

WATTS WATER INVESTOR PRESENTATION

MAY 2023

 **WATTS**[®]

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, the impact of the Ukraine War, supply chain disruptions, 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**



2022 Key Statistics Growth Rates Since 2018

\$7.13

Adj. EPS
+19% CAGR

16.4%

Adj. Operating Margin
+450 bps

9.1%

Dividend CAGR

23.3%

ROIC (GAAP)
+1540 bps

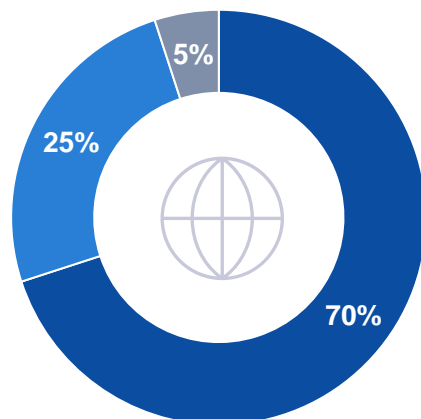
109%

5-yr Avg Reinvestment Ratio

115%

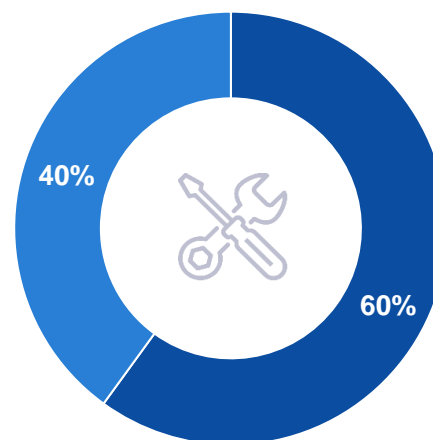
5-yr Avg Free Cash Flow
Conversion

Revenue by Geography



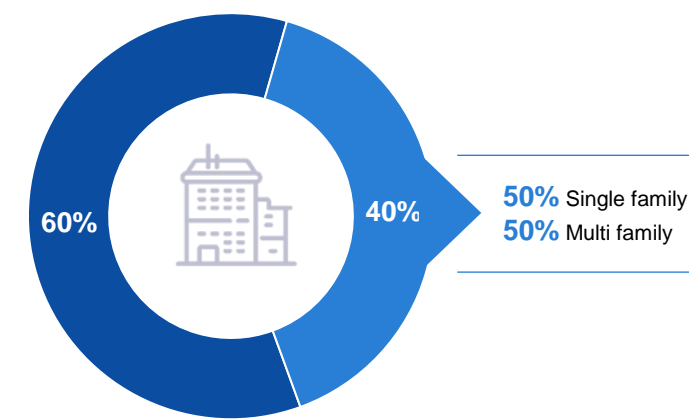
■ Americas ■ Europe ■ APMEA

Revenue by End Market



■ Repair & Replace ■ New Construction

Revenue by End Market



■ Non-Residential ■ Residential

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

Global Leader in Commercial and Residential Water Products; Driving a Performance Culture

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



~\$15B
Total Available
Market Opportunity¹



END MARKETS



RESIDENTIAL



MULTI-FAMILY /
COMMERCIAL



INSTITUTIONAL /
EDUCATIONAL



HEALTHCARE



LIGHT / GENERAL
INDUSTRIAL



HOSPITALITY –
HOTEL



HOSPITALITY –
FOOD SERVICE



DATA CENTERS

Balanced Portfolio Providing Tailwind For Growth





¹ Based on Company estimates of global market.



COMMERCIAL OFFERINGS

~60% of Sales; More Complexity / Systems








Guestroom

Public Restroom Safety

Thermostatic Mixing Valves • Floor Drains • Closet and Lavatory Carriers

Water Quality (Point of Entry)

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





Driveway / Sidewalk

Electronic Temperature Controls • Snow Melt Hydronic Systems • Manifolds










Water Safety (Point of Entry)

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





Drainage / Rainwater Harvesting

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






Irrigation


Backflow Preventers • Pressure Regulating Valves • Isolation Valves





Leak Detection

Wireless Leak Detection & Notification Systems



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







RESIDENTIAL OFFERINGS

~40% 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



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



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



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** 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**



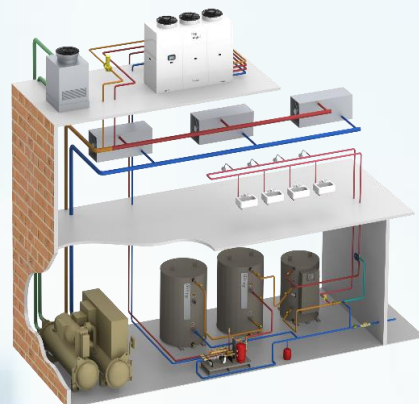
Growing Organically Through Innovation and Commercial Excellence

SMART AND CONNECTED STRATEGY PROGRESS



WATTS

CONNECT. CONTROL. CONSERVE.



PAST

Launched digital journey

- Limited use of internal digital resources
- No pipeline of projects

PRESENT

Dedicated organizational structure deployed to support IoT

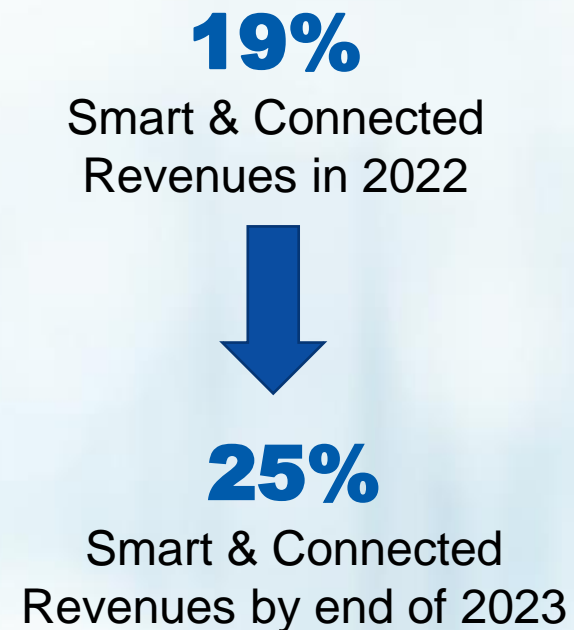
Strategic alignment with all business units

- 100+** Dedicated digital / IoT engineers
- 20** new smart & connected products introduced in 2022

FUTURE

- Improve use of data to enhance customer experience
- Continue to focus on key customer issues
- System Safety | Water Hygiene
- Energy Efficiency | Leak Detection

Expand subscription-based services



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

2022 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
- ✓ Watts among **America's Most Responsible Companies** for 4th consecutive year



Sustainability Report



Watts ESG Story

Solving Sustainability for Our Customers

Aligning our “Triple Play” with secular growth trends

- Safety and Regulation → 75% of products contribute to health and safety
- Energy Efficiency → 25% of products improve energy efficiency
- Water Conservation → 38% 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 to build a more diverse, equitable and inclusive workforce
- 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 responsibly and ethically

Sustainability Is A Core Commitment



Craig Kissel
Lead Independent Director
 Retired President of Trane Commercial Systems, American Standard
 Joined: 2011



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



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



David Dunbar
 President and CEO, Standex International Corp.
 2017



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
 EVP and CFO, Lennox International Inc.
 2016

Board Skillsets and Attributes

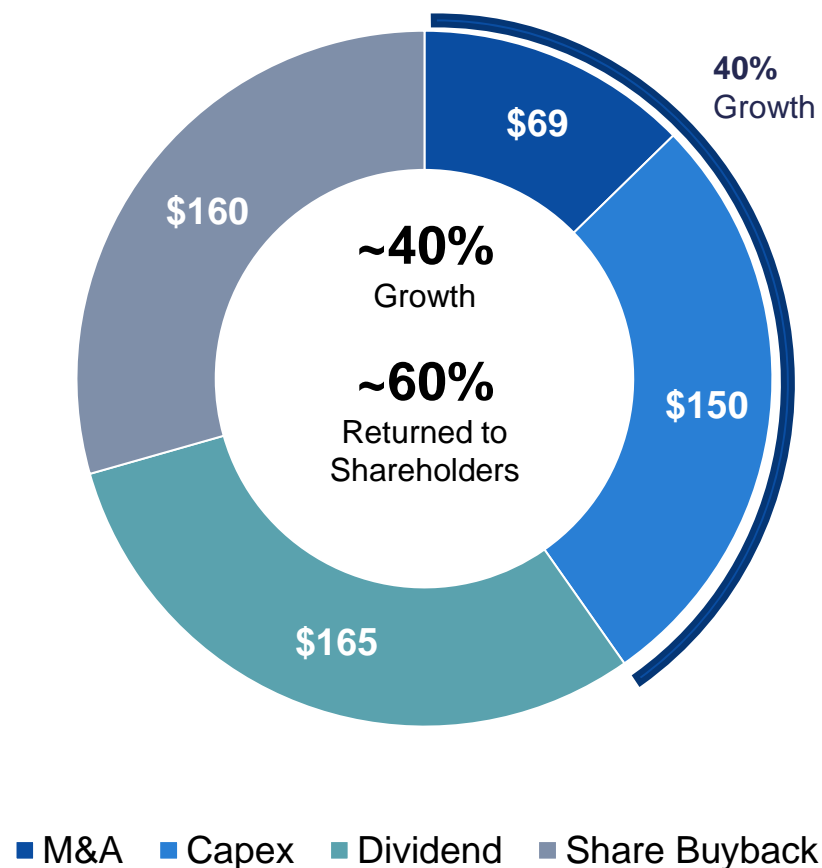
- ✓ Operational and C-Suite Experience
- ✓ International Markets Exposure
- ✓ Public Company Board Experience
- ✓ Global Manufacturing
- ✓ Relevant End Market Exposure
- ✓ Business Ethics
- ✓ eCommerce / Digital
- ✓ Finance / M&A

62 YEARS
 Avg. Age

8 YEARS
 Avg. Tenure

Director Skillsets and Attributes Support Our Long-term Strategy

Deployment History 2018-2022



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

- 9.1% 5-year CAGR through 2022
- Increased dividend 20% effective June 2023 to \$1.44/share annual dividend, 0.9% yield ¹

Stable Share Buyback

- Offset stock grant dilution at minimum

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

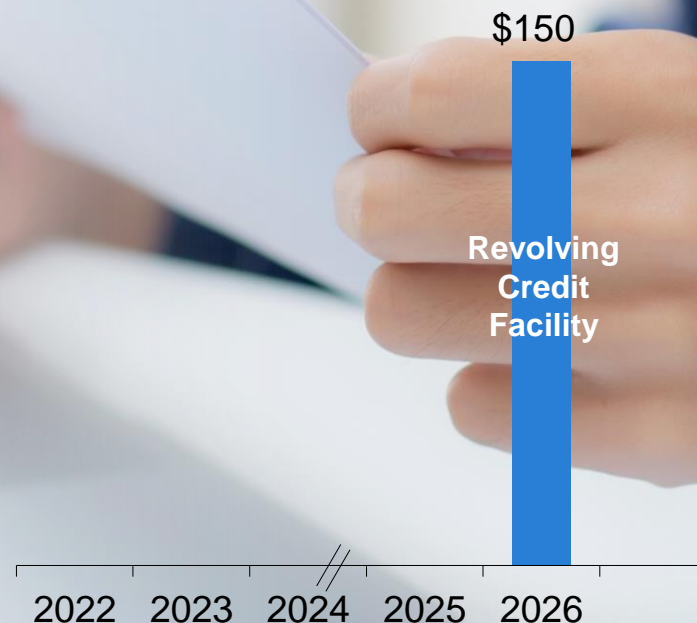
- ✓ **ROIC > Cost of Capital**
- ✓ **Accretive to EPS in Year 1**
- ✓ **Accretive to EBITDA Margin within 3 – 5 Years**

Disciplined Acquisitions Generate Incremental Growth

\$M	March 26, 2023
Cash	\$312
Other Current Assets	702
Non-Current Assets	976
TOTAL ASSETS	\$1,990
Current Liabilities, excl. Short-term Debt	\$396
Non-Current Liabilities	100
Debt	148
Equity	1,346
TOTAL LIABILITIES & EQUITY	1,990
Net Debt / Capitalization Ratio	(13.9%)

Debt Maturity Schedule

No Debt Due Until 2026



Unused and available credit capacity ~ \$640M on March 26, 2023

Capacity to Execute on Strategic Growth

Q2 and Full Year 2023 Outlook*

	Q2 2023	Full Year 2023		Other Key Full Year Inputs
Organic Growth	-4% to Flat Acquired sales ~\$7M	Total: -5% to +2% [Prior Same] Acquired sales ~\$20M	Corporate Costs	~\$52M
Adj Op Margin	17.2% to 17.8%	Total 15.7% to 16.3% [Prior 15.4% to 16.0%]	Interest Expense	~\$8M
Adj Margin Growth	-130 bps to -70 bps	-70 bps to -10 bps [Prior -100 bps to -40 bps] Includes \$20M of incremental investments	Effective Tax Rate	~25%
Free Cash Flow	Seasonally Slower	≥ 100% of Net Income [Prior Same]	CAPEX / D&A	~\$42M / ~\$42M
FX Euro / \$	1.09 VPY (+2%) Sales (~\$2M); EPS (~+\$0.01)	1.09 VPY (+4%) Sales (+\$12M); EPS (~+\$0.04)	Share Count	~33.5M Shares

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

* As of May 3, 2023

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 and residential water space



ALIGNED TO LONG-TERM SECULAR TRENDS AND DIVERSE MARKETS

- Addressing global secular macro themes
- Large installed base; strong repair and replacement footprint



FOCUS ON INNOVATION AND PROFITABLE GROWTH

- Strong execution drove record Q1 2023 performance
- Continuing investment in Smart & Connected portfolio in 2023



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

- 2023 outlook reflects challenging global macros and difficult comps
- Maintaining long-term strategy



Appendix



Reconciliation of GAAP to Non-GAAP Measures



(M)
(Unaudited)

	First Quarter	
	2023	2022
Net Sales	\$471.7	\$463.2
Operating income - as reported	\$84.7	\$71.5
<i>Operating margin %</i>	18.0%	15.4%
Adjustments for special items:		
Restructuring	(\$0.3)	\$1.0
Operating income - as adjusted	\$84.4	\$72.5
<i>Adjusted operating margin %</i>	17.9%	15.7%
Net income - as reported	\$64.7	\$54.5
Adjustments for special items - tax effected:		
Restructuring	(\$0.2)	\$0.7
Net income - as adjusted	\$64.5	\$55.2
Earnings per share		
Diluted earnings per share - as reported	\$1.93	1.61
Adjustments for special items	(\$0.01)	\$0.02
Diluted earnings per share - as adjusted	\$1.92	\$1.63

Reconciliation of Long-term Debt (including current portion) to Net Debt to Capitalization Ratio



(M)
(Unaudited)

	March 26, 2023	December 31, 2022
Current portion of long-term debt	\$ -	\$ -
<u>Plus</u> : Long-term debt, net of current portion	147.8	147.6
<u>Less</u> : Cash and cash equivalents	(311.8)	(310.8)
Net debt	(\$164.0)	(\$163.2)
Net debt	(\$164.0)	(\$163.2)
<u>Plus</u> : Total stockholders' equity	1,345.8	1,300.6
Capitalization	\$1,181.8	\$1,137.4
Net debt to capitalization ratio	(13.9%)	(14.3%)

Reconciliation between GAAP and Non-GAAP Measures Included in 2023 Outlook*



	Second Quarter 2023	Full Year 2023
Net Sales		
Reported net sales growth	-3% to +1%	-4% to +3%
Forecasted impact of acquisition / FX	-1%	-1%
Organic net sales growth	-4% to Flat	-5% to +2%
Operating Margin		
Operating margin range	17.2% to 17.8%	15.7% to 16.3%
Forecasted restructuring / other costs	0.0%	0.0%
Adjusted operating margin range	17.2% to 17.8%	15.7% to 16.3%

* As of May 4, 2023