UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

☒ **Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the Quarterly Period Ended September 30, 2026

or

☐ **Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the Transition Period From _____ to _____

Commission file number 1-5581



WATSCO, INC.
(Exact name of registrant as specified in its charter)

Florida	**59-0778222**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
2665 South Bayshore Drive, Suite 901 Miami, FL	**33133**
(Address of principal executive offices)	**(Zip Code)**

(305) 714-4100

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, $0.50 par value	WSO	New York Stock Exchange
Class B common stock, $0.50 par value	WSOB	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The registrant's common stock outstanding as of November 3, 2026 comprised (i) 35,977,548 shares of Common stock, $0.50 par value per share, excluding 4,066,821 treasury shares and (ii) 5,372,539 shares of Class B common stock, $0.50 par value per share.

WATSCO, INC. AND SUBSIDIARIES

QUARTERLY REPORT ON FORM 10-Q

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EXHIBITS

PART I. FINANCIAL INFORMATION

ITEM 1. CONDENSED CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS

WATSCO, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED UNAUDITED STATEMENTS OF INCOME
(In thousands, except per share data)

	Quarters Ended September 30,		Nine Months Ended September 30,	
	2026	2025	2026	2025
Revenues	**$ 2,220,358**	$ 2,067,005	**$ 5,858,227**	$ 5,660,533
Cost of sales	**1,634,071**	1,498,090	**4,265,456**	4,058,507
Gross profit	**586,287**	568,915	**1,592,771**	1,602,026
Selling, general and administrative expenses	**370,746**	343,655	**1,042,583**	1,005,237
Other income	**9,667**	9,502	**23,576**	22,030
Operating income	**225,208**	234,762	**573,764**	618,819
Interest income, net	**4,596**	3,733	**14,552**	11,479
Income before income taxes	**229,804**	238,495	**588,316**	630,298
Income taxes	**46,961**	49,265	**121,230**	129,760
Net income	**182,843**	189,230	**467,086**	500,538
Less: net income attributable to non-controlling interest	**27,474**	27,655	**69,307**	75,289
Net income attributable to Watsco, Inc.	**$ 155,369**	$ 161,575	**$ 397,779**	$ 425,249
Earnings per share for Common and Class B common stock (collectively "common stock"):				
Basic	**$ 3.77**	$ 3.98	**$ 9.72**	$ 10.50
Diluted	**$ 3.77**	$ 3.98	**$ 9.72**	$ 10.48

See accompanying notes to condensed consolidated unaudited financial statements.

WATSCO, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME
(In thousands)

	Quarters Ended September 30,		Nine Months Ended September 30,	
	2026	2025	2026	2025
Net income	**$ 182,843**	$ 189,230	**$ 467,086**	$ 500,538
Other comprehensive income, net of tax:				
Foreign currency translation adjustment	**387**	(6,366)	**(10,138)**	9,652
Comprehensive income	**183,230**	182,864	**456,948**	510,190
Less: comprehensive income attributable to non-controlling interest	**27,602**	25,448	**65,714**	78,578
Comprehensive income attributable to Watsco, Inc.	**$ 155,628**	$ 157,416	**$ 391,234**	$ 431,612

See accompanying notes to condensed consolidated unaudited financial statements.

WATSCO, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED UNAUDITED BALANCE SHEETS
(In thousands, except per share data)

	September 30, 2026	December 31, 2025
ASSETS		
Current assets:		
Cash and cash equivalents	**$ 498,698**	$ 433,283
Short-term cash investments	**150,000**	300,000
Accounts receivable, net	**1,008,554**	796,181
Inventories, net	**1,841,814**	1,386,317
Other current assets	**51,895**	38,725
Total current assets	**3,550,961**	2,954,506
Property and equipment, net	**148,709**	136,012
Operating lease right-of-use assets	**533,536**	452,547
Goodwill	**518,868**	462,509
Intangible assets, net	**262,178**	210,427
Investment in unconsolidated entity	**203,566**	185,234
Other assets	**15,994**	13,570
	$ 5,233,812	$ 4,414,805
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current portion of lease liabilities	**$ 124,449**	$ 117,153
Accounts payable	**655,774**	350,425
Accrued expenses and other current liabilities	**346,317**	250,164
Total current liabilities	**1,126,540**	717,742
Long-term obligations:		
Operating lease liabilities, net of current portion	**429,269**	350,616
Finance lease liabilities, net of current portion	**9,697**	11,019
Total long-term obligations	**438,966**	361,635
Deferred income taxes and other liabilities	**132,825**	113,367
Commitments and contingencies		
Watsco, Inc. shareholders' equity:		
Common stock, $0.50 par value	**19,835**	19,504
Class B common stock, $0.50 par value	**2,831**	2,817
Preferred stock, $0.50 par value	**—**	—
Paid-in capital	**1,811,528**	1,563,389
Accumulated other comprehensive loss, net of tax	**(56,850)**	(50,305)
Retained earnings	**1,324,967**	1,319,201
Treasury stock, at cost	**(73,229)**	(73,230)
Total Watsco, Inc. shareholders' equity	**3,029,082**	2,781,376
Non-controlling interest	**506,399**	440,685
Total shareholders' equity	**3,535,481**	3,222,061
	$ 5,233,812	$ 4,414,805

See accompanying notes to condensed consolidated unaudited financial statements.

WATSCO, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED UNAUDITED STATEMENTS OF SHAREHOLDERS' EQUITY

(In thousands, except share and per share data)	Common Stock, Class B Common Stock and Preferred Stock Shares	Common Stock, Class B Common Stock and Preferred Stock Amount	Paid-In Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Treasury Stock	Non-controlling Interest	Total
Balance at December 31, 2025	**40,575,912**	**$ 22,321**	**$ 1,563,389**	**$ (50,305)**	**$ 1,319,201**	**$ (73,230)**	**$ 440,685**	**$ 3,222,061**
Net income					79,074		13,867	92,941
Other comprehensive (loss)				(3,188)			(1,737)	(4,925)
Issuances of restricted shares of common stock	33,455	17	(17)					—
Forfeitures of restricted shares of common stock	(11,000)	(6)	6					—
Common stock contribution to 401(k) plan	27,503	14	9,253					9,267
Stock issuances from exercise of stock options and employee stock purchase plan	20,226	10	5,968					5,978
Retirement of common stock	(2,020)	(1)	(805)					(806)
Share-based compensation			8,328					8,328
Dividend reinvestment plan	9,890	5	3,846			—		3,851
Dividends declared and paid on common stock, $3.00 per share					(121,775)			(121,775)
Balance at March 31, 2026	**40,653,966**	**22,360**	**1,589,968**	**(53,493)**	**1,276,500**	**(73,230)**	**452,815**	**3,214,920**
Net income					163,336		27,966	191,302
Other comprehensive (loss)				(3,616)			(1,984)	(5,600)
Issuances of restricted shares of common stock	32,410	16	(16)					—
Forfeitures of restricted shares of common stock	(9,000)	(4)	4					—
Stock issuances from exercise of stock options and employee stock purchase plan	28,901	14	8,478					8,492
Common stock issued for Jackson Supply Company	517,884	259	185,905					186,164
Retirement of common stock	(2,206)	(1)	(812)					(813)
Share-based compensation			8,634					8,634
Dividend reinvestment plan	9,456	5	4,250			1		4,256
Dividends declared and paid on common stock, $3.30 per share					(134,145)			(134,145)
Balance at June 30, 2026	**41,231,411**	**22,649**	**1,796,411**	**(57,109)**	**1,305,691**	**(73,229)**	**478,797**	**3,473,210**
Net income					155,369		27,474	182,843
Other comprehensive income				259			128	387
Issuances of restricted shares of common stock	14,500	7	(7)					—
Forfeitures of restricted shares of common stock	(1,500)	(1)	1					—
Stock issuances from exercise of stock options and employee stock purchase plan	13,043	7	3,718					3,725
Retirement of common stock	(3,151)	(2)	(985)					(987)
Share-based compensation			9,115					9,115
Dividend reinvestment plan	10,206	6	3,275			—		3,281
Dividends declared and paid on common stock, $3.30 per share					(136,093)			(136,093)
Balance at September 30, 2026	**41,264,509**	**$ 22,666**	**$ 1,811,528**	**$ (56,850)**	**$ 1,324,967**	**$ (73,229)**	**$ 506,399**	**$ 3,535,481**

Continued on next page.

WATSCO, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED UNAUDITED STATEMENTS OF SHAREHOLDERS' EQUITY

(In thousands, except share and per share data)	Common Stock, Class B Common Stock and Preferred Stock Shares	Common Stock, Class B Common Stock and Preferred Stock Amount	Paid-In Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Treasury Stock	Non-controlling Interest	Total
Balance at December 31, 2024	**40,352,263**	**$ 22,220**	**$ 1,472,170**	**$ (59,893)**	**$ 1,295,972**	**$ (73,479)**	**$ 407,248**	**$ 3,064,238**
Net income					80,061		14,479	94,540
Other comprehensive income				164			84	248
Issuances of restricted shares of common stock	52,503	26	(26)					—
Forfeitures of restricted shares of common stock	(4,000)	(2)	2					—
Common stock contribution to 401(k) plan	18,450	9	8,734					8,743
Stock issuances from exercise of stock options and employee stock purchase plan	43,568	22	11,027					11,049
Common stock issued for W.L. Lashley & Associates, Inc.	1,036	1	492					493
Investment in W.L. Lashley & Associates, Inc.							999	999
Share-based compensation			9,879					9,879
Dividend reinvestment plan	13,942		6,541			167		6,708
Dividends declared and paid on common stock, $2.70 per share					(109,037)			(109,037)
Balance at March 31, 2025	**40,477,762**	**22,276**	**1,508,819**	**(59,729)**	**1,266,996**	**(73,312)**	**422,810**	**3,087,860**
Net income					183,613		33,155	216,768
Other comprehensive income				10,358			5,412	15,770
Issuances of restricted shares of common stock	14,500	7	(7)					—
Forfeitures of restricted shares of common stock	(3,000)	(2)	2					—
Stock issuances from exercise of stock options and employee stock purchase plan	17,000	8	4,104					4,112
Common stock issued for Southern Ice Equipment Distributors, Inc.	7,400	4	3,409					3,413
Retirement of common stock	(2,232)	(1)	(1,066)					(1,067)
Share-based compensation			9,020					9,020
Dividend reinvestment plan	16,553	5	7,317			81		7,403
Dividends declared and paid on common stock, $3.00 per share					(121,460)			(121,460)
Balance at June 30, 2025	**40,527,983**	**22,297**	**1,531,598**	**(49,371)**	**1,329,149**	**(73,231)**	**461,377**	**3,221,819**
Net income					161,575		27,655	189,230
Other comprehensive (loss)				(4,159)			(2,207)	(6,366)
Issuances of restricted shares of common stock	2,000	1	(1)					—
Forfeitures of restricted shares of common stock	(500)	—	—					—
Stock issuances from exercise of stock options and employee stock purchase plan	20,935	10	5,558					5,568
Retirement of common stock	(9,086)	(4)	(3,653)					(3,657)
Share-based compensation			9,071					9,071
Dividend reinvestment plan	17,256	9	7,540			1		7,550
Dividends declared and paid on common stock, $3.00 per share					(121,588)			(121,588)
Balance at September 30, 2025	**40,558,588**	**$ 22,313**	**$ 1,550,113**	**$ (53,530)**	**$ 1,369,136**	**$ (73,230)**	**$ 486,825**	**$ 3,301,627**

See accompanying notes to condensed consolidated unaudited financial statements.

WATSCO, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED UNAUDITED STATEMENTS OF CASH FLOWS
(In thousands)

	Nine Months Ended September 30,	
	2026	**2025**
Cash flows from operating activities:		
Net income	**$ 467,086**	$ 500,538
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	**33,973**	32,680
Non-cash contribution to 401(k) plan	**9,267**	8,743
Share-based compensation	**25,826**	26,683
Provision for doubtful accounts	**5,274**	2,550
Other income from investment in unconsolidated entity	**(23,576)**	(22,030)
Other, net	**5,270**	5,639
Changes in operating assets and liabilities, net of effects of acquisitions:		
Accounts receivable, net	**(195,892)**	(60,234)
Inventories, net	**(396,782)**	(204,479)
Accounts payable and other liabilities	**382,700**	(108,318)
Other, net	**(9,487)**	(11,925)
Net cash provided by operating activities	**303,659**	169,847
Cash flows from investing activities:		
Proceeds from maturities of short-term cash investments	**400,000**	255,669
Business acquisitions, net of cash acquired	**7,663**	(19,303)
Proceeds from sale of property and equipment	**68**	370
Capital expenditures	**(25,684)**	(23,257)
Purchases of short-term cash investments	**(250,000)**	(200,000)
Net cash provided by investing activities	**132,047**	13,479
Cash flows from financing activities:		
Dividends on common stock	**(392,013)**	(352,085)
Net repayments of finance lease liabilities	**(3,725)**	(4,554)
Repurchases of common stock to satisfy employee withholding tax obligations	**(2,390)**	(3,657)
Distributions to non-controlling interest	**—**	(69,829)
Proceeds from non-controlling interest for investment in W.L. Lashley & Associates, Inc.	**—**	999
Proceeds from dividend reinvestment plan	**11,388**	21,661
Proceeds from issuances of Common stock under employee related plans	**17,980**	19,662
Net cash used in financing activities	**(368,760)**	(387,803)
Effect of foreign exchange rate changes on cash and cash equivalents	**(1,531)**	2,554
Net increase (decrease) in cash and cash equivalents	**65,415**	(201,923)
Cash and cash equivalents at beginning of period	**433,283**	526,271
Cash and cash equivalents at end of period	**$ 498,698**	$ 324,348
Supplemental cash flow information:		
Common stock issued for Jackson Supply Company	**$ 186,164**	$ —
Common stock issued for W.L. Lashley & Associates, Inc.	**$ —**	$ 493
Common stock issued for Southern Ice Equipment Distributors, Inc.	**$ —**	$ 3,133

See accompanying notes to condensed consolidated unaudited financial statements.

WATSCO, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS
September 30, 2026
(In thousands, except share and per share data)

1. BASIS OF PRESENTATION

Basis of Consolidation

Watsco, Inc. (collectively with its subsidiaries, "Watsco," the "Company," "we," "us," or "our") was incorporated in Florida in 1956 and is the largest distributor of air conditioning, heating and refrigeration equipment and related parts and supplies ("HVAC/R") in the HVAC/R distribution industry in North America. The accompanying September 30, 2026 interim condensed consolidated unaudited financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and note disclosures normally included in the annual financial statements prepared in accordance with U.S. Generally Accepted Accounting Principles ("GAAP") have been condensed or omitted pursuant to those rules and regulations, but we believe the disclosures made are adequate to make the information presented not misleading. In the opinion of management, all adjustments, consisting of normal and recurring adjustments, necessary for a fair presentation have been included in the condensed consolidated unaudited financial statements included herein. These statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2025.

The condensed consolidated unaudited financial statements include (i) the accounts of Watsco and its wholly owned subsidiaries, (ii) the accounts of five U.S. joint ventures and their subsidiaries with Carrier Global Corporation, which we refer to as Carrier, in which we have an 80% controlling interest and Carrier has a 20% non-controlling interest, (iii) the accounts of a Canadian joint venture with Carrier, in which we have a 60% controlling interest and Carrier has a 40% non-controlling interest, and (iv) a 38.4% investment in Russell Sigler, Inc. ("RSI"), owned by one of the joint ventures referred to in (ii) above that is accounted for under the equity method of accounting. All significant intercompany balances and transactions have been eliminated in consolidation.

The results of operations for the quarter and nine months ended September 30, 2026 are not necessarily indicative of the results to be expected for the year ending December 31, 2026. Sales of residential central air conditioners, heating equipment, and parts and supplies are seasonal. Furthermore, profitability can be impacted favorably or unfavorably based on weather patterns, particularly during the Summer and Winter selling seasons. Demand related to the residential central air conditioning replacement market is typically highest in the second and third quarters, and demand for heating equipment is usually highest in the first and fourth quarters. Demand related to new construction throughout most of the markets we serve tends to be fairly evenly distributed throughout the year and depends largely on housing completions and related weather and economic conditions.

Short-Term Cash Investments

Short-term cash investments consist of certificates of deposit.

Equity Method Investments

Investments in which we have the ability to exercise significant influence, but do not control, are accounted for under the equity method of accounting and are included in investment in unconsolidated entity in our condensed consolidated unaudited balance sheets. Under this method of accounting, our proportionate share of the net income or loss of the investee is included in other income in our condensed consolidated unaudited statements of income. The excess, if any, of the carrying amount of our investment over our ownership percentage in the underlying net assets of the investee is attributed to certain fair value adjustments with the remaining portion recognized as goodwill.

Use of Estimates

The preparation of condensed consolidated unaudited financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the condensed consolidated unaudited financial statements and the reported amounts of revenues and expenses for the reporting period. Significant estimates include valuation reserves for accounts receivable, net realizable value adjustments to inventories, income taxes, reserves related to loss contingencies and the valuation of goodwill, indefinite-lived intangible assets, and long-lived assets. While we believe that these estimates are reasonable, actual results could differ from such estimates.

Recently Adopted Accounting Standards

Measurement of Credit Losses

In July 2025, the FASB issued amended guidance to provide the option to elect a practical expedient for the application of the expected credit loss model. Under this practical expedient, an entity can assume that the current conditions it has applied in determining credit loss allowances for current accounts receivable and current contract assets remain unchanged for the remaining life of those assets. This

amendment is effective for annual reporting periods beginning after December 15, 2025, and interim reporting periods within those annual reporting periods, with early adoption permitted. The adoption of this guidance on January 1, 2026 did not have a material impact on our condensed consolidated unaudited financial statements.

Recently Issued Accounting Standards Not Yet Adopted

Expense Disaggregation

In November 2024, the FASB issued guidance that requires entities to disclose additional information about certain expenses in the notes to the financial statements. This guidance is effective for annual reporting periods beginning after December 15, 2026, and interim reporting periods beginning after December 15, 2027, with early adoption permitted. We are evaluating the impact of adopting this new guidance on our consolidated financial statements.

Internal Use Software

In September 2025, the FASB issued updated guidance on the accounting for internal use software costs. The updated guidance removes all references to project stages to be neutral to different software development methods and clarifies the threshold entities apply to begin capitalizing costs. This guidance is effective for annual reporting periods beginning after December 15, 2027 and interim reporting periods within those annual reporting periods. We are evaluating the impact of adopting this guidance on our consolidated financial statements.

Interim Reporting

In December 2025, the FASB issued guidance that clarifies the scope and requirements for interim financial statement disclosures. The guidance creates a comprehensive list of required interim disclosures and introduces a disclosure principle requiring entities to disclose in interim periods any event or change since the previous year end that has had a material effect on the entity. This guidance may be applied prospectively or retrospectively and is effective for interim reporting periods within annual periods beginning after December 15, 2027, with early adoption permitted. We are evaluating the impact of adopting this guidance on our consolidated financial statements.

2. REVENUES

Disaggregation of Revenues

The following table presents our revenues disaggregated by primary geographical regions and major product lines within our single reporting segment:

	Quarters Ended September 30,		Nine Months Ended September 30,	
	2026	**2025**	**2026**	**2025**
Primary Geographical Regions:				
United States	**$ 2,029,780**	$ 1,888,362	**$ 5,352,014**	$ 5,140,380
Canada	**86,272**	87,814	**241,984**	257,934
Latin America and the Caribbean	**104,306**	90,829	**264,229**	262,219
	$ 2,220,358	$ 2,067,005	**$ 5,858,227**	$ 5,660,533
Major Product Lines:				
HVAC equipment	**67%**	67%	**67%**	67%
Other HVAC products	**29%**	29%	**29%**	29%
Commercial refrigeration products	**4%**	4%	**4%**	4%
	100%	100%	**100%**	100%

3. EARNINGS PER SHARE

The following table presents the calculation of basic and diluted earnings per share for our common stock:

	Quarters Ended September 30,		Nine Months Ended September 30,	
	2026	2025	2026	2025
Basic Earnings per Share:				
Net income attributable to Watsco, Inc. shareholders	**$ 155,369**	$ 161,575	**$ 397,779**	$ 425,249
Less: distributed and undistributed earnings allocated to restricted common stock	**10,197**	10,707	**26,167**	28,118
Earnings allocated to Watsco, Inc. shareholders	**$ 145,172**	$ 150,868	**$ 371,612**	$ 397,131
Weighted-average common shares outstanding - Basic	**38,546,977**	37,860,987	**38,216,276**	37,813,336
Basic earnings per share for common stock	**$ 3.77**	$ 3.98	**$ 9.72**	$ 10.50
Allocation of earnings for Basic:				
Common stock	**$ 132,360**	$ 137,431	**$ 338,532**	$ 361,717
Class B common stock	**12,812**	13,437	**33,080**	35,414
	$ 145,172	$ 150,868	**$ 371,612**	$ 397,131
Diluted Earnings per Share:				
Net income attributable to Watsco, Inc. shareholders	**$ 155,369**	$ 161,575	**$ 397,779**	$ 425,249
Less: distributed and undistributed earnings allocated to restricted common stock	**10,197**	10,703	**26,166**	28,109
Earnings allocated to Watsco, Inc. shareholders	**$ 145,172**	$ 150,872	**$ 371,613**	$ 397,140
Weighted-average common shares outstanding - Basic	**38,546,977**	37,860,987	**38,216,276**	37,813,336
Effect of dilutive stock options	**11,181**	57,405	**24,375**	77,261
Weighted-average common shares outstanding - Diluted	**38,558,158**	37,918,392	**38,240,651**	37,890,597
Diluted earnings per share for common stock	**$ 3.77**	$ 3.98	**$ 9.72**	$ 10.48
Anti-dilutive stock options not included above	**168,724**	52,921	**112,665**	38,623

Diluted earnings per share for our Common stock assumes the conversion of all our Class B common stock into Common stock as of the beginning of the fiscal year; therefore, no allocation of earnings to Class B common stock is required. At September 30, 2026 and 2025, our outstanding Class B common stock was convertible into 3,401,994 and 3,372,031 shares of our Common stock, respectively.

4. OTHER COMPREHENSIVE (LOSS) INCOME

Other comprehensive (loss) income consists of the foreign currency translation adjustment associated with our Canadian operations' use of the Canadian dollar as their functional currency.

The change in accumulated other comprehensive loss, net of tax, was as follows:

Nine Months Ended September 30,	2026	2025
Foreign currency translation adjustment:		
Beginning balance	**$ (50,305)**	$ (59,893)
Current period other comprehensive (loss) income	**(6,545)**	6,363
Ending balance	**$ (56,850)**	$ (53,530)

5. ACQUISITIONS

Jackson Supply Company

On June 1, 2026, we acquired substantially all the assets and assumed certain of the liabilities of Jackson Supply Company ("Jackson"), a distributor of residential HVAC equipment and supplies with annual sales for the year ended December 31, 2025 of approximately $230,000, operating from 25 locations across Sunbelt markets in Texas, Louisiana, Tennessee, Alabama, Mississippi, Oklahoma, and Arizona. We formed a new, wholly owned subsidiary, Jackson Supply, LLC, that operates this business. Consideration for the net purchase price consisted of 517,884 shares of Common stock having a fair value of $186,164, net of cash acquired of $7,663. Of the 517,884 shares of Common stock issued, 52,311 shares are currently held in escrow for a period of up to 12 months in connection with indemnification obligations of Jackson. The preliminary purchase price was not material to our condensed consolidated unaudited financial statements and resulted in the initial estimated recognition of $117,486 of goodwill and intangibles. The fair value of the estimated identified intangible assets was $58,800 and consisted of $25,400 in trade names and distribution rights, $32,900 in customer relationships to be amortized over an 18-year period, and $500 in non-competition agreements to be amortized over a 3-year period. The tax basis of the acquired goodwill recognized is not deductible for income tax purposes.

The table below presents the preliminary allocation of the total consideration to tangible and intangible assets acquired and liabilities assumed from the acquisition of Jackson based on their respective fair values as of June 1, 2026:

Accounts receivable	$	23,465
Inventories		62,114
Other current assets		739
Property and equipment		15,281
Operating lease right-of-use assets		11,847
Goodwill		58,686
Intangible assets		58,800
Current portion of lease liabilities		(3,498)
Accounts payable		(19,883)
Accrued expenses and other current liabilities		(5,181)
Operating lease liabilities, net of current portion		(8,616)
Finance lease liabilities, net of current portion		(582)
Other liabilities		(14,671)
Total	$	178,501

Southern Ice Equipment Distributors, Inc.

On May 1, 2025, one of our wholly owned subsidiaries acquired Southern Ice Equipment Distributors, Inc., a distributor of food service and ice machine equipment, parts and supplies, operating from seven locations in Arizona, Arkansas, Louisiana, Mississippi, New Mexico, and Texas. Consideration for the purchase consisted of $14,150 in cash, net of cash acquired of $699, and 7,400 shares of Common stock having a fair value of $3,133 net of a discount for lack of marketability. The purchase price resulted in the recognition of $7,872 of goodwill and intangibles. The fair value of the identified intangible assets was $3,651 and consisted of $2,795 in trade names and distribution rights and $856 in customer relationships to be amortized over an 18-year period. The tax basis of such goodwill is deductible for income tax purposes over 15 years.

Hawkins HVAC Distributors, Inc.

On April 1, 2025, one of our wholly owned subsidiaries acquired Hawkins HVAC Distributors, Inc., a distributor of residential HVAC equipment and supplies, operating from two locations in North Carolina and South Carolina. Consideration for the purchase consisted of $2,452 in cash, net of cash acquired of $368. The purchase price resulted in the recognition of $269 in goodwill. The tax basis of such goodwill is deductible for income tax purposes over 15 years.

W.L. Lashley & Associates, Inc.

On January 3, 2025, Carrier Enterprise I, one of our joint ventures with Carrier, in which we have an 80% controlling interest, acquired W.L. Lashley & Associates, Inc. ("Lashley"), a distributor of commercial HVAC supplies, operating from one location in Houston, Texas. Consideration for the purchase consisted of $3,662 in cash, net of cash acquired of $837, 1,036 shares of Common stock having a fair value of $493, and $838 for repayment of indebtedness. Carrier contributed $999 cash to Carrier Enterprise I in connection with the acquisition of Lashley. The purchase price resulted in the recognition of $3,064 in goodwill. The tax basis of such goodwill is deductible for income tax purposes over 15 years.

The results of operations of these acquisitions have been included in the condensed consolidated unaudited financial statements from their respective dates of acquisition. The pro forma effect of these acquisitions was not deemed significant to our condensed consolidated unaudited financial statements.

6. DERIVATIVES

We enter into foreign currency forward and option contracts to offset the earnings impact that foreign exchange rate fluctuations would otherwise have on certain monetary liabilities that are denominated in nonfunctional currencies.

Derivatives Not Designated as Hedging Instruments

We have entered into foreign currency forward contracts that are either not designated as hedges or did not qualify for hedge accounting. These derivative instruments were effective economic hedges for all of the periods presented. The fair value gains and losses on these contracts are recognized in earnings as a component of selling, general and administrative expenses. We had only one foreign currency forward contract not designated as a hedging instrument at September 30, 2026, the total notional value of which was $11,300. Such contract expired in October 2026.

We recognized gains (losses) of $197 and $(517) from foreign currency forward contracts not designated as hedging instruments in our condensed consolidated unaudited statements of income for the quarters ended September 30, 2026 and 2025, respectively. We recognized losses of $380 and $1,260 from foreign currency forward contracts not designated as hedging instruments in our condensed consolidated unaudited statements of income for the nine months ended September 30, 2026 and 2025, respectively.

7. FAIR VALUE MEASUREMENTS

The following tables present our assets and liabilities carried at fair value that are measured on a recurring basis:

			Fair Value Measurements at September 30, 2026 Using		
	Balance Sheet Location	Total	Level 1	Level 2	Level 3
Assets:					
Certificates of deposit	Short-term cash investments	**$ 150,000**	**—**	**$ 150,000**	**—**
Equity securities	Other assets	**$ 2,395**	**$ 2,395**	**—**	**—**
Private equity securities	Other assets	**$ 3,406**	**—**	**—**	**$ 3,406**
Liabilities:					
Derivative financial instruments	Accrued expenses & other current liabilities	**$ 30**	**—**	**$ 30**	**—**

			Fair Value Measurements at December 31, 2025 Using		
	Balance Sheet Location	Total	Level 1	Level 2	Level 3
Assets:					
Certificates of deposit	Short-term cash investments	$ 300,000	—	$ 300,000	—
Derivative financial instruments	Other current assets	$ —	—	$ —	—
Equity securities	Other assets	$ 1,564	$ 1,564	—	—
Private equity securities	Other assets	$ 3,406	—	—	$ 3,406

The following is a description of the valuation techniques used for these assets and liabilities, as well as the level of input used to measure fair value:

Certificates of deposit – these investments consist of certificates of deposit with varying maturities. We classify these investments within Level 2 of the valuation hierarchy because fair value is based on indirectly observable market inputs.

Equity securities – these investments are exchange-traded equity securities. Fair values for these investments are based on closing stock prices from active markets and are therefore classified within Level 1 of the fair value hierarchy.

Private equity securities – other investments in which fair value inputs are unobservable and are therefore classified within Level 3 of the fair value hierarchy.

Derivative financial instruments – these derivatives are foreign currency forward contracts. See Note 6. Fair value is based on observable market inputs, such as forward rates in active markets; therefore, we classify these derivatives within Level 2 of the valuation hierarchy.

8. SHAREHOLDERS' EQUITY

Dividend Reinvestment Plan

In March 2024, we implemented the Watsco, Inc. Dividend Reinvestment Plan (the "DRIP"), under which existing shareholders may, in accordance with the DRIP, acquire up to an aggregate of 300,000 shares of each of Common and Class B common stock, as applicable, by reinvesting all or a portion of the cash dividends paid on such shareholders' shares of common stock. The DRIP has been registered under the Securities Act of 1933, as amended (the "Securities Act"), pursuant to our automatically effective shelf registration statement on Form S-3 (File No. 333-282975). During the quarters ended September 30, 2026 and 2025, 10,206 and 17,256 shares of our common stock, respectively, were issued under the DRIP. During the nine months ended September 30, 2026 and 2025, 29,552 and 47,751 shares of our common stock, respectively, were issued under the DRIP.

At-the-Market Offering Program

In May 2024, we entered into an amended and restated sales agreement with Robert W. Baird & Co. Inc. (the "2024 ATM Program"), which enables the issuance and sale of Common stock for a maximum aggregate offering amount of up to $400,000. At September 30, 2026, $400,000 was available for sale under the 2024 ATM Program. The offer and sale of shares under the 2024 ATM Program have been registered under the Securities Act pursuant to our automatically effective shelf registration statement on Form S-3 (File No. 333-282975).

Common Stock Dividends

We paid cash dividends of $3.30, $3.00, $9.60, and $8.70 per share on common stock during the quarters and nine months ended September 30, 2026 and 2025, respectively.

Restricted Stock

During the quarter and nine months ended September 30, 2026, a total of 3,151 shares of common stock with an aggregate fair market value of $987, and a total of 6,788 shares of common stock with an aggregate fair market value of $2,364, respectively, were withheld as payment in lieu of cash to satisfy tax withholding obligations in connection with the vesting of restricted stock. These shares were retired upon delivery. During the quarter and nine months ended September 30, 2025, a total of 9,086 shares of Class B common stock with an aggregate fair market value of $3,657 were withheld as payment in lieu of cash to satisfy tax withholding obligations in connection with the vesting of restricted stock. These shares were retired upon delivery.

Exercise of Stock Options

Cash received from Common stock issued upon the exercise of stock options during the quarters and nine months ended September 30, 2026 and 2025 was $3,086, $4,903, $16,080, and $17,763, respectively.

During the nine months ended September 30, 2026, 589 shares of Common stock with an aggregate fair market value of $242 were withheld as payment in lieu of cash for stock option exercises and related tax withholdings. These shares were retired upon delivery. During the nine months ended September 30, 2025, 2,232 shares of Common stock with an aggregate fair market value of $1,067 were withheld as payment in lieu of cash for stock option exercises. These shares were retired upon delivery.

Employee Stock Purchase Plan

During the quarters ended September 30, 2026 and 2025, we received proceeds of $640 and $666, respectively, for shares of our Common stock purchased under our employee stock purchase plan. During the nine months ended September 30, 2026 and 2025, we received proceeds of $1,900 and $1,899, respectively, for shares of our Common stock purchased under our employee stock purchase plan.

9. COMMITMENTS AND CONTINGENCIES

Litigation, Claims, and Assessments

We are involved in litigation incidental to the operation of our business. We vigorously defend all matters in which we or our subsidiaries are named defendants and, for insurable losses, maintain significant levels of insurance to protect against adverse judgments, claims or assessments that may affect us. Although the adequacy of existing insurance coverage and the outcome of any legal proceedings cannot be predicted with certainty, based on the current information available, we do not believe the ultimate liability associated with any known claims or litigation will have a material adverse effect on our financial condition or results of operations.

Since 2009, we have been a party to an agreement (the "Agreement") with Gree Electric Appliances, Inc. of Zhuhai, China ("Gree") that, among other things, provides us with exclusive distribution rights for certain Gree-branded products in the United States. A dispute has arisen between Gree and Watsco as to whether the automatic renewal provisions of the Agreement extended the term of the Agreement for an additional 10 years before the prior term was to end in January 2026.

In March 2026, Gree filed a complaint for declaratory judgment in Florida's Circuit Court for Miami-Dade County, seeking a judicial determination that the Agreement did not renew for a successive term and has in fact been terminated. In April 2026, we filed our answer and affirmative defenses to Gree's complaint, and we interposed counterclaims against Gree to enforce our rights under the Agreement, including seeking a judicial determination that the Agreement renewed for an additional 10-year period and remains in full force and effect, and an award for any damages resulting from Gree's improper purported termination or non-renewal of the Agreement and Gree's other related acts. We intend to vigorously prosecute our counterclaims and affirm our position that the Agreement automatically renewed for an additional 10-year period, and to vigorously defend against Gree's assertion that the Agreement was not renewed.

Any material interruption of the business arrangement with Gree under the Agreement could temporarily affect certain of our subsidiaries and may have an adverse impact on our consolidated financial results. For the 12-month period ended September 30, 2026, approximately 2% of our consolidated revenues were from the sale of Gree-branded products.

Self-Insurance

Self-insurance reserves are maintained relative to company-wide casualty insurance and health benefit programs. The level of exposure from catastrophic events is limited by the purchase of stop-loss and aggregate liability reinsurance coverage. When estimating the self-insurance liabilities and related reserves, management considers several factors, which include historical claims experience, demographic factors, severity factors, and valuations provided by independent third-party actuaries. Management reviews its assumptions with its independent third-party actuaries to evaluate whether the self-insurance reserves are adequate. If actual claims or adverse development of loss reserves occur and exceed these estimates, additional reserves may be required. Reserves in the amounts of $5,766 and $4,871 at September 30, 2026 and December 31, 2025, respectively, were established related to such programs and are included in accrued expenses and other current liabilities in our condensed consolidated unaudited balance sheets.

10. RELATED PARTY TRANSACTIONS

Purchases from Carrier and its affiliates comprised 62% and 61% of all inventory purchases made during the quarters ended September 30, 2026 and 2025, respectively. Purchases from Carrier and its affiliates comprised 63% and 61% of all inventory purchases made during the nine months ended September 30, 2026 and 2025, respectively. At September 30, 2026 and December 31, 2025, approximately $236,000 and $115,000, respectively, was payable to Carrier and its affiliates, net of receivables. We also sell HVAC products to Carrier and its affiliates. Revenues in our condensed consolidated unaudited statements of income for the quarters and nine months ended September 30, 2026 and 2025 included approximately $20,000, $42,000, $54,000, and $67,000, respectively, of sales to Carrier and its affiliates. We believe these transactions are conducted on terms equivalent to an arm's-length basis in the ordinary course of business.

A member of our Board of Directors is a Senior Chairman of Greenberg Traurig, P.A., which serves as our principal outside counsel for compliance and acquisition-related legal services. During the quarters and nine months ended September 30, 2026 and 2025, fees for services performed were $115, $12, $189, and $121, respectively, and $65 and $19 was payable at September 30, 2026 and December 31, 2025, respectively.

11. SEGMENT REPORTING

We have one operating and reporting segment: HVAC/R distribution. This sole line of business focuses exclusively on the distribution of air conditioning, heating, and refrigeration equipment and related parts and supplies. Our single reportable segment entity is managed on a consolidated basis, with the CEO serving as the chief operating decision maker ("CODM"). On a monthly basis, the CODM reviews financial information presented on a consolidated basis, as reported in the consolidated statements of income, and uses consolidated operating income and net income to assess performance and allocate resources. The CODM does not receive information that is disaggregated or presented outside of the consolidated statement of income.

Significant expenses within operating income and net income include cost of sales and selling, general and administrative expenses, which are each separately presented in the consolidated statements of income. Other segment items within net income include interest and income taxes.

Our operations are primarily within the United States, including Puerto Rico, Canada, and Mexico. Products are also sold from the United States on an export-only basis to portions of Latin America and the Caribbean Basin. See Note 2 for revenues disaggregated by geographical regions and major product line.

12. SUBSEQUENT EVENTS

On October 9, 2026, we completed the acquisition of Granite Group Holdings LLC and certain of its affiliated entities (collectively, "Granite"), a diversified distributor of plumbing and HVAC products with annual sales for the year ended December 31, 2025 of approximately $500,000, operating from 82 locations throughout seven states in the Northeast. Consideration for the purchase price consisted of $342,600 in cash, net of cash acquired, 338,176 shares of Common stock having a fair value of $94,655, and $81,997 for repayment of indebtedness.

On October 15, 2026, 799,431 shares of Class B restricted stock granted to our Chief Executive Officer ("CEO") during the period from 2011 to 2018 under various performance-based incentive plans vested. The vested shares had a value of $229,836 based on the closing price of our Class B common stock as of the vesting date. This vested value constitutes taxable compensation to our CEO for income tax purposes and was subject to statutory withholding. Upon vesting, we funded $90,441 in statutory withholding, which, in turn, was satisfied by the CEO by surrendering 314,576 shares of Class B common stock. Accordingly, 484,855 shares of Class B common stock were retained by the CEO, and we retired the surrendered shares. The value of the vested shares will be deducted on our 2026 income tax return and our provision for income taxes will reflect an income tax benefit and related reduction in our effective tax rate.

On October 21, 2026, we entered into an unsecured, five-year $750,000 syndicated multicurrency revolving credit agreement, which replaced in its entirety our prior five-year $600,000 unsecured revolving credit agreement that was set to mature on March 16, 2028. Proceeds from the new facility were used to repay the $69,700 outstanding under the prior facility. Additional proceeds may be used for, among other things, funding seasonal working capital needs and other general corporate purposes, including acquisitions, dividends (if and as declared by our Board of Directors), capital expenditures, stock repurchases, and issuances of letters of credit. The revolving credit facility has a seasonal component from September 1 to March 1 of each calendar year, during which the borrowing capacity may be reduced to $650,000, $550,000, or $450,000 at our discretion (which effectively reduces fees payable in respect of the unused portion of the commitment). Included in the revolving credit facility are a $150,000 alternative currency borrowing sublimit, a $125,000 swing line loan sublimit, and a $10,000 letter of credit sublimit. The credit agreement matures on October 21, 2031.

The following table presents the interest rates associated with borrowings under the revolving credit facility:

Borrowing Type	Interest Rate	Rate Adjustment	Spread	Applicable Spread at October 21, 2026 (1)
Daily Simple SOFR (2)	SOFR	-	1.0% - 1.375%	1.0%
Swing Line	Daily Simple SOFR	-	1.0% - 1.375%	1.0%
Term SOFR	Term SOFR	-	1.0% - 1.375%	1.0%
Base Rate	Federal Funds Effective Rate	0.5%	0% - 0.5%	0%
Base Rate	Term SOFR	1.0%	0% - 0.5%	0%
Base Rate	Prime Rate	-	0% - 0.5%	0%

(1) The applicable spread is dependent on our ratio of total debt to earnings before interest, taxes, depreciation, and amortization.
(2) Secured Overnight Financing Rate ("SOFR").

We pay a variable commitment fee on the unused portion of the commitment under the revolving credit agreement, ranging from 0.10% to 0.175% (0.10% at October 21, 2026).

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Forward-Looking Statements

This Quarterly Report on Form 10-Q 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 other things, (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, regulatory, 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 United States and in the international markets we serve;
- competitive factors within the HVAC/R industry;
- effects of supplier concentration, including conditions that impact the supply chain;
- the impact of trade policies and tariffs both in the United States and in the international markets we serve;
- 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;
- the effect of inflation;
- foreign currency exchange rate fluctuations;
- international risk, including related to changes in trade policies and tariffs;
- 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 Item 1A "Risk Factors" of our Annual Report on Form 10-K for the year ended December 31, 2025, 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.

The following information should be read in conjunction with the condensed consolidated unaudited financial statements, including the notes thereto, included under Part I, Item 1 of this Quarterly Report on Form 10-Q. In addition, reference should be made to our audited consolidated financial statements and notes thereto, and related Management's Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K for the year ended December 31, 2025.

Company Overview

Watsco, Inc. was incorporated in Florida in 1956, and, together with its subsidiaries (collectively, "Watsco," the "Company," or "we," "us," or "our") is the largest distributor of air conditioning, heating, and refrigeration equipment, and related parts and supplies ("HVAC/R") in the HVAC/R distribution industry in North America. At September 30, 2026, we operated from 722 locations in 43 U.S. States, Canada, Mexico, and Puerto Rico with additional market coverage on an export basis to portions of Latin America and the Caribbean.

Revenues primarily consist of sales of air conditioning, heating, and refrigeration equipment, and related parts and supplies. Selling, general and administrative expenses primarily consist of selling expenses, the largest components of which are salaries, commissions, and marketing expenses that are variable and correlate to changes in sales. Other significant selling, general and administrative expenses relate to the operation of warehouse and distribution facilities, including a fleet of trucks and forklifts, and facility rent, a majority of which we operate under non-cancelable operating leases.

Sales of residential central air conditioners, heating equipment, and parts and supplies are seasonal. Furthermore, profitability can be impacted favorably or unfavorably based on weather patterns, particularly during the Summer and Winter selling seasons. Demand related to the residential central air conditioning replacement market is typically highest in the second and third quarters, and demand for heating equipment is usually highest in the first and fourth quarters. Demand related to the new construction sectors throughout most of the markets we serve tends to be fairly evenly distributed throughout the year and depends largely on housing completions and related weather and economic conditions.

Tariffs

We continue to monitor macroeconomic conditions and developments in U.S. trade policy, which have implications for the various OEMs and vendors that comprise our supply chain. Many HVAC equipment and component manufacturers, including Carrier Global Corporation ("Carrier") and Rheem Manufacturing Company, source component parts from China and Mexico or assemble significant portions of residential and light-commercial products in Mexico, exposing them to tariffs and inflationary pressures.

In February 2026, the U.S. Supreme Court issued a decision invalidating the broad-based tariffs imposed under the International Emergency Economic Powers Act, providing potential relief from certain tariffs. In April 2026, the Trump Administration modified the Section 232 tariff framework so that tariffs on many imported aluminum, steel, and copper products are calculated on the full customs value of covered products rather than on only the value of the underlying metal content, which in some cases increased the amount of tariffs incurred by OEMs. The Trump Administration further modified the Section 232 tariff regime in June 2026 by temporarily reducing the tariff rate applicable to certain residential HVAC systems and components that qualify as covered derivative products from 25% to 15%, while also making other changes to product coverage and eligibility requirements. Although these changes may provide targeted relief for certain HVAC products, the broader tariff environment remains dynamic and may continue to contribute to cost pressures across portions of our supply chain.

Our OEM partners and suppliers continue to evaluate and implement various pricing actions that impact the cost of the products we procure. To mitigate these effects, we have implemented pricing actions where appropriate to respond to changes in the cost of the products we procure and continue to leverage our technology platforms and operating capabilities to respond efficiently to changing market conditions; however, it may not be possible to pass all of our OEM's pricing actions through to our customers. While the long-term impact of tariffs and related trade measures remains uncertain, we believe our focus on the HVAC replacement market remains a stabilizing factor, given the essential nature of these products in providing comfort and healthy environments for homeowners and businesses. However, if additional tariffs, trade restrictions, amendments to existing trade agreements, such as the United States-Mexico-Canada Agreement, or further tariff increases on goods sourced from or assembled in Mexico and China, significantly raise our product costs, then we may need to increase our prices further, which could lead to reduced sales, customer loss, and potential harm to our business. We will continue to actively monitor these developments and their implications for our supply chain, product costs, pricing strategy, and overall operations.

Climate Change and Reductions in CO_2e Emissions

We believe that our business plays an important and significant role in the drive to lower CO_2e emissions. According to the U.S. Department of Energy ("DOE"), heating and air conditioning accounts for roughly half of household energy consumption in the U.S. As such, replacing older, less efficient HVAC systems with higher efficiency systems is one of the most meaningful steps homeowners can take to reduce their electricity costs and carbon footprints.

The overwhelming majority of new HVAC systems that we sell replace systems that likely operate below current minimum efficiency standards in the U.S. and may use more harmful refrigerants that have been, or are being, phased out. As consumers replace HVAC systems with new, higher-efficiency systems, homeowners will consume less energy, save costs, and reduce their carbon footprints.

The sale of high-efficiency systems has long been a focus of ours, and we have invested in tools and technology intended to capture an increasingly richer sales mix over time. In addition, regulatory mandates will likely periodically increase the required minimum Seasonal Energy Efficiency Ratio rating, referred to as SEER, thus providing a catalyst for increased sales of higher-efficiency systems. The Company expects these regulations to reduce the carbon footprint of end-users and increase average selling prices over time, subject to customary risks of quality, availability, and performance of new HVAC systems.

The American Innovation and Manufacturing Act of 2020 granted the U.S. Environmental Protection Agency (the "EPA") the authority to regulate hydrofluorocarbon ("HFC") refrigerants. Although HFCs were introduced as alternatives to ozone-depleting substances like chlorofluorocarbons and hydrochlorofluorocarbons, they are now recognized greenhouse gases that impact climate change due to their high global warming potential ("GWP"). Consequently, a required 85% phasedown of HFC production and consumption over a 15-year period commenced on January 1, 2022 (40% of which was completed in 2024). Further regulations were implemented that (1) restricted the use of high-GWP refrigerants in HVAC systems manufactured after December 31, 2024 (the "410A Systems") and (2) established a timeline governing the sale and installation of 410A Systems by distributors and contractors. Beginning in late 2024, the Company, in collaboration with its OEMs and in anticipation of these regulatory changes, began transitioning its inventory to the new lower-GWP HVAC systems (the "A2L Systems") while phasing out its inventory of 410A Systems. The regulations permitted the sale and installation of matching 410A HVAC Systems (i.e., outdoor and indoor components that are installed together) through December 31, 2025, after which the outdoor and indoor components could be separately sold and installed thereafter without limitation or expiration. On October 3, 2025, the EPA proposed changes to this regulation that would eliminate or extend the December 31, 2025 sale and installation deadline of matching 410A Systems beyond that date, thus allowing the continued sale of such matching systems. On May 26, 2026, the EPA issued the final rule which eliminated the prior deadline for the sale and installation of matching 410A Systems effective July 26, 2026, thereby permitting the continued sale and installation of such systems. As of the date of this filing, the Company continues to sell matching 410A Systems and related components.

We offer a broad variety of systems that operate above the minimum SEER standards, ranging from base-level efficiency to systems that exceed 20 SEER. Based on estimates validated by independent sources, we averted an estimated 28.4 million metric tons of CO_2e emissions from January 1, 2020 to September 30, 2026 through the sale of replacement residential HVAC systems at higher-efficiency standards.

Gree Agreement

Since 2009, we have been a party to an agreement (the "Agreement") with Gree Electric Appliances, Inc. of Zhuhai, China ("Gree") that, among other things, provides us with exclusive distribution rights for certain Gree-branded products in the United States. A dispute has arisen between Gree and Watsco as to whether the automatic renewal provisions of the Agreement extended the term of the Agreement for an additional 10 years before the prior term was to end in January 2026.

In March 2026, Gree filed a complaint for declaratory judgment in Florida's Circuit Court for Miami-Dade County, seeking a judicial determination that the Agreement did not renew for a successive term and has in fact been terminated. In April 2026, we filed our answer and affirmative defenses to Gree's complaint, and we interposed counterclaims against Gree to enforce our rights under the Agreement, including seeking a judicial determination that the Agreement renewed for an additional 10-year period and remains in full force and effect, and an award for any damages resulting from Gree's improper purported termination or non-renewal of the Agreement and Gree's other related acts. We intend to vigorously prosecute our counterclaims and affirm our position that the Agreement automatically renewed for an additional 10-year period, and to vigorously defend against Gree's assertion that the Agreement was not renewed.

Any material interruption of the business arrangement with Gree under the Agreement could temporarily affect certain of our subsidiaries and may have an adverse impact on our consolidated financial results. For the 12-month period ended September 30, 2026, approximately 2% of our consolidated revenues were from the sale of Gree-branded products.

Critical Accounting Estimates

Management's discussion and analysis of financial condition and results of operations is based upon the condensed consolidated unaudited financial statements included in this Quarterly Report on Form 10-Q, which have been prepared in accordance with U.S. Generally Accepted Accounting Principles. The preparation of these condensed consolidated unaudited financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the condensed consolidated unaudited financial statements, and the reported amount of revenues and expenses during the reporting period. Actual results may differ from these estimates under different assumptions or conditions. At least quarterly, management reevaluates its judgments and estimates, which are based on historical experience, current trends, and various other assumptions that are believed to be reasonable under the circumstances.

Our critical accounting estimates are included in our Annual Report on Form 10-K for the year ended December 31, 2025, as filed with the SEC on February 27, 2026. We believe that there have been no significant changes during the quarter ended September 30, 2026 to the critical accounting estimates disclosed in our Annual Report on Form 10-K for the year ended December 31, 2025.

New Accounting Standards

Refer to Note 1 to our condensed consolidated unaudited financial statements included in this Quarterly Report on Form 10-Q for a discussion of recently adopted, and to be adopted, accounting standards.

Results of Operations

The following table summarizes information derived from our condensed consolidated unaudited statements of income, expressed as a percentage of revenues, for the quarters and nine months ended September 30, 2026 and 2025:

	Quarters Ended September 30,		Nine Months Ended September 30,	
	2026	2025	2026	2025
Revenues	**100.0%**	100.0%	**100.0%**	100.0%
Cost of sales	**73.6**	72.5	**72.8**	71.7
Gross profit	**26.4**	27.5	**27.2**	28.3
Selling, general and administrative expenses	**16.7**	16.6	**17.8**	17.8
Other income	**0.4**	0.5	**0.4**	0.4
Operating income	**10.1**	11.4	**9.8**	10.9
Interest income, net	**0.2**	0.2	**0.2**	0.2
Income before income taxes	**10.3**	11.5	**10.0**	11.1
Income taxes	**2.1**	2.4	**2.1**	2.3
Net income	**8.2**	9.2	**8.0**	8.8
Less: net income attributable to non-controlling interest	**1.2**	1.3	**1.2**	1.3
Net income attributable to Watsco, Inc.	**7.0%**	7.8%	**6.8%**	7.5%

Note: Due to rounding, percentages may not total 100.

The following narratives reflect our acquisitions of Jackson Supply Company ("Jackson") in June 2026, Southern Ice Equipment Distributors, Inc. ("SIE") in May 2025, Hawkins HVAC Distributors, Inc. ("Hawkins") in April 2025, and W.L. Lashley & Associates, Inc. ("Lashley") in January 2025.

In the following narratives, computations and other information referring to "same-store basis" exclude the effects of locations closed, acquired, or opened, in each case during the immediately preceding 12 months, unless such locations are within close geographical proximity to existing locations. At both September 30, 2026 and 2025, three locations that we opened during the immediately preceding 12 months were near existing locations and were therefore included in "same-store basis" information.

The table below summarizes the changes in our locations for the 12 months ended September 30, 2026:

	Number of Locations
September 30, 2025	698
Closed	(3)
December 31, 2025	695
Opened	5
Acquired	25
Closed	(3)
September 30, 2026	**722**

Third Quarter of 2026 Compared to Third Quarter of 2025

Revenues

(in millions)	Quarters Ended September 30, 2026	2025	Change	
Revenues	**$ 2,220.4**	$ 2,067.0	$ 153.4	7%

The increase in revenues for the third quarter of 2026 included $77.8 million attributable to new locations acquired and $1.1 million from other locations opened during the preceding 12 months, offset by $2.7 million from locations closed.

(in millions)	Quarters Ended September 30, 2026	2025	Change	
Same-store sales	**$ 2,141.5**	$ 2,064.3	$ 77.2	4%

The following table presents our revenues (excluding acquisitions) for the third quarter of 2026, as a percentage of sales by major product lines, and the related percentage change in revenues from the prior period:

	% of Sales Quarters Ended September 30, 2026	2025	Change
HVAC equipment	**67%**	67%	5%
Other HVAC products	**29%**	29%	2%
Commercial refrigeration products	**4%**	4%	10%

HVAC equipment sales comprise various products including, but not limited to, residential ducted and ductless systems, furnaces, and other indoor components, as well as commercial HVAC systems. Within HVAC equipment, sales of residential products increased 7% (reflecting a 7% increase in U.S. markets and a 13% increase in international markets) and sales of commercial products decreased 5% (reflecting a 10% decrease in U.S. markets and a 13% increase in international markets). Sales of residential compressor-bearing systems (ducted and ductless) reflect a 5% increase in units and a 2% increase in average selling price. The increase in unit volume was primarily due to stabilization of the HVAC equipment market after A2L product transition-related impacts experienced during 2025.

Gross Profit

(in millions)	Quarters Ended September 30, 2026	2025	Change	
Gross profit	**$ 586.3**	$ 568.9	$ 17.4	3%
Gross margin	**26.4%**	27.5%		

Gross profit margin declined 110 basis-points primarily due to customer mix, end-market mix, less impactful OEM pricing actions in 2026 versus 2025, and the change in sales mix of HVAC equipment and non-equipment products.

Selling, General and Administrative Expenses

(in millions)	Quarters Ended September 30, 2026	2025	Change	
Selling, general and administrative expenses	**$ 370.7**	$ 343.7	$ 27.0	8%
Selling, general and administrative expenses as a percentage of revenues	**16.7%**	16.6%		

On a same-store basis, selling, general and administrative expenses increased 5% as compared to 2025 primarily due to higher performance-based compensation, delivery and other variable expenses, and facilities costs, as well as continued investments in technology.

Other Income

Other income of $9.7 million and $9.5 million for the third quarters of 2026 and 2025, respectively, represented our share of the net income of Russell Sigler, Inc. ("RSI"), in which Carrier Enterprise I has a 38.4% equity interest. Carrier Enterprise I is one of our joint ventures with Carrier, in which we have an 80% controlling interest.

Interest Income, Net

Interest income, net for the third quarter of 2026 increased $0.9 million, or 23%, primarily due to higher cash and short-term cash investment balances on hand partially offset by lower interest rates earned on the balances for the 2026 period as compared to the same period in 2025.

Income Taxes

	Quarters Ended September 30,			
(in millions)	2026	2025	Change	
Income taxes	**$ 47.0**	$ 49.3	$ (2.3)	(5)%
Effective income tax rate	**23.0%**	23.2%		

Income taxes represent a composite of the income taxes attributable to our wholly owned operations and income taxes attributable to our joint ventures with Carrier, which are primarily taxed as partnerships for income tax purposes; therefore, Carrier is responsible for its proportionate share of income taxes attributable to its share of earnings from these joint ventures. The decrease in the effective income tax rate was primarily due to lower earnings and higher tax credits, partially offset by lower share-based compensation deductions in 2026 as compared to 2025.

Net Income Attributable to Watsco, Inc.

Net income attributable to Watsco, Inc. for the quarter ended September 30, 2026 decreased $6.2 million, or 4%, compared to the same period in 2025, primarily due to higher selling, general and administrative expenses, partially offset by higher gross profit and interest income and lower income taxes and net income attributable to the non-controlling interest.

Nine Months Ended September 30, 2026 Compared to Nine Months Ended September 30, 2025

Revenues

	Nine Months Ended September 30,			
(in millions)	2026	2025	Change	
Revenues	**$ 5,858.2**	$ 5,660.5	$ 197.7	3%

The increase in revenues for the nine months ended September 30, 2026 included $116.0 million attributable to new locations acquired and $2.7 million from other locations opened during the preceding 12 months, partially offset by $9.4 million from locations closed.

	Nine Months Ended September 30,			
(in millions)	2026	2025	Change	
Same-store sales	**$ 5,739.5**	$ 5,651.1	$ 88.4	2%

The following table presents our revenues (excluding acquisitions) for the nine months ended September 30, 2026 as a percentage of sales by major product lines, and the related percentage change in revenues from the prior period:

	% of Sales Nine Months Ended September 30,		
	2026	2025	Change
HVAC equipment	**67%**	67%	2%
Other HVAC products	**29%**	29%	1%
Commercial refrigeration products	**4%**	4%	14%

HVAC equipment sales comprise various products including, but not limited to, residential ducted and ductless systems, furnaces, and other indoor components, as well as commercial HVAC systems. Within HVAC equipment, sales of residential products increased 4% (reflecting a 5% increase in U.S. markets and a 5% decrease in international markets) and sales of commercial products decreased 4% (reflecting a 7% decrease in U.S. markets and a 4% increase in international markets). Sales of residential compressor-bearing systems (ducted and ductless) reflect a 1% decrease in units and a 4% increase in average selling price. The increase in average selling price was primarily due to the higher proportionate mix of A2L products in 2026 as compared to the same period in 2025.

Gross Profit

(in millions)	Nine Months Ended September 30, 2026	2025	Change	
Gross profit	**$ 1,592.8**	$ 1,602.0	$ (9.2)	(1)%
Gross margin	**27.2%**	28.3%		

Gross profit margin declined 110 basis-points primarily due to the impact of the timing and magnitude of OEM pricing actions as well as the stronger sales mix of HVAC equipment in 2026 as compared to the same period in 2025.

Selling, General and Administrative Expenses

(in millions)	Nine Months Ended September 30, 2026	2025	Change	
Selling, general and administrative expenses	**$ 1,042.6**	$ 1,005.2	$ 37.4	4%
Selling, general and administrative expenses as a percentage of revenues	**17.8%**	17.8%		

On a same-store basis, selling, general and administrative expenses increased 2% as compared to the same period in 2025 primarily due to higher facilities, variable selling costs, and delivery costs, as well as increased technology investments, partially offset by lower salaries and benefits.

Other Income

Other income of $23.6 million and $22.0 million for the nine months ended September 30, 2026 and 2025, respectively, represented our share of the net income of RSI, in which Carrier Enterprise I has a 38.4% equity interest.

Interest Income, Net

Interest income, net for the nine months ended September 30, 2026 increased $3.1 million, or 27%, primarily due to higher cash and short-term cash investment balances on hand partially offset by lower interest rates earned on the balances for the 2026 period as compared to the same period in 2025.

Income Taxes

(in millions)	Nine Months Ended September 30, 2026	2025	Change	
Income taxes	**$ 121.2**	$ 129.8	$ (8.6)	(7)%
Effective income tax rate	**23.2%**	23.2%		

Income taxes represent a composite of the income taxes attributable to our wholly owned operations and income taxes attributable to our joint ventures with Carrier, which are primarily taxed as partnerships for income tax purposes; therefore, Carrier is responsible for its proportionate share of income taxes attributable to its share of earnings from these joint ventures. The effective income tax rate was flat in 2026 as compared to 2025.

Net Income Attributable to Watsco, Inc.

Net income attributable to Watsco, Inc. for the nine months ended September 30, 2026 decreased $27.5 million, or 6%, compared to the same period in 2025, primarily due to lower gross profit and higher selling, general and administrative expenses, partially offset by lower income taxes and a decrease in the net income attributable to the non-controlling interest.

Liquidity and Capital Resources

We assess our liquidity in terms of our ability to generate cash to execute our business strategy and fund operating and investing activities, taking into consideration the seasonal demand for HVAC/R products, which peaks in the months of May through August. Significant factors that could affect our liquidity include the following:

- cash needed to fund our business (primarily working capital requirements);
- borrowing capacity under our revolving credit facility;
- the timing and extent of sales of Common stock under our at-the-market offering program;
- the ability to attract long-term capital with satisfactory terms;

- acquisitions, including joint ventures and investments in unconsolidated entities;
- dividend payments;
- capital expenditures; and
- the timing and extent of Common and Class B common stock (collectively "common stock") repurchases.

Sources and Uses of Cash

We rely on cash flows from operations and borrowing capacity under our revolving credit agreement to fund seasonal working capital needs and for other general corporate purposes in the short-term and the long-term, including dividend payments (if and as declared by our Board of Directors), capital expenditures, business acquisitions, and development of our long-term operating and technology strategies. Additionally, we may also generate cash through the issuance and sale of our Common stock.

We believe that the combination of our operating cash flows, cash on hand, short-term cash investments, available borrowings under our revolving credit agreement, and funds available from sales of our Common stock under our 2024 ATM Program, each of which is described below, will be sufficient to meet our liquidity needs for the foreseeable future. However, there can be no assurance that our current sources of available funds will be sufficient to meet our cash requirements.

As of September 30, 2026, we had $498.7 million of cash and cash equivalents, of which $103.5 million was held by foreign subsidiaries. The repatriation of cash balances from our foreign subsidiaries could have adverse tax impacts or be subject to capital controls; however, these balances are generally available to fund the ordinary business operations of our foreign subsidiaries without legal restrictions. We also had $150.0 million of short-term cash investments as of September 30, 2026, which consisted of certificates of deposit with varying maturities through April 2027.

Our access to funds under our revolving credit agreement depends on the ability of the syndicate banks to meet their respective funding commitments. Disruptions in the credit and capital markets could adversely affect our ability to draw on our revolving credit agreement and may also adversely affect the determination of interest rates, particularly rates based on the Secured Overnight Financing Rate, which is one of the base rates under our revolving credit agreement. Additionally, disruptions in the credit and capital markets could also result in increased borrowing costs or reduced borrowing capacity under our revolving credit agreement.

Working Capital

Working capital increased to $2,424.4 million at September 30, 2026 from $2,236.8 million at December 31, 2025, reflecting 25 new locations added by the acquisition of Jackson on June 1, 2026, which added $61.8 million of working capital. Excluding these new locations, working capital increased to $2,362.6 million due to higher inventory and higher accounts receivable. These increases were partially offset by higher accounts payable and accrued expenses and lower cash and short-term cash investments.

Cash Flows

The following table summarizes our cash flow activity for the nine months ended September 30, 2026 and 2025 (in millions):

	2026	2025	Change
Cash flows provided by operating activities	**$ 303.7**	$ 169.8	$ 133.9
Cash flows provided by investing activities	**$ 132.0**	$ 13.5	$ 118.5
Cash flows used in financing activities	**$ (368.8)**	$ (387.8)	$ 19.0

The individual items contributing to cash flow changes for the periods presented are detailed in the condensed consolidated unaudited statements of cash flows contained in this Quarterly Report on Form 10-Q.

Operating Activities

Net cash provided by operating activities was higher primarily due to the timing of vendor payments, which was partially offset by an increase in inventory and an increase in accounts receivable due to higher sales in 2026 as compared to 2025.

Investing Activities

Net cash provided by investing activities increased primarily due to higher net proceeds from certificates of deposit that matured in 2026 as compared to 2025.

Financing Activities

Net cash used in financing activities decreased primarily due to the timing of distributions to the non-controlling interest offset by increased dividends in 2026.

Revolving Credit Agreement

We maintain an unsecured, syndicated multicurrency revolving credit agreement, which may be used for, among other things, funding seasonal working capital needs and for other general corporate purposes, including acquisitions, dividends (if and as declared by our Board of Directors), capital expenditures, stock repurchases, and issuances of letters of credit. On October 21, 2026, we increased the aggregate borrowing capacity of our revolving credit agreement from $600.0 million to $750.0 million. The revolving credit facility has a seasonal component from September 1 to March 1 of each calendar year, during which the borrowing capacity may be reduced to $650.0 million, $550.0 million, or $450.0 million at our discretion (which effectively reduces fees payable in respect of the unused portion of the commitment). Included in the revolving credit facility are a $150.0 million alternative currency borrowing sublimit, a $125.0 million swing line loan sublimit, and a $10.0 million letter of credit sublimit. The credit agreement matures on October 21, 2031.

At September 30, 2026 and December 31, 2025, there was no outstanding balance under the revolving credit agreement. The revolving credit agreement contains customary affirmative and negative covenants, including financial covenants with respect to consolidated leverage and interest coverage ratios, and other customary restrictions. We believe we were in compliance with all covenants at September 30, 2026.

At-the-Market Offering Program

In May 2024, we entered into an amended and restated sales agreement with Robert W. Baird & Co. Inc. (the "2024 ATM Program"), which enables the issuance and sale of Common stock for a maximum aggregate offering amount of up to $400.0 million. At September 30, 2026, $400.0 million was available for sale under the 2024 ATM Program. The offer and sale of shares under the 2024 ATM Program have been registered under the Securities Act pursuant to our automatically effective shelf registration statement on Form S-3 (File No. 333-282975).

Investment in Unconsolidated Entity

Carrier Enterprise I has a 38.4% ownership interest in RSI, an HVAC distributor operating from 38 locations in the Western U.S. Our proportionate share of the net income of RSI is included in other income in our condensed consolidated unaudited statements of income.

Carrier Enterprise I is a party to a shareholders' agreement with RSI and its shareholders (the "RSI Shareholders' Agreement"), consisting of five Sigler second generation family siblings and their affiliates, who collectively own 55.4% of RSI (the "RSI Majority Holders") and certain next-generation Sigler family members and a RSI employee, who collectively own 6.2% of RSI (the "RSI Minority Holders" and, together with the RSI Majority Holders, the "RSI Shareholders"). Pursuant to the RSI Shareholders' Agreement, the RSI Shareholders have the right to sell, and Carrier Enterprise I has the obligation to purchase, their respective shares of RSI for a purchase price determined based on the higher of book value or a multiple of EBIT, the latter of which Carrier Enterprise I used to calculate the price for its 38.4% investment held in RSI. The RSI Shareholders may transfer their respective shares of RSI common stock only to members of the Sigler family or to Carrier Enterprise I, and, at any time from and after the date on which Carrier Enterprise I owns 85% or more of RSI's outstanding common stock, it has the right, but not the obligation, to purchase from the RSI Shareholders the remaining outstanding shares of RSI common stock. At September 30, 2026, using the criteria set forth in the RSI Shareholders' Agreement, the valuation of the RSI Shareholders' RSI common stock was approximately $487.0 million.

On July 28, 2023, Watsco, Carrier Enterprise I, and the RSI Majority Holders entered into an agreement that (1) provides Carrier Enterprise I the discretion, but not the obligation, to fund up to 80% of any purchase from the RSI Majority Holders of their RSI common stock, as required under the RSI Shareholders' Agreement, using Watsco Common stock (the "Offered Shares"), (2) provides that any Offered Shares actually issued would be valued based on the average volume-weighted average price of Watsco's Common stock for the 10 trading days immediately preceding the payment date for the applicable RSI shares, and (3) limits the amount of RSI shares that may be collectively sold by the RSI Majority Holders to Carrier Enterprise I under the RSI Shareholders' Agreement to $125.0 million during any rolling 12-month period. We have not issued or sold any Offered Shares, and there is no assurance that we will issue and sell any Offered Shares, nor is the number of Offered Shares that may be issued and sold currently determinable.

We believe that our operating cash flows, cash on hand, short-term cash investments, funds available for borrowing under our revolving credit agreement, or proceeds from the sale of Common stock under the 2024 ATM Program would be sufficient should the purchase of any additional ownership interests in RSI be made in cash pursuant to the agreement described in the preceding paragraph.

Acquisitions

Granite Group Holdings

On October 9, 2026, we completed the acquisition of Granite Group Holdings LLC and certain of its affiliated entities (collectively, "Granite"), a diversified distributor of plumbing and HVAC products with annual sales for the year ended December 31, 2025 of approximately $500.0 million, operating from 82 locations throughout seven states in the Northeast. Consideration for the purchase price consisted of $342.6 million in cash, net of cash acquired, 338,176 shares of Common stock having a fair value of $94.7 million, and $82.0 million for repayment of indebtedness.

Jackson Supply Company

On June 1, 2026, we acquired substantially all the assets and assumed certain of the liabilities of Jackson, a distributor of residential HVAC equipment and supplies with annual sales for the year ended December 31, 2025 of approximately $230.0 million, operating from 25 locations across Sunbelt markets in Texas, Louisiana, Tennessee, Alabama, Mississippi, Oklahoma, and Arizona. We formed a new, wholly owned subsidiary, Jackson Supply, LLC, that operates this business. Consideration for the net purchase price consisted of 517,884 shares of Common stock having a fair value of $186.2 million, net of cash acquired of $7.7 million.

Southern Ice Equipment Distributors, Inc.

On May 1, 2025, one of our wholly owned subsidiaries acquired SIE, a distributor of food service and ice machine equipment, parts and supplies, operating from seven locations in Arizona, Arkansas, Louisiana, Mississippi, New Mexico, and Texas. Consideration for the purchase consisted of $14.2 million in cash, net of cash acquired of $0.7 million, and 7,400 shares of Common stock having a fair value of $3.1 million, net of a discount for lack of marketability.

Hawkins HVAC Distributors, Inc.

On April 1, 2025, one of our wholly owned subsidiaries acquired Hawkins, a distributor of residential HVAC equipment and supplies, operating from two locations in North Carolina and South Carolina. Consideration for the purchase consisted of $2.5 million in cash, net of cash acquired of $0.4 million.

W.L. Lashley & Associates, Inc.

On January 3, 2025, Carrier Enterprise I acquired Lashley, a distributor of commercial HVAC supplies, operating from one location in Houston, Texas. Consideration for the purchase consisted of $3.7 million in cash, net of cash acquired of $0.8 million, 1,036 shares of Common stock having a fair value of $0.5 million, and $0.8 million for repayment of indebtedness. Carrier contributed $1.0 million cash to Carrier Enterprise I in connection with the acquisition of Lashley.

We continually evaluate potential acquisitions and/or joint ventures and investments in unconsolidated entities. We routinely hold discussions with several acquisition candidates. Should suitable acquisition opportunities arise that would require additional financing, we believe our financial position and earnings history provide a sufficient basis for us to either obtain additional debt financing at competitive rates and on reasonable terms or raise capital through the issuance of equity securities.

Common Stock Dividends

We paid cash dividends of $9.60 and $8.70 per share on common stock during the nine months ended September 30, 2026 and 2025, respectively. On October 1, 2026, our Board of Directors declared a regular quarterly cash dividend of $3.30 per share on common stock that was paid on October 30, 2026 to shareholders of record as of October 16, 2026. Future dividends and/or changes in dividend rates are at the sole discretion of the Board of Directors and depend upon factors including, but not limited to, cash flow generated by operations, profitability, financial condition, cash requirements, prospects, and other factors deemed relevant by our Board of Directors.

Dividend Reinvestment Plan

In March 2024, we implemented the Watsco, Inc. Dividend Reinvestment Plan (the "DRIP"), under which existing shareholders may, in accordance with the DRIP, acquire up to an aggregate of 300,000 shares of each of Common and Class B common stock, as applicable, by reinvesting all or a portion of the cash dividends paid on such shareholders' shares of common stock. The DRIP has been registered under the Securities Act pursuant to our automatically effective shelf registration statement on Form S-3 (File No. 333-282975). During the quarters ended September 30, 2026 and 2025, 10,206 and 17,256 shares of our common stock, respectively, were issued under the DRIP. During the nine months ended September 30, 2026 and 2025, 29,552 and 47,751 shares of our common stock, respectively, were issued under the DRIP.

Company Share Repurchase Program

In September 1999, our Board of Directors authorized the repurchase, at management's discretion, of up to 7,500,000 shares of common stock in the open market or via private transactions. Shares repurchased under the program are accounted for using the cost method and

result in a reduction of shareholders' equity. We last repurchased shares under this plan in 2008. In aggregate, 6,370,913 shares of common stock have been repurchased at a cost of $114.4 million since the inception of the program. At September 30, 2026, there were 1,129,087 shares remaining authorized for repurchase under the program.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes to the information regarding market risk provided in Item 7A, Quantitative and Qualitative Disclosures about Market Risk, of our Annual Report on Form 10-K for the year ended December 31, 2025.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) that are, among other things, designed to ensure that information required to be disclosed by us under the Exchange Act is accumulated and communicated to management, including our Chief Executive Officer ("CEO"), Executive Vice President ("EVP"), and Chief Financial Officer ("CFO"), to allow for timely decisions regarding required disclosure and appropriate SEC filings.

Our management, with the participation of our CEO, EVP, and CFO, evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report, and, based on that evaluation, our CEO, EVP, and CFO concluded that our disclosure controls and procedures were effective, at a reasonable assurance level, at and as of such date.

Changes in Internal Control over Financial Reporting

We continuously seek to improve the efficiency and effectiveness of our internal control over financial reporting. This results in refinements to processes throughout the Company. However, there were no changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the quarter ended September 30, 2026, that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

In accordance with the rules and regulations of the SEC, we have not yet assessed the internal control over financial reporting of Jackson, which represented approximately 4% of our total consolidated assets at September 30, 2026 and approximately 3% of our consolidated revenues for the quarter ended September 30, 2026. From the acquisition date of June 1, 2026 to September 30, 2026, the processes and systems of Jackson did not impact the internal control over financial reporting for our consolidated subsidiaries.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Information with respect to this item may be found in Note 9 to our condensed consolidated unaudited financial statements contained in this Quarterly Report on Form 10-Q under the caption "Litigation, Claims, and Assessments," which information is incorporated by reference in this Item 1 of Part II of this Quarterly Report on Form 10-Q.

ITEM 1A. RISK FACTORS

Information about risk factors for the quarter ended September 30, 2026 does not differ materially from that set forth in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2025.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased [1]	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Dollar Value that May Yet Be Purchased Under the Plans or Programs
July 1, 2026 to July 31, 2026	—	$ —	—	$ —
August 1, 2026 to August 31, 2026	2,637	312.49	—	—
September 1, 2026 to September 30, 2026	514	317.69	—	—
Total	3,151	$ 313.34	—	$ —

(1) During the quarter ended September 30, 2026, we purchased an aggregate of 3,151 shares of our common stock to satisfy the tax withholding obligations in connection with the vesting of restricted stock.

ITEM 5. OTHER INFORMATION

During the quarter ended September 30, 2026, none of our officers or directors adopted or terminated any contract, instruction or written plan for the purchase or sale of our securities that was intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) under the Exchange Act or any "non-Rule 10b5-1 trading arrangement," as defined in Item 408 of Regulation S-K.

ITEM 6. EXHIBITS

INDEX TO EXHIBITS

31.1	Certification of Chief Executive Officer pursuant to Securities Exchange Act Rules 13a- 15(e) and 15d-15(e) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. #
31.2	Certification of Executive Vice President pursuant to Securities Exchange Act Rules 13a-15(e) and 15d-15(e) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. #
31.3	Certification of Chief Financial Officer pursuant to Securities Exchange Act Rules 13a- 15(e) and 15d-15(e) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. #
32.1	Certification of Chief Executive Officer, Executive Vice President, and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. +
101.INS	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document. #
101.SCH	Inline XBRL Taxonomy Extension Schema With Embedded Linkbase Documents #
104	The cover page from the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2026, formatted in Inline XBRL.

Filed herewith.
+ Furnished herewith.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

WATSCO, INC.
(Registrant)

Date: November 6, 2026

By: /s/ Ana M. Menendez
Ana M. Menendez
Chief Financial Officer (on behalf of the Registrant and as Principal Financial Officer)

EXHIBIT 31.1

CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Albert H. Nahmad, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Watsco, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 6, 2026

/s/ Albert H. Nahmad
Albert H. Nahmad
Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Barry S. Logan, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Watsco, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 6, 2026

/s/ Barry S. Logan

Barry S. Logan
Executive Vice President

EXHIBIT 31.3

CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Ana M. Menendez, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Watsco, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 6, 2026

/s/ Ana M. Menendez

Ana M. Menendez
Chief Financial Officer

EXHIBIT 32.1

CERTIFICATION PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Watsco, Inc. ("Watsco") for the quarter and nine months ended September 30, 2026, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Albert H. Nahmad, as Chief Executive Officer of Watsco, Barry S. Logan, as Executive Vice President of Watsco and Ana M. Menendez, as Chief Financial Officer of Watsco, each hereby certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to our knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Watsco.

/s/ Albert H. Nahmad
Albert H. Nahmad
Chief Executive Officer
November 6, 2026

/s/ Barry S. Logan
Barry S. Logan
Executive Vice President
November 6, 2026

/s/ Ana M. Menendez
Ana M. Menendez
Chief Financial Officer
November 6, 2026

A signed original of this written statement required by Section 906, or other document authenticating acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Watsco and will be retained by Watsco and furnished to the Securities and Exchange Commission or its staff upon request.

This certification accompanies the Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by Watsco for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.