



# Q1 2026 Earnings Conference Call

May 7, 2026

# Forward Looking Statements

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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, 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, 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 2026 Outlook



## Q1 2026 Performance

Record Q1 exceeded expectations

Organic sales\* increased 12%

Adjusted operating margin\* of 20.1%, expansion of 110 bps

Continued balance sheet strength provides capital allocation flexibility

Announced 21% dividend increase



## Business Updates

Strong data center demand helping to offset other, more challenged markets

Integrations and synergy realization on track for all acquisitions

Proactively assessing and mitigating the impact of Middle East conflict and fluid tariff environment



## 2026 Outlook

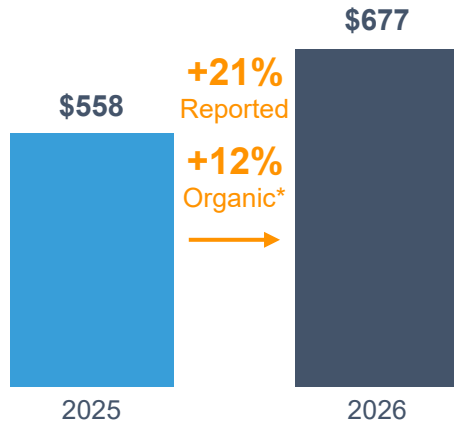
Maintaining FY 2026 outlook given ongoing macro uncertainty

- ▲ Q1 performance
- ▲ Price
- ▲ Data center demand
- ▼ Middle East conflict
- ▼ Lower global GDP

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

# Q1 2026 Financial Summary

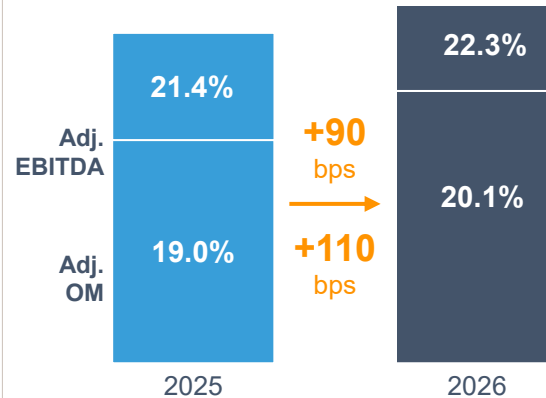
## Sales (\$M)



### Segment sales

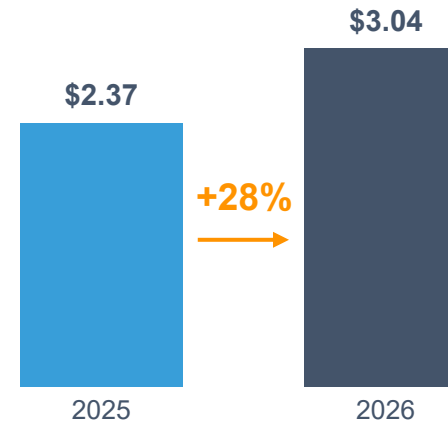
- Americas: \$515M; +16% organic; acquisitions added \$31M
- Europe: \$121M; +1% organic; \$13M FX benefit
- APMEA: \$41M; +3% organic; acquisition added \$6M; \$2M FX benefit

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



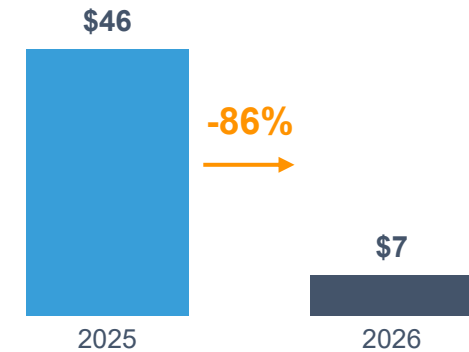
- Adj. EBITDA: \$151M, +27%
- Adj. operating income: \$136M, +28%
- Acquisition dilution -80 bps to OM\*
- Segment margin
  - Americas: 24.2%; +80 bps
  - Europe: 13.7%; -20 bps
  - APMEA: 18.7%; +120 bps

## Adj. EPS (\$)\*



- Operations: +\$0.61
- Acquisitions / FX: +\$0.07
- Net interest / other income: -\$0.02
- Tax: +\$0.01; Adj. ETR 24.2%; 30 bps favorable VPY

## FCF (\$M)\*



- Slow start to free cash flow due to;
  - Accounts receivable timing
  - Strategic inventory investment
- Anticipate sequential improvement in FCF; FY FCF goal of >90% conversion
- Balance sheet remains strong

Record Sales, Operating Income, Margin and EPS

# Q2 and Full Year 2026 Outlook\*

	Maintaining FY Outlook	Q2 Outlook
<b>Sales Growth</b>	<p><b>Reported +8% to +12%</b> <b>Organic +2% to +6%**</b></p> <p><b>Segment Organic Growth</b> Americas: +3% to +7% Europe: -4% to Flat APMEA: +4% to +8%</p> <p>Acquired: Americas ~+\$110M to +\$115M Acquired: APMEA ~+\$18M to +\$20M 80/20 Europe ~-\$10M to -\$15M** 80/20 Americas ~-\$25M to -\$30M** FX: Sales ~+\$18M; EPS ~+\$0.06</p>	<p><b>Reported +10% to +14%</b> <b>Organic +4% to +8%**</b></p> <p><b>Segment Organic Growth</b> Americas: +5% to +9%*** Europe: -3% to +1% APMEA: +2% to +6%</p> <p>Acquired: Americas ~+\$25M - +\$30M Acquired: APMEA ~+\$5M 80/20 Europe ~-\$2M** 80/20 Americas ~-\$6M** FX: Sales ~+\$5M; EPS ~+\$0.02</p>
<b>Adj. EBITDA Margin</b>	<p><b>21.5% to 22.1%</b> <b>-40 bps to +20 bps</b></p>	<p><b>22.3% to 22.9%</b> <b>-140 bps to -80 bps</b></p>
<b>Adj. Operating Margin</b>	<p><b>19.1% to 19.7%</b> <b>-50 bps to +10 bps</b></p> <p>Acquisition dilution: ~-50 bps Watts, ~-100 bps Americas Americas: -110 bps to -50 bps Europe: -30 bps to +30 bps APMEA: +30 bps to +90 bps</p>	<p><b>20.0% to 20.6%</b> <b>-160 bps to -100 bps</b></p> <p>Acquisition dilution: ~-70 bps Watts, ~-120 bps Americas PY Price/Cost ~-\$6M ~-90 bps Watts, ~-120 bps Americas Americas: -250 bps to -190 bps Europe: +30 bps to +90 bps APMEA: +30 bps to +90 bps</p>
<b>Free Cash Flow</b>	<b>≥ 90% of Net Income</b>	

\*Outlook incorporates estimates as of May 6, 2026. Assumes Middle East conflict is short term in nature and no change in current tariff structure. Outlook does not include potential tariff refunds. See Appendix for other Outlook assumptions.

\*\*Organic growth guidance includes 80/20 product rationalization. Excluding product rationalization organic growth outlook would be approximately 2% higher.

\*\*\* PY compare includes approximately \$20 million of pull-forward sales from Q3 2025 into Q2 2025 due to price increase cadence

# Key Takeaways

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Record Q1 performance exceeded expectations; organic growth +12%, adj. op margin +110 bps

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Driving growth through strategic initiatives and alignment to growing markets

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Maintaining full year 2026 outlook considering ongoing macro and geopolitical uncertainty

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Announced 21% dividend increase; strong balance sheet provides continued capital allocation flexibility

# Appendix

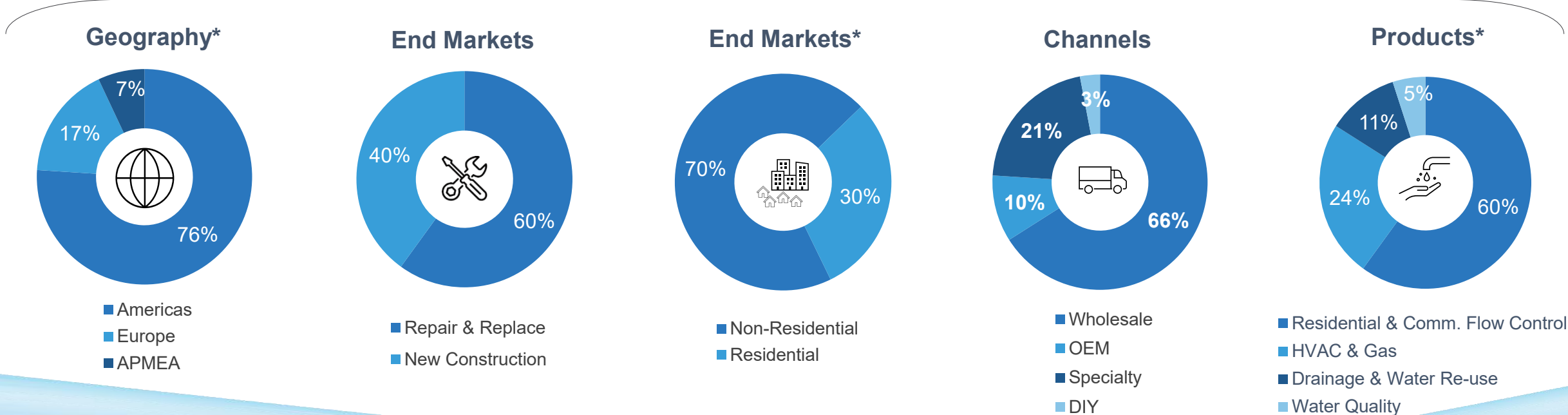
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# Other 2026 Outlook\* Inputs

	Maintaining Other FY Inputs	Other Q2 Inputs
Corporate Costs	~\$60M	~\$16M
Net Interest Expense	~\$3M to \$4M	~\$1M
Stock-Based compensation	~\$22M	~\$7M
Adj Effective Tax Rate	~25%	~25%
Share Count	~33.5M	~33.5M
Capex	\$50M to \$60M	~\$15M
Depreciation & Amortization	~\$70M	~\$16M
FX	Europe (EUR at 1.16) ~+\$13M Americas (CAD) ~+\$2M APMEA (RMB/AUD/NZD) ~+\$3M	Europe (EUR at 1.16) ~+\$3M Americas (CAD) ~Flat APMEA (RMB/AUD/NZD) ~+\$2M

# Watts Water Snapshot (NYSE: WTS)

## 2025 Key Statistics With 5 Year Performance vs. 2020



# 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

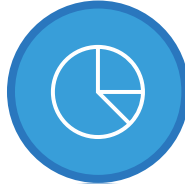
Broad portfolio diversifies market exposure



## 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			
	2026	2025	B/(W)	%
Net sales	\$677.3	\$558.0	\$119.3	21%
Cost of goods sold	351.2	285.5	(65.7)	(23%)
<b>Gross profit</b>	<b>326.1</b>	<b>272.5</b>	<b>53.6</b>	<b>20%</b>
	48.1%	48.8%	-70 bps	
Selling, general & administrative expenses	192.9	167.5	(25.4)	(15%)
	28.5%	30.0%	-150 bps	
Restructuring	0.2	17.3	17.1	99%
<b>Operating income</b>	<b>133.0</b>	<b>87.7</b>	<b>45.3</b>	<b>52%</b>
	19.6%	15.7%	+390 bps	
Other expense	1.6	0.8	(0.8)	(100%)
Income before taxes	131.4	86.9	44.5	51%
Provision for income taxes	31.8	12.9	(18.9)	(147%)
Net income	\$99.6	\$74.0	\$25.6	35%
<b>Diluted earnings per share</b>	<b>\$2.97</b>	<b>\$2.21</b>	<b>\$0.76</b>	<b>34%</b>

# Reconciliation of Net Sales to Organic Net Sales

First Quarter	Americas	Europe	APMEA	Total
Net sales 2026	\$515.1	\$121.4	\$40.8	\$677.3
Net sales 2025	\$418.1	\$108.4	\$31.5	\$558.0
Dollar change	\$97.0	\$13.0	\$9.3	\$119.3
<b>Net sales % increase</b>	<b>23%</b>	<b>12%</b>	<b>29%</b>	<b>21%</b>
Foreign exchange impact	-	(11%)	(7%)	(3%)
Acquisition impact	(7%)	-	(19%)	(6%)
<b>Organic sales % increase</b>	<b>16%</b>	<b>1%</b>	<b>3%</b>	<b>12%</b>

# Reconciliation of GAAP to Non-GAAP Measures

	First Quarter	
	2026	2025
Net Sales	\$677.3	\$558.0
Operating income	\$133.0	\$87.7
Operating margin %	19.6%	15.7%
Adjustments for special items:		
Restructuring	\$0.2	\$17.3
Acquisition-related costs	2.7	1.1
Adjusted operating income	\$135.9	\$106.1
Adjusted operating margin %	20.1%	19.0%
Net income	\$99.6	\$74.0
Adjustments for special items - tax effected:		
Restructuring	\$0.1	\$13.0
Acquisition-related costs	2.1	0.8
Tax adjustment items	-	(8.3)
Adjusted net income	\$101.8	\$79.5
Diluted earnings per share	\$2.97	\$2.21
Adjustments for special items	0.07	0.16
Adjusted diluted earnings per share	\$3.04	\$2.37

# Segment Earnings and Margin Summary

	First Quarter 2026					First Quarter 2025				
	Americas	Europe	APMEA	Corp.	Consolidated	Americas	Europe	APMEA	Corp.	Consolidated
Segment earnings / Corp expenses / Adj. OI	\$124.5	16.7	7.5	(12.8)	\$135.9	\$97.8	15.1	5.5	(12.3)	\$106.1
Segment margin / Adjusted operating margin %	24.2%	13.7%	18.7%		20.1%	23.4%	13.9%	17.5%		19.0%
Adjustments for special items	(\$1.7)	(0.2)	(1.0)	-	(\$2.9)	(\$1.1)	(17.2)	(0.1)	-	\$18.4
Operating Income					\$133.0					\$87.7
Operating Margin					19.6%					15.7%

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

	Year	
	2026	2025
Net cash provided by operating activities	\$17.9	\$55.2
<u>Less: additions to property, plant, and equipment</u>	<u>(11.3)</u>	<u>(9.6)</u>
Free cash flow	\$6.6	\$45.6
Net income	\$99.6	\$74.0
Cash conversion rate of free cash flow to net income	7%	62%

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

	March 29, 2026	December 31, 2025
Current portion of long-term debt	\$ -	\$ -
<u>Plus:</u> Long-term debt, net of current portion	197.8	197.7
<u>Less:</u> Cash and cash equivalents	(374.7)	(405.5)
Net debt	(\$176.9)	(\$207.8)
Net debt	(\$176.9)	(\$207.8)
<u>Plus:</u> Total stockholders' equity	2,096.3	2,027.7
Capitalization	\$1,919.4	\$1,819.9
Net debt to capitalization ratio	(9%)	(11%)

# Calculations of EBITDA & Gross and Net Leverage

	First Quarter Ended March 29, 2026	First Quarter Ended March 30, 2025	Trailing Twelve Months Through March 29, 2026
Sales	\$677.3	\$558.0	\$2,557.8
Net income – as reported	\$99.6	\$74.0	\$366.4
<u>Plus:</u> Interest expense, net	0.9	0.4	1.5
<u>Plus:</u> Income taxes	31.8	12.9	123.9
<u>Plus:</u> Depreciation	9.4	8.8	36.8
<u>Plus:</u> Amortization	6.0	4.9	21.7
EBITDA – Earnings before interest, taxes, depreciation and amortization	\$147.7	\$101.0	\$550.3
<i>EBITDA Margin %</i>	21.8%	18.1%	21.5%
Adjustments for special items (excluding depreciation & amortization & amortization of cloud computing arrangements)	3.5	18.2	15.2
Adjusted EBITDA – Adjusted earnings before interest, taxes, depreciation and amortization	\$151.2	\$119.2	\$565.5
<i>Adjusted EBITDA Margin %</i>	22.3%	21.4%	22.1%
Gross debt as of March 29, 2026			\$197.8
<u>Less:</u> Cash & cash equivalents as of March 29, 2026			(374.7)
Net debt			(\$176.9)
Gross debt to EBITDA ratio (Gross leverage)			0.4x
Net debt to EBITDA ratio (Net leverage)			(0.3x)

# Reconciliation of “Adjusted” Non-GAAP Effective Tax Rate

	First Quarter	
	2026	2025
Income before income taxes	\$131.4	\$86.9
Provision for income taxes	\$31.8	\$12.9
Effective tax rate	24.2%	14.8%
Income before income taxes	\$131.4	\$86.9
Total adjustments for special items	2.9	18.4
Adjusted Income before income taxes	\$134.3	\$105.3
Provision for income taxes	\$31.8	\$12.9
Tax effect of total adjustment for special items	0.7	12.9
Adjusted provision for income taxes	\$32.5	\$25.8
Adjusted effective tax rate	24.2%	24.5%

# Reconciliation between GAAP and Non-GAAP Measures Included in 2026 Outlook\*

	Second Quarter 2026	Full Year 2026
<b>Net Sales</b>		
Net sales growth	+10% to +14%	+8% to +12%
Forecasted impact of acquisition / FX	-6%	-6%
Organic net sales growth	+4% to +8%	+2% to +6%
<b>Operating Margin</b>		
Operating margin range	19.2% to 19.8%	18.8% to 19.4%
Forecasted restructuring / other costs	0.8%	0.3%
Adjusted operating margin range	20.0% to 20.6%	19.1% to 19.7%