Watts Water Technologies
1Q 2016 Earnings Conference Call

May 5, 2016

Forward Looking Statements

Certain statements in this presentation constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995.

These statements are related to forecasts of sales, margins, earnings, earnings per share, capital expenditures, water market growth, acquisition strategy, lead free developments, and management goals and objectives.

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1Q'16 Overview

- Solid organic revenue growth; strong margin & EPS expansion
- Regional realignment progressing
- Executing on key initiatives
  - Transformation delivering results
    - New U.S. distribution center online
    - Legacy programs on track
  - New national training center open
- Reaffirming full year outlook

Good Start to 2016

External Environment

Topic	WTS Exposure	What We Are Seeing / Expecting
Americas Non- Residential	~ 40%	• Major indices (ABI, Dodge) remain mixed • End markets growing • Institutional market in early stages of recovery
Americas Residential	~ 27%	• Mortgage rates, employment, existing home sales favorable • Latest new home construction metrics down • Expect solid growth in 2016
EMEA	~ 30%	• Signs of stabilization in French construction markets • Oil impacted regions still sluggish • BREXIT creating latest uncertainty
APAC	~ 3%	• China economy still sluggish • Growth in other Asia-Pacific regions

Americas Stable; Rest of World Mixed

1Q'16 Financial Summary

(M)

	1Q16	1Q15
Sales	**$344.2**	**$356.2**
Operating Profit [1]	**$37.3**	**$29.3**
Margin %	*10.8%*	*8.2%*
Net Income[1]	**$19.6**	**$15.9**
EPS[1]	**$0.57**	**$0.45**
Tax Rate	*37.4%*	*33.2%*

1) Operating Profit, Net Income and EPS excludes special items, see slide 14 for reconciliation

Comments

- **3% sales decrease**
  - \+ Organic 6%; ex shipping days +2%; Acq +1%
  - – Undifferentiated exit (8%); FX (2%)
- **27% operating profit increase**
  - Product mix, productivity / restructuring savings
  - Shipping days +50 bps to margin
- **23% net income increase**
  - Increased EBT offset by higher tax rate
- **27% EPS increase**
  - \+ Operating margin expansion +$0.16
    - \+ Shipping days + $0.06; Apex + $0.01
    - – Exit of undiff. products ($0.05)
  - – Higher tax rate ($0.04)
  - FX and share repurchase offset
- **Extra shipping days offset in Q4**

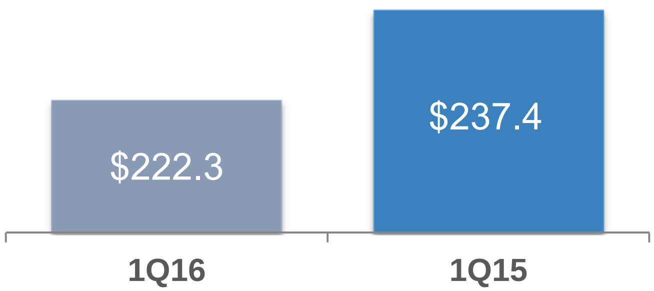
EPS Growth Driven by Strong Margin Expansion

Americas

(M)

Sales

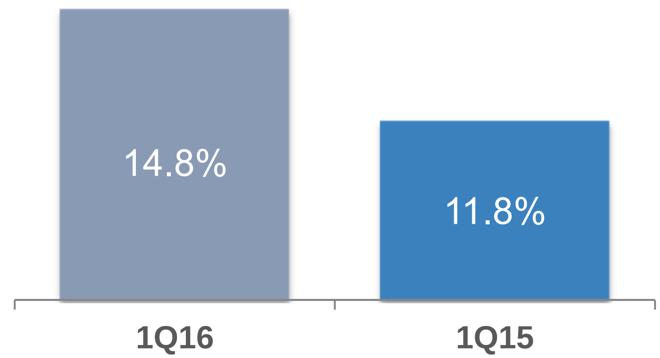
Down 6%
Organic +7%
+3% ex shipping days



- Growth in drains, control valves & specialty products
- AERCO project timing
- Divested products ($27M)

Operating Margin(1)

Up 300 bps



- Operating profit $33M
  - Up $5M or 18%
- Operating margins + 300 bps
  - + Volume, mix, price and productivity
  - + Impact of divested products 140 bps
  - + Shipping days 30 bps

1) Operating profit and operating margins excludes special items, see slide 15 for reconciliation

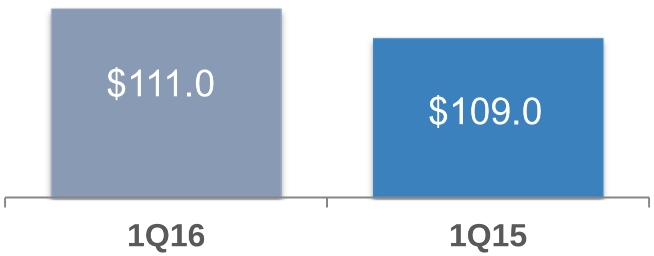
Margins Driven by Volume, Mix and Productivity

EMEA

(M)

Sales

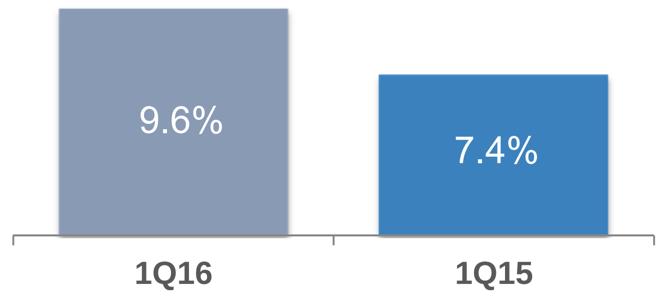
Up 2%
Organic +5%
+1% ex shipping days



- Water & Plumbing, Electronics up, HVAC down
- Growth in France, Italy and Middle East; Germany and Russia down
- FX impact ($3M) or (3%)

Operating Margin(1)

Up 220 bps



- Operating profit $10.6M
  - Up $2.5M or 31%
- Operating margins + 220 bps
  - \+ Volume
  - \+ Productivity, restructuring
  - \+ Shipping days 60 bps

1) Operating profit and operating margins exclude special items, see slide 15 for reconciliation

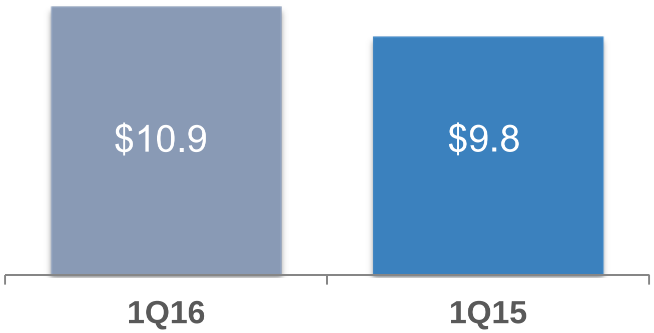
Volume and Transformation Initiatives Driving Margins

Asia-Pacific

(M)

Sales

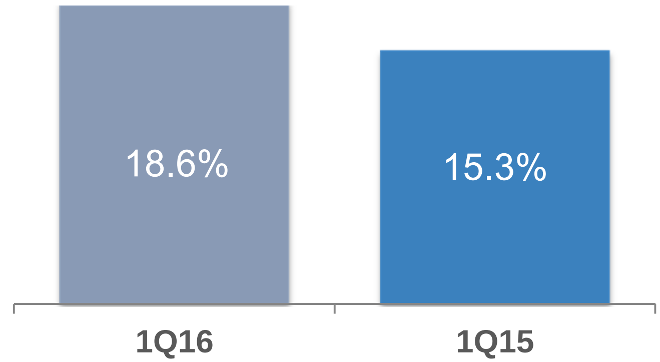
Up 11%
Organic +7%
+1% ex shipping days



- Softness in China continues
  - Heating up, valves down
  - Commercial end markets, project delays
- Growth outside of China up 50+% organically
- Apex $3M; undifferentiated products ($2M)

Operating Margin[1]

Up 330 bps



- Operating profit $2.0M
  - Up $0.5M or 33%
- Operating margins + 330 bps
  - + Volume, product mix
  - + Productivity, cost savings
  - + Shipping days 30 bps

1) Operating profit and operating margins excludes special items, see slide 15 for reconciliation

Expansion Outside China Driving Growth

Cash Flow

(M)

	Three months ended	
	April 3, 2016	Mar 29, 2015
Net income (loss)	$ 16.2	$ 11.6
Depreciation and amortization	12.4	13.0
Change in working capital and other	(50.5)	(23.8)
Total operating activities	**(21.9)**	**0.8**
Capital expenditures, net of proceeds	(9.1)	(5.6)
Restricted cash	(18.2)	-
Acquisitions, asset sale & other	(2.1)	-
Total investing activities	**(29.4)**	**(5.6)**
Net proceeds (payments) on long-term debt	24.1	(1.1)
Dividends	(5.9)	(5.3)
Payments to repurchase common stock	(12.5)	(9.4)
Debt issue costs	(2.1)	-
Proceeds and tax benefit of stock option activity	0.6	0.6
Total financing activities	**4.2**	**(15.2)**
Effect of exchange rates	10.3	(19.3)
Net increase (decrease) in cash	(36.8)	(39.3)
Free cash flow	**$ (31.0)**	**$ (4.8)**

FCF = Cash Flow from Operations Less Capital Expenditures. See slide 16 for calculations.

Comments

- Transitional inventory increased $17M
  - Expect 2nd half reduction
- Improved working capital performance YoY
  - 6% inventory turns improvement
  - 5% improvement in DSO
- Cap-ex up ~60%; growth, productivity initiatives
- Restricted cash $18.2M
  - Cash placed in escrow and to be returned when sale of China entity is final in Q2
- Share repurchase increased by $3.1M

Normal Seasonal Outflow; Transformation Inventory Buffer

2016 Outlook

Organic Sales Growth	
AMERICAS	Up Low to Mid Single Digits
EMEA	Flat to Slightly Down
ASIA-PACIFIC	Up High Single Digits
WTS	Up Low Single Digits

Highlights

- Expand operating margins by 100+ bps
  - Incremental transformation savings $10M
  - $5M to $7M investments
- Sales reduction ~$90M
  - $100M product rationalization
  - Apex acquisition + $11M sales
- 100% FCF conversion
- Cap ex. $35M to $40M, +30%
- Buyback $40M to $50M, competitive dividend
- ETR ~34% for full year, mix driven

Maintaining Original Outlook

Summary

- Good start to the 2016
- Strategic initiatives on track
- 2016 outlook reaffirmed
  - Solid organic growth
  - Margin growth 100+ bps
  - 100% free cash flow conversion

Delivering on Commitments

WATTS®
WATER TECHNOLOGIES

Appendix

Consolidated Statements of Operations

(M)

	First Quarter Ended			
	April 3, 2016	Mar 29, 2015	B/(W)	%
Net sales	**$ 344.2**	$ 356.2	$ (12.0)	(3.4%)
Cost of goods sold	**209.0**	225.7	16.7	-
Gross profit	**135.2**	130.5	4.7	3.6%
	39.3%	*36.6%*	*+2.6p*	
Selling, general & administrative expenses	**102.6**	105.7	3.1	2.9%
	29.8%	*29.7%*	*(0.1p)*	
Restructuring and other charges, net	**1.4**	2.0	0.6	30.0%
Operating income	**31.2**	22.8	8.4	36.8%
	9.1%	*6.4%*	*+2.7p*	
Other expense	**4.3**	5.5	1.2	21.8%
Income before taxes	**26.9**	17.3	9.6	55.5%
Provision for income taxes	**10.7**	5.7	(5.0)	(87.7%)
Net income	**$ 16.2**	$ 11.6	$ 4.6	39.7%
Diluted earnings per share	**$ 0.47**	$ 0.33	$ 0.14	42.4%

Reconciliation of GAAP “As Reported” To “Adjusted” Non-GAAP Excluding Effect Of Adjustments For Special Items

WATTS® WATER TECHNOLOGIES

(M)
(Unaudited)

	First Quarter Ended			
		April 3, 2016		March 29, 2015
Net sales	**$**	**344.2**	$	356.2
Operating income - as reported	**$**	**31.2**	$	22.8
Operating margin %		***9.1%***		*6.4%*
Adjustments for special items:				
Acquisitions related costs		**0.1**		1.1
Restructuring / severance related costs		**1.4**		2.0
Deployment costs related to tranformation activities		**4.6**		3.4
Total adjustments for special items	**$**	**6.1**	**$**	6.5
Operating income - as adjusted	**$**	**37.3**	$	29.3
Adjusted operating margin %		***10.8%***		*8.2%*
Net income - as reported	**$**	**16.2**	$	11.6
Adjustments for special items - tax affected:				
Acquisitions related costs		**(0.9)**		0.7
Restructuring / severance		**0.9**		1.3
Deployment costs related to tranformation activities		**2.8**		2.3
Other costs		**0.6**		-
Total adjustments for special items - tax affected:	**$**	**3.4**	**$**	4.3
Net income - as adjusted	**$**	**19.6**	$	15.9
Earnings per share				
Diluted earnings per share - as reported	**$**	**0.47**	$	0.33
Adjustments for special items		**0.10**		0.12
Diluted earnings per share - as adjusted	**$**	**0.57**	$	0.45

Adjusted Operating Income by Segment

(M)

	Q1 2016					Q1 2015				
	Americas	EMEA	Asia-Pacific	Corp.	Total	Americas	EMEA	Asia-Pacific	Corp.	Total
Reported GAAP operating income	**28.1**	**10.2**	**1.3**	**(8.4)**	**31.2**	24.2	5.4	1.5	(8.3)	22.8
% of sales	***12.6%***	***9.2%***	***11.9%***		**9.1%**	*10.2%*	*5.0%*	*15.3%*		6.4%
Adjustments for special items	**4.9**	**0.4**	**0.7**	**0.1**	**6.1**	3.7	2.7	-	0.1	6.5
Adjusted operating income	**33.0**	**10.6**	**2.0**	**(8.3)**	**37.3**	27.9	8.1	1.5	(8.2)	29.3
% of sales	***14.8%***	***9.6%***	***18.6%***		**10.8%**	*11.8%*	*7.4%*	*15.3%*		8.2%

Reconciliation of Net Cash Provided by Operating Activities to Free Cash Flow and Adjusted Free Cash Flow

(M)

	Period Ended	
	April 3, 2016	March 29, 2015
Net cash (used in) provided by operating activities - as reported	$ **(21.9)**	$ 0.8
Less: additions to property, plant, and equipment	**(9.2)**	(5.6)
Plus: proceeds from the sale of property, plant, and equipment	**0.1**	-
Free cash outflow	$ **(31.0)**	$ (4.8)
Net income from continuing operations - as reported	$ **16.2**	$ 11.6
Cash conversion rate of free cash flow to net income	**-191.4%**	-41.4%

RECONCILIATION OF LONG-TERM DEBT (INCLUDING CURRENT PORTION) TO NET DEBT AND NET DEBT TO CAPITALIZATION RATIO

	April 3, 2016	December 31, 2015
Current portion of long-term debt	$ **1.1**	$ 1.1
Plus: Long-term debt, net of current portion	**597.1**	574.2
Less: Cash and cash equivalents	**(259.4)**	(296.2)
Net debt	$ **338.8**	$ 279.1
Net debt	$ **338.8**	$ 279.1
Plus: Total stockholders' equity	**731.1**	704.9
Capitalization	$ **1,069.9**	$ 984.0
Net debt to capitalization ratio	**31.7%**	28.4%

1Q'16 Estimated Effect of Extra Shipping Days

(M)

	Q1 15	Q1 16	Normalized Q1 16 *	Organic Growth YOY Actual	Organic Growth Normalized YOY*
Revenue					
Americas	$ 237.4	$ 222.3	$ 214.3	7%	3%
EMEA	109.0	111.0	107.0	5%	1%
APAC	9.8	10.9	10.4	7%	1%
Consolidated Revenue	$ 356.2	$ 344.2	$ 331.7	6%	2%

				% Inc (Dec)	
Operating Profit				Actual	Normalized*
Americas	27.9	33.0	31.0	18%	11%
EMEA	8.1	10.6	9.6	31%	19%
APAC	1.5	2.0	1.9	33%	25%
Corp	(8.2)	(8.3)	(8.3)	1%	1%
Consolidated OP	29.3	37.3	34.2	27%	17%
Operating Margin					
Americas	11.8%	14.8%	14.5%		
EMEA	7.4%	9.6%	9.0%		
APAC	15.3%	18.6%	18.3%		
Consolidated OM	8.2%	10.8%	10.3%		
EPS	$0.45	$0.57	$0.51	27%	13%

** Adjusted for Shipping Days*

Good Performance On a Days-Adjusted Basis