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

FORM 10-Q

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

For the Quarterly Period Ended September 30, 2025

or

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

For the Transition Period From _____ to _____

Commission file number 1-5581

watsco

WATSCO, INC.

(Exact name of registrant as specified in its charter)

Florida
(State or other jurisdiction of
incorporation or organization)

59-0778222
(I.R.S. Employer
Identification No.)

2665 South Bayshore Drive, Suite 901

Miami, FL
(Address of principal executive offices)

33133
(Zip Code)

(305) 714-4100

(Registrant's telephone number, including area code)

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

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

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

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

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

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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

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

The registrant's common stock outstanding as of November 4, 2025 comprised (i) 34,923,800 shares of Common stock, \$0.50 par value per share, excluding 4,066,949 treasury shares and (ii) 5,634,620 shares of Class B common stock, \$0.50 par value per share.

WATSCO, INC. AND SUBSIDIARIES

QUARTERLY REPORT ON FORM 10-Q
TABLE OF CONTENTS

Page No.

PART I. FINANCIAL INFORMATION

Item 1.	Condensed Consolidated Unaudited Financial Statements	
	Condensed Consolidated Unaudited Statements of Income – Quarters and Nine Months Ended September 30, 2025 and 2024	3
	Condensed Consolidated Unaudited Statements of Comprehensive Income – Quarters and Nine Months Ended September 30, 2025 and 2024	4
	Condensed Consolidated Unaudited Balance Sheets – September 30, 2025 and December 31, 2024	5
	Condensed Consolidated Unaudited Statements of Shareholders’ Equity – Quarters and Nine Months Ended September 30, 2025 and 2024	6
	Condensed Consolidated Unaudited Statements of Cash Flows – Nine Months Ended September 30, 2025 and 2024	8
	Notes to Condensed Consolidated Unaudited Financial Statements	9
Item 2.	Management’s Discussion and Analysis of Financial Condition and Results of Operations	16
Item 3.	Quantitative and Qualitative Disclosures about Market Risk	26
Item 4.	Controls and Procedures	26

PART II. OTHER INFORMATION

Item 1.	Legal Proceedings	26
Item 1A.	Risk Factors	26
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	26
Item 5.	Other Information	26
Item 6.	Exhibits	27

<u>SIGNATURE</u>	28
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EXHIBITS

PART I. FINANCIAL INFORMATION**ITEM 1. CONDENSED CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS**

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

	Quarter Ended September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
Revenues	\$ 2,067,005	\$ 2,160,036	\$ 5,660,533	\$ 5,864,355
Cost of sales	1,498,090	1,593,792	4,058,507	4,287,726
Gross profit	568,915	566,244	1,602,026	1,576,629
Selling, general and administrative expenses	343,655	326,373	1,005,237	954,950
Other income	9,502	10,376	22,030	23,908
Operating income	234,762	250,247	618,819	645,587
Interest income, net	3,733	6,773	11,479	14,156
Income before income taxes	238,495	257,020	630,298	659,743
Income taxes	49,265	55,373	129,760	139,183
Net income	189,230	201,647	500,538	520,560
Less: net income attributable to non-controlling interest	27,655	30,616	75,289	81,115
Net income attributable to Watsco, Inc.	\$ 161,575	\$ 171,031	\$ 425,249	\$ 439,445
Earnings per share for Common and Class B common stock (collectively "common stock"):				
Basic	\$ 3.98	\$ 4.24	\$ 10.50	\$ 10.95
Diluted	\$ 3.98	\$ 4.22	\$ 10.48	\$ 10.92

See accompanying notes to condensed consolidated unaudited financial statements.

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

	Quarter Ended September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
Net income	\$ 189,230	\$ 201,647	\$ 500,538	\$ 520,560
Other comprehensive income, net of tax:				
Foreign currency translation adjustment	(6,366)	4,809	9,652	(6,527)
Comprehensive income	182,864	206,456	510,190	514,033
Less: comprehensive income attributable to non-controlling interest	25,448	32,143	78,578	79,145
Comprehensive income attributable to Watsco, Inc.	<u>\$ 157,416</u>	<u>\$ 174,313</u>	<u>\$ 431,612</u>	<u>\$ 434,888</u>

See accompanying notes to condensed consolidated unaudited financial statements.

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

	September 30, 2025	December 31, 2024
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 324,348	\$ 526,271
Short-term cash investments	200,000	255,669
Accounts receivable, net	941,883	877,935
Inventories, net	1,601,786	1,385,436
Other current assets	47,950	34,670
Total current assets	<u>3,115,967</u>	<u>3,079,981</u>
Property and equipment, net	135,450	140,535
Operating lease right-of-use assets	430,385	419,138
Goodwill	465,063	451,858
Intangible assets, net	206,990	208,472
Investment in unconsolidated entity	187,364	168,611
Other assets	13,481	10,928
	<u>\$ 4,554,700</u>	<u>\$ 4,479,523</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current portion of lease liabilities	\$ 116,696	\$ 110,273
Accounts payable	411,412	490,879
Accrued expenses and other current liabilities	284,036	382,749
Total current liabilities	<u>812,144</u>	<u>983,901</u>
Long-term obligations:		
Operating lease liabilities, net of current portion	328,194	321,715
Finance lease liabilities, net of current portion	12,618	15,475
Total long-term obligations	<u>340,812</u>	<u>337,190</u>
Deferred income taxes and other liabilities	<u>100,117</u>	<u>94,194</u>
Commitments and contingencies		
Watsco, Inc. shareholders' equity:		
Common stock, \$0.50 par value	19,496	19,431
Class B common stock, \$0.50 par value	2,817	2,789
Preferred stock, \$0.50 par value	—	—
Paid-in capital	1,550,113	1,472,170
Accumulated other comprehensive loss, net of tax	(53,530)	(59,893)
Retained earnings	1,369,136	1,295,972
Treasury stock, at cost	(73,230)	(73,479)
Total Watsco, Inc. shareholders' equity	<u>2,814,802</u>	<u>2,656,990</u>
Non-controlling interest	<u>486,825</u>	<u>407,248</u>
Total shareholders' equity	<u>\$ 3,301,627</u>	<u>\$ 3,064,238</u>
	<u>\$ 4,554,700</u>	<u>\$ 4,479,523</u>

See accompanying notes to condensed consolidated unaudited financial statements.

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

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

Continued on next page.

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

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

See accompanying notes to condensed consolidated unaudited financial statements.

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

	Nine Months Ended September 30,	
	2025	2024
Cash flows from operating activities:		
Net income	\$ 500,538	\$ 520,560
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	32,680	30,331
Share-based compensation	26,683	25,063
Non-cash contribution to 401(k) plan	8,743	8,735
Deferred income tax provision	5,589	5,978
Provision for doubtful accounts	2,550	608
Loss on sale of property and equipment	50	575
Other income from investment in unconsolidated entity	(22,030)	(23,908)
Changes in operating assets and liabilities, net of effects of acquisitions:		
Accounts receivable, net	(60,234)	(145,071)
Inventories, net	(204,479)	(248,202)
Accounts payable and other liabilities	(108,318)	218,882
Other, net	(11,925)	654
Net cash provided by operating activities	<u>169,847</u>	<u>394,205</u>
Cash flows from investing activities:		
Proceeds from maturities of short-term cash investments	255,669	—
Proceeds from sale of property and equipment	370	181
Business acquisitions, net of cash acquired	(19,303)	(5,173)
Capital expenditures	(23,257)	(22,058)
Purchases of short-term cash investments	(200,000)	(255,669)
Net cash provided by (used in) investing activities	<u>13,479</u>	<u>(282,719)</u>
Cash flows from financing activities:		
Dividends on common stock	(352,085)	(314,486)
Distributions to non-controlling interest	(69,829)	—
Net repayments of finance lease liabilities	(4,554)	(4,449)
Repurchases of common stock to satisfy employee withholding tax obligations	(3,657)	(2,847)
Net repayments under revolving credit agreement	—	(15,400)
Net proceeds from the sale of Common stock	—	281,784
Proceeds from non-controlling interest for investment in Lashley	999	—
Proceeds from issuances of Common stock under employee related plans	19,662	23,782
Proceeds from Dividend Reinvestment Plan	21,661	6,555
Net cash used in financing activities	<u>(387,803)</u>	<u>(25,061)</u>
Effect of foreign exchange rate changes on cash and cash equivalents	2,554	(2,183)
Net (decrease) increase in cash and cash equivalents	<u>(201,923)</u>	<u>84,242</u>
Cash and cash equivalents at beginning of period	526,271	210,112
Cash and cash equivalents at end of period	<u>\$ 324,348</u>	<u>\$ 294,354</u>
Supplemental cash flow information:		
Common stock issued for SIE	\$ 3,413	—
Common stock issued for Lashley	\$ 493	—
Common stock issued for CSI	—	\$ 752

See accompanying notes to condensed consolidated unaudited financial statements.

WATSCO, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS
September 30, 2025
(In thousands, except share and per share data)

1. BASIS OF PRESENTATION

Basis of Consolidation

Watsco, Inc. (collectively with its subsidiaries, “Watsco,” the “Company,” “we,” “us,” or “our”) was incorporated in Florida in 1956 and is the largest distributor of air conditioning, heating and refrigeration equipment and related parts and supplies (“HVAC/R”) in the HVAC/R distribution industry in North America. The accompanying September 30, 2025 interim condensed consolidated unaudited financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and note disclosures normally included in the annual financial statements prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) have been condensed or omitted pursuant to those rules and regulations, but we believe the disclosures made are adequate to make the information presented not misleading. In the opinion of management, all adjustments, consisting of normal and recurring adjustments, necessary for a fair presentation have been included in the condensed consolidated unaudited financial statements included herein. These statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in our 2024 Annual Report on Form 10-K.

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

The results of operations for the quarter and nine months ended September 30, 2025 are not necessarily indicative of the results to be expected for the year ending December 31, 2025. Sales of residential central air conditioners, heating equipment, and parts and supplies are seasonal. Furthermore, profitability can be impacted favorably or unfavorably based on weather patterns, particularly during the Summer and Winter selling seasons. Demand related to the residential central air conditioning replacement market is typically highest in the second and third quarters, and demand for heating equipment is usually highest in the first and fourth quarters. Demand related to new construction throughout most of the markets we serve tends to be fairly evenly distributed throughout the year and depends largely on housing completions and related weather and economic conditions.

Short-Term Cash Investments

Short-term cash investments consist of certificates of deposit.

Equity Method Investments

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

Use of Estimates

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

Recently Adopted Accounting Standards

Income Taxes

In December 2023, the Financial Accounting Standards Board (“FASB”) issued guidance that enhances annual income tax disclosures primarily by disaggregating the existing disclosures related to the effective tax rate reconciliation and income taxes paid. Under the new guidance, an entity will be required to disclose specific categories in the rate reconciliation and provide additional information for reconciling items that meet a quantitative threshold. An entity will also be required to disclose the amount of income taxes paid disaggregated by federal, state, and foreign, and by individual jurisdictions equal to or greater than five percent of total income taxes paid. This guidance is effective prospectively and is effective for annual periods beginning after December 15, 2024. The disaggregated income tax disclosures will be included in our consolidated financial statements for the year ending December 31, 2025.

Recently Issued Accounting Standards Not Yet Adopted

Expense Disaggregation

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

Measurement of Credit Losses

In July 2025, the FASB issued amended guidance to provide the option to elect a practical expedient for the application of the expected credit loss model. Under this practical expedient, an entity can assume that the current conditions it has applied in determining credit loss allowances for current accounts receivable and current contract assets remain unchanged for the remaining life of those assets. This amendment is effective for annual reporting periods beginning after December 15, 2025, and interim reporting periods within those annual reporting periods, with early adoption permitted. We do not expect the adoption of this guidance to have a material impact on our consolidated financial statements.

Internal Use Software

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

2. REVENUES

Disaggregation of Revenues

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

	Quarter Ended September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
Primary Geographical Regions:				
United States	\$ 1,888,362	\$ 1,954,991	\$ 5,140,380	\$ 5,280,176
Canada	87,814	96,604	257,934	272,099
Latin America and the Caribbean	90,829	108,441	262,219	312,080
	<u>\$ 2,067,005</u>	<u>\$ 2,160,036</u>	<u>\$ 5,660,533</u>	<u>\$ 5,864,355</u>
Major Product Lines:				
HVAC equipment	67%	70%	67%	69%
Other HVAC products	29%	26%	29%	27%
Commercial refrigeration products	4%	4%	4%	4%
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

3. EARNINGS PER SHARE

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

	Quarter Ended September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
Basic Earnings per Share:				
Net income attributable to Watsco, Inc. shareholders	\$ 161,575	\$ 171,031	\$ 425,249	\$ 439,445
Less: distributed and undistributed earnings allocated to restricted common stock	10,707	11,899	28,118	30,708
Earnings allocated to Watsco, Inc. shareholders	<u>\$ 150,868</u>	<u>\$ 159,132</u>	<u>\$ 397,131</u>	<u>\$ 408,737</u>
Weighted-average common shares outstanding - Basic	37,860,987	37,552,000	37,813,336	37,314,089
Basic earnings per share for common stock	\$ 3.98	\$ 4.24	\$ 10.50	\$ 10.95
Allocation of earnings for Basic:				
Common stock	\$ 137,431	\$ 145,413	\$ 361,717	\$ 373,273
Class B common stock	13,437	13,719	35,414	35,464
	<u>\$ 150,868</u>	<u>\$ 159,132</u>	<u>\$ 397,131</u>	<u>\$ 408,737</u>
Diluted Earnings per Share:				
Net income attributable to Watsco, Inc. shareholders	\$ 161,575	\$ 171,031	\$ 425,249	\$ 439,445
Less: distributed and undistributed earnings allocated to restricted common stock	10,703	11,886	28,109	30,682
Earnings allocated to Watsco, Inc. shareholders	<u>\$ 150,872</u>	<u>\$ 159,145</u>	<u>\$ 397,140</u>	<u>\$ 408,763</u>
Weighted-average common shares outstanding - Basic	37,860,987	37,552,000	37,813,336	37,314,089
Effect of dilutive stock options	57,405	119,752	77,261	119,761
Weighted-average common shares outstanding - Diluted	<u>37,918,392</u>	<u>37,671,752</u>	<u>37,890,597</u>	<u>37,433,850</u>
Diluted earnings per share for common stock	\$ 3.98	\$ 4.22	\$ 10.48	\$ 10.92
Anti-dilutive stock options not included above	52,921	16,519	38,623	28,274

Diluted earnings per share for our Common stock assumes the conversion of all our Class B common stock into Common stock as of the beginning of the fiscal year; therefore, no allocation of earnings to Class B common stock is required. At September 30, 2025 and 2024, our outstanding Class B common stock was convertible into 3,372,031 and 3,237,527 shares of our Common stock, respectively.

4. OTHER COMPREHENSIVE INCOME (LOSS)

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

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

<i>Nine Months Ended September 30,</i>	2025	2024
Foreign currency translation adjustment:		
Beginning balance	\$ (59,893)	\$ (42,331)
Current period other comprehensive income (loss)	6,363	(4,557)
Ending balance	<u>\$ (53,530)</u>	<u>\$ (46,888)</u>

5. ACQUISITIONS

Southern Ice Equipment Distributors, Inc.

On May 1, 2025, one of our wholly owned subsidiaries acquired SIE, a distributor of food service and ice machine equipment, parts and supplies with annual sales of approximately \$30,000 operating from seven locations in Arizona, Arkansas, Louisiana, Mississippi, New Mexico, and Texas. Consideration for the purchase consisted of \$14,250 in cash and 7,400 shares of Common stock having a fair value of \$3,413, net of cash acquired of \$694. The preliminary purchase price resulted in the recognition of \$7,832 in goodwill. The tax basis of such goodwill is deductible for income tax purposes over 15 years.

Hawkins HVAC Distributors, Inc.

On April 1, 2025, one of our wholly owned subsidiaries acquired Hawkins, a distributor of residential HVAC equipment and supplies with annual sales of approximately \$9,000, operating from two locations in North Carolina and South Carolina. Consideration for the purchase consisted of \$2,452 in cash, net of cash acquired of \$368. The preliminary purchase price resulted in the recognition of \$269 in goodwill. The tax basis of such goodwill is deductible for income tax purposes over 15 years.

W.L. Lashley & Associates, Inc.

On January 3, 2025, Carrier Enterprise I, one of our joint ventures with Carrier, in which we have an 80% controlling interest, acquired Lashley, a distributor of commercial HVAC supplies with annual sales of approximately \$8,000, operating from one location in Houston, Texas. Consideration for the purchase consisted of \$3,662 in cash, 1,036 shares of Common stock having a fair value of \$493, and \$838 for repayment of indebtedness, net of cash acquired of \$837. Carrier contributed \$999 cash to Carrier Enterprise I in connection with the acquisition of Lashley. The preliminary purchase price resulted in the recognition of \$3,064 in goodwill. The tax basis of such goodwill is deductible for income tax purposes over 15 years.

Commercial Specialists, Inc.

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

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

6. DERIVATIVES

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

Derivatives Not Designated as Hedging Instruments

We have entered into foreign currency forward contracts that are either not designated as hedges or did not qualify for hedge accounting. These derivative instruments were effective economic hedges for all of the periods presented. The fair value gains and losses on these contracts are recognized in earnings as a component of selling, general and administrative expenses. We had only one foreign currency forward contract not designated as a hedging instrument at September 30, 2025, the total notional value of which was \$11,300. Such contract expired in October 2025.

We recognized (losses) gains of \$(517) and \$1,312 from foreign currency forward contracts not designated as hedging instruments in our condensed consolidated unaudited statements of income for the quarters ended September 30, 2025 and 2024, respectively. We recognized (losses) gains of \$(1,260) and \$2,908 from foreign currency forward contracts not designated as hedging instruments in our condensed consolidated unaudited statements of income for the nine months ended September 30, 2025 and 2024, respectively.

7. FAIR VALUE MEASUREMENTS

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

	Balance Sheet Location	Total	Fair Value Measurements at September 30, 2025 Using		
			Level 1	Level 2	Level 3
Assets:					
Certificates of deposit	Short-term cash investments	\$ 200,000	—	\$ 200,000	—
Equity securities	Other assets	\$ 2,065	\$ 2,065	—	—
Private equity securities	Other assets	\$ 2,906	—	—	\$ 2,906
Liabilities:					
Derivative financial instruments	Accrued expenses & other current liabilities	\$ 15	—	\$ 15	—

	Balance Sheet Location	Total	Fair Value Measurements at December 31, 2024 Using		
			Level 1	Level 2	Level 3
Assets:					
Certificates of deposit	Short-term cash investments	\$ 255,669	—	\$ 255,669	—
Derivative financial instruments	Other current assets	\$ 6	—	\$ 6	—
Equity securities	Other assets	\$ 1,078	\$ 1,078	—	—
Private equity securities	Other assets	\$ 1,500	—	—	\$ 1,500

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

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

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

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

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

8. SHAREHOLDERS' EQUITY

Dividend Reinvestment Plan

On March 29, 2024, we implemented the Watsco, Inc. Dividend Reinvestment Plan (the “DRIP”), under which existing shareholders may, in accordance with the DRIP, acquire up to an aggregate of 300,000 shares of each of Common and Class B common stock, as applicable, by reinvesting all or a portion of the cash dividends paid on such shareholders’ shares of common stock. The DRIP has been registered under the Securities Act of 1933, as amended (the “Securities Act”), pursuant to our automatically effective shelf registration statement on Form S-3 (File No. 333-282975).

During the quarters ended September 30, 2025 and 2024, 17,256 and 13,394 shares of our common stock, respectively, were issued under the DRIP. During the nine months ended September 30, 2025 and 2024, 47,751 and 13,398 shares of our common stock, respectively, were issued under the DRIP.

At-the-Market Offering Program

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

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

On May 3, 2024, we entered into an amended and restated sales agreement with Baird (the “2024 ATM Program”), which enables the further issuance and sale of Common stock for a maximum aggregate offering amount of up to \$400,000. At September 30, 2025, \$400,000 was available for sale under the 2024 ATM Program. The offer and sale of shares under the 2024 ATM Program have been registered under the Securities Act pursuant to our automatically effective shelf registration statement on Form S-3 (File No. 333-282975).

Common Stock Dividends

We paid cash dividends of \$3.00, \$2.70, \$8.70, and \$7.85 per share on common stock during the quarters and nine months ended September 30, 2025 and 2024, respectively.

Restricted Stock

During the quarter and nine months ended September 30, 2025, a total of 9,086 shares of Class B common stock with an aggregate fair market value of \$3,657 were withheld as payment in lieu of cash to satisfy tax withholding obligations in connection with the vesting of restricted stock. These shares were retired upon delivery. During the quarter and nine months ended September 30, 2024, a total of 3,454 shares of common stock with an aggregate fair market value of \$1,638, and a total of 6,159 shares of common stock with an aggregate fair market value of \$2,787, respectively, were withheld as payment in lieu of cash to satisfy tax withholding obligations in connection with the vesting of restricted stock. These shares were retired upon delivery.

Exercise of Stock Options

Cash received from Common stock issued upon the exercise of stock options during the quarters and nine months ended September 30, 2025 and 2024, was \$4,903, \$6,097, \$17,763, and \$22,049, respectively.

During the nine months ended September 30, 2025, 2,232 shares of Common stock with an aggregate fair market value of \$1,067 were withheld as payment in lieu of cash for stock option exercises. These shares were retired upon delivery. During the nine months ended September 30, 2024, 3,999 shares of Common stock with an aggregate fair market value of \$1,860 were withheld as payment in lieu of cash for stock option exercises and related tax withholdings. These shares were retired upon delivery.

Employee Stock Purchase Plan

During the quarters ended September 30, 2025 and 2024, we received proceeds of \$666 and \$583, respectively, for shares of our Common stock purchased under our employee stock purchase plan. During the nine months ended September 30, 2025 and 2024, we received proceeds of \$1,899 and \$1,734, respectively, for shares of our Common stock purchased under our employee stock purchase plan.

9. COMMITMENTS AND CONTINGENCIES

Litigation, Claims, and Assessments

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

Self-Insurance

Self-insurance reserves are maintained relative to company-wide casualty insurance and health benefit programs. The level of exposure from catastrophic events is limited by the purchase of stop-loss and aggregate liability reinsurance coverage. When estimating the self-insurance liabilities and related reserves, management considers several factors, which include historical claims experience, demographic factors, severity factors, and valuations provided by independent third-party actuaries. Management reviews its assumptions with its independent third-party actuaries to evaluate whether the self-insurance reserves are adequate. If actual claims or adverse development of loss reserves occur and exceed these estimates, additional reserves may be required. Reserves in the amounts of \$5,738 and \$6,247 at September 30, 2025 and December 31, 2024, respectively, were established related to such programs and are included in accrued expenses and other current liabilities in our condensed consolidated unaudited balance sheets.

10. RELATED PARTY TRANSACTIONS

Purchases from Carrier and its affiliates comprised 61% of all inventory purchases made during both the quarters ended September 30, 2025 and 2024. Purchases from Carrier and its affiliates comprised 61% and 62% of all inventory purchases made during the nine months ended September 30, 2025 and 2024, respectively. At September 30, 2025 and December 31, 2024, approximately \$108,000 and \$204,000, respectively, was payable to Carrier and its affiliates, net of receivables. We also sell HVAC products to Carrier and its affiliates. Revenues in our condensed consolidated unaudited statements of income for the quarters and nine months ended September 30, 2025 and 2024 included approximately \$42,000, \$24,000, \$67,000, and \$64,000, respectively, of sales to Carrier and its affiliates. We believe these transactions are conducted on terms equivalent to an arm's-length basis in the ordinary course of business.

A member of our Board of Directors is a Senior Chairman of Greenberg Traurig, P.A., which serves as our principal outside counsel for compliance and acquisition-related legal services. During the quarters and nine months ended September 30, 2025 and 2024, fees for services performed were \$12, \$28, \$121, and \$229, respectively, and \$23 and \$32 was payable at September 30, 2025 and December 31, 2024, respectively.

11. SEGMENT REPORTING

We have one operating and reporting segment: HVAC/R distribution. This sole line of business focuses exclusively on the distribution of air conditioning, heating, and refrigeration equipment and related parts and supplies. Our single reportable segment entity is managed on a consolidated basis, with the CEO serving as the chief operating decision maker (the "CODM"). On a monthly basis, the CODM reviews financial information presented on a consolidated basis, as reported in the consolidated statements of income, and uses consolidated operating income and net income to assess performance and allocate resources.

Significant expenses within operating income and net income include cost of sales and selling, general and administrative expenses, which are each separately presented in the consolidated statements of income. Other segment items within net income include interest and income taxes. See Note 2 for revenues disaggregated by geographical regions and major product line.

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

Forward-Looking Statements

This Quarterly Report on Form 10-Q contains or incorporates by reference statements that are not historical in nature and that are intended to be, and are hereby identified as, "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995. Statements which are not historical in nature, including the words "anticipate," "estimate," "could," "should," "may," "plan," "seek," "expect," "believe," "intend," "target," "will," "project," "focused," "outlook," "goal," "designed," and variations of these words and negatives thereof and similar expressions are intended to identify forward-looking statements, including statements regarding, among other things, (i) economic conditions, (ii) business and acquisition strategies, (iii) potential acquisitions and/or joint ventures and investments in unconsolidated entities, (iv) financing plans, and (v) industry, demographic, regulatory, and other trends affecting our financial condition or results of operations. These forward-looking statements are based on management's current expectations, are not guarantees of future performance and are subject to a number of risks, uncertainties, and changes in circumstances, certain of which are beyond our control. Actual results could differ materially from these forward-looking statements as a result of several factors, including, but not limited to:

- general economic conditions, both in the United States and in the international markets we serve;
- competitive factors within the HVAC/R industry;
- effects of supplier concentration, including conditions that impact the supply chain;
- fluctuations in certain commodity costs;
- consumer spending;
- consumer debt levels;
- new housing starts and completions;
- capital spending in the commercial construction market;
- access to liquidity needed for operations;
- seasonal nature of product sales;
- weather patterns and conditions;
- insurance coverage risks;
- federal, state, and local regulations impacting our industry and products;
- prevailing interest rates;
- the effect of inflation;
- foreign currency exchange rate fluctuations;
- international risk, including related to changes in trade policies and tariffs;
- cybersecurity risk; and
- the continued viability of our business strategy.

We believe these forward-looking statements are reasonable; however, you should not place undue reliance on any forward-looking statements, which are based on current expectations. For additional information regarding important factors that may affect our operations and could cause actual results to vary materially from those anticipated in the forward-looking statements, please see Item 1A "Risk Factors" of our Annual Report on Form 10-K for the year ended December 31, 2024, as well as the other documents and reports that we file with the SEC. Forward-looking statements speak only as of the date the statements were made. We assume no obligation to update forward-looking information or the discussion of such risks and uncertainties to reflect actual results, changes in assumptions, or changes in other factors affecting forward-looking information, except as required by applicable law. We qualify any and all of our forward-looking statements by these cautionary factors.

The following information should be read in conjunction with the condensed consolidated unaudited financial statements, including the notes thereto, included under Part I, Item 1 of this Quarterly Report on Form 10-Q. In addition, reference should be made to our audited consolidated financial statements and notes thereto, and related Management's Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K for the year ended December 31, 2024.

Company Overview

Watsco, Inc. was incorporated in Florida in 1956, and, together with its subsidiaries (collectively, "Watsco," the "Company," or "we," "us," or "our") is the largest distributor of air conditioning, heating, and refrigeration equipment, and related parts and supplies ("HVAC/R") in the HVAC/R distribution industry in North America. At September 30, 2025, we operated from 698 locations in 43 U.S. States, Canada, Mexico, and Puerto Rico with additional market coverage on an export basis to portions of Latin America and the Caribbean.

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

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

Tariffs

We continue to monitor macroeconomic conditions and recent U.S. trade policy announcements, which have implications for our supply chain. Many HVAC equipment and component manufacturers, including Carrier and Rheem, source component parts from China and Mexico or assemble significant portions of residential and light-commercial products in Mexico, exposing them to tariff and inflationary pressures. In response, our OEM partners and suppliers have implemented varied price actions. To mitigate these effects, we have taken pricing actions, leveraging our technology platforms to efficiently adapt to changing conditions. While the long-term impact of tariffs remains uncertain, we believe that our focus on the HVAC replacement market remains a stabilizing factor, given the essential role of these products in providing comfort and healthy environments for homeowners and businesses. However, if additional restrictions, amendments to existing trade agreements, such as the United States-Mexico-Canada Agreement, or further tariff increases on goods sourced from or assembled in Mexico and China, significantly raise our product costs, then we may need to increase our prices further, which could lead to reduced sales, customer loss, and potential harm to our business.

Climate Change and Reductions in CO₂e Emissions

We believe that our business plays an important and significant role in the drive to lower CO₂e emissions. According to the U.S. Department of Energy ("DOE"), heating and air conditioning accounts for roughly half of household energy consumption in the U.S. As such, replacing older, less efficient HVAC systems with higher efficiency systems is one of the most meaningful steps homeowners can take to reduce their electricity costs and carbon footprints.

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

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

The American Innovation and Manufacturing Act of 2020 granted the U.S. Environmental Protection Agency (the "EPA") the authority to regulate hydrofluorocarbon ("HFC") refrigerants. Although HFCs were introduced as alternatives to ozone-depleting substances like chlorofluorocarbons and hydrochlorofluorocarbons, they are now recognized greenhouse gases that impact climate change due to their high global warming potential ("GWP"). Consequently, a required 85% phasedown of HFC production and consumption over a 15-year period commenced on January 1, 2022. Further regulations were introduced that (1) restrict the use of high-GWP refrigerants in the production of new HVAC systems after December 31, 2024 and (2) established a timeline over which the sales and installation of HVAC

systems by distributors and contractors were permitted. The Company, in collaboration with its OEMs and in anticipation of the change, began to transition its inventory to the new lower-GWP HVAC systems (the “A2L Systems”) and phase-out the higher GWP systems (the “410A Systems”). The regulations permit the sale and installation of matching 410A HVAC systems (i.e., outdoor and indoor components that are installed together) through December 31, 2025, after which only system components may be sold and installed thereafter without limitation or expiration. Currently, it cannot be determined to what degree we will sell through our 410A Systems over the remainder of 2025 or to what extent demand for 410A Systems components will continue beyond 2025. The Company is actively selling these products and will continue to evaluate and assess the ultimate realizability of inventory related to the 410A Systems. On October 3, 2025, the EPA proposed changes to this regulation that would eliminate or extend the December 31, 2025 deadline and allow the continued sale and installation of complete 410A Systems beyond that date.

We offer a broad variety of systems that operate above the minimum SEER standards, ranging from base-level efficiency to systems that exceed 20 SEER. Based on estimates validated by independent sources, we averted an estimated 25.3 million metric tons of CO₂e emissions from January 1, 2020 to September 30, 2025 through the sale of replacement residential HVAC systems at higher-efficiency standards.

Federal Tax Credits

The U.S. Inflation Reduction Act of 2022 (the “IRA”) was intended, in part, to promote the replacement of existing systems in favor of high-efficiency heat pump systems that reduce greenhouse gas emissions, as compared to older systems, and thereby combat climate change. According to the DOE, heat pumps can reduce electricity use for heating by approximately 65% as compared to gas furnaces. Programs under the IRA include enhanced tax credits for homeowners who install qualifying HVAC equipment and tax deductions for owners of commercial buildings that are upgraded to achieve defined energy savings. The Act commonly referred to as the One Big Beautiful Bill, which was signed into law on July 4, 2025, eliminated the IRA’s previously enacted tax credits for HVAC systems, making such credits unavailable after December 31, 2025.

Critical Accounting Estimates

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

Our critical accounting estimates are included in our Annual Report on Form 10-K for the year ended December 31, 2024, as filed with the SEC on February 28, 2025. We believe that there have been no significant changes during the quarter ended September 30, 2025 to the critical accounting estimates disclosed in our Annual Report on Form 10-K for the year ended December 31, 2024.

New Accounting Standards

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

Results of Operations

The following table summarizes information derived from our condensed consolidated unaudited statements of income, expressed as a percentage of revenues, for the quarters and nine months ended September 30, 2025 and 2024:

	Quarter Ended September 30,		Nine Months Ended September 30,	
	2025	2024	2025	2024
Revenues	100.0%	100.0%	100.0%	100.0%
Cost of sales	72.5	73.8	71.7	73.1
Gross profit	27.5	26.2	28.3	26.9
Selling, general and administrative expenses	16.6	15.1	17.8	16.3
Other income	0.5	0.5	0.4	0.4
Operating income	11.4	11.6	10.9	11.0
Interest income, net	0.2	0.3	0.2	0.2
Income before income taxes	11.5	11.9	11.1	11.3
Income taxes	2.4	2.6	2.3	2.4
Net income	9.2	9.3	8.8	8.9
Less: net income attributable to non-controlling interest	1.3	1.4	1.3	1.4
Net income attributable to Watsco, Inc.	7.8%	7.9%	7.5%	7.5%

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

The following narratives reflect our acquisitions of Southern Ice Equipment Distributors, Inc. (“SIE”) in May 2025, Hawkins HVAC Distributors, Inc. (“Hawkins”) in April 2025, W.L. Lashley & Associates, Inc. (“Lashley”) in January 2025, and Commercial Specialists, Inc. (“CSI”) in February 2024. We did not acquire any businesses during the quarter ended September 30, 2025.

In the following narratives, computations and other information referring to “same-store basis” exclude the effects of locations closed, acquired, or locations opened, in each case during the immediately preceding 12 months, unless such locations are within close geographical proximity to existing locations. At both September 30, 2025 and 2024, three locations that we opened during the immediately preceding 12 months were near existing locations and were therefore included in “same-store basis” information.

The table below summarizes the changes in our locations for the 12 months ended September 30, 2025:

	Number of Locations
September 30, 2024	689
Opened	2
Closed	(1)
December 31, 2024	690
Opened	7
Acquired	10
Closed	(9)
September 30, 2025	698

Third Quarter of 2025 Compared to Third Quarter of 2024

Revenues

(in millions)	Quarter Ended September 30,		Change
	2025	2024	
Revenues	\$ 2,067.0	\$ 2,160.0	\$ (93.0) (4)%

The decrease in revenues for the third quarter of 2025 included \$12.6 million attributable to new locations acquired and \$6.4 million from other locations opened during the preceding 12 months, offset by \$5.1 million from locations closed.

(in millions)	Quarter Ended September 30,		Change
	2025	2024	
Same-store sales	\$ 2,048.0	\$ 2,154.9	\$ (106.9) (5)%

The following table presents our revenues for the third quarter of 2025, as a percentage of sales, by major product lines and the related percentage change in revenues from the prior period:

	% of Sales		Change
	Quarter Ended September 30,		
	2025	2024	
HVAC equipment	67%	70%	(7)%
Other HVAC products	29%	26%	2%
Commercial refrigeration products	4%	4%	4%

HVAC equipment sales comprise various products including, but not limited to, residential ducted and ductless systems, furnaces, and other indoor components, as well as commercial HVAC systems. Within HVAC equipment, sales of residential products declined 8% (reflecting a 7% decrease in U.S. markets and a 22% decrease in international markets) and sales of commercial products decreased 3% (reflecting a 2% decrease in U.S. markets and a 9% decrease in international markets). The largest component of residential sales are ducted compressor-bearing systems produced by a variety of OEMs. Sales of ducted residential compressor-bearing systems decreased 11% during the third quarter of 2025, reflecting a 20% decrease in unit volume and a 9% increase in average selling price. The lower unit volumes primarily resulted from temperate weather conditions during our summer selling season, lower home building activity, reduced consumer confidence leading to fewer system replacements and upgrades, as well as A2L product transition-related impacts on new system installations.

Gross Profit

(in millions)	Quarter Ended September 30,		Change
	2025	2024	
Gross profit	\$ 568.9	\$ 566.2	\$ 2.7 0%
Gross margin	27.5%	26.2%	

Gross profit margin improved 130 basis-points primarily due to the timing and extent of OEM pricing actions and generally improved selling margins across a number of product lines.

Selling, General and Administrative Expenses

(in millions)	Quarter Ended September 30,		Change
	2025	2024	
Selling, general and administrative expenses	\$ 343.7	\$ 326.4	\$ 17.3 5%
Selling, general and administrative expenses as a percentage of revenues	16.6%	15.1%	

On a same-store basis, selling, general and administrative expenses increased 5% as compared to 2024, primarily due to increases in salaries, health and wellness benefits, technology investments, and facilities costs.

Other Income

Other income of \$9.5 million and \$10.4 million for the third quarter of 2025 and 2024, respectively, represented our share of the net income of Russell Sigler, Inc. ("RSI"), in which Carrier Enterprise I has a 38.4% equity interest. Carrier Enterprise I is one of our joint ventures with Carrier, in which we have an 80% controlling interest ("Carrier Enterprise I").

Interest Income, Net

Interest income, net for the third quarter of 2025 decreased \$3.0 million, or 45%, primarily due to lower cash and short-term cash investment balances on hand and lower interest earned on cash and cash equivalents for the 2025 period as compared to the same period in 2024.

Income Taxes

(in millions)	Quarter Ended September 30,		Change
	2025	2024	
Income taxes	\$ 49.3	\$ 55.4	\$ (6.1) (11)%
Effective income tax rate	23.2%	24.3%	

Income taxes represent a composite of the income taxes attributable to our wholly owned operations and income taxes attributable to our joint ventures with Carrier Global Corporation (“Carrier”), which are primarily taxed as partnerships for income tax purposes; therefore, Carrier is responsible for its proportionate share of income taxes attributable to its share of earnings from these joint ventures. The decrease in the effective income tax rate was primarily due to higher tax credits combined with lower earnings in 2025 as compared to the same period in 2024.

Net Income Attributable to Watsco, Inc.

Net income attributable to Watsco, Inc. for the quarter ended September 30, 2025 decreased \$9.5 million, or 6%, compared to the same period in 2024. The decrease was primarily driven by higher selling, general and administrative expenses and lower interest income, partially offset by higher gross profit, lower income taxes, and lower net income attributable to the non-controlling interest.

Nine Months Ended September 30, 2025 Compared to Nine Months Ended September 30, 2024

Revenues

<i>(in millions)</i>	Nine Months Ended September 30,		Change	
	2025	2024		
Revenues	\$ 5,660.5	\$ 5,864.4	\$ (203.9)	(3)%

The decrease in revenues for the nine months ended 2025 included \$25.3 million attributable to new locations acquired and \$19.8 million from other locations opened during the preceding 12 months, offset by \$17.5 million from locations closed.

<i>(in millions)</i>	Nine Months Ended September 30,		Change	
	2025	2024		
Same-store sales	\$ 5,615.3	\$ 5,846.8	\$ (231.5)	(4)%

The following table presents our revenues for the nine months ended September 30, 2025 as a percentage of sales, by major product lines and the related percentage change in revenues from the prior period:

	% of Sales		Change	
	Nine Months Ended September 30,			
	2025	2024		
HVAC equipment	67%	69%		(5)%
Other HVAC products	29%	27%		0%
Commercial refrigeration products	4%	4%		(2)%

HVAC equipment sales comprise various products including, but not limited to, residential ducted and ductless systems, furnaces, and other indoor components, as well as commercial HVAC systems. Within HVAC equipment, sales of residential products declined 5% (reflecting a 4% decrease in U.S. markets and a 16% decrease in international markets) and sales of commercial products decreased 6% (reflecting a 5% decrease in U.S. markets and a 9% decrease in international markets). The largest component of residential sales are ducted compressor-bearing systems produced by a variety of OEMs. Sales of ducted residential compressor-bearing systems decreased 7% during the nine months ended September 30, 2025, reflecting a 15% decrease in unit volume and an 8% increase in average selling price. The lower unit volumes primarily resulted from temperate weather conditions during our summer selling season, lower home building activity, reduced consumer confidence leading to fewer system replacements and upgrades, as well as A2L product transition-related impacts on new system installations.

Gross Profit

<i>(in millions)</i>	Nine Months Ended September 30,		Change	
	2025	2024		
Gross profit	\$ 1,602.0	\$ 1,576.6	\$ 25.4	2%
Gross margin	28.3%	26.9%		

Gross profit margin improved 140 basis-points primarily due to the impact of pricing and sales mix for HVAC equipment in 2025 as compared to the same period in 2024.

Selling, General and Administrative Expenses

<i>(in millions)</i>	Nine Months Ended September 30,		Change	
	2025	2024		
Selling, general and administrative expenses	\$ 1,005.2	\$ 955.0	\$ 50.2	5%
Selling, general and administrative expenses as a percentage of revenues	17.8%	16.3%		

On a same-store basis, selling, general and administrative expenses increased 5% as compared to the same period in 2024, primarily due to increases in salaries, health and wellness benefits, technology investments, and facilities costs.

Other Income

Other income of \$22.0 million and \$23.9 million for the nine months ended 2025 and 2024, respectively, represented our share of the net income of RSI, in which Carrier Enterprise I has a 38.4% equity interest.

Interest Income, Net

Interest income, net for the nine months ended September 30, 2025 decreased \$2.7 million, or 19%, primarily due to lower interest earned on cash and short-term investments for the 2025 period as compared to the same period in 2024.

Income Taxes

<i>(in millions)</i>	Nine Months Ended September 30,		Change	
	2025	2024		
Income taxes	\$ 129.8	\$ 139.2	\$ (9.4)	(7)%
Effective income tax rate	23.2%	23.8%		

Income taxes represent a composite of the income taxes attributable to our wholly owned operations and income taxes attributable to our joint ventures with Carrier, which are primarily taxed as partnerships for income tax purposes; therefore, Carrier is responsible for its proportionate share of income taxes attributable to its share of earnings from these joint ventures. The decrease in the effective income tax rate was primarily due to higher tax credits combined with lower earnings in 2025 as compared to the same period in 2024.

Net Income Attributable to Watsco, Inc.

Net income attributable to Watsco, Inc. for the nine months ended 2025 decreased \$14.2 million, or 3%, compared to the same period in 2024, primarily due to higher selling, general and administrative expenses, partially offset by higher gross profit and lower income taxes.

Liquidity and Capital Resources

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

- cash needed to fund our business (primarily working capital requirements);
- borrowing capacity under our revolving credit facility;
- the timing and extent of sales of Common stock under our at-the-market offering program;
- the ability to attract long-term capital with satisfactory terms;
- acquisitions, including joint ventures and investments in unconsolidated entities;
- dividend payments;
- capital expenditures; and
- the timing and extent of Common and Class B common stock (collectively “common stock”) repurchases.

Sources and Uses of Cash

We rely on cash flows from operations and borrowing capacity under our revolving credit agreement to fund seasonal working capital needs and for other general corporate purposes in the short-term and the long-term, including dividend payments (if and as declared by

our Board of Directors), capital expenditures, business acquisitions, and development of our long-term operating and technology strategies. Additionally, we may also generate cash through the issuance and sale of our Common stock.

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

As of September 30, 2025, we had \$324.3 million of cash and cash equivalents, of which \$95.9 million was held by foreign subsidiaries. The repatriation of cash balances from our foreign subsidiaries could have adverse tax impacts or be subject to capital controls; however, these balances are generally available to fund the ordinary business operations of our foreign subsidiaries without legal restrictions. We also had \$200.0 million of short-term cash investments consisting of a certificate of deposit with a maturity of March 2026.

Our access to funds under our revolving credit agreement depends on the ability of the syndicate banks to meet their respective funding commitments. Disruptions in the credit and capital markets could adversely affect our ability to draw on our revolving credit agreement and may also adversely affect the determination of interest rates, particularly rates based on the Secured Overnight Financing Rate (“SOFR”), which is one of the base rates under our revolving credit agreement. SOFR has limited historical data and is a secured lending rate. The use of SOFR as a base rate under our revolving credit agreement could give rise to uncertainties and volatility in the benchmark rates applicable to our borrowings under such agreement. Additionally, disruptions in the credit and capital markets could also result in increased borrowing costs or reduced borrowing capacity under our revolving credit agreement.

Working Capital

Working capital increased to \$2,303.8 million at September 30, 2025 from \$2,096.1 million at December 31, 2024 due to: (i) higher inventory driven by the seasonal ramp-up in inventories in response to our selling season; (ii) higher priced HVAC equipment held in inventory in connection with the A2L product transition; and (iii) higher accounts receivable, partially offset by lower cash and short-term cash investments.

Cash Flows

The following table summarizes our cash flow activity for the nine months ended September 30, 2025 and 2024 (in millions):

	2025	2024	Change
Cash flows provided by operating activities	\$ 169.8	\$ 394.2	\$ (224.4)
Cash flows provided by (used in) investing activities	\$ 13.5	\$ (282.7)	\$ 296.2
Cash flows used in financing activities	\$ (387.8)	\$ (25.1)	\$ (362.7)

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

Operating Activities

Net cash used in operating activities was higher primarily due to the timing of vendor payments, partially offset by a lower increase in accounts receivable in 2025 as compared to 2024.

Investing Activities

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

Financing Activities

Net cash used in financing activities increased primarily due to \$281.8 million in net proceeds received in March 2024 from the sale of Common stock under our 2021 ATM Program (as defined below), as well as distributions to the non-controlling interest, and increased dividends in 2025.

Revolving Credit Agreement

We maintain an unsecured, five-year \$600.0 million syndicated multicurrency revolving credit agreement, which may be used for, among other things, funding seasonal working capital needs and for other general corporate purposes, including acquisitions, dividends (if and as declared by our Board of Directors), capital expenditures, stock repurchases, and issuances of letters of credit. The revolving credit facility has a seasonal component from October 1 to March 31, during which the borrowing capacity may be reduced to \$500.0 million at our discretion (which effectively reduces fees payable in respect of the unused portion of the commitment). Included in the revolving credit facility are a \$125.0 million swingline loan sublimit, a \$10.0 million letter of credit sublimit, a \$75.0 million alternative

currency borrowing sublimit, and a \$10.0 million Mexican borrowing subfacility. The revolving credit agreement matures on March 16, 2028.

At September 30, 2025 and December 31, 2024, there was no outstanding balance under the revolving credit agreement. The revolving credit agreement contains customary affirmative and negative covenants, including financial covenants with respect to consolidated leverage and interest coverage ratios, and other customary restrictions. We believe we were in compliance with all covenants at September 30, 2025.

At-the-Market Offering Program

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

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

On May 3, 2024, we entered into an amended and restated sales agreement with Baird (the “2024 ATM Program”), which enables the further issuance and sale of Common stock for a maximum aggregate offering amount of up to \$400.0 million. At September 30, 2025, \$400.0 million was available for sale under the 2024 ATM Program. The offer and sale of shares under the 2024 ATM Program have been registered under the Securities Act pursuant to our automatically effective shelf registration statement on Form S-3 (File No. 333-282975).

Investment in Unconsolidated Entity

Carrier Enterprise I has a 38.4% ownership interest in RSI, an HVAC distributor operating from 36 locations in the Western U.S. Our proportionate share of the net income of RSI is included in other income in our condensed consolidated unaudited statements of income.

Carrier Enterprise I is a party to a shareholders’ agreement with RSI and its shareholders (the “RSI Shareholders’ Agreement”), consisting of five Sigler second generation family siblings and their affiliates, who collectively own 55.4% of RSI (the “RSI Majority Holders”) and certain next-generation Sigler family members and an employee, who collectively own 6.2% of RSI (the “RSI Minority Holders”) and, together with the RSI Majority Holders, the “RSI Shareholders”). Pursuant to the RSI Shareholders’ Agreement, the RSI Shareholders have the right to sell, and Carrier Enterprise I has the obligation to purchase, their respective shares of RSI for a purchase price determined based on the higher of book value or a multiple of EBIT, the latter of which Carrier Enterprise I used to calculate the price for its 38.4% investment held in RSI. The RSI Shareholders may transfer their respective shares of RSI common stock only to members of the Sigler family or to Carrier Enterprise I, and, at any time from and after the date on which Carrier Enterprise I owns 85% or more of RSI’s outstanding common stock, it has the right, but not the obligation, to purchase from the RSI Shareholders the remaining outstanding shares of RSI common stock. At September 30, 2025, using the criteria set forth in the RSI Shareholders’ Agreement, the valuation of the RSI Shareholders’ RSI common stock was approximately \$453.0 million.

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

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

Acquisitions

Southern Ice Equipment Distributors, Inc.

On May 1, 2025, one of our wholly owned subsidiaries acquired SIE, a distributor of food service and ice machine equipment, parts and supplies with annual sales of approximately \$30.0 million operating from seven locations in Arizona, Arkansas, Louisiana, Mississippi, New Mexico, and Texas. Consideration for the purchase consisted of \$14.3 million in cash and 7,400 shares of Common stock having a fair value of \$3.4 million, net of cash acquired of \$0.7 million. The preliminary purchase price resulted in the recognition of \$7.8 million in goodwill.

Hawkins HVAC Distributors, Inc.

On April 1, 2025, one of our wholly owned subsidiaries acquired Hawkins, a distributor of commercial HVAC supplies with annual sales of approximately \$9.0 million, operating from two locations in North Carolina and South Carolina. Consideration for the purchase consisted of \$2.5 million in cash, net of cash acquired of \$0.4 million. The preliminary purchase price resulted in the recognition of \$0.3 million in goodwill.

W.L. Lashley & Associates, Inc.

On January 3, 2025, Carrier Enterprise I acquired Lashley, a distributor of commercial HVAC supplies with annual sales of approximately \$8.0 million, operating from one location in Houston, Texas. Consideration for the purchase consisted of \$3.7 million in cash, 1,036 shares of Common stock having a fair value of \$0.5 million, and \$0.8 million for repayment of indebtedness, net of cash acquired of \$0.8 million. Carrier contributed \$1.0 million cash to Carrier Enterprise I in connection with the acquisition of Lashley. The preliminary purchase price resulted in the recognition of \$3.1 million in goodwill.

Commercial Specialists, Inc.

On February 1, 2024, one of our wholly owned subsidiaries acquired CSI, a distributor of HVAC products with annual sales of approximately \$13.0 million, operating from two locations in Kentucky and Ohio. Consideration for the purchase consisted of \$6.0 million in cash, 1,904 shares of Common stock having a fair value of \$0.8 million, and \$0.6 million for repayment of indebtedness, net of cash acquired of \$1.4 million. The purchase price resulted in the recognition of \$2.5 million in goodwill.

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

Common Stock Dividends

We paid cash dividends of \$8.70 and \$7.85 per share on common stock during the nine months ended September 30, 2025 and 2024, respectively. On October 1, 2025, our Board of Directors declared a regular quarterly cash dividend of \$3.00 per share on common stock that was paid on October 31, 2025 to shareholders of record as of October 16, 2025. Future dividends and/or changes in dividend rates are at the sole discretion of the Board of Directors and depend upon factors including, but not limited to, cash flow generated by operations, profitability, financial condition, cash requirements, prospects, and other factors deemed relevant by our Board of Directors.

Dividend Reinvestment Plan

On March 29, 2024, we implemented the Watsco, Inc. Dividend Reinvestment Plan (the "DRIP"), under which existing shareholders may, in accordance with the DRIP, acquire up to an aggregate of 300,000 shares of each of Common and Class B common stock, as applicable, by reinvesting all or a portion of the cash dividends paid on such shareholders' shares of common stock. The DRIP has been registered under the Securities Act pursuant to our automatically effective shelf registration statement on Form S-3 (File No. 333-282975).

During the quarters ended September 30, 2025 and 2024, 17,256 and 13,394 shares of our common stock, respectively, were issued under the DRIP. During the nine months ended September 30, 2025 and 2024, 47,751 and 13,398 shares of our common stock, respectively, were issued under the DRIP.

Company Share Repurchase Program

In September 1999, our Board of Directors authorized the repurchase, at management's discretion, of up to 7,500,000 shares of common stock in the open market or via private transactions. Shares repurchased under the program are accounted for using the cost method and result in a reduction of shareholders' equity. We last repurchased shares under this plan in 2008. In aggregate, 6,370,913 shares of common stock have been repurchased at a cost of \$114.4 million since the inception of the program. At September 30, 2025, there were 1,129,087 shares remaining authorized for repurchase under the program.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes to the information regarding market risk provided in Item 7A, Quantitative and Qualitative Disclosures about Market Risk, of our Annual Report on Form 10-K for the year ended December 31, 2024.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

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

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

Changes in Internal Control over Financial Reporting

We continuously seek to improve the efficiency and effectiveness of our internal controls. This results in refinements to processes throughout the Company. However, there were no changes in our internal controls over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the quarter ended September 30, 2025, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

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

ITEM 1A. RISK FACTORS

Information about risk factors for the quarter ended September 30, 2025 does not differ materially from that set forth in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2024.

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

Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased ⁽¹⁾	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Dollar Value that May Yet Be Purchased Under the Plans or Programs
July 1, 2025 to July 31, 2025	—	\$ —	—	\$ —
August 1, 2025 to August 31, 2025	—	—	—	—
September 1, 2025 to September 30, 2025	9,086	402.56	—	—
Total	9,086	\$ 402.56	—	\$ —

- (1) During the quarter ended September 30, 2025, we purchased an aggregate of 9,086 shares of our Class B common stock to satisfy the tax withholding obligations in connection with the vesting of restricted stock.

ITEM 5. OTHER INFORMATION

During the quarter ended September 30, 2025, none of our officers or directors adopted or terminated any contract, instruction or written plan for the purchase or sale of our securities that was intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) under the Exchange Act or any “non-Rule 10b5-1 trading arrangement”, as defined in Item 408 of Regulation S-K.

ITEM 6. EXHIBITS

INDEX TO EXHIBITS

31.1 #	Certification of Chief Executive Officer pursuant to Securities Exchange Act Rules 13a-15(e) and 15d-15(e) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2 #	Certification of Executive Vice President pursuant to Securities Exchange Act Rules 13a-15(e) and 15d-15(e) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.3 #	Certification of Chief Financial Officer pursuant to Securities Exchange Act Rules 13a-15(e) and 15d-15(e) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1 +	Certification of Chief Executive Officer, Executive Vice President, and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS #	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH #	Inline XBRL Taxonomy Extension Schema With Embedded Linkbase Documents
104	The cover page from the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2025, formatted in Inline XBRL.

filed herewith.

+ furnished herewith.

SIGNATURE

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

WATSCO, INC.
(Registrant)

Date: November 7, 2025

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

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

I, Albert H. Nahmad, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Watsco, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 7, 2025

/s/ Albert H. Nahmad

Albert H. Nahmad

Chief Executive Officer

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

I, Barry S. Logan, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Watsco, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 7, 2025

/s/ Barry S. Logan

Barry S. Logan
Executive Vice President

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

I, Ana M. Menendez, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Watsco, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 7, 2025

/s/ Ana M. Menendez

Ana M. Menendez
Chief Financial Officer

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

In connection with the Quarterly Report on Form 10-Q of Watsco, Inc. (“Watsco”) for the quarter and nine months ended September 30, 2025, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), Albert H. Nahmad, as Chief Executive Officer of Watsco, Barry S. Logan, as Executive Vice President of Watsco and Ana M. Menendez, as Chief Financial Officer of Watsco, each hereby certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to our knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Watsco.

/s/ Albert H. Nahmad

Albert H. Nahmad
Chief Executive Officer
November 7, 2025

/s/ Barry S. Logan

Barry S. Logan
Executive Vice President
November 7, 2025

/s/ Ana M. Menendez

Ana M. Menendez
Chief Financial Officer
November 7, 2025

A signed original of this written statement required by Section 906 has been provided to Watsco and will be retained by Watsco and furnished to the Securities and Exchange Commission or its staff upon request.

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