
Investor Presentation

William Blair Growth Stock Conference

June 12, 2018

watsco

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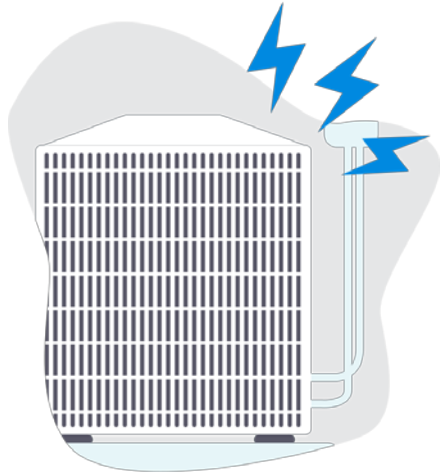
Safe Harbor Statement

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

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



Watsco's Business Model



Broken AC at a Home



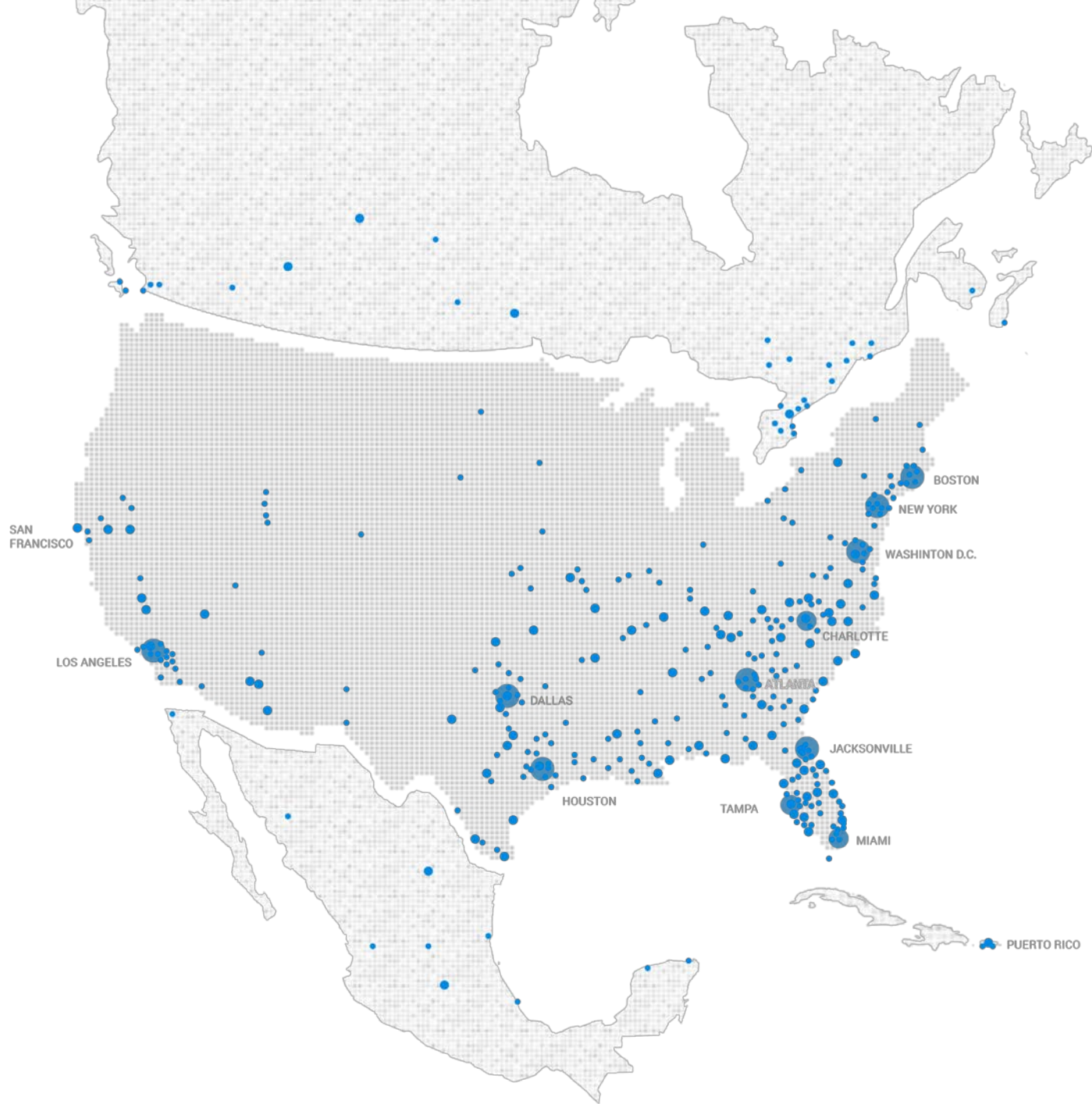
Contractor on site to diagnose



Contractor in our store



Contractor on site to repair/replace



Our Locations

United States	502
Canada	36
Latin America & Caribbean	25
TOTAL	563



Watsco's Investment Thesis

Market leader in a highly fragmented industry

Transforming customer experience with technology

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

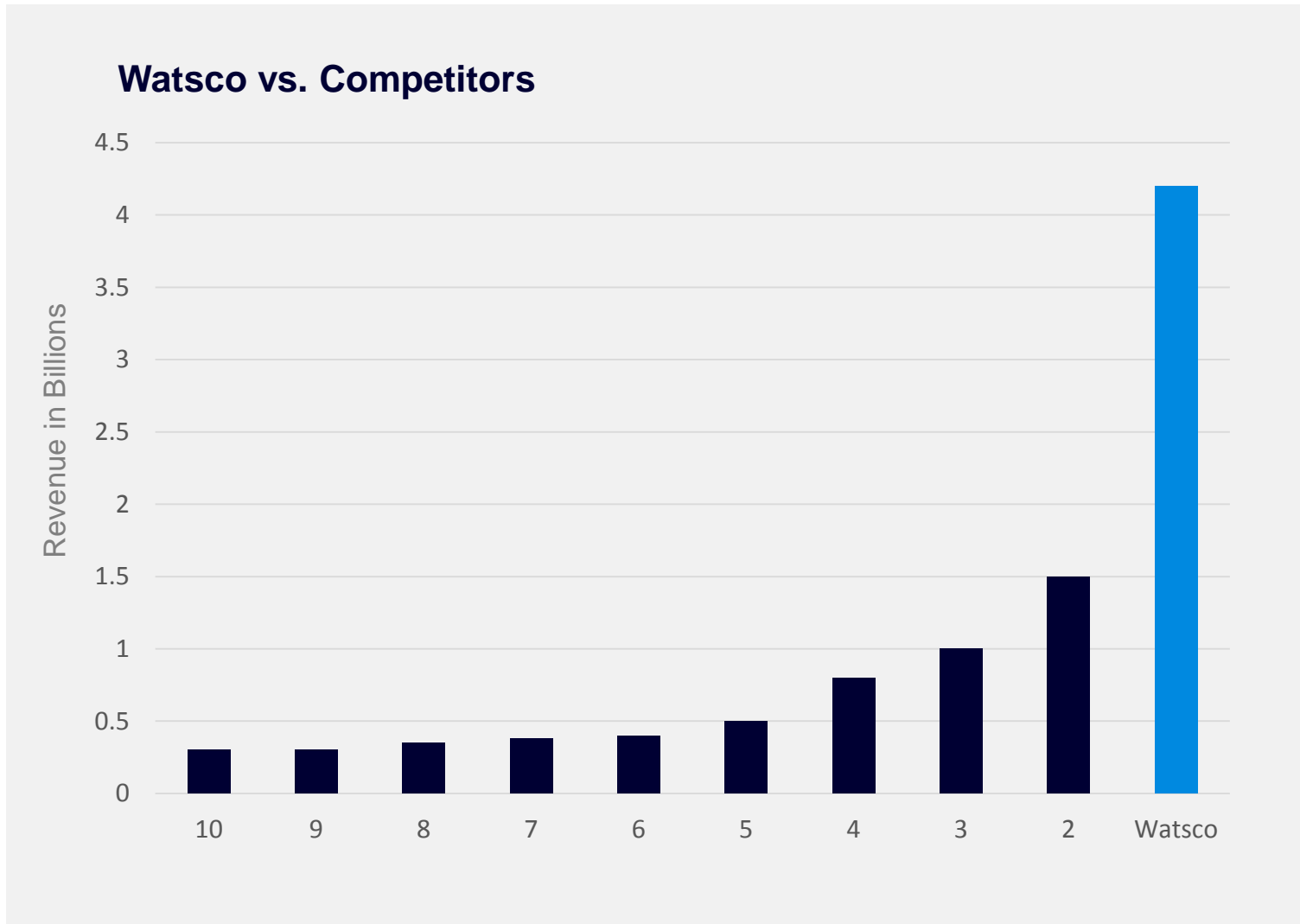
Deep Ties to the industry's leading OEMs and suppliers

Proven track record of delivering superior shareholder returns

Robust capital position to fund any growth opportunity



Market Leader in a Fragmented Market



Why scale matters:

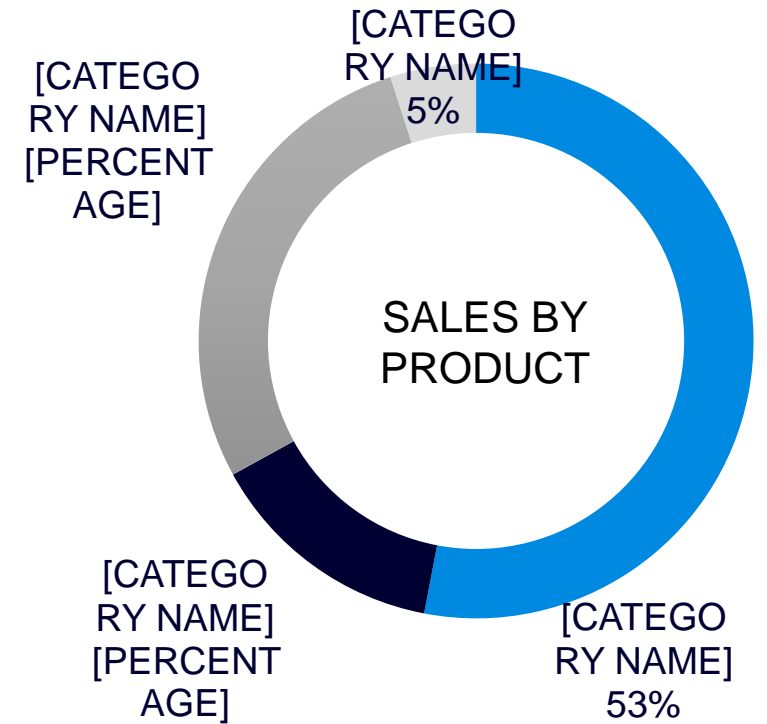
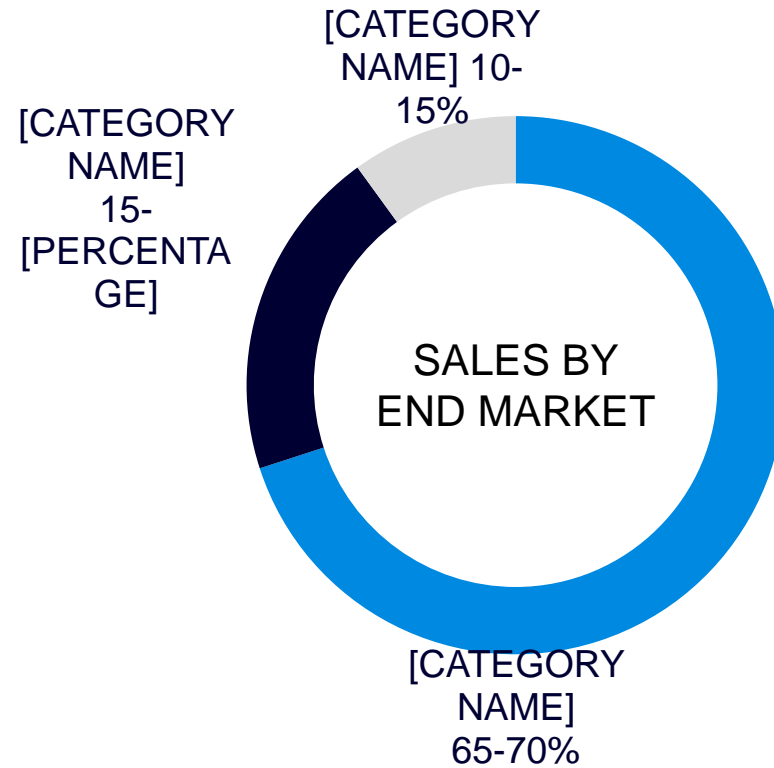
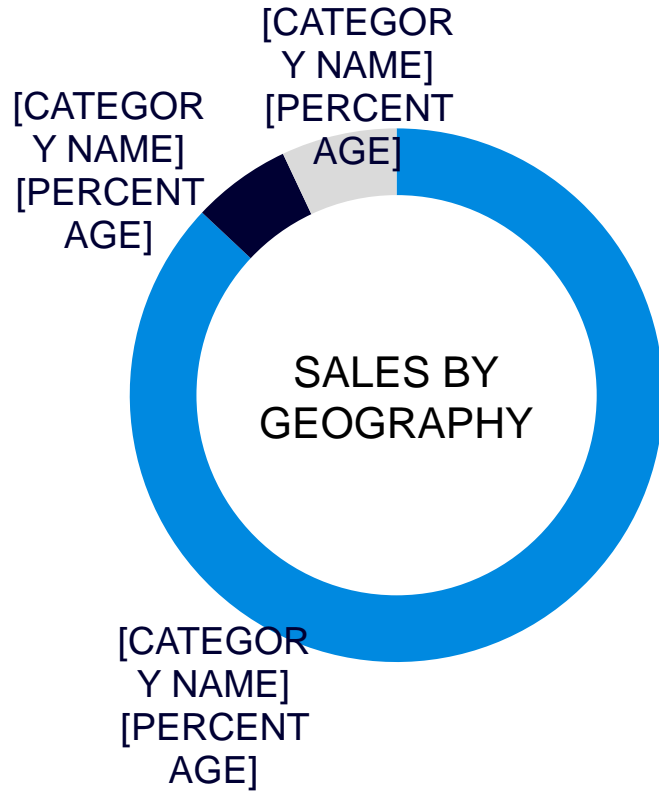
- Dense, diverse network to serve local markets
- Strategic to over 1,200 OEM suppliers
- Talent acquisition, retention and development
- Access to capital for growth & investment
- Technology-enabled throughout network

Significant barriers to entry:

- Technical know-how to serve HVAC customers
- Not a "do it yourself" product
- Brand exclusivities
- OEM approval required to acquire distribution
- Continued affinity with local relationships
- 24-hour fulfillment is 23 hours too late



End-Markets and Products

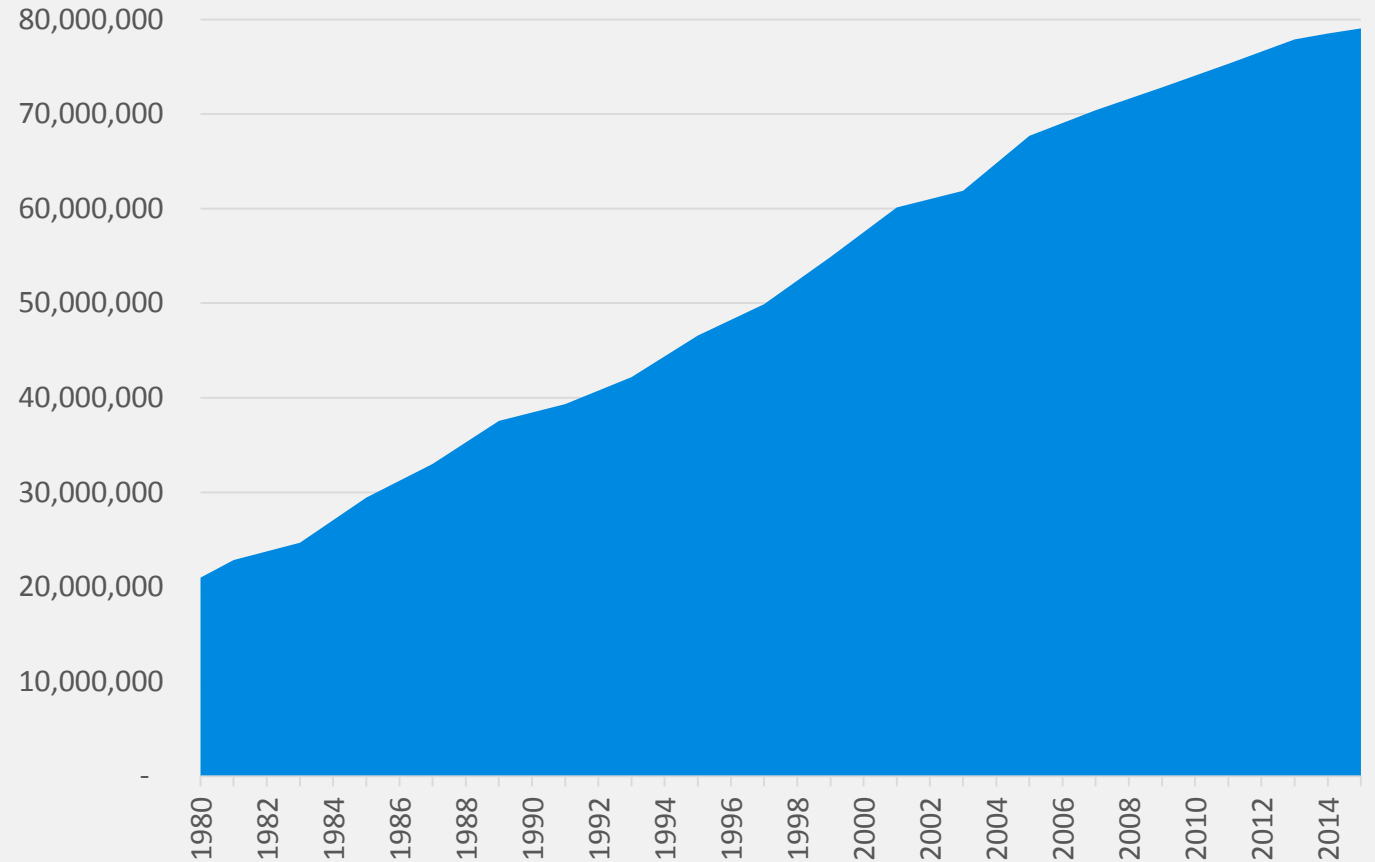


Installed Base

Large and Growing Installed Base Drives Steady Replacement Business

- Installed base has increased every year
- Over 110 million installed HVAC units in U.S.
- About 92 million units are 10+ years old
- 7 million+ units shipped in 2017
- 4.1% unit growth CAGR since 1980

Installed Base of Central A/C Units



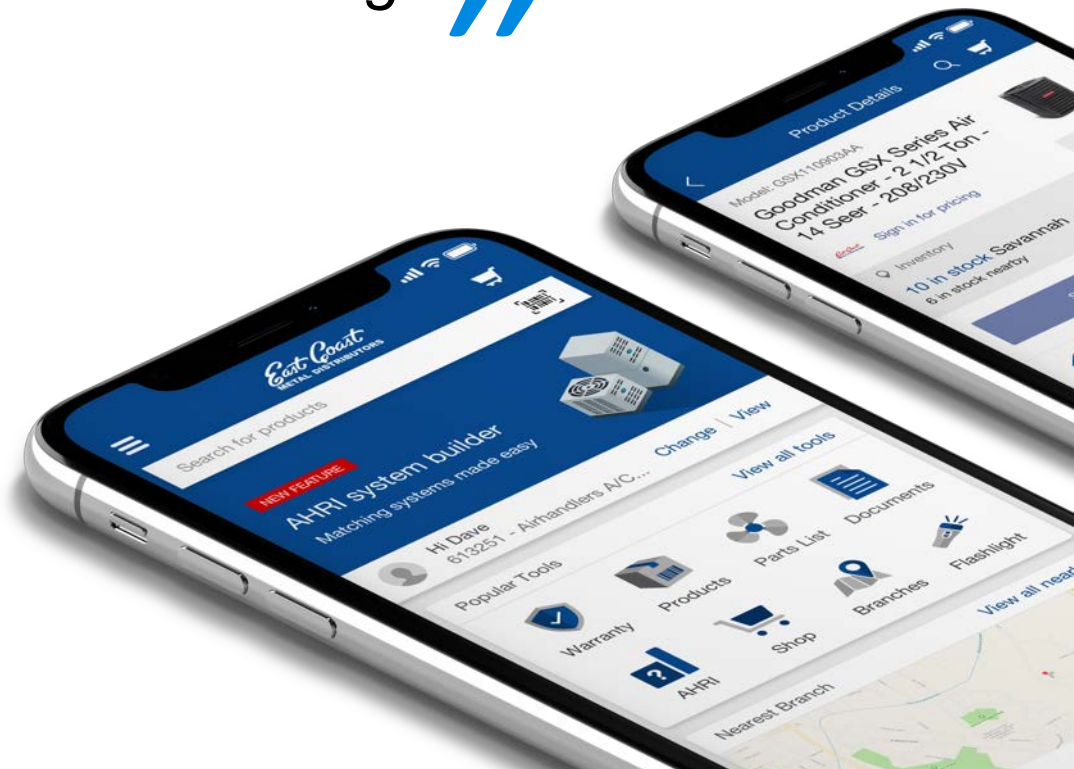
Using Technology to Transform the HVAC Industry

Help Our
Customers
Grow Their
Businesses

Transform Our **Customer**
Experience

Create New **Productivity**
Paradigms

*“A Technology Company That
Happens To Sell Heating &
Air Conditioning”*



Watsco's Digital Transformation



Traditional



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



Resources spend time **away from the jobs**



Waste eats into business profitability and growth

Digital



Ordering and pickups done in minutes, not hours



Teams and trucks focused on getting jobs done



Resources are deployed to margin-generating activities

VS

Technicians **complete more jobs** is a day

Customers are **more efficient** and profitable

Customer **Loyalty Increases**

Scalable to Future Acquisitions



Impact

300 bps

Improvement in **service level** fill rates to 97%

55 bps

Improvement in **inventory turns** for fully adopted locations

\$900M

In **e-commerce revenue** in 2017 and 25% revenue run-rate as of 1Q18

2.5x

Better **customer retention** ecommerce users

351

Branches with **Order Fulfilment Technology**

487,000 ft

Reduced real estate requirements in 2017

51%

Increase in **online transactions**

37%

More **line items per order** eCom vs in-store

Ownership Culture Linked To Value Creation

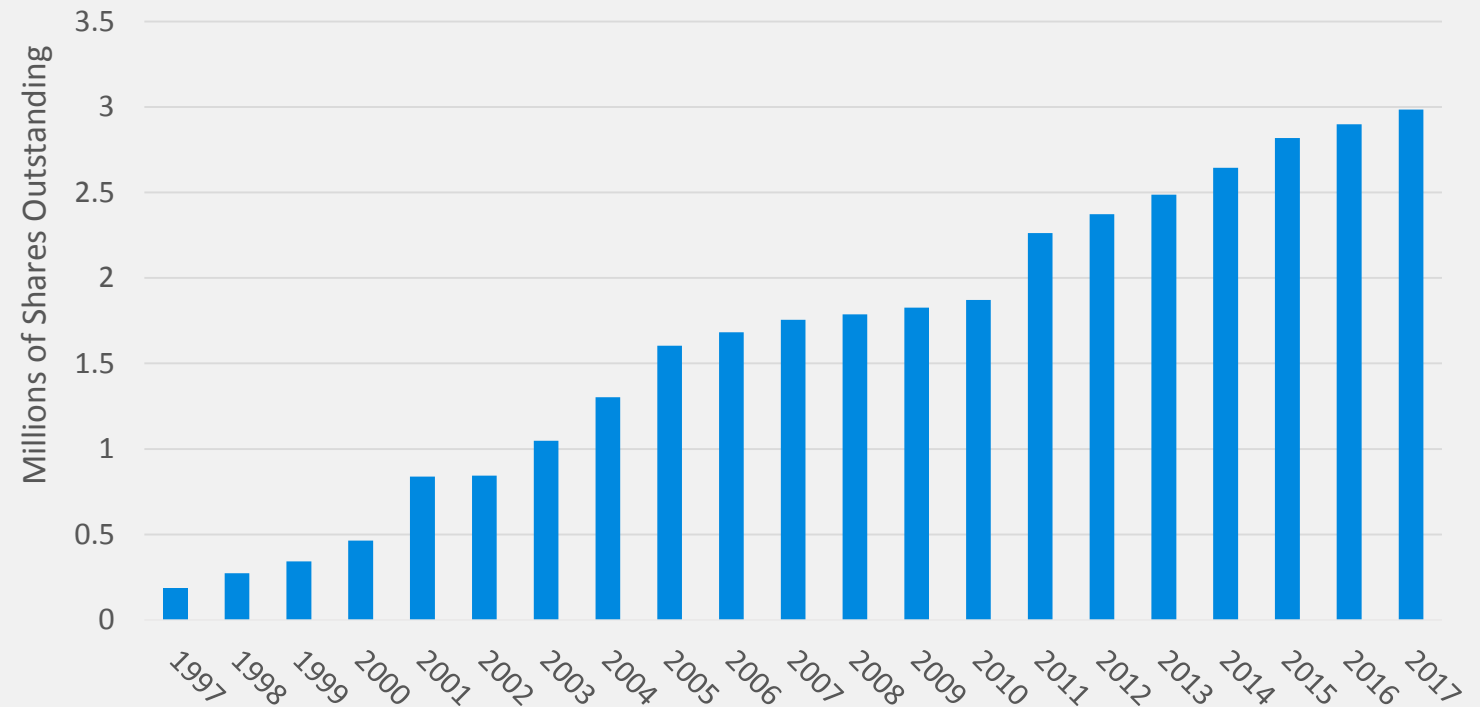
60 Restricted Stock Plan Participants

- Average vesting of approximately 11 years
- 82% of all shares granted remain outstanding
- 11% vested, only 7% forfeited

Other Equity Plans

- 150+ owners in stock option plan
- 800+ owners in Employee Stock Purchase Plan
- Nearly 5.0m shares held by all insiders

Restricted Stock Plan



Track Record

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

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

	1989*	LTM 3/31/18	CAGR
Revenues	\$64M	\$4.39B	16%
EBIT	\$2M	\$359.1M	20%
Share Price	\$2.70	\$180.97	16%
Dividends	\$1M	\$173M	20%
Market Cap	\$22M	\$6.76B	22%
Market Share (est.)	<1%	~12%	N/A
Locations	16	563	N/A

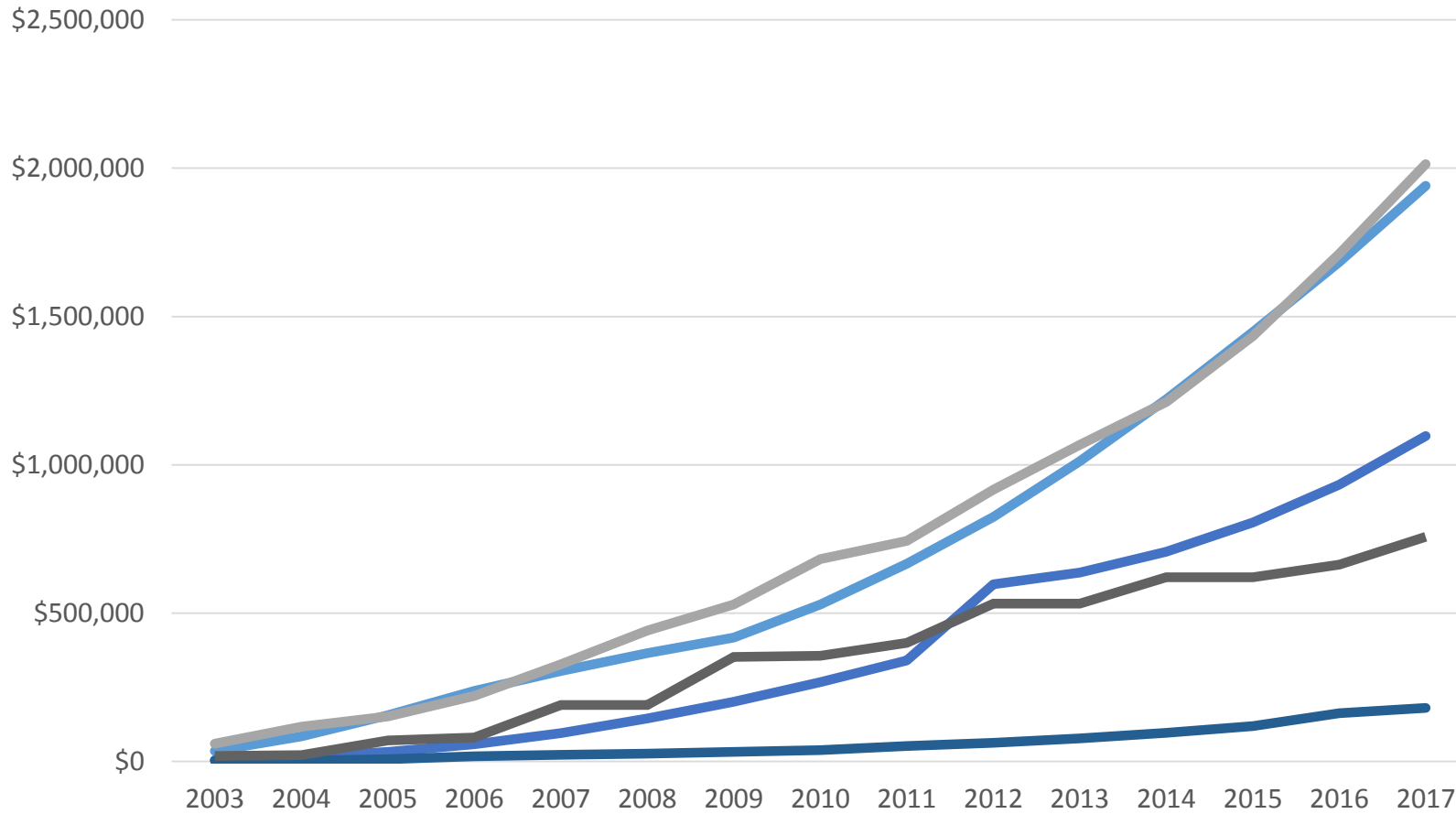
*1st year of distribution
Source: Company SEC filings

	5 YEAR	10 YEAR	15 YEAR	20 YEAR	25 YEAR
Annualized Total Shareholder Return	21%	21%	21%	15%	19%

Source: Factset as 12/31/17



Solid Cash Flow Performance



Source: Company SEC filings

15-Year Cumulative Results

Operating Cash flow: **\$2,013m**

Net Income: **\$1,940m**

Dividends: **\$1,097m**

Acquisitions: **\$757m**

Capital Expenditures, net: **\$180m**

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Robust Capital Position

Watsco maintains a conservative balance sheet.

Well-positioned to fund virtually any growth opportunity.

Annual Dividend Rate \$5.80 effective April 2018.

	2016	2017	3/31/18
Cash & Equivalents	\$56m	\$80m	\$58m
Total Debt	\$236m	\$22m	\$91m
Shareholders Equity	\$1,252m	\$1,551m	\$1,549m
Debt to Capitalization	16%	1%	1%
EBITDA*	\$366m	\$376m	\$381m
Net Debt to EBITDA	< 1.0x	< 1.0x	<1.0x
Operating Cash Flow*	\$278m	\$307m	\$230m
Dividends per share	\$3.60	\$4.60	\$5.80

Source: Company SEC filings

*EBITDA and Operation Cash Flow represent trailing twelve months

