

DEARBORN PARTNERS

Another Dearborn Partners Core Rising and High & Rising Dividend SMA Portfolio Increase: Watsco, Inc.

On February 13, 2024, Watsco, Inc. announced a 10.2% increase in its quarterly dividend per share to \$2.70 (\$10.80 annually) from \$2.45 (\$9.80 annually). The cash dividend will be paid in April 2024.

From the press release:

Watsco began its distribution strategy in 1989 and today operates the largest distribution network for HVAC/R products in North America. The Company's 692 locations serve over 125,000 contractors across the United States, Canada, Mexico, Puerto Rico and Latin America. Since 1989, Watsco's entrepreneurial, growth-focused culture has driven compounded annual growth rates (CAGRs) of sales and operating income of 15% and 18%, respectively, reflecting strong performance across many macroeconomic and industry cycles.

Watsco also announced today that its Board of Directors approved a 10% annual dividend increase to \$10.80 per share effective with the next regular quarterly payment to be declared in April 2024. This year marks the Company's 50th consecutive year of paying dividends. This reflects the Company's on-going confidence as well as the strength of its balance sheet, which reflected net cash as of December 31, 2023. Watsco remains well-positioned to invest in most any-sized opportunity to build further scale in the estimated \$60 billion highly-fragmented North American HVAC/R distribution market.

Watsco operates the largest distribution network for heating, air conditioning and refrigeration (HVAC/R) products with locations in the United States, Canada, Mexico, and Puerto Rico, and on an export basis to Latin America and the Caribbean. Watsco estimates that over 350,000 contractors and technicians visit or call one of its 692 locations each year to get information, obtain technical support and buy products.

Our business is focused on the replacement market, which has increased in size and importance as a result of the aging of installed systems, the introduction of higher energy efficient models and the necessity of HVAC products in homes and businesses. According to data published in March 2023 by the Energy Information Administration, there are approximately 102 million HVAC systems installed in the United States that have been in service for more than 10 years, most of which operate well below current minimum efficiency standards. Accordingly, Watsco has the opportunity to be a significant and important contributor toward climate change as its business plays an important role in the drive to lower CO₂e emissions.

According to the Department of Energy, HVAC systems account for roughly half of U.S. household energy consumption. As such, replacing existing systems at higher efficiency levels is one of the most meaningful steps homeowners can take to reduce electricity consumption and carbon footprint over time. Based on estimates validated by independent sources, Watsco averted an estimated 19.2 million metric tons of CO₂e emissions from January 1, 2020 to December 31, 2023 through the sale of replacement HVAC systems at higher-efficiency standards, an equivalent of removing 4.3 million gas powered vehicles annually off the road.

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Watsco, Inc. is in the Industrials sector of both of our Dearborn Partners Rising Dividend separately managed account (SMA) portfolios. So far this year, 11 of 49 companies in our Core Rising Dividend portfolio have announced 11 dividend increases averaging about 5.5% more than these companies paid a year earlier. In our High & Rising Dividend Portfolio, 8 of 25 companies have announced 8 dividend increases averaging about 5.8% more than these companies paid a year earlier. No companies in these portfolios have reduced or suspended dividends so far this year.

Thank you for your continued interest in our Dearborn Partners Rising Dividend Strategy.

This dividend increase announcement is not a complete description of, nor a recommendation to invest in, any investment strategy (the "Strategy") mentioned herein. It is for informational purposes only and does not constitute an offer to sell nor a solicitation to buy, is not a recommendation regarding any securities transaction, nor is it an offer to provide advisory or other services by Dearborn Partners, L.L.C. The information contained in this writing should not be construed as financial or investment advice on any subject matter. Past performance is no guarantee of future results. There is no assurance the Strategy will be profitable, achieve its objectives, be suitable for you, or not incur losses. Some of the information herein has been obtained from third party sources. We believe such information is reliable but we have not in each case verified its accuracy or completeness. Any opinions herein are as of the date of this report and are subject to change without notice. Dividends are not guaranteed and must be authorized by the company's board of directors. There is no assurance that any Rising Dividend portfolio company will increase its dividend, or not reduce its dividend, or not have a significant decrease in its stock price. Dividend yield is one component of performance and should not be the only consideration for investment. Dearborn Partners L.L.C. is an investment adviser registered under the Investment Advisers Act of 1940, as amended. Registration does not imply a certain level of skill or training. For a complete list of all Dearborn Rising Dividend holdings that in the past year - increased their dividends, had no dividend increases, or had a dividend decrease, please contact the Dearborn Rising Dividend Team at RD@dearbornpartners.com. It should not be assumed that portfolio trades made in the future will be profitable, or will increase their dividends, or will equal the performance of the securities in this announcement.