



# WATTS WATER INVESTOR PRESENTATION

FEBRUARY 2024



Watts Water Technologies, Inc.

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

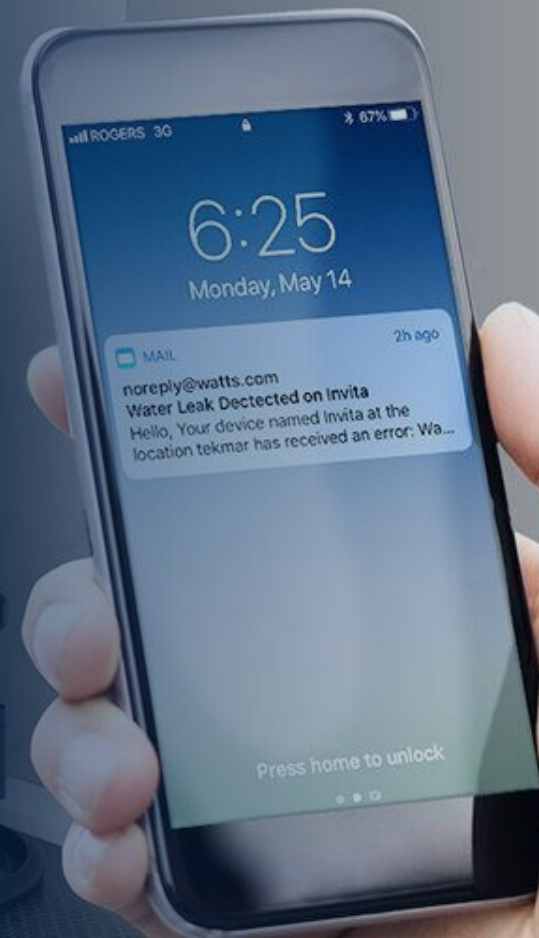
These statements are related to forecasts of sales, margins, earnings, earnings per share, effective tax rate, capital expenditures, cash flow, water market growth, acquisition strategy and integration, construction outlook, inflation and management goals and objectives.

Watts cautions investors that any such forward-looking statements made by Watts are not guarantees of future performance. All forward-looking statements are subject to known and unknown risks, uncertainties, and contingencies, many of which are beyond the control of Watts, which may cause actual results, performance or achievements to differ materially from anticipated future results, performance or achievements expressed or implied by the forward-looking statements.

Factors that might affect forward-looking statements include overall economic and business conditions, competitive factors, changes in laws affecting Watts, future acquisitions of material assets or businesses by Watts, the demand for Watts' products and services and other factors identified in "Item 1A. Risk Factors" in our most recent Annual Report on Form 10-K and in subsequent reports filed with the SEC.



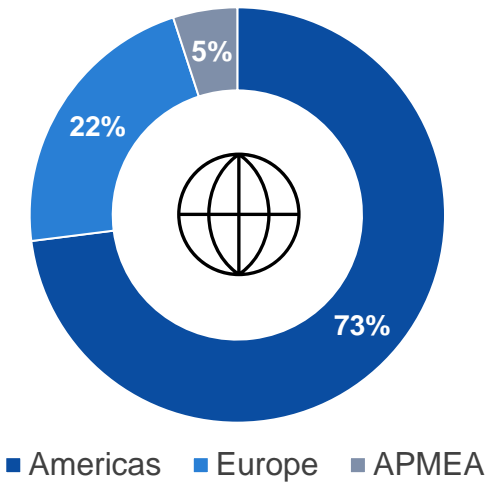
1. **\$2B Global Company** with Leading Market Positions
2. Leader in **Commercial and Residential Water Products**
3. **Industry-leading Brands**; Key Market Drivers, Plumbing Codes
4. Driving Profitable Growth through Innovation and **Smart & Connected Strategy**
5. **Strong Cash Generator**; Disciplined Capital Deployment



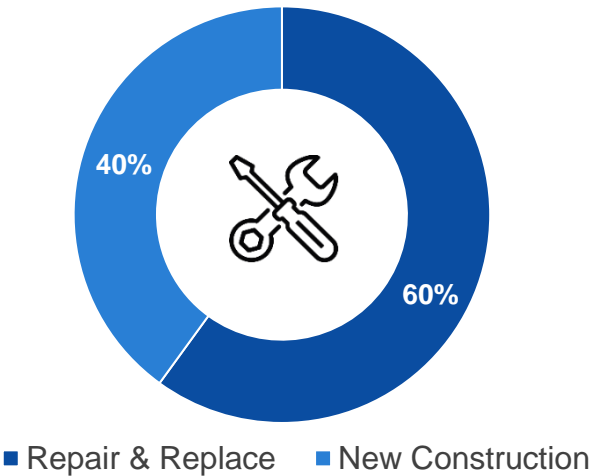
2023 Key Statistics  
With 5 Year Performance

<b>\$8.27</b> Adj. EPS +17% CAGR	<b>17.8%</b> Adj. Operating Margin +550 bps Expansion	<b>\$1.44</b> Dividends +11% CAGR	<b>\$2.1B</b> Net Sales 6% CAGR	<b>115%</b> 5-yr Avg Free Cash Flow Conversion	<b>20.3%</b> ROIC (GAAP) +710 bps Expansion	<b>105%</b> 5-yr Avg Reinvestment
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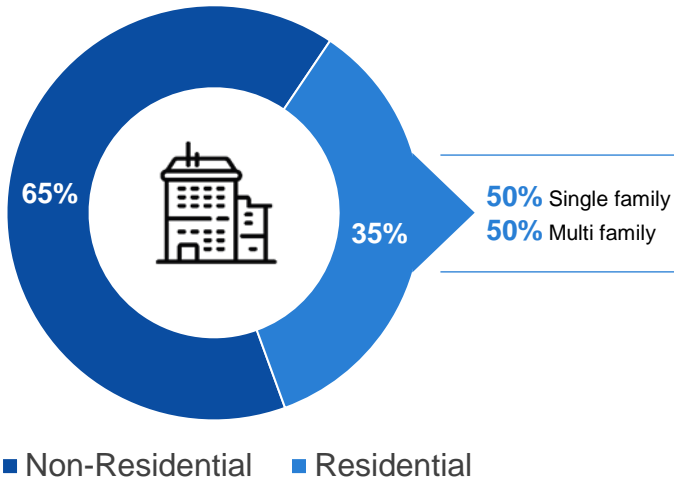
Revenue by Geography\*



Revenue by End Market\*



Revenue by End Market\*



See Appendix for reconciliation of non-GAAP measures to their corresponding GAAP measures  
\*Proforma includes recent acquisitions of Bradley and Josam

Global Leader in Commercial, Residential and Industrial Water Solutions

## Safety & Regulation



**Provide the highest levels of performance in the safeguarding of water systems**

- Code and specification driven
- Extensive certification process
- Emerging need globally

## Energy Efficiency



**Offer the most efficient conversion of energy sources into useful heat and hot water**

- Large and fragmented
- Economic and environmental value proposition
- Application and engineering competencies critical

## Water Conservation



**Deliver drainage and pre-treatment systems that meet the design challenges of a water scarce world**

- Code and specification driven
- Environmental drivers
- Emerging need globally
- Best-in-class service

### *Market Characteristics*

**Specialty Products and Systems that Conserve and Safeguard the Flow of Fluid and Energy**



# LARGE ADDRESSABLE MARKET WITH EXPOSURE TO DIVERSE END MARKETS



## END MARKETS



RESIDENTIAL



MULTI-FAMILY /  
COMMERCIAL



INSTITUTIONAL /  
EDUCATIONAL



HEALTHCARE



LIGHT / GENERAL  
INDUSTRIAL



HOSPITALITY –  
HOTEL



HOSPITALITY –  
FOOD SERVICE



DATA CENTERS

**~\$20B**  
Total Available  
Market  
Opportunity<sup>1</sup>

**Balanced Portfolio Provides Springboard for Future Growth**

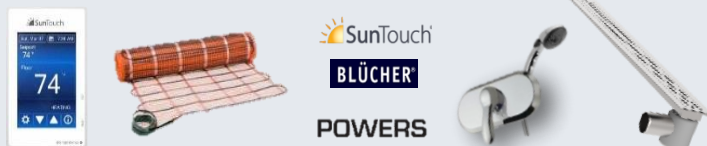
<sup>1</sup> Based on Company estimates of global market.

# COMMERCIAL OFFERINGS

~65% of Sales; More Complexity / Systems



## Guestroom



## Water Safety (Point of Entry)

Backflow Preventers • Automatic Control Valves • Pressure Reducing Valves • Ball, Gate, & Butterfly Valves



## Commercial Washroom Safety

Thermostatic Mixing Valves • Closet and Lavatory Carriers



## Commercial Washroom

Hand Washing Systems • Partitions



## Irrigation

Backflow Preventers • Pressure Regulating Valves • Isolation Valves



## Fire Protection Systems

Cross Connection Systems • Automatic Control Valves • Isolation Valves



## Commercial Kitchens

Gas Connectors • Point of Use Filtration Systems • Stainless Steel Drains • Backflow Preventers



## Boiler / Mechanical Room

Hot Water Heaters / Boilers • Digital Thermostatic Mixing Stations • Boiler & Pump Controls



## Driveway / Sidewalk

Electronic Temperature Controls • Snow Melt Hydronic Systems • Manifolds



## Water Quality (Point of Entry)

OneFlow Anti-Scale Systems • Water Softeners • SmartStream UV System



## Drainage / Rainwater Harvesting

Cast Iron and Stainless Drains & Pipe • Rainwater Harvesting • Roofs, Parking Garages, Bathrooms, Kitchens



## Leak Detection

Wireless Leak Detection & Notification Systems





# RESIDENTIAL OFFERINGS

~35% of Sales; Product Range Unmatched



## Kitchen

Undersink Thermostatic Mixing Valves • Reverse Osmosis Water Filtration Systems • Electric Tile Warming • SmartSense Excess Flow Valve & Thermal Shutoff



## Living Room

Control Panel / Thermostat • Radiant Underfloor Heating



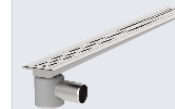
## Leak Detection

Wireless Leak Detection



## Bathroom

Tempering Valves • Electric Tile Warming • Stainless Steel Shower Drains • Hot Water on Demand Recirculation



## Laundry Room

Anti-Scale Systems • Gas Ball Valves & Connectors • SmartSense Excess Flow Valve & Thermal Shutoff • IntelliFlow Automatic Washing Machine Shutoff Valves



## Driveway / Sidewalk

Snow Melt Hydronic Systems • Electronic Temperature Controls • Manifolds • Quick Connect Fittings • Hydrocontrol Panels • PEX Tubing



## Water Safety (Point of Entry)

Backflow Preventers • Pressure Reducing Valves



## Irrigation

Backflow Preventers • Pressure Reducing Valves • Flow Control Valves



## Water Quality (Point of Entry)

Whole House Filtration Systems • Anti-Scale Systems • Water Softeners • SmartStream UV Disinfection Systems



## Boiler / Furnace Room

T&P Relief Valves • Tempering Valves • Pressure Reducing Valves • Expansion Tanks • Temperature & Pressure Gauges • Air Separators









## New Product Development

- Utilizing single streamlined **product development process**
- **Leveraging Voice of Customer (VOC)** to drive product innovation
- Driving **Smart & Connected strategy**
- Advancing **solutions** that address **market needs**



## Geographic Expansion

- **Cross-selling** existing products into new regions
- **Targeting countries** with well-established plumbing codes
- **Influencing plumbing code improvements** in developing countries

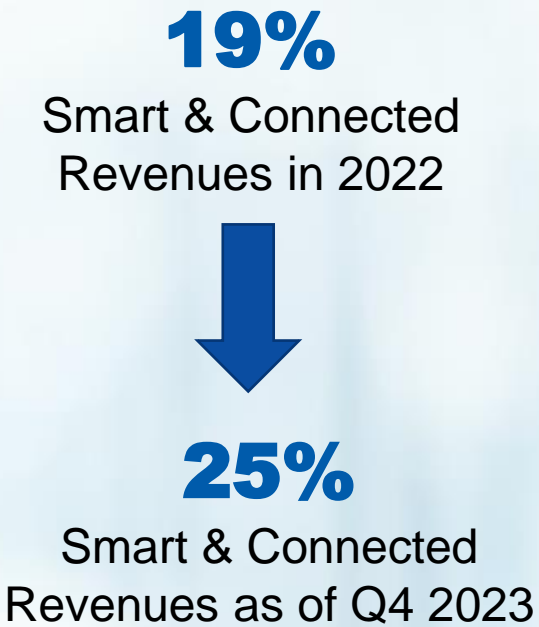
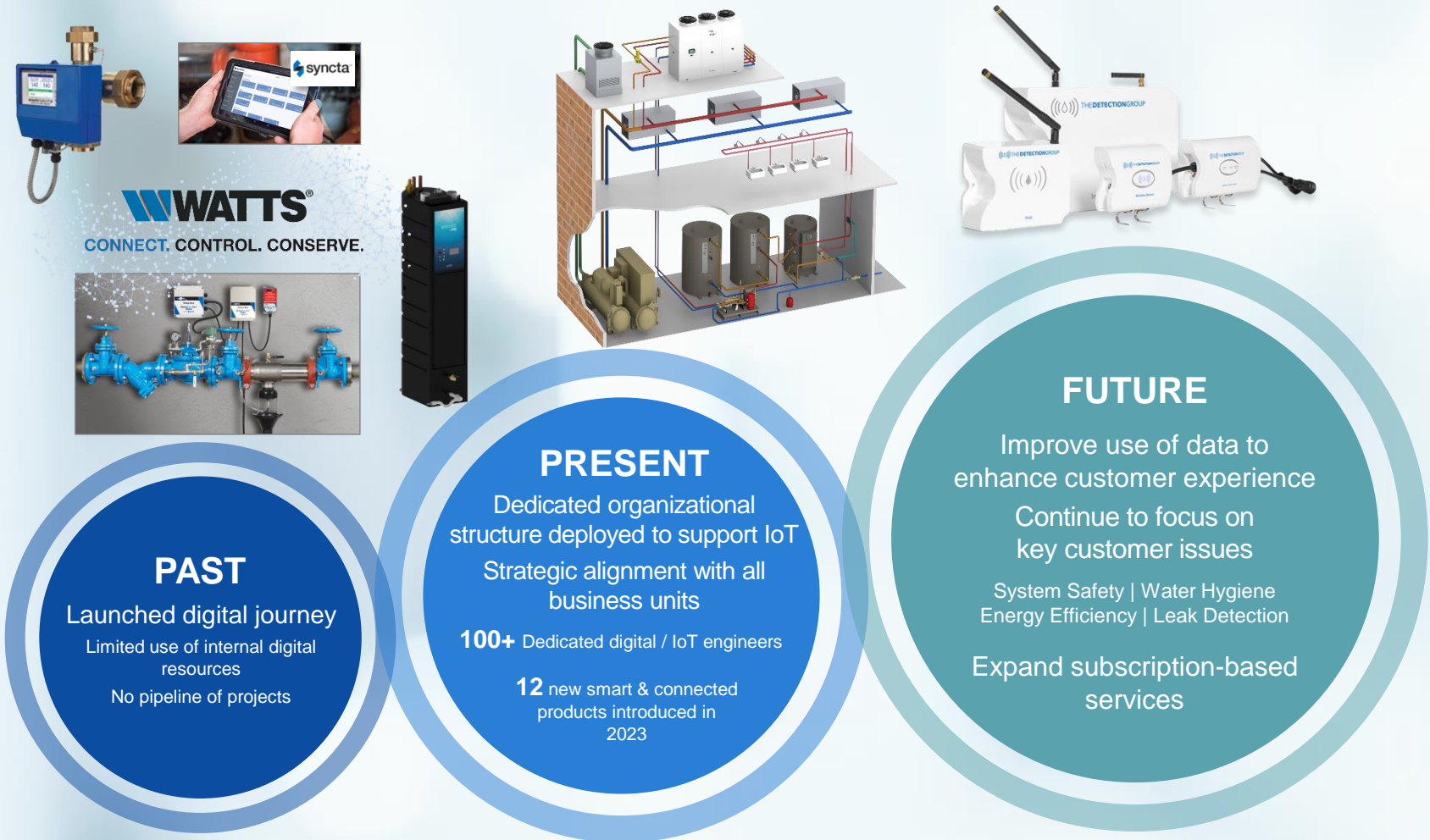


## Key Account Management & Commercial Excellence

- **Expanding relationships** with large customers
- Leveraging integrated business model to **cross sell**
- Providing training in 10 state-of-the-art **Watts Works Learning Centers**



**Growing Organically Through Innovation and Commercial Excellence**



Continuing to Drive Our Smart & Connected Strategy



## OWPS Focus Areas

- ✓ VOC drives new product development
- ✓ Gross productivity project funnel growth
- ✓ Business process efficiencies
- ✓ Locating production close to customers
- ✓ Ensuring a “safety first” culture
- ✓ Providing world class quality
- ✓ Committed to great customer service – “On time in full”
- ✓ Improving working capital



**ONE WATTS®**  
PERFORMANCE SYSTEM

***OWPS is a collection of tools, processes and behaviors that help us grow and develop***

**Creating Customer Focused Culture**

## Highlights

- ✓ Improved **Sustainalytics ESG score** by 24%, promoting Watts to low-risk
- ✓ Issued **Human Rights Policy** aligned with **UN Global Compact**
- ✓ Joined **CEO Water Mandate**, expanding commitment to water stewardship
- ✓ Name by Newsweek as one of **America's Most Responsible Companies** for 5<sup>th</sup> consecutive year and one of **America's Greenest Companies** for the first time
- ✓ Named by USA Today as one of **America's Climate Leaders**



**Sustainability  
Report**



## Watts ESG Story

### Solving Sustainability for Our Customers

#### Aligning our “Triple Play” with secular growth trends

- Safety and Regulation → 74% of products contribute to health and safety
- Energy Efficiency → 24% of products improve energy efficiency
- Water Conservation → 37% of products contribute to water conservation

### Leading Employer & Community Partner

#### Making people and communities safe, healthy and strong

- Prioritizing a culture of safety at all facilities
- Investing in global leadership and inclusivity training for all employees
- Improving communities by expanding water stewardship, conserving energy and by reducing waste and emissions at our sites

### Earning the Trust of Our Stakeholders

#### Operating ethically, responsibly and sustainably

- Adhering to highest level of ethical standards, with robust governance
- Acting with integrity in every facet of our operations
- Managing our supply chain for conformance to our ESG standards

**Sustainability Is A Core Commitment**

# ENGAGED AND ACCOUNTABLE BOARD OF DIRECTORS



**David Dunbar**  
Lead Independent Director  
President and CEO,  
Standex International Corp.  
Joined: 2017



**Christopher Conway**  
Retired President, CEO and  
Chairman of the Board,  
CLARCOR Inc  
2015



**Michael Dubose**  
Retired President, Fisher  
Healthcare Division,  
Thermo Fisher Scientific Inc.  
2020



**Craig Kissel**  
Retired President of Trane  
Commercial Systems,  
American Standard  
2011



**Merilee Raines**  
Retired CFO, IDEXX  
Laboratories, Inc.  
2011



**Louise Goeser**  
Retired President and CEO,  
Grupo Siemens S.A. de C.V.  
2018



**Joseph Noonan**  
eCommerce Entrepreneur;  
Horne Family Member  
2013



**Bob Pagano**  
CEO, President and  
Chairperson of the Board  
Watts Water  
2014



**Joseph Reitmeier**  
Retired EVP and CFO,  
Lennox International Inc.  
2016



**Rebecca Boll**  
SVP & Chief Product Officer,  
Fluence Energy  
2024

## Board Skillsets and Attributes

- ✓ Operational and C-Suite Experience
- ✓ International Markets Exposure
- ✓ Public Company Board Experience
- ✓ Global Manufacturing
- ✓ Relevant End Market Exposure
- ✓ Business Ethics
- ✓ eCommerce / Digital
- ✓ Finance / M&A

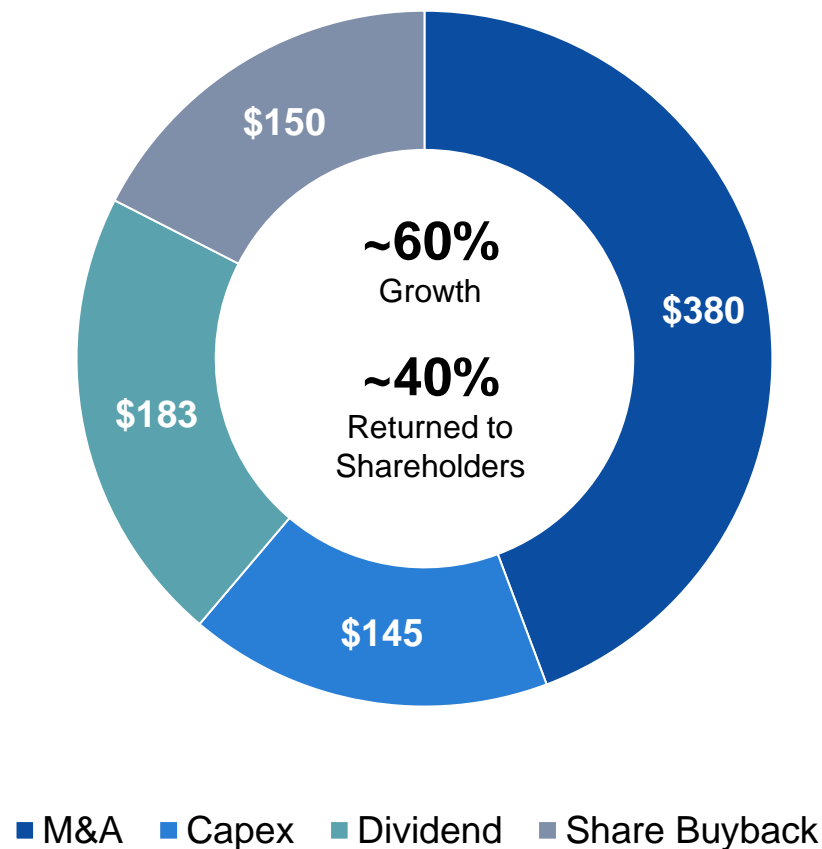
**62 YEARS**  
Avg. Age

**8 YEARS**  
Avg. Tenure

**Director Skillsets and Attributes Support Our Long-term Strategy**



## Deployment History 2019-2023



## Priorities

### Strategic M&A

- Disciplined valuation / screening process

### Investing in High ROI Capex

- ~70% of Capex invested in growth and productivity initiatives
- Reinvestment ratio >100%

### Competitive Dividend

- 11% 5-year CAGR through 2023
- Increased dividend 20% effective June 2023 to \$1.44/share annual dividend, 0.7% yield<sup>1</sup>

### Stable Share Buyback

- Offset stock dilution at minimum
- New repurchase program announced in August 2023 for \$150M

**Strong Cash Flow Generation Provides Flexibility**

## STRATEGIC CRITERIA

- ✓ **Core or Related Complementary Markets**
- ✓ **Entry into New Markets and Geographies**
- ✓ **Addresses Macro Themes**
  - Safety and Regulation
  - Energy Efficiency
  - Water Conservation
- ✓ **Increase in Shelf Space with Existing Customers**
- ✓ **Brand Name Products, Market Leadership**
- ✓ **Product Offering Expansion, Including New / Improved Technology**

## FINANCIAL CRITERIA

- ✓ **ROIC > Cost of Capital**
- ✓ **Accretive to EPS in Year 1**
- ✓ **Accretive to EBITDA Margin within 3 – 5 Years**

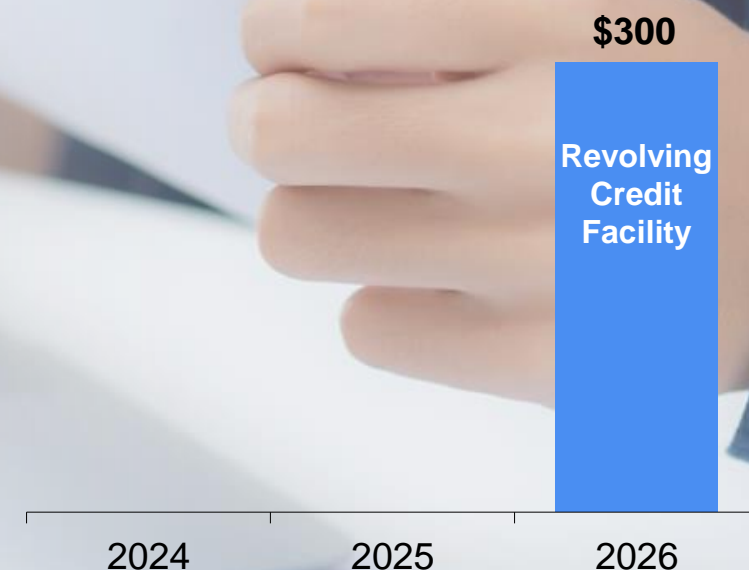
**Disciplined Acquisitions Generate Incremental Growth**

<i>\$M</i>	<b>December 31, 2023</b>
Cash	\$350
Other Current Assets	711
Non-Current Assets	1,248
<b>TOTAL ASSETS</b>	<b>\$2,309</b>
Current Liabilities, excl. Short-term Debt	\$406
Non-Current Liabilities	92
Debt	298
Equity	1,513
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>\$2,309</b>
Net Debt / Capitalization Ratio	(3.5%)

Unused and available credit capacity ~ \$488M on December 31, 2023

## Debt Maturity Schedule

*No Debt Due Until 2026*



**Capacity to Execute on Strategic Growth**



# Q1 AND FULL YEAR 2024 OUTLOOK\*



	Q1 2024	Full Year 2024
<b>Sales Growth</b>	<b>Reported +15% to +19% Organic +1% to +5%</b> Four extra shipping days Acquired: Americas ~\$55M APMEA ~\$9M	<b>Reported +6% to +12% Organic -5% to +1%</b> Americas:-3% to +2% Europe: -9% to -4% APMEA: Flat to +6% Acquired: Americas ~\$210M APMEA ~\$9M
<b>Adj EBITDA Margin</b>	<b>19.5% to 20.1% -50 bps to +10 bps</b>	<b>Total 19.4% to 20.0% -50 bps to +10 bps</b>
<b>Adj Operating Margin</b>	<b>17.0% to 17.6% -80 bps to -20 bp</b> Acquisition dilution ~120 bps \$6M of incremental investments	<b>Total 16.9% to 17.5% -90 bps to -30 bps</b> Americas: Down 90 bps to 140 bps Europe: Down 100 bps to 160 bps APMEA: Up 40 bps to 100 bps Acquisition dilution ~80 bps \$20M of incremental investments
<b>Free Cash Flow</b>	<b>Seasonally Slow</b>	<b>≥ 90% of Net Income</b>
<b>FX Euro / \$</b>	<b>1.07</b> Sales (flat); EPS (flat)	<b>1.09</b> Sales (~+\$5M); EPS (~+\$0.02)

## Other Key Full Year Inputs

Corporate  
Costs  
**~\$55M**

Net Interest  
Expense  
**~\$12M**

Adj Effective  
Tax Rate  
**~25%**

Share  
Counts  
**~33.5M**

CAPEX / D&A  
**~\$50M / ~\$55M**

\* As of February 12, 2024. See Appendix for reconciliation of non-GAAP measures to their corresponding GAAP measures.

Organic Growth  
**1% Above Market**

Operating Margin  
Expansion  
**30-50 bps per Year**

Emphasis on Growth  
**Supported by M&A**

Focus in **Selected  
Emerging Markets**

**Build a High Performance “Connected Water and Heating Solutions” Company**



## Recognized Leader

Global reach with leading market positions in commercial, residential and light industrial water space



## Aligned to Long-term Secular Trends and Diverse Markets

Aligned with global secular macro trends

Broad portfolio diversifies market exposure



## Focus on Innovation and Profitable Growth

Strong execution drove record 2023 performance

Continuing investment in Smart and Connected portfolio



## Accretive Capital Deployment and Strong Balance Sheet

Targeting >100% cash conversion with efficient capital structure

Balanced capital allocation



## Resilient Business Model Tested Across Economic Cycles

Large installed base; strong repair and replacement footprint

Focused on long-term strategy





# Appendix



# RECONCILIATION OF GAAP TO NON-GAAP MEASURES



(M)  
(Unaudited)

	Fourth Quarter		Year	
	2023	2022	2023	2022
Net Sales	\$547.5	\$501.9	\$2,056.3	\$1,979.5
Operating income - as reported	\$78.8	\$67.2	\$350.9	\$315.0
Operating margin %	14.4%	13.4%	17.1%	15.9%
Adjustments for special items:				
Restructuring, net of gain on sale of asset	\$3.8	\$4.4	\$5.5	\$8.8
Acquisition-related costs, net of contingent consideration adjustment	\$3.8	-	\$8.8	-
Operating income - as adjusted	\$86.4	\$71.6	\$365.2	\$323.8
Adjusted operating margin %	15.8%	14.3%	17.8%	16.4%
Net income - as reported	\$55.8	\$68.6	\$262.1	\$251.5
Adjustments for special items - tax effected:				
Restructuring, net of gain on sale of asset	\$2.8	\$3.2	\$4.1	\$6.5
Acquisition-related costs, net of contingent consideration adjustment	\$2.2	-	\$5.8	-
Discrete tax items	\$5.3	(\$18.2)	\$5.3	(\$18.2)
Net income - as adjusted	\$66.1	\$53.6	\$277.3	\$239.8
Earnings per share				
Diluted earnings per share - as reported	\$1.67	\$2.05	\$7.82	\$7.48
Adjustments for special items	\$0.30	(0.45)	\$0.45	(0.35)
Diluted earnings per share - as adjusted	\$1.97	\$1.60	\$8.27	\$7.13

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



(M)  
(Unaudited)

	December 31, 2023	December 31, 2022
Current portion of long-term debt	\$ -	\$ -
<u>Plus</u> : Long-term debt, net of current portion	298.3	147.6
<u>Less</u> : Cash and cash equivalents	(350.1)	(310.8)
Net debt	(\$51.8)	(\$163.2)
Net debt	(\$51.8)	(\$163.2)
<u>Plus</u> : Total stockholders' equity	1,513.3	1,300.6
Capitalization	\$1,461.5	\$1,137.4
Net debt to capitalization ratio	(3.5%)	(14.3%)



# RECONCILIATION BETWEEN GAAP AND NON-GAAP MEASURES INCLUDED IN 2024 OUTLOOK\*



	First Quarter 2024	Full Year 2024
<b>Net Sales</b>		
Reported net sales growth	+16% to +20%	+6% to +12%
Forecasted impact of acquisition / FX	-11% to -19%	-5% to -17%
Organic net sales growth	+1% to +5%	-5% to +1%
<b>Operating Margin</b>		
Operating margin range	15.5% to 16.1%	16.3% to 16.9%
Forecasted restructuring / other costs	1.5%	0.6%
Adjusted operating margin range	17.0% to 17.6%	16.9% to 17.5%

\* As of February 12, 2024

# CALCULATIONS OF EBITDA & GROSS AND NET LEVERAGE



(M) (Unaudited)

Year Ended December 31, 2023

Net income – as reported	\$262.1
<u>Plus</u> : Interest expense, net	1.0
<u>Plus</u> : Income taxes	87.4
<u>Plus</u> : Depreciation	30.1
<u>Plus</u> : Amortization	13.2
EBITDA - Earnings before interest, taxes, depreciation and amortization	\$393.8
<i>EBITDA Margin %</i>	19.2%
Adjustments for special items	14.3
Adjusted EBITDA – Adjusted earnings before interest, taxes, depreciation and amortization	\$408.1
<i>Adjusted EBITDA Margin %</i>	19.9%
Gross debt as of December 31, 2023	\$298.3
<u>Less</u> : Cash & cash equivalents as of December 31, 2023	350.1
Net debt	(\$51.7)
Gross debt to EBITDA ratio (Gross leverage)	0.8x
Net debt to EBITDA ratio (Net leverage)	(0.1)x