

# J.P. Morgan 39th Annual Healthcare Conference

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*President & CEO*

# Cautionary Statements

This presentation may contain “forward-looking” statements regarding future results and events. For this purpose, any statements that are not statements of historical fact may be deemed forward-looking statements. Without limiting the foregoing, the words, “feels”, “believes”, “anticipates”, “plans”, “expects”, “intends”, “suggests”, “appears”, “estimates”, “projects”, and similar expressions, whether in the negative or affirmative, are intended to identify forward-looking statements.

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This presentation contains certain non-GAAP measures, which are provided to assist in an understanding of the Company’s business and its performance. These measures should always be considered in conjunction with the appropriate GAAP measure. Reconciliations of non-GAAP amounts to the GAAP amounts are on the Company’s website, or in the Company’s Form 8-K filings with the SEC.

Solid base in the highly attractive life science tools market

Loss of momentum in recent years due to weak execution and portfolio disadvantage

Transformation program underway with near-term commercial focus and priorities

# Waters Operates in Large and Growing End Markets

Waters™



Pharma



Biomedical  
Research



Clinical



Food &  
Environment



Materials  
Science

Market  
size

\$22B

\$9B

\$8B

\$14B

\$14B

Growth

MSD+

HSD

MSD+

MSD

MSD-

Drivers

- Biologics
- Novel modalities
- Outsourcing

- Government funding
- Biopharma R&D partnerships

- Molecular diagnostics
- Infectious diseases

- Rising populations
- Food safety and sustainability concerns

- Micro-electronics
- Capital spending in chemicals sector

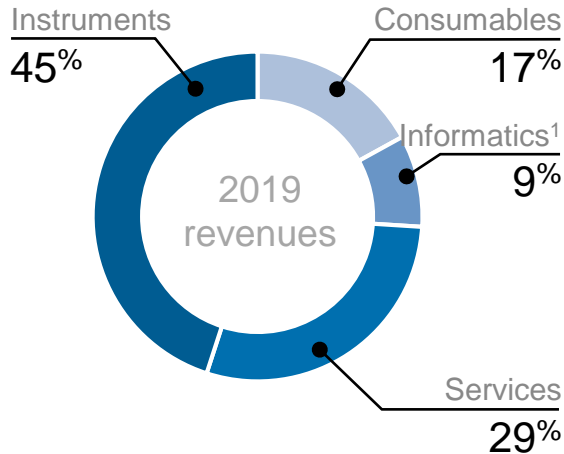


Source: Company estimates; SDI

# Waters has a Strong Foundation

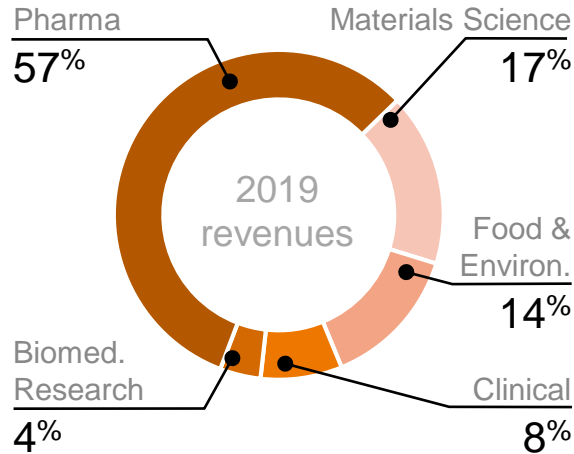
## Portfolio

Large installed base with  
>50% recurring revenues



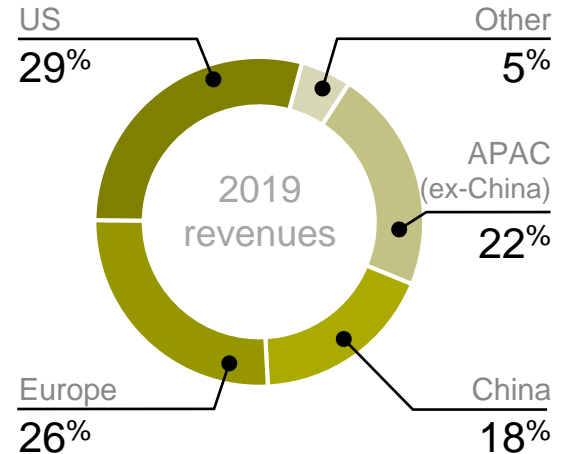
## Customer

~75% exposure to  
growing markets (MSD+)<sup>2</sup>



## Geography

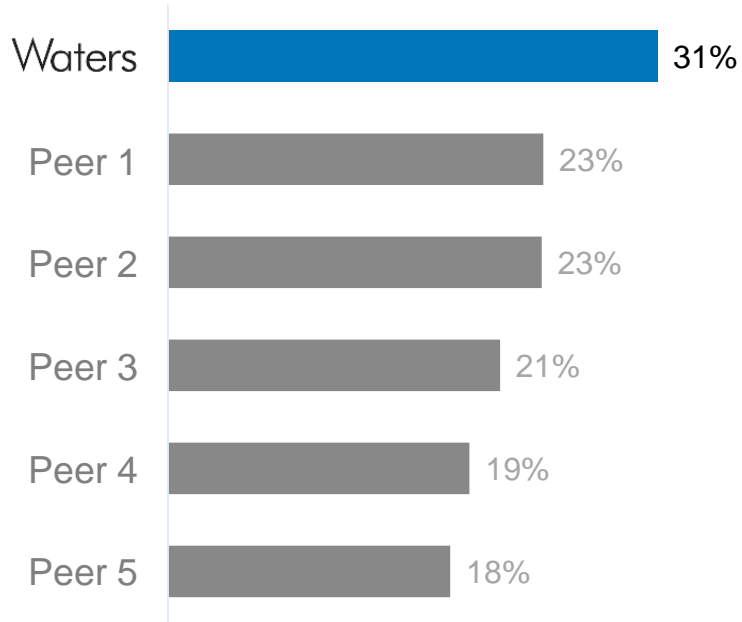
Diversified  
geographic base



- Geographic business variation due to COVID-19
- Continued improvement in largest end market Pharma versus our expectations

Note: 1. Informatics includes licenses and maintenance contracts; 2. Percentage of annual revenues (2019)  
Source: Company information and data

## OPERATING MARGIN (%), 2019



## SELECT FINANCIAL METRICS

**\$2.4BN**

REVENUE<sup>1</sup>

**~22%**

5-YEAR AVERAGE ROIC<sup>2</sup>

**\$576m**

FREE CASH FLOW<sup>1</sup>

Note: 1. Based on 2019 data; 2. ROIC = (Non-GAAP EBIT \*(1 - t))/invested capital; Invested capital = equity + long term debt  
Source: Company info, FactSet data

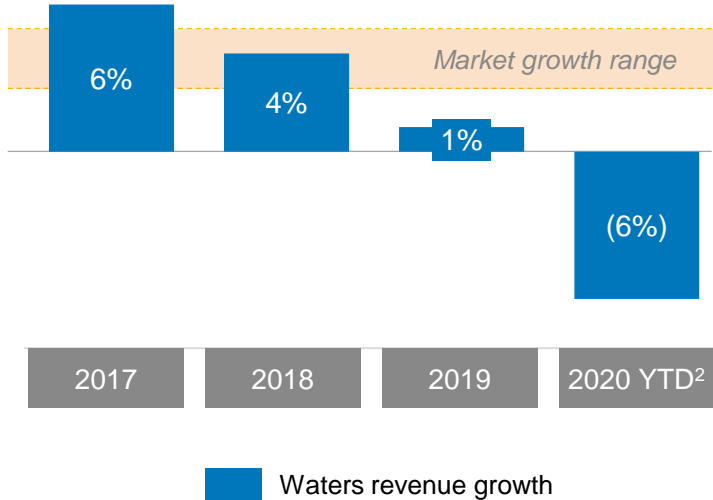
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# Loss of Momentum in Recent Years

## REVENUE YEAR-ON-YEAR GROWTH<sup>1</sup>



## MOMENTUM LOSS CAUSES

- A Weak Execution
- B Waters Portfolio Not Aligned with Faster Growth Segments and Opportunities
- C Performance Management Disconnect

Note: 1. Constant currency basis; 2. For the Nine Months ended Sep. 26, 2020 relative to prior corresponding period  
Source: Company analysis and estimates



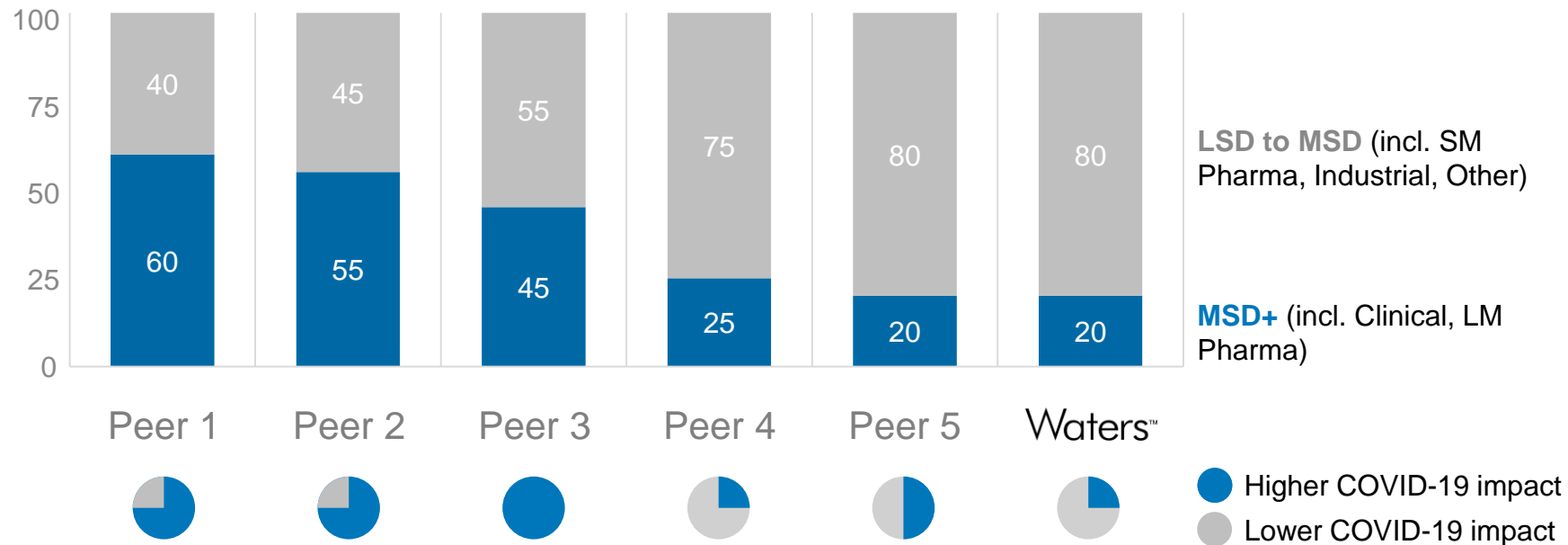
# A Weak Execution

## UNDERLYING DRIVERS

- ① Loss of Market Share Driven by Instruments
- ② Low Attachment Rates for Recurring Streams
- ③ Lower Exposure to Faster Growing Contract Organizations
- ④ Weaker eCommerce Platform Relative to Peers
- ⑤ Slower Portfolio Renewal and Launch Excellence

# B Waters Portfolio Not Aligned with Faster Growth Segments and Opportunities

PORTFOLIO BREAKDOWN % (TOP); COVID-19 SALES IMPACT (BOTTOM)



Source: Wall Street Analyst reports; Company data and estimates

# C Performance Management Disconnect

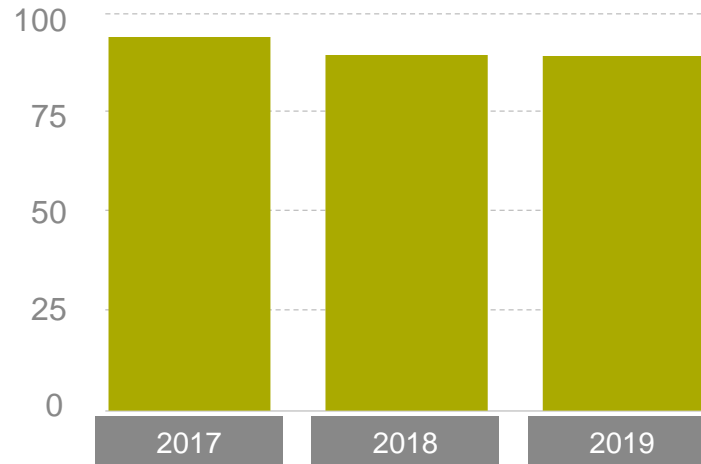
Established process with 90%+ employee participation...

## PERFORMANCE MANAGEMENT



...however, disconnect between employee ratings and company performance

## EMPLOYEE RATINGS (% OF TOTAL)



*Employees rated as: "Meets" or "Above Expectations"*

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# Three Phase Renewal towards Growth

Waters™

Focus for today



Regain Commercial Momentum with Specific Initiatives



Strengthen Performance Management



Enhance Portfolio and Capabilities



# Regain Commercial Momentum with Specific Initiatives

Waters™

## EXAMPLE INITIATIVES TO REGAIN COMMERCIAL MOMENTUM

- 1 Drive Replacement of Waters Instruments (LC, MS, TA)
- 2 Increase Attachment Rates and Value Proposition for Recurring Revenue
- 3 Strengthen and Expand Coverage of Contract Organizations
- 4 Improve Focus on eCommerce
- 5 Drive Launch Excellence

# ① Drive Replacement of Waters Instruments



## HIGH PERFORMANCE LC EXAMPLE

### CHALLENGE

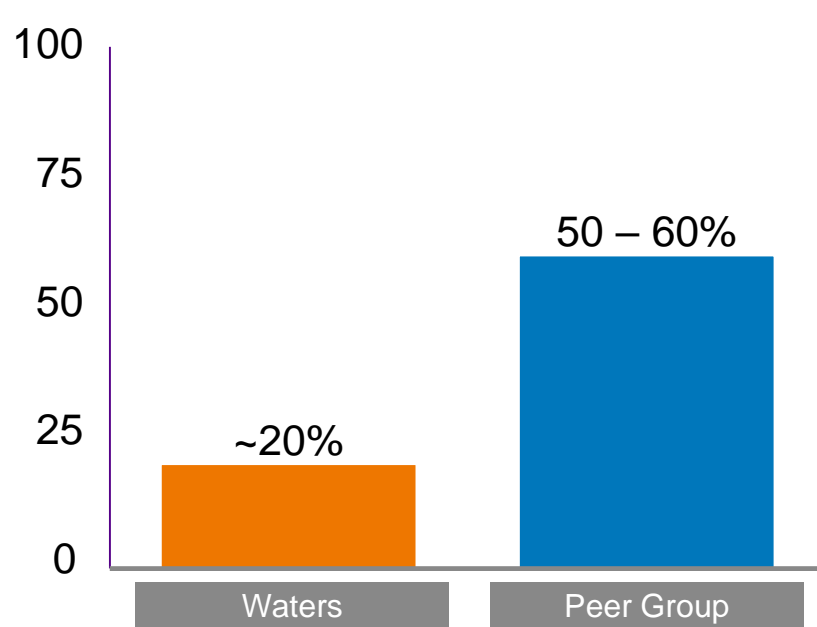
- Loss of focus led to market share decline in Waters' LC business
- Less frequent replacement; ~20% of actively-serviced Alliance instrument base

### INITIATIVES UNDERTAKEN

- Drive trade-in of older Alliance LC with new Waters High Performance LC with incremental penetration target of 10-15% over 2 – 3 years
- Leverage Empower database to identify older competitive equipment

## ④ Improve Focus on eCommerce

CONSUMABLE DIGITAL SALES (AS % OF TOTAL)



INITIATIVES UNDERTAKEN

- **Improve search engine optimization** to drive higher number of impressions and conversion rate for Waters.com
- **Invest in paid search** to increase digital sales and traffic through Waters.com
- **Launch and onboard customers on eProcurement platform**



## ⑤ Drive Launch Excellence



*In 2019, Waters launched BioAccord, an integrated LC-MS solution that simplifies high performance LC-MS biopharma analysis*

### **From:** Generalized Launch

### **To:** Focused Market Development

Identifying  
the market  
opportunity

- **Generic approach** to known customers on routine biopharma analyses

- **Targeted approach** linked to specific modalities

Mobilizing  
the field

- **Generalist salesforce model**

- **Specialist coverage model**

Demonstrating  
value

- **Limited collaborations** with customers and regulatory bodies

- **Focused collaborations** with major customers leading to conversion

## Environmental

### Actively reducing our environmental footprint

- Greenhouse gas reduction goal of 35% from 2016 baseline
- Renewable and / or low-carbon electricity accounts for ~27% of electricity usage
- Supply chain sustainability program to harmonize our supplier code of conduct with key customers'



## Social

### Engaging our people to strengthen communities

- Our charitable donations supported 250+ organizations with local and global impact
- STEM programs and scholarships support education of next generation of STEM professionals in under-represented populations
- Women at the VP-and-above level have increased to ~33% in 2019, from ~8% in 2015



## Governance

### Strengthening processes; adding new perspectives

- Separation of Chairman / CEO positions in 2020
- 3 new independent directors over the past three years
- ~30% women representation on Board of Directors



# Throughout the COVID-19 pandemic, Waters has turned Our Scientific Understanding towards Three Objectives

Waters™



## Ensuring safety and well-being of employees and families

- Site readiness plan including ventilation testing; occupancy; social distancing guidelines
- On-site testing, masks, and distance sensors
- Multiphase data-driven on-site return



## Doing our part to help mitigate the public health crisis

- Innovation Response Team partnered with organizations, bringing Waters resources and scientific capabilities
- Waters systems used in QC for therapeutics and vaccine development



## Maintaining business continuity

- Strategic technology investments serve most sales, service, and scientific activities
- Mitigated supply chain risk; worked closely with suppliers to ensure health and viability

# Our Capital Deployment Priorities



## Financial Flexibility

- Strong, flexible balance sheet
- Optimal capital structure



## Investing for Growth

- Organic innovation
- Capital expenditure
- Acquisitions & external investments



## Return Capital to Shareholders

- Share repurchase

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The background features a complex network of thin, light blue lines connecting various circular nodes. Some nodes are larger and more prominent, while others are smaller and less distinct. The overall effect is a sense of interconnectedness and data flow. A solid blue horizontal band is positioned across the middle of the image, serving as a backdrop for the text.

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