# Primo Brands Corporation

## First Quarter 2025 Earnings Conference Call

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## CORPORATE PARTICIPANTS

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## CONFERENCE CALL PARTICIPANTS

**Jon Andersen**
*William Blair — Analyst*

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**Andrea Teixeira**
*JP Morgan — Analyst*

**Derek Lessard**
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**Daniel Moore**
*CJS Securities — Analyst*

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*BMO — Analyst*

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## PRESENTATION

**Operator**

Good morning. My name is Marissa (phon) and I will be your conference Operator for today.

At this time, I would like to welcome everyone to the Primo Brands Corporation's first quarter 2025 earnings conference call.

All lines have been placed on mute to prevent any background noise.

After the speakers' remarks, there will be a question-and-answer session. If you would like to ask a question during this time, simply press *, then the number 1 on your telephone keypad. If you would like to withdraw your question, press the pound key.

Thank you.

I'll now turn the call over to Jon Kathol, Vice President, Investor Relations.

**Jon Kathol** — Vice President, Investor Relations, Primo Brands Corporation

Welcome to Primo Brands Corporation's first quarter 2025 earnings conference call.

All participants are currently in listen-only mode.

The call is being webcast live on Primo Brands' website at ir.primobrands.com and will be available there for playback.

This conference call contains forward-looking statements regarding the Company's future financial results and operational trends, estimated synergies, impacts from economic factors, our recent refinancing efforts, and other matters. These statements should be considered in connection with cautionary statements and disclaimers contained in the safe harbor statements in this morning's earnings press release and the Company's quarterly report on Form 10-Q and other filings with the SEC.

The Company's actual performance could differ materially from these statements, and the Company undertakes no duty to update these forward-looking statements except as expressly required by applicable law.

A reconciliation of any non-GAAP financial measures discussed during the call, with the most comparable measures in accordance with GAAP, when the data is capable of being estimated, is included in the Company's first quarter earnings announcement released earlier this morning and in the Investor Relations section of the Company's website at ir.primobrands.com.

In addition to slides accompanying today's webcast to assist you throughout our discussion, we have included a copy of the presentation in a supplemental earnings deck on our website.

I am accompanied by Robbert Rietbroek, Primo Brands' Chief Executive Officer, and David Hass, Chief Financial Officer.

To start their prepared remarks, Robbert and David will discuss the first quarter performance of Primo Brands, as well as the outlook for the full year 2025.

With that, I will now turn the call over to Robbert.

**Robbert Rietbroek** — Chief Executive Officer, Primo Brands Corporation

Thank you, Jon, and good morning, everyone.

We are pleased to report strong performance in the first quarter, highlighting consistent strength across our business and organization.

During this period, we achieved balanced growth throughout our portfolio, primarily driven by increased volume.

Our business is resilient, and our growth underscores the expansion of the bottled water category and our success in capturing a greater share of the market while maintaining customer value.

Our results are a testament to the strength of our team and our unwavering dedication to providing exceptional customer service as we progress through the early stages of our integration process.

Together, we remain committed to our mission to hydrate a healthy America.

I will briefly touch on the high-level financial results on a comparable basis, which, as a reminder, compares the combined results of both legacy companies in the prior period against the results of Primo Brands in the current period. David will get into the more detailed aspects of the results for the quarter in his remarks.

In the first quarter of 2025, we achieved comparable net sales of $1.61 billion, reflecting a 3 percent increase. This growth was driven by 2.8 percent volume increase in price or mix growth of 0.2 percent, highlighting the sustained demand for our beverage solutions and the resilience of both our consumer base and the categories.

Organic growth contributed 2.6 percent, while inorganic growth added 0.4 percent.

Importantly, we delivered sales growth across all core water solution offerings and channels, including direct delivery, grocery, club, mass, and away from home.

When taking into account the leap day impact in Q1 2024, normalized comparable net sales growth was 4.2 percent.

We achieved meaningful margin rate expansion by capitalizing on synergies, driving cost optimization, and enhancing organic operational efficiencies, all while maintaining our consumer value equation, underscoring the strength and resilience of our business model.

Comparable adjusted EBITDA for the quarter rose to $342 million, a 12.1 percent increase compared to the prior year, growing at four times the rate of comparable net sales growth. This resulted in a comparable adjusted EBITDA margin of 21.2 percent, a significant improvement of 170 basis points over the prior year's margin of 19.5 percent.

Our performance reflects multiple positive factors driving our results.

Consumer demand remains resilient, reinforcing confidence in our offerings.

Our beverage portfolio is well diversified across various price points, formats, and channels, including retail, residential, commercial, and away from home.

Notably, the price of our water solutions is increasing at a slower rate than municipal tap water costs in many parts of the country.

We continue to benefit from positive consumer trends, such as heightened focus on healthier lifestyle choices, which align with the health and wellness attributes of our products.

Increasing concerns over water contaminants in tap water continue to drive demand for high-quality water solutions.

In the first quarter this year, numerous communities were affected by boil alerts, weather events, and municipal water disruptions, highlighting vulnerabilities in municipal water systems. As a result, consumers are becoming more mindful of the need for emergency drinking water supplies as well as a shift to bottled water products that Primo offers.

And we remain strategically focused on US-based manufacturing and distribution that provides us with a competitive advantage over competitors more impacted by tariffs.

Our first quarter results are a testament to the dedication and hard work of our associates as well as our unwavering commitment to our customers and the execution of our must-win priorities, which were expanded and strengthened through the merger.

I would like to highlight a couple of examples of these critical priorities to Primo brands.

The first must-win priority is brand leadership aimed at positioning our brands as the top choice for consumers by setting the benchmark for quality, innovation, and customer experience in the market.

We are focused on expanding our leadership in the bottled water segments and grow functional, flavoured, still, and sparkling premium branded water across different packaging formats and growth channels.

In the first quarter, our brands took centre stage with our premium brands continuing rapid growth and increased exposure.

Saratoga, one of our premium water brands, was chosen as the official water of the Golden Globes, receiving prominent prime-time exposure that reached millions of viewers.

Saratoga also achieved viral success when a social media influencer organically integrated the brand into his daily routine. This post generated over 1 billion views with subsequent engagements prominently spotlighting the Saratoga brand.

Another equally exciting instance involved Mountain Valley water, which received organic endorsements from professional athletes.

These instances underscore the strength of our brand's loyal following and positive sentiments achieved entirely through unaided, authentic moments.

Earlier this quarter, Primo Brands' regional spring water and national purified water brands were announced as the official water of Major League Baseball. Through a 360-degree campaign, America's leading water brands, including Poland Spring, Deer Park, Ozarka, Ice Mountain, Arrowhead, and Pure Life, will fuel baseball fandom with exclusive content, local activations, and community give-back moments from opening day to the World Series.

Our commitment to brand leadership continues to drive the expansion of our portfolio's reach across consumer occasions.

Circana data shows retail household penetration increased 110 basis points year over year in Q1. These gains reflect the success of our strategic focus on enhancing accessibility and consumer engagement across our offerings.

The second must-win priority is net organic growth focused on expanding our customer and consumer base across in-store, in-home, and omnichannel platforms.

This objective is driven by innovative offerings that enable consumers to hydrate anytime, anywhere, and in any way they choose.

According to syndicated data, Primo Brands solidified its position as the largest branded player to grow its bottled water category dollar share, achieving a 30-basis point increase.

With quarter one, US retail bottled water category growth of 2 percent, including 3 percent volume, we succeeded in growing our business organically. These results underscore the strength of our branded portfolio and reflect the sustained value we offer to consumer with the trend shifting away from sugar-sweetened beverages towards high-quality drinking water.

We successfully introduced the new six-count PET versions of our premium Mountain Valley and Saratoga Spring waters into the mass channel. We believe this incremental distribution will enhance visibility, increase shelf presence, and drive sales growth as more consumers experience the value of a premium offering at an accessible price point.

We remain confident that our diversified offerings, iconic brands, and commitment to promoting healthy hydration will continue to drive consumer favourability in the current environment.

Simultaneously, we remain focused on expanding and retaining our direct delivery, exchange, and refill customer base, as well as increasing the number of locations we serve. This reflects our focus on optimizing weekend deliveries, adhering to delivery frequency, and accelerating product response times.

We are also broadening our exchange offering within mass and DIY channels to include regional spring water brands, creating incremental revenue opportunities while complementing our existing purified water offerings.

The third must-win priority is to deliver a superior customer service experience aimed at delighting our customers by providing consistent, seamless experiences across every product, service, and support touchpoint, leaving a lasting positive impact.

We continuously monitor our performance through key metrics such as net promoter score, Trustpilot, Google ratings, and App ratings, which provide valuable insights that enable us to make timely improvements.

Our digital presence continues to evolve with integrated updates across our websites and mobile apps, yielding more prospect sessions, and an increase in active recurring users.

Additionally, we've expanded our direct delivery service to include a broader brand portfolio for customers to enjoy. Customers from across our home and office delivery network can now choose from 5-gallon or K-spec spring water options from our established spring and purified 5-gallon Primo Water offerings.

The fourth must-win priority is operational excellence, focused on consistently delivering value to our customers and enhancing performance through efficiency improvements, strategic sourcing, and better returns on invested capital.

Our teams have made significant advancements in demand forecasting tools, methodologies, and outcomes, driving improved efficiencies and lowering costs by unit.

By leveraging machine learning and analytics, we continue to refine demand forecasting, production planning, network optimization, and route design, all while enhancing the overall customer experience.

After the quarter ended, our Hawkins, Texas facility experienced damage from a tornado, which caused a disruption to our supply chain. I am proud of the way that the organization rose to the challenge, and while we've had some disruption to supply, we were back up and running in a few days and will be 100 percent operational by late June. Fortunately, no injuries occurred during this event, a testament to our team's prioritization of safety and resilience.

The fifth must-win priority is to be the first choice for stakeholders, where we earn our position as a first-choice organization for our associates, communities, retailers, vendors, and investors.

This goal is driven by our focus on delivering exceptional associates experiences, fostering sustainability, engaging meaningfully with communities, and nurturing strong, impactful stakeholder partnerships.

We value our partnerships with leading retailers and grocery chains across North America, which provide opportunities for joint business planning to strengthen our presence, grow market share, and increase household penetration and volume.

Recent top-level meetings and modular resets have yielded significant wins.

Our retail partners have also recognized our dedication to partnership, with Walmart nominating Primo Brands as a finalist for the 2024 Supplier of the Year Award for our dispenser and exchange offerings.

By fostering and sustaining these relationships, we position ourselves for long-term success. Simply said, if our retail partners win, we win.

Our robust business model uniquely integrates our associates, assets, and resources, enabling us to deliver outcomes that benefit all our stakeholders, including associates, suppliers, customers, and both current and prospective stockholders.

At Primo Brands, we are dedicated to making healthy hydration more sustainable, responsible, and accessible for everyone, everywhere. This commitment is driven by four key pillars that guide how our business interacts with nature and people: water stewardship, circular packaging, supporting people and communities, and greenhouse gas reduction. We will share more detail when we release our inaugural 2024 Sustainability Report later this month.

Earlier this month, we partnered with the Ocean Cleanup to support cleanup efforts in Los Angeles County and beyond, while also completing a project with the Cucamonga Valley Water District to remove contaminants from the groundwater, restoring water quality, and increasing local water supply for long-term sustainability.

We take immense pride in making a positive impact in the communities we serve. In response to the LA wildfires, our team worked directly with the California Office of Emergency Services to supply more than 22,000 cases of water to hydrate those impacted.

We believe all aspects of our business are aligning for flawless integration execution, where we build a foundation for long-term growth by unifying the people, processes, policies, and platforms to maximize timely cost synergy capture as well as to capture revenue synergies.

We believe the successful execution and delivery of these key initiatives will position us to achieve our 2025 financial guidance, which includes capturing $200 million in cost synergies opportunity as we ramp up through the balance of the year.

We have already begun the initial stages of this synergy capture. In the first quarter, we focused on reducing redundant corporate headcount and driving efficiencies in the business and optimizing our SG&A structure. At the end of the first quarter, we executed the closure of eight facilities and continued the process of streamlining our workforce.

Total cost synergy opportunities are still projected to reach $300 million by the end of 2026. As a reminder, this is $100 million higher and one year sooner than the estimate provided at the time of the deal announcement, with $200 million in 2025 and an incremental $100 million in 2026.

From an overall perspective, we expect 2025 net sales to ramp through the year as new distribution and resets are implemented, as well as benefitting from the immediate implementation of product availability across the Company’s branch network.

Cost management and maximizing synergies will remain priorities as we work through the year. And optimization of our production and distribution network are keys to our longer-term success.

In recent weeks, tariffs have been a prominent topic in the headlines. Our exposure to potential tariffs is minimal and primarily concentrated in our dispenser business, which accounts for approximately 1 percent of our overall net sales. As a primarily US-based, vertically integrated business, we are advantaged by our coast-to-coast manufacturing network, which seamlessly connects our people, customers, and consumers, further reinforcing our resilience and adaptability in this rapidly evolving landscape.

Before I hand the call over to David, I want to express my gratitude to all our Primo Brands associates for their contributions to our business performance. Their dedication embodies the performance-oriented culture we are fostering, which is centred on exceptional customer service, a relentless focus on distribution, and a commitment to operational excellence and cost control.

With that, I will now turn the call over to David.

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

Thanks, Robbert.

We are excited to complete our first full quarter as Primo Brands, and I would like to thank our associates for their efforts and relentless drive to focus on cost control and synergy capture as we lay the foundation for current and future success.

Today, we'll discuss the first quarter results for 2025, comment on the progress of our integration and the macro events impacting the Company, while reaffirming our guidance.

As you may recall, BlueTriton Brands was the accounting acquirer of record for the merged company. The GAAP financial comparisons in this morning's press release reflect the 2025 results of the new Primo Brands versus 2024 results of the base legacy BlueTriton only. This is a typical GAAP reporting outcome of a merger transaction, which can lead to growth metrics that are not comparable.

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

Additionally, we will refer to normalized comparable results, which will account for the extra day in 2024 from the leap year.

For your convenience, we have included a number of reconciliations to the GAAP metrics in the appendix section of the supplemental earnings deck located on our website at ir.primobrands.com.

Turning to our first quarter results for Primo Brands.

Comparable net sales increased 3 percent to $1.610 billion, and comparable adjusted EBITDA increased 12.1 percent to $341.5 million, with comparable adjusted EBITDA margins of 21.2 percent.

Within the comparable 3 percent net sales growth, approximately 2.6 percent or approximately $40.5 million came from organic growth activity, with the balance 0.4 percent or approximately $6.8 million coming from inorganic or acquired sources. As a reminder, Primo Brands' definition of inorganic contribution includes any acquired businesses that were closed less than 12 months ago. After 12 months, any acquired business becomes part of our normal contribution base.

Separately, the comparable net sales increase for the quarter was driven by a 2.8 percent increase in volume and a 0.2 percent increase in price or mix. As a reminder, volume for Primo Brands is defined as cased goods equivalents, which are measured as 12 litres.

The strength of the quarter was driven by strong performance across all core water categories. When taking into account the leap day impact by removing the extra selling day from 2024 results, our normalized comparable net sales growth would have increased from 3.0 percent to 4.2 percent.

Without getting into the granular detail of the extra selling day, it can be approximately assumed that the ratio between volume and price or mix would hold for the 4.2 percent normalized comparable growth rate, making the volume contribution in the quarter more impressive.

Volume improvements span a series of wins across brand offerings, increased points of distribution, channels of trade, and product mix. We believe we remain a strong beneficiary of current health and wellness trends, and our product price point diversity continues to deliver strong volume.

We saw improved growth in our mass channel as well as our emerging other channel that showcased growth in various natural foods retailers with our premium brands that continue to thrive.

While not disclosed, our Refill and Exchange businesses continued with their high single-digit growth to complement our Direct Delivery business.

And we continue to deliver impressive growth results within our premium water category with 49 percent net sales growth, primarily from volume-based increases.

Digging a bit further into our synergy capture in the first quarter, approximately $20 million of our adjusted EBITDA results can be attributed to cost reductions or efficiencies gained as a result of the merger. This is a great start in helping deliver our estimated total $200 million in-year synergy opportunity in 2025.

Our estimated cost synergy opportunity will continue to build as we move through 2025.

In the first quarter, the savings were attributed to actions across SG&A reductions, IT savings, and production or infield branch operation consolidation. As we progress, both our SG&A and operations buckets will increase significantly as well as our procurement initiatives.

We remain committed to driving an efficient cost structure both at the corporate or shared-service team level, as well as large cost drivers that we plan to streamline in our field-based organization by removing duplicative infrastructure.

Now, let’s shift to our balance sheet and cash flows.

At the end of the first quarter, debt capital, gross of deferred financing costs and discounts, totalled approximately $5.2 billion.

The credit agreement, amended in February as part of a series of debt transactions, includes a $750 million revolving credit facility. This facility remains undrawn at the end of the first quarter, providing us with approximately $611 million of available liquidity, after accounting for standby letters of credit totalling approximately $139 million.

Our liquidity remains strong with approximately $449 million of unrestricted cash on the balance sheet; $453 million when considering cash that is restricted or within our discontinued operations. When combined with $611 million of availability under our revolving credit facility, as mentioned earlier, this brings our total liquidity to approximately $1.1 billion.

Additional opportunistic liquidity was generated by the sale of our Eastern Canadian property, totalling approximately $46 million that is reflected in our Q1 cash balance and the recent completion of the sale of our UK business, which closed in April for approximately $9 million.

With the sale of the UK business, Israel remains as the last legacy Primo Water international asset to be divested. The Israel divestiture remains under regulatory review by the Competition Authority, and we expect to complete the sale shortly, following the completion of that regulatory review. Proceeds are expected to further strengthen our overall cash and liquidity position.

Moving to cash generated from the business.

In the first quarter, Primo Brands generated $38.8 million of cash flow from operations. When accounting for significant items, including but not limited to our integration and merger activities, our cash flow from operations would have totalled $121.4 million.

Additionally, we invested $66.7 million in capital expenditures, excluding integration CapEx. This resulted in adjusted free cash flow of $54.7 million. When compared to the prior year, on a combined basis, this resulted in adjusted free cash flow growth of $49.9 million.

The key metric that we track closely is our conversion of adjusted free cash flow to adjusted EBITDA. On a trailing 12-month basis, our adjusted free cash flow totalled $694.8 million, yielding a conversion ratio of 50 percent.

We are reaffirming our net sales guidance of between 3 percent to 5 percent growth on a comparable basis.

Clearly, there is uncertainty in the economy and consumer spending activities, in addition to the ongoing ambiguity and volatility of the global tariff environment. We believe that, as a domestic provider of high-quality water solutions, we can serve our retail partners and consumers with great value and opportunities to support their health and wellness journeys.

Each quarter will be a bit unique as we navigate our integration activities, and we continue to see 2025 building into the 3 percent to 5 percent comparable net sales guidance, largely balanced between volume and price or mix.

While many companies in today's environment are stepping back to review and adjust their cost structures and drive efficiencies, Primo Brands remains in a strong position to quickly extract and leverage the benefits of our merger.

We began to immediately deploy our integration playbook at the time of our merger to remove duplicative costs and seek a leaner cost structure.

This also allows us to review all aspects of the businesses we are combining without a lot of risks to our offerings, as we're largely driving efficiencies and streamlining into a single-company operating structure. We will continue to prioritize executing our cost synergy capture in 2025 to drive our profitability and leverage a single production and operations footprint.

Separately, the tariff environment remains escalated compared to prior periods. Our dispenser business remains the primary area of the business impacted by the current tariff environment. This part of our business represents approximately 1 percent of our annual net sales guidance.

We are exploring opportunities with our retail partners to invest in promotional activity to continue our product leadership and ensure it leads to continued water consumption across our large-format retail offerings like Exchange and Refill. These promotional activities are intended to help alleviate any stalls in our supply chain for weeks of on-hand inventory with our retail partners. We are actively working with our retail and online partners to effectively navigate the ongoing environment.

As a reminder, the Dispenser business has negligible impact on our adjusted EBITDA and free cash flow.

As mentioned previously, we remain on track to achieve our in-year and total synergy capture.

We continue to anticipate our full year 2025 adjusted EBITDA range to be between $1.6 billion and $1.628 billion, with an implied adjusted EBITDA margin of approximately 23.1 percent at the midpoint.

Our adjusted EBITDA guidance includes the capture of $200 million in cost synergy opportunity in 2025. As previously mentioned, the first quarter's synergy capture represented a strong start to our in-year estimated opportunity.

Moving on to capital expenditures.

We are maintaining a forecasted run rate growth and maintenance CapEx budget of approximately 4 percent of comparable net sales, plus integration-related CapEx of approximately $200 million in 2025 and $50 million in 2026.

The significant integration and volume shifts of the business into a single network and operating system requires some spend in key categories. These include one-time integration CapEx within IT to assist the transition of Primo Water ERP into the legacy BlueTriton systems, water production, and capacity expansion; additional large-format blow-molding equipment; as well as other fleet and cooler asset standardization.

We believe this will allow future year growth to efficiently move through our vertically integrated and scaled production and distribution system.

Our base CapEx spend included $66.7 million of spending in the first quarter, representing approximately 4.1 percent of our first quarter comparable net sales.

Additionally, our integration CapEx was a minimal $2.8 million in the first quarter. We expect our integration-related CapEx to ramp sequentially.

Related to the Hawkins tornado Robbert mentioned earlier, we will have an insurance claim that will fully cover the repair costs to the facility, less the standard policy deductible. We will also have access to business interruption reimbursement that we'll have more details on as the second quarter progresses, and we'll discuss in future quarters as relevant.

The impact of the tornado will be felt across April, May, and a portion of June in the southern region as various production lines are brought back into service, as the structural areas of the facility are stabilized and repaired. This notably impacts our Ozarka brand.

We expect that capital expenditure costs could approach approximately $50 million, as the damage to the building structure was significant but, thankfully, very limited impact to the actual production equipment. While there might be some slight timing mismatch of capital outflow to fund repairs versus inbound insurance reimbursements, we will track and provide clarity across 2025 and 2026 for these expenses.

Combining these factors with the core health and cash generation capacity of our business model, we maintain our guidance for the adjusted free cash flow between $790 million and $810 million for 2025.

This forecast assumes adding back acquisition and integration costs; in-year integration-only CapEx; and now repairs for Hawkins, impacted by the tornado; as well as the benefit of after-tax in-year synergy cash flow.

Last week, our Board of Directors authorized another quarterly dividend of $0.10 per share of Class A common stock, which represents an 11 percent increase over last year’s quarterly dividend rate at Primo Water.

In March, our largest shareholder, One Rock Capital, completed a secondary offering of Primo Brands shares. Interest levels in the offering were extremely high and oversubscribed. The board and management recognized an opportunity to utilize our cash balance to repurchase 4 million shares in connection with the offering for approximately $114 million. Future share repurchases remain at the discretion of the Company on an opportunistic basis.

In summary, we believe our strong cash flow, available liquidity, improving debt situation, and positive growth outlook are setting up Primo Brands for future success. Our focus in 2025 is about network optimization, cost consolidation, unlocking free cash flow and adjusted EBITDA.

With that, I will turn the call back over to Robbert for any final thoughts.

**Robbert Rietbroek**

Thanks, David.

Looking ahead, we’re focused on driving top-line growth across our portfolio.

Primo Brands is focusing on several key growth areas.

First, as a leading branded beverage company with owned or leased water sources and a US-focused customer base, Primo Brands is capitalizing on the growing demand for healthy hydration options.

Second, we are striving to enhance brand leadership through meaningful innovation, activation, and partnerships that continue to drive household penetration growth.

Third, our expanding services, including direct delivery, exchange programs, and refill stations, are redefining convenience for our customers.

Fourth, by improving operational efficiency, asset utilization, scale, 24/7 manufacturing, channel expansion, and customer service, Primo Brands aims to drive growth and create value.

Lastly, Primo Brands is leveraging its extensive distribution network to expand into high-growth and under-penetrated channels such as lodging, casinos, restaurants, schools, hospitals, and convenience stores.

Looking ahead, I'm optimistic and confident in our ability to deliver value for stockholders and remain excited about the future of Primo Brands Corporation.

Our strong foundation and dedicated team position us well to continue delivering strong results and driving innovation and distribution across our portfolio.

We remain focused on enhancing customer experiences, optimizing our network, controlling costs, and leveraging our strength to achieve sustained growth.

With that, I will turn the call back to Jon to take us through Q&A.

**Jon Kathol**

Thanks, Robbert.

To ensure we can address as many of your questions as possible, please limit your inquiries to one question and one follow-up. If you have additional questions, feel free to rejoin the queue, and we will answer as many as time permits.

Operator, please open the line for questions.

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## Q&A

**Operator**

Thank you. Ladies and gentlemen, we will 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. If you would like to remove your hand from the pulling process, please press *, followed by 2. If you're using a speakerphone, please lift the handset before pressing any keys. One moment for your first question.

Your first question comes from Jon Andersen with William Blair. Please go ahead.

**Jon Andersen** — William Blair

Good morning, everybody. Thanks for the question.

I'd like to start by asking about the performance of your premium brands, Saratoga and Mountain Valley.

And, also, if you could provide a little bit more colour around the strong growth in the quarter. I think you mentioned nearly 50 percent growth. And your plans for those brands going forward and performance expectations. Thanks.

**Robbert Rietbroek**

Yeah. Thanks, John.

I’m very pleased with the performance of Mountain Valley and Saratoga. And you’re right. The quarter delivered 49 percent sales growth for those two brands. And that was primarily driven by volume-based increases.

Now Mountain Valley grew just under 42 percent; 41.8 percent in the quarter. It actually passed $50 million in Q1 net sales. That, obviously, is a combination of wholesale pricing and direct-to-customer pricing. And Saratoga grew 68.6 percent, and passed $20 million quarter one net sales.

Both of these brands are now available for our direct-delivery customers. And we launched PET for both brands into Walmart. So that’s a brand-new distribution in the largest retailer in the US, with a six-pack execution for both brands. So we’re very excited about that new distribution.

And from a brand standpoint, Saratoga had a really big quarter. It was the official water of the Golden Globes, and we had a strong presence at the event and around the event. And we also had a viral moment with an influencer who had over 1 billion views. So Saratoga may very well be the hottest brand in America right now.

Now, the future of Saratoga will really be all about continued gaining distribution with a very strong focus on not only on retail but away from home. We really believe the brand has a role to play in restaurants and nightclubs and other away from home channels.

And Mountain Valley, just to recap, we had added additional spring capacity in 2023/’24. We added glass bottling capacity, and we expanded our inventory of glass bottles. And that brand continues to go very well. And I’m happy to say that tonight, we are going to be present at the Academy of Country Music Awards in Dallas as the official water of this evening’s event.

So we’re very pleased; 49 percent net sales growth combined. Great quarter with great plans ahead.

**Jon Andersen**

That's terrific. On the viral moment, I'm assuming, I think it was Taylor (sic) Hall. I've seen it myself several times. That was not something that was sponsored. That was just kind of organic.

**Robbert Rietbroek**

Correct. Yeah. Ashton Hall is his name. He's a fitness influencer for Miami. And he created that all by himself. And, obviously, we have a good relationship with Mr. Hall, but it was completely organic. And it just means that the brand is set up for success.

**Jon Andersen**

Absolutely. Second question, the follow-up, is about just EBITDA. There's so many kind of puts and takes as you kind of integrate post merger. EBITDA came in above consensus expectations, our expectation. I'm wondering if maybe you can parse out the main elements of the beat relative to maybe your internal plan and relative to consensus expectations. Thank you.

**Robbert Rietbroek**

Yeah. EBITDA was $341.5 million, up 12.1 percent, as we reported. And margins were very strong at 21.2 percent, up 170 basis points (unintelligible). And it was mostly driven through volume growth, customer demand, and effective cost control.

But let me pass it to David to give some more colour.

**David Hass**

Yeah. Thanks, Jon, for the question.

So the $20 million of integration capture would have been right on plan. And that built where, March, we exited the quarter with some strength there of where we were pulling costs out of the business.

And as we've said before—so that would leave, obviously, the primary increase to sort of the quarter in the base business.

And as we've said before this is really putting two businesses together where in many cities, a lot of the operational infrastructure, production infrastructure, in some cases, stares at each other and would be inefficient in a separate company format.

And so for the base business to be ahead of plan is very helpful where the efficiencies and leveraging the infrastructure was working in the independent separate companies before we started integrating them. And so that's where I would say the primary benefit in the quarter was.

And again, we remain very pleased with where we are on the synergy capture in the quarter and that will continue to build throughout the year. But as mentioned, that $20 million really gets at a very impressive sort of annualized outcome in towards the $300 million total capture.

**Jon Andersen**

Great. Thanks so much. Good luck.

**Operator**

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

**Nik Modi** — RBC Capital Markets

Yeah. Good morning, everyone. Just a quick clarification, Robbert.

In your prepared remarks, you were talking about shelf resets, distribution gain. So it seemed that you were inferring the top line will accelerate as the year progresses. So if you can clarify that.

And then the question I wanted to ask was just around price mix. I mean, obviously, the top line was very strong, heavily volume driven. I'm getting a lot of questions about like what's going on with price mix; why was it barely up. So maybe you can give some context around what you're seeing. A competitive environment or is there any noise or timing issues that caused the price mix to be almost flat?

**Robbert Rietbroek**

Yeah. Nik, I'll start with the second part, if that's okay with you. Thanks for the question.

**Nik Modi**

Sure.

**Robbert Rietbroek**

So let's talk about price mix for a second. So the quarter was primarily driven by volume, and there was very little pricing in the quarter because we really wanted to retain the right consumer value equation and remain competitive in this macro environment where we know that consumers are challenged. That actually allowed us to continue to contribute to the growth of the category.

So if you look at Circana, the category grew 2 percent in dollar scans, 2.1; and 3 percent in volume, 3.4 actually, specifically, for the first quarter. Our scans were up 3.8 percent in dollars. So we expanded market share by 30 basis points, and we were the only large, branded beverage company that actually was able to grow share in the quarter as a result of that.

So we feel very good about the balance of a mix in pricing this first quarter also because we were able to expand our EBITDA margin without that pricing due to cost control, synergy delivery, and just very disciplined spending.

Now when I look at the shelf resets, so we have very broad distribution. We're available in about 200,000 retail outlets. We have over 3 million points of distribution, and we're adding over 5 percent incremental points of distribution in the April-through-August resets across the trade. And I want to just point out a few very big ones.

The big ones that we are focused on are mass and grocery. We have additional distribution on Mountain Valley and Saratoga coming through and also regional spring and Pure Life as the brands continue to grow.

We are also focused on adding regional spring water to our Exchange racks. That is going to be a slow build, but we are currently in testing in a number of Walmart stores where we have added a spring right next to Primo Water in the Exchange racks. So not a replacement, but an addition.

Now, for the balance of the year, obviously, we have sales forecasted at 3 percent to 5 percent organic, and we continue to build a platform for sustainable growth. We work with retailers to share in-store and earn new points of distribution. You have to earn that, and we are earning that. We want to improve our customer touch points to enable frictionless customer experience.

So with regards to the mix of volume and price, what I would say is that we will have quarters where we'll be higher in pricing, and some quarters will be higher in volume, and we will be, obviously, looking at the balance of the year.

But let me pass it to David to talk a bit about price mix.

**David Hass**

Thanks, Nik.

So at this point in the quarter, any of the pricing contributions would have just been natural, independent business decisions coming into the quarter, especially if it was in the retail environment. Sometimes those conversations take longer. So you can expect some price mix contribution as we look in things like last mile, where we have direct delivery to our customer base in the commercial and residential space. You can see or expect some harmonization that will take place in sort of balance-of-year activities.

So, again, I think our goal for the year was a balanced approach of about 50/50 in volume versus price mix. Each quarter will be slightly unique, but we will begin, in the outer portions of the year, to sort of harmonize that pricing in last mile, which may contribute a little bit more in those particular quarters; while we might be and remain mindful of what happens in retail, where the consumer might continue to expect sort of a value equation.

**Nik Modi**

Great. Thanks. I'll pass it on.

**Operator**

Your next question comes from Andrea Teixeira with JPMorgan. Please go ahead.

**Andrea Teixeira** — JP Morgan

Thank you. Good morning. I was hoping if you can comment on the bridge from the soft organic growth in the quarter at 3 percent to the midpoint of your range at 4 percent for the year, for both the retail business and the HOD. I understand there has been some shifts in promotions for Poland Spring at some retailers and some closed branches and routes as part of your synergies. I understand that's part of, obviously, delivering the $20 million and 200 for the full year.

So is there any—and you just, Robbert, you just spoke to that right now. Even revenue synergies in some of the racks, I've seen myself in some of the exchanges like Poland Spring as opposed to the Primo and seeing that and opportunities. So I was hoping to see if there are any anomalies that you want to point out that gives you the confidence to basically reiterate the guidance today. Thank you.

**Robbert Rietbroek**

Yeah. Good morning, Andrea. Thank you for the question.

So the normalized organic net sales growth, as we correct for leap year, which had the extra day last year, is 4.2 percent for the quarter. So that sits right in the middle of the 3 to 5 guidance.

And what gives me a lot of confidence, to your earlier point, and you called it out correctly, is that last year, Easter promotions fell in the last week of March. And they were pushed into April this year. And those are particularly big events for our Poland Spring brand in the Northeast. So with the correction of leap year, we're at 4.2. And that doesn't even include that overlap. So that gives me a lot of confidence.

With regards to the additional revenue synergy plans, we are obviously now offering Mountain Valley and Saratoga on our direct-to-customer delivery trucks. And we are in testing in adding regional spring water to the Exchange racks in over 10 Walmart stores, with, obviously, a plan to expand that if it's successful. We believe it is successful.

So those are some examples of revenue synergies that will start to come into the sales.

The bigger part is the distribution build that we're going to see this year. That is a critical component of our growth plan, the additional more than 5 percent points of distribution across mass and grocery that we're getting.

**Andrea Teixeira**

That's helpful. One of the things that, obviously, Robbert, I mean, to investors, I mean your guidance does not—was contemplating the leap year, and it's not correcting to that. I just want to make sure because that extra day is not going to come back by the end of the year. One.

And then another follow-up is, when you think about your portfolio, right, and think about purified against, in this scenario, against spring water, can you comment on Pure Life, if you've seen any kind of weakness as consumers at that entry level price point are feeling the pinch? Or you're seeing across the board a similar performance on the entry level against like higher level with Poland Spring? And, of course, we all saw the continued growth in the premium.

But I would say like more entry level against private label, how you feel about those vis-a-vis your offering in private label.

**Robbert Rietbroek**

Yeah. Andrea, our purified business did very well this quarter. It was up 3.5 percent in net sales. That's a combination of, obviously, Primo Water, branded Primo Water, and Pure Life.

We are really focused on maintaining competitive pricing on Pure Life to offer the consumer the right value equation. That means that we are carefully monitoring competitive pricing and making sure that, for the balance of year, we'll have the right amount of display and feature promotions on this business, in partnership with our key grocers and key mass channels.

So when you look at Pure Life, it is really a branded proposition that will allow us to continue to grow share in the purified segment.

We're also offering Pure Life in Exchange in quite a few stores, and we will be evaluating the strength of that brand across those channels as well.

But we actually are very confident in the strength of our purified business and continue to see growth there.

**Andrea Teixeira**

Thank you. And just a clarification on the leap year.

So your guidance embeds the leap year. So in other words, you're not going to adjust and say, okay, we didn't hit the 4, we hit the 3, but with the leap year effect, it will be adjusted to round up to 4. I'm assuming that's not the case.

**Robbert Rietbroek**

That's correct, Andrea.

**Andrea Teixeira**

Okay. Perfect. Thank you very much. I'll pass it on, and congrats.

**Operator**

Your next question comes from Derek Lessard with TD Cowen. Please go ahead.

**Derek Lessard** — TD Cowen

Yeah. Good morning, everybody, and congrats on another strong quarter.

Robbert, I just wanted to maybe hit you up on your prepared remarks where you said you expected the 2025 net sales to ramp up through the year as new distribution and resets are implemented. Can you just maybe add some colour around that?

**Robbert Rietbroek**

Yeah. I mean we obviously have already discussed the impact of the shift of Easter into the second quarter. So that was an overlap opportunity that benefits Q2 but took a bit of momentum away from the first quarter because of Easter in March last year, Easter in April this year.

With the balance of the year, it will be a combination of, one, incremental Exchange distribution. We are already up first year-ago (phon), and we have great plans to expand our Exchange business.

Two, price promotions and feature display activity on our both regional spring water and purified business.

And three, there will be benefits from incremental distribution. As I said, over 5 percent of total distribution points incremental. We were 3 million in the base, and we're going to add 5 percent to those points of distribution. And that's a combination of case pack on purified on spring, and then six pack on Saratoga and Mountain Valley.

In that combination, together with the focus on customer acquisition in the direct-to-customer channel and the customer retention plans through improved customer service, improvements in our apps and the water.com website and a relentless focus on customer service to the call centre and delivery, we build the balance of the year.

**Derek Lessard**

Okay. So I guess then my follow-up question to that, it sounds like given that accelerating sales growth, and then I think, David, you mentioned that the base business is ahead of plan, I'm just curious how you square away that with keeping your guidance flat.

**David Hass**

Yeah, Derek, so part of it is just obviously we're sitting in a macro environment that changes by the minute. But what we also are looking at is this Dispenser business under the tariff, and I made prepared remarks on that, we're not worried about its velocity with consumer, but we might want to work with retail partners in promotional activities as a lot of other electronic or imported products are if you just walk an average Walmart these days.

So we are looking to accelerate promotional activities with our retail partners that allow—again, remember, we make revenue when we sell the dispenser into the channel, but we want to help our retail partners move velocity off their shelves. And when that occurs, that accelerates our Exchange business. It has ripple effects into our Refill business and sort of ancillary halo effects into our Direct Delivery business.

And so part of that might just be a reserve to sort of really look at where we might need to lean in in certain cases to the business. And if that's the case, that actually helps set us up for strong momentum as we head into ‘26, or if, obviously, the tariff environment changes, which it seems to have done multiple times in the last month.

**Derek Lessard**

Okay. Thank you. That’s helpful.

**Operator**

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

**Daniel Moore** — CJS Securities

Good morning, Robbert. Good morning, David. Thanks for taking the questions.

I wanted to just maybe pull on the string of cadence of revenue growth year over year, particularly starting with Q2. On the one hand, you have the Easter timing benefit that you called out; on the other, temporary disruptions at Hawkins. So your comments seem to imply faster growth in Q2 but just wanted to clarify that. And then kind of cadence for the balance of the year. Thanks.

**David Hass**

Yeah, Dan. And so Q1 would have traditionally, like Q4, been sort of our shoulder seasons, if you will, with Q2 and 3 being a larger contribution of both stand-alone companies and, obviously, the combined business. So as we ramp into Q2 and 3, you should see sort of some nice growth there.

Again, we’re sticking with annual guide here. Obviously, the macro environment in our original position is to keep that at an annual level as we work through and make sure we have timing and efficiencies on our synergy capture.

And so, again, the business will build as you go into Q2 and Q3. And even though Q4, from a weighting standpoint, is lower than Q2 and 3, that’s really where we expect a lot of the harmonization of pricing and other builds on our synergy capture to take place that allows that any efficiencies in price mix to sort of flow through the P&L very efficiently.

So I think that's kind of the best we're sort of providing from that standpoint on cadence.

**Daniel Moore**

No. That's helpful. And, obviously, we can build that free cash flow and kind of right on target with adjusted free cash flow.

Just wondering, over the next couple of quarters, where you see leverage kind of peaking out. And maybe talk to the balance or the cadence of potential acceleration or acceleration of deleveraging as we look out at the next two, four, six, eight quarters. Thanks again.

**David Hass**

Sure. So, certainly when we spoke at Investor Day, we provided some guidance. We'd like to take about a half a turn out of leverage. That contemplated the anticipation of maybe One Rock doing a deal, which we obviously executed in March. And so, again, we have ample confidence in our ability to pull about a half a turn out of the business. We spent about $114 million of cash. As you can expect, our adjusted free cash flow builds throughout the year. And that's really a case of those middle two quarters being a high contribution to overall sort of cash build in the Company.

And so, again, when we look at it, Q1 was right on pace for CapEx spend. Actually, Q1's adjusted free cash flow would have been a little higher, but we did debt refinancing, which actually accelerated some interest costs. That won't occur now in Q2. And so you'll start to see that sliding (phon) sort of normalize out.

But, again, we remain very confident in where that builds toward the $800 million in our guide midpoint for that. And again, expecting our CapEx to sort of be as planned.

**Daniel Moore**

Very good. Appreciate the colour.

**Operator**

Your next question comes from Andrew Strelzik with BMO. Please go ahead.

**Andrew Strelzik** — BMO

Hey. Good morning. Thanks for taking the questions.

My first one, I wanted to ask about the HOD business or the non-retail business and how you think about the durability of that business in a tighter consumer spending environment. We obviously don't get a lot of visibility in the investment community to that piece of the business. So just would be great to hear what you're seeing in that channel. If you have any colour on retention or churn or anything like that, it would be super helpful.

**David Hass**

Yeah. Thanks, Andrew. So a couple aspects that we're really excited about is, first, our website efficiency, as expected, is improving because, obviously, we are not having dollars compete necessarily for eyeballs on different sites.

We are going through consolidation of web platforms, apps, and obviously, as Robbert mentioned, we've started our waves of branch consolidation. The team remains in a good spot with regard to gross additions or the attractiveness of people coming to the category. On a net basis from customer accounts, we remain in a good position.

We understand, obviously, perception of the macro environment. We've really not seen any sort of slippage. We have, I can't remember the exact basis point, but an increase slightly in retention as the combined businesses come together.

So we feel like it's in really good shape. And as Robbert mentioned, the premium side of the business is not just growing because of retail. The off-route Mountain Valley distribution there, it continues to thrive.

So we look—again, it's a very good opportunity. And we're just beginning the spring brand consolidation where legacy Primo Water customers will have access to cases and large-format bottles of more popular regional springs that would have been a part of the BlueTriton system. So, again, we feel that the efficiencies that the exchange density provides to that route truck as well as the customer density that's just beginning because of the branch consolidation is really a great start to the year.

**Andrew Strelzik**

Okay. That's helpful. And then just wanted to clarify quickly. On the tornado, is there any impact built into the guidance from that? Or because of the business disruption insurance, there's no—that's kind of just a neutral event as you think about the guidance?

**David Hass**

Yeah. So from an EBITDA perspective, the business interruption will be sort of offset. Again, timing may not be perfect there, but we're working through with that as we are able to quantify those impacts for the insurance provider.

From a net sales perspective, it's really, we've been able to pull product from other areas. This is a very large factory for us. So it's really more of a timing issue of the net sales of that particular product.

Thankfully, the channel was nicely filled with product. And this is basically just slightly deferring, but, thankfully, a lot of that within the quarter if that makes sense.

**Andrew Strelzik**

Yep. That does. Thank you very much.

**Operator**

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

**Steve Powers** — Deutsche Bank

Great. Thank you very much. Good morning.

Building on, I guess, your answers to the first question just preceded me, you talked about retention rates actually kind of holding up or ticking up through the first part of the integration, which is good to hear. I guess, more broadly, can you comment on what you've seen in the overall kind of menu of service levels you track? What you're hearing in terms of or seeing in terms of customer satisfaction? Just the level of marketplace disruption or lack thereof from the integration would be helpful.

**David Hass**

Sure. Thanks, Steve, for the question.

So, yes. In general, we've spent time as businesses looking at factors like on-time in-full, in-stock rates, our NPS scores, our customer satisfaction.

We've actually built out a pretty extensive KPI dashboard for internal discussion that, over the next coming quarters, like we did at legacy Primo Water, we'll start to reveal some of those when it's best on the backside of conversion or consolidation.

But in the quarter, our last mile, which would be our Direct Delivery business, had OTIF rates grow by several basis points. Our refill uptime, which really isn't impacted by the consolidation, remains at sort of its all-time levels. Customer retention, as I mentioned, was up a few basis points on a year-over-year basis.

And, as can be expected, when you go through consolidations, we are experiencing some call volumes of which our call centre prepares for, and that's why we do these branch consolidation in waves.

And we're looking to address concerns or questions about, hey, why is this product available now; or why did my date potentially change from my original, very regular schedule. But those are sort of growing pains as we will experience going through the consolidation. But please look for us to release more of those KPIs in coming quarters.

But from a perspective of how we deliver, how we make product, all those are trending in a positive direction as we look to consolidate production and last-mile deliveries.

**Steve Powers**

Yeah. Okay. Very good. And then on the synergy capture, so the 180 or so that remains for balance of year, can you talk a little bit more about sort of the expected cadence in achieving that? And sort of the curve relative to kind of a straight $60 million a quarter, I presume it's going to ramp a bit, but just a little bit more colour on that curve would be helpful. Thank you.

**David Hass**

Yeah. Yeah. So again, we exited March a little stronger. About 50 percent of the actual quarter's capture came in the month of March. And so when you look at that $20 million, knowing that about a third of that really contributed to a large portion, a third of the time contributed to over half of the dollars, that ramp's now well over $80 million on an annualized basis.

And so really, as we go through the next quarter and as we get slightly into Q3, we really will be at the execution of the tactical decisions to get the full year value. It's just now letting that annualize out.

And then as we head into '26, again, that's where the balance of decisions will be made to sort of annualize out into 2026's total—or excuse me, the cumulative total of $300 million.

So as we've said at the beginning, this is a Q that was on pace. It was a Q that sort of provides sort of $80-plus million on an annualized basis. Next quarter will be a significant contributor to helping us get toward an annualized level that helps us achieve our in-year. And then it starts to have incremental decisions in the back half of the year, which again, get us both to the 200 for the total as well as annualize out to sort of get to about 220 to 250 for that 300 value with the rest coming in calendar ‘26.

**Steve Powers**

Understood. Okay. That’s very helpful. Thank you.

**David Hass**

Thank you.

**Operator**

There are no further questions at this time. I’d like to turn the call back over to Robbert Rietbroek for closing remarks.

**Robbert Rietbroek**

Thank you for joining today’s call and for your continued interest in Primo Brands.

I’m proud of the progress we’ve made in shaping the future of our company. Across the organization, our team has been steadfast in delivering exceptional customer service, streamlining operations, identifying new opportunities, and unlocking synergies to drive long-term success.

On behalf of our board, leadership team, and associates, I sincerely thank you for your trust and support as we work together to achieve our goals and create value for all stakeholders.

**Operator**

Ladies and gentlemen, this concludes today’s conference call. Thank you for your participation. You may now disconnect.