



WATTS WATER TECHNOLOGIES Q1 2025 EARNINGS CONFERENCE CALL

May 8, 2025

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, effective tax rate, capital expenditures, cash flow, water market growth, acquisition strategy and integration, construction outlook, inflation and management goals and objectives.

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Factors that might affect forward-looking statements include overall economic and business conditions, changes in tariff rates, 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.

Q1 Overview and 2025 Outlook



Q1 2025 Performance

Results surpassed expectations

Organic sales* declined 2% due to fewer shipping days and ongoing Europe weakness

Record adjusted operating margin* of 19.0%, expansion of 80 bps

Announced 21% dividend increase

Strong balance sheet providing ample liquidity



Operational Updates

Proactively working to mitigate impact of tariffs with price, supply chain strategy and accelerated onshoring

Driving productivity and restructuring actions; Site closure in France on schedule

I-CON integration progressing well



2025 Outlook

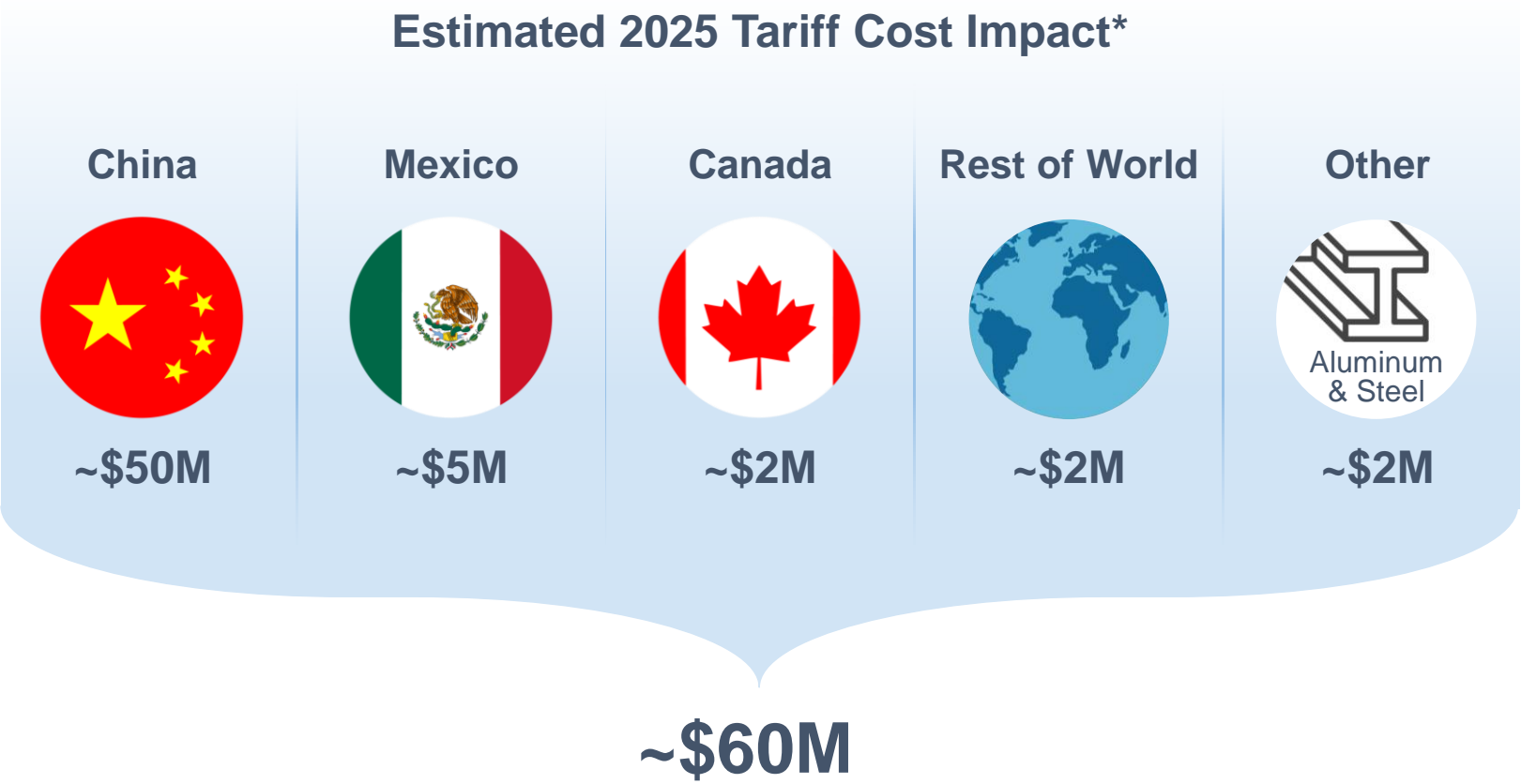
Maintaining FY 2025 outlook

- ▲ Q1 performance
- ▲ Price
- ▲ Mega project activity
- ▲ Foreign exchange
- ▼ Lower global GDP
- ▼ Potential tariff impact on H2 demand
- ▼ Interest rates higher for longer
- ▼ Europe destocking

Q1 Results Exceeded Expectations; Proactively Managing Economic Environment

* See Appendix for reconciliation of non-GAAP measures to their corresponding GAAP measures.

Strategic Approach to Mitigate Tariff Impacts



Actions

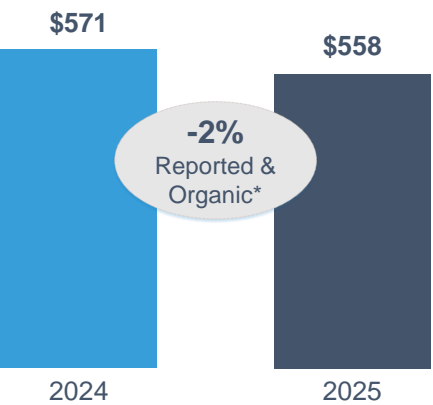
- **Price:** implemented increases
- **Supply chain:** pivoting vendors and leveraging dual source supply base
- **Operations:** leveraging vertically integrated U.S. manufacturing footprint and adding production capacity

Navigating Dynamic Trade Environment Through Strategic Actions

* Incorporates estimates using 2024 direct volumes and tariff status as of May 7, 2025.

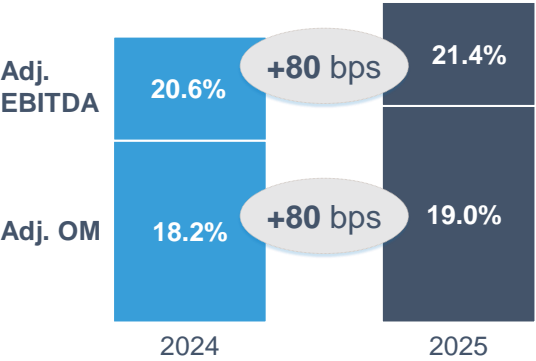
Q1 2025 Financial Summary

Sales (\$M)



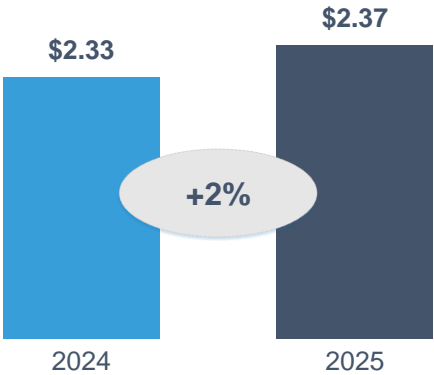
- Fewer shipping days, ~-3%
- Segment sales
 - Americas: \$418M; -1% organic; acquisitions added \$5M
 - Europe: \$108M; -9% organic; \$4M FX headwind; heat pump destocking and weak end markets
 - APMEA: \$32M; +13% organic; strength in China, Middle East and Australia

Adj. EBITDA and Adj. Operating Margin (%)*



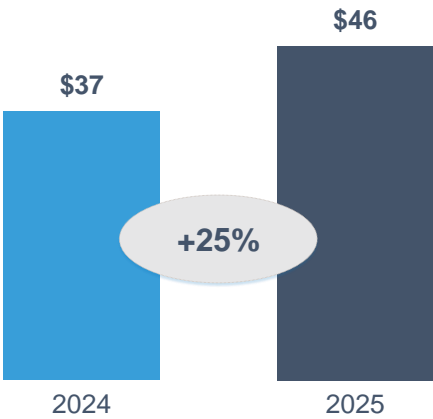
- Adj. EBITDA: \$119M, +1%
- Adj. operating income: \$106M, +2%
- Segment margin %
 - Americas: 23.4%, +130 bps; price, productivity, cost actions
 - Europe: 13.9%, -180 bps; volume deleverage
 - APMEA: 17.5%, -70 bps; regional mix

Adj. EPS (\$)*



- Operations: +\$0.05
- Acquisitions / FX: -\$0.01
- Net interest / other inc.: +\$0.02
- Tax: -\$0.02; Adj. ETR 24.5%, 70 bps unfavorable YoY

FCF (\$M)*



- Solid Q1 cashflow (seasonally slower)
- Balance sheet remains strong
 - Net leverage: (0.3x)
 - Net debt to cap ratio: (9%)

Strong Margin Expansion Despite Volume Decline Due to Fewer Shipping Days & Continued Europe Softness

* See Appendix for reconciliation of non-GAAP measures to their corresponding GAAP measures.

Q2 and Full Year 2025 Outlook*

	<u>Previous FY Outlook</u>	<u>Updated FY Outlook</u>	<u>Q2 Outlook</u>
Sales Growth	Reported & Organic -3% to +2% Segment Organic Growth Americas: -3% to +3% Europe: -8% to -2% APMEA: Flat to +5% 80/20: Americas ~-\$10M, Europe ~-\$5M Acquired: Americas ~\$25M FX: Sales (~-\$28M); EPS (~-\$0.11)	Reported -2% to +3% Organic -3% to +2% Segment Organic Growth Americas: -2% to +3% Europe: -9% to -3% APMEA: +2% to +7% 80/20: Americas ~-\$10M, Europe ~-\$5M Acquired: Americas ~\$25M FX: Sales (~-\$7M); EPS (~-\$0.03)	Reported +1% to +4% Organic Flat to +3% Segment Organic Growth Americas: +2% to +5% Europe: -11% to -7% APMEA: Flat to +4% 80/20: Americas ~-\$2M Acquired: Americas ~\$7M FX: Sales (Flat); EPS (Flat)
Adj. EBITDA Margin	20.4% to 21.0% +30 bps to +90 bps	20.4% to 21.0% +30 bps to +90 bps	21.6% to 22.2% +50 bps to +110 bps
Adj. Operating Margin	17.7% to 18.3% Flat to +60 bps Americas: Flat to Up 60 bps Europe: Down 30 bps to Up 30 bps APMEA: Flat to Up 60 bps	17.7% to 18.3% Flat to +60 bps Americas: Flat to Up 60 bps Europe: Down 30 bps to Up 30 bps APMEA: Flat to Up 60 bps	19.1% to 19.7% +30 bps to +90 bps Americas: Up 10 bps to 70 bps Europe: Flat to Up 60 bps APMEA: Down 30 bps to Up 30 bps
Free Cash Flow	≥ 100% of Net Income	≥ 100% of Net Income	

* Incorporates estimates (including tariff estimates) as of May 7, 2025. See Appendix for other Outlook assumptions.

Summary



Better-than-expected Q1 results driven by Americas and APMEA volume and cost control



Proactively working to mitigate tariff-related impacts; leveraging our U.S. footprint and global supply chain



Maintaining full year 2025 outlook despite challenging macros and continued uncertainty



Continuing strategic investments in new product development and digital strategy to drive long-term growth



Strong balance sheet and cash flow provide continued capital allocation flexibility; announced 21% dividend increase



Appendix

Other 2025 Outlook* Inputs

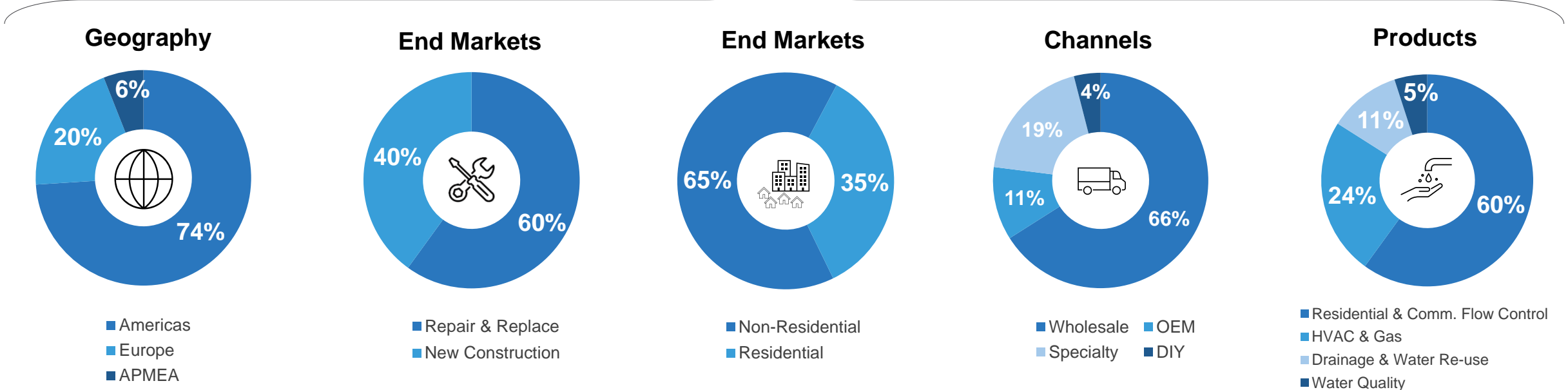
	<u>Previous Other FY Inputs</u>	<u>Updated Other FY Inputs</u>	<u>Other Q2 Inputs</u>
Corporate Costs	~\$55M to \$57M	~\$55M to \$57M	~\$15M
Net Interest Expense	~\$2M - \$3M	~\$2M - \$3M	~\$1M
Stock-Based Compensation	~\$20M	~\$20M	~\$6M
Adj Effective Tax Rate	~25%	~25%	~25%
Share Count	~33.5M	~33.5M	~33.5M
Capex	~\$50M	~\$50M	~\$13M
Depreciation & Amortization	~\$60M	~\$60M	~\$15M
FX	Europe (EUR @1.04) ~-\$20M Americas (CAD) ~-\$4M APMEA (RMB/AUD/NZD) ~-\$4M	Europe (EUR @1.09) ~+\$3M Americas (CAD) ~-\$3M APMEA (RMB/AUD/NZD) ~\$7M	Europe (EUR @1.10) ~+\$3M Americas (CAD) ~-\$1M APMEA (RMB/AUD/NZD) ~\$2M

* As of May 7, 2025. See Appendix for reconciliation of non-GAAP measures to their corresponding GAAP measures.

Watts Water Snapshot (NYSE: WTS)

2024 Key Statistics

With 5 Year Performance vs. 2019



Global Leader in Commercial, Residential and Light Industrial Water Solutions

See Appendix for reconciliation of non-GAAP measures to their corresponding GAAP measures.



Key Themes



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

Solutions aligned with global macro trends

Broad portfolio diversifies market exposure



Focus on Innovation and Profitable Growth

Continuing investment in digital strategy

Driving One Watts Performance System to expand margins



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

Consolidated Statements of Operations

	First Quarter			
	2025	2024	B/(W)	%
Net sales	\$558.0	\$570.9	(\$12.9)	(2%)
Cost of goods sold	285.5	303.4	17.9	6%
Gross profit	272.5	267.5	5.0	2%
	48.8%	46.9%	+190 bps	
Selling, general & administrative expenses	167.5	169.6	2.1	1%
	30.0%	29.7%	-30 bps	
Restructuring	17.3	1.2	(16.1)	(1342%)
Operating income	87.7	96.7	(9.0)	(9%)
	15.7%	16.9%	-120 bps	
Other expense	0.8	1.5	0.7	47%
Income before taxes	86.9	95.2	(8.3)	(9%)
Provision for income taxes	12.9	22.6	9.7	43%
Net income	\$74.0	\$72.6	\$1.4	2%
Diluted earnings per share	\$2.21	\$2.17	\$0.04	2%

(M) (Unaudited)

Reconciliation of Net Sales to Organic Net Sales

	First Quarter			
	Americas	Europe	APMEA	Total
Net sales 2025	\$418.1	\$108.4	\$31.5	\$558.0
Net sales 2024	\$418.8	\$123.3	\$28.8	\$570.9
Dollar change	(\$0.7)	(\$14.9)	\$2.7	(\$12.9)
Net sales % (decrease) increase	-%	(12%)	9%	(2%)
Foreign exchange impact	-	3%	4%	1%
Acquisition impact	(1%)	-	-	(1%)
Organic sales (decrease) increase	(1%)	(9%)	13%	(2%)

(M) (Unaudited)

Reconciliation of GAAP to Non-GAAP Measures

	First Quarter	
	2025	2024
Net Sales	\$558.0	\$570.9
Operating income	\$87.7	\$96.7
Operating margin %	15.7%	16.9%
Adjustments for special items:		
Restructuring	\$17.3	\$1.2
Acquisition-related costs	1.1	7.0
Gain on sale of assets	-	(1.1)
Adjusted operating income	\$106.1	\$103.8
Adjusted operating margin %	19.0%	18.2%
Net income	\$74.0	\$72.6
Adjustments for special items - tax effected:		
Restructuring	\$13.0	\$0.9
Acquisition-related costs	0.8	5.2
Gain on sale of assets	-	(0.8)
Tax adjustment items	(8.3)	-
Adjusted net income	\$79.5	\$77.9
Diluted earnings per share	\$2.21	\$2.17
Adjustments for special items	0.16	0.16
Adjusted diluted earnings per share	\$2.37	\$2.33

(M) (Unaudited)

Segment Earnings and Margin Summary

	First Quarter 2025					First Quarter 2024				
	Americas	Europe	APMEA	Corp.	OI	Americas	Europe	APMEA	Corp.	OI
Segment earnings / Corp expenses / Adj. OI	\$97.8	15.1	5.5	(12.3)	\$106.1	\$92.7	19.4	5.2	(13.5)	\$103.8
Segment margin / Adjusted operating margin %	23.4%	13.9%	17.5%		19.0%	22.1%	15.7%	18.2%		18.2%
Adjustments for special items	(\$1.1)	(17.2)	(0.1)	-	(\$18.4)	(\$7.3)	1.1	(0.2)	(0.7)	(\$7.1)
Operating Income					\$87.7					\$96.7
Operating Margin					15.7%					16.9%

(M) (Unaudited)

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

	First Quarter	
	2025	2024
Net cash provided by operating activities	\$55.2	\$45.6
<u>Less:</u> additions to property, plant, and equipment	(9.6)	(10.1)
<u>Plus:</u> proceeds from the sale of property, plant, and equipment	-	1.1
Free cash flow	\$45.6	\$36.6
Net income	\$74.0	\$72.6
Cash conversion rate of free cash flow to net income	62%	50%

(M) (Unaudited)

Reconciliation of Long-term Debt (Including Current Portion) to Net Debt to Capitalization Ratio

	March 30, 2025	December 31, 2024
Current portion of long-term debt	\$ -	\$ -
<u>Plus</u> : Long-term debt, net of current portion	197.2	197.0
<u>Less</u> : Cash and cash equivalents	(336.8)	(386.9)
Net debt	(\$139.6)	(\$189.9)
Net debt	(\$139.6)	(\$189.9)
<u>Plus</u> : Total stockholders' equity	1,772.2	1,707.9
Capitalization	\$1,632.6	\$1,518.0
Net debt to capitalization ratio	(9%)	(13%)

(M) (Unaudited)

Calculations of EBITDA & Gross and Net Leverage

	First Quarter Ended March 30, 2025	First Quarter Ended March 31, 2024	Trailing Twelve Months Through March 30, 2025
Sales	\$558.0	\$570.9	\$2,239.3
Net income – as reported	\$74.0	\$72.6	\$292.6
<u>Plus:</u> Interest expense, net	0.4	2.1	4.1
<u>Plus:</u> Income taxes	12.9	22.6	85.1
<u>Plus:</u> Depreciation	8.8	8.6	34.8
<u>Plus:</u> Amortization	4.9	4.7	20.0
EBITDA – Earnings before interest, taxes, depreciation and amortization	\$101.0	\$110.6	\$436.6
<i>EBITDA Margin %</i>	18.1%	19.4%	19.5%
Adjustments for special items	18.2	7.1	18.9
Adjusted EBITDA – Adjusted earnings before interest, taxes, depreciation and amortization	\$119.2	\$117.7	\$455.5
<i>Adjusted EBITDA Margin %</i>	21.4%	20.6%	20.3%
Gross debt as of March 30, 2025			\$197.2
<u>Less:</u> Cash & cash equivalents as of March 30, 2025			(336.8)
Net debt			(\$139.6)
Gross debt to EBITDA ratio (Gross leverage)			0.5x
Net debt to EBITDA ratio (Net leverage)			(0.3x)

(M) (Unaudited)

Reconciliation of “Adjusted” Non-GAAP Effective Tax Rate

	First Quarter	
	2025	2024
Income before income taxes	\$86.9	\$95.2
Provision for income taxes	\$12.9	\$22.6
Effective tax rate	14.8%	23.7%
Income before income taxes	\$86.9	\$95.2
Total adjustments for special items	18.4	7.1
Adjusted Income before income taxes	\$105.3	\$102.3
Provision for income taxes	\$12.9	\$22.6
Tax effect of total adjustment for special items	12.9	1.8
Adjusted provision for income taxes	\$25.8	\$24.2
Adjusted effective tax rate	24.5%	23.8%

(M) (Unaudited)

Reconciliation between GAAP and Non-GAAP Measures Included in 2025 Outlook*

	Second Quarter 2025	Full Year 2025
Net Sales		
Net sales growth	+1% to +4%	-2% to +3%
Forecasted impact of acquisition / FX	-1%	-1%
Organic net sales growth	Flat to +3%	-3% to +2%
Operating Margin		
Operating margin range	18.9% to 19.5%	16.7% to 17.3%
Forecasted restructuring / other costs	0.2%	1.0%
Adjusted operating margin range	19.1% to 19.7%	17.7% to 18.3%

* As of May 7, 2025.