

# Watsco, Inc. 1Q24 Investor Presentation

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WSO  
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# Safe Harbor Statement

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This Presentation contains or incorporates by reference statements that are not historical in nature and that are intended to be, and are hereby identified as, "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995. Statements which are not historical in nature, including the words "anticipate," "estimate," "could," "should," "may," "plan," "seek," "expect," "believe," "intend," "target," "will," "project," "focused," "outlook," "goal," "designed" and variations of these words and negatives thereof and similar expressions are intended to identify forward-looking statements, including statements regarding, among others, (i) economic conditions, (ii) business and acquisition strategies, (iii) potential acquisitions and/or joint ventures and investments in unconsolidated entities, (iv) financing plans and (v) industry, demographic and other trends affecting our financial condition or results of operations. These forward-looking statements are based on management's current expectations, are not guarantees of future performance and are subject to a number of risks, uncertainties and changes in circumstances, certain of which are beyond our control. Actual results could differ materially from these forward-looking statements as a result of several factors, including, but not limited to general economic conditions, both in the U.S. and in the international markets we serve; competitive factors within the HVAC/R industry; effects of supplier concentration; fluctuations in certain commodity costs; consumer spending; consumer debt levels; new housing starts and completions; capital spending in the commercial construction market; access to liquidity needed for operations; seasonal nature of product sales; weather patterns and conditions; insurance coverage risks; federal, state and local regulations impacting our industry and products; prevailing interest rates; foreign currency exchange rate fluctuations; international political risk; cybersecurity risk; and the continued viability of our business strategy.

We believe these forward-looking statements are reasonable; however, you should not place undue reliance on any forward-looking statements, which are based on current expectations. For additional information regarding important factors that may affect our operations and could cause actual results to vary materially from those anticipated in the forward-looking statements, please see the discussion included in Item 1A "Risk Factors" of our most recent Annual Report on Form 10-K, as well as the other documents and reports that we file with the SEC. Forward-looking statements speak only as of the date the statements were made. We assume no obligation to update forward-looking information or the discussion of such risks and uncertainties to reflect actual results, changes in assumptions or changes in other factors affecting forward-looking information, except as required by applicable law. We qualify any and all of our forward-looking statements by these cautionary factors.



# Investment Thesis

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Market leader in a highly fragmented industry

Transforming customer experience with enhanced technology

Unique ownership culture with long-term focus on value creation

Deep ties to the industry's leading OEMs and suppliers

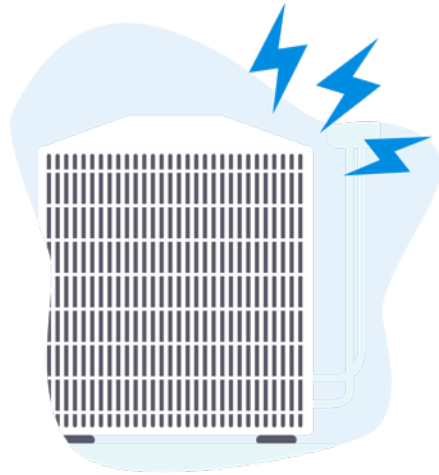
Proven track record of delivering superior shareholder returns

Robust capital position and balance sheet to fund any growth opportunity



# What is Watsco's Business Model?

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Broken or failing A/C unit at home or business



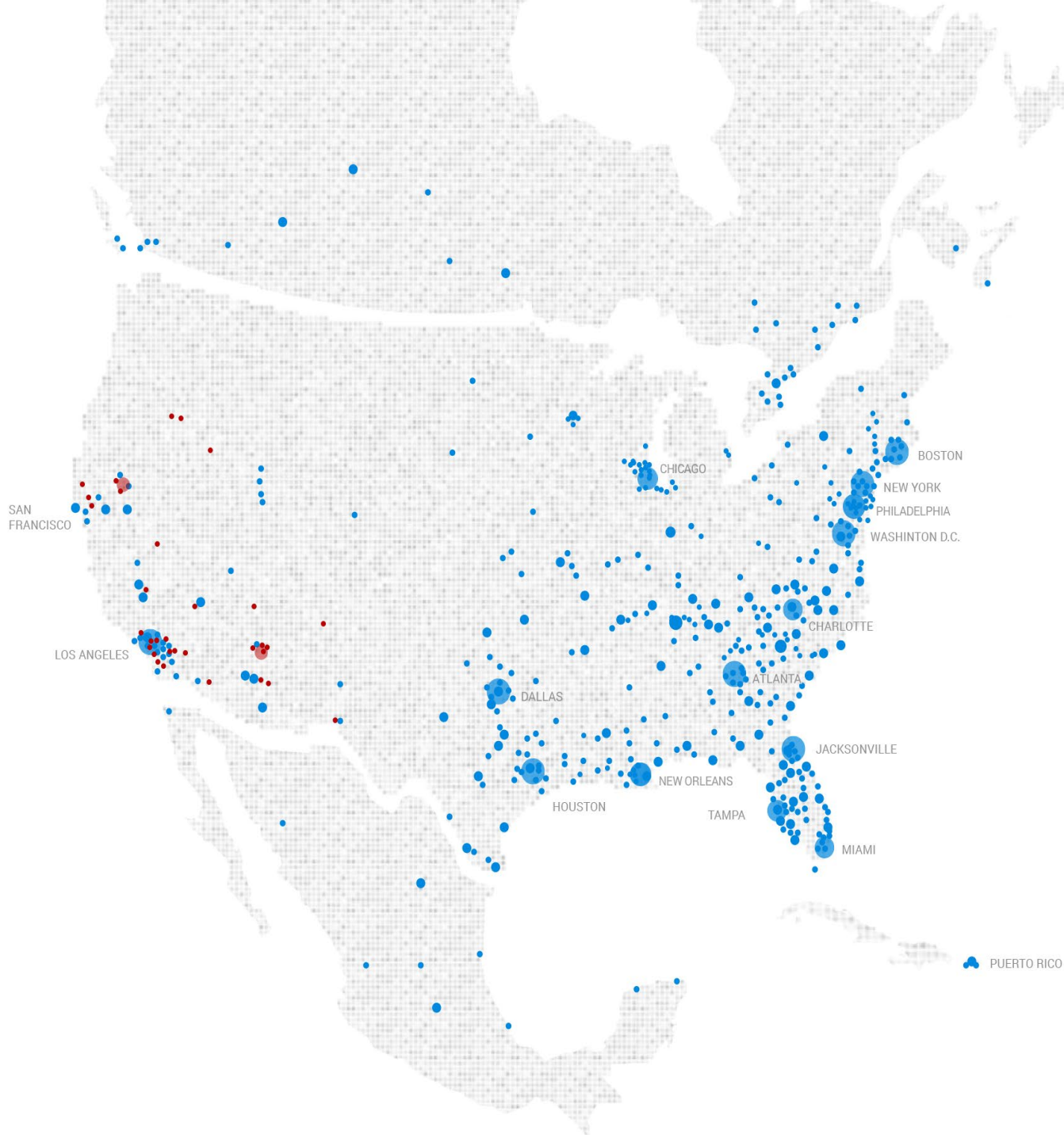
Contractor visits homeowner to diagnose problem and recommend solutions



Contractor visits our store or e-commerce site to buy equipment, parts and supplies needed to remedy problem



Contractor completes the repair or replacement of homeowner's system



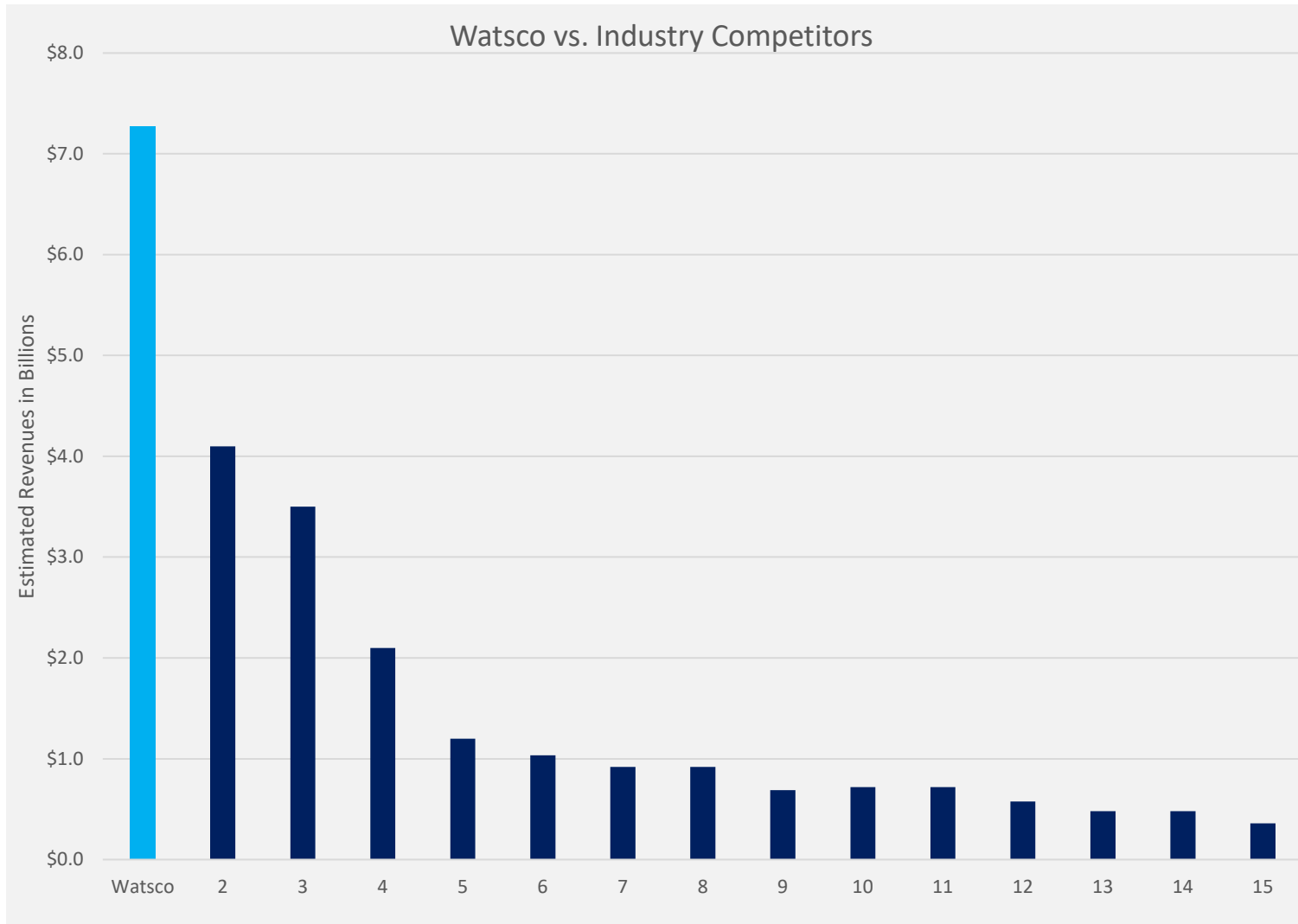
# Strategic Locations

United States	630
Canada	36
Latin America & Caribbean	25
<b>TOTAL</b>	<b>691</b>
Russell Sigler*	<b>34</b>

\*WSO Minority Ownership  
Data as of FYE 3/31/24



# Market Leader in a Fragmented Market



## Why scale matters:

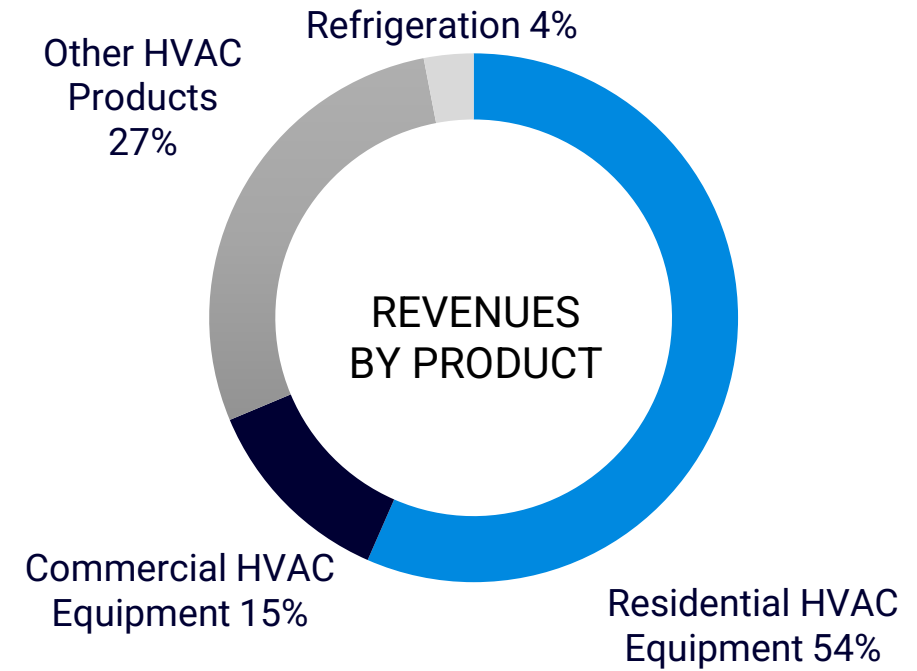
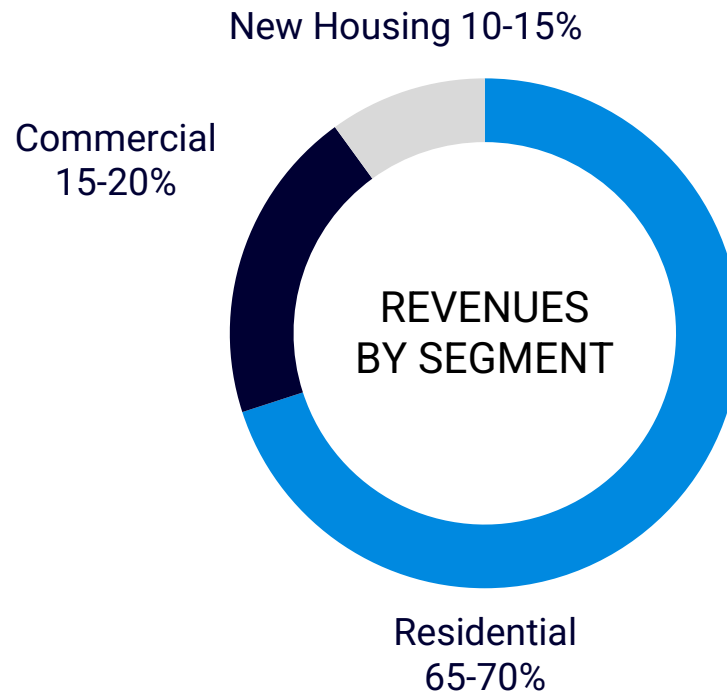
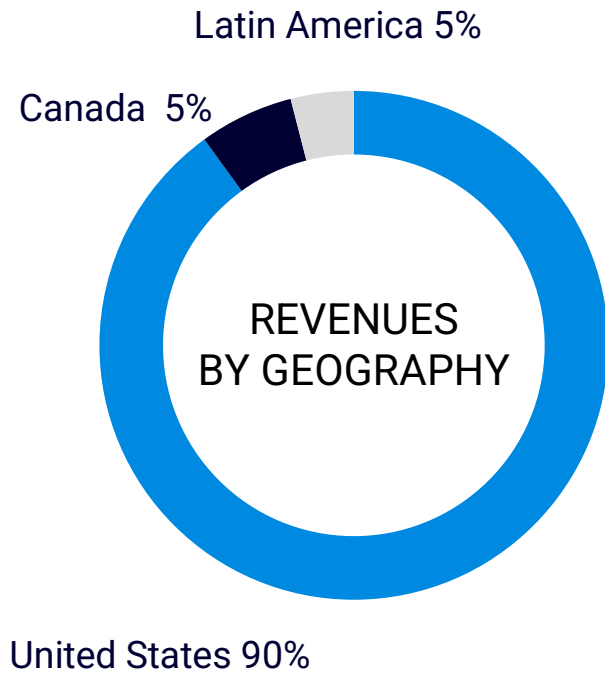
- Rich product availability and dense branch network to support customers
- Purchasing power from 1,400+ OEMs and suppliers
- Greater share of wallet from customer spend
- Talent acquisition and retention
- Technology easily scalable across footprint

## Significant barriers to entry:

- Technical expertise needed to install and service HVAC units
- Difficult for consumers to “do it yourself”
- OEM approval required to enter distribution
- Loyal customer base



# Attractive End-Markets and Products



\*Data as of FYE 12/31/23

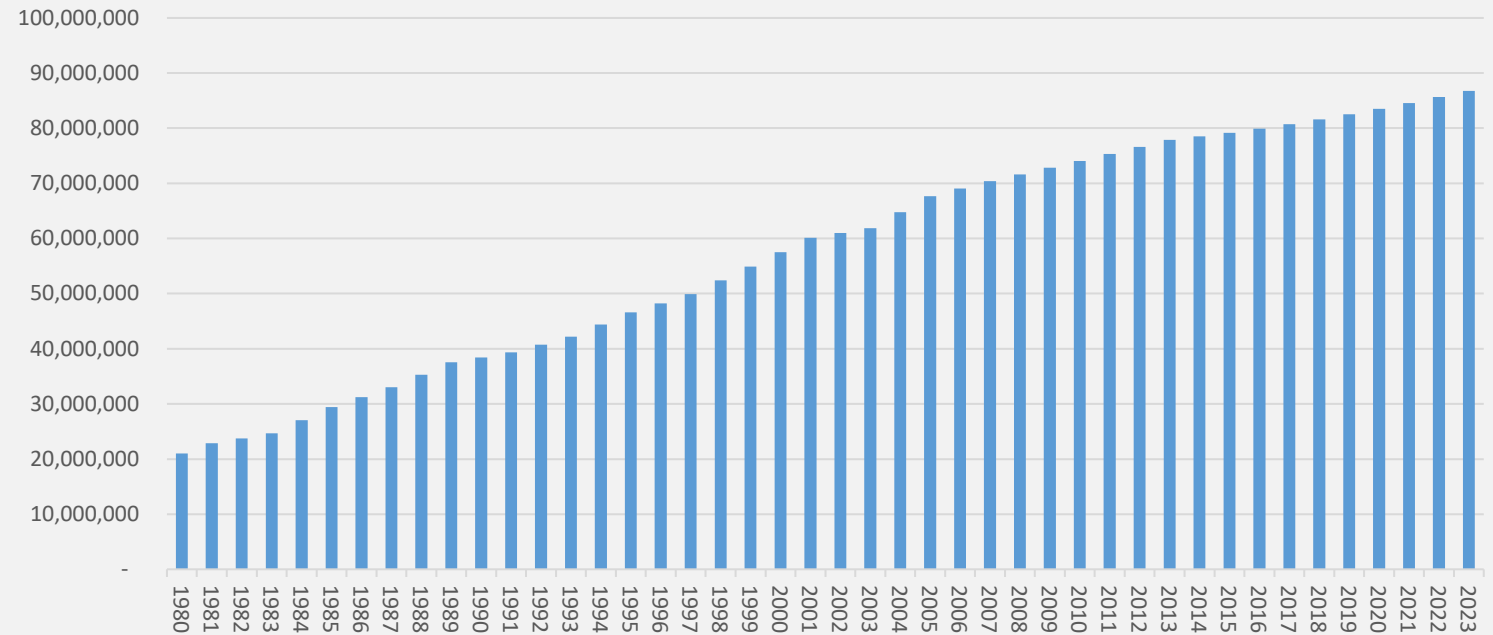
# Installed Base

## Large and Growing Installed Base Drives Steady Replacement Business with Residential Focus

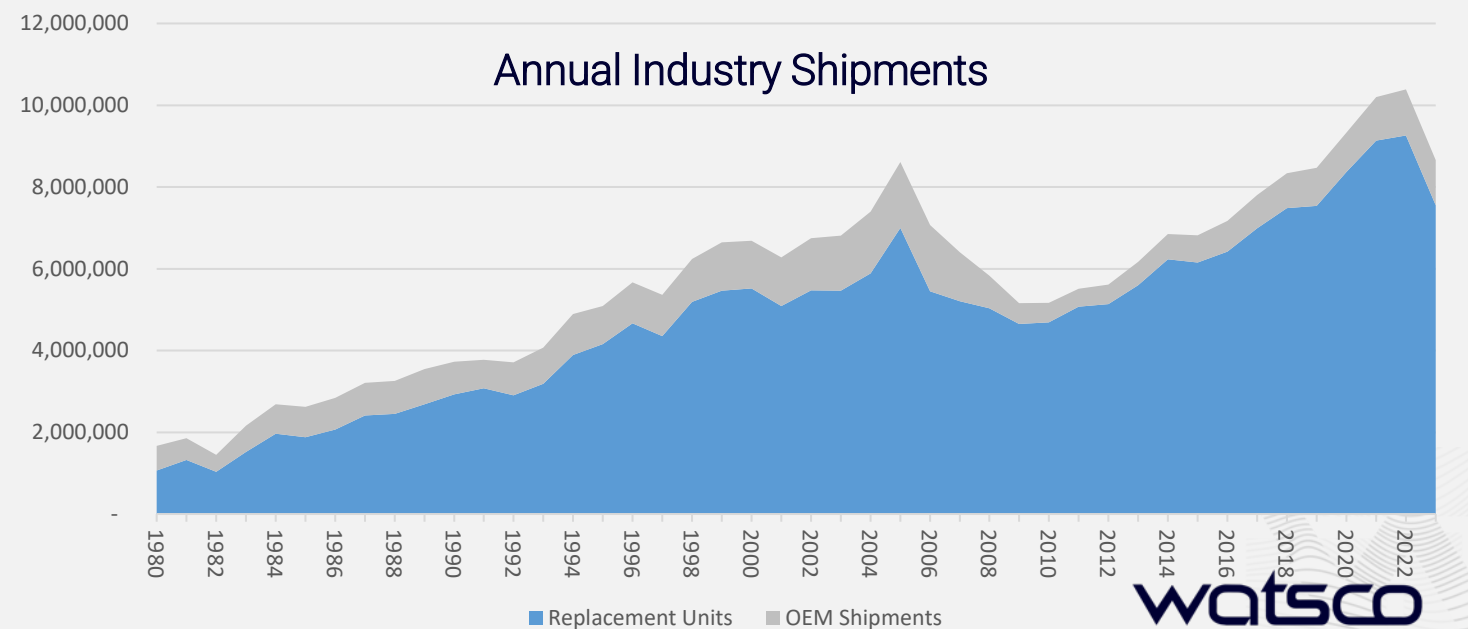
- Installed base has increased every year
- Over 120 million installed HVAC units in U.S.
  - Roughly 87 million ducted systems
- 8.7 million units shipped in 2023
- Only ~12% of industry shipments tied to Residential New Construction
- 3.4% CAGR of Installed Base since 1980
- 3.9% CAGR of Shipments since 1980

Source: Data through Dec 31, 2023. AHRI, Industry Data and Watsco estimates

### Installed Base of Central A/C Units



### Annual Industry Shipments





# Using Technology to Transform the HVAC Industry

1

Make it easier to do business with Watsco through best-in-class 24/7 digital experience



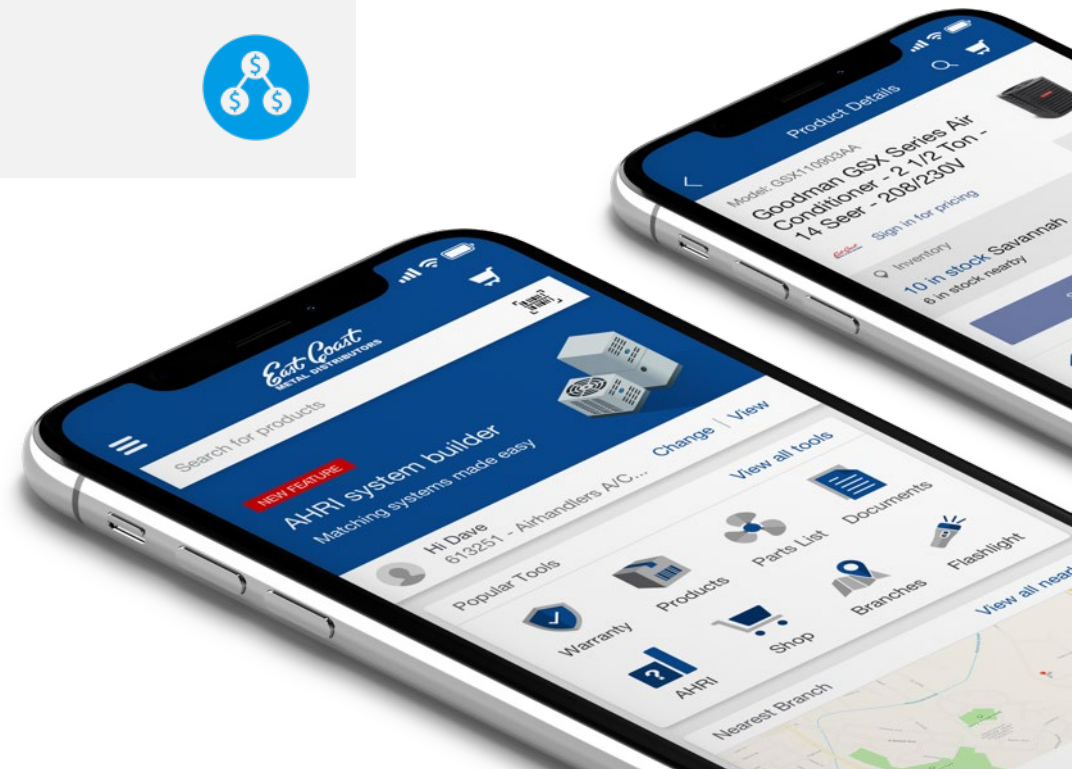
2

Make Watsco more efficient and profitable, while improving speed to market



3

Enable new profit streams that help our customers grow faster



# Benefits of Technology



## Traditional



Countless hours **wasted** on the phone and waiting in line



People and resources spend time **away from customers**



**Inefficiencies** eat into business profitability and growth

## Digital



Ordering and pickups done in minutes, not hours



Sales becomes more pro-active and consultative vs. being order takers



Resources better deployed to higher margin-generating activities

VS

Technicians **complete more jobs** in a day

Customers are **more efficient** and profitable

Customer **loyalty increases** leading to less attrition over time

**Scalable** to future acquisitions

# The Industry's Leading Digital Experience

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An intuitive and contemporary digital experience for customers to do business with Watsco.

## Robust E-Commerce Platform

- Driving growth with existing customers and new customer acquisition, while reducing attrition

## Product Information Management

- Largest source of digitized product information for customers now over 1.5M SKUs

## Mobile Apps for HVAC Customers

- Enable customer engagement, technical assistance and sale anywhere, anytime, on any device

## Feature-rich mobile benefits include:

- Digital warranty processing, AHRI system match-ups, consumer literature, selling and financing platforms, and more.

\$2.4B

Annualized e-commerce revenue in 2023, an 5% increase

~50%

Less attrition for users of e-commerce versus traditional customers

55,000

Authenticated mobile app users with e-commerce account

15%

Higher e-commerce line items per order versus traditional orders

28%

Increase in gross value of products sold through On-Call-Air® to \$1.2B.

1.5M+

Product SKUs digitized and accessible in mobile app as of 12/31/23

\*Data as of 12/31/23 for FY23

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# Our ESG Framework

## ENVIRONMENTAL

## SOCIAL

### GHG EMISSIONS REDUCTION

### CIRCULAR ECONOMY

### WORKFORCE TRAINING

OUR BUSINESS

Accelerate the transition to non-fossil fuel & high efficiency systems



Optimize the efficiency of installed HVAC systems



Propel refrigerant reclaiming in the add-on replacement market



Recapture end of life equipment for recycling



Train network of technicians on sustainable products and sustainable best practices across the HVAC industry



OUR OPERATIONS

Reduce GHG emissions from own operations



Reduce waste across our own operations



Train our employees on sustainability best practices



## GOVERNANCE

# ESG: Our Impact

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20.1 Million Metric  
Tons of CO<sub>2</sub>e averted

from the sale of high  
efficiency equipment from  
January 2020 – March 2024

8.4 Billion Gallons of  
Water Saved

from the sale of Alert  
Labs water monitoring  
products from August  
2019 – March 2024

That's the equivalent of:

- Taking 4.8M vehicles off the road for 1 year
- 45.2M barrels of oil consumed
- Carbon sequestered by 23.5M acres of U.S. forests in 1 year



# Ownership Culture Linked To Value Creation

Watsco's unique equity programs attract and retain the industry's best.

## 160+ Restricted Stock plan participants

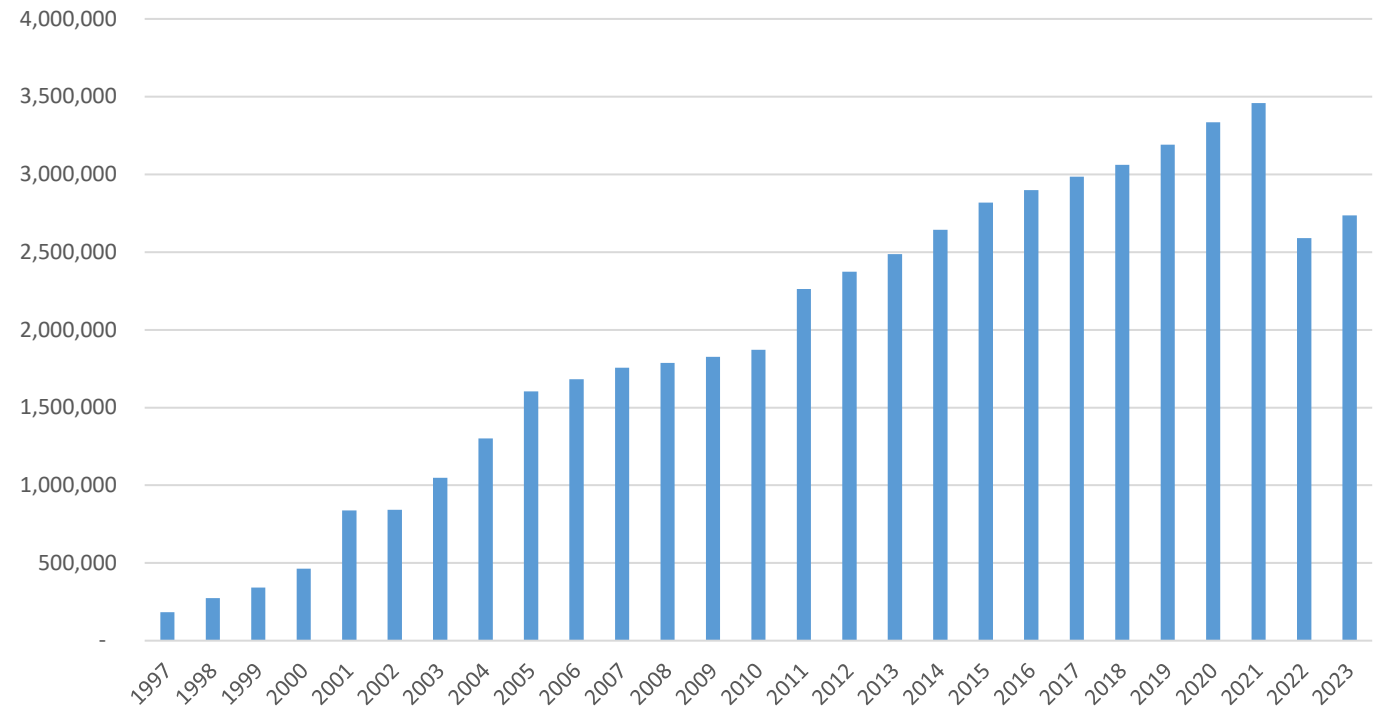
- "Retirement age" cliff vesting
- Average vesting of approximately 12 years
- 59% of all shares granted since 1997 remain outstanding
- 33% vested, only 8% forfeited over 25+ years
- Operating leaders possess \$440+ million in restricted stock

## Other Equity Plans

- 300+ employees in Stock Option plan
- 900+ owners in Employee Stock Purchase Plan
- 4,000+ actively employed owners in 401(k) plan

Source: Company Reports as of 12/31/23

## Restricted Shares Outstanding



# Watsco's Track Record

Watsco's culture is focused on long-term value creation for all stakeholders.

Over most time periods, Watsco produces superior Annualized Total Shareholder Return.

	1989*	TTM 3/31/2024	CAGR
Revenues	\$64M	\$7.3B	14%
EBIT	\$2M	\$757M	18%
Share Price	\$2.70	\$431.97	16%
Dividends	\$.5M	\$381M	21%
Market Cap**	\$22M	\$17.3B	21%
Market Share (est.)	<1%	15-18%	
Locations	16	691	

\*1st year of distribution

\*\* Market Cap calculated using Class A and B Shares

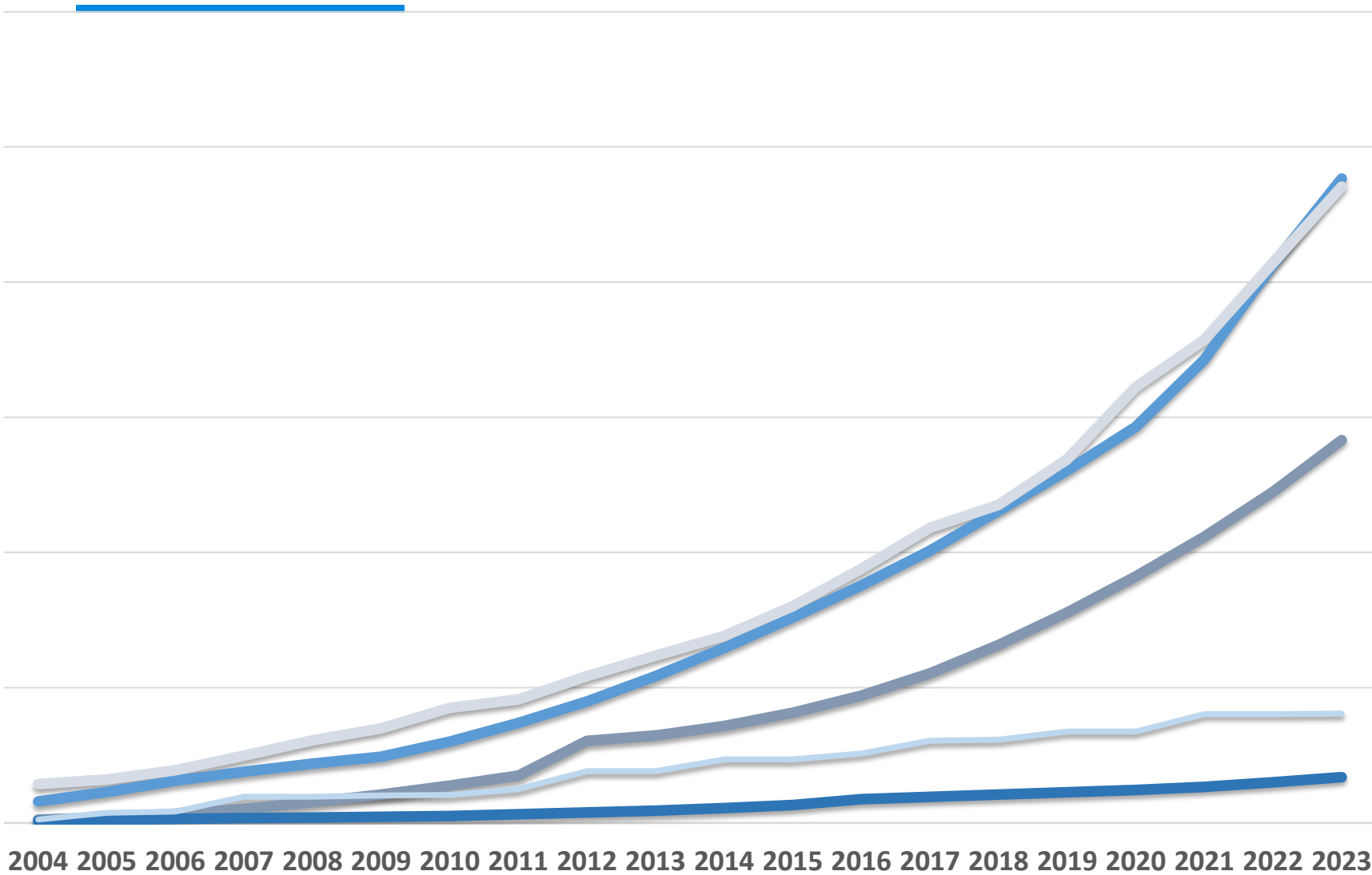
Source: Company SEC filings

	5 YEAR	10 YEAR	20 YEAR	25 YEAR	30 YEAR
Annualized Total Shareholder Return	30%	20%	20%	17%	20%

Source: FactSet as 12/31/23



# Solid Cash Flow Performance



## 20 Year Cumulative Results

Net Income: \$4.7B

Operating Cash Flow: \$4.5B

Dividends: \$2.8B

Acquisitions: \$788m

Capital Expenditures, net: \$319m

2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 2019 2020 2021 2022 2023

Source: Company SEC filings  
Axis in \$000

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# Robust Capital Position

Consistent with a long-term focus, Watsco maintains a conservative balance sheet.

Watsco is well positioned to fund virtually any growth opportunity.

In February 2024, Watsco raised its Annual Dividend Rate to \$10.80 per share, effective in April 2024.

	12/31/22	12/31/23	3/31/24
Cash & Equivalents	\$148m	\$210m	\$279m
Total Borrowings	\$56m	\$15m	\$0
Shareholders Equity	\$2,248m	\$2,616m	\$2,928m
Debt to Capitalization	2.45%	0.6%	0.0%
EBITDA (TTM)	\$863m	\$830m	\$793m
Net Debt to EBITDA (TTM)	(0.11x)	(0.23x)	(0.35x)
Operating Cash Flow (TTM)	\$572m	\$562m	\$713m
Dividends per share*	\$8.80	\$9.80	\$9.80

Source: Company SEC filings

\* Represents dividend rate in effect at period end



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## Delivering Exceptional Shareholder Value

Watsco's TSR ranks **#16** out of  
~1,600 public companies for Total  
Shareholder Returns over 30 years.

Only 24 companies have returned  
19+% over the last 30 years.

