.9 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 \$198.2 million of outstanding borrowings under the ABL

facility and \$41.4 million in outstanding letters of credit. As a result, our excess availability under the ABL facility was \$147.3 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 approximately 100% of our consolidated operating income in subsidiaries located outside of Canada. All of these foreign earnings are considered to be indefinitely reinvested in foreign jurisdictions where we have made, and will continue to make, substantial investments to support the ongoing development and growth of our international operations. Accordingly, no Canadian income taxes have been provided for on these foreign earnings. Cash and cash equivalents held by our foreign subsidiaries are readily convertible into other foreign currencies, including Canadian dollars. We do not intend, nor do we foresee a need, to repatriate these funds into Canada.

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

In the future, should we require more capital to fund significant discretionary activities in Canada than is generated by our domestic operations and is available through the issuance of domestic debt or stock, we could elect to repatriate future periods' earnings from foreign jurisdictions. This alternative could result in a higher effective tax rate during the period of

Table of Contents

repatriation. While the likelihood is remote, we could also elect to repatriate earnings from foreign jurisdictions that have previously been considered to be indefinitely reinvested. Upon the decision to repatriate those earnings in the form of dividends or otherwise, we may be subject to additional Canadian income taxes and withholding taxes payable to various foreign 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 foreign earnings.

A dividend of \$0.06 per common share has been declared during each quarter of 2015 for an aggregate dividend payment of approximately \$12.1 million.

Note Redemptions/Repurchases

On February 19, 2014, we redeemed the remaining \$15.0 million aggregate principal amount of 2017 Notes at 104.118% of par. The redemption included approximately \$0.6 million in premium payments as well as approximately \$0.3 million in deferred financing fees and discount charges.

On July 9, 2014 and July 24, 2014, we redeemed the remaining \$79.1 million aggregate principal amount of our 2018 Notes. The redemption included approximately \$3.8 million in premium payments as well as accrued interest of approximately \$2.5 million and the write off of approximately \$0.8 million in deferred financing fees.

We may, from time to time, depending on market conditions, including without limitation whether the 2020 Notes, the 2022 Notes, or the DSS Notes are then trading at a discount to their face amount, repurchase the 2020 Notes, the 2022 Notes, or the DSS 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.

Note Issuances/Assumptions

On June 24, 2014, we issued \$525.0 million of the 5.375% senior notes due 2022 to qualified purchasers in a private placement under Rule 144A and Regulation S under the Securities Act. We incurred \$9.6 million of financing fees in connection with the issuance of the notes. On May 13, 2015, we exchanged the notes for notes that are registered under the Securities Act and do not contain transfer restrictions, registration rights or additional interest provisions, but otherwise contain identical economic terms.

On December 12, 2014, we issued \$625.0 million of our 2020 Notes to qualified purchasers in a private placement under Rule 144A and Regulation S under the Securities Act. We incurred \$14.4 million of financing fees in connection with the issuance of the 2020 Notes.

In connection with the DSS Acquisition, we assumed \$350.0 million of the DSS Notes. In connection with the DSS Acquisition, we arranged for backstop bridge financing that was not ultimately necessary to utilize to close the transaction. The aggregate amount of fees for the DSS Notes consent solicitation and bridge financing commitment was approximately \$26.5 million.

Table of Contents

Operating Activities

Cash provided by operating activities was \$74.6 million year to date compared to cash used in operating activities of \$23.0 million in the comparable prior year period. The \$97.6 million increase was due primarily to the increase in net income and the timing of accounts receivable receipts and accounts payable payments in the prior year period.

Investing Activities

Cash used in investing activities was \$19.4 million year to date compared to \$104.2 million in the comparable prior year period. The \$84.8 million decrease in cash used in investing activities was due primarily to proceeds received from the Sale-Leaseback Transaction and a reduction in acquisition activity, partially offset by an increase in fixed asset purchases due primarily to the DSS Acquisition.

Financing Activities

Cash used in financing activities was \$61.4 million year to date compared to cash provided by financing activities of \$169.7 million in the comparable prior year period. The \$231.1 million decrease was due primarily to prior year activity relating to the proceeds received from the issuance of the 2022 Notes, partially offset by the purchase of a portion of the 2018 Notes.

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 4, 2015.

Contractual Obligations

We have no material changes to the disclosure on this matter made in our 2014 Annual Report, other than an increase in our expected future payments related to operating leases as a result of the Sale-Leaseback Transaction. The Sale-Leaseback Transaction will increase our future operating lease payments by approximately \$2.8 million on an annual basis over the 20 year term of the agreement.

Debt

Asset-Based Lending Facility

In March 2008, we entered into a credit agreement with JPMorgan Chase Bank N.A. as Agent that created an ABL facility to provide financing for our North America, U.K. and Mexico operations. We have amended and refinanced the ABL facility from time to time and incurred financing fees in connection therewith, an aggregate of \$9.0 million of which have been capitalized and deferred and are being amortized using the straight-line method over the duration of the amended ABL facility.

On December 12, 2014, in connection with the DSS Acquisition, we amended the ABL facility to, among other things, (1) provide for an increase in the lenders' commitments under the ABL facility to \$400.0 million (which, with the accordion feature, if used, permits us to increase the lenders' commitments under the ABL facility to \$450.0 million, subject to certain conditions), (2) extend the maturity date to the earliest of (i) December 12, 2019, (ii) June 12, 2019, if we have not redeemed, repurchased or refinanced the 2020 Notes by May 28, 2019, or (iii) any earlier date on which the commitments under the ABL facility are reduced to zero or otherwise terminated, (3) include DSS and its subsidiaries as borrowers, (4) permit certain adjustments to the borrowing base calculation, (5) permit the

debt, liens and intercreditor arrangements contemplated by the supplemental indenture entered into in connection with the DSS Notes, (6) permit certain other indebtedness that we intend to issue or assume in connection with the DSS Acquisition, and (7) permit certain other changes to dollar thresholds and limitations within our covenants generally reflecting the increased size of the facility. We incurred approximately \$1.7 million of financing fees in connection with the amendment of the ABL facility.

On May 26, 2015, we amended the ABL facility to, among other things, (1) increase the maximum annual amount of Preferred Shares that may be redeemed in order to facilitate the redemption in full of the Preferred Shares that was completed in June 2015, (2) modify the sale-leaseback covenant to allow for the inclusion of properties that have been owned by certain subsidiaries of the Company for more than 180 days, and (3) make miscellaneous other technical changes.

Table of Contents

As of July 4, 2015, we had \$198.2 million of outstanding borrowings under the ABL facility. The commitment fee was 0.375% per annum of the unused commitment, which, taking into account \$41.4 million of letters of credit, was \$160.4 million as of July 4, 2015.

5.375% Senior Notes due in 2022

On June 24, 2014, we issued \$525.0 million of the 5.375% senior notes due 2022 to qualified purchasers in a private placement under Rule 144A and Regulation S under the Securities Act of 1933. The issuer of the notes is our wholly-owned U.S. subsidiary Cott Beverages Inc., and we and most of our U.S., Canadian and U.K. subsidiaries guarantee our obligations under them. The interest is payable semi-annually on January 1st and July 1st of each year commencing on January 1, 2015. On May 13, 2015, we exchanged the notes for notes that are registered under the Securities Act and that do not contain transfer restrictions, registration rights or additional interest provisions, but otherwise contain identical economic terms.

We incurred \$9.6 million of financing fees in connection with the issuance of the 2022 Notes. The financing fees are being amortized using the effective interest method over an eight-year period, which represents the term to maturity of the 2022 Notes.

10.000% Senior Notes due in 2021

On August 30, 2013, DS Services of America, Inc. (formerly DS Waters of America, Inc.) issued \$350.0 million of notes to qualified purchasers in a private placement under Rule 144A and Regulation S under the Securities Act. In July 2014, the notes were exchanged for notes that are registered under the Securities Act and that do not contain transfer restrictions, registration rights, or additional interest provisions, but otherwise contain identical economic terms (the DSS Notes). In November 2014, DSS solicited consent from the holders of the DSS Notes to certain modifications and amendments to the August 30, 2013 indenture and related security documents. On December 2, 2014, the requisite consents from the holders of the DSS Notes were obtained, with a consent payment of approximately \$19.2 million. At the DSS Acquisition closing, we and most of our U.S., Canadian and U.K. subsidiaries executed a supplemental indenture to be added as guarantors to the DSS Notes. The interest on the DSS Notes is payable semi-annually on March 1st and September 1st of each year.

The DSS Notes were recorded at their fair value of \$406.0 million as part of the DSS Acquisition. The difference between the fair value and the principal amount of \$350.0 million is amortized as a component of interest expense over the remaining contractual term of the DSS Notes. We incurred approximately \$26.5 million of consent solicitation fees and bridge financing commitment fees.

6.750% Senior Notes due in 2020

On December 12, 2014, we issued the 2020 Notes to qualified purchasers in a private placement under Rule 144A and Regulation S under the Securities Act. The issuer of the 2020 Notes is our wholly-owned U.S. subsidiary Cott Beverages Inc., and we and most of our U.S., Canadian and U.K. subsidiaries guarantee the 2020 Notes. The interest on the 2020 Notes is payable semi-annually on January 1st and July 1st of each year commencing on July 1, 2015.

We incurred \$14.4 million of financing fees in connection with the issuance of the 2020 Notes. The financing fees are being amortized using the effective interest method over a five-year period, which represents the term to maturity of the 2020 Notes.

8.125% Senior Notes due in 2018

On August 17, 2010, we issued the 2018 Notes. The issuer of the 2018 Notes was our wholly-owned U.S. subsidiary Cott Beverages Inc. We incurred \$8.6 million of financing fees in connection with the issuance of the 2018 Notes.

On June 24, 2014, we used a portion of the proceeds from our issuance of the 2022 Notes to purchase \$295.9 million aggregate principal amount of our 2018 Notes in a cash tender offer. The tender offer included approximately \$16.2 million in premium payments as well as accrued interest of \$7.5 million, the write-off of approximately \$3.0 million in deferred financing fees, and other costs of approximately \$0.2 million.

On July 9, 2014 and July 24, 2014, we redeemed the remaining \$79.1 million aggregate principal amount of our 2018 Notes. The redemption included approximately \$3.8 million in premium payments as well as accrued interest of approximately \$2.5 million and the write-off of approximately \$0.8 million in deferred financing fees.

Table of Contents

8.375% Senior Notes due in 2017

On November 13, 2009, we issued the 2017 Notes. The 2017 Notes were issued at a \$3.1 million discount. The issuer of the 2017 Notes was our wholly-owned U.S. subsidiary Cott Beverages Inc. We incurred \$5.1 million of financing fees in connection with the 2017 Notes.

On November 15, 2013, we redeemed \$200.0 million aggregate principal amount of our 2017 Notes at 104.118% of par. The redemption included approximately \$8.2 million in premium payments, the write-off of approximately \$4.0 million in deferred financing fees, and discount charges and other costs of approximately \$0.5 million.

On February 19, 2014, we redeemed the remaining \$15.0 million aggregate principal amount of the 2017 Notes at 104.118% of par. The redemption included approximately \$0.6 million in premium payments as well as the write-off of approximately \$0.3 million in deferred financing fees and discount charges.

GE Term Loan

In January 2008, we entered into a capital lease finance arrangement with General Electric Capital Corporation (GE Capital) for the lease of equipment. In September 2013, we purchased the equipment subject to the lease for an aggregate purchase price of \$10.7 million, with the financing for such purchase provided by GE Capital at 5.23% interest.

Credit Ratings and Covenant Compliance

Credit Ratings

We have no material changes to the disclosure on this matter made in our 2014 Annual Report.

Covenant Compliance

Indentures governing 2022 Notes, DSS Notes and 2020 Notes

Under the indentures governing the 2022 Notes, the DSS Notes, and the 2020 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 4, 2015, we were in compliance with all of the covenants under each series of notes. There have been no amendments to any covenants of the 2022 Notes, the DSS Notes or the 2020 Notes, since the date of their issuance or assumption, as applicable.

The 2018 Notes and the 2017 Notes have been redeemed in full and are no longer outstanding. At all times prior to such redemptions, we were in compliance with all of the covenants under the indentures governing the 2018 Notes and the 2017 Notes.

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 4, 2015.

Issuer Purchases of Equity Securities

Common Share Repurchase Program

On May 6, 2014, our board of directors renewed our share repurchase program for up to 5% of Cott's outstanding common shares over a 12-month period commencing upon the expiration of the prior share repurchase program on May 21, 2014. In connection with the DSS Acquisition, we suspended our share repurchase program during the fourth quarter of 2014 and did not make any further repurchases of our common shares under the share repurchase program prior to its expiration on May 21, 2015.

Table of Contents

Capital structure

Since January 3, 2015, equity has increased by \$128.1 million. The increase was primarily the result of net income of \$17.1 million and the issuance of common shares as part of the Offering of \$142.6 million, partially offset by dividend payments of \$18.0 million and an adjustment to retained earnings for the foreign exchange impact upon redemption of Preferred Shares of \$12.0 million.

Dividend payments

Common Share Dividend

On May 5, 2015, our board of directors declared a dividend of \$0.06 per share on our common shares, payable in cash on June 17, 2015 to shareowners of record at the close of business on June 5, 2015. On July 28, 2015, our board of directors declared a dividend of \$0.06 per share on our common shares, payable in cash on September 9, 2015 to shareowners of record at the close of business on August 27, 2015. 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 2020 Notes, 2022 Notes and DSS Notes, as well as other factors that our board of directors may deem relevant from time to time.

Preferred Share Dividend

The terms of the Preferred Shares required us to pay a quarterly dividend to the holders of the Preferred Shares. On April 1, 2015, we paid dividends to holders of record of the Preferred Shares as of March 11, 2015. As of June 11, 2015, the outstanding Preferred Shares were redeemed in full (see Note 14 to the Consolidated Financial Statements), for an aggregate cash payment of \$151.3 million, which included payment of \$2.5 million of accrued and unpaid dividends.

Equity-Based Plans

During the quarter, with the approval of our shareowners, we (i) amended the Amended and Restated Cott Corporation Equity Incentive Plan (the "Equity Incentive Plan") to, among other things, increase the number of shares that may be issued under the Equity Incentive Plan, and (ii) adopted the Cott Corporation Employee Share Purchase Plan to provide eligible employees of the Company and its designated subsidiaries with an opportunity to acquire an ownership interest in the Company through the purchase of Company common shares.

We also adopted the Cott Corporation Dividend Reinvestment Plan, which allows eligible shareowners to acquire additional common shares via reinvestment of cash dividends paid by Cott.

Critical Accounting Policies

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

Critical accounting policies and estimates used to prepare the 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 2014 Annual Report.

Table of Contents**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 North America and 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 eighteen months. We had outstanding foreign exchange forward contracts with notional amounts of \$19.7 million and \$22.5 million as of July 4, 2015 and January 3, 2015, respectively.

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. Because we had \$198.2 million of ABL borrowings outstanding as of July 4, 2015, a 100 basis point increase in the current per annum interest rate for our ABL facility (excluding the \$41.4 million of outstanding letters of credit) would result in additional interest expense of approximately \$2.0 million during the next year. The weighted average interest rate of outstanding debt under our ABL facility at July 4, 2015 was 1.9%.

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 aluminum. The total notional values of derivatives that were designated and qualified for our commodity cash flow hedging program were \$55.6 million and \$55.4 million as of July 4, 2015 and January 3, 2015, 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 4, 2015. Based upon this evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that, as of July 4, 2015, the Company's disclosure controls and procedures are functioning effectively to ensure that information required to be disclosed by the Company in reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and

accumulated and communicated to the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

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

Table of Contents

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

Reference is made to the legal proceedings described in our 2014 Annual Report.

Item 1A. Risk Factors

There have been no material changes in our risk factors since January 3, 2015. Please refer to our 2014 Annual Report.

Table of Contents**Item 6. Exhibits**

Number	Description
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	Third Supplemental Indenture, dated as of June 25, 2015, 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 (incorporated by reference to Exhibit 4.1 to our Form 8-K filed June 25, 2015).
4.2	Supplemental Indenture, dated as of June 25, 2015, 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 (incorporated by reference to Exhibit 4.1 to our Form 8-K filed June 26, 2015).
10.1	Amendment No. 6 to Credit Agreement, dated as of May 26, 2015, 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 (filed herewith).
10.2	Employment Offer Letter to Jason Ausher dated May 6, 2015 (filed herewith).
10.3	Amended and Restated Employment Offer Letter to Steven Kitching dated May 18, 2015 (filed herewith).
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 4, 2015 (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 4, 2015 (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 4, 2015 (furnished herewith).
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 4, 2015 (furnished herewith).
101	The following financial statements from Cott Corporation's Quarterly Report on Form 10-Q for the quarter ended July 4, 2015, filed on August 5, 2015, formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Statements of Operations, (ii) Condensed Consolidated Statements of Comprehensive Income (Loss), (iii) Consolidated Balance Sheets, (iv) Consolidated Statements of Cash Flows, (v) Consolidated Statements of Equity, (vi) Notes to the Consolidated Financial Statements (filed herewith).

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 5, 2015

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

Date: August 5, 2015

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

Table of Contents

Number	Description
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	Third Supplemental Indenture, dated as of June 25, 2015, 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 (incorporated by reference to Exhibit 4.1 to our Form 8-K filed June 25, 2015).
4.2	Supplemental Indenture, dated as of June 25, 2015, 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 (which is incorporated by reference to Exhibit 4.1 to our Form 8-K filed June 26, 2015).
10.1	Amendment No. 6 to Credit Agreement, dated as of May 26, 2015, 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 (filed herewith).
10.2	Employment Offer Letter to Jason Ausher dated May 6, 2015 (filed herewith).
10.3	Amended and Restated Employment Offer Letter to Steve Kitching dated May 18, 2015 (filed herewith).
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 4, 2015 (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 4, 2015 (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 4, 2015 (furnished herewith).
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 4, 2015 (furnished herewith).
101	The following financial statements from Cott Corporation's Quarterly Report on Form 10-Q for the quarter ended July 4, 2015, filed on August 5, 2015, formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Statements of Operations, (ii) Condensed Consolidated Statements of Comprehensive Income (Loss), (iii) Consolidated Balance Sheets, (iv) Consolidated Statements of Cash Flows, (v) Consolidated Statements of Equity, (vi) Notes to the Consolidated Financial Statements (filed herewith).