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, 2024

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 **(State or other jurisdiction of incorporation or organization)**	**59-0778222** **(I.R.S. Employer Identification No.)**
2665 South Bayshore Drive, Suite 901 **Miami, FL** **(Address of principal executive offices)**	**33133** **(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 October 28, 2024 comprised (i) 34,829,623 shares of Common stock, $0.50 par value per share, excluding 4,066,981 treasury shares and (ii) 5,552,050 shares of Class B common stock, $0.50 par value per share, excluding 34,872 treasury shares.

WATSCO, INC. AND SUBSIDIARIES

QUARTERLY REPORT ON FORM 10-Q

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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)

	Quarter Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Revenues	**$2,160,036**	$2,126,845	**$5,864,355**	$5,680,570
Cost of sales	**1,593,792**	1,559,900	**4,287,726**	4,102,846
Gross profit	**566,244**	566,945	**1,576,629**	1,577,724
Selling, general and administrative expenses	**326,373**	319,834	**954,950**	911,046
Other income	**10,376**	9,506	**23,908**	20,384
Operating income	**250,247**	256,617	**645,587**	687,062
Interest (income) expense, net	**(6,773)**	1,890	**(14,156)**	5,920
Income before income taxes	**257,020**	254,727	**659,743**	681,142
Income taxes	**55,373**	54,103	**139,183**	144,744
Net income	**201,647**	200,624	**520,560**	536,398
Less: net income attributable to non-controlling interest	**30,616**	29,671	**81,115**	82,608
Net income attributable to Watsco, Inc.	**$ 171,031**	$ 170,953	**$ 439,445**	$ 453,790
Earnings per share for Common and Class B common stock:				
Basic	**$ 4.24**	$ 4.36	**$ 10.95**	**$ 11.64**
Diluted	**$ 4.22**	$ 4.35	**$ 10.92**	**$ 11.60**

See accompanying notes to condensed consolidated unaudited financial statements.

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

	Quarter Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Net income	**$201,647**	$200,624	**$520,560**	$536,398
Other comprehensive income (loss), net of tax				
Foreign currency translation adjustment	**4,809**	(6,966)	**(6,527)**	409
Other comprehensive income (loss)	**4,809**	(6,966)	**(6,527)**	409
Comprehensive income	**206,456**	193,658	**514,033**	536,807
Less: comprehensive income attributable to non-controlling interest	**32,143**	27,350	**79,145**	82,712
Comprehensive income attributable to Watsco, Inc.	**$174,313**	$166,308	**$434,888**	$454,095

See accompanying notes to condensed consolidated unaudited financial statements.

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

	September 30, 2024	December 31, 2023
ASSETS		
Current assets:		
Cash and cash equivalents	**$ 294,354**	$ 210,112
Short-term cash investments	**255,669**	—
Accounts receivable, net	**944,501**	797,832
Inventories, net	**1,596,795**	1,347,289
Other current assets	**41,673**	36,698
Total current assets	**3,132,992**	2,391,931
Property and equipment, net	**140,317**	136,230
Operating lease right-of-use assets	**401,000**	368,748
Goodwill	**458,829**	457,148
Intangible assets, net	**211,757**	218,146
Investment in unconsolidated entity	**162,018**	146,238
Other assets	**10,563**	10,741
	$ 4,517,476	$3,729,182
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current portion of lease liabilities	**$ 107,369**	$ 100,265
Accounts payable	**549,443**	369,396
Accrued expenses and other current liabilities	**276,337**	242,351
Total current liabilities	**933,149**	712,012
Long-term obligations:		
Borrowings under revolving credit agreement	—	15,400
Operating lease liabilities, net of current portion	**305,412**	276,913
Finance lease liabilities, net of current portion	**15,580**	12,214
Total long-term obligations	**320,992**	304,527
Deferred income taxes and other liabilities	**101,464**	96,453
Commitments and contingencies		
Watsco, Inc. shareholders' equity:		
Common stock, $0.50 par value	**19,447**	19,353
Class B common stock, $0.50 par value	**2,795**	2,781
Preferred stock, $0.50 par value	—	—
Paid-in capital	**1,486,504**	1,153,459
Accumulated other comprehensive loss, net of tax	**(46,888)**	(42,331)
Retained earnings	**1,308,166**	1,183,207
Treasury stock, at cost	**(73,649)**	(86,630)
Total Watsco, Inc. shareholders' equity	**2,696,375**	2,229,839
Non-controlling interest	**465,496**	386,351
Total shareholders' equity	**3,161,871**	2,616,190
	$ 4,517,476	$3,729,182

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, 2023	**39,441,280**	**$ 22,134**	**$1,153,459**	**$ (42,331)**	**$1,183,207**	**$(86,630)**	**$ 386,351**	**$2,616,190**
Net income					87,004		17,258	104,262
Other comprehensive (loss)				(5,539)			(2,461)	(8,000)
Issuances of restricted shares of common stock	87,660	44	(44)					—
Forfeitures of restricted shares of common stock	(12,064)	(6)	6					—
Common stock contribution to 401(k) plan	20,387	10	8,725					8,735
Stock issuances from exercise of stock options and employee stock purchase plan	53,029	27	10,719					10,746
Retirement of common stock	(1,425)	(1)	(564)					(565)
Net proceeds from the sale of Common stock	712,000		268,931			12,820		281,751
Common stock issued for Commercial Specialists, Inc.	1,904	1	751					752
Share-based compensation			10,467					10,467
Cash dividends declared and paid on Common and Class B common stock, $2.45 per share					(96,765)			(96,765)
Balance at March 31, 2024	**40,302,771**	**22,209**	**1,452,450**	**(47,870)**	**1,173,446**	**(73,810)**	**401,148**	**2,927,573**
Net income					181,410		33,241	214,651
Other comprehensive (loss)				(2,300)			(1,036)	(3,336)
Issuances of restricted shares of common stock	10,000	5	(5)					—
Forfeitures of restricted shares of common stock	(5,750)	(3)	3					—
Stock issuances from exercise of stock options and employee stock purchase plan	36,754	18	8,140					8,158
Retirement of common stock	(5,279)	(2)	(2,442)					(2,444)
Share-based compensation			8,390					8,390
Dividend reinvestment plan	4		1			—		1
Cash dividends declared and paid on Common and Class B common stock, $2.70 per share					(108,803)			(108,803)
Balance at June 30, 2024	**40,338,500**	**22,227**	**1,466,537**	**(50,170)**	**1,246,053**	**(73,810)**	**433,353**	**3,044,190**
Net income					171,031		30,616	201,647
Other comprehensive income				3,282			1,527	4,809
Issuances of restricted shares of common stock	8,500	4	(4)					—
Stock issuances from exercise of stock options and employee stock purchase plan	24,826	12	6,669					6,681
Retirement of common stock	(3,454)	(1)	(1,637)					(1,638)
Share-based compensation			8,546					8,546
Dividend reinvestment plan	13,394		6,393			161		6,554
Cash dividends declared and paid on Common and Class B common stock, $2.70 per share					(108,918)			(108,918)
Balance at September 30, 2024	**40,381,766**	**$ 22,242**	**$1,486,504**	**$ (46,888)**	**$1,308,166**	**$(73,649)**	**$ 465,496**	**$3,161,871**

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(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, 2022	**38,749,887**	**$ 21,811**	**$ 973,060**	**$ (47,710)**	**$1,029,516**	**$(87,440)**	**$ 359,041**	**$2,248,278**
Net income					110,073		20,298	130,371
Other comprehensive income				170			90	260
Issuances of restricted shares of common stock	116,510	58	(58)					—
Forfeitures of restricted shares of common stock	(2,000)	(1)	1					—
Common stock contribution to 401(k) plan	35,533	18	8,844					8,862
Stock issuances from exercise of stock options and employee stock purchase plan	75,186	38	12,947					12,985
Issuance of Class B common stock	632	—	200					200
Retirement of common stock	(21,702)	(11)	(6,441)					(6,452)
Share-based compensation			8,763					8,763
Cash dividends declared and paid on Common and Class B common stock, $2.45 per share					(94,970)			(94,970)
Balance at March 31, 2023	**38,954,046**	**21,913**	**997,316**	**(47,540)**	**1,044,619**	**(87,440)**	**379,429**	**2,308,297**
Net income					172,764		32,639	205,403
Other comprehensive income				4,780			2,335	7,115
Issuances of restricted shares of common stock	38,000	19	(19)					—
Forfeitures of restricted shares of common stock	(467)	—	—					—
Stock issuances from exercise of stock options and employee stock purchase plan	30,794	15	5,622					5,637
Retirement of common stock	(1,737)	(1)	(594)					(595)
Share-based compensation			6,828					6,828
Net proceeds from the sale of Common stock	45,000		13,994			810		14,804
Cash dividends declared and paid on Common and Class B common stock, $2.45 per share					(95,439)			(95,439)
Balance at June 30, 2023	**39,065,636**	**21,946**	**1,023,147**	**(42,760)**	**1,121,944**	**(86,630)**	**414,403**	**2,452,050**
Net income					170,953		29,671	200,624
Other comprehensive (loss)				(4,645)			(2,321)	(6,966)
Issuances of restricted shares of common stock	13,607	7	(7)					—
Forfeitures of restricted shares of common stock	(1,000)	(1)	1					—
Stock issuances from exercise of stock options and employee stock purchase plan	37,399	19	6,610					6,629
Retirement of common stock	(1,328)	—	(467)					(467)
Share-based compensation			7,262					7,262
Common stock issued for Gateway Supply Company, Inc.	280,215	140	102,203					102,343
Cash dividends declared and paid on Common and Class B common stock, $2.45 per share					(95,713)			(95,713)
Balance at September 30, 2023	**39,394,529**	**$ 22,111**	**$1,138,749**	**$ (47,405)**	**$1,197,184**	**$(86,630)**	**$ 441,753**	**$2,665,762**

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, 2024	Nine Months Ended September 30, 2023
Cash flows from operating activities:		
Net income	**$ 520,560**	$ 536,398
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	**30,331**	25,406
Share-based compensation	**25,063**	20,791
Non-cash contribution to 401(k) plan	**8,735**	8,862
Deferred income tax provision	**5,978**	5,892
Provision for doubtful accounts	**608**	3,185
Loss (gain) on sale of property and equipment	**575**	(344)
Other income from investment in unconsolidated entity	**(23,908)**	(20,384)
Changes in operating assets and liabilities, net of effects of acquisitions:		
Accounts receivable, net	**(145,071)**	(184,106)
Inventories, net	**(248,202)**	(143,746)
Accounts payable and other liabilities	**218,882**	17,608
Other, net	**654**	(6,222)
Net cash provided by operating activities	**394,205**	263,340
Cash flows from investing activities:		
Purchases of short-term cash investments	**(255,669)**	—
Capital expenditures	**(22,058)**	(25,500)
Business acquisitions, net of cash acquired	**(5,173)**	(3,827)
Proceeds from sale of property and equipment	**181**	1,277
Net cash used in investing activities	**(282,719)**	(28,050)
Cash flows from financing activities:		
Dividends on Common and Class B common stock	**(314,486)**	(286,122)
Net (repayments) proceeds under current revolving credit agreement	**(15,400)**	105,600
Net repayments of finance lease liabilities	**(4,449)**	(2,794)
Repurchases of common stock to satisfy employee withholding tax obligations	**(2,847)**	(2,639)
Net repayments under prior revolving credit agreement	**—**	(56,400)
Payment of fees related to revolving credit agreement	**—**	(837)
Net proceeds from Dividend Reinvestment Plan	**6,555**	—
Net proceeds from issuances of Common stock under employee-related plans	**23,782**	20,373
Net proceeds from the sale of Common stock	**281,784**	15,179
Net cash used in financing activities	**(25,061)**	(207,640)
Effect of foreign exchange rate changes on cash and cash equivalents	**(2,183)**	(133)
Net increase in cash and cash equivalents	**84,242**	27,517
Cash and cash equivalents at beginning of period	**210,112**	147,505
Cash and cash equivalents at end of period	**$ 294,354**	$ 175,022
Supplemental cash flow information:		
Common stock issued for Gateway Supply Company, Inc.	**—**	$ 101,645
Common stock issued for Commercial Specialists, Inc.	**$ 752**	—

See accompanying notes to condensed consolidated unaudited financial statements.

WATSCO, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS
September 30, 2024
(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, 2024 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 2023 Annual Report on Form 10-K.

The condensed consolidated unaudited financial statements include the accounts of Watsco, all of its wholly owned subsidiaries, the accounts of four joint ventures with Carrier Global Corporation, which we refer to as Carrier, in which we have a controlling interest, the accounts of Carrier InterAmerica Corporation and Carrier (Puerto Rico), Inc., in each of which we have an 80% controlling interest, and Carrier has a 20% non-controlling interest, and our 38.4% investment in Russell Sigler, Inc., which 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, 2024 are not necessarily indicative of the results to be expected for the year ending December 31, 2024. 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.

Short-Term Cash Investments

Short-term cash investments consist of certificates of deposit that have varying maturities through March 2025.

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

Segment Reporting

In September 2023, the Financial Accounting Standards Board ("FASB") issued guidance that enhances segment reporting primarily by expanding the disclosures about significant segment expenses. Under the new standard, an entity will be required to disclose significant segment expenses that are regularly provided to the chief operating decision maker ("CODM"), how the CODM assesses segment performance and decides how to allocate resources, the title and position of the CODM, and certain other disclosures. This guidance is effective prospectively and is effective for annual periods beginning after December 15, 2023 and for interim periods beginning after December 15, 2024. The adoption of this guidance on January 1, 2024 did not have a material impact on our consolidated financial statements.

Recently Issued Accounting Standards Not Yet Adopted

Income Taxes

In December 2023, the FASB issued guidance that enhances annual income tax disclosures primarily by disaggregating the existing disclosures related to the effective tax rate reconciliation and income taxes paid. Under the new guidance, an entity will be required to disclose specific categories in the rate reconciliation and provide additional information for reconciling items that meet a quantitative threshold. An entity will also be required to disclose the amount of income taxes paid disaggregated by federal, state, and foreign, and by individual jurisdictions equal to or greater than five percent of total income taxes paid. This guidance is effective prospectively and is effective for annual periods beginning after December 15, 2024. We do not expect the adoption of this guidance to have a material impact on our consolidated financial statements.

Climate Disclosures

In March 2024, the Securities and Exchange Commission ("SEC") adopted rules to enhance and standardize disclosures related to the impacts and risks of climate-related matters. Under the new rules, an entity will be required to disclose information about climate-related risks that have materially impacted, or are likely to have a material impact, on its business strategy, results of operations, or financial condition. In addition, certain disclosures related to severe weather events, other natural conditions, and greenhouse gas emissions will be required in the audited financial statements. These rules are effective prospectively and are effective for annual periods beginning with the year ending December 31, 2025. On April 4, 2024, the SEC announced that it will stay the implementation of its final rules pending the results of a legal challenge. We will continue to assess the impact of these rules on our consolidated financial statements while the stay is in place.

2. REVENUES

Disaggregation of Revenues

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

	Quarter Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Primary Geographical Regions:				
United States	**$1,954,991**	$1,924,556	**$5,280,176**	$5,118,591
Canada	**96,604**	100,030	**272,099**	288,653
Latin America and the Caribbean	**108,441**	102,259	**312,080**	273,326
	$2,160,036	$2,126,845	**$5,864,355**	$5,680,570
Major Product Lines:				
HVAC equipment	**70%**	70%	**69%**	69%
Other HVAC products	**26%**	26%	**27%**	27%
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 and Class B common stock:

	Quarter Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Basic Earnings per Share:				
Net income attributable to Watsco, Inc. shareholders	**$ 171,031**	$ 170,953	**$ 439,445**	$ 453,790
Less: distributed and undistributed earnings allocated to restricted common stock	**11,899**	11,921	**30,708**	31,248
Earnings allocated to Watsco, Inc. shareholders	**$ 159,132**	$ 159,032	**$ 408,737**	$ 422,542
Weighted-average common shares outstanding - Basic	**37,552,000**	36,446,825	**37,314,089**	36,315,680
Basic earnings per share for Common and Class B common stock	**$ 4.24**	$ 4.36	**$ 10.95**	$ 11.64
Allocation of earnings for Basic:				
Common stock	**$ 145,413**	$ 144,942	**$ 373,273**	$ 384,970
Class B common stock	**13,719**	14,090	**35,464**	37,572
	$ 159,132	$ 159,032	**$ 408,737**	$ 422,542
Diluted Earnings per Share:				
Net income attributable to Watsco, Inc. shareholders	**$ 171,031**	$ 170,953	**$ 439,445**	$ 453,790
Less: distributed and undistributed earnings allocated to restricted common stock	**11,886**	11,903	**30,682**	31,211
Earnings allocated to Watsco, Inc. shareholders	**$ 159,145**	$ 159,050	**$ 408,763**	$ 422,579
Weighted-average common shares outstanding - Basic	**37,552,000**	36,446,825	**37,314,089**	36,315,680
Effect of dilutive stock options	**119,752**	132,583	**119,761**	122,395
Weighted-average common shares outstanding - Diluted	**37,671,752**	36,579,408	**37,433,850**	36,438,075
Diluted earnings per share for Common and Class B common stock	**$ 4.22**	$ 4.35	**$ 10.92**	$ 11.60
Anti-dilutive stock options not included above	**16,519**	24,988	**28,274**	37,533

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, 2024 and 2023, our outstanding Class B common stock was convertible into 3,237,527 and 3,229,118 shares of our Common stock, respectively.

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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,	2024	2023
Foreign currency translation adjustment:		
Beginning balance	**$(42,331)**	$(47,710)
Current period other comprehensive (loss) income	**(4,557)**	305
Ending balance	**$(46,888)**	$(47,405)

5. ACQUISITIONS

Commercial Specialists, Inc.

On February 1, 2024, one of our wholly owned subsidiaries acquired Commercial Specialists, Inc. ("CSI"), a distributor of HVAC products with annual sales of approximately $13,000, operating from two locations in Kentucky and Ohio. Consideration for the purchase consisted of $6,037 in cash, 1,904 shares of Common stock having a fair value of $752, and $562 for repayment of indebtedness, net of cash acquired of $1,426. The preliminary purchase price resulted in the recognition of $2,469 in goodwill. The tax basis of such goodwill is deductible for income tax purposes over 15 years.

Gateway Supply Company, Inc.

On September 1, 2023, we acquired substantially all the assets and assumed certain of the liabilities of Gateway Supply Company, Inc. ("GWS"), a plumbing and HVAC distributor with annual sales of approximately $180,000, operating from 15 locations in South Carolina and one location in Charlotte, North Carolina. We formed a new, wholly owned subsidiary, Gateway Supply LLC, that operates this business. Consideration for the net purchase price consisted of $4,000 in cash, net of cash acquired of $3,102, and 280,215 shares of Common stock having a fair value of $101,645, net of a discount for lack of marketability. Of the 280,215 shares of Common stock issued, 21,228 shares were subject to a contractual restriction that generally prohibited the sale or other transfer of such shares by GWS and its permitted transferees for a period of one year following the closing date with respect to half of such shares, and two years following the closing date with respect to the other half of such shares. The purchase price resulted in the recognition of $69,086 in goodwill and intangibles. The fair value of the identified intangible assets was $44,000 and consisted of $18,600 in trade names and distribution rights, and $25,400 in customer relationships to be amortized over an 18-year period. The tax basis of the acquired goodwill recognized is not deductible for income tax purposes.

The table below presents the allocation of the total consideration to tangible and intangible assets acquired and liabilities assumed from the acquisition of GWS based on their respective fair values as of September 1, 2023:

Accounts receivable	$ 21,159
Inventories	37,098
Other current assets	319
Property and equipment	3,213
Operating lease ROU assets	15,737
Goodwill	25,086
Intangibles	44,000
Other assets	86
Current portion of long-term liabilities	(3,633)
Accounts payable	(8,306)
Accrued expenses and other current liabilities	(4,934)
Operating lease liabilities, net of current portion	(12,434)
Finance lease liabilities, net of current portion	(1,431)
Other liabilities	(13,417)
Total	$102,543

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Capitol District Supply Co., Inc.

On March 3, 2023, one of our wholly owned subsidiaries acquired Capitol District Supply Co., Inc., a distributor of plumbing and air conditioning and heating products with annual sales of approximately $13,000, operating from three locations in New York. Consideration for the purchase consisted of $1,217 in cash, net of cash acquired of $144, and $1,851 for repayment of indebtedness. The purchase price resulted in the recognition of $1,055 in goodwill and intangibles. The fair value of the identified intangible assets was $606 and consisted of $430 in trade names and distribution rights, and $176 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.

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 and option 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 exchange contract not designated as a hedging instrument at September 30, 2024, the total notional value of which was $8,900. Such contract expired in October 2024.

We recognized gains (losses) of $1,312 and $(371) from foreign currency forward and option contracts not designated as hedging instruments in our condensed consolidated unaudited statements of income for the quarters ended September 30, 2024 and 2023, respectively. We recognized gains (losses) of $2,908 and $(2,423) from foreign currency forward and option contracts not designated as hedging instruments in our condensed consolidated unaudited statements of income for the nine months ended September 30, 2024 and 2023, 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, 2024 Using		
	Balance Sheet Location	Total	Level 1	Level 2	Level 3
Assets:					
Certificates of deposit	Short-term cash investments	**$255,669**	—	**$255,669**	—
Derivative financial instruments	Other current assets	**$ 4**	—	**$ 4**	—
Equity securities	Other assets	**$ 970**	**$ 970**	—	—
Private equities	Other assets	**$ 1,500**	—	—	**$1,500**

			Fair Value Measurements at December 31, 2023 Using		
	Balance Sheet Location	Total	Level 1	Level 2	Level 3
Assets:					
Derivative financial instruments	Other current assets	$ 5	—	$ 5	—
Equity securities	Other assets	$ 1,044	$1,044	—	—
Private equities	Other assets	$ 1,500	—	—	$1,500

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:

Short-term cash investments – these investments consist of certificates of deposit that have varying maturities through March 2025. We classify these investments within Level 2 of the valuation hierarchy because fair value is based on indirectly observable market inputs.

Derivative financial instruments – these derivatives are foreign currency forward and option 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.

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

8. SHAREHOLDERS' EQUITY

Dividend Reinvestment Plan

On March 29, 2024, we implemented the Watsco, Inc. Dividend Reinvestment Plan (the "Plan"), under which existing shareholders may, in accordance with the Plan, acquire shares of the Company's Common stock or Class B common stock, as applicable (collectively "common stock"), by reinvesting all or a portion of the cash dividends paid on such shareholders' shares of common stock. The Plan 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. 333-260758).

During the quarter and nine months ended September 30, 2024, we issued 13,394 and 13,398 shares of common stock under the Plan, respectively.

At-the-Market Offering Program

On August 6, 2021, we executed a sales agreement with Robert W. Baird & Co. Inc. ("Baird"), which enabled the Company to issue and sell shares of Common stock in one or more negotiated transactions or transactions that are deemed to be "at the market" offerings as defined in Rule 415 under the Securities Act of 1933, as amended (the "Securities Act"), for a maximum aggregate offering amount of up to $300,000 (the "2021 ATM Program").

During the quarter ended March 31, 2024, we issued and sold 712,000 shares of Common stock under the 2021 ATM Program for net proceeds of $281,784. Direct costs of $33 incurred in connection with the offering were charged against the proceeds from the sale of Common stock and reflected as a reduction of paid-in capital. Cumulatively, $298,455 of Common stock was sold under the 2021 ATM Program.

On May 3, 2024, we executed an amended and restated sales agreement with Baird (the "2024 ATM Program"), which enables the further issuance of up to $400,000 of Common stock. At September 30, 2024, $400,000 was available for sale under the 2024 ATM Program. The offer and sale of shares under the 2024 ATM Program were registered under the Securities Act pursuant to our automatically effective shelf registration statement on Form S-3 (File No. 333-260758).

Common Stock Dividends

We paid cash dividends of $2.70, $2.45, $7.85, and $7.35 per share on both Common and Class B common stock during the quarters and nine months ended September 30, 2024 and 2023, respectively.

Restricted Stock

During the quarter and nine months ended September 30, 2024, a total of 3,454 shares of Common and Class B common stock with an aggregate fair market value of $1,638, and a total of 6,159 shares of Common and Class B common stock with an aggregate fair market value of $2,787, 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, 2023, a total of 1,033 shares of Common and Class B common stock with an aggregate fair market value of $362, and a total of 7,080 shares of Common and Class B common stock with an aggregate fair market value of $2,026, 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.

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, 2024 and 2023, was $6,097, $5,983, $22,049, and $18,677, respectively.

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During the nine months ended September 30, 2024, 3,999 shares of Common stock with an aggregate fair market value of $1,860 were withheld as payment in lieu of cash for stock option exercises and related tax withholdings. These shares were retired upon delivery. During the quarter and nine months ended September 30, 2023, a total of 295 shares of Common stock with an aggregate fair market value of $106, and a total of 17,687 shares of Common stock with an aggregate fair market value of $5,489, respectively, 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, 2024 and 2023, we received proceeds of $583 and $563, respectively, for shares of our Common stock purchased under our employee stock purchase plan. During the nine months ended September 30, 2024 and 2023, we received proceeds of $1,734 and $1,696, 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.

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 $8,351 and $9,747 at September 30, 2024 and December 31, 2023, respectively, were established related to such programs and are included in accrued expenses and other current liabilities in our condensed consolidated unaudited balance sheets.

Purchase Obligations

At September 30, 2024, we were obligated under various non-cancelable purchase orders with our key suppliers for goods aggregating approximately $460,000, with approximately $250,000 attributable to Carrier and its affiliates.

10. RELATED PARTY TRANSACTIONS

Purchases from Carrier and its affiliates comprised 61% and 67% of all inventory purchases made during the quarters ended September 30, 2024 and 2023, respectively. Purchases from Carrier and its affiliates comprised 62% and 65% of all inventory purchases made during the nine months ended September 30, 2024 and 2023, respectively. At September 30, 2024 and December 31, 2023, approximately $128,000 and $100,000, 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, 2024 and 2023 included approximately $24,000, $34,000, $64,000, and $88,000, 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, 2024 and 2023, fees for services performed were $28, $60, $229, and $131, respectively, and $41 and $3 was payable at September 30, 2024 and December 31, 2023, respectively.

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 others, (i) economic conditions, (ii) business and acquisition strategies, (iii) potential acquisitions and/or joint ventures and investments in unconsolidated entities, (iv) financing plans, and (v) industry, demographic and other trends affecting our financial condition or results of operations. These forward-looking statements are based on management's current expectations, are not guarantees of future performance and are subject to a number of risks, uncertainties, and changes in circumstances, certain of which are beyond our control. Actual results could differ materially from these forward-looking statements as a result of several factors, including, but not limited to:

- general economic conditions, both in the 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;
- 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;
- 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, 2023, 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, 2023.

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, 2024, we operated from 689 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 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.

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 United States Department of Energy, heating and air conditioning accounts for roughly half of household energy consumption in the United States. 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 United States 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 greater sales of higher-efficiency systems. Recently enacted regulations increased the current minimum SEER beginning in 2023 (generally, to 14 SEER from 13 SEER in the Northern U.S. and to 15 SEER from 14 SEER for the Southern U.S.).

Additionally, the American Innovation and Manufacturing Act of 2020 granted the U.S. Environmental Protection Agency 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 as potent greenhouse gases due to their high global warming potential (“GWP”). Consequently, a phasedown of HFC production and consumption by 85% over a 15-year period commenced on January 1, 2022, and regulations were established requiring HVAC systems to use refrigerants with a GWP under 750 by January 1, 2025. In response to these regulations, OEMs have begun the transition to new refrigerants. These regulations advance product innovation, improve homeowner energy efficiency, reduce the carbon footprint of end-users, and increase average selling prices over time. 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 21.8 million metric tons of CO_2e emissions from January 1, 2020 to September 30, 2024 through the sale of replacement residential HVAC systems at higher-efficiency standards.

Federal Tax Credits and State Incentives

Demand for higher-efficiency products, such as variable-speed systems and heat pumps, is expected to increase due to the passage of the U.S. Inflation Reduction Act of 2022 (the “IRA”) in August 2022. This legislation is intended, in part, to promote the replacement of existing systems in favor of high-efficiency heat pump systems that reduce greenhouse gas emissions, as compared to older systems, and thereby combat climate change. Programs under the IRA include enhanced tax credits for homeowners who install qualifying HVAC equipment and tax deductions for owners of commercial buildings that are upgraded to achieve defined energy savings. The IRA also sets aside $4.3 billion for state-administered consumer rebate programs designed to promote energy savings for low and medium-income households, including HVAC systems. Further details, including qualifying products, specific programs, states participating, and other regulatory requirements contemplated by the IRA are still being finalized.

Impact of Hurricanes

Hurricane Helene interrupted sales and operations in several of our markets in the Southeastern U.S. during the last week of September 2024. The disruptions to our sales and operations did not have a significant impact on our results of operations for the third quarter or nine months ended September 30, 2024. We do not expect the disruptions related to this storm to have a material impact on future operations.

Hurricane Milton made landfall in Florida on October 10, 2024. We are currently evaluating the impact of that storm on our operations; however, we do not expect the disruptions caused by this storm to be material.

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, 2023, as filed with the SEC on February 23, 2024. We believe that there have been no significant changes during the quarter ended September 30, 2024 to the critical accounting estimates disclosed in our Annual Report on Form 10-K for the year ended December 31, 2023.

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, 2024 and 2023:

	Quarter Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Revenues	**100.0%**	100.0%	**100.0%**	100.0%
Cost of sales	**73.8**	73.3	**73.1**	72.2
Gross profit	**26.2**	26.7	**26.9**	27.8
Selling, general and administrative expenses	**15.1**	15.0	**16.3**	16.0
Other income	**0.5**	0.4	**0.4**	0.4
Operating income	**11.6**	12.1	**11.0**	12.1
Interest (income) expense, net	**(0.3)**	0.1	**(0.2)**	0.1
Income before income taxes	**11.9**	12.0	**11.3**	12.0
Income taxes	**2.6**	2.5	**2.4**	2.5
Net income	**9.3**	9.4	**8.9**	9.4
Less: net income attributable to non-controlling interest	**1.4**	1.4	**1.4**	1.5
Net income attributable to Watsco, Inc.	**7.9%**	8.0%	**7.5%**	8.0%

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

The following narratives reflect our acquisitions of Commercial Specialists, Inc. ("CSI") in February 2024, Gateway Supply Company, Inc. ("GWS") in September 2023, and Capitol District Supply Co., Inc. ("Capitol") in March 2023. We did not acquire any businesses during the quarter ended September 30, 2024.

In the following narratives, computations and other information referring to "same-store basis" exclude the effects of locations closed, acquired, or locations 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, 2024 and 2023, 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, 2024:

	Number of Locations
September 30, 2023	691
Opened	1
Closed	(2)
December 31, 2023	690
Opened	7
Acquired	2
Closed	(10)
September 30, 2024	**689**

Third Quarter of 2024 Compared to Third Quarter of 2023

Revenues

	Quarter Ended September 30,			
(in millions)	2024	2023	Change	
Revenues	**$ 2,160.0**	$ 2,126.8	$33.2	2%

The increase in revenues for the third quarter of 2024 included $37.5 million attributable to new locations acquired and $2.8 million from other locations opened during the preceding 12 months, offset by $2.6 million from locations closed.

	Quarter Ended September 30,			
(in millions)	2024	2023	Change	
Same-store sales	**$ 2,119.8**	$ 2,124.3	$(4.5)	0%

The following table presents our revenues (excluding acquisitions) for the third quarter of 2024, as a percentage of sales, by major product lines and the related percentage change in revenues from the prior period:

	% of Sales		
	2024	2023	% Change
HVAC equipment	**71%**	70%	**1%**
Other HVAC products	**25%**	26%	**(2%)**
Commercial refrigeration products	**4%**	4%	**(4%)**

HVAC equipment sales reflect approximately flat sales of residential products, which is composed of unitary compressor-bearing systems, furnaces, and other indoor components (flat in U.S. markets and a 5% decrease in international markets), and a 6% increase in sales of commercial HVAC equipment (4% increase in U.S. markets and a 12% increase in international markets). The majority component of residential unitary compressor-bearing systems represent "ducted" systems produced by a variety of OEMs. Sales of ducted residential compressor-bearing systems decreased 2% during the third quarter of 2024, reflecting a 1% decrease in average selling price and a 1% decrease in unit volume. Domestic sales of residential unitary compressor-bearing systems remained approximately flat, reflecting a 3% decrease in average selling price and a 3% increase in units.

Gross Profit

	Quarter Ended September 30,			
(in millions)	2024	2023	Change	
Gross profit	**$ 566.2**	$ 566.9	$(0.7)	0%
Gross margin	**26.2%**	26.7%		

Gross profit margin declined 50 basis-points primarily due to the impact of pricing and sales mix for HVAC equipment in 2024 as compared to the same period in 2023.

Selling, General and Administrative Expenses

(in millions)	Quarter Ended September 30, 2024	2023	Change	
Selling, general and administrative expenses	**$ 326.4**	$ 319.8	$6.6	2%
Selling, general and administrative expenses as a percentage of revenues	**15.1%**	15.0%		

Selling, general and administrative expenses increased 2% for the third quarter of 2024 primarily due to higher revenues. On a same-store basis, selling, general and administrative expenses were flat as compared to 2023.

Other Income

Other income of $10.4 million and $9.5 million for the third quarters of 2024 and 2023, respectively, represented our share of the net income of Russell Sigler, Inc. (“RSI”), in which we have a 38.4% equity interest.

Interest Income, Net

Interest income, net for the third quarter of 2024 increased $8.7 million, or 458%, primarily due to interest earned on cash and short-term investments and lower average borrowings under our revolving credit facility for the 2024 period as compared to the same period in 2023.

Income Taxes

(in millions)	Quarter Ended September 30, 2024	2023	Change	
Income taxes	**$ 55.4**	$ 54.1	$1.3	2%
Effective income tax rate	**24.3%**	23.8%		

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 Global Corporation (“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 increase in the effective income tax rate was primarily due to higher foreign tax and lower tax credits in 2024 as compared to the same period in 2023.

Net Income Attributable to Watsco, Inc.

Net income attributable to Watsco, Inc. for the quarter ended September 30, 2024 was flat compared to the same period in 2023.

Nine Months Ended September 30, 2024 Compared to Nine Months Ended September 30, 2023

Revenues

(in millions)	Nine Months Ended September 30, 2024	2023	Change	
Revenues	**$ 5,864.4**	$ 5,680.6	$183.8	3%

The increase in revenues for the nine months ended September 30, 2024 included $145.0 million attributable to new locations acquired and $7.9 million from other locations opened during the preceding 12 months, offset by $5.4 million from locations closed.

(in millions)	Nine Months Ended September 30, 2024	2023	Change	
Same-store sales	**$ 5,711.4**	$ 5,675.1	$36.3	1%

The following table presents our revenues (excluding acquisitions) for the nine months ended September 30, 2024 as a percentage of sales, by major product lines and the related percentage change in revenues from the prior period:

	% of Sales 2024	% of Sales 2023	% Change
HVAC equipment	**70%**	69%	**3%**
Other HVAC products	**26%**	27%	**(3%)**
Commercial refrigeration products	**4%**	4%	—

HVAC equipment sales reflect a 2% increase in residential products, which is composed of unitary compressor-bearing systems, furnaces, and other indoor components, (2% increase in U.S. markets and a 1% increase in international markets) and a 6% increase in sales of commercial HVAC equipment (4% increase in U.S. markets and an 11% increase in international markets). The majority component of residential unitary compressor-bearing systems represent "ducted" systems produced by a variety of OEMs. Sales of ducted residential compressor-bearing systems increased 1% during the nine months ended September 30, 2024, reflecting flat unit volume and a 1% increase in average selling price. Domestic sales of residential unitary compressor-bearing systems increased 2%, reflecting a 2% increase in units and flat average selling price.

Gross Profit

(in millions)	Nine Months Ended September 30, 2024	2023	Change	
Gross profit	**$ 1,576.6**	$ 1,577.7	$(1.1)	0%
Gross margin	**26.9%**	27.8%		

Gross profit margin declined 90 basis-points primarily due to the impact of pricing and sales mix for HVAC equipment in 2024 as compared to the same period in 2023. In addition, we estimate that marketing activities made by us to regain sales and market share lost in 2023 due to constrained availability of inventory from one of our primary OEM partners were dilutive to gross margin by approximately 30 basis-points for the nine months ended September 30, 2024.

Selling, General and Administrative Expenses

(in millions)	Nine Months Ended September 30, 2024	2023	Change	
Selling, general and administrative expenses	**$ 955.0**	$ 911.0	$44.0	5%
Selling, general and administrative expenses as a percentage of revenues	**16.3%**	16.0%		

Selling, general and administrative expenses for the nine months ended September 30, 2024 increased primarily due to increased revenues and newly acquired locations. On a same-store basis, selling, general and administrative expenses increased 2% as compared to the same period in 2023 and, as a percentage of sales increased to 16.2% versus 16.0% in 2023, primarily due to increases in fixed costs and $5.3 million in nonrecurring items.

Other Income

Other income of $23.9 million and $20.4 million for the nine months ended September 30, 2024 and 2023, respectively, represents our share of the net income of RSI, in which we have a 38.4% equity interest.

Interest Income, Net

Interest income, net for the nine months ended September 30, 2024 increased $20.1 million, or 339%, primarily due to interest earned on cash and short-term investments and lower average outstanding borrowings under our revolving credit facility for the 2024 period as compared to the same period in 2023.

Income Taxes

(in millions)	Nine Months Ended September 30, 2024	2023	Change	
Income taxes	**$ 139.2**	$ 144.7	$(5.5)	(4%)
Effective income tax rate	**23.8%**	24.0%		

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 higher share-based compensation deductions combined with lower earnings in 2024 as compared to the same period in 2023.

Net Income Attributable to Watsco, Inc.

Net income attributable to Watsco, Inc. for the nine months ended September 30, 2024 decreased $14.3 million, or 3%, compared to the same period in 2023. The decrease was primarily driven by higher selling, general and administrative expenses, partially offset by higher interest income, a reduction in income taxes, and a decrease in 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 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, 2024, we had $294.4 million of cash and cash equivalents, of which $126.4 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 $255.7 million of short-term cash investments consisting of certificates of deposit with varying maturities through March 2025.

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 (“SOFR”), which is one of the base rates under our revolving credit agreement. SOFR has limited historical data and is a secured lending rate, whereas our revolving credit agreement is unsecured and had primarily used LIBOR, an unsecured lending rate, as a base rate prior to the discontinuation of LIBOR in 2023. The use of SOFR as a base rate under our revolving credit agreement could give rise to uncertainties and volatility in the benchmark rates. 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 $2,199.8 million at September 30, 2024 from $1,679.9 million at December 31, 2023, due to: (i) higher inventory balances in connection with our selling season; (ii) higher accounts receivable consistent with the seasonal increase in sales; and (iii) $255.7 million of short-term cash investments, which were offset by an increase in accounts payable consistent with the change in inventory.

Cash Flows

The following table summarizes our cash flow activity for the nine months ended September 30, 2024 and 2023 (in millions):

	2024	2023	Change
Cash flows provided by operating activities	**$ 394.2**	$ 263.3	$ 130.9
Cash flows used in investing activities	**$(282.7)**	$ (28.1)	$(254.6)
Cash flows used in financing activities	**$ (25.1)**	$(207.6)	$ 182.5

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 in 2024 as compared to 2023 was higher primarily due to the timing of vendor payments partially offset by an increase in inventory.

Investing Activities

Net cash used in investing activities increased primarily due to the purchase of $255.7 million of short-term cash investments in 2024.

Financing Activities

Net cash used in financing activities decreased primarily due to higher net proceeds from the sale of Common stock under our 2021 ATM Program (as defined below), a portion of which was used for short-term cash investments, partially offset by an increase in dividends paid and repayments under our revolving credit agreement in 2024.

Revolving Credit Agreement

We maintain an unsecured, five-year $600.0 million 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. The revolving credit facility has a seasonal component from October 1 to March 31, during which the borrowing capacity may be reduced to $500.0 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 $125.0 million swingline loan sublimit, a $10.0 million letter of credit sublimit, a $75.0 million alternative currency borrowing sublimit, and an $10.0 million Mexican borrowing subfacility. The revolving credit agreement matures on March 16, 2028.

At September 30, 2024, there was no outstanding balance under the revolving credit agreement. At December 31, 2023, $15.4 million was outstanding 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, 2024.

At-the-Market Offering Program

On August 6, 2021, we executed a sales agreement with Robert W. Baird & Co. Inc. (“Baird”), which enabled the Company to issue and sell shares of Common stock in one or more negotiated transactions or transactions that are deemed to be “at the market” offerings as defined in Rule 415 under the Securities Act of 1933, as amended (the “Securities Act”), for a maximum aggregate offering amount of up to $300.0 million (the “2021 ATM Program”).

During the quarter ended March 31, 2024, we issued and sold 712,000 shares of Common stock under the 2021 ATM Program for net proceeds of $281.8 million. We used the proceeds to pay off outstanding debt under our revolving credit agreement and purchased short-term cash investments with the remainder. In aggregate, $298.5 million of Common stock was sold under the 2021 ATM Program.

On May 3, 2024, we executed an amended and restated sales agreement with Baird (the “2024 ATM Program”), which enables the further issuance of up to $400.0 million of Common stock. At September 30, 2024, $400.0 million was available for sale under the 2024 ATM Program. The offer and sale of shares under the 2024 ATM Program were registered under the Securities Act pursuant to our automatically effective shelf registration statement on Form S-3 (File No. 333-260758) that expires on November 4, 2024 and for which we plan to file a replacement automatically effective shelf registration statement on Form S-3 immediately following the filing of this Quarterly Report on Form 10-Q.

Purchase Obligations

At September 30, 2024, we were obligated under various non-cancelable purchase orders with our key suppliers for goods aggregating approximately $460.0 million, with approximately $250.0 million attributable to Carrier and its affiliates. These purchase obligations represent commitments under purchase orders for goods in the ordinary course of business that are enforceable and legally binding with defined terms as to price, quantity, and delivery.

Investment in Unconsolidated Entity

Carrier Enterprise I, one of our joint ventures with Carrier, in which we have an 80% controlling interest, has a 38.4% ownership interest in RSI, an HVAC distributor operating from 35 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 (the "Shareholders' Agreement") with RSI and its shareholders, 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 an 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 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, 2024, using the criteria set forth in the Shareholders' Agreement, the valuation of the RSI Shareholders' RSI common stock was approximately $477.0 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 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 ten 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 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 or funds available for borrowing under our revolving credit agreement, or use of the 2024 ATM Program would be sufficient to purchase any additional ownership interests in RSI for cash pursuant to the agreement described in the preceding paragraph.

Acquisitions

On February 1, 2024, one of our wholly owned subsidiaries acquired CSI, a distributor of HVAC products with annual sales of approximately $13.0 million, operating from two locations in Kentucky and Ohio. Consideration for the purchase consisted of $6.0 million in cash, 1,904 shares of Common stock having a fair value of $0.8 million, and $0.6 million for repayment of indebtedness, net of cash acquired of $1.4 million.

On September 1, 2023, we acquired substantially all the assets and assumed certain of the liabilities of GWS, a plumbing and HVAC distributor with annual sales of approximately $180.0 million, operating from 16 locations in South Carolina and North Carolina. Consideration for the net purchase price consisted of $4.0 million in cash, net of cash acquired of $3.1 million, and 280,215 shares of Common stock having a fair value of $101.6 million, net of a discount for lack of marketability.

On March 3, 2023, one of our wholly owned subsidiaries acquired Capitol, a distributor of plumbing and air conditioning and heating products with annual sales of approximately $13.0 million, operating from three locations in New York. Consideration for the purchase consisted of $1.2 million in cash, net of cash acquired of $0.1 million, and $1.9 million for repayment of indebtedness.

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 $7.85 and $7.35 per share on both Common and Class B common stock during the nine months ended September 30, 2024 and 2023, respectively. On October 1, 2024, our Board of Directors declared a regular quarterly cash dividend of $2.70 per share on both Common and Class B common stock that was paid on October 31, 2024 to shareholders of record as of October 16, 2024. 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

On March 29, 2024, we implemented the Watsco, Inc. Dividend Reinvestment Plan (the “Plan”), under which existing shareholders may, in accordance with the Plan, acquire shares of Common stock or Class B common stock, as applicable (collectively “common stock”), by reinvesting all or a portion of the cash dividends paid on such shareholders’ shares of common stock. The Plan has been registered under the Securities Act pursuant to our automatically effective shelf registration statement on Form S-3 (File No. 333-260758).

During the quarter and nine months ended September 30, 2024, we issued 13,394 and 13,398 shares of common stock under the Plan, respectively.

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 and Class B common stock have been repurchased at a cost of $114.4 million since the inception of the program. At September 30, 2024, there were 1,129,087 shares remaining authorized for repurchase under the program. In considering any further stock repurchases under our repurchase program, we intend to evaluate the impact of the 1% excise tax on stock repurchases that became effective on January 1, 2023.

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, 2023.

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 controls. This results in refinements to processes throughout the Company. However, there were no changes in our internal controls 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, 2024, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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, 2024 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, 2023.

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, 2024 to July 31, 2024	278	$ 445.15	—	$ —
August 1, 2024 to August 31, 2024	2,549	481.57	—	—
September 1, 2024 to September 30, 2024	627	455.90	—	—
Total	3,454	$ 473.98	—	$ —

(1) During the quarter ended September 30, 2024, we purchased an aggregate of 3,454 shares of our Common and Class B 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, 2024, 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.

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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 Document.
101.CAL #	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF #	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB #	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE #	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104	The cover page from the Company’s Quarterly Report on Form 10-Q for the quarter ended September 30, 2024, 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 1, 2024

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 1, 2024

/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 1, 2024

/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 1, 2024

/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, 2024, 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 1, 2024

/s/ Barry S. Logan
Barry S. Logan
Executive Vice President
November 1, 2024

/s/ Ana M. Menendez
Ana M. Menendez
Chief Financial Officer
November 1, 2024

A signed original 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.