

**Primo Brands Corporation**

**2025 Fourth Quarter and Full Year Earnings Conference Call**

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## PRESENTATION

### Operator

Welcome to the Primo Brands 2025 Fourth Quarter and Full Year Earnings Conference Call.

I will now turn the call over to Traci Mangini, Vice President, Investor Relations.

### Traci Mangini — Vice President, Investor Relations, Primo Brands Corporation

Thank you, Operator, and hello, everyone.

With me on the call today are Eric Foss, Chairman and Chief Executive Officer; and David Hass, Chief Financial Officer.

Our discussion today includes forward-looking statements within the meaning of US securities laws, which are subject to risks and uncertainties that may cause actual results to differ materially. For more information, please refer to the forward-looking statements disclosure in our earnings release.

In addition, the definitions of an applicable reconciliation for any non-US GAAP measures are included in our earnings release and supplemental earnings slides, which were made available today on the Investor Relations section of our website.

With that, I'll pass it over to you, Eric.

### Eric Foss — Chairman and Chief Executive Officer, Primo Brands Corporation

Thanks, Traci. Good morning, and thank you all for joining us today.

To set the framework for today's discussion, I'll start with a high-level review of our fourth quarter and 2025 results; take you through our progress on our direct delivery, customer experience, and our 2026 growth and capital allocation priorities; and David will then take you through the details of our quarterly and annual performance, as well as our 2026 guidance.

We're encouraged by our performance as we finish the year and how that positions us into 2026.

In the fourth quarter, we delivered net sales of \$1.554 billion, a decrease of 2.5 percent on a comparable basis from prior year, which included an improved pace of recovery for our Direct Delivery business.

At the same time, we built on the strength of our well-known brands at retail, further expanding our leadership position through dollar and volume share growth in the category for the quarter.

For the full year 2025, we delivered comparable net sales of \$6.660 billion, down 1 percent from the prior year.

These results demonstrate the strength and resilience of our business model and indicate early signs that our initiatives are resulting in an improved trajectory for the business, positioning us for continued operational and financial improvement as we move forward.

Our fourth quarter comparable adjusted EBITDA was \$334.1 million, up 11 percent, with related margin of 21.5 percent, up 260 basis points versus year ago. Our annual comparable adjusted EBITDA was \$1.447 billion, up 7.4 percent, with a related margin of 21.7 percent, up 170 basis points from prior year.

As we set our sights on 2026, our top priority is to get the business back to growth, while also expanding margin that leads to generating consistent growth in free cash flow.

In 2026, excluding our office coffee service business, which we exited at year-end 2025, we anticipate comparable net sales growth of flat to 1 percent and an adjusted EBITDA range of \$1.485 billion to \$1.515 billion. This implies margin expansion of 60 to 80 basis points on top of our attractive adjusted EBITDA margin.

Going forward, we're positioning the business for top-line growth and margin expansion to drive solid earnings, free cash flow generation, and long-term shareholder value.

I've recently completed my first 100 days as Chairman and CEO of Primo Brands. I've been doing a lot of listening with key stakeholders, including our associates and our retail partners, as well as conducting market visits, looking closely at opportunities, capabilities, and processes across the business.

What remains clear is the investment thesis behind the merger is firmly intact. We compete in an attractive, growing category and have a differentiated portfolio of leading brands, and we benefit from an advantaged route to market.

As One Primo, I'm confident in our ability to drive top-line growth and margin expansion to leverage the power of our strong free cash flow through disciplined allocation of capital and to develop a winning culture to fuel ongoing success.

But let's start with top-line growth.

We're very well positioned in our industry. We compete in an attractive category.

Unlike some categories within consumer staples, the bottled-water industry has structural tailwinds, given quality questions around municipal water and the ever-increasing focus on health and wellness and hydration. The category is large, highly penetrated, frequently purchased, and continues to be one of the fastest-growing categories within liquid refreshment beverage category.

Within the bottled-water category, we are the clear leader with a comprehensive portfolio of brands, an advantaged route to market designed to serve all consumer occasions across product, format, channel, price point, and time of day. We are the third-largest player by volume in liquid refreshment beverages and the leader in branded water and healthy hydration in the United States.

We have strong industry-leading brands. And if you look at brand health, we have the top five bottled-water brands as measured by our biannual study.

So we believe we have a strong base from which to grow, and we see multiple top-line building blocks for 2026.

First, we're focused on improving our customer experience in our Direct Delivery business, which we call Customer Direct.

Encouragingly, we believe we are making progress. We saw continued strength in top-of-the-funnel demand, and we saw trend improvement in the quarter on our customer net adds.

Our on-time, in-full, or as we refer to, OTIF, which is a key performance indicator and priority going forward, continued to improve throughout the quarter.

From a customer feedback perspective, our net promoter score increased every month, and our Trustpilot ratings returned to pre-integration-type levels.

While we're pleased with our progress, we still have work to do to stabilize and return our Direct Delivery business to consistent growth.

As we move forward, we have initiatives underway that include implementing a new warehouse management system for superior supply chain execution, from product supply to in-branch inventory to help satisfy customer demand.

On the technology side, following the completion of the last two rounds of integration in the coming months, we will be fully integrated and our focus will be to continue to harmonize our systems to create better management tools, data analytics and insights, as well as improve our digital and app experience for our customers.

We intend to continue to optimize the customer journey, including a new program to support customer retention called, Solve by Sundown, which should help us address and resolve customer service

issues faster. It connects our customers more closely with our call centre, as well as our operational teams, reducing friction that could lead to customer loss.

While early, we're pleased with how the team is responding with urgency to drive continued improvements.

Lastly, we're envisioning a new approach to our call centre to elevate satisfaction throughout the customer experience. This includes improved digital opportunities and leveraging AI to more quickly serve and solve customer issues.

Our second building block is to drive executional excellence at retail by fully leveraging both the power of our brands and advantage route to market. We intend to increase our presence across the stores. Our goal is to have more feature frequency, which leads to more display inventory, while also expanding our shelf space and cold drink penetration and scaling our sizable exchange and refill footprint.

On the brand front, we're excited about our marketing calendar for 2026. It includes partnerships with Major League Baseball for our regional spring waters, where America's favourite pastime joins with America's favourite water brands.

Complementing this, we will continue to lean in behind our premium brands with partnerships with high-profile events like the Golden Globes, where the Saratoga's blue bottle recently showed up on the red carpet. And next up is the Academy of Country Music Awards with Mountain Valley.

We believe these programs leverage consumer passion points and serve to increase the positive brand perceptions and build momentum.

Our third initiative is to prioritize premium. Mountain Valley and Saratoga Springs, while still relatively small, have been meaningful contributors to growth. Combined net sales for these brands increased an impressive 44 percent in 2025, driven by strong demand in retail and away from home.

With our investments in capacity coming online across the first half of 2026, and the marketing campaigns I just mentioned, we plan to continue to grow share and distribution for these highly accretive brands.

Our final building block is implementing a more strategic and holistic revenue management approach across price points, package types, and channels. This will allow us to zero in on SKUs that matter most to the consumer, focusing on the most profitable packages and channels, and simplify our production and route to market.

We remain focused on the long-term potential of our business within the water category and are confident in our ability to grow and enhance margins. Investing in those areas provides an opportunity to enhance growth in our premium business, gain our fair share of opportunities like cold drink, and enhance portions of the direct delivery relationship with our customer.

As it pertains to the integration in 2025, we completed the first five and most complex rounds. Despite reserving the final two rounds until 2026, we were able to realize tangible synergies in 2025, and we remain confident in our ability to complete the final integration rounds.

Synergy capture remains just one driver of our margin expansion. We have multiple other levers to drive long-term margin expansion, like building on our pricing competencies across the business, as I just mentioned; in addition, opportunities for ongoing cost and productivity initiatives across our supply chain with increased facility automation, warehouse management oversight, and reducing SKU complexity, all while driving an efficient SG&A structure.

These efforts support continued growth in free cash flow, providing us even greater financial flexibility.

Leveraging the power of our highly cash-generative business, we continue to take a disciplined approach to capital allocation to optimize our returns. We intend to put the right support behind our brands, innovation, supply chain, and commercial operations to drive sustainable, profitable growth.

We plan to balance these investments alongside reducing our net leverage ratio and returning cash to shareholders by both growing our dividend and executing against our share repurchase program.

Finally, for us to be successful, we need to continue to pursue a winning culture. We're committed to being One Primo team, developing a team and culture that is obsessed with our mission, including putting the customer at the forefront of all we do, and ensuring our frontline focus gives our frontline associates the training, tools, and technology to meet and exceed customer expectations every day.

To sum up, the industrial logic of the merger remains intact. We have more work to do to fully restore our direct delivery service model, but we're making progress, and I believe we are well positioned for the future.

Now before I pass it to David, I'd be remiss if I didn't share how proud I am of the entire Primo Brands team. I continue to be impressed by the pride and passion of our people. We have strong employee engagement scores from our internal surveys, which clearly demonstrates that our unified team is committed and motivated towards driving a successful 2026.

We remain focused on our mission of hydrating a healthy America with one culture and one unified set of behaviours and values.

With that, let me turn the call over to David.

**David Hass** — Chief Financial Officer, Primo Brands Corporation

Thank you, Eric.

As you've just heard, we are making progress. Our fourth quarter top-line results were achieved due to improving service levels, which supported volume recovery in our Direct Delivery business. We believe this indicates early signs that our initiatives are resulting in an improved trajectory for the business into 2026.

Now, before we get into the details on the financial results, recall that the GAAP financial comparisons in this morning's press release reflect the 2025 results of the new Primo Brands versus 2024 results that are primarily of the base legacy BlueTriton, plus the combined company after the merger date. This is a typical GAAP reporting outcome of a merger transaction.

To assist with more apples-to-apples comparisons, we will be primarily discussing comparable results, which incorporate the combination of both legacy organizations while adjusting for the exited Eastern Canadian operations for both years 2024 and 2025.

Also recall, volume for Primo Brands is defined as case goods equivalents, which are measured in 12 litres.

For the fourth quarter, comparable net sales declined 2.5 percent versus the prior year, driven by a 2.9 percent volume decrease, partially offset by a 0.4 percent increase from price or mix. The volume decline was driven by both retail and Direct Delivery.

In retail, we cycled higher hurricane purchase activity in 2024, but finished the year largely in line with our expectations. Direct Delivery declines were driven by a lower customer base.

However, as Eric mentioned, while the customer net adds were negative, we saw month-to-month improvement throughout the quarter. Our premium brands helped to offset this volume decline and contributed to the favourable price mix in the quarter.

Saratoga and Mountain Valley net sales were up 39 percent in the quarter, continuing the strong momentum behind these highly accretive and consumer-coveted brands.

Sequentially, the business showed continued signs of improvement, highlighting a positive inflection in our Direct Delivery business. The fourth quarter decline in this channel was 5.3 percent and represents an improvement from the 6.5 percent decline in the third quarter.

Comparable adjusted EBITDA increased \$33 million to \$334.1 million with comparable adjusted EBITDA margin up 260 basis points to 21.5 percent versus the prior year.

On a full year basis, comparable net sales declined 1 percent or \$65.3 million to \$6.660 billion. The 1 percent decline versus the prior year includes a 0.6 percent volume decrease and a 0.4 percent decrease from price or mix.

Net sales for the Direct Delivery channel were down 3.2 percent. This was largely due to the lower volume related to the integration, as previously discussed. This was largely offset by the strength in the mass and away from home channels, with net sales up 0.9 percent and 1.2 percent respectively, and by the continued strength of our premium brand, with Saratoga and Mountain Valley net sales up 44 percent.

Notably, our results include interruptions from the Hawkins tornado, which occurred in the second quarter, and one less trading day from the leap-year adjustment impact in 2024. Leap day in 2024 created a net sales headwind of \$17.6 million for 2025. Separately, disruptions caused by the Hawkins tornado created a net sales headwind of \$27.4 million. So all in, the cumulative aspect of these two activities alone was approximately \$45 million.

Further, our office coffee services business weighed on our results as we wound down the business in 2025. This business contributed approximately 40 basis points of our 1 percent full year decline.

Comparable adjusted EBITDA increased \$100.3 million to \$1.447 billion, with comparable adjusted EBITDA margin climbing 170 basis points to 21.7 percent versus the prior year.

Moving to our balance sheet and cash flows. Our balance sheet remains in solid position, with year-end debt capital, gross of deferred financing costs and discounts, totalling \$5.2 billion.

Our liquidity remained strong, with approximately \$990 million of availability between our cash balance and our unused line of credit. At year-end, our net leverage ratio was 3.37 times.

We generated \$680 million of cash flow from operations for the full year. When accounting for significant items, including, but not limited to our integration and merger activities, our cash flow from operations would have totalled approximately \$996 million.

Additionally, we invested approximately \$245.7 million in capital expenditures, excluding integration and natural disaster Hawkins-related capital expenditures, which resulted in adjusted free cash flow of \$750.3 million.

When compared to the prior year, on a combined basis, adjusted free cash flow cash flow grew \$105.4 million. For full year 2025, our adjusted free cash flow conversion, which we define as adjusted free cash flow divided by adjusted EBITDA, was 51.9 percent.

Related to year-end capital allocation, we have the financial flexibility to reinvest in the business, while at the same time to return significant cash to shareholders.

Our full year 2025 total capital expenditures were \$434.4 million. This included \$151.5 million in integration capital expenditures and \$37 million of natural disaster Hawkins-related capital expenditures, with the remainder supporting growth and maintenance spending.

We also returned significant cash to shareholders in 2025, which included actively executing our share repurchase program, as we view our stock as a compelling investment. As of year-end, we had repurchased \$193 million of our stock, or 10.3 million shares under the board's \$300 million share repurchase program authorization announced on November 9, 2025.

There remains approximately \$107 million available for share repurchases under the program authorization.

In addition, prior to establishing the share repurchase program, we repurchased approximately \$214 million of shares from entities affiliated with One Rock.

Moving to our financial outlook. We remain confident in our ability to reestablish annual growth in our business.

As a reminder, for 2026, we will cycle the exit of our office coffee services business, which accounted for \$25.5 million of our 2025 net sales. This puts our comparable or equivalent 2025 ending net sales at \$6.635 billion. This is the base from which we are establishing our full year 2026 guidance.

We expect organic net sales growth in the range of 0 percent to 1 percent, with the return to growth weighted in the second half.

We face a difficult first quarter comparison cycling 3 percent year-over-year sales growth, after which we expect the comparable trend to improve over the balance of the year.

In Direct Delivery, we expect a transition to top-line growth in the second half of the year on trend improvement, and as we cycle the onset of the disruptions that began in the second quarter of 2025.

We expect growth in our consolidated retail channels, driven by the strength of our brands, our commercial plans, and continued momentum from premium. This is supported by capacity expansion from Saratoga, which remains on track to come online this spring, and our new Mountain Valley facility, which remains on track to open midyear.

Further, we will develop and implement our revenue growth management capabilities over the course of the year.

Lastly, in terms of revenue phasing within the year, we expect a typical pattern in terms of quarterly contribution percentage to full year net sales, with the year being relatively balanced 50/50 between first and second half, and the first and fourth quarter representing lower contributing shoulder seasons.

Turning to adjusted EBITDA. We expect a range of \$1.485 billion to \$1.515 billion, with a midpoint adjusted EBITDA margin of 22.5 percent, up approximately 70 basis points year over year.

Our guidance midpoint contemplates adjusted EBITDA growth in excess of our midpoint net sales guidance, as we expect to benefit from the productivity of synergies, partially offset by investments as we improve our customer experience, redesign of our call centre, and invest in capabilities to drive future growth.

We expect adjusted free cash flow in the range of \$790 million to \$810 million, which we expect to support our capital allocation priorities. We intend to deploy approximately 4 percent of net sales and capital expenditures. Additionally, we have approximately \$100 million anticipated remaining integration capital expenditures, of which \$50 million was carried into 2026 due to project timing.

Also, given our commitment to returning cash to shareholders, last week we announced our board of directors authorized a \$0.12 quarterly dividend, which annualizes to \$0.48 per share, a 20 percent increase.

We also intend to continue to execute our share repurchase plan, which has approximately \$107 million remaining under the \$300 million authorization.

With that, I'd like to turn the call back to Traci.

### **Traci Mangini**

Thanks, David.

To ensure we can address as many of your questions as possible, please limit yourself to one question only, and if we have time remaining, we will re-poll for additional questions.

Operator, please open the line for questions.

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## **Q&A**

### **Operator**

Thank you, Traci.

We'll now begin the question-and-answer session. Should you have a question, please press \*, followed by 1 on your touch-tone phone. You will hear a prompt that your hand has been raised.

Should you wish to remove your hand from the queue, please press \*, followed by 2.

If you're using a speakerphone, please lift the handset before pressing any keys.

Just a moment for your first question.

And your first question comes from Derek Lessard with TD Cowen. Please go ahead.

### **Derek Lessard — TD Cowen**

Yeah. Good morning, Eric and David. Hope you guys are well.

Just wanted to hit on some of your key KPIs in the quarter, more specifically on the Direct Delivery side. I think the silver-lining view is that the volume decline wasn't as bad as expected. So I was curious, like, how did some of those KPIs, OTIFs, and what have you, how did they perform exiting the quarter?

And then maybe as a follow-up, how should we be thinking about the guide in terms of when you expect to get back to your historical financial algorithm? And maybe said another way, should we view your 0-to-1 percent sales guide as conservative?

**Eric Foss**

Derek, it's Eric. Good morning, and thanks for joining us.

So I think as it applies to Customer Direct, yeah, I'd use the word encouraged relative to how the quarter progressed. I think you're well aware that we had some work to do on the business process side. We had and still have some work to do on the technology and tools side, including the capability side, some work with the call centre.

But I think as I look at the business, as simply as I can state it, what's really, really important to us around the supply chain is to really make sure we get an accurate forecast, we get product produced to schedule, we eliminate the warehouse out-of-stocks, and we get trucks loaded as scheduled. And if you look at those KPIs, each and every one of them improved dramatically. And most of those are, I would say, north of the high, high 90s from where they were when we really were experiencing some pretty significant challenges.

Where I think we still have some work to do is on OTIF. And while we saw, again, sequential improvement each and every month as the quarter progressed, we're still not where we need to be. We need to get OTIF back north of 90 percent. And so there's still some work to do on that side.

I would tell you some other positive indicators from my perspective are we saw our customer calls reduce to kind of premerger levels as we exited the quarter. And we also saw a very important indicator, our customer quits were lowered and our customer nets increased as we exited the year.

So again, all in all, encouraged with more work to do.

Relative to your second question around the guide, I guess the way I would describe it is when I walked into the job about three months ago, there were two issues that were really front and centre for me. The first was to fix the overall customer experience on our Customer Direct business. We just talked about that. And the second was to get the business growing.

And we delivered a down 1 percent in 2025, not at all where we want this business to perform. There's more work to do on the Direct Delivery front. But our focus right now is to make sure we get the Company growing and we deliver against our financial commitments.

As you think about the year, we've got more difficult comps, certainly in the first half of the year. But again, once we get the business growing again, I think we can better assess the upside potential. But our ultimate goal is to reach, obviously, the full potential of this business. And I've got a very high degree of conviction and confidence in our ability to do that.

So we remain very optimistic. We've got multiple growth vectors for this business. And our intent is to capture that to drive sustainable, profitable growth.

**Derek Lessard**

Thanks for the colour, Eric. And good luck, guys.

**Eric Foss**

Thank you, Derek.

**Operator**

Your next question comes from Nik Modi with RBC Capital Markets. Please go ahead.

**Nik Modi** — RBC Capital Markets

Yeah. Thank you. Good morning, everyone.

I was hoping you could just provide a little bit more colour and maybe some details on the top-line guidance drivers across channels, volumes, and just kind of thinking about pricing strategy. And I know there was an expectation that you'd be able to harmonize pricing in the delivery business in 2025. But obviously, that got thrown off track with some of the integration issues. So any colour you can provide just to give a sense of kind of how you're thinking about the details and the divisions on your top-line guide. Thank you.

**Eric Foss**

Sure, Nik. Good morning.

I think first, from a sequencing perspective, if you think about the full year—I touched a little bit on this in Derek's question, but—there's no doubt the growth will be more second half weighted. We would expect trend improvement pretty much quarter in, quarter out as the year unfolds. And importantly, we expect to not only stabilize the Direct Delivery business, but to see that business return to growth.

So I guess one of the ways I would characterize it as we think about the growth algorithm going forward, we would expect it to be balanced, meaning both volume and price, and within price, both rate and mix.

We've got a really big opportunity, I think, Nik, on the immediate consumption business in particular in our cold drink business. We're far less developed on that area of business than we are the future consumption business. And so over time, the profit pool available in the industry around immediate consumption in cold drink are a big, big mix opportunity for us. Continuing to play the leadership role we played in premium obviously also plays to a mix advantage for us.

And then, I think, in addition to the Customer Direct business, which we spent most of our time focused on and talking about with investors, I'm a big, big believer that not only more strategic revenue management across all the business, but importantly, I think, continuing to really dial up our executional efforts at retail to be a much more complete executor across the key causal indicators of future activity—display and inventory, shelf space—are real, real opportunities for us from a selling strategy standpoint.

So we would expect to see the top-line growth progress. And again, even over time, I think you'll see it be very broad-based across channels, brands, packages.

**Nik Modi**

Great. Thanks a lot. I'll pass it on.

**Operator**

Your next question comes from Andrea Teixeira with J.P. Morgan Asset Management. Please go ahead.

**Drew Levine** — J.P. Morgan Asset Management

Hey. This is Drew Levine on for Andrea. Thanks for taking our question.

So, Eric, just hoping to dig in a little bit more just following up on this question. Maybe you could just provide some context on what's embedded in the guidance from a retail perspective. Obviously, category's gotten off to a good start here in 2026 with some pantry-loading benefit. You mentioned

lapping the Hawkins issue; lapping some poor weather into the spring. Some more context there would be helpful.

And then related to that, maybe on the other side, if you want to call anything out from a phasing perspective maybe from Direct Delivery side if there's been any impact from the severe winter weather here in the Northeast where you have disproportionate share. Thank you.

**Eric Foss**

Sure. Thanks for your question. I'll start and I'll let David jump in as well.

I think—let me take your second question first. I think weather hasn't been our friend as we started the year, but I think the teams have done a really good job. The good news is is kind of the first wave of weather that hit us, I think we were able to proactively get out ahead of it. And so I think all in, it's probably going to be a little bit of a headwind, but not overly significant in terms of our ability to both show agility to respond to it as we think about how the quarter will play out.

I think relative to our retail business, again, we've started the year in a very, very strong position, not just within the water category, but across the broader liquid refreshment beverage category had a very strong share month during the month of January. We would expect that to continue.

And again, as I said earlier, I think the way we're approaching this is we want to get balanced and broad-based growth across the enterprise. So we want to return the Customer Direct business to growth. We certainly want to continue the momentum we've seen on our retail business. We want that to be both volume driven, as well as price as we get a little more strategic on the revenue management and price that channel architecture.

So I would say our intent in the way we've built the plan is to have balanced and broad-based growth across channels, across brands, packages, and certainly geographies.

David, do you want to add anything on the sequencing?

**David Hass**

Yeah. Thanks, Drew.

So I think as Eric just mentioned, our goal within that implied 0.5 is obviously a tougher start to the year with volume as we have some of those volume headwinds coming in the Customer Direct business based on obvious disruptions and things that occurred in 2025. We do expect that to balance out with volumetric growth in the second half of the year and notably in Direct itself in the latter quarter partial Q3, but largely Q4. So we do expect that to be balanced.

Obviously, if retail and as the premium areas like Saratoga and Mountain Valley volumes from our investments come online, there's obviously potential for those to continue to perform strongly.

So again, we view this as a tale of two halves with that second half really getting us back into more of a normalized and balanced volume and price sort of contribution.

**Drew Levine**

Thanks, guys.

**David Hass**

Thanks, Drew.

**Operator**

Your next question comes from Lauren Lieberman with Barclays. Please go ahead.

**Lauren Lieberman — Barclays**

Great. Thanks. Hey, everyone.

Free cash flow guidance came in better than we were thinking and implies growth ahead of the EBITDA growth. So we're just kind of curious about that piece and kind of specific opportunities there that you'll be pursuing. Thanks.

**David Hass**

Hey, Lauren. This is David. So thanks for the question.

Areas there that we have are year one was really not focused on working capital enhancements. We were bringing together payable teams, bringing together procurement arrangements, and then obviously as the Direct Delivery business ran into some obstacles from the integration, that concluded with some collection and some other AR-timing complexities.

So we believe that on a more normalized operating platform, we can begin to work through some of the benefits of the merger, both with terms, days against our procurement spend, as well as a smoother collection process with our direct delivery customers exhibiting less disruption from their service. When there's less disruption from service, there's a lot better payable from the customer to us, so our AR is just smoother. There's not a lot of disputing activities that go on within that. And then over time, our credits, so things that we would have issued that could have been a detriment to our sales, should stabilize and go back to more normal course patterns. And that should also help.

Obviously, on the CapEx on the base investment, that remains consistent. The integration CapEx and the Hawkins repairs we're adding back, so that's not really a contributing factor. But it's largely around our working capital benefit and just sort of working through that.

**Lauren Lieberman**

Okay. Great. Thanks.

**David Hass**

Thank you.

**Operator**

Your next question comes from Daniel Moore with CJS Securities. Please go ahead.

**Daniel Moore — CJS Securities**

Thank you, Eric and David. Good morning. Thanks for taking the questions.

Appreciate all the colour. In terms of pricing, how much of an impact do you expect discounting promotions to win back new customers will impact pricing in '26? And when should we think about lapping or anniversarying those initiatives?

And then just secondarily, when do you expect to reflect a positive month-over-month growth in net customer adds?

**Eric Foss**

Yeah. Good morning, Daniel.

I think a couple of things. I think relative to the reinvestments, if you think about 2025, obviously given the disruption, we had reinvestments that centred around route labour, call centre labour, additional routes that we ran on weekends, and absorption of overtime. And then we had the investment—probably more specific to your question—around the customer win-back initiative.

We're continuing to invest in that initiative. And I think as we go forward, we would continue to see reinvestments broadly around the business of marketing and brand building.

Certainly, we're looking at making sure we're wired to win and we've got the right selling resources in place across, not just Customer Direct, but our entire business. And then in the area of technology and capability, continued reinvestments on those.

So I think we would want to see those investments drive sustainable, profitable growth. And I think as we think about that on the specific return to growth on the Customer Direct customer net, hopefully I would anticipate that maybe sometime in second quarter that we might see that develop.

**Daniel Moore**

Helpful. Thank you.

**Eric Foss**

Thanks, Dan.

**Operator**

Your next question comes from Peter Galbo with Bank of America. Please go ahead.

Mr. Galbo, if you're speaking, your line is muted. I'll place Mr. Galbo back in the queue and try again.

Your next question comes from Steve Powers with Deutsche Bank. Please go ahead.

Mr. Powers, if you're speaking, your line may be muted.

**Steve Powers — Deutsche Bank**

I apologize for that. Thank you very much. And thanks, Eric. Thanks, David.

Eric, following up on that net add conversation, I guess, is there a way to frame, I guess, what I define as kind of the active customer base in the Direct business kind of where you are now relative to where you were pre-disruption? That would help.

And then secondarily, related to recruitment and getting those net adds trending more positive, is there a way to kind of frame aggregate incremental investment in '26 versus '25? And are those efforts first half loaded as you try to kind of kickstart the recruitment effort? Thank you.

**Eric Foss**

Yeah. I think I think the answer is, yes, they'd be first half loaded as we continue our recovery. So I think more first half than second half to answer your second part of your question.

I think the way I would frame it—and obviously we're not going to give a lot of specific numbers for a lot of different reasons on the competitive front, but the way I would think about it is, the great news is that the top of the funnel never really has been disrupted. So if you look at our customer adds really throughout the year, other than a little bit of kind of typical seasonality, if you will, the top of the funnel remains strong throughout the year.

And the real trough was what we experienced during second—starting in second quarter, continuing in third quarter. And then, as I mentioned earlier, a pretty nice rebound on the quit side and, therefore, the net side as we exited the year.

So I think, as I mentioned on the earlier question, we would expect customer nets to kind of return to positive sometime in second quarter. Obviously, the initiatives we put in place are focused to do that as soon as we can. And I just think that, again, whether you look at our Direct Delivery business or the Exchange and Refill business,

I mean, the beauty of this is there is just a ton of opportunity for us to take advantage of. And again, most of the efforts that we're recovering from are ones that are well in our control. And so we feel confident about the initiatives returning that business to the kind of growth trajectory we expected when we put the deal together.

**Steve Powers**

Okay. Very helpful. Thank you.

**Operator**

Your next question comes from Peter Galpo with Bank of America. Your line is open.

**Peter Galpo** — Bank of America

Hey, guys. Sorry about that. Technical issues this morning. Eric, Dave, thanks. Thanks for all the detail.

I was hoping to get a little bit more colour just on cadence, actually, of EBITDA for the year of kind of the \$1.5 billion. I know you gave some colour around the sales cadence, but just any help on kind of the phasing on EBITDA, particularly as we think about the first half would be helpful. Thanks very much.

**David Hass**

Thanks, Peter.

We will expect that to sort of be a little bit different than sort of our what I'll call 50/50 setup, if you will, from the top line. And largely, that would be a little bit more, call it, like 48/52 kind of setup. So not terribly off.

But what that really means is a first half kind of lean-in on some of these continued investments. So what would that look like? That would look like higher route counts to stabilize service and return the business to the appropriate levels of OTIF and other things that customers expect. And then over time that can phase back out. That's just one example, but that would be why you have a little bit different of a seasonal pattern sort of first half, second half within the business specifically.

Now I will say that if those RGM and other capabilities come online and we have greater permission both with our retail customer, as well as our direct delivery customer base, that could change. But that's sort of the initial landscape view of how we've laid out EBITDA, the margin progression that we talked to in the guide, and again we'll comment on that further as the year progresses.

**Peter Galpo**

Awesome. Thanks very much.

**David Hass**

Thanks, Peter.

**Operator**

As a reminder, if you would like to ask a question, please press \*, 1.

Your next question comes from Andrea Teixeira with J.P. Morgan. Please go ahead.

**Drew Levine**

Hey. Thanks for taking the follow-up, guys.

Just one, David. Maybe you could just update us on what the synergy capture was in the quarter and then what's left to capture in '26 from the remaining two rounds of integration. Thanks.

**David Hass**

Sure. So again, we substantially covered off the synergy capture required inside the calendar year of '25. How we look at 2026 starts with two integration waves that we have left. One was a few—last weekend, actually. And so far that seems to have gone well. Again, we can see things pretty quickly in that regard now that we've had a little bit more space between the prior integration waves and the ones we're executing this year. The team deployed significant training on-site, sort of teach-ins and things. And that seemed to have gone quite well. And obviously, the way we were able to navigate the recent storms, again, performed very smoothly through that.

The last wave is a little bit closer towards the end of the quarter in which, again, we experience and expect that training and sort of teach-in activities to sort of help that occur.

From there, what will happen is some additional consolidation through teams where systems or other things that were prevented from being captured due to those last waves being incomplete will start to occur. So again, I think we remain very confident in our ability to sort of execute against that.

Obviously, we have placed some investments in the business either to win back the customers, or to sort of increase our service attention. And those should be able to be sort of looked at and reviewed as we get closer to midyear and understand sort of our glide path into year-end 2026 and potentially, again, set us up for a 2027 period that looks and feels a little bit more different and normalized to how we want to attack and execute against the business.

**Drew Levine**

Great. Thanks for the colour.

**Operator**

Your next question comes from Steve Powers at Deutsche Bank. Please go ahead.

**Steve Powers**

Hey. Thanks for the follow-up question for me as well.

David, actually a follow-up on Lauren's question on free cash flow. I agree, the underlying guidance for free cash flow came in a bit ahead of our expectations as well. I'm just curious if you have any estimate of, I guess, free cash flow net of any integration, synergy capture, or restructuring cash costs. Just trying to get a sense for where you think the actual free cash flow will land for the year, if you've got that visibility.

**David Hass**

Yeah. I mean, again, outside of the integration CapEx add-back that we sort of go through, we really don't have any sort of curveballs that are occurring in the business. So again, we feel pretty confident that the flow-through, we'll be able to produce an increase in our cash flow from operations. Our CapEx will remain in line with where our sales are going.

Obviously, the One Big Beautiful Bill has provided some tax benefits where some of that occurred in '25. We'll get some additional deployment and execution of that in '26. And then it really comes down to focusing in our working capital improvements to sort of go from there. But again, we can follow up with any sort of activities you need there.

But again, we feel pretty confident in our ability to sort of step through the year and sort of deliver that value.

**Steve Powers**

Okay. Perfect. Thank you.

**Operator**

That concludes our Q&A. I would now like to turn the call back over to Eric Foss for closing remarks.

**Eric Foss**

Thank you.

Well, in closing, again, I'm more energized and excited today than I was when I stepped in this role a few months ago. We continue to see encouraging trends as we close the year and look to returning to growth and achieving our financial commitments.

So, I want to thank everybody for joining us and appreciate your interest, and everybody have a great day.

**Operator**

This concludes today's conference call. We thank you so much for your participation. You may now disconnect.