

# Cott interim CEO promises to take action to restore the company's profitability

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TORONTO — The new interim chief executive of Cott Corp. (TSX:BCB) says he plans to "restore credibility" to the troubled soft-drink maker by working to make things happen when it comes to lowering costs, increasing profitability, and rolling out new products.

David Gibbons, who replaced Brent Willis on March 24, said he is committed to the Cott's strategy of trying to strengthen the carbonated soft-drink business and working with suppliers to reduce costs in the face of soaring commodity prices.

"Getting the company to focus on execution is my top priority," Gibbons said Thursday at the company's annual meeting in Toronto.

"For 2008, I will focus on delivering against the commitments that we've made to improve the profitability of our water business, to complete the launch and roll-out of our new products and, very importantly, to operate with a low-cost mindset. I'll work very hard to restore our credibility."

Gibbons was appointed to Cott's board of directors in March 2007, when the company was already restructuring its North American business in the face of changes affecting it and the industry as a whole.

He was previously president and chief executive of Perrigo Co., said to be the world's largest manufacturer of over-the-counter pharmaceutical products, from 2000 to 2007. He was also Perrigo's chairman from 2003 to Nov. 1, 2007.

Cott has been struggling to maintain its private-label soft-drink dominance in a world of changing tastes, higher costs and intense big-brand competition. In the last two months, the company received notice it was losing some of its shelf space and merchandising support at Wal-Mart, its biggest customer.

Gibbons acknowledged Thursday that Cott has "come up short of (investor) expectations," noting that the company had failed to meet sales and earnings goals, while also facing delays to its planned turnaround.

"We recognize that this is unacceptable," he said. "The board of directors has made the tough but necessary changes that our disappointing results have called for."

Gibbons' comments were in the line with Cott's previous statements, although one analyst said he was encouraged by Gibbons' emphasis on execution.

"The new CEO, from what he says, has a history of turnarounds and a history of execution," said **Peter Holden**, an analyst with **Veritas Investment Research**.

"The members of the management team that I talked to seemed encouraged by presence, so on the whole I guess I feel better about Cott than I did before but ... what matters is can they reverse the slide in volumes and in margins."

"It's not at all clear that they can fix it; that's where we'll have to wait and see."

Few analysts predict a revival in its lagging stock, with UBS lowering its price target to \$3.80 ahead of the meeting, saying that despite the CEO change, fundamental business challenges remain.

On the TSX Thursday, Cott stock was at \$3.08, down seven cents on the day, with a 52-week high and low of \$19.50 and \$1.74.

Among the plans discussed Thursday, Cott said it was working with key suppliers to "buy forward, where appropriate, on key commodities in order to minimize exposure to market volatility."

About 70 per cent of the company's costs relate to ingredients and packaging, making it harshly exposed to the prices of corn for sweetener, oil for plastic and aluminum for cans.

"We will continue to do the best we can to pass on our cost increases to our customers, but we also need to do the best job we can to limit the price increases we have to go to our customers with because it does not make our customers happy when we go in to ask them for price increases," Gibbons said.

"We are detailing for them what the price increases are that we're suffering ... and educating our customers as to what we need in price increases in order to keep us whole."

Gibbons also said management was working with Wal-Mart to "optimize our position on the shelf and to work with whatever allocation Wal-Mart decides is right for their business opportunities."

"Our team is working together with a Wal-Mart team and we're putting together a program for the rest of the year ... but we're not ready to share that here today."

Cott is the world's largest producer of store-branded soft drinks for groceries and other retailers in its core markets of Canada, the United States, the United Kingdom and Mexico.