COTT CORPORATION

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Amit Sharma: We're really lucky to kick off the 14th Farm to Market conference with Cott. Cott's transformation from an over-levered private-label soda company to a company with leading market share in two on-trend categories, bottled water and coffee, while strengthening the balance sheet and generating really solid cash flow is truly impressive.

Now, to further discuss Cott's outlook in the next 12 to 24 months, please join me for a fireside chat with Tom, who ran Cott's water business prior to becoming CEO at the start of this year, and Jarrod Langhans, who heads IR. Tom, let me hand it over to you with that.

Tom Harrington: Yes. Good morning, everyone. We set this up this morning for a fireside chat so we're happy to take questions from Amit, and then certainly from any members of the audience. We're very happy to be here. We released our earnings, as I'm sure you know, a week or so ago, so we chose to not make a presentation since we'd spent a fair bit of time with a number of investors and potential investors during that session. So, we thought the appropriate format here was to really answer questions that you or others may have.

Amit Sharma: Definitely. Let me start with the transformation. As I talked about, pretty dramatic. Can you put in a few words like for people who may not be as familiar with the Cott story? Like, where are we with the strategic shift and how do you see it growing in the next 12 to 24 months?

Tom Harrington: Yes. So if you go back, I was not in the company when the original strategy was implemented. I was actually part of the first acquisition. So the company transformed the strategic plan to change the company away from sugary soft drinks, private label, copacking business, highly dependent on a small number of customers in a category that was subject to, what we believed at that time, secular decline. Add on to that the sugary shelf-stable juice business. So we had two categories that were obviously under significant pressure that challenged the company over the 2000s.

The company made the decision after serious research that water and coffee were two categories of great interest. So the first acquisition the company made was DS Services, which at that time was a US-based home and office delivery business. I was the CEO at that point in time. The second acquisition was a company called Aquaterra, which was January of 2016, a Canadian number one home and office business, followed shortly thereafter and within a couple of weeks of each other, both Eden Springs, a European 18-country – 17 country plus Israel, as well as S&D within a course of a couple weeks.

That was really the beginning of the strategic transformation into less reliant on big box retailers and declining categories, and a shift to both a growing water business as well as coffee. We then proceeded to exit the legacy business in 2018 with the sale of the company to Refresco and finalized the last piece of that, if you will, which was the sale of our concentrate business in January. So we're early days, early stages, two or three quarters – actually one quarter clean now, which would be the second quarter as we finally exit the last vestige of that business.

Our strategy remains to be to grow 2% to 3% organic, 4% to 5% when we add in tuck-ins. We continue to have a robust list of tuck-ins on both sides of the Atlantic; in Europe and in the US. And to deliver, frankly, this year we've maintained our guidance of 150-plus million of free cash flow. And we would then, therefore, after that, in 2020, look for 10% to 15% growth on top of that and continue to execute the strategy of organic and tuck-in growth.

Amit Sharma: Let me just start with the last part of your statement about the tuck-ins. Can you talk about like what's the pipeline look like? And then as you look forward, what's the economic rationale for these tuck-in acquisitions?

Tom Harrington: Yes. So if you combine both the Eden business, our European footprint and our North American footprint, we're probably 250 tuck-ins deep over the last decade. We focus on overlapping benefit of those tuck-ins. So really think of it as simply another way to acquire customers. It's a customer list acquisition. And we would typically close the back office, the back shop, take those customers, put them in our infrastructure. That really becomes the sixth or seventh way that we buy customers. Those customers have a tendency to stay longer because they already understand how the service works. So we like the nature of that customer base. It's a little bit more stable.

The list is robust. So we still have – we said in our release that we'd execute on the higher end of the 40 to 60 million. We expect fully to do that. And that's frankly on both sides of the Atlantic. We'll probably see more activity in Europe than we have in the past as that business has now settled into – let's call it the Cott operating model.

Amit Sharma: And is the economics for these tuck-ins similarly attractive in Europe as they are in the US?

Tom Harrington: Yes. The purchase price in Europe is a little bit higher. And we would show HOD water tuck-ins synergized at around 3 times.

Amit Sharma: Right.

Tom Harrington: And when we shared at Investor Day two years ago, we showed the European side at 4 times. So it's still a very attractive business. Highly fragmented on the other side of the Atlantic.

Amit Sharma: And the Mountain Valley acquisition last year was a little bit bigger than your usual tuck-ins. Can you talk about it, how that integration is going and are there more of those Mountain Valleys available here—?

Tom Harrington: Yes. I wouldn't characterize it as a tuck-in. It's probably a – we'd laugh internally – a chunky tuck-in. It's a bigger business. We're very happy with the early stages of that business. So it's given us the opportunity to enter the sparkling water business, which is growing at a faster rate than non-sparkling water. We think it's a good category for us to participate in. It's unique in that it does have a small retail business. So you'd find Mountain Valley in Whole Foods around the country. But it also has a home and office business and that customer base is the stickiest of all of our five-gallon customers. So we like the opportunity for that to build revenue per customer because it's a higher priced bottle and that customer stays with us for a long time. So early days. Five months in we're quite happy.

Amit Sharma: Got it. With that, just segueing into the HOD business, you talked about 2% to 3% organic growth for that business. Can you talk about that, Tom, a little bit? Like how much of that is – or what are the building blocks for that 2% to 3%? Is it household penetration, population, consumption? Can you just walk us through that?

Tom Harrington: Yes. The way we've historically looked at it is there's a portion of that 2% to 3% that's price. And we spent a lot of time talking about the price initiatives that we executed last year. Part of that is ongoing consumption. So if you have a category that's growing and the consumer is more concerned about healthy hydration, we would expect to get natural growth from our existing customer base. We do see that. And then of course customer growth, right? And that's how many adds and how many people do you save and what's the net customer growth that you achieve. And those are the three key drivers.

I think you'll see us improve on penetration of other products, which is a lever we haven't talked about in the past and we're early stages. We talked about bringing on La Croix. We talked about bringing on Polar Seltzer in the Northeast. We talk about Sparkling Ice, the Talking Rain product. We're going to slow build the competency, building penetration of those products – we'd also include Mountain Valley in that – into the existing customer base to drive revenue per customer, which is really the fourth way.

I wouldn't bake anything in today or 2020, but we're building some competency there as you think about how we invest in customer experience. So it's a way for us to leverage the benefit of interacting with me in a more current fashion. So we're building a competency on the route side and then we'll connect that with making it easy for customers to communicate with us.

Amit Sharma: I want to come to that in a second as well, but let me just – when you talk about putting other products into the supply chain, what's the economics for those products? Those are generally just a distribution product for you. So if you look at your margin structure in HOD, how does this business compare to that?

Tom Harrington: Yes. So the five-gallon obviously has the highest margin and fuels the operating structure to get that done. If you think about the incremental nature of one more case, it becomes highly profitable. And we frankly focus on consumer packaged products -- think wet and heavy today – that's where we are today; we won't always be there -- where that company's made the investment in building a brand. So I don't have to spend the marketing investment about – talking about features and benefits of Sparkling Ice. That's their job. We benefit from the customer already understands that and look to leverage that on our system.

Amit Sharma: Got it. Okay. And then just on that, you talked about making a more – or a better connection between the distribution and the customer experience. You talked about your app at Analyst Day. Can you give us a little bit more color as to when does this become operational? And then the benefits from it, obviously. And then also support. Like, are you going to invest around that app to make sure that there is connectivity from (inaudible)?

Tom Harrington: Yes. I think one of the first things is it's built into our CapEx guidance we've already given, so it's not an incremental spend. It's just using our existing resources, to be clear.

It's a multi-step process. The first process we're implementing is better communication to our existing customer. So think about that trigger. So if a customer bought a case of Sparkling Ice, how do I go back to them to encourage them to buy the second time. We're beginning to – we'll be implementing that I think this month in terms of push communications via text or via email to make the customer aware of the opportunity. We have historically not done that very well. So that's really the first stage.

Second stage is some investments around brand architecture. It really helps us with SEO, search engine optimization. We have 11 brands in North America and those brands collide with each other, so we're putting in the appropriate architecture so if Google bottled water delivery you get the right company in the right town and that we're higher on the list, not lower on the list.

The third piece is the app. And we would expect that the app will be fully functional by the fourth quarter and that'll be early-stage development. It's taking its time. We're behind and we need customers to be able to communicate to us in multi format in the way that they want. And that app we think will give us the opportunity for them to communicate with us completely on that app in real time, and then also use that to upsell other products. Today if you went to our site, it's not the easiest thing to order an extra product so we're going to clean that up.

It's in our 2% to 3% as you think about it going forward, so we haven't baked anything in for building those products. We think there'll be something there in the future, but we've got – if you've ever implemented an IT program that includes humans on a route, we want to make sure that we make those connections and that the customer reacts before we make any forward forecast.

Amit Sharma: Got it. The revenue is one side of the benefit from the app. Cost is perhaps the other side of it. As you shift more of the communication with the customers on a direct channel, maybe they won't need to call as often as they do today?

Tom Harrington: Yes. There's a number of benefits. So if they call less often that'll cost us less money. If they communicate with us online, it'll require less stamps. So a part of it, do you still send old-fashioned bills in the mail. So as we make this a more current solution, those are all benefits in the future.

Amit Sharma: But we are not talking about those just as yet.

Tom Harrington: We are not talking about that benefit. But you have to get it in place and we want to know what it is before we communicate what we expect it to be.

Amit Sharma: Okay.

Tom Harrington: We've been pretty volatile in $0.5 million or a $1 million miss, so we want to make sure--

Amit Sharma: I do want to come back to that--

Tom Harrington: That before we tell you what it is, that we have a high degree of confidence in that number.

Amit Sharma: Got it. I want to come back to that. But to continue with the water side of the business, the other type of conversation is Amazon. You're doing a test with them in terms of their bulk water service. Can you talk about that a little bit? How do you see that progressing; early reads or even on a longer term. How do you see that? Do you see that as an opportunity? Do you see that as potential competition? How do you integrate it with your–?

Tom Harrington: Yes. We view it as another form of customer acquisition. So we talked about the booth program. It's really another way for us to track new customers into the service. So we have our commercial sales focus, our booth program, what we do on the internet, the key accounts, our route guys and gals. And this to us is another way to attract customers. It actually may be online today. It's in one or two zip codes in Georgia. And it is – right now, think of it as water on demand. So it doesn't have the recurring feature yet. It may look like it does, but it doesn't. So more about I need water later today, focused on five-gallon, and we'll fulfill it within 48 hours. So it's not same day, it's not next day, it's 48 hours. And that's part of what we need to understand is the time to deliver that customer in an on-demand model.

So, we're going to be very cautious. We've built our end of the technology to communicate with Amazon. So we view it as a beneficial way to drive more customers. We don't talk about them often, but water only. So there's no cooler involved. It's just five-gallon. It may translate to some other packages, but the early test is five-gallon and it's probably up today. And you have to go through, frankly, home services to find the link.

Amit Sharma: Got it. Are these customers (inaudible) incremental or are they existing customers?

Tom Harrington: There'll be some of both. So we had this discussion when we first started the booth program about the number of customers that went from existing DS over to that and it was a very small number. In early stages of that effort we found something close to 70% of the people who – the members who signed up for the service were new to the category. So we think this will be new to the category. It's likely – and I'm sure – I think it may skew younger than our existing customer base, so we're optimistic that it'll be incremental to what we do today.

Amit Sharma: And the customer acquisition costs, if you just compare them versus your retailer program or booth program, are they comparable or better?

Tom Harrington: Yes. We said in the release that we were currently happy with the economics, but we haven't disclosed what they are or how that works. So, it's too early for us to—

Amit Sharma: Got it.

Tom Harrington: For me to say.

Amit Sharma: Any other changes in the customer acquisition? I mean, obviously with the app and with Amazon you're introducing different avenues for customers to come into the system. Anything else to add there or from a historical—?

Tom Harrington: No. I think we've been consistent. Our cost to acquire over the years has been very consistent. I think the use of current technologies really for us is how do you leverage your costs down and how do you bring more in. Importantly, our quit rate is down, and our retention rate is up, so the progress that we made last year continues. And we'd expressed some concern after we pushed the pricing that the key metric for us is that the quit rate went down. It did and it continues into the first quarter. So we're pleased with what's happening both in terms of the customers coming in and our ability to retain them. Our investments on the web and CX we think will only help us over the long haul in terms of further stabilizing and reducing the quit rate.

Amit Sharma: And the next question was for Jay, but since he's not here you have to take a tough one.

Tom Harrington: Well, we can give it to Jarrod—

Amit Sharma: All right. Yeah, Jarrod can answer that, too.

Look, if data predictability and retention rate's getting better, why should we not have more predictability? And the last couple of calls, the quarter that we have seen some gyrations in the cost base. Is there any way to temper that volatility?

Tom Harrington: Yes. I think that I have a stock that's highly volatile and it's volatile at least two days in this calendar year. And it was in aggregate, if you think about it, about a $1 million to $2 million miss. So on our overall EBITDA base, I don't think it's frankly particularly volatile or a big miss. And our business, 20 countries, multiple products, is always going to have puts and takes that occur. I think it's normal course of business. So I think at the end of the day we didn't miss by much. Do we have to do a better job as it relates to providing – not providing guidance, but working on the spread of consensus? Absolutely.

Your next question will likely be about guidance. Every investor I've seen, every investor who I haven't seen, has asked us about where do you sit on guidance. And we haven't changed our view yet, but we're listening to our investors and looking at the good or the bad of why or why not I should do that. So I know that's out there. I'm going to have a few meetings today. I'm sure it's going to come up again.

Amit Sharma: Look, I think the business case for your business model of being predictable and recurring, that's where the starting conversation for this is. But I didn't want to go into the guidance discussion just yet. I just wanted to see that the margin—

Tom Harrington: The elephant in the room.

Amit Sharma: I just wanted to see the margin progression, right? So any reason why the retention rate's getting better? probably customer acquisition costs are coming down, if anything; more volume. That 10 to 20 basis point margin expansion in the HOD businesses, is that still the right way for us to think about leverage in this model?

Tom Harrington: Yes. Today it is. That's where we sit. So we remain committed to the drivers of the business model. That's 2 to 3 revenue, 4 to 5 with tuck-ins. Higher end on the tuck-ins clearly in 2019. We delivered more revenue in the first quarter, obviously. And we would expect that to leverage through the income statement, albeit there was a – Q1 with some issues. So we're focused on eliminating those and the team's made some progress and hopefully it's behind us.

Amit Sharma: And those issues that are related to temporary labor, are those now settled?

Tom Harrington: Yes. Think about – so it's temp labor and overtime, and then there's a bundle of associated issues that come with that. That's overly simplistic to think it's two, although that's what we've said. But you have other inefficiencies that occur when you have people who've never worked on your line. So you get this – it's a bigger chunk of issues that come with that, and the team is diligently working plant by plant to get the right people and get them properly trained, get them safety trained. And it sounds like a really big number. It's not when you do it across 30-plus plants in North America. So, they're knocking it down plant by plant to address those issues.

Amit Sharma: Is labor an issue or no?

Tom Harrington: Yes, labor costs will be embedded in that. So if people leave for $0.50 at general labor – and they will – so you've got to make sure that you've got the right hourly compensation in that town and that's what the team is focused on. The balance of the workforce we referenced; our route teams are fully staffed. I'm quite happy about that. Our sales reps, the promotional sales reps and the people that we use in a booth program we're well staffed. And we resolved the bulk of the old – the hangover, the IBT driver is also behind us. So the team's made good progress. I'm confident they'll make the same progress on this one.

Amit Sharma: Got it. Let me switch over to the coffee business. Now you've owned S&D for almost two years now, right? Do you still feel as strongly about being in the coffee business as you did two years ago?

Tom Harrington: We like – year one was terrific and then we experienced a super competitive price environment that we articulated caused us obvious issues as we came out of 2018 into 2019. I think the team did a spectacular job in Q1. So I don't know any other roasting ground coffee producers that were up 6%. I'm sure they exist, but I haven't heard anybody raise their hand. I only know what I read. So we're quite happy. The extract business up 10%. So we think we'll get through this second quarter and then we're done with the price impact that we enjoyed and then I think we'll return to a much better second half.

So, it's a world-class business. And it had a pricing issue. The team got very focused. You'll [buy them] in a tough market. So I'm pretty confident on where that business is going. We like both the RBS business and the coffee business.

Amit Sharma: And the pricing pickup that we saw last quarter I think surprised a lot of folks, because this category historically wasn't necessarily seen as a category with pricing issues in it. Can you talk about that a little bit? Like, should we feel a little bit better that that's behind us, or the environment that you see we may continue to see this type of volatility?

Tom Harrington: Well, I particularly like where S&D sits. So the team did a good job with RFPs, or request for pricing, and have extended many of our contracts one, two, three years in the future so that we don't run into, collide with this competitive pricing environment, frankly, driven by oversupply of one or two competitors.

The thing I like most about it, as our customers begin to shift their offering to less roasting ground and more extract or cold brew, we are the only provider that does both. So we really think as that consumer shifts its consumption patterns that we're uniquely positioned to take advantage of that; hence, the reason you see us talk about 30% growth in extracts. So, we're quite happy about where that goes. So we're pretty confident that we won't have this similar situation anytime in the near future.

Amit Sharma: Got it.

Tom Harrington: The team's done a good job.

Amit Sharma: That's really good to hear. On the oversupply issue, Tom, I mean how big of an oversupply situation are we in? Not just from S&D perspective, but from the category perspective.

Tom Harrington: Yes. I don't know what capacity exists specifically in the others. But you know, if you have a new plant and it's below planned efficiencies that there is available time on that line. So we know that there's available time in a few lines around and it's their nature to fill the plant.

Amit Sharma: I mean what –

Tom Harrington: Or attempt to fill the plant would be better said.

Amit Sharma: Right. Or fill that at profitable pricing levels. On that, can you – you touched on that a little bit about the consumers shifting away – or not shifting away, but shifting more and more to – but what about the growth in grind? Like, if that's your core business what are you looking at from a category growth perspective?

Tom Harrington: Yes. I think you – we've talked about expansion in the other categories, so other channels, right? So some of those channels could be outside North America so we are expanding our business that way, frankly because of S&D's capabilities. We're also expanding into a couple of channels that we have historically not competed in, so think health and hospital and some of those types of opportunities which would be new for us.

And I think the first quarter is probably the best proof. 6% growth in that base business is pretty solid growth. It's higher than we would have ever said out loud. Our expectation is that business will grow 2% to 3% and that will get extracts at 25 or 30 this year but expect that business to grow. So we like our ability to grow our market share in roasting ground while expanding our business, and frankly our margins, a little bit with the expansion of the extract business.

Amit Sharma: And the RFPs that are coming up for renewal later this year, do you have any exposure to those?

Tom Harrington: We only have upside; no downside.

Amit Sharma: That's good to know. And then talk about the extract business a little bit. I mean obviously really good growth historically, but we started a little bit soft in that business. Can you talk about the ramp up in that business for the rest of the year?

Tom Harrington: Yes. You could say 10% is soft, but it's on top of a 59% growth in the prior year, which was a really large customer's pipeline. So this business will always be lumpy when someone has 1,000, 2,000, 5,000 stores and they fill the pipeline. So we're pretty confident that we'll deliver 30% growth by the time the year is over.

Amit Sharma: And how big is the extract business now today for S&D?

Tom Harrington: Not yet 10%.

Amit Sharma: Okay. So it should be around 10% by the time—

Tom Harrington: By the end of the year and then it's – if it continues to grow, it's a long way before it gets (inaudible).

Amit Sharma: And when you talk to your customers, do you feel like this the type momentum that could continue for more than just one or two years?

Tom Harrington: Oh, yeah. I think you'll see this customer base, food service, expand its menu to offer products that my kids would want, millennials, and that's happening. You can see it happening in a Dunkin Donuts presentation. You can see what 7-Eleven is doing. And people going to more tap system. And that's all about part of the experience and to get it back in their location versus others. So, I think it's here to stay.

Amit Sharma: And on that, I think you just said that – can you talk about the capabilities? I mean when we talked at Analyst Day it looks like you're very well positioned to capture that growth. Can you talk about your capabilities or what's the competition in that sector or segment?

Tom Harrington: Yes. We're the only coffee roaster than also does extracts in North America. So it's the same bean that Jarrod's coffeeshop might buy that is roasting ground that could wind up in an extract formula. That gives customers some comfort that this person who owns the Target, their brand ingredient does both. So that we think insulates us from that. But we supply extracts to people that would not be in our traditional customer base.

Amit Sharma: Got it.

Tom Harrington: Right? And that's really because of the reputation of a high-quality producer.

Amit Sharma: And what about the margin structure for this segment?

Tom Harrington: It's higher than roasting ground.

Amit Sharma: Okay. So as we see that becomes a bigger part of the portfolio, we should see a margin lift from that.

Tom Harrington: Slowly over time that's what you would expect.

Amit Sharma: Got it. Perfect.

Tom Harrington: But it's 10% of the business. It's 13% that's not going to be visible to us, right?

Amit Sharma: Makes sense. Makes sense.

Tom Harrington: It's a longer horizon.

Amit Sharma: And green coffee prices, just to be clear, have really not that much impact on your EBITDA dollars.

Tom Harrington: Correct.

Amit Sharma: Right. And that's true for the extract business as well?

Tom Harrington: That is true.

Amit Sharma: Okay. And so it's a passthrough for both the roast and grinding and extract—

Tom Harrington: Yeah. Essentially.

Amit Sharma: Perfect.

Tom Harrington: We don't have a risk up or down.

Amit Sharma: Got it. And then coming back to from a guidance perspective, we needed to have that discussion. Is it – are you open to maybe talking about different measures besides cash flow? I mean, look, cash flow is great, but could we open it up to other measures as well?

Tom Harrington: I think we give guidance on everything except EBITDA, right? We give revenue, we give example, we give cash taxes, we give free cash flow. We don't give it quarterly, so what's really left is how to triangulate – although last year we did give the historical spread of EBITDA by quarter. So we're pretty much there. And look, I'm open and thinking about what the right answer is for this company today and its shareholders, right? I'm supposed to do that. But I need a few more facts before I make a decision.

Amit Sharma: Got it. I think that's something that we look forward to hearing more from you.

The other question that you often get is the balance sheet is in a much better position than it used to be. How do you think about that going forward for – if there was a right transaction that needed you to expand that balance sheet a little bit. Like how are you on that?

Tom Harrington: Yeah. I think our track record is, when we've done deals, is we work very hard to get the debt down. I think our debt today is 3.5 times. So we would lever up for the right deal, but it's got to be the right deal that creates shareholder value, that gives us the ability to delever over time. So we're not going to do a deal to do a deal. We remain very disciplined. Does it have growth? Is it in the right category? It's the appropriate synergy. Does it provide a return to our shareholders? Sounds simple. It's not. The market's a little frothy still. But we continue to look.

In the meantime, we like our business. So we're going to continue to focus on 2% to 3% organic, 4% to 5% with tuck-ins. We're going to do as many tuck-ins as we can that make sense. And we're going to – with the coffee business, it's going to have a good second half. That's pretty clear in terms of the way we set it up. So, that's how we're thinking about it. If the opportunity comes, we'll take advantage of it, but we're not going to do a deal just to do a deal.

Amit Sharma: Last question on the deal. How high can that leverage be for the right deal? Is there an upper limit?

Tom Harrington: I think we got into the early 5s some years ago and then brought it down pretty quickly.

Amit Sharma: Yeah. Okay. Got it. Another question you get on the water side of the business is, obviously, the environmental side of it. And trust me, we've been getting a little bit more conversations with people who are focused on the ESG side of the business. Obviously very well positioned from that aspect. Can you talk about that a little bit? And are you having more conversations with—?

Tom Harrington: It's one of the things that – we've been environmentally responsible for a long time, we just haven't told anybody, effectively. So part of our focus on early-stage ESG is to get the message out. We think it expands the opportunity for some investors who might not have known about how friendly we are. So that work is underway. We have joined the Alliance for Water Stewardship. That's a multiyear process to be better stewards of the water. That's both in the plants as well as the watersheds, so we'll do that.

Our S&D business is well down the path of sustainability and sourcing, probably one of the most developed programs that exists in this space. And in Europe we are carbon neutral and we would expect to be carbon neutral in the US HOD business by the end of 2021. So we're very focused. The first stages are communicate, communicate, communicate, and now we've got to execute the next legs of this.

Amit Sharma: Got it. Another macro question you hear often from investors is around the employment and pretty peak employment levels here in the US, but some people worry, if that employment starts to slow down, how does that impact your water business. So any historical perspective on how exposed we are to that?

Tom Harrington: We think the coffee business is highly resistant in a downturn and that's been the experience. Our water business, I was here during the – in the water business in those years. What we really lose is a bit of consumption. So the best way to think about it, if there's 15 people in the office – and remember, our business is focused on small office, not big office. Inherently provides less – makes us less risky. So 15 people, lose 3 people, they still have 12 people in the office. It's still a customer, but there are three people fewer drinking. So you see it in consumption and then that just – your actions then become how you address your infrastructure to match lower consumption.

Amit Sharma: Got it.

Tom Harrington: The last recession, the only thing that was different is rising fuel prices.

Amit Sharma: Right.

Tom Harrington: So diesel doubled in '08. But we've addressed that with the application of our energy surcharge, so we've removed that risk from us in the next go round.

Amit Sharma: And you also have ability to flex your cost structure a little bit as you look at the trends playing out.

Tom Harrington: We do. So your routes become less dense, but you have less routes. So while you like the density, in a downturn you adjust that infrastructure accordingly.

Amit Sharma: Got it. I think we timed it pretty well. Thank you again once again for both of you for attending.

Tom Harrington: Thank you.