



Investor Presentation



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 the second quarter 2020 outlook of sales and adjusted operating margin, acquisition strategy, the impact of the COVID-19 pandemic, 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 that 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 Watts' most recent Annual Report on Form 10-K and in subsequent reports filed with the SEC.

Leader in Commercial / Residential Water Products

- \$1.6B global company, leading market positions
- Leveraging leading brands, key market drivers; plumbing codes
- Driving growth through NPD / Smart & Connected strategy
- Strong cash generator; drives capital deployment

Key Statistics

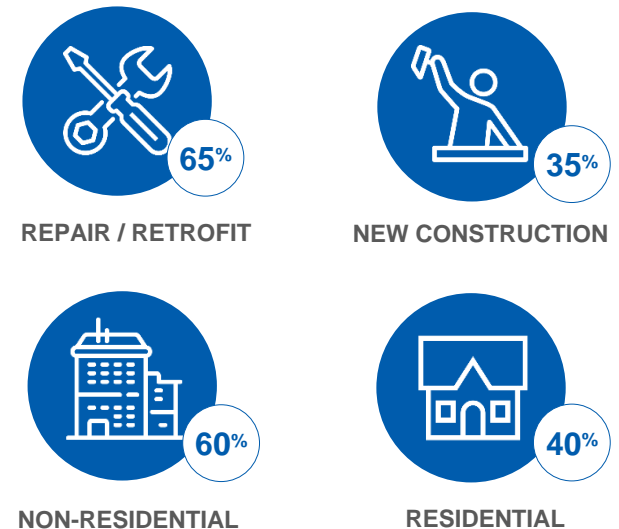
	2014	2019	% Growth
Adjusted EPS*	\$2.51	\$4.07	▲ 62%
5 yr. Adjusted Margin expansion*	(30) bps	280 bps	▲ 1,033%
5 yr. Dividend CAGR	5.7%	9.2%	▲ 61%
ROIC (GAAP)	5.7%	13.4%	▲ 135%
Reinvestment ratio	72%	125%	▲ 74%
R&D spend % to sales	1.5%	2.5%	▲ 67%

* Non GAAP measures, see slide 19 for reconciliations.

Revenue Source



End Markets



Global Leader / Driving Performance Culture

Where We Play: Strategic Themes



Specialty products and systems that conserve and safeguard the flow of fluid and energy

SAFETY & REGULATION



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

- Code & 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 & fragmented market
- Economic & environmental value proposition
- Application & engineering competencies critical

WATER CONSERVATION



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

- Environmental & emotional drivers
- Code & specification driven
- Emerging global demand
- Best in class service

KEY MEGA
TRENDS

WATTS
VALUE
PROPOSITION

MARKET
CHARACTERISTICS

Addressing Global Secular Market Themes

Institutional / Educational



Hospitality – Hotel



Residential



Multi Family / Commercial



Specialty products and systems that conserve and safeguard the flow of fluid and energy

Hospitality – Food Service



Sports Complexes



Healthcare



Light / General Industrial



Balanced Portfolio Providing Tailwind For Growth

Commercial Offerings

Guestroom

- ▶ Anti-Scald Shower & Lavatory Valves
- ▶ Stainless Steel Shower Drains
- ▶ Underfloor Heating Systems

SunTouch®

POWERS

BLÜCHER

Public Restroom Safety

- ▶ Thermostatic Mixing Valves
- ▶ Floor Drains
- ▶ Closet & Lavatory Carriers

WATTS®

BLÜCHER®

POWERS

Water Quality (Point of Entry)

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

WATTS®

Water Safety (Point of Entry)

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

WATTS®

Irrigation

- ▶ Backflow Preventers
- ▶ Pressure Regulating Valves
- ▶ Isolation Valves

FEBCO®

Fire Protection Systems

- ▶ Cross Connection Systems
- ▶ Automatic Control Valves
- ▶ Isolation Valves

WATTS®

AMES
PIPE & WATERWORKS

Commercial Kitchens

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

WATTS®

DORMONT®

BLÜCHER

Boiler / Mechanical Room



POWERS



PVI®



AERCO®

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

tekmar®



Driveway / Sidewalk

- ▶ Electronic Temperature Controls
- ▶ Snow Melt Hydronic Systems
- ▶ Manifolds

WattsRadiant®

ORION®

WATTS®

tekmar®

Drainage / Rain Water Harvesting

- ▶ Cast Iron and Stainless Drains & Pipe
- ▶ Rain Water Harvesting
- ▶ Roofs, Parking Garages, Bathrooms, Kitchens



BLÜCHER



WATTS®



ORION®



~60% of Sales; More Complexity / Systems

Residential Offerings



Kitchen

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

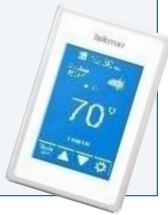


Dormont **WATTS**

Living Room

- Control Panel / Thermostat
- Radiant Underfloor Heating

tekmar



Bathroom

BLÜCHER

WATTS

POWERS **SunTouch**

- 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

Dormont

WATTS



Driveway / Sidewalk

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



WattsRadiant™

SunTouch

tekmar



Water Safety (Point of Entry)

- Backflow Preventers
- Pressure Reducing Valves

WATTS



Irrigation

- Backflow Preventers
- Pressure Reducing Valves
- Flow Control Valves

FEBCO
WATTS



Water Quality (Point of Entry)

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

WATTS



Boiler / Furnace Room

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

WATTS



~40% of Sales; Product Range Unmatched



**Continue to Grow
Organically**



**Drive Operational
Efficiencies &
Improvement
Across All Key
Processes**



**Employ
Disciplined &
Balanced Capital
Allocation
Strategy**

New Product Development

- Streamlined multiple development processes to one
- Leveraging Voice of Customer to drive product innovation
- Opened state-of-the-art *Watts Works Learning Centers*
- Driving Smart & Connected strategy

Geographic Expansion

- Introducing existing products to new territories
- Targeting countries with well-established plumbing codes
 - Australia, Japan, Singapore, Chile, Mexico

Key Account Management

- Expanding relationships with large customers (e.g., lodging and restaurant chains)
- Leveraging integrated business model to cross-sell solutions

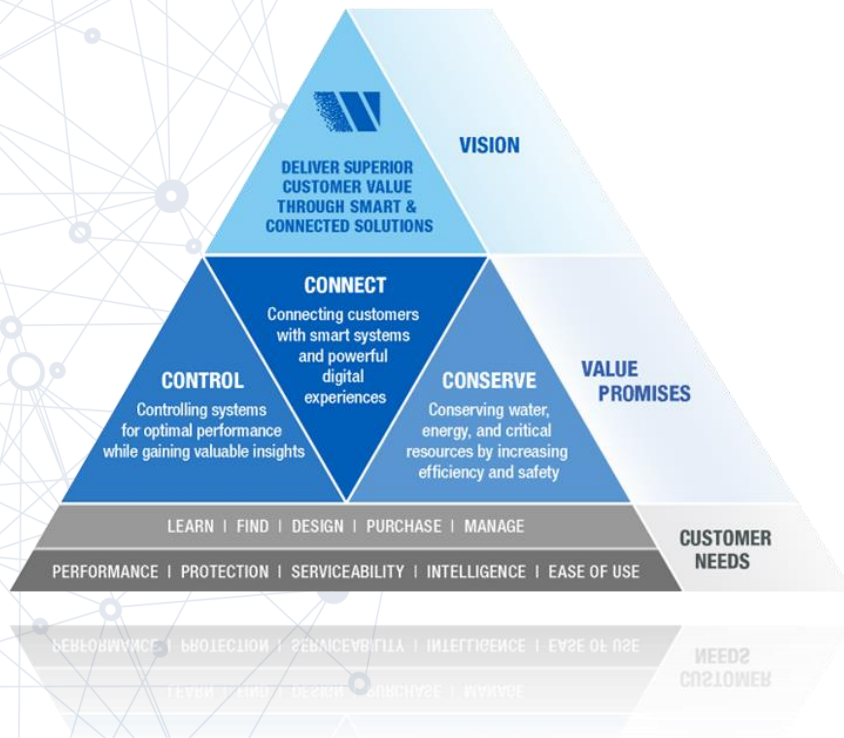
A large blue arrow pointing upwards, starting from the bottom right and ending at the top right. Above the arrow's tip are three small squares: a blue one, a light gray one, and a white one.

**Future Growth
Supported by
Solution Selling**

Multifaceted Approach to Drive Solutions



CONNECT. CONTROL. CONSERVE.



LATEST DEVELOPMENTS



- From 20k+ connected devices installed in 2018 to **more than 50k connections** (+150% growth) in 2019



- More than 5M unique website visitors in 2019
- 15+ redesigned and launched websites** spanning U.S., Canada, China, Korea, Heating & Hot Water



- Further expansion of our embedded systems engineering capacity (>50 full time engineers)
- In 2019, formed the **Connected Solutions Structure** to accelerate Smart & Connected projects



- Further growth of specified projects through SPEC Solutions from >5,000 in 2018 to >7,000 in 2019
- Leading the industry with over 140k BIM / Spec** files downloaded in 2019

OBJECTIVES

- Derive 25% of global sales from connected products by 2023
- Strengthen digital experiences with engineers & contractors
- Broaden data analytics to drive performance improvements & new products

Invested \$20M in Smart & Connected Last Two Years

Grow OWPS outside of operations

- Focus on customer touching processes

OWPS Operations Focus

- Grow gross productivity project funnel
- Indirect material spend
- Footprint rationalization
- Business process efficiencies

Driving Continuous Improvement

- Locate production close to customers
- Ensure a “safety first” culture
- Provide world class quality
- Customer Service – “On time in full”
 - Implementing systems to allow for customer tracking at all times
- Reduce lead-times
- Increase inventory turns



ONE WATTS®
PERFORMANCE SYSTEM

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

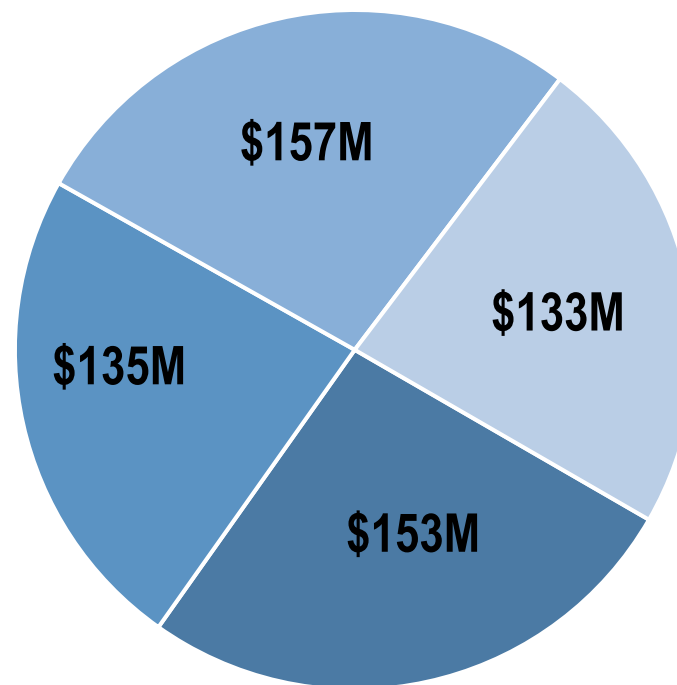
Customer Focused Productivity Initiatives

Deployment Priorities

- **Investing in high ROI CAPEX**
 - Reinvestment ratio 80-100%
- **Strategic M&A**
 - Disciplined valuation / screening process
- **Pay a competitive dividend**
 - 7 consecutive yearly increases
 - 9.2% 5 year CAGR through 2019
 - Yield in line with peers
- **Stable share buyback**
 - Offset option dilution at minimum

Deployment History 2015-2019

■ M&A ■ SHARE BUYBACK ■ CAPEX ■ DIVIDEND



~54% to growth
~46% returned to shareholders

Strong Cash Flow Generation Provides Flexibility



CRITERIA



Core or Related Complementary Markets



Addresses Macro Themes

- Safety & Regulation
- Energy Efficiency
- Water Conservation



Preferred Brand Name Products



Financial criteria

- ROIC > Cost of Capital
- EPS Accretive Year 1
- EBITDA Margin Accretive by Year 5

Additional Considerations

- Entry into new markets & geographies
- Increase in shelf space with existing customers
- Supports solution selling
- New or improved technology
- Expansion of the breadth of product offerings

Disciplined Acquisitions Generate Incremental Growth



\$M	12/31/19	12/31/18	12/31/17
Cash	\$220	\$204	\$280
Other Current Assets	515	517	504
Non-Current Assets	988	933	953
Total Assets	\$1,723	\$1,654	\$1,737
Current Liabilities, excl. Short-term Debt	\$314	\$319	\$305
Non-Current Liabilities	122	91	106
Debt	309	353	497
Equity	978	891	829
Total Liabilities & Equity	\$1,723	\$1,654	\$1,737
Net Debt / Capitalization Ratio ⁽¹⁾	8%	14%	21%

⁽¹⁾ Non GAAP measure - see slide 20 for calculation of net debt / capitalization ratio

Capacity to Execute on Strategic Growth

\$M

Balance Sheet Metrics

Total debt	\$ 379.4
Cash & cash equivalents	<u>\$ (245.4)</u>
Net debt	<u>\$ 134.0</u>
Net debt to capitalization	12.2%
Gross leverage	1.5x
Net leverage	0.5x
Liquidity	<u>\$ 649.4</u>

Recent Capital Actions

- **April 2020 – Revised credit facility**
 - \$800M revolver, expanded by \$300M
 - Extended term to February 2022
 - Paid off \$225M term loan
 - Adds \$75M in liquidity
- Drew down \$50M as precaution in March

See Slide 21 for calculations of net debt to capitalization, gross leverage and net leverage metrics

Strong Financial Position; Low Leverage and Ample Liquidity

- Revenue – expect 20% to 25% reduction from prior year*
- Expect adjusted operating margin in mid to high single digits
 - Plant under absorption
 - Includes cost reduction actions
- Interest expense to increase sequentially ~\$1M vs 1Q 2020
- Planning to repatriate ~\$50M by quarter end; primarily used to pay down debt
- Adjusted effective tax rate 28.5%

* As updated in May 27, 2020 8k filing with the SEC

Very Fluid Situation; Forecasting a Challenging Quarter

Recognized Leader

Global reach → Leading market positions in commercial and residential water space.

Aligned to Favorable Macros and Markets

Addressing global secular macro themes

Focus On Innovation and Profitable Growth

Leveraging components to broaden application solutions offering, Investment continues, fueling growth with “connected” strategy

Accretive Capital Deployment

Strong cash flow and efficient capital structure enables more deployment upside; disciplined acquirer; returns to shareholders

Commercial Excellence & Innovation Drives Above Market Growth

A world map in a light blue color, centered on the Atlantic Ocean. Overlaid on the map are several dark blue, wavy, horizontal lines that sweep across the continents from left to right, creating a sense of motion or global connectivity.

Appendix

Reconciliation of GAAP “As Reported” to “Adjusted” Non-GAAP Excluding Effect of Adjustments for Special Items



(M)
(Unaudited)

	Year	
	2019	2014
Net Sales	\$1,600.5	\$1,513.7
Operating income - as reported	\$197.1	\$105.4
Operating margin %	12.3%	7.0%
Adjustments for special items:		
Footprint optimization / impairment charge	0.8	14.2
Restructuring / transformation costs	4.3	25.7
Professional / acquisition / earnout adjustment	4.0	7.7
	\$9.1	\$47.6
Operating income - as adjusted	\$206.2	\$153.0
Adjusted operating margin %	12.9%	10.1%
Net income - as reported	\$131.5	\$50.3
Adjustments for special items - tax affected:		
Footprint optimization / impairment charge	0.6	13.8
Restructuring / transformation costs	3.2	17.8
Professional / acquisition / earnout adjustment	3.8	6.9
	\$7.6	\$38.5
Net income - as adjusted	\$139.1	\$88.8
Earnings per share		
Diluted earnings per share - as reported	\$3.85	\$1.42
Adjustments for special items	0.22	1.09
Diluted earnings per share - as adjusted	\$4.07	\$2.51

Reconciliation of Long-term Debt

(including current portion) to Net Debt to Capitalization Ratio



(M)
(Unaudited)

	December 31, 2019	December 31, 2018	December 31, 2017
Current portion of long-term debt	\$105.0	\$30.0	\$22.5
<u>Plus:</u> Long-term debt, net of current portion	204.2	323.4	474.6
<u>Less:</u> Cash and cash equivalents	(219.7)	(204.1)	(280.2)
Net debt	\$89.5	\$149.3	\$216.9
Net debt	\$89.5	\$149.3	\$216.9
<u>Plus:</u> Total stockholders' equity	978	891.3	829.0
Capitalization	\$1,067.5	\$1,040.6	1,045.9
Net debt to capitalization ratio	8%	14%	21%

Calculations of Gross and Net Leverage

(M)
(Unaudited)

	Trailing Twelve Months through March 29, 2020
Net income – as reported	\$132.6
<u>Plus:</u> Interest expense, net	13.0
<u>Plus:</u> Income taxes	53.4
<u>Plus:</u> Depreciation	31.1
<u>Plus:</u> Amortization	15.5
Earnings before interest, taxes depreciation and amortization (EBITDA)	\$245.6
Gross debt at March 29, 2020	\$379.4
<u>Less:</u> Cash & cash equivalents at March 29, 2020	<u>245.4</u>
Net debt	\$134.0
Gross debt to EBITDA ratio (Gross leverage)	1.5x
Net debt to EBITDA ratio (Net leverage)	0.5x