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 June 27, 2021

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 001-11499

WATTS WATER TECHNOLOGIES, INC.
(Exact Name of Registrant as Specified in Its Charter)

Delaware (State or Other Jurisdiction of Incorporation or Organization)	**04-2916536** (I.R.S. Employer Identification No.)
815 Chestnut Street, North Andover, MA (Address of Principal Executive Offices)	**01845** (Zip Code)

(978) 688-1811
(Registrant's Telephone Number, Including Area Code)

(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report.)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A common stock, par value $0.10 per share	WTS	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 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 ☒

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at July 25, 2021
Class A Common Stock, $0.10 par value	27,566,371
Class B Common Stock, $0.10 par value	6,074,290

WATTS WATER TECHNOLOGIES, INC. AND SUBSIDIARIES

INDEX

PART I. FINANCIAL INFORMATION

ITEM 1. Financial Statements

WATTS WATER TECHNOLOGIES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Amounts in millions, except share information)
(Unaudited)

	June 27, 2021	December 31, 2020
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	**$ 240.1**	$ 218.9
Trade accounts receivable, less reserve allowances of $11.4 million at June 27, 2021 and $11.1 million at December 31, 2020	**256.7**	197.6
Raw materials	**108.4**	79.6
Work in process	**20.0**	16.1
Finished goods	**185.1**	167.9
Total Inventories	**313.5**	263.6
Prepaid expenses and other current assets	**33.6**	29.4
Total Current Assets	**843.9**	709.5
PROPERTY, PLANT AND EQUIPMENT		
Property, plant and equipment, at cost	**612.2**	608.6
Accumulated depreciation	**(405.2)**	(396.3)
Property, plant and equipment, net	**207.0**	212.3
OTHER ASSETS:		
Goodwill	**599.1**	602.4
Intangible assets, net	**133.9**	141.8
Deferred income taxes	**8.7**	4.4
Other, net	**62.7**	67.8
TOTAL ASSETS	**$ 1,855.3**	$ 1,738.2
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	**$ 155.6**	$ 110.1
Accrued expenses and other liabilities	**172.7**	137.4
Accrued compensation and benefits	**67.5**	65.3
Total Current Liabilities	**395.8**	312.8
LONG-TERM DEBT	**191.5**	198.2
DEFERRED INCOME TAXES	**49.7**	51.1
OTHER NONCURRENT LIABILITIES	**100.4**	106.3
STOCKHOLDERS' EQUITY:		
Preferred Stock, $0.10 par value; 5,000,000 shares authorized; no shares issued or outstanding	—	—
Class A common stock, $0.10 par value; 120,000,000 shares authorized; 1 vote per share; issued and outstanding, 27,577,110 shares at June 27, 2021 and 27,478,512 shares at December 31, 2020	**2.8**	2.8
Class B common stock, $0.10 par value; 25,000,000 shares authorized; 10 votes per share; issued and outstanding, 6,074,290 shares at June 27, 2021 and 6,144,290 shares at December 31, 2020	**0.6**	0.6
Additional paid-in capital	**618.1**	606.3
Retained earnings	**605.6**	560.1
Accumulated other comprehensive loss	**(109.2)**	(100.0)
Total Stockholders' Equity	**1,117.9**	1,069.8
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**$ 1,855.3**	$ 1,738.2

See accompanying notes to consolidated financial statements.

WATTS WATER TECHNOLOGIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(Amounts in millions, except per share information)
(Unaudited)

	Second Quarter Ended		Six Months Ended	
	June 27, 2021	**June 28, 2020**	**June 27, 2021**	**June 28, 2020**
Net sales	**$ 467.0**	$ 338.7	**$ 880.3**	$ 721.3
Cost of goods sold	**266.9**	203.8	**506.5**	423.6
GROSS PROFIT	**200.1**	134.9	**373.8**	297.7
Selling, general and administrative expenses	**130.4**	97.6	**244.2**	212.6
Restructuring	**17.0**	5.3	**17.3**	5.3
Other long-lived asset impairment charge	**—**	1.0	**—**	1.0
OPERATING INCOME	**52.7**	31.0	**112.3**	78.8
Other (income) expense:				
Interest income	**—**	(0.1)	**—**	(0.2)
Interest expense	**1.5**	4.0	**3.5**	7.0
Other income, net	**(0.5)**	(0.4)	**(0.8)**	(0.1)
Total other expense	**1.0**	3.5	**2.7**	6.7
INCOME BEFORE INCOME TAXES	**51.7**	27.5	**109.6**	72.1
Provision for income taxes	**14.2**	7.3	**30.4**	19.9
NET INCOME	**$ 37.5**	$ 20.2	**$ 79.2**	$ 52.2
Basic EPS				
NET INCOME PER SHARE	**$ 1.11**	$ 0.60	**$ 2.34**	$ 1.54
Weighted average number of shares	**33.8**	33.8	**33.8**	33.9
Diluted EPS				
NET INCOME PER SHARE	**$ 1.11**	$ 0.59	**$ 2.34**	$ 1.53
Weighted average number of shares	**33.9**	34.0	**33.9**	34.0
Dividends declared per share	**$ 0.26**	$ 0.23	**$ 0.49**	$ 0.46

See accompanying notes to consolidated financial statements.

WATTS WATER TECHNOLOGIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Amounts in millions)
(Unaudited)

	Second Quarter Ended		Six Months Ended	
	June 27, 2021	**June 28, 2020**	**June 27, 2021**	**June 28, 2020**
Net income	**$ 37.5**	$ 20.2	**$ 79.2**	$ 52.2
Other comprehensive income (loss) net of tax:				
Foreign currency translation adjustments	**5.8**	10.0	**(8.3)**	(6.5)
Cash flow hedges	**(0.8)**	(0.3)	**(0.9)**	(1.2)
Other comprehensive income (loss)	**5.0**	9.7	**(9.2)**	(7.7)
Comprehensive income	**$ 42.5**	$ 29.9	**$ 70.0**	$ 44.5

See accompanying notes to consolidated financial statements.

WATTS WATER TECHNOLOGIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Dollars in millions)
(Unaudited)

(For the six months ended June 27, 2021)	Class A Common Stock Shares	Class A Common Stock Amount	Class B Common Stock Shares	Class B Common Stock Amount	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
Balance at December 31, 2020	27,478,512	$ 2.8	6,144,290	$ 0.6	$ 606.3	$ 560.1	$ (100.0)	$ 1,069.8
Net income	—	—	—	—	—	79.2	—	79.2
Other comprehensive loss	—	—	—	—	—	—	(9.2)	(9.2)
Comprehensive income								70.0
Shares of Class B common stock converted to Class A common stock	70,000	—	(70,000)	—	—	—	—	—
Shares of Class A common stock issued upon the exercise of stock options	112	—	—	—	—		—	—
Stock-based compensation	—	—	—	—	9.9	—	—	9.9
Stock repurchase	(62,070)	—	—	—	—	(7.8)	—	(7.8)
Net change in restricted and performance stock units	90,556	—	—	—	1.9	(9.2)	—	(7.3)
Common stock dividends	—	—	—	—	—	(16.7)	—	(16.7)
Balance at June 27, 2021	27,577,110	$ 2.8	6,074,290	$ 0.6	$ 618.1	$ 605.6	$ (109.2)	$ 1,117.9

(For the second quarter ended June 27, 2021)	Class A Common Stock Shares	Class A Common Stock Amount	Class B Common Stock Shares	Class B Common Stock Amount	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
Balance at March 28, 2021	27,585,082	$ 2.8	6,124,290	$ 0.6	$ 611.0	$ 581.0	$ (114.2)	$ 1,081.2
Net income	—	—	—	—	—	37.5	—	37.5
Other comprehensive income	—	—	—	—	—	—	5.0	5.0
Comprehensive income								42.5
Shares of Class B common stock converted to Class A common stock	50,000	—	(50,000)	—	—	—	—	—
Shares of Class A common stock issued upon the exercise of stock options	112	—	—	—	—	—	—	—
Stock-based compensation	—	—	—	—	7.1	—	—	7.1
Stock repurchase	(30,917)	—	—	—	—	(4.0)	—	(4.0)
Net change in restricted and performance stock units	(27,167)	—	—	—	—	—	—	—
Common stock dividends	—	—	—	—	—	(8.9)	—	(8.9)
Balance at June 27, 2021	27,577,110	$ 2.8	6,074,290	$ 0.6	$ 618.1	$ 605.6	$ (109.2)	$ 1,117.9

(For the six months ended June 28, 2020)	Class A Common Stock		Class B Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
	Shares	Amount	Shares	Amount				
Balance at December 31, 2019	27,586,416	$ 2.8	6,279,290	$ 0.6	$ 591.5	$ 513.9	$ (130.8)	$ 978.0
Net income	—	—	—	—	—	52.2	—	52.2
Other comprehensive loss	—	—	—	—	—	—	(7.7)	(7.7)
Comprehensive income								44.5
Shares of Class B common stock converted to Class A common stock	50,000	—	(50,000)	—	—	—	—	—
Stock-based compensation	—	—	—	—	5.4	—	—	5.4
Stock repurchase	(253,535)	—	—	—	—	(21.1)	—	(21.1)
Net change in restricted and performance stock units	78,952	—	—	—	2.0	(7.8)	—	(5.8)
Common stock dividends	—	—	—	—	—	(15.8)	—	(15.8)
Balance at June 28, 2020	27,461,833	$ 2.8	6,229,290	$ 0.6	$ 598.9	$ 521.4	$ (138.5)	985.2

(For the second quarter ended June 28, 2020)	Class A Common Stock		Class B Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
	Shares	Amount	Shares	Amount				
Balance at March 29, 2020	27,544,757	$ 2.8	6,229,290	$ 0.6	$ 597.1	$ 515.5	$ (148.2)	$ 967.8
Net income	—	—	—	—	—	20.2	—	20.2
Other comprehensive income	—	—	—	—	—	—	9.7	9.7
Comprehensive income								29.9
Stock-based compensation	—	—	—	—	1.8	—	—	1.8
Stock repurchase	(78,828)	—	—	—	—	(6.4)	—	(6.4)
Net change in restricted and performance stock units	(4,096)	—	—	—	—	(0.1)	—	(0.1)
Common stock dividends	—	—	—	—	—	(7.8)	—	(7.8)
Balance at June 28, 2020	27,461,833	$ 2.8	6,229,290	$ 0.6	$ 598.9	$ 521.4	$ (138.5)	985.2

See accompanying notes to consolidated financial statements.

WATTS WATER TECHNOLOGIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in millions)
(Unaudited)

	Six Months Ended	
	June 27, 2021	**June 28, 2020**
OPERATING ACTIVITIES		
Net income	**$ 79.2**	$ 52.2
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	**16.0**	15.3
Amortization of intangibles	**7.3**	7.6
Loss on disposal and impairment of property, plant and equipment and other	**0.7**	1.3
Stock-based compensation	**9.9**	5.4
Deferred income tax	**(4.8)**	1.9
Changes in operating assets and liabilities:		
Accounts receivable	**(60.8)**	9.2
Inventories	**(52.1)**	(14.3)
Prepaid expenses and other assets	**(7.5)**	(1.3)
Accounts payable, accrued expenses and other liabilities	**85.3**	(30.0)
Net cash provided by operating activities	**73.2**	47.3
INVESTING ACTIVITIES		
Additions to property, plant and equipment	**(13.0)**	(23.8)
Proceeds from the sale of property, plant and equipment	**4.9**	1.5
Net cash used in investing activities	**(8.1)**	(22.3)
FINANCING ACTIVITIES		
Proceeds from long-term borrowings	**35.0**	407.5
Payments of long-term debt	**(40.0)**	(452.5)
Payments for withholding taxes on vested awards	**(9.2)**	(7.8)
Payments for finance leases and other	**(0.6)**	(1.0)
Debt issuance costs	**(2.4)**	(2.2)
Payments to repurchase common stock	**(7.8)**	(21.1)
Dividends	**(16.7)**	(15.8)
Net cash used in financing activities	**(41.7)**	(92.9)
Effect of exchange rate changes on cash and cash equivalents	**(2.2)**	(3.1)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**21.2**	(71.0)
Cash and cash equivalents at beginning of year	**218.9**	219.7
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**$ 240.1**	$ 148.7
NON CASH INVESTING AND FINANCING ACTIVITIES		
Issuance of stock under management stock purchase plan	**$ 0.5**	$ 0.7
CASH PAID FOR:		
Interest	**$ 3.9**	$ 7.2
Income taxes	**$ 31.1**	$ 12.4

See accompanying notes to consolidated financial statements.

WATTS WATER TECHNOLOGIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

1. Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included in the Watts Water Technologies, Inc. (“the Company”) Consolidated Balance Sheet as of June 27, 2021, the Consolidated Statements of Operations for the second quarters and six months ended June 27, 2021 and June 28, 2020, the Consolidated Statements of Comprehensive Income for the second quarters and six months ended June 27, 2021 and June 28, 2020, the Consolidated Statements of Stockholders’ Equity for the second quarters and six months ended June 27, 2021 and June 28, 2020, and the Consolidated Statements of Cash Flows for the six months ended June 27, 2021 and June 28, 2020.

The consolidated balance sheet at December 31, 2020 has been derived from the audited consolidated financial statements at that date. The accounting policies followed by the Company are described in the Company’s Annual Report on Form 10-K for the year ended December 31, 2020. The financial statements included in this report should be read in conjunction with the consolidated financial statements and notes included in the Annual Report on Form 10-K for the year ended December 31, 2020. Operating results for the interim periods presented are not necessarily indicative of the results to be expected for the year ending December 31, 2021, and may be further impacted by the effects of the Coronavirus Disease 2019 (“COVID-19”) global pandemic.

The Company operates on a 52-week fiscal year ending on December 31, with each quarter, except the fourth quarter, ending on a Sunday. Any quarterly data contained in this Quarterly Report on Form 10-Q generally reflect the results of operations for a 13-week period.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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 financial statements and the reported amounts of revenues and expenses during the reporting period. The COVID-19 pandemic has created uncertainty in the global economy. There have been no comparable recent events that provide guidance as to the effect COVID-19 as a global pandemic may have, and, as a result, the ultimate impact of COVID-19 and the extent to which COVID-19 continues to impact the Company’s business, results of operations and financial condition will depend on future developments, which are uncertain and difficult to predict. We are not aware of any specific event or circumstance that would require updates to the Company’s estimates or judgments or require the Company to revise the carrying value of the Company’s assets or liabilities as of the date of issuance of this Quarterly Report on Form 10-Q. These estimates may change as new events occur and additional information is obtained. Actual results could differ from those estimates.

2. Accounting Policies

The significant accounting policies used in preparation of these consolidated financial statements for the second quarter ended June 27, 2021 are consistent with those discussed in Note 2 of the Notes to Consolidated Financial Statements in the Company’s Annual Report on Form 10-K for the year ended December 31, 2020.

Recently Adopted Accounting Standards

In December 2019, the FASB issued ASU No. 2019-12, "Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes.” This ASU simplifies the accounting for income taxes by clarifying and amending existing guidance related to the recognition of franchise tax, the evaluation of a step up in the tax basis of goodwill, and the effects of enacted changes in tax laws or rates in the effective tax rate computation, among other clarifications. The effective date for adoption of this ASU is the calendar year beginning January 1, 2021 with early adoption permitted. The Company adopted this standard in the first quarter of 2021, and it did not have a material impact on the Company's financial statements.

In March 2020, the FASB issued ASU 2020-04, "Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting." The amendments provide optional guidance for a limited time to ease the potential burden in accounting for reference rate reform. The new guidance provides optional expedients and exceptions for applying U.S. GAAP to contracts, hedging relationships and other transactions affected by reference rate reform if certain criteria are met. The amendments apply only to contracts and hedging relationships that reference LIBOR or another reference rate expected to be discontinued due to reference rate reform. These amendments are effective immediately and may be applied prospectively to contract modifications made and hedging relationships entered into or evaluated on or before December 31, 2022. The Company adopted this standard in the second quarter of 2021, and it did not have a material impact on the Company's financial statements.

Shipping and Handling

Shipping and handling costs included in selling, general and administrative expenses amounted to $17.5 million and $12.5. million for the second quarters of 2021 and 2020, respectively, and were $32.9 million and $26.5 million for the first six months of 2021 and 2020, respectfully.

Research and Development

Research and development costs included in selling, general and administrative expenses amounted to $11.0 million and $9.8. million for the second quarters of 2021 and 2020, respectively and were $21.8 million and $21.3 million for the first six months of 2021 and 2020, respectfully.

3. Revenue Recognition

The Company is a leading supplier of products that manage and conserve the flow of fluids and energy into, through and out of buildings in the commercial and residential markets of the Americas, Europe, and Asia-Pacific, Middle East, and Africa ("APMEA"). For over 140 years, the Company has designed and produced valve systems that safeguard and regulate water systems, energy efficient heating and hydronic systems, drainage systems and water filtration technology that helps purify and conserve water.

The Company distributes products through four primary distribution channels: wholesale, original equipment manufacturers (OEMs), specialty, and do-it-yourself (DIY). The Company operates in three geographic segments: Americas, Europe, and APMEA. Each of these segments sells similar products, which are comprised of the following principal product lines:

- Residential & commercial flow control products—includes products typically sold into plumbing and hot water applications such as backflow preventers, water pressure regulators, temperature and pressure relief valves, thermostatic mixing valves and leak detection products.
- HVAC & gas products—includes commercial high-efficiency boilers, water heaters and heating solutions, hydronic and electric heating systems for under-floor radiant applications, custom heat and hot water solutions, hydronic pump groups for boiler manufacturers and alternative energy control packages, and flexible stainless steel connectors for natural and liquid propane gas in commercial food service and residential applications. HVAC is an acronym for heating, ventilation and air conditioning.
- Drainage & water re-use products—includes drainage products and engineered rain water harvesting solutions for commercial, industrial, marine and residential applications.
- Water quality products—includes point-of-use and point-of-entry water filtration, conditioning and scale prevention systems for commercial, marine and residential applications.

The following table disaggregates revenue, which is presented as net sales in the financial statements, for each reportable segment, by distribution channel and principal product line:

	For the second quarter ended June 27, 2021 (in millions)				For the six months ended June 27, 2021 (in millions)			
Distribution Channel	Americas	Europe	APMEA	Consolidated	Americas	Europe	APMEA	Consolidated
Wholesale	**$ 177.3**	**$ 88.5**	**$ 21.4**	**$ 287.2**	**$ 334.7**	**$ 169.5**	**$ 38.0**	**$ 542.2**
OEM	**24.1**	**47.4**	**1.6**	**73.1**	**44.6**	**88.4**	**2.6**	**135.6**
Specialty	**86.1**	**—**	**0.1**	**86.2**	**160.2**	**—**	**0.1**	**160.3**
DIY	**19.6**	**0.9**	**—**	**20.5**	**40.4**	**1.8**	**—**	**42.2**
Total	**$ 307.1**	**$ 136.8**	**$ 23.1**	**$ 467.0**	**$ 579.9**	**$ 259.7**	**$ 40.7**	**$ 880.3**

	For the second quarter ended June 27, 2021 (in millions)				For the six months ended June 27, 2021 (in millions)			
Principal Product Line	Americas	Europe	APMEA	Consolidated	Americas	Europe	APMEA	Consolidated
Residential & Commercial Flow Control	**$ 177.2**	**$ 51.8**	**$ 18.6**	**$ 247.6**	**$ 339.5**	**$ 99.1**	**$ 33.3**	**$ 471.9**
HVAC and Gas Products	**77.6**	**60.9**	**3.6**	**142.1**	**143.5**	**115.1**	**5.9**	**264.5**
Drainage and Water Re-use Products	**25.2**	**22.5**	**0.5**	**48.2**	**43.8**	**42.7**	**0.9**	**87.4**
Water Quality Products	**27.1**	**1.6**	**0.4**	**29.1**	**53.1**	**2.8**	**0.6**	**56.5**
Total	**$ 307.1**	**$ 136.8**	**$ 23.1**	**$ 467.0**	**$ 579.9**	**$ 259.7**	**$ 40.7**	**$ 880.3**

	For the second quarter ended June 28, 2020 (in millions)				For the six months ended June 28, 2020 (in millions)			
Distribution Channel	Americas	Europe	APMEA	Consolidated	Americas	Europe	APMEA	Consolidated
Wholesale	$ 130.8	$ 55.1	$ 11.2	$ 197.1	$ 278.1	$ 130.2	$ 20.5	$ 428.8
OEM	16.7	32.5	0.6	49.8	36.2	67.1	0.8	104.1
Specialty	72.0	—	1.4	73.4	150.5	—	1.9	152.4
DIY	17.9	0.5	—	18.4	35.0	1.0	—	36.0
Total	$ 237.4	$ 88.1	$ 13.2	$ 338.7	$ 499.8	$ 198.3	$ 23.2	$ 721.3

	For the second quarter ended June 28, 2020 (in millions)				For the six months ended June 28, 2020 (in millions)			
Principal Product Line	Americas	Europe	APMEA	Consolidated	Americas	Europe	APMEA	Consolidated
Residential & Commercial Flow Control	$ 130.7	$ 30.7	$ 8.9	$ 170.3	$ 279.4	$ 71.7	$ 17.0	$ 368.1
HVAC and Gas Products	63.0	38.5	4.0	105.5	130.6	82.9	5.6	219.1
Drainage and Water Re-use Products	19.3	18.1	—	37.4	37.8	42.0	0.1	79.9
Water Quality Products	24.4	0.8	0.3	25.5	52.0	1.7	0.5	54.2
Total	$ 237.4	$ 88.1	$ 13.2	$ 338.7	$ 499.8	$ 198.3	$ 23.2	$ 721.3

The Company generally considers customer purchase orders, which in some cases are governed by master sales agreements, to represent the contract with a customer. The Company's contracts with customers are generally for products only and typically do not include other performance obligations such as professional services, extended warranties, or other material rights. In situations where sales are to a distributor, the Company has concluded that its contracts are with the distributor as the Company holds a contract bearing enforceable rights and obligations only with the distributor. As part of its consideration of the contract, the Company evaluates certain factors including the customer's ability to pay (or credit risk). For each contract, the Company considers the promise to transfer products, each of which is distinct, to be the identified performance obligations. In determining the transaction price, the Company evaluates whether the price is subject to refund or adjustment to determine the net consideration to which the Company expects to be entitled. As the Company's standard payment terms are less than one year, the Company has elected not to assess whether a contract has a significant financing component. The Company allocates the transaction price to each distinct product based on its relative standalone selling price. The product price as specified on the purchase order is considered the standalone selling price as it is an observable input which depicts the price as if sold to a similar customer in similar circumstances. Revenue is recognized when control of the product is transferred to the customer (i.e., when the

Company's performance obligation is satisfied), which typically occurs at shipment from the Company's manufacturing site or distribution center, or delivery to the customer's named location. In certain circumstances, revenue from shipments to retail customers is recognized only when the product is consumed by the customer, as based on the terms of the arrangement, transfer of control is not satisfied until that point in time. In determining whether control has transferred, the Company considers if there is a present right to payment, physical possession and legal title, along with risks and rewards of ownership having transferred to the customer. In certain circumstances, the Company manufactures customized product without alternative use for its customers. However, as these arrangements do not entitle the Company a right to payment of cost plus a profit for work completed, the Company has concluded that revenue recognition at the point in time control transfers is appropriate and not over time recognition.

At times, the Company receives orders for products to be delivered over multiple dates that may extend across reporting periods. The Company invoices for each delivery upon shipment and recognizes revenues for each distinct product delivered, assuming transfer of control has occurred. As scheduled delivery dates are within one year, under the optional exemption provided by the guidance, revenues allocated to future shipments of partially completed contracts are not disclosed.

The Company generally provides an assurance warranty that its products will substantially conform to the published specification. The Company's liability is limited to either a credit equal to the purchase price or replacement of the defective part. Returns under warranty have historically been immaterial. The Company does not consider activities related to such warranty, if any, to be a separate performance obligation. For certain of its products, the Company will separately sell extended warranty and service policies to its customers. The Company considers these extended warranties and service policies to be separate performance obligations. These policies typically are for periods ranging from one to three years. Payments received are deferred and recognized over the policy period. For all periods presented, the revenue recognized and the revenue deferred under these policies is not material to the consolidated financial statements.

The timing of revenue recognition, billings and cash collections from the Company's contracts with customers can vary based on the payment terms and conditions in the customer contracts. In some cases, customers will partially prepay for their goods; in other cases, after appropriate credit evaluations, payment is due in arrears. In addition, there are constraints which cause variability in the ultimate consideration to be recognized. These constraints typically include early payment discounts, volume rebates, rights of return, cooperative advertising, and market development funds. The Company includes these constraints in the estimated transaction price when there is a basis to reasonably estimate the amount of variable consideration. These estimates are based on historical experience, anticipated future performance and the Company's best judgment at the time. When the timing of the Company's recognition of revenue is different from the timing of payments made by the customer, the Company recognizes either a contract asset (performance precedes contractual due date) or a contract liability (customer payment precedes performance). Contracts with payment in arrears are recognized as receivables. The opening and closing balances of the Company's contract assets and contract liabilities are as follows:

	Contract Assets	Contract Liabilities - Current	Contract Liabilities - Noncurrent
		(in millions)	
Balance - January 1, 2021	**$ —**	**$ 13.5**	**$ 2.5**
Change in period	**—**	**1.0**	**(0.2)**
Balance - March 28, 2021	**$ —**	**$ 14.5**	**$ 2.3**
Change in period	**—**	**—**	**0.1**
Balance - June 27, 2021	**$ —**	**$ 14.5**	**$ 2.4**
Balance - January 1, 2020	$ 0.4	$ 11.5	$ 2.9
Change in period	(0.1)	0.2	(0.1)
Balance - March 29, 2020	$ 0.3	$ 11.7	$ 2.8
Change in period	—	—	(0.1)
Balance - June 28, 2020	$ 0.3	$ 11.7	$ 2.7

The amount of revenue recognized during the second quarter and six months ended June 27, 2021 that was included in the opening contract liability balance was $4.7 million and $8.5 million, respectively. The amount of revenue recognized during the second quarter and six months ended June 28, 2020 that was included in the opening contract liability balance was $2.5 million and $4.8 million, respectfully. This revenue consists primarily of revenue recognized for shipments of product which had been prepaid as well as the amortization of extended warranty and service policy revenue. The Company did not recognize any material revenue from obligations satisfied in prior periods. There were no impairment losses related to contract assets for the second quarters and six months ended June 27, 2021 and June 28, 2020.

The Company incurs costs to obtain and fulfill a contract; however, the Company has elected to recognize all incremental costs to obtain a contract as an expense when incurred if the amortization period is one year or less. The Company has elected to treat shipping and handling activities performed after the customer has obtained control of the related goods as a fulfillment cost and the related cost is accrued for in conjunction with the recording of revenue for the goods.

4. Goodwill & Intangibles

The Company operates in three geographic segments: Americas, Europe, and APMEA. The changes in the carrying amount of goodwill by geographic segment are as follows:

	June 27, 2021							
	Gross Balance				Accumulated Impairment Losses			Net Goodwill
	Balance January 1, 2021	Acquired During the Period	Foreign Currency Translation and Other	Balance June 27, 2021	Balance January 1, 2021	Impairment Loss During the Period	Balance June 27, 2021	June 27, 2021
	(in millions)							
Americas	**$ 482.5**	**—**	**$ 0.3**	**$ 482.8**	**$ (24.5)**	**—**	**$ (24.5)**	**$ 458.3**
Europe	**252.1**	**—**	**(3.3)**	**248.8**	**(129.7)**	**—**	**(129.7)**	**119.1**
APMEA	**34.9**	**—**	**(0.3)**	**34.6**	**(12.9)**	**—**	**(12.9)**	**21.7**
Total	**$ 769.5**	**—**	**$ (3.3)**	**$ 766.2**	**$ (167.1)**	**—**	**$ (167.1)**	**$ 599.1**

	December 31, 2020							
	Gross Balance				Accumulated Impairment Losses			Net Goodwill
	Balance January 1, 2020	Acquired During the Period	Foreign Currency Translation and Other	Balance December 31, 2020	Balance January 1, 2020	Impairment Loss During the Period	Balance December 31, 2020	December 31, 2020
	(in millions)							
Americas	$ 476.8	$ 5.5	$ 0.2	$ 482.5	$ (24.5)	$ —	$ (24.5)	$ 458.0
Europe	241.4	—	10.7	252.1	(129.7)	—	(129.7)	122.4
APMEA	30.0	3.9	1.0	34.9	(12.9)	—	(12.9)	22.0
Total	$ 748.2	$ 9.4	$ 11.9	$ 769.5	$ (167.1)	$ —	$ (167.1)	$ 602.4

Goodwill and indefinite-lived intangible assets are tested for impairment at least annually or more frequently if events or circumstances indicate that it is “more likely than not” that they might be impaired, such as from a change in business conditions. The Company performs its annual goodwill and indefinite-lived intangible assets impairment assessment in the fourth quarter of each year. At the most recent annual impairment test which occurred in the fourth quarter of 2020, the Company performed qualitative fair value assessments, including an evaluation of certain key assumptions for all seven of its reporting units. The Company concluded that the fair value of all seven reporting units exceeded their carrying values at that time.

Intangible assets include the following:

	June 27, 2021			December 31, 2020		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
	(in millions)					
Patents	**$ 16.1**	**$ (16.1)**	**$ —**	$ 16.1	$ (16.0)	$ 0.1
Customer relationships	**236.0**	**(170.0)**	**66.0**	236.2	(165.8)	70.4
Technology	**58.0**	**(38.5)**	**19.5**	58.0	(36.4)	21.6
Trade names	**27.0**	**(15.9)**	**11.1**	27.0	(15.1)	11.9
Other	**4.3**	**(3.7)**	**0.6**	4.3	(3.7)	0.6
Total amortizable intangibles	**341.4**	**(244.2)**	**97.2**	341.6	(237.0)	104.6
Indefinite-lived intangible assets	**36.7**	**—**	**36.7**	37.2	—	37.2
	$ 378.1	**$ (244.2)**	**$ 133.9**	$ 378.8	$ (237.0)	$ 141.8

Aggregate amortization expense for amortized intangible assets for the second quarters ended June 27, 2021 and June 28, 2020 was $3.4 million and $3.8 million, respectfully, and for the first six months of 2021 and 2020 was $7.3 million and $7.6 million, respectively.

5. Financial Instruments and Derivative Instruments

Fair Value

The carrying amounts of cash and cash equivalents, trade receivables and trade payables approximate fair value because of the short maturity of these financial instruments. The fair value of the Company's borrowings under the Second Amended and Restated Credit Agreement entered into on March 30, 2021 (the "Second Amended Credit Agreement") approximate their carrying value.

Financial Instruments

The Company measures certain financial assets and liabilities at fair value on a recurring basis, including deferred compensation plan assets and related liabilities, contingent consideration, and derivatives. The fair values of these financial assets and liabilities were determined using the following inputs at June 27, 2021 and December 31, 2020:

	Fair Value Measurement at June 27, 2021 Using:			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	(in millions)			
Assets				
Plan asset for deferred compensation(1)	$ 2.5	$ 2.5	$ —	$ —
Interest rate swaps(1)	$ 0.1	$ —	$ 0.1	$ —
Total assets	**$ 2.6**	**$ 2.5**	**$ 0.1**	**$ —**
Liabilities				
Interest rate swaps(3)	$ 0.8	$ —	$ 0.8	$ —
Plan liability for deferred compensation(2)	$ 2.5	$ 2.5	$	$ —
Designated foreign currency hedges(3)	$ 0.3	$ —	$ 0.3	$ —
Contingent consideration(4)	$ 3.9	$ —	$ —	$ 3.9
Total liabilities	**$ 7.5**	**$ 2.5**	**$ 1.1**	**$ 3.9**

	Fair Value Measurements at December 31, 2020 Using:			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	(in millions)			
Assets				
Plan asset for deferred compensation(1)	$ 2.5	$ 2.5	$ —	$ —
Total assets	$ 2.5	$ 2.5	$ —	$ —
Liabilities				
Interest rate swaps(3)	$ 0.6	—	0.6	—
Plan liability for deferred compensation(2)	$ 2.5	$ 2.5	$ —	$ —
Designated foreign currency hedge(3)	$ 0.1	$ —	$ 0.1	$ —
Contingent consideration(4)	$ 3.2	$ —	$ —	$ 3.2
Total liabilities	$ 6.4	$ 2.5	$ 0.7	$ 3.2

(1) Included on the Company's consolidated balance sheet in other assets (other, net).

(2) Included on the Company's consolidated balance sheet in accrued compensation and benefits.

(3) Included on the Company's consolidated balance sheet in accrued expenses and other liabilities.

(4) Included on the Company's consolidated balance sheet in other noncurrent liabilities and relates to contingent consideration as part of the acquisition of Australian Valve Group Pty Ltd ("AVG").

The table below provides a summary of the changes in fair value of all financial assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the period December 31, 2020 to June 27, 2021.

	Balance December 31, 2020	Settlements	Purchases	Total realized and unrealized (gains) losses included in: Net earnings adjustments	Comprehensive income	Balance June 27, 2021
	(in millions)					
Contingent consideration	$ 3.2	—	**$ —**	**0.8**	**$ (0.1)**	**$ 3.9**

In connection with the immaterial acquisition of AVG completed during the third quarter of 2020, a contingent liability of $2.8 million was recognized as the estimate of the acquisition date fair value of the contingent consideration. This liability was classified as Level 3 under the fair value hierarchy as it was based on the probability of achievement of future performance metrics as of the date of the acquisition, which was not observable in the market. Failure to meet the performance metrics would reduce this liability to zero, while complete achievement would increase the liability to a maximum contingent consideration of $4.5 million. The liability as of the second quarter ended June 27, 2021 was $3.9 million after increasing the liability by $0.8 million during the quarter due to increased probability of achieving higher performance metrics.

Cash equivalents consist of instruments with remaining maturities of three months or less at the date of purchase and consist primarily of money market funds, for which the carrying amount is a reasonable estimate of fair value.

The Company uses financial instruments from time to time to enhance its ability to manage risk, including foreign currency and commodity pricing exposures, which exist as part of its ongoing business operations. The use of derivatives exposes the Company to counterparty credit risk for nonperformance and to market risk related to changes in currency exchange rates and commodity prices. The Company manages its exposure to counterparty credit risk through diversification of counterparties. The Company's counterparties in derivative transactions are substantial commercial banks with significant experience using such derivative instruments. The impact of market risk on the fair value and cash flows of the Company's derivative instruments is monitored and the Company restricts the use of derivative financial instruments to hedging activities. The Company does not enter into contracts for trading purposes nor does the Company enter into any contracts for speculative purposes. The use of derivative instruments is approved by senior management under written guidelines.

Interest Rate Swaps

On March 30, 2021, the Company entered into the Second Amended Credit Agreement. The Second Amended Credit Agreement amends the Amended Credit Agreement to extend the maturity date of the $800 million senior unsecured revolving credit facility from February 12, 2022 to March 30, 2026. The senior unsecured revolving credit facility under the Second Amended Credit Agreement (the "New Revolving Credit Facility") also includes sublimits of $100 million for letters of credit and $15 million for swing line loans. Borrowings outstanding under the New Revolving Credit Facility will bear interest at a fluctuating rate per annum as further detailed in Note 11.

In order to manage the Company’s exposure to changes in cash flows attributable to fluctuations in LIBOR-indexed interest payments related to the Company’s floating rate debt, the Company entered into an interest rate swap on March 30, 2021. Under the interest rate swap agreement, the Company receives the one-month USD-LIBOR subject to a 0.00% floor and pays a fixed rate of 1.02975% on a notional amount of $100.0 million. The swap matures on March 30, 2026. The Company formally documents the hedge relationships at hedge inception to ensure that its interest rate swaps qualify for hedge accounting. On a quarterly basis, the Company assesses whether the interest rate swap is highly effective in offsetting changes in the cash flow of the hedged item. The Company does not hold or issue interest rate swaps for trading purposes. The swaps are designated as cash flow hedges. For the second quarter and six months ended June 27, 2021 a loss of $0.5 million was recorded in Accumulated Other Comprehensive Loss to recognize the effective portion of the fair value of the interest rate swap that qualifies as a cash flow hedge.

On February 12, 2016, the Company entered into a Credit Agreement (the “Prior Credit Agreement”) pursuant to which it received a funding commitment under a Term Loan of $300 million, and a Revolving Commitment (“Revolver”) of $500 million. For each facility, the Company could choose either an Adjusted LIBOR or Alternative Base Rate (“ABR”). Accordingly, the Company’s earnings and cash flows were exposed to interest rate risk from changes in Adjusted LIBOR. In order to manage the Company’s exposure to changes in cash flows attributable to fluctuations in LIBOR-indexed interest payments related to the Company’s floating rate debt, the Company entered into two interest rate swaps. For each interest rate swap, the Company received the three-month USD-LIBOR subject to a 0.00% floor and paid a fixed rate of 1.31375% on a notional amount of $225.0 million. The swaps were expected to mature on the same date as the Prior Credit Agreement on February 12, 2021, and were designated as cash flow hedges. On April 24, 2020, the Company entered into an Amended and Restated Credit Agreement (the “Amended Credit Agreement”). The Amended Credit Agreement amended and restated the Prior Credit Agreement in its entirety while increasing the amount of revolving credit available from $500 million to $800 million, and extending the maturity by one additional year to February 2022. As part of the Amended Credit Agreement, the LIBOR rate was subject to a 1.00% floor as opposed to a 0.00% floor in the Prior Credit Agreement. The change in the LIBOR floor in the Amended Credit Agreement caused the interest rate swaps to no longer be considered highly effective in offsetting changes in the cash flow of the hedged item, as critical terms of the Amended Credit Agreement no longer matched the hedged item. As a result, the cash flow hedges no longer qualified for hedge accounting as of the date of execution of the Amended Credit Agreement. The Company subsequently began recognizing the mark-to-market fair value adjustments on a monthly basis in the consolidated statement of operations and continued to do so through the expiration date of the swaps, which occurred on February 12, 2021. For the first quarter ended March 28, 2021 an immaterial amount was recorded into interest expense related to the change in mark-to-market fair value adjustments.

Designated Foreign Currency Hedges

The Company’s foreign subsidiaries transact most business, including certain intercompany transactions, in foreign currencies. Such transactions are principally purchases or sales of materials. The Company has exposure to a number of foreign currencies, including the Canadian dollar, the euro, and the Chinese yuan. The Company uses a layering methodology, whereby at the end of each quarter, the Company enters into forward exchange contracts hedging Canadian dollar to U.S. dollar, which hedge approximately 80% to 85% of the forecasted intercompany purchase transactions between one of the Company’s Canadian subsidiaries and the Company’s U.S. operating subsidiaries for the next twelve months. The Company uses a similar layering methodology when entering into forward exchange contracts hedging U.S. dollar to the Chinese yuan, which hedge up to 60% of the forecasted intercompany sales transactions between one of the Company’s Chinese subsidiaries and one of the Company’s U.S. operating subsidiaries for the next twelve months. As of June 27, 2021, all designated foreign exchange hedge contracts were cash flow hedges under ASC 815, *Derivatives and Hedging*. The Company records the effective portion of the designated foreign currency hedge contracts in other comprehensive income until inventory turns and is sold to a third-party. Once the third-party transaction associated with the hedged forecasted transaction occurs, the effective portion of any related gain or loss on the designated foreign currency hedge is reclassified into earnings within cost of goods sold. In the event the notional amount of the derivatives exceeds the forecasted intercompany purchases for a given month, the excess hedge position will be attributed to the following month's forecasted purchases. However, if the following month's forecasted purchases cannot absorb the excess hedge position from the current month, the effective portion of the hedge recorded in other comprehensive income will be reclassified to earnings.

The notional amounts outstanding as of June 27, 2021 for the Canadian dollar to U.S. dollar contracts and the U.S. dollar to the Chinese yuan contracts were $15.9 million and $7.6 million, respectively. The fair value of the Company's designated foreign hedge contracts outstanding as of June 27, 2021 was a liability of $0.3 million. As of June 27, 2021, the amount expected to be reclassified into cost of goods sold from other comprehensive income in the next twelve months is a loss of $0.3 million.

6. Restructuring and Other Charges, Net

The Company's Board of Directors approves all major restructuring programs that may involve the discontinuance of significant product lines or the shutdown of significant facilities. From time to time, the Company takes additional restructuring actions, including involuntary terminations that are not part of a major program. The Company accounts for these costs in the period in which the liability is incurred. These costs are included in restructuring charges in the Company's consolidated statements of operations.

A summary of the pre-tax cost by restructuring program is as follows:

	Second Quarter Ended		Six Months Ended	
	June 27, 2021	June 28, 2020	June 27, 2021	June 28, 2020
	(in millions)			
Restructuring costs:				
2021 France Actions	**$ 18.0**	$ —	**$ 18.0**	$ —
Other Actions	**(1.0)**	5.3	**(0.7)**	5.3
Total restructuring charges	**$ 17.0**	$ 5.3	**$ 17.3**	$ 5.3

The Company recorded pre-tax restructuring costs in its business segments as follows:

	Second Quarter Ended		Six Months Ended	
	June 27, 2021	June 28, 2020	June 27, 2021	June 28, 2020
	(in millions)			
Americas	**$ (0.7)**	$ 4.6	**$ (0.7)**	$ 4.6
Europe	**17.9**	(0.3)	**17.9**	(0.3)
APMEA	**(0.2)**	0.9	**0.1**	0.9
Corporate	**—**	0.1	**—**	0.1
Total	**$ 17.0**	$ 5.3	**$ 17.3**	$ 5.3

2021 France Actions

On June 25, 2021, the Board of Directors approved a restructuring program with respect to the Company's operating facilities in France, within its Europe operating segment. The restructuring program is expected to include the shutdown of the Company's manufacturing facility in Méry, France and the consolidation of that facility's operations primarily into the Company's facilities in Virey-le-Grand and Hautvillers, France. The program is expected to include pre-tax charges totaling approximately $26.3 million, including costs for severance, relocation, clean-up and certain asset write-downs, and result in the elimination of approximately 80 positions at the Méry, France facility. As a result of the facility consolidations, the net headcount reduction in France is expected to be approximately 50 positions. Total net after-tax charges for this restructuring program are expected to be approximately $19.0 million (including approximately $2.0 million in non-cash charges), with costs being incurred through the second half of 2022, at which time the restructuring program is expected to be completed. The Company expects to spend approximately $1.0 million in capital expenditures to consolidate operations. Annual cash savings, net of tax, are estimated to be approximately $3.0 million, which the Company expects to fully realize by 2023.

The following table summarizes by type, the total expected, incurred and remaining pre-tax restructuring costs for the Company's restructuring program related to the 2021 France Actions:

	Severance	Legal and consultancy	Asset write-downs (in millions)	Facility exit and other	Total
Costs incurred — second quarter 2021	$ 16.9	$ 0.6	$ —	$ 0.5	$ 18.0
Remaining costs to be incurred	4.6	—	2.2	1.5	8.3
Total expected restructuring costs	**$ 21.5**	**$ 0.6**	**$ 2.2**	**$ 2.0**	**$ 26.3**

Details of the restructuring reserve activity for the Company's 2021 France Actions for the period ended June 27, 2021 are as follows:

	Severance	Legal and consultancy	Asset write-downs (in millions)	Facility exit and other	Total
Balance at March 28, 2021	$ —	$ —	$ —	$ —	$ —
Net pre-tax restructuring charges	16.9	0.6	—	0.5	18.0
Utilization and foreign currency impact	(0.3)	(0.2)	—	—	(0.5)
Balance at June 27, 2021	**$ 16.6**	**$ 0.4**	**$ —**	**$ 0.5**	**$ 17.5**

Other Actions

The Company periodically initiates other actions which are not part of a major program. Included in "Other Actions" for the second quarter ended June 28, 2020, were actions taken in the Americas, Europe and APMEA segments and Corporate primarily in response to the COVID-19 pandemic. During the second quarter ended June 27, 2021, total pre-tax charges for the 2020 Other Actions were reduced by approximately $1.0 million due to revised estimates for severance costs, health benefits and outplacement support. This resulted in total expected program restructuring charges of approximately $9.9 million, of which $9.6 million had been expensed through the period ended June 27, 2021. The remaining expected costs relate to facility exit and other exit costs and are expected to be completed in the second half of 2021. The restructuring reserve associated with these actions as of June 27, 2021 was approximately $2.0 million and primarily related to severance benefits.

7. Earnings per Share and Stock Repurchase Program

The following tables set forth the reconciliation of the calculation of earnings per share:

	For the Second Quarter Ended June 27, 2021			For the Second Quarter Ended June 28, 2020		
	Income (Numerator)	Shares (Denominator)	Per Share Amount	Income (Numerator)	Shares (Denominator)	Per Share Amount
	(Amounts in millions, except per share information)					
Basic EPS:						
Net income	**$ 37.5**	**33.8**	**$ 1.11**	$ 20.2	33.8	$ 0.60
Effect of dilutive securities:						
Common stock equivalents		**0.1**	—		0.2	(0.01)
Diluted EPS:						
Net income	**$ 37.5**	**33.9**	**$ 1.11**	$ 20.2	34.0	$ 0.59

	For the Six Months Ended June 27, 2021			For the Six Months Ended June 28, 2020		
	Income (Numerator)	Shares (Denominator)	Per Share Amount	Income (Numerator)	Shares (Denominator)	Per Share Amount
	(Amounts in millions, except per share information)					
Basic EPS:						
Net income	**$ 79.2**	**33.8**	**$ 2.34**	$ 52.2	33.9	$ 1.54
Effect of dilutive securities:						
Common stock equivalents		**0.1**	—		0.1	(0.01)
Diluted EPS:						
Net income	**$ 79.2**	**33.9**	**$ 2.34**	$ 52.2	34.0	$ 1.53

There were no options to purchase Class A common stock outstanding during the second quarters and six months ended June 27, 2021 or June 28, 2020 that would have been anti-dilutive.

On February 6, 2019, the Company's Board of Directors authorized the repurchase of up to $150 million of the Company's Class A common stock, to be purchased from time to time on the open market or in privately negotiated transactions. For the stock repurchase program, the Company entered into Rule 10b5-1 plans, which permit shares to be repurchased when the Company might otherwise be precluded from doing so under insider trading laws. The repurchase program may be suspended or discontinued at any time, subject to the terms of the Rule 10b5-1 plans the Company entered into with respect to the repurchase program. As of June 27, 2021, there was $105.6 million remaining authorized for share repurchases under the $150 million program.

For the second quarters ended June 27, 2021 and June 28, 2020, the Company repurchased 30,917 shares for $4.0 million and 78,828 shares for $6.4 million, respectively. For the first six months of 2021 and 2020, the Company repurchased 62,070 shares for $7.8 million and 253,535 shares for $21.1 million, respectively.

8. Stock-Based Compensation

The Company issued 52,230 and 80,052 shares of restricted stock and deferred stock awards during the first six months of 2021 and 2020, respectively. The Company grants shares of deferred stock awards to key employees and restricted stock awards to non-employee members of the Company's Board of Directors under the 2004 Stock Incentive Plan. Stock awards to employees typically vest over a three-year period and awards to non-employee members of the Company's Board of Directors vest immediately.

The Company also grants performance stock units to key employees under the 2004 Stock Incentive Plan. Performance stock units vest in their entirety at the end of a performance period set by the Compensation Committee of the Board of Directors at the time of grant, which is currently three years. Upon vesting, the number of shares of the Company's Class A common stock awarded to each performance stock unit recipient will be determined based on the Company's performance relative to certain performance goals set at the time the performance stock units were granted. The performance stock units are amortized to expense over the vesting period, and based on the Company's performance relative to the performance goals, which may be adjusted with changes to the related expense recorded in the period of adjustment. If the performance goals are not met, no awards are earned and previously recognized compensation expense is reversed. The Company granted 46,774 and 73,106 performance stock units during the first six months of 2021 and 2020, respectively.

Under the Management Stock Purchase Plan ("MSPP"), the Company granted 24,690 and 27,495 of restricted stock units ("RSUs") during the first six months of 2021 and 2020, respectively. The MSPP allows for the granting of RSUs to key employees. On an annual basis, key employees may elect to receive a portion of their annual incentive compensation in RSUs instead of cash. Participating employees may use up to 50% of their annual incentive bonus to purchase RSUs for a purchase price equal to 80% of the fair market value of the Company's Class A common stock as of the date of grant.

The fair value of each share issued under the MSPP is estimated on the date of grant, using the Black-Scholes-Merton Model, based on the following weighted average assumptions:

	2021	2020
Expected life (years)	**3.0**	3.0
Expected stock price volatility	**32.7 %**	24.6 %
Expected dividend yield	**0.75 %**	1.1 %
Risk-free interest rate	**0.3 %**	0.6 %

The risk-free interest rate is based upon the U.S. Treasury yield curve at the time of grant for the respective expected life of the RSUs. The expected life (estimated period of time outstanding) of RSUs and volatility were calculated using historical data. The expected dividend yield of stock is the Company's best estimate of the expected future dividend yield.

The above assumptions were used to determine the weighted average grant-date fair value of the discount on RSUs granted in 2021 and 2020 of $37.12 and $22.36, respectively.

A more detailed description of each of these plans can be found in Note 13 of the Notes to Consolidated Financial Statements in the Company's Annual Report on Form 10-K for the year ended December 31, 2020.

9. Segment Information

The Company operates in three geographic segments: Americas, Europe, and APMEA. Each of these segments sells similar products and has separate financial results that are reviewed by the Company's chief operating decision-maker. Each segment earns revenue and income almost exclusively from the sale of its products. The Company sells its products into various end markets around the world, with sales by region based upon location of the entity recording the sale. See Note 3 for further detail on the product lines sold into by region. All intercompany sales transactions have been eliminated. The accounting policies for each segment are the same as those described in Note 2 above and in Note 2 of the Notes to Consolidated Financial Statements in the Company's Annual Report on Form 10-K for the year ended December 31, 2020.

The following is a summary of the Company's significant accounts and balances by segment, reconciled to its consolidated totals:

	Second Quarter Ended		Six Months Ended	
	June 27, 2021	June 28, 2020	June 27, 2021	June 28, 2020
	(in millions)			
Net sales				
Americas	**$ 307.1**	$ 237.4	**$ 579.9**	$ 499.8
Europe	**136.8**	88.1	**259.7**	198.3
APMEA	**23.1**	13.2	**40.7**	23.2
Consolidated net sales	**$ 467.0**	$ 338.7	**$ 880.3**	$ 721.3
Operating income (loss)				
Americas	**$ 55.2**	$ 29.5	**$ 103.7**	$ 72.9
Europe	**5.4**	9.2	**24.9**	22.9
APMEA	**4.3**	0.8	**6.6**	0.7
Subtotal reportable segments	**64.9**	39.5	**135.2**	96.5
Corporate(*)	**(12.2)**	(8.5)	**(22.9)**	(17.7)
Consolidated operating income	**52.7**	31.0	**112.3**	78.8
Interest income	**—**	(0.1)	**—**	(0.2)
Interest expense	**1.5**	4.0	**3.5**	7.0
Other income, net	**(0.5)**	(0.4)	**(0.8)**	(0.1)
Income before income taxes	**$ 51.7**	$ 27.5	**$ 109.6**	$ 72.1
Capital expenditures				
Americas	**$ 4.8**	$ 11.1	**$ 7.2**	$ 17.7
Europe	**2.9**	3.8	**5.2**	6.0
APMEA	**0.6**	—	**0.6**	0.1
Consolidated capital expenditures	**$ 8.3**	$ 14.9	**$ 13.0**	$ 23.8
Depreciation and amortization				
Americas	**$ 7.4**	$ 7.5	**$ 15.1**	$ 14.9
Europe	**3.0**	3.5	**6.3**	6.9
APMEA	**1.1**	0.5	**1.9**	1.1
Consolidated depreciation and amortization	**$ 11.5**	$ 11.5	**$ 23.3**	$ 22.9
Identifiable assets (at end of period)				
Americas			**$ 1,127.2**	$ 1,079.0
Europe			**586.7**	479.7
APMEA			**141.4**	89.6
Consolidated identifiable assets			**$ 1,855.3**	$ 1,648.3
Property, plant and equipment, net (at end of period)				
Americas			**$ 120.6**	$ 123.9
Europe			**81.5**	77.8
APMEA			**4.9**	5.2
Consolidated property, plant and equipment, net			**$ 207.0**	$ 206.9

* Corporate expenses are primarily for administrative compensation expense, compliance costs, professional fees, including corporate-related legal and audit expenses, shareholder services and benefit administration costs.

The above operating segments are presented on a basis consistent with the presentation included in the Company's December 31, 2020 consolidated financial statements included in its Annual Report on Form 10-K.

The U.S. property, plant and equipment of the Company's Americas segment was $116.0 million and $120.0 million at June 27, 2021 and June 28, 2020, respectively.

The following includes U.S. net sales of the Company's Americas segment:

	Second Quarter Ended		Six Months Ended	
	June 27, 2021	June 28, 2020	June 27, 2021	June 28, 2020
	(in millions)			
U.S. net sales	**$ 285.0**	$ 222.6	**$ 539.4**	$ 469.3

The following includes intersegment sales for Americas, Europe and APMEA:

	Second Quarter Ended		Six Months Ended	
	June 27, 2021	June 28, 2020	June 27, 2021	June 28, 2020
	(in millions)			
Intersegment Sales				
Americas	**$ 2.5**	$ 2.9	**$ 4.9**	$ 5.5
Europe	**8.5**	5.3	**16.2**	9.5
APMEA	**37.1**	21.0	**63.4**	34.5
Intersegment sales	**$ 48.1**	$ 29.2	**$ 84.5**	$ 49.5

10. Accumulated Other Comprehensive Loss

Accumulated other comprehensive loss consists of the following:

	Foreign Currency Translation	Cash Flow Hedges (1)	Accumulated Other Comprehensive Loss
		(in millions)	
Balance December 31, 2020	**$ (99.9)**	**$ (0.1)**	**$ (100.0)**
Change in period	**(14.1)**	**(0.1)**	**(14.2)**
Balance March 28, 2021	**$ (114.0)**	**$ (0.2)**	**$ (114.2)**
Change in period	**5.8**	**(0.8)**	**5.0**
Balance June 27, 2021	**$ (108.2)**	**$ (1.0)**	**$ (109.2)**
Balance December 31, 2019	$ (131.3)	$ 0.5	$ (130.8)
Change in period	(16.5)	(0.9)	(17.4)
Balance March 29, 2020	$ (147.8)	$ (0.4)	$ (148.2)
Change in period	10.0	(0.3)	9.7
Balance June 28, 2020	$ (137.8)	$ (0.7)	$ (138.5)

(1) Cash flow hedges include interest rate swaps and designated foreign currency hedges. See Note 5 for further details.

11. Debt

On March 30, 2021, the Company entered into the Second Amended Credit Agreement. The Second Amended Credit Agreement amends the Amended Credit Agreement to extend the maturity date of the $800 million senior unsecured revolving credit facility from February 12, 2022 to March 30, 2026. Among other changes, the Second Amended Credit Agreement increases the Company's maximum consolidated leverage ratio (including both the base ratio and the ratio permitted during temporary step-ups following certain acquisitions), adjusts certain fees to reflect market conditions and reduces the 1.00% floor on the adjusted LIBOR rate to 0.00%.

The New Revolving Credit Facility also includes sublimits of $100 million for letters of credit and $15 million for swing line loans. As of June 27, 2021, the Company had drawn down $195.0 million on this line of credit and had $14.0 million in letters of credit outstanding, which resulted in $591.0 million of unused and available credit under the New Revolving Credit Facility. Borrowings outstanding bear interest at a fluctuating rate per annum equal to an applicable percentage defined as (i) in the case of Eurocurrency rate loans, the adjusted British Bankers Association LIBOR rate plus an applicable percentage, ranging from 1.075% to 1.325%, determined by reference to the Company's consolidated leverage ratio, or (ii) in the case of alternate base rate loans and swing line loans, interest (which at all times will not be less than 1.00%) at the greatest of (a) the Prime Rate in effect on such day, (b) the FRBNY Rate in effect on such day plus 0.50%

and (c) the adjusted LIBOR rate plus 1.00% for a one month interest period in dollars. The weighted average interest rate on debt outstanding under the New Revolving Credit Facility as of June 27, 2021 was 1.16%. The weighted average interest rate on debt outstanding inclusive of the interest rate swap discussed in Note 5 of the Notes to Consolidated Financial Statements and interest rates under the New Revolving Credit Facility as of June 27, 2021 was 1.65%. As of June 27, 2021, the Company was in compliance with all covenants related to the Second Amended Credit Agreement.

In addition to paying interest under the Second Amended Credit Agreement, the Company is also required to pay certain fees in connection with the New Revolving Credit Facility, including, but not limited to, an unused facility fee and letter of credit fees.

The Second Amended Credit Agreement matures on March 30, 2026, subject to extension under certain circumstances and subject to the terms of the Second Amended Credit Agreement. The Company may repay loans outstanding under the Second Amended Credit Agreement from time to time without premium or penalty, other than customary breakage costs, if any, and subject to the terms of the Second Amended Credit Agreement.

Both the Amended Credit Agreement and the Second Amended Credit Agreement impose various restrictions on the Company and its subsidiaries, including restrictions pertaining to: (i) the incurrence of additional indebtedness, (ii) limitations on liens, (iii) making distributions, dividends and other payments, (iv) mergers, consolidations and acquisitions, (v) dispositions of assets, (vi) certain consolidated leverage ratios and consolidated interest coverage ratios, (vii) transactions with affiliates, (viii) changes to governing documents, and (ix) changes in control.

The Company maintains letters of credit that guarantee its performance or payment to third parties in accordance with specified terms and conditions. Amounts outstanding were $14.0 million as of June 27, 2021. The Company’s letters of credit are primarily associated with insurance coverage. The Company’s letters of credit generally expire within one year of issuance. These instruments may exist or expire without being drawn down. Therefore, they do not necessarily represent future cash flow obligations.

The Amended Credit Agreement amended and restated the Prior Credit Agreement in its entirety while increasing the amount of revolving credit available from $500 million to $800 million and extended the maturity by one additional year to February 2022. The senior unsecured revolving credit facility (the "Revolving Credit Facility") also included sublimits of $100 million for letters of credit and $15 million for swing line loans. The term loan facility under the Prior Credit Agreement was terminated and paid off effective April 24, 2020, with funds from the Revolving Credit Facility. Borrowings outstanding under the Revolving Credit Facility bore interest at a fluctuating rate per annum equal to an applicable percentage defined as (i) in the case of Eurocurrency rate loans, the adjusted British Bankers Association LIBOR rate (which at all times will not be less than 1.00%) plus an applicable percentage, ranging from 1.50% to 2.10%, determined by reference to the Company's consolidated leverage ratio, or (ii) in the case of alternate base rate loans and swing line loans, interest (which at all times will not be less than 2.00%) at the greatest of (a) the Prime Rate in effect on such day, (b) the FRBNY Rate in effect on such day plus 0.50% and (c) the adjusted LIBOR rate plus 1.00% for a one month interest period in dollars. In addition to paying interest under the Amended Credit Agreement, the Company was also required to pay certain fees in connection with the Revolving Credit Facility, including, but not limited to, an unused facility fee and letter of credit fees. The terms of the Amended Credit Agreement are further detailed in Note 11 of the Notes to Consolidated Financial Statements of the Annual Report on Form 10-K for the year ended December 31, 2020.

12. Contingencies and Environmental Remediation

In the ordinary course of business, the Company is involved in disputes, litigation, and governmental or regulatory inquiries and investigations, both pending and threatened, including those involving product liability, environmental matters, and commercial disputes.

Other than the items described below, significant commitments and contingencies at June 27, 2021 are consistent with those discussed in Note 15 of the Notes to Consolidated Financial Statements in the Company’s Annual Report on Form 10-K for the year ended December 31, 2020.

As of June 27, 2021, the Company estimates that the aggregate amount of reasonably possible loss in excess of the amount accrued for its contingencies is approximately $4.0 million pre-tax. With respect to the estimate of reasonably possible loss, management has estimated the upper end of the range of reasonably possible loss based on (i) the amount of money damages claimed, where applicable, (ii) the allegations and factual development to date, (iii) available defenses based on the allegations, and/or (iv) other potentially liable parties. This estimate is based upon currently available information and is subject to significant judgment and a variety of assumptions, and known and unknown uncertainties. The matters underlying the estimate will change from time to time, and actual results may vary significantly from the current estimate. In the event of an unfavorable outcome in one or more of the matters, the ultimate liability may be in excess of amounts currently accrued, if any, and may be material to the Company's operating results or cash flows for a particular quarterly or annual period. However, based on information currently known to it, management believes that the ultimate outcome of all matters, as they are resolved over time, is not likely to have a material adverse effect on the financial condition of the Company, though the outcome could be material to the Company's operating results for any particular period depending, in part, upon the operating results for such period.

Chemetco, Inc. Superfund Site, Hartford, Illinois

In August 2017, Watts Regulator Co. (a wholly-owned subsidiary of the Company) received a "Notice of Environmental Liability" from the Chemetco Site Group ("Group") alleging that it is a potentially responsible party for the Chemetco, Inc. Superfund Site in Hartford, Illinois (the "Site") because it arranged for the disposal or treatment of hazardous substances that were contained in materials sent to the Site and that resulted in the release or threat of release of hazardous substances at the Site. The letter offered Watts Regulator Co. the opportunity to join the Group and participate in the Remedial Investigation and Feasibility Study ("RI/FS") for a portion of the Site. Watts Regulator Co. joined the Group in September 2017 and was added in March 2018 as a signatory to the Administrative Settlement Agreement and Order on Consent with the United States Environmental Protection Agency ("USEPA") governing completion of the RI/FS. The Remedial Investigation report has been completed, and the draft Feasibility Study report is due to be submitted to U.S. Environmental Protection Agency (USEPA) near the end of August 2021. Based on information currently known to it, management believes that Watts Regulator Co.'s share of the costs of the RI/FS is not likely to have a material adverse effect on the financial condition of the Company, or have a material adverse effect on the Company's operating results for any particular period. The Company is unable to estimate a range of reasonably possible loss for the above matter in which damages have not been specified because: (i) the RI/FS for the first portion of the Site has not been completed, and the RI/FS process for the remainder of the Site has not yet been initiated, to determine what remediation plans will be implemented and the costs of such plans; (ii) the total amount of material sent to the Site, and the total number of potentially responsible parties who may or may not agree to fund or perform any remediation, have not been determined; (iii) the share contribution for potentially responsible parties to any remediation has not been determined; and (iv) the number of years required to implement a remediation plan acceptable to USEPA is uncertain.

Income Taxes

In determining its provision for income taxes, the Company makes certain judgments and interpretations with respect to tax laws in jurisdictions in which the Company has business operations. Because of the complex nature of these laws, in the normal course of our business, the Company is subject to challenges from U.S. and non-U.S. income tax authorities regarding the amount of income taxes due. These challenges may result in adjustments to the timing or amount of taxable income or deductions or the allocation of taxable income among tax jurisdictions. The Company recognizes a tax benefit when it is more likely than not that its position will result in a tax deduction or credit. As of June 27, 2021, the Company had gross unrecognized tax benefits of approximately $9.0 million. As a result of recent challenges from a non-U.S. income tax authority, it is reasonably possible that the unrecognized tax benefits associated with this matter could increase by $4.6 million in the next twelve months. The Company also estimates that it is reasonably possible that other matters included in unrecognized tax benefits at June 27, 2021 may decrease by $2.0 million to $2.5 million in the next twelve months as a result of lapse in statutes of limitations and potential settlements.

13. Subsequent Events

On August 2, 2021, the Company declared a quarterly dividend of twenty-six cents ($0.26) per share on each outstanding share of Class A common stock and Class B common stock payable on September 15, 2021 to stockholders of record on September 1, 2021.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Overview

The following discussion and analysis are provided to increase the understanding of, and should be read in conjunction with, the accompanying unaudited consolidated financial statements and related notes. In this quarterly report on Form 10-Q, references to "the Company," "Watts," "we," "us" or "our" refer to Watts Water Technologies, Inc. and its consolidated subsidiaries.

We are a leading supplier of products, solutions and systems that manage and conserve the flow of fluids and energy into, through and out of buildings in the commercial and residential markets in the Americas, Europe and Asia-Pacific, Middle East and Africa ("APMEA"). For over 140 years, we have designed and produced valve systems that safeguard and regulate water systems, energy efficient heating and hydronic systems, drainage systems and water filtration technology that helps purify and conserve water. We earn revenue and income almost exclusively from the sale of our products. Our principal product lines include:

- Residential & commercial flow control products—includes products typically sold into plumbing and hot water applications such as backflow preventers, water pressure regulators, temperature and pressure relief valves, thermostatic mixing valves and leak detection products.

- HVAC & gas products—includes commercial high-efficiency boilers, water heaters and heating solutions, hydronic and electric heating systems for under-floor radiant applications, custom heat and hot water solutions, hydronic pump groups for boiler manufacturers and alternative energy control packages, and flexible stainless steel connectors for natural and liquid propane gas in commercial food service and residential applications. HVAC is an acronym for heating, ventilation and air conditioning.

- Drainage & water re-use products—includes drainage products and engineered rain water harvesting solutions for commercial, industrial, marine and residential applications.

- Water quality products—includes point-of-use and point-of-entry water filtration, conditioning and scale prevention systems for commercial, marine and residential applications.

We believe that the factors relating to our future growth include continued product innovation that meets the needs of our customers and our end markets; our ability to continue to make selective acquisitions, both in our core markets as well as in complementary markets; regulatory requirements relating to the quality and conservation of water and the safe use of water; increased demand for clean water; and continued enforcement of plumbing and building codes. We have completed 11 acquisitions in the last decade. Our acquisition strategy focuses on businesses that promote our key macro themes around safety and regulation, energy efficiency and water conservation. We target businesses that will provide us with one or more of the following: an entry into new markets and/or new geographies, improved channel access, unique and/or proprietary technologies, advanced production capabilities or complementary solution offerings.

Our innovation strategy is focused on differentiated products and solutions that will provide greater opportunity to distinguish ourselves in the marketplace. Conversely, we continue to migrate away from commoditized products where we cannot add value. Our goal is to be a solutions provider, not merely a components supplier. We continually look for strategic opportunities to invest in new products and markets or divest existing product lines where necessary in order to meet those objectives.

The Internet of Things has allowed companies to transform components into smart and connected devices. Over the past several years we have been building our smart and connected foundation by expanding our internal capabilities and making strategic acquisitions. Our strategy is to deliver superior customer value through smart and connected products and solutions. This strategy focuses on three dimensions: Connect, Control and Conserve. We intend to introduce products that will connect our customers with smart systems, control systems for optimal performance, and conserve critical resources by increasing operability, efficiency and safety.

Products representing a majority of our sales are subject to regulatory standards and code enforcement, which typically require that these products meet stringent performance criteria. We have consistently advocated for the development and enforcement of such plumbing codes. We are focused on maintaining stringent quality control and testing procedures at each of our manufacturing facilities in order to manufacture products in compliance with code requirements and take advantage of the resulting demand for compliant products. We believe that product development, product testing capability and investment in plant and equipment needed to manufacture products in compliance with code requirements, represent a competitive advantage for us.

COVID-19 Pandemic

The COVID-19 pandemic materially impacted our operating results in 2020. The impact was most pronounced during the second quarter of 2020, which was shortly after the World Health Organization declared COVID-19 a global pandemic and government authorities around the world imposed lockdowns and restrictions. However, as the second half of 2020 progressed and government-imposed restrictions subsided, we noted market activity levels increasing with sales and profits improving sequentially from the second to fourth quarters. Profits improved in part from better volumes and in part from the cost actions we executed in response to the pandemic. Entering 2021, first quarter and second quarter results continued that trend of improved top line growth and profit performance. However, there are still end markets we serve that may take time to recover, and future regional COVID-19 outbreaks and lockdowns may occur that could further impact our operating results.

We remain diligent as a company to mitigate future outbreaks in our facilities by taking precautions to reduce the spread of COVID-19 while maintaining our production capabilities. We continue to focus on the health and safety of our employees, including ongoing social distancing guidelines and temperature monitoring, providing personal protective equipment and maintaining our COVID-19 website for employees, which includes the latest CDC and other government protocols.

Further, we believe the actions we have taken over the last several years to strengthen our portfolio and increase customer intimacy, along with aggressively paying down debt, have put us in a strong financial position. We maintain ample liquidity to work through these uncertain times, including the refinancing of our credit facility in the second quarter of 2021, and continue to invest for the future. Our experienced management team is proactively managing this situation and we are well positioned to respond to challenges presented by the COVID-19 pandemic as they arise.

Our revenues improved in all three segments for the second quarter of 2021 as compared to the second quarter of 2020, primarily driven by the negative impact of COVID-19 last year. We have started to see recovery in certain markets, however, future sales expansion or contraction is dependent on the duration and severity of the evolving COVID-19 pandemic. Factors include supply chain constraints, the construction lending markets, investments and capital spending in building services construction markets, additional governmental actions that may or may not be taken, and numerous other uncertainties, including COVID-19 vaccination rates and the impact of the virus variants.

As worldwide economies recover from the pandemic, increased market demand is straining suppliers' ability to fill orders. This has been compounded by logistical issues with respect to container capacity on ships, port congestion and in-road trucking. Increased demand following the February 2021 South-Central severe weather freeze in the United States has caused additional supply constraints. The global shortage of electronic components like semiconductors and other raw materials may continue to challenge our supply chain. We are also experiencing higher transportation costs, including expedited freight cost, as well as rising prices for commodities and other raw materials. While we were able to effectively manage these issues during the first half of the year, we cannot predict how supply chain issues and related costs may impact our ability to service our customers, effectively roll out and realize price increases and impact our profit margins in the second half of 2021.

Due to the above circumstances and as described generally in this Form 10-Q, the Company's results of operations for the six months ended June 27, 2021 are not necessarily indicative of the results to be expected for the full fiscal year. Management cannot predict the full impact of the COVID-19 pandemic on the Company's sales, supply chain, manufacturing and distribution or on economic conditions generally, including the effects on customer spending. The extent of the effects of the COVID-19 pandemic on the Company remains uncertain and will depend on future developments, and such effects could exist for an extended period of time even after the pandemic ends. For further information regarding the impact of COVID-19 on the Company, see Part I, Item 1A, "Risk Factors" in the Company's Annual Report on Form 10-K for the year ended December 31, 2020.

Financial Overview

Second quarter 2021 sales increased 37.9%, or $128.3 million, on a reported basis and 32.1%, or $108.6 million, on an organic basis, compared to the second quarter of 2020, primarily driven by the global economic recovery across all of our operating segments following the significant negative effect of COVID-19 last year. This increase also included the growth in the Americas due to positive demand driven by the February 2021 severe freezing weather in the South-Central U.S. The severe freeze was estimated to have contributed approximately 4% of incremental sales during the second quarter at a consolidated level. The reported sales increase included the impact of foreign exchange of 4.8%, or $16.1 million, primarily driven by a stronger euro, and a net increase in acquired/divested sales of $3.6 million. Organic sales is a non-GAAP financial measure that excludes the impacts of acquisitions, divestitures and foreign exchange from year-over-year comparisons. Management believes reporting organic sales growth provides useful information to investors, potential investors and others, because it allows for additional insight into underlying sales trends by providing sales growth on a consistent basis. We reconcile the change in organic sales to our reported sales for each region within our results below. Operating income of $52.7 million increased by $21.7 million, or 70.0%, in the second quarter of 2021 as compared to the second quarter of 2020. This increase was primarily driven by higher sales volume, price, productivity and savings from prior restructuring actions, partially offset by inflation, investments, the return of expenses related to business normalization and restructuring charges related to the closure of a facility in Méry, France. During the second quarter of 2021, we successfully completed negotiations to exit the facility and recorded pre-tax restructuring charges of $18.0 million in the quarter, with total expected pre-tax costs of $26.0 million estimated to be incurred through the second half of 2022. See Note 6 of Notes to Consolidated Financial Statements for more details.

Recent Developments

On August 2, 2021, we declared a quarterly dividend of twenty-six cents ($0.26) per share on each outstanding share of Class A common stock and Class B common stock payable on September 15, 2021 to stockholders of record on September 1, 2021.

Results of Operations

Second Quarter Ended June 27, 2021 Compared to Second Quarter Ended June 28, 2020

Net Sales. Our business is reported in three geographic segments: Americas, Europe and APMEA. Our net sales in each of these segments for each of the second quarters of 2021 and 2020 were as follows:

	Second Quarter Ended June 27, 2021		Second Quarter Ended June 28, 2020			% Change to Consolidated
	Net Sales	% Sales	Net Sales	% Sales	Change	Net Sales
			(dollars in millions)			
Americas	**$ 307.1**	65.8 %	$ 237.4	70.1 %	$ 69.7	20.6 %
Europe	**136.8**	29.3	88.1	26.0	48.7	14.4
APMEA	**23.1**	4.9	13.2	3.9	9.9	2.9
Total	**$ 467.0**	100.0 %	$ 338.7	100.0 %	$ 128.3	37.9 %

The change in net sales was attributable to the following:

					Change As a % of Consolidated Net Sales				Change As a % of Segment Net Sales		
	Americas	Europe	APMEA	Total	Americas	Europe	APMEA	Total	Americas	Europe	APMEA
					(dollars in millions)						
Organic	$ 66.2	$ 36.4	$ 6.0	$ 108.6	19.5 %	10.8 %	1.8 %	32.1 %	27.9 %	41.3 %	51.0 %
Foreign exchange	2.5	12.3	1.3	16.1	0.8	3.6	0.4	4.8	1.1	14.0	9.8
Acquired/divested, net	1.0	—	2.6	3.6	0.3	—	0.7	1.0	0.4	—	14.2
Total	$ 69.7	$ 48.7	$ 9.9	$ 128.3	20.6 %	14.4 %	2.9 %	37.9 %	29.4 %	55.3 %	75.0 %

Our products are sold to wholesalers, OEMs, DIY chains, and through various specialty channels. The change in organic net sales by channel was attributable to the following:

	Wholesale	OEMs	DIY	Specialty	Total	Change As a % of Prior Year Sales Wholesale	OEMs	DIY	Specialty
	(dollars in millions)								
Americas	$ 44.4	$ 7.4	$ 1.5	$ 12.9	$ 66.2	33.9 %	44.2 %	8.4 %	17.9 %
Europe	25.4	10.7	0.3	—	36.4	46.2	32.8	75.5	—
APMEA	6.0	—	—	—	6.0	53.1	—	—	—
Total	$ 75.8	$ 18.1	$ 1.8	$ 12.9	$ 108.6				

Organic net sales in the Americas increased due to higher volume and price in the majority of our channels. The higher volume in 2021 was supported by the global economic recovery, as well as the continued positive impact on our wholesale and DIY channels from the February 2021 severe weather freeze in the South-Central U.S. We estimate the severe weather freeze drove approximately 5% of incremental sales for the region in the second quarter of 2021.

Organic net sales in Europe increased due to higher volume and price, with volume growth in all major regions in 2021 primarily driven by the global economic recovery. Net sales also increased due to higher demand in our plumbing products within the French wholesale market as well as in our HVAC products within the Italy and Germany OEM markets driven by government energy incentives.

Organic net sales in APMEA increased primarily due to higher volumes in China and New Zealand and from the global economic recovery. China's sales growth was primarily driven by higher demand for commercial valves within data centers.

The net increase in sales due to foreign exchange was primarily due to the appreciation of the euro against the U.S. dollar in the second quarter of 2021. We cannot predict whether foreign currencies will appreciate or depreciate against the U.S. dollar in future periods or whether future foreign exchange rate fluctuations will have a positive or negative impact on our net sales.

The change in net sales due to acquired/divested relates to two immaterial acquisitions, one in the APMEA segment in the third quarter of 2020, and one in the Americas segment in the fourth quarter of 2020, partially offset by an immaterial divestiture in our APMEA segment during the third quarter of 2020.

Gross Profit. Gross profit and gross profit as a percent of net sales (gross margin) for the second quarters of 2021 and 2020 were as follows:

	Second Quarter Ended June 27, 2021	June 28, 2020
	(dollars in millions)	
Gross profit	**$ 200.1**	$ 134.9
Gross margin	**42.8 %**	39.8 %

Gross profit and gross margin increased primarily from higher sales volume, price and productivity savings, partially offset by investments, the return of expenses related to business normalization, higher freight costs to expedite components and product, and general inflation.

Selling, General and Administrative Expenses. Selling, general and administrative, or SG&A, expenses increased $32.8 million, or 33.6%, in the second quarter of 2021 compared to the second quarter of 2020. The increase in SG&A expenses was attributable to the following:

	(in millions)	% Change
Organic	$ 27.0	27.7 %
Foreign exchange	3.9	4.0
Acquired/divested, net	1.9	1.9
Total	$ 32.8	33.6 %

The organic increase related to the return of expenses related to business normalization of $5.6 million, increased variable costs due to the higher sales volume of $7.8 million, an increase in short-term and long-term compensation related accruals due to adjustments to expected attainment levels of $10.2 million, an increase in investments of $3.8 million, including new products, commercial excellence, and technology, increased product liability costs of $1.7 million, as well as general inflation of $2.1 million compared to the second quarter of 2020. These increases were partially offset by restructuring savings of $2.3 million and $4.3 million due to productivity initiatives. The increase in foreign exchange was mainly due to the appreciation of the euro against the U.S. dollar. The acquired/divested, net SG&A costs related to two immaterial acquisitions, one in the APMEA segment in the third quarter of 2020, and one in the Americas segment in the fourth quarter of 2020, partially offset by SG&A costs related to an immaterial divestiture in our APMEA segment. Total SG&A expenses, as a percentage of sales, were 27.9% in the second quarter of 2021 compared to 28.8% in the second quarter of 2020.

Restructuring. In the second quarter of 2021, we recorded a net restructuring charge of $17.0 million, which included an $18.0 million charge related to a 2021 French restructuring program that was approved in the second quarter of 2021. The charge was partially offset by adjustments reducing previous estimates related to severance accruals from the programs initiated in the second and third quarters of 2020 in response to the economic challenges from the COVID-19 pandemic. For a more detailed description of our current restructuring plans, see Note 6 of the Notes to Consolidated Financial Statements.

Operating Income. Operating income (loss) by segment for the second quarters of 2021 and 2020 was as follows:

	Second Quarter Ended			% Change to Consolidated Operating Income
	June 27, 2021	June 28, 2020	Change	
	(dollars in millions)			
Americas	**$ 55.2**	$ 29.5	$ 25.7	82.9 %
Europe	**5.4**	9.2	(3.8)	(12.3)
APMEA	**4.3**	0.8	3.5	11.3
Corporate	**(12.2)**	(8.5)	(3.7)	(11.9)
Total	**$ 52.7**	$ 31.0	$ 21.7	70.0 %

The increase (decrease) in operating income (loss) was attributable to the following:

						Change As a % of Consolidated Operating Income					Change As a % of Segment Operating Income			
	Americas	Europe	APMEA	Corporate	Total	Americas	Europe	APMEA	Corporate	Total	Americas	Europe	APMEA	Corporate
						(dollars in millions)								
Organic	$ 20.2	$ 12.4	$ 1.7	$ (3.8)	$ 30.5	65.1 %	40.0 %	5.5 %	(12.2)%	98.4 %	68.4 %	134.8 %	212.5 %	44.7 %
Foreign exchange	0.3	2.0	0.4	—	2.7	1.0	6.5	1.3	—	8.7	1.0	21.7	50.0	—
Acquired/divested, net	(0.1)	—	0.3	—	0.2	(0.3)	—	1.0	—	0.6	(0.3)	—	37.5	—
Restructuring, impairment charges	5.3	(18.2)	1.1	0.1	(11.7)	17.1	(58.8)	3.5	0.3	(37.7)	18.0	(197.8)	137.5	(1.2)
Total	$ 25.7	$ (3.8)	$ 3.5	$ (3.7)	$ 21.7	82.9 %	(12.3)%	11.3 %	(11.9)%	70.0 %	87.1 %	(41.3)%	437.5 %	43.5 %

The increase in organic operating income was due to higher sales volume, price, benefits from productivity initiatives, and savings from restructuring actions taken in response to the COVID-19 pandemic. These increases were partially offset by higher variable selling costs, the return of expenses related to business normalization, general inflation, compensation accruals and investments.

Interest Expense. Interest expense in the second quarter of 2021 decreased $2.5 million, or 62.5%, compared to the second quarter of 2020 due to a decline in interest rates as well as reduction in the principal balance of debt outstanding in the second quarter of 2021 compared to the second quarter of 2020. Refer to Note 11 of the Notes to Consolidated Financial Statements for further details.

Income Taxes. Our effective income tax rate increased to 27.5% in the second quarter of 2021, from 26.5% in the second quarter of 2020. The higher rate resulted from the favorable foreign exchange impact of repatriating funds related to the Toll Tax as part of the Tax Cuts and Jobs Act of 2017 in the second quarter of 2020.

Net Income. Net income was $37.5 million, or $1.11 per common share on a diluted basis, for the second quarter of 2021, compared to $20.2 million, or $0.59 per common share on a diluted basis, for the second quarter of 2020. Results for the second quarter of 2021 include an after-tax charge of $12.6 million, or $0.37 per common share, for restructuring.

Results for the second quarter of 2020 include an after-tax charge of $4.0 million, or $0.12 per common share, for restructuring; $0.7 million, or $0.02 per common share, for other long-lived asset impairment charges, and $0.3 million, or $0.01 per common share, for footprint optimization.

Six Months Ended June 27, 2021 Compared to Six Months Ended June 28, 2020

Net Sales. Our business is reported in three geographic segments: Americas, Europe and APMEA. Our net sales in each of these segments for the first six months of 2021 and 2020 were as follows:

	Six Months Ended June 27, 2021		Six Months Ended June 28, 2020			% Change to Consolidated
	Net Sales	% Sales	Net Sales	% Sales	Change	Net Sales
			(dollars in millions)			
Americas	**$ 579.9**	65.9 **%**	$ 499.8	69.3 %	$ 80.1	11.1 %
Europe	**259.7**	29.5	198.3	27.5	61.4	8.5
APMEA	**40.7**	4.6	23.2	3.2	17.5	2.4
Total	**$ 880.3**	100.0 **%**	$ 721.3	100.0 %	$ 159.0	22.0 %

The change in net sales was attributable to the following:

					Change as a % of Consolidated Net Sales				Change as a % of Segment Net Sales		
	Americas	Europe	APMEA	Total	Americas	Europe	APMEA	Total	Americas	Europe	APMEA
					(dollars in millions)						
Organic	$ 74.3	$ 38.3	$ 10.0	$ 122.6	10.3 %	5.3 %	1.4 %	17.0 %	14.9 %	19.3 %	47.2 %
Foreign exchange	3.5	23.1	2.4	29.0	0.5	3.2	0.3	4.0	0.6	11.7	10.3
Acquired/divested, net	2.3	—	5.1	7.4	0.3	—	0.7	1.0	0.5	—	17.9
Total	$ 80.1	$ 61.4	$ 17.5	$ 159.0	11.1 %	8.5 %	2.4 %	22.0 %	16.0 %	31.0 %	75.4 %

Our products are sold to wholesalers, OEMs, DIY chains, and through various specialty channels. The change in organic net sales by channel was attributable to the following:

						Change As a % of Prior Year Sales			
	Wholesale	OEMs	DIY	Specialty	Total	Wholesale	OEMs	DIY	Specialty
					(dollars in millions)				
Americas	$ 53.5	$ 8.4	$ 5.1	$ 7.3	$ 74.3	19.2 %	23.2 %	14.5 %	4.8 %
Europe	24.1	13.6	0.6	—	38.3	18.6	20.3	54.0	—
APMEA	9.9	0.1	—	—	10.0	48.8	—	—	—
Total	$ 87.5	$ 22.1	$ 5.7	$ 7.3	$ 122.6				

Organic net sales in the Americas increased primarily due to higher volume and price in the majority of our channels. The higher volume in 2021 was primarily supported by the global economic recovery, as well as the positive impact on our wholesale and DIY channels from the February 2021 severe weather freeze in the South-Central U.S. We estimate the impact of the severe weather freeze drove approximately 5% of incremental sales for the region in the first six months of 2021.

Organic net sales in Europe increased primarily due to higher volume and price, with volume growth in most regions in 2021 primarily due to the global economic recovery. Net sales also increased due to higher demand in our plumbing products within the French wholesale market as well as in our HVAC products within the Italy and Germany OEM markets driven by government energy incentives, partially offset by softness in our drains products within the marine wholesale channel.

Organic net sales in APMEA increased primarily driven by the global economic recovery, as well as higher volumes in China and New Zealand. The sales growth in China was primarily driven by higher demand for commercial valves within data centers.

The net increase in sales due to foreign exchange was primarily due to the appreciation of the euro against the U.S. dollar in the first six months of 2021. We cannot predict whether foreign currencies will appreciate or depreciate against the U.S. dollar in future periods or whether future foreign exchange rate fluctuations will have a positive or negative impact on our net sales.

The change in net sales due to acquired/divested relates to two immaterial acquisitions, one in the APMEA segment in the third quarter of 2020, and one in the Americas segment in the fourth quarter of 2020, partially offset by an immaterial divestiture in our APMEA segment during the third quarter of 2020.

Gross Profit. Gross profit and gross profit as a percent of net sales (gross margin) for the first six months of 2021 and 2020 were as follows:

	Six Months Ended	
	June 27, 2021	**June 28, 2020**
	(dollars in millions)	
Gross profit	**$ 373.8**	$ 297.7
Gross margin	**42.5 %**	41.3 %

Gross profit and gross margin increased primarily from higher sales volume, price and productivity savings, partially offset by investments, higher freight costs to expedite components and product, and general inflation.

Selling, General and Administrative Expenses. Selling, general and administrative, or SG&A, expenses increased $31.6 million, or 14.9%, in the first six months of 2021 compared to the first six months of 2020. The increase in SG&A expenses was attributable to the following:

	(in millions)	% Change
Organic	$ 21.3	10.0 %
Foreign exchange	6.8	3.2
Acquired/divested, net	3.5	1.7
Total	$ 31.6	14.9 %

The organic increase related to increased variable costs due to the higher sales volume of $9.0 million, an increase in short-term and long-term compensation related accruals due to adjustments to expected attainment levels of $12.2 million, an increase in investments of $6.0 million, including new products, commercial excellence, and technology, increased product liability costs of $1.6 million, as well as general inflation of $3.5 million compared to the first six months of 2020. These increases were partially offset by restructuring savings of $6.2 million and $6.6 million due to productivity initiatives. The increase in foreign exchange was mainly due to the appreciation of the euro against the U.S. dollar. The acquired/divested, net SG&A costs related to two immaterial acquisitions, one in the APMEA segment in the third quarter of 2020, and one in the Americas segment in the fourth quarter of 2020, partially offset by SG&A costs related to an immaterial divestiture in our APMEA segment. Total SG&A expenses, as a percentage of sales, were 27.7% in the first six months of 2021 compared to 29.5% in the first six months of 2020.

Restructuring. In the first six months of 2021, we recorded a net restructuring charge of $17.3 million, which included an $18.0 million charge related to a 2021 French restructuring program that was approved in the second quarter of 2021. The charge was partially offset by adjustments reducing previous estimates related to severance accruals from the programs initiated in the second and third quarters of 2020 in response to the economic challenges from the COVID-19 pandemic. For a more detailed description of our current restructuring plans, see Note 6 of the Notes to Consolidated Financial Statements.

Table of Contents

Operating Income. Operating income (loss) by segment for the first six months of 2021 and 2020 was as follows:

	Six Months Ended			% Change to Consolidated Operating Income
	June 27, 2021	**June 28, 2020**	**Change**	
	(Dollars in millions)			
Americas	**$ 103.7**	$ 72.9	$ 30.8	39.1 %
Europe	**24.9**	22.9	2.0	2.5
APMEA	**6.6**	0.7	5.9	7.5
Corporate	**(22.9)**	(17.7)	(5.2)	(6.6)
Total	**$ 112.3**	$ 78.8	$ 33.5	42.5 %

The increase (decrease) in operating income (loss) was attributable to the following:

						Change as a % of Consolidated Operating Income					Change as a % of Segment Operating Income			
	Americas	Europe	APMEA	Corporate	Total	Americas	Europe	APMEA	Corporate	Total	Americas	Europe	APMEA	Corporate
	(Dollars in millions)													
Organic	$ 25.0	$ 16.5	$ 4.0	$ (5.3)	$ 40.2	31.7 %	20.9 %	5.1 %	(6.7)%	51.0 %	34.3 %	72.1 %	571.4 %	29.9 %
Foreign exchange	0.5	3.7	0.3	—	4.5	0.6	4.7	0.4	—	5.7	0.7	16.2	42.9	—
Acquired/divested, net		—	0.8	—	0.8	—	—	1.0	—	1.0	—	—	114.3	—
Restructuring, impairment charges	5.3	(18.2)	0.8	0.1	(12.0)	6.8	(23.1)	1.0	0.1	(15.2)	7.3	(79.5)	114.3	(0.6)
Total	$ 30.8	$ 2.0	$ 5.9	$ (5.2)	$ 33.5	39.1 %	2.5 %	7.5 %	(6.6)%	42.6 %	42.2 %	8.7 %	842.9 %	29.4 %

The increase in organic operating income was due to higher sales volume, price, benefits from productivity initiatives, and savings from restructuring actions in response to the COVID-19 pandemic. These increases were partially offset by higher variable selling costs, general inflation, compensation accruals and investments.

Interest Expense. Interest expense decreased $3.5 million, or 50%, in the first six months of 2021 as compared to the first six months of 2020 primarily due to a decline in interest rates as well as reduction in the principal balance of debt outstanding in the first six months of 2021 compared to the first six months of 2020. Refer to Note 11 of the Notes to Consolidated Financial Statements for further details.

Income Taxes. Our effective income tax rate increased slightly to 27.7% in the first six months of 2021, from 27.6 % in the first six months of 2020.

Net Income. Net income was $79.2 million, or $2.34 per common share, for the first six months of 2021, compared to $52.2 million, or $1.53 per common share, for the first six months of 2020. Results for the first six months of 2021 include an after-tax charge of $12.8 million, or $0.37 per common share, for restructuring. Results for the first six months of 2020 include an after-tax charge of $4.0 million, or $0.12 per common share, for restructuring; $0.7 million, or $0.02 per common share, for other long-lived asset impairment charges, and $0.6 million, or $0.02 per common share, for footprint optimization.

Liquidity and Capital Resources

We generated $73.2 million of net cash from operating activities in the first six months of 2021 as compared to $47.3 million of net cash provided by operating activities in the first six months of 2020. The increase in cash was primarily related to higher net income.

We used $8.1 million of net cash for investing activities in the first six months of 2021 compared to $22.3 million used in the first six months of 2020. We used $10.8 million less cash for capital expenditures and received $3.4 million more in cash proceeds from asset sales in the first six months of 2021 compared to the first six months of 2020. For the remainder of 2021, we expect to invest approximately $20 million to $25 million in capital equipment as part of our ongoing commitment to improve our operating capabilities.

We used $41.7 million of net cash in financing activities in the first six months of 2021 primarily due to dividend payments of $16.7 million, tax withholding payments on vested stock awards of $9.2 million, and payments of $7.8 million to repurchase approximately 62,000 shares of Class A common stock. In the first six months of 2020, we used $92.9 million of net cash in financing activities primarily due to long-term debt repayments of $452.5 million (offset by proceeds from drawdowns of $407.5 million), dividend payments of $15.8 million, tax withholding payments on vested stock awards of $7.8 million, and payments of $21.1 million to repurchase approximately 254,000 shares of Class A common stock.

On March 30, 2021, we and certain of our subsidiaries entered into a Second Amended and Restated Credit Agreement (the “Second Amended Credit Agreement”) with JPMorgan Chase Bank, N.A., as administrative agent. The Second Amended Credit Agreement amends and restates the Amended and Restated Credit Agreement (the "Amended Credit Agreement", discussed below) to extend the maturity date of the $800 million senior unsecured revolving credit facility from February 12, 2022 to March 30, 2026. Among other changes, the Second Amended Credit Agreement increases our maximum consolidated leverage ratio (including both the base ratio and the ratio permitted during temporary step-ups following certain acquisitions), adjusts certain fees to reflect market conditions and reduces the 1.00% floor on the adjusted LIBOR rate to 0.00%.The senior unsecured revolving credit facility under the Second Amended Credit Agreement (the " New Revolving Credit Facility") also includes sublimits of $100 million for letters of credit and $15 million for swing line loans. As of June 27, 2021, we had drawn down $195.0 million on this line of credit and had $14.0 million in letters of credit outstanding, which resulted in $591.0 million of unused and available credit under the New Revolving Credit Facility. Borrowings outstanding under the New Revolving Credit Facility bear interest at a fluctuating rate per annum equal to an applicable percentage defined as (i) in the case of Eurocurrency rate loans, the adjusted British Bankers Association LIBOR rate plus an applicable percentage, ranging from 1.075% to 1.325%, determined by reference to our consolidated leverage ratio, or (ii) in the case of alternate base rate loans and swing line loans, interest (which at all times will not be less than 1.00%) at the greatest of (a) the Prime Rate in effect on such day, (b) the FRBNY Rate in effect on such day plus 0.50% and (c) the adjusted LIBOR rate plus 1.00% for a one month interest period in dollars. The weighted average interest rate on debt outstanding under the New Revolving Credit Facility as of June 27, 2021 was 1.16%. The weighted average interest rate on debt outstanding inclusive of the interest rate swap discussed in Note 5 of the Notes to Consolidated Financial Statements and interest rates under the New Revolving Credit Facility as of June 27, 2021 was 1.65%. In addition to paying interest under the Second Amended Credit Agreement, we are also required to pay certain fees in connection with the New Revolving Credit Facility, including, but not limited to, an unused facility fee and letter of credit fees. The Second Amended Credit Agreement matures on March 30, 2026, subject to extension under certain circumstances and subject to the terms of the Second Amended Credit Agreement. We may repay loans outstanding under the Second Amended Credit Agreement from time to time without premium or penalty, other than customary breakage costs, if any, and subject to the terms of the Second Amended Credit Agreement. As of June 27, 2021, we were in compliance with all covenants related to the Second Amended Credit Agreement.

On April 24, 2020, we and certain of our subsidiaries entered into the Amended Credit Agreement with JPMorgan Chase Bank, N.A., as Administrative Agent, Swing Line Lender and Letter of Credit Issuer, and the other lenders referred to therein. The Amended Credit Agreement amended and restated the previous Credit Agreement (the “Prior Credit Agreement”) in its entirety while increasing the amount of revolving credit available from $500 million to $800 million and extending the maturity by one additional year to February 2022. The senior unsecured revolving credit facility (the "Revolving Credit Facility") also included sublimits of $100 million for letters of credit and $15 million for swing line loans. The term loan facility under the Prior Credit Agreement was terminated and paid off effective April 24, 2020, with funds from the Revolving Credit Facility. Borrowings outstanding under the Revolving Credit Facility bear interest at a fluctuating rate per annum equal to an applicable percentage defined as (i) in the case of Eurocurrency rate loans, the adjusted British Bankers Association LIBOR rate (which at all times will not be less than 1.00%) plus an applicable percentage, ranging from 1.50% to 2.10%, determined by reference to our consolidated leverage ratio, or (ii) in the case of alternate base rate loans and swing line loans, interest (which at all times will not be less than 2.00%) at the greatest of (a) the Prime Rate in effect on such day, (b) the FRBNY Rate in effect on such day plus 0.50% and (c) the adjusted LIBOR rate plus 1.00% for a one month interest period in dollars.

As of June 27, 2021, we held $240.1 million in cash and cash equivalents. Of this amount, $193.4 million of cash and cash equivalents were held by foreign subsidiaries. Our U.S. operations typically generate sufficient cash flows to meet our domestic obligations. However, if we did have to borrow to fund some or all of our expected cash outlays, we can do so at reasonable interest rates by utilizing the undrawn borrowings under our New Revolving Credit Facility. We believe that our financial resources allow us to manage the anticipated impacts of the COVID-19 pandemic on our business operations for the foreseeable future. We anticipate the impacts of COVID-19 will continue to evolve, and, as a result we will continue to evaluate our financial position as additional information becomes available, particularly relating to COVID-19. Subsequent to recording the Toll Tax as part of the Tax Cuts and Jobs Act of 2017, our intent is to permanently reinvest undistributed earnings of foreign subsidiaries, and we do not have any current plans to repatriate post-Toll Tax foreign earnings to fund operations in the United States. However, if amounts held by foreign subsidiaries were needed to fund operations in the United States, we could be required to accrue and pay taxes to repatriate these funds. Such charges may include potential state income taxes and other tax charges.

Non-GAAP Financial Measures

In accordance with the SEC's Regulation G and Item 10(e) of Regulation S-K, the following provides definitions of the non-GAAP financial measures used by management. We believe that these measures provide additional insight into underlying business results and trends. These non-GAAP financial measures are not intended to be considered by the user in place of the related GAAP financial measure, but rather as supplemental information to more fully understand our business results. These non-GAAP financial measures may not be the same as similar measures used by other companies due to possible differences in method and in the items or events being adjusted.

Organic sales growth is a non-GAAP financial measure of sales growth that excludes the impacts of acquisitions, divestitures and foreign exchange from period-over-period comparisons. A reconciliation to the most closely related U.S. GAAP financial measure, net sales, has been included in our discussion within “Results of Operations” above. Organic net sales should be considered in addition to, and not as a replacement for or as a superior measure to net sales. Management believes reporting organic sales growth provides useful information to investors, potential investors and others, by facilitating easier comparisons of our revenue performance with prior and future periods.

Free cash flow is a non-GAAP financial measure that does not represent cash provided by operating activities in accordance with U.S. GAAP. Therefore, it should not be considered an alternative to net cash provided by or used in operating activities as an indication of our performance. The cash conversion rate of free cash flow to net income is also a measure of our performance in cash flow generation. We believe free cash flow to be an appropriate supplemental measure of our operating performance because it provides investors with a measure of our ability to generate cash, repay debt, pay dividends, repurchase stock and fund acquisitions.

A reconciliation of net cash provided by operating activities to free cash flow is provided below:

	Six Months Ended	
	June 27, 2021	**June 28, 2020**
	(in millions)	
Net cash provided by operating activities	**$ 73.2**	$ 47.3
Less: additions to property, plant, and equipment	**(13.0)**	(23.8)
Plus: proceeds from the sale of property, plant, and equipment	**4.9**	1.5
Free cash flow	**$ 65.1**	$ 25.0
Net income —as reported	**$ 79.2**	$ 52.2
Cash conversion rate of free cash flow to net income	**82.2** %	47.9 %

Free cash flow improved in the first six months of 2021 when compared to the first six months of 2020 primarily driven by higher net income and lower net capital expenditures.

Our net debt to capitalization ratio, a non-GAAP financial measure used by management, at June 27, 2021 was (4.5%) compared to net debt (2%) at December 31, 2020. The increase was driven by an increase in net cash outstanding during the first six months of 2021 of $21.2 million. Management believes the net debt to capitalization ratio is an appropriate supplemental measure because it helps investors understand our ability to meet our financing needs and serves as a basis to evaluate our financial structure. Our computation may not be comparable to other companies that may define their net debt to capitalization ratios differently.

A reconciliation of long-term debt (including current portion) to net debt and our net debt to capitalization ratio is provided below:

	June 27, 2021	December 31, 2020
	(in millions)	
Current portion of long-term debt	**$ —**	$ —
Plus: long-term debt, net of current portion	**191.5**	198.2
Less: cash and cash equivalents	**(240.1)**	(218.9)
Net debt	**$ (48.6)**	$ (20.7)

A reconciliation of capitalization is provided below:

	June 27, 2021	December 31, 2020
	(in millions)	
Net debt	**$ (48.6)**	$ (20.7)
Total stockholders' equity	**1,117.9**	1,069.8
Capitalization	**$ 1,069.3**	$ 1,049.1
Net debt to capitalization ratio	**(4.5)%**	(2.0)%

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

Application of Critical Accounting Policies and Key Estimates

We believe that our critical accounting policies are those related to revenue recognition, inventory valuation, goodwill and other intangibles, product liability costs, legal contingencies and income taxes. We believe these accounting policies are particularly important to an understanding of our financial position and results of operations and require application of significant judgment by our management. In applying these policies, management uses its judgment in making certain assumptions and estimates. Our accounting policies are more fully described under the heading "Accounting Policies" in Note 2 of the Notes to Consolidated Financial Statements in our Annual Report on Form 10-K as filed with the SEC on February 18, 2021.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

We use derivative financial instruments primarily to reduce exposure to adverse fluctuations in foreign exchange rates, interest rates and costs of certain raw materials used in the manufacturing process. We do not enter into derivative financial instruments for trading purposes. As a matter of policy, all derivative positions are used to reduce risk by hedging underlying economic exposure. The derivatives we use are instruments with liquid markets. See Note 5 of Notes to the Consolidated Financial Statements for further details.

Our consolidated earnings, which are reported in United States dollars, are subject to translation risks due to changes in foreign currency exchange rates. This risk is concentrated in the exchange rate between the U.S. dollar and the euro; the U.S. dollar and the Canadian dollar; and the U.S. dollar and the Chinese yuan.

Our non-U.S. subsidiaries transact most business, including certain intercompany transactions, in foreign currencies. Such transactions are principally purchases or sales of materials and are denominated in European currencies or the U.S. or Canadian dollar. We use foreign currency forward exchange contracts from time to time to manage the risk related to intercompany loans, intercompany purchases and intercompany sales that occur during the course of a year, and certain open foreign currency denominated commitments to sell products to third parties. We have entered into forward exchange contracts which hedge approximately 80% to 85% of the forecasted intercompany purchases between one of our Canadian subsidiaries and our U.S. operating subsidiaries for the next twelve months. We also entered into forward exchange contracts which hedge up to 60% of the forecasted intercompany sales transactions between one of our Chinese subsidiaries and one of our U.S. operating subsidiaries for the next twelve months. We record the effective

portion of the designated foreign currency hedge contracts in other comprehensive income until inventory turns and is sold to a third-party. Once the third-party transaction associated with the hedged forecasted transaction occurs, the effective portion of any related gain or loss on the designated foreign currency hedge is reclassified into cost of goods sold within earnings. The fair value of the Company's designated foreign hedge contracts outstanding as of June 27, 2021 was a liability of $0.3 million.

Under the Second Amended Credit Agreement, our earnings and cash flows are exposed to fluctuations in LIBOR-indexed interest payments related to our floating rate debt. In order to manage our exposure, we entered into an interest rate swap on March 30, 2021. Under the interest rate swap agreement, we receive the one-month USD-LIBOR subject to a 0.00% floor, and pays a fixed rate of 1.02975% on a notional amount of $100.0 million. The swaps mature on March 30, 2026. Information about our long-term debt facility and related interest rates appears in Note 11 of the Consolidated Financial Statements.

We purchase significant amounts of bronze ingot, brass rod, cast iron, stainless steel and plastic, which are utilized in manufacturing our many product lines. Our operating results can be adversely affected by changes in commodity prices if we are unable to pass on related price increases to our customers. We manage this risk by monitoring related market prices, working with our suppliers to achieve the maximum level of stability in their costs and related pricing, seeking alternative supply sources when necessary and passing increases in commodity costs to our customers, to the maximum extent possible, when they occur.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

As required by Rule 13a-15(b) under the Securities Exchange Act of 1934, as amended, or Exchange Act, as of the end of the period covered by this report, we carried out an evaluation under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures. In designing and evaluating our disclosure controls and procedures, we recognize that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and our management necessarily applies its judgment in evaluating and implementing possible controls and procedures. The effectiveness of our disclosure controls and procedures is also necessarily limited by the staff and other resources available to us and the geographic diversity of our operations. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of the end of the period covered by this report, our disclosure controls and procedures were effective, in that they provide reasonable assurance that information required to be disclosed by us in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms and are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act are accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

There was no change in our internal control over financial reporting that occurred during the second quarter ended June 27, 2021, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting. We will continue to review and document our disclosure controls and procedures, including our internal control over financial reporting, and we may from time to time make changes aimed at enhancing their effectiveness and to ensure that our systems evolve with our business.

Part II. OTHER INFORMATION

Item 1. Legal Proceedings

As disclosed in Part I, Item 1, "Product Liability, Environmental and Other Litigation Matters" and Item 3, "Legal Proceedings" of our Annual Report on Form 10-K for the year ended December 31, 2020, we are party to certain litigation. There have been no material developments with respect to our contingencies and environmental remediation proceedings during the quarter ended June 27, 2021, other than as described in Note 12 of the Notes to Consolidated Financial Statements, which is incorporated herein by reference.

Table of Contents

Item 1A. Risk Factors

There have been no material changes to the risk factors included in our Annual Report on Form 10-K for the year ended December 31, 2020, which risk factors are incorporated herein by reference.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

We satisfy the minimum withholding tax obligation due upon the vesting of shares of restricted stock and the conversion of restricted stock units into shares of Class A common stock by automatically withholding from the shares being issued a number of shares with an aggregate fair market value on the date of such vesting or conversion that would satisfy the withholding amount due.

The following table includes information with respect to shares of our Class A common stock withheld to satisfy withholding tax obligations during the second quarter ended June 27, 2021.

	Issuer Purchases of Equity Securities			
Period	(a) Total Number of Shares (or Units) Purchased	(b) Average Price Paid per Share (or Unit)	(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs
March 29, 2021 – April 25, 2021	268	$ 122.41	—	—
April 26, 2021 – May 23, 2021	—	$ —	—	—
May 24, 2021 - June 27, 2021	—	$ —	—	—
Total	268	$ 122.41	—	—

The following table includes information with respect to repurchases of our Class A common stock during the second quarter ended June 27, 2021 under our stock repurchase program.

	Issuer Purchases of Equity Securities			
Period	(a) Total Number of Shares (or Units) Purchased(1)	(b) Average Price Paid per Share (or Unit)	(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs
March 29, 2021 – April 25, 2021	10,148	$ 119.11	10,148	$ 108,404,144
April 26, 2021 – May 23, 2021	9,713	$ 129.97	9,713	$ 107,141,778
May 24, 2021 - June 27, 2021	11,056	$ 138.69	11,056	$ 105,608,370
Total	30,917	$ 129.50	30,917	

(1) On February 6, 2019, the Board of Directors authorized a stock repurchase program of up to $150 million of the Company’s Class A common stock to be purchased from time to time on the open market or in privately negotiated transactions. The timing and number of shares repurchased will be determined by the Company’s management based on its evaluation of market conditions and other factors.

Item 6. Exhibits

Exhibit No.	Description
3.1	Restated Certificate of Incorporation, as amended. Incorporated by reference to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2019 (File No. 001-11499).
3.2	Amended and Restated By-Laws. Incorporated by reference to the Registrant's Current Report on Form 8-K dated July 27, 2015 (File No. 001- 11499).
10.1	Second Amended and Restated Credit Agreement, dated as of March 30, 2021, by and among the Registrant, the Subsidiary Borrowers party thereto, the Lenders party thereto, JP Morgan Chase Bank, N.A., as Administrative Agent, Bank of America N.A., Keybank National Association, Wells Fargo Bank, National Association, and T.D. Bank, N.A., as Co-Syndication Agents, and PNC Bank, National Association, U.S. Bank National Association, HSBC Bank USA, National Association and HSBC Bank Canada, as Co-Documentation Agents. Incorporated by reference to the Registrant's Current Report on Form 8-K dated March 30, 2021 (File No. 001-11499).
10.2	Second Amended and Restated Guaranty, dated as of March 30, 2021, by the Registrant and the Subsidiaries of the Registrant set forth therein, in favor of JPMorgan Chase Bank N.A. and the other lenders referred to therein. Incorporated by reference to the Registrant's Current Report on Form 8-K dated March 30, 2021 (File No. 001-11499).
31.1†	Certification of Principal Executive Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended
31.2†	Certification of Principal Financial Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended
32.1††	Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350
32.2††	Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350
101.INS*	Inline XBRL Instance 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	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

† Filed herewith.

†† Furnished herewith.

* Attached as Exhibit 101 to this report are the following formatted in Inline XBRL (Extensible Business Reporting Language): (i) Consolidated Balance Sheets at June 27, 2021 and December 31, 2020, (ii) Consolidated Statements of Operations for the Second Quarters and Six Months Ended June 27, 2021 and June 28, 2020, (iii) Consolidated Statements of Comprehensive Income for the Second Quarters and Six Months Ended June 27, 2021 and June 28, 2020, (iv) Consolidated Statements of Stockholders' Equity for the Second Quarters and Six Months Ended June 27, 2021 and June 28, 2020, (v) Consolidated Statements of Cash Flows for the Six Months Ended June 27, 2021 and June 28, 2020, and (vi) Notes to Consolidated Financial Statements.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

	WATTS WATER TECHNOLOGIES, INC.
Date: August 5, 2021	By: /s/ Robert J. Pagano, Jr. Robert J. Pagano, Jr. Chief Executive Officer (principal executive officer)
Date: August 5, 2021	By: /s/ Shashank Patel Shashank Patel Chief Financial Officer (principal financial officer)
Date: August 5, 2021	By: /s/ Virginia A. Halloran Virginia A. Halloran Chief Accounting Officer (principal accounting officer)

Exhibit 31.1

WATTS WATER TECHNOLOGIES, INC.
CERTIFICATION PURSUANT TO

SECTION 302 OF

THE SARBANES-OXLEY ACT OF 2002

I, Robert J. Pagano, Jr., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Watts Water Technologies, 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 officer(s) 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 officer(s) 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: August 5, 2021

/s/ Robert J. Pagano, Jr.
Robert J. Pagano, Jr.
Chief Executive Officer

Exhibit 31.2

WATTS WATER TECHNOLOGIES, INC.
CERTIFICATION PURSUANT TO

SECTION 302 OF

THE SARBANES-OXLEY ACT OF 2002

I, Shashank Patel, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Watts Water Technologies, 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 officer(s) 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 officer(s) 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: August 5, 2021

/s/ Shashank Patel
Shashank Patel
Chief Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

The undersigned officer of Watts Water Technologies, Inc. (the "Company") hereby certifies that, to his knowledge, the Company's quarterly report on Form 10-Q to which this certification is attached (the "Report"), as filed with the Securities and Exchange Commission on the date hereof, fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company. This certification is provided solely pursuant to 18 U.S.C. Section 1350 and Item 601(b)(32) of Regulation S-K ("Item 601(b)(32)") promulgated under the Securities Act of 1933, as amended (the "Securities Act"), and the Exchange Act. In accordance with clause (ii) of Item 601(b)(32), this certification (A) shall not be deemed "filed" for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section, and (B) shall not be deemed to be incorporated by reference into any filing under the Securities Act or the Exchange Act, except to the extent that the Company specifically incorporates it by reference.

Date: August 5, 2021	/s/ Robert J. Pagano, Jr.
	Robert J. Pagano, Jr.
	Chief Executive Officer

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

The undersigned officer of Watts Water Technologies, Inc. (the “Company”) hereby certifies that, to his knowledge, the Company’s quarterly report on Form 10-Q to which this certification is attached (the “Report”), as filed with the Securities and Exchange Commission on the date hereof, fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company. This certification is provided solely pursuant to 18 U.S.C. Section 1350 and Item 601(b)(32) of Regulation S-K (“Item 601(b)(32)”) promulgated under the Securities Act of 1933, as amended (the “Securities Act”), and the Exchange Act. In accordance with clause (ii) of Item 601(b)(32), this certification (A) shall not be deemed “filed” for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section, and (B) shall not be deemed to be incorporated by reference into any filing under the Securities Act or the Exchange Act, except to the extent that the Company specifically incorporates it by reference.

Date: August 5, 2021	/s/ Shashank Patel
	Shashank Patel
	Chief Financial Officer