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# Investor Presentation

Baird 2019 Industrials Conference

November 6, 2019

Barry Logan, Executive Vice President

watsco

WSO  
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NYSE

# 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” 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 international markets served; 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 other 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

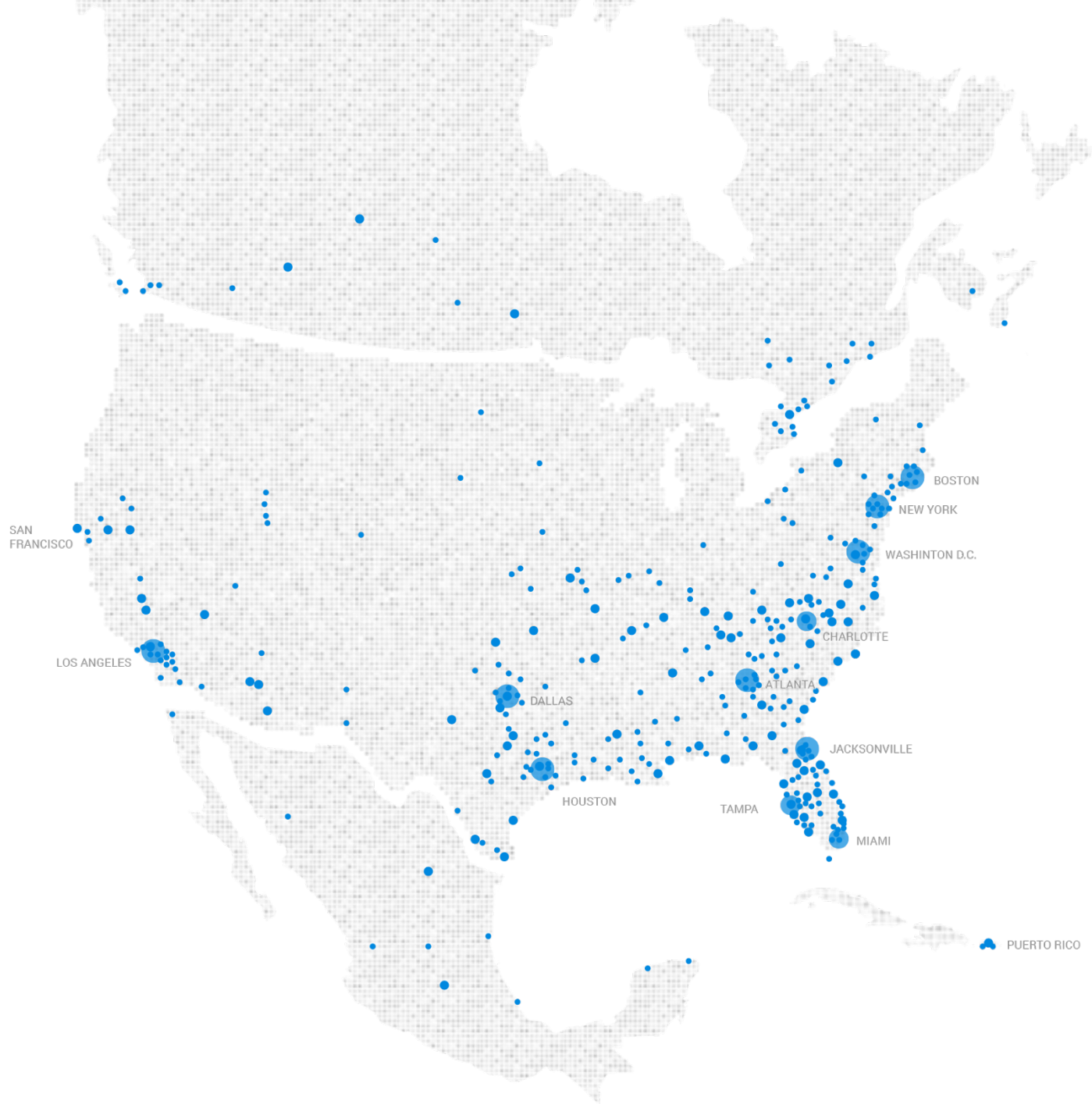
**Unique** ownership culture with **long-term** focus on value creation

**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



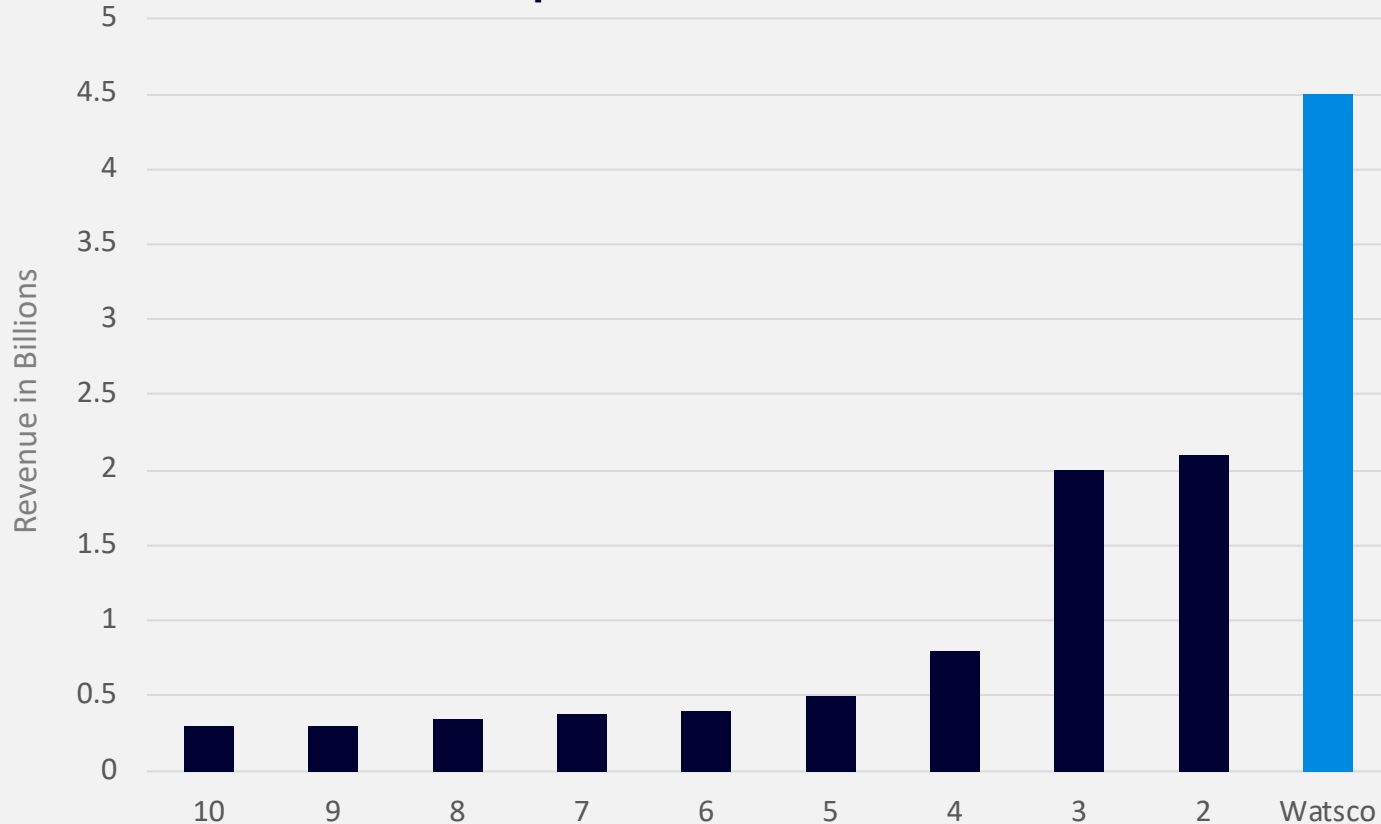


# Strategic Locations

United States	540
Canada	37
Latin America & Caribbean	26
<b>TOTAL</b>	<b>603</b>

# Market Leader in a Fragmented Market

**Watsco vs Other Independent HVAC Distributors**



## Why scale matters:

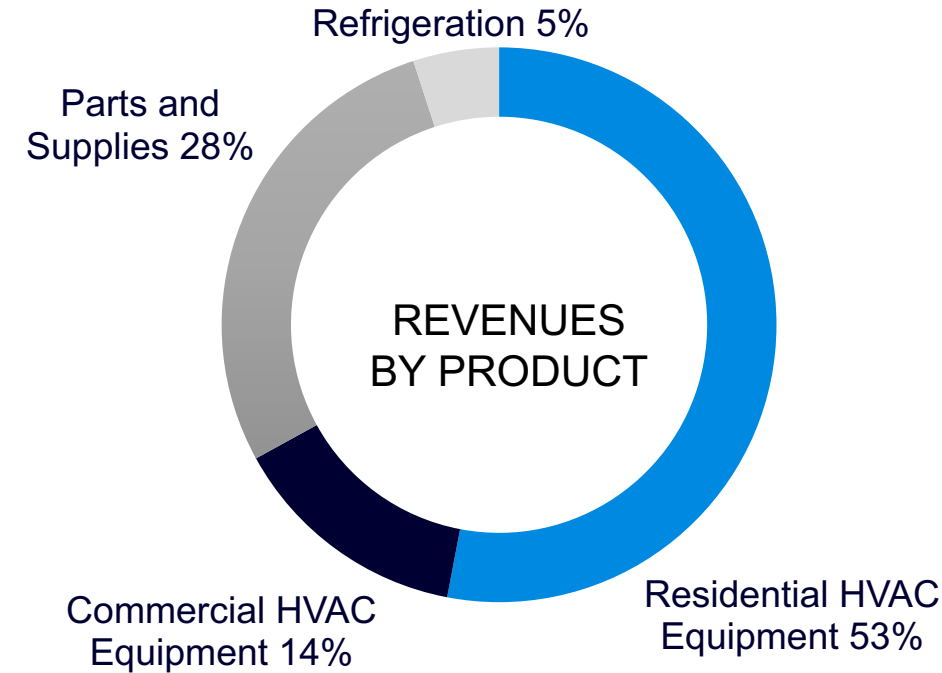
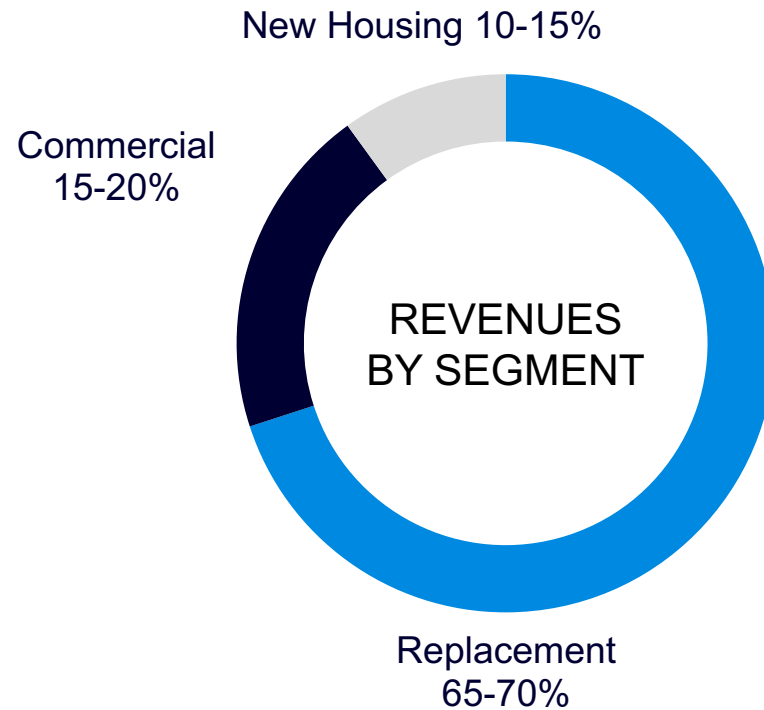
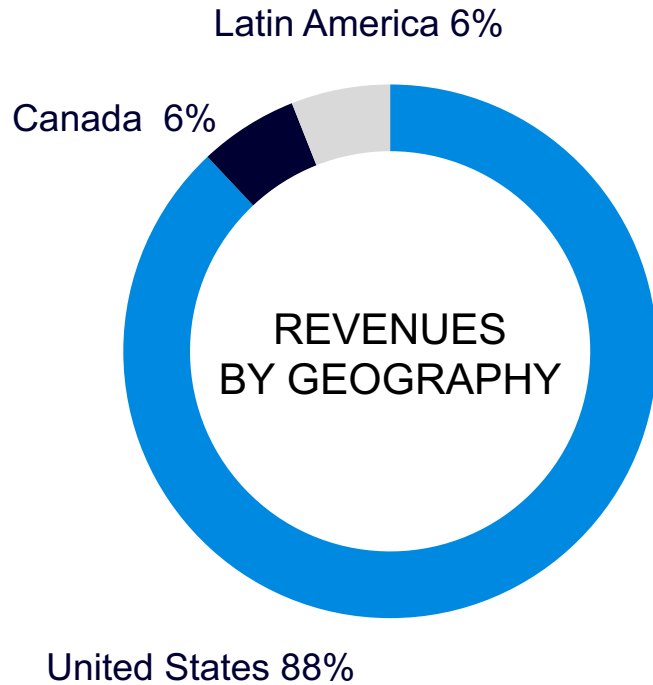
- Greater share of wallet from customer spend
- Purchasing power from 1,200+ OEMs and suppliers
- Talent acquisition and retention
- Greater product availability when it matters most
- Technology scalable efficiently within branch network

## Significant barriers to entry:

- Technical savvy needed to install / service HVAC units
- Hard for homeowners and retailers to “do it yourself”
- OEM approval required to enter distribution
- Loyal customer base



# Attractive End-Markets and Products



# Using Technology to Transform the HVAC Industry

1

Make it Easier To Do Business with Watsco Through Best-in-Class 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** is a day

Customers are **more efficient** and profitable

Customer **Loyalty Increases**

**Scalable** to Future Acquisitions



# Ownership Culture Linked To Value Creation

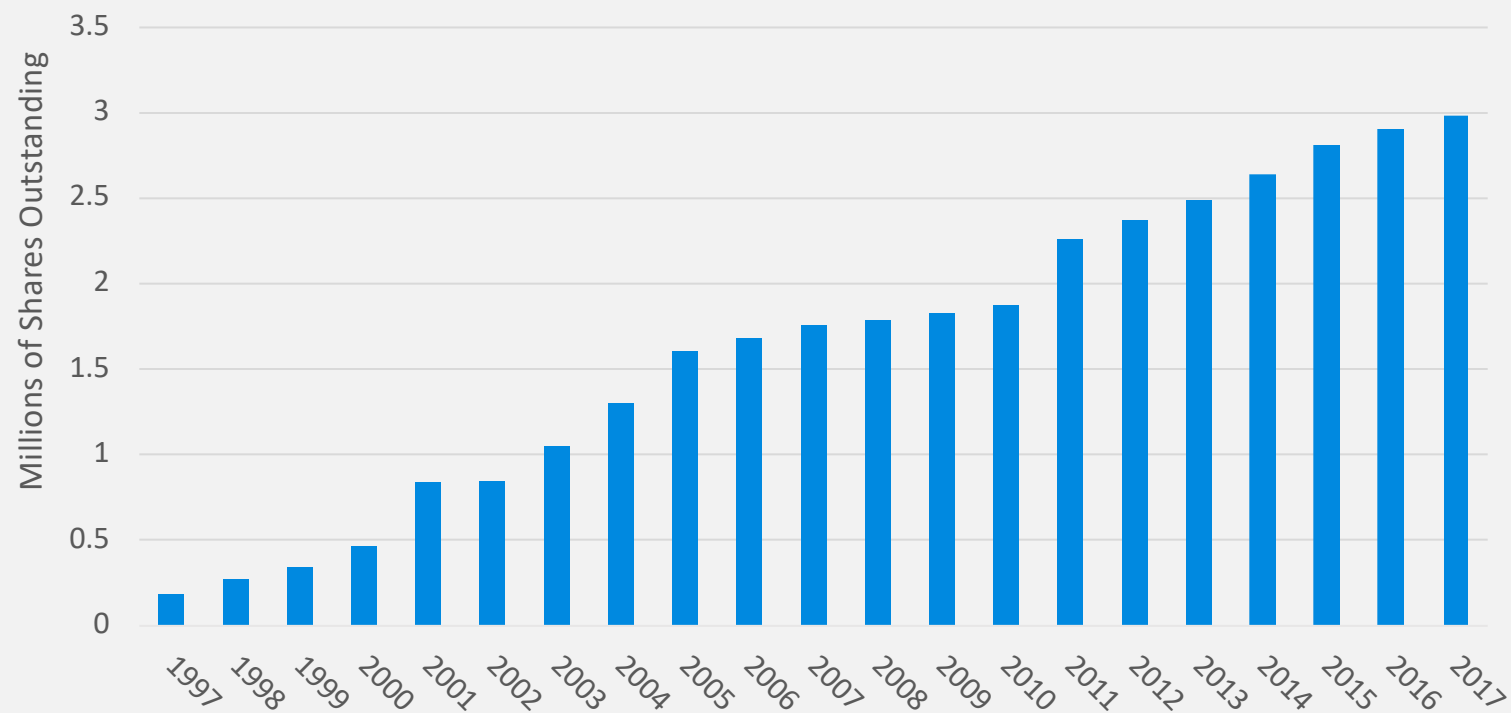
## 81 Restricted Stock Plan Participants

- Average vesting of approximately 11 years
- 80% of all shares granted remain outstanding
- 13% vested, only 7% forfeited

## Other Equity Plans

- 150+ owners in stock option plan
- 800+ owners in Employee Stock Purchase Plan
- Nearly 5.1m shares held by all insiders

## Restricted Stock Plan



# 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*	12/31/2018	CAGR
Revenues	\$64M	\$4.55B	16%
EBIT	\$2M	\$372M	19%
Share Price	\$2.70	\$139.14	15%
Dividends	\$1M	\$209M	23%
Market Cap**	\$22M	\$5.2B	21%
Market Share (est.)	<1%	~12%	
Locations	16	571	

\*1st year of distribution

\*\* Market Cap calculated using only Class A Common Shares

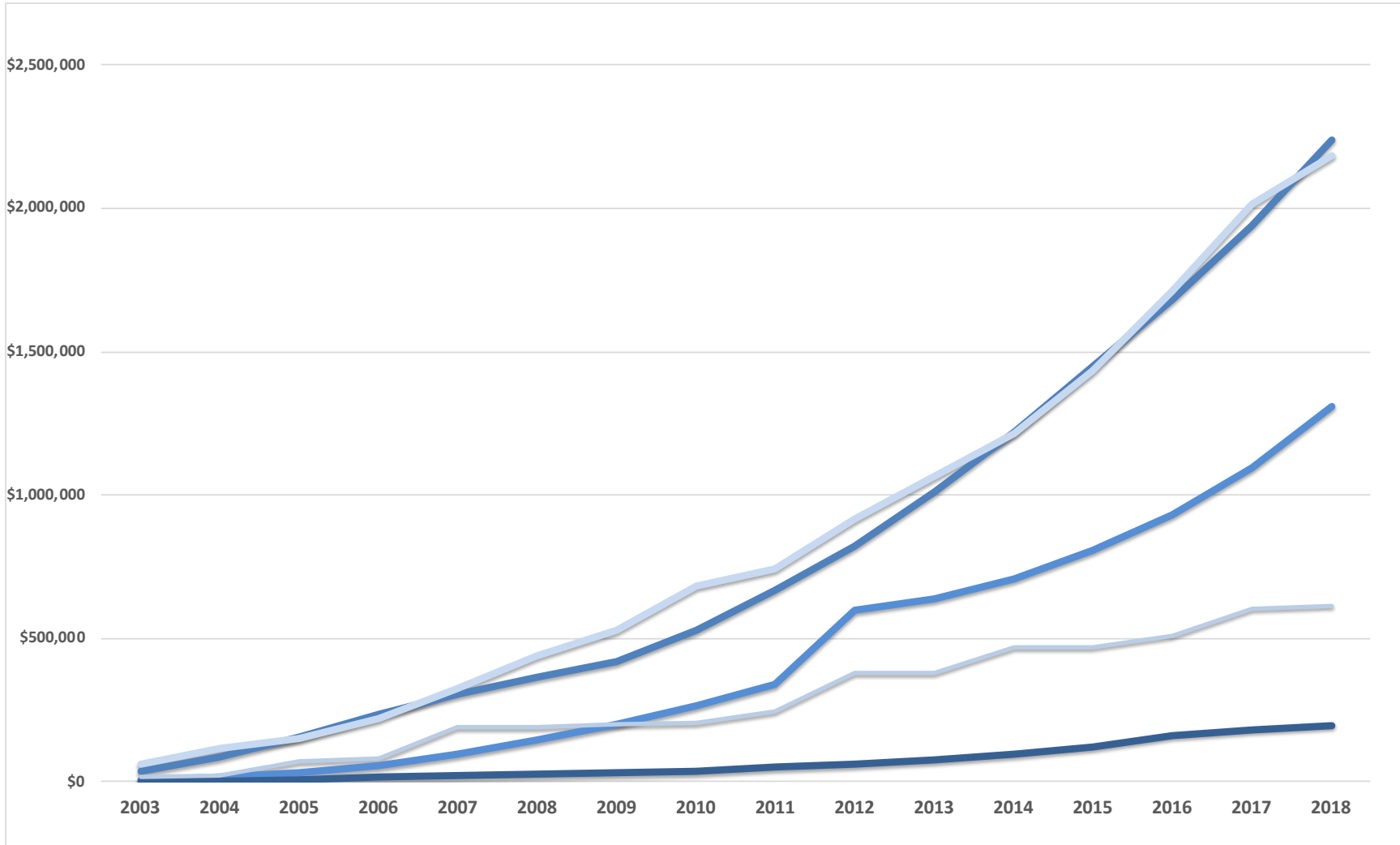
Source: Company SEC filings

	5 YEAR	10 YEAR	20 YEAR	25 YEAR	30 YEAR
Annualized Total Shareholder Return	10.6%	18.0%	14.1%	18.2%	18.2%

Source: Factset as 12/31/18



# Solid Long-Term Performance



## 15-Year Cumulative Results

Net Income: **\$2.2B**

Operating Cash flow: **\$2.2B**

Dividends: **\$1.3B**

Acquisitions: **\$612m**

Capital Expenditures, net: **\$197m**

Source: Company SEC filings  
Axis in \$000



# Robust Capital Position

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

Company is well positioned to fund virtually any growth opportunity.

In October 2018, Watsco announced an increase to its Annual Dividend Rate to \$6.40 per share, which became effective in January 2019.

	2017	2018	9/30/19
Cash & Equivalents	\$80m	\$83m	\$60m
Total Debt	\$22m	\$136m	\$172m
Shareholders Equity	\$1,551m	\$1,602m	\$1,753m
Debt to Capitalization	1%	8%	9%
EBITDA*	\$376m	\$394m	\$397m
Net Debt to EBITDA	N/A	< 1.0x	< 1.0x
Operating Cash Flow*	\$307m	\$171m	\$298m
Dividends per share**	\$4.60	\$5.60	\$6.40

Source: Company SEC filings

\* Represents Last Twelve Months

\*\* Represents current dividend rate in effect



# watsco

## Delivering Exceptional Shareholder Value

Watsco is part of an elite group of companies that have returned 18+% Total Shareholder Return over the last 30 years.



Source: Factset



Q&A

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