

Waters Corporation (NYSE: WAT) Reports Fourth Quarter and Full-Year 2020 Financial Results

2/2/2021

Fourth Quarter 2020 Highlights

- Sales of \$787 million grew 10% as reported and 7% in constant currency
- GAAP EPS of \$3.49; non-GAAP EPS of \$3.65, a 14% increase from prior year
- Strong adjusted free cash flow of \$240 million, a 52% increase from prior year
- Growth led by strong performance in pharmaceutical and industrial end markets
- Continued broad-based sales growth across all major geographies

MILFORD, Mass.--(BUSINESS WIRE)-- Waters Corporation (NYSE: WAT) today announced fourth quarter 2020 sales of \$787 million, a 10% increase as reported, compared to sales of \$716 million for the fourth quarter of 2019. Foreign currency translation benefited sales growth by approximately 3% for the quarter.

On a GAAP basis, diluted earnings per share (EPS) for the fourth quarter of 2020 increased to \$3.49, compared to \$3.12 for the fourth quarter of 2019. On a non-GAAP basis, EPS increased to \$3.65, compared to \$3.20 for the fourth quarter of 2019. A description and reconciliation of GAAP to non-GAAP results appear in the tables below and can be found on the Company's website www.waters.com in the Investor Relations section.

On a GAAP basis, net cash provided by operating activities was \$267 million for the fourth quarter of 2020, compared to \$192 million for the fourth quarter of 2019. On a non-GAAP basis, adjusted free cash flow for the fourth quarter of 2020 was \$240 million versus \$158 million for the fourth quarter of 2019.

For fiscal year 2020, the Company's sales were \$2,365 million, a decrease of 2% as reported, compared to sales of \$2,407 million for fiscal year 2019. Foreign currency translation benefited sales growth by less than 1% during fiscal year 2020.

On a GAAP basis, EPS for fiscal year 2020 decreased to \$8.36, compared to \$8.69 for fiscal year 2019. On a non-GAAP basis, EPS increased to \$9.05, compared to \$8.99 in fiscal year 2019. Both GAAP and non-GAAP EPS were impacted by the decline in sales volumes.

On a GAAP basis, net cash provided by operating activities was \$791 million for fiscal year 2020, compared to \$643 million for fiscal year 2019. On a non-GAAP basis, adjusted free cash flow for fiscal year 2020 was \$726 million versus \$576 million for fiscal year 2019.

“This past year has been one of change and sacrifice, though it has been defined by the incredible resilience of our global team. From navigating the pandemic to a transition in leadership, the Waters team has responded with admirable drive, determination and spirit. And for that I am grateful,” said Dr. Udit Batra, President and Chief Executive Officer of Waters Corporation. “We are pleased with our fourth quarter results, driven by pharmaceutical market improvement, growth across all major geographies, contributions from COVID-related sales and early results from our near-term growth initiatives. We have made substantial progress over the last five months, and while it’s early days, I remain confident in our product portfolio, competitive position and our team to seize the opportunities for Waters in 2021.”

Unless otherwise noted, sales growth and decline percentages are presented on an as-reported basis and are the same as the sales growth and decline percentages presented on a constant-currency basis as compared with the same period in the prior year, each of which is detailed in the reconciliation of sales growth rates to constant-currency growth rates in the tables below.

During the fourth quarter of 2020, sales into the pharmaceutical market increased 17% as reported and 15% in constant currency, sales into the industrial market increased 8% as reported and 5% in constant currency and sales into the academic and governmental markets declined 13% as reported and 15% in constant currency. For fiscal year 2020, sales into the pharmaceutical market increased 2% as reported and 1% in constant currency, sales into the industrial market declined 2% as reported and 3% in constant currency and sales into the academic and governmental markets declined 16% as reported and in constant currency.

During the fourth quarter, recurring revenues, which represent the combination of service and precision chemistries revenues, increased 14% as reported and 11% in constant currency, while instrument system sales increased 6% as reported and 4% in constant currency. For fiscal year 2020, recurring revenues increased 4% as reported and 3% in constant currency, while instrument system sales declined 8% as reported and 9% in constant currency.

Geographically, sales in Asia during the quarter increased 13% as reported and 12% in constant currency, sales in the Americas increased 3% (with U.S. sales growing 4%) and sales in Europe increased 15% as reported and 6% in constant currency. For fiscal year 2020, sales in Asia declined 4% as reported and in constant currency, sales in the

Americas declined 4% (with U.S. sales declining 2%) and sales in Europe increased 5% as reported and 2% in constant currency.

First Quarter and Fiscal Year 2021 Financial Outlook

The Company expects full-year 2021 constant-currency sales growth in the range of 5% to 8%. Currency translation is expected to increase full-year sales growth by one to two percentage points. The Company also expects full-year 2021 non-GAAP EPS in the range of \$9.32 to \$9.57. Please refer to the tables below for a reconciliation of the projected GAAP to non-GAAP financial outlook for the full-year.

The Company expects first quarter 2021 constant-currency sales growth in the range of 7% to 10%. Currency translation is expected to increase first quarter sales growth by approximately three percentage points. The Company also expects first quarter 2021 non-GAAP EPS in the range of \$1.50 to \$1.60. Please refer to the tables below for a reconciliation of the projected GAAP to non-GAAP financial outlook for the first quarter.

The Board of Directors of the Company has approved an extension of the Company's previously announced share repurchase program through January 21, 2023. As of the date of this press release, \$1.5 billion remains available under the program for repurchases.

Conference Call

Waters Corporation will webcast its fourth quarter 2020 financial results conference call today, February 2, 2021 at 8:00 a.m. Eastern Time. To listen to the call, please visit www.waters.com, select "Investors" under the "About Waters" section, and click on the "Live Webcast." A replay will be available through February 9, 2021 at midnight Eastern Time on the same website by webcast and also by phone at 800-337-6551.

About Waters Corporation

Waters Corporation (NYSE: WAT), the world's leading specialty measurement company, has pioneered chromatography, mass spectrometry and thermal analysis innovations serving the life, materials and food sciences for more than 60 years. With more than 7,000 employees worldwide, Waters operates directly in 35 countries, including 15 manufacturing facilities, and with products available in more than 100 countries. For more information, visit www.waters.com.

Non-GAAP Financial Measures

This press release contains financial measures, such as constant-currency growth rate, adjusted operating income, adjusted net income, adjusted earnings per diluted share and adjusted free cash flow, among others, which are considered "non-GAAP" financial measures under applicable U.S. Securities and Exchange Commission rules and

regulations. These non-GAAP financial measures should be considered supplemental to, and not a substitute for, financial information prepared in accordance with U.S. generally accepted accounting principles (GAAP). The Company's definitions of these non-GAAP measures may differ from similarly titled measures used by others. The non-GAAP financial measures used in this press release adjust for specified items that can be highly variable or difficult to predict. The Company generally uses these non-GAAP financial measures to facilitate management's financial and operational decision-making, including evaluation of the Company's historical operating results, comparison to competitors' operating results and determination of management incentive compensation. These non-GAAP financial measures reflect an additional way of viewing aspects of the Company's operations that, when viewed with GAAP results and the reconciliations to corresponding GAAP financial measures, may provide a more complete understanding of factors and trends affecting the Company's business. Because non-GAAP financial measures exclude the effect of items that will increase or decrease the Company's reported results of operations, management strongly encourages investors to review the Company's consolidated financial statements and publicly filed reports in their entirety. Reconciliations of the non-GAAP financial measures to the most directly comparable GAAP financial measures are included in the tables accompanying this release.

Cautionary Statement

This release contains "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. The Company's actual future results may differ significantly from the results discussed in the forward-looking statements within this release for a variety of reasons, including and without limitation, risks related to the effects of the ongoing COVID-19 pandemic on our business, financial condition, results of operations and prospects, including: portions of our global workforce being unable to work fully and/or effectively due to working remotely, illness, quarantines, government actions, facility closures or other reasons related to the pandemic, increased risks of cyber-attacks resulting from our temporary remote working model, disruptions in our manufacturing capabilities or to our supply chain, volatility and uncertainty in global capital markets limiting our ability to access capital, customers being unable to make timely payments for purchases and volatility in demand for our products; foreign exchange rate fluctuations potentially affecting translation of the Company's future non-U.S. operating results; the impact on demand for the Company's products among the Company's various market sectors or geographies from economic, sovereign and political uncertainties, particularly regarding the effect of new or proposed tariff or trade regulations or changes in the interpretation or enforcement of existing regulations; the effect on the Company's financial results from the United Kingdom exiting the European Union; fluctuations in expenditures by the Company's customers, in particular large pharmaceutical companies; introduction of competing products by other companies and loss of market share; pressures on prices from competitors and/or customers; regulatory, economic and competitive obstacles to new product introductions; other changes in demand for the Company's products from the effect of mergers and acquisitions by the Company's customers;

increased regulatory burdens as the Company's business evolves, especially with respect to the U.S. Food and Drug Administration and U.S. Environmental Protection Agency, among others; shifts in taxable income in jurisdictions with different effective tax rates; the outcome of tax examinations or changes in respective country legislation affecting the Company's effective tax rate; the effect of the adoption of new accounting standards; the ability to access capital, maintain liquidity and service the Company's debt in volatile market conditions, particularly in the U.S., as a large portion of the Company's cash is held and operating cash flows are generated outside the U.S.; environmental and logistical obstacles affecting the distribution of products and risks associated with lawsuits and other legal actions, particularly involving claims for infringement of patents and other intellectual property rights. Such factors and others are discussed more fully in the sections entitled "Forward-Looking Statements" and "Risk Factors" of the Company's annual report on Form 10-K for the year ended December 31, 2019, as well as in the sections entitled "Special Note Regarding Forward-Looking Statements" and "Risk Factors" of the Company's quarterly report on Form 10-Q for the quarterly periods ended March 28, 2020, June 27, 2020 and September 26, 2020, each as filed with the Securities and Exchange Commission ("SEC"), which discussions are incorporated by reference in this release, as updated by the Company's future filings with the SEC. The forward-looking statements included in this release represent the Company's estimates or views as of the date of this release and should not be relied upon as representing the Company's estimates or views as of any date subsequent to the date of this release. Except as required by law, the Company does not assume any obligation to update any forward-looking statements.

Waters Corporation and Subsidiaries
Consolidated Statements of Operations
(In thousands, except per share data)
(Unaudited)

	Three Months Ended		Twelve Months Ended	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
Net sales	\$ 786,658	\$ 716,294	\$ 2,365,365	\$ 2,406,596
Costs and operating expenses:				
Cost of sales	320,569	299,068	1,006,689	1,010,700
Selling and administrative expenses	153,084	141,208	553,698	534,791
Research and development expenses	39,662	37,072	140,777	142,955
Purchased intangibles amortization	2,687	2,529	10,587	9,693
Asset impairment(1)	6,945	-	6,945	-
Litigation provision	-	-	1,180	-
Operating income	263,711	236,417	645,489	708,457
Other income (expense)	374	(2,223)	(1,775)	(3,586)
Interest expense, net	(6,834)	(9,806)	(32,800)	(26,632)
Income from operations before income taxes	257,251	224,388	610,914	678,239
Provision for income taxes(2)	38,940	23,719	89,343	86,041
Net income	\$ 218,311	\$ 200,669	\$ 521,571	\$ 592,198
Net income per basic common share	\$ 3.51	\$ 3.15	\$ 8.40	\$ 8.76
Weighted-average number of basic common shares	62,170	63,795	62,094	67,627

Net income per diluted common share	\$	3.49	\$	3.12	\$	8.36	\$	8.69
Weighted-average number of diluted common shares and equivalents		62,501		64,348		62,414		68,166

(1) The asset impairment incurred during the three and twelve months ended December 31, 2020 included a non-cash impairment charge of \$10 million related to certain intangible assets previously acquired. In conjunction with the intangible asset impairment charge, the Company also reduced its liability for contingent consideration of \$3 million during the three and twelve months ended December 31, 2020. The net impact of \$7 million is reported as an asset impairment in the consolidated statements of operations.

(2) The provision for income taxes for the twelve months ended December 31, 2019 included a \$3 million benefit related to the tax on the change in foreign currency exchange rates on the earnings taxed in December 31, 2017 under the Tax Cuts and Jobs Act and the subsequent finalization of the tax regulations during the first quarter of 2019. The difference is due to the change from the foreign currency exchange rates required by the U.S. Department of the Treasury on December 31, 2017 to the foreign currency exchange rates on either the date of distribution of assets into the U.S. or the foreign currency exchange rates as of December 31, 2019.

Waters Corporation and Subsidiaries
Reconciliation of GAAP to Adjusted Non-GAAP
Net Sales by Operating Segment, Products & Services, Geography and Markets
Three Months Ended December 31, 2020 and December 31, 2019
(In thousands)

	Three Months Ended		Percent Change	Current Period Currency Impact	Constant Currency Growth Rate (a)	
	December 31, 2020	December 31, 2019				
NET SALES - OPERATING SEGMENT						
Waters	\$	703,738	634,306	11%	\$ 17,249	8%
TA		82,920	81,988	1%	2,156	(1%)
Total	\$	786,658	716,294	10%	\$ 19,405	7%
NET SALES - PRODUCTS & SERVICES						
Instruments	\$	400,436	376,631	6%	\$ 10,482	4%
Service		254,667	227,446	12%	5,534	10%
Chemistry		131,555	112,217	17%	3,389	14%
Total Recurring		386,222	339,663	14%	8,923	11%
Total	\$	786,658	716,294	10%	\$ 19,405	7%
NET SALES - GEOGRAPHY						
Asia	\$	295,706	261,990	13%	\$ 1,058	12%
Americas		251,437	245,140	3%	115	3%
Europe		239,515	209,164	15%	18,232	6%
Total	\$	786,658	716,294	10%	\$ 19,405	7%
NET SALES - MARKETS						
Pharmaceutical	\$	460,384	392,391	17%	\$ 10,808	15%
Industrial		233,180	216,698	8%	6,549	5%
Academic & Governmental		93,094	107,205	(13%)	2,048	(15%)
Total	\$	786,658	716,294	10%	\$ 19,405	7%
NET SALES - EXCLUDING CHINA						
Total Net Sales	\$	786,658	716,294	10%	\$ 19,405	7%
China Net Sales		151,639	125,013	21%	2,644	19%

Total Net Sales Excluding China	\$	<u>635,019</u>	\$	<u>591,281</u>	7%	\$	<u>16,761</u>	5%
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(a) The Company believes that referring to comparable constant-currency growth rates is a useful way to evaluate the underlying performance of Waters Corporation's net sales. Constant-currency growth rate, a non-GAAP financial measure, measures the change in net sales between current and prior year periods, ignoring the impact of foreign currency exchange rates during the current period. See description of non-GAAP financial measures contained in this release.

Waters Corporation and Subsidiaries
Reconciliation of GAAP to Adjusted Non-GAAP
Net Sales by Operating Segment, Products & Services, Geography and Markets
Twelve Months Ended December 31, 2020 and December 31, 2019
(In thousands)

	<u>Twelve Months Ended</u>		Percent Change	Current Period Currency Impact	Constant Currency Growth Rate (a)
	December 31, 2020	December 31, 2019			
NET SALES - OPERATING SEGMENT					
Waters	\$	2,117,124	2,137,483	(1%)	\$ 12,248
TA		248,241	269,113	(8%)	1,543
Total	\$	<u>2,365,365</u>	<u>2,406,596</u>	(2%)	<u>\$ 13,791</u>
NET SALES - PRODUCTS & SERVICES					
Instruments	\$	1,065,253	1,155,171	(8%)	\$ 8,295
Service		868,032	839,407	3%	2,618
Chemistry		432,080	412,018	5%	2,878
Total Recurring		1,300,112	1,251,425	4%	5,496
Total	\$	<u>2,365,365</u>	<u>2,406,596</u>	(2%)	<u>\$ 13,791</u>
NET SALES - GEOGRAPHY					
Asia	\$	899,177	939,112	(4%)	\$ (5,743)
Americas		797,842	830,241	(4%)	80
Europe		668,346	637,243	5%	19,454
Total	\$	<u>2,365,365</u>	<u>2,406,596</u>	(2%)	<u>\$ 13,791</u>
NET SALES - MARKETS					
Pharmaceutical	\$	1,386,966	1,365,275	2%	\$ 5,871
Industrial		707,772	719,377	(2%)	7,959
Academic & Governmental		270,627	321,944	(16%)	(39)
Total	\$	<u>2,365,365</u>	<u>2,406,596</u>	(2%)	<u>\$ 13,791</u>
NET SALES - EXCLUDING CHINA					
Total Net Sales	\$	2,365,365	2,406,596	(2%)	\$ 13,791
China Net Sales		404,352	439,557	(8%)	747
Total Net Sales Excluding China	\$	<u>1,961,013</u>	<u>1,967,039</u>	-	<u>\$ 13,044</u>

(a) The Company believes that referring to comparable constant-currency growth rates is a useful way to evaluate the underlying performance of Waters Corporation's net sales. Constant-currency growth rate, a non-GAAP financial measure, measures the change in net sales between current and prior year periods, ignoring the impact of foreign currency exchange rates during the current period. See description of non-GAAP financial measures contained in this release.

Waters Corporation and Subsidiaries
Reconciliation of GAAP to Adjusted Non-GAAP Financials
Three & Twelve Months Ended December 31, 2020 and December 31, 2019
(In thousands, except per share data)

	Selling & Administrative Expenses(a)	Operating Income	Operating Income Percentage	Other Income (Expense)	Income from Operations before Income Taxes	Provision for Income Taxes	Net Income	Diluted Earnings per Share
Three Months Ended December 31, 2020								
GAAP	\$ 162,716	\$ 263,711	33.5%	\$ 374	\$ 257,251	\$ 38,940	\$ 218,311	\$ 3.49
Adjustments:								
Purchased intangibles amortization (b)	(2,687)	2,687	0.3%	-	2,687	541	2,146	0.03
Asset Impairment (c)	(6,945)	6,945	0.9%	-	6,945	1,180	5,765	0.09
Restructuring costs and certain other items (d)	(2,142)	2,142	0.3%	(1,623)	519	139	380	0.01
Pension expenses (e)	-	-	-	235	235	71	164	-
Certain income tax items (f)	-	-	-	-	-	(1,052)	1,052	0.02
Adjusted Non-GAAP	\$ 150,942	\$ 275,485	35.0%	\$ (1,014)	\$ 267,637	\$ 39,819	\$ 227,818	\$ 3.65
Three Months Ended December 31, 2019								
GAAP	\$ 143,737	\$ 236,417	33.0%	\$ (2,223)	\$ 224,388	\$ 23,719	\$ 200,669	\$ 3.12
Adjustments:								
Purchased intangibles amortization (b)	(2,529)	2,529	0.4%	-	2,529	512	2,017	0.03
Restructuring costs and certain other items (d)	(1,810)	1,810	0.3%	-	1,810	483	1,327	0.02
Pension expenses (e)	-	-	-	1,602	1,602	385	1,217	0.02
Certain income tax items (f)	-	-	-	-	-	(714)	714	0.01
Adjusted Non-GAAP	\$ 139,398	\$ 240,756	33.6%	\$ (621)	\$ 230,329	\$ 24,385	\$ 205,944	\$ 3.20
Twelve Months Ended December 31, 2020								
GAAP	\$ 572,410	\$ 645,489	27.3%	\$ (1,775)	\$ 610,914	\$ 89,343	\$ 521,571	\$ 8.36
Adjustments:								
Purchased intangibles amortization (b)	(10,587)	10,587	0.4%	-	10,587	2,102	8,485	0.14
Asset Impairment (c)	(6,945)	6,945	0.3%	-	6,945	1,180	5,765	0.09
Restructuring costs and certain other items (d)	(35,196)	35,196	1.5%	(2,084)	33,112	7,512	25,600	0.41
Pension expenses (e)	-	-	-	235	235	71	164	-
Litigation settlement (g)	(1,180)	1,180	-	-	1,180	283	897	0.01
Certain income tax items (f)	-	-	-	-	-	(2,619)	2,619	0.04
Adjusted Non-GAAP	\$ 518,502	\$ 699,397	29.6%	\$ (3,624)	\$ 662,973	\$ 97,872	\$ 565,101	\$ 9.05
Twelve Months Ended December 31, 2019								
GAAP	\$ 544,484	\$ 708,457	29.4%	\$ (3,586)	\$ 678,239	\$ 86,041	\$ 592,198	\$ 8.69
Adjustments:								
Purchased intangibles amortization (b)	(9,693)	9,693	0.4%	-	9,693	2,032	7,661	0.11
Restructuring costs and certain other items (d)	(16,192)	16,192	0.7%	-	16,192	4,106	12,086	0.18
Pension expenses (e)	-	-	-	1,602	1,602	385	1,217	0.02
Tax reform (h)	-	-	-	-	-	3,229	(3,229)	(0.05)
Certain income tax items (f)	-	-	-	-	-	(2,622)	2,622	0.04
Adjusted Non-GAAP	\$ 518,599	\$ 734,342	30.5%	\$ (1,984)	\$ 705,726	\$ 93,171	\$ 612,555	\$ 8.99

- (a) Selling & administrative expenses include purchased intangibles amortization, litigation provisions and settlements and asset impairments.
- (b) The purchased intangibles amortization, a non-cash expense, was excluded to be consistent with how management evaluates the performance of its core business against historical operating results and the operating results of competitors over periods of time.
- (c) The asset impairment, a non-cash expense, is a one-time charge related to the write-off of certain intangible assets and a contingent consideration liability that were both associated with a previous acquisition. The asset impairment was excluded as the Company does not believe these expenses are indicative of normal operating costs.
- (d) Restructuring costs, mergers and acquisition costs and certain other items were excluded as the Company believes that the cost to consolidate operations, reduce overhead, acquire companies and certain other income or expense items are not normal and do not represent future ongoing business expenses of a specific function or geographic location of the Company.
- (e) The pension settlement and curtailment expenses associated with certain defined benefit pension plans were excluded as the Company believes these expenses are not indicative of normal operating costs.
- (f) Certain income tax items were excluded as these non-cash expenses and benefits represent updates in management's assessment of ongoing examinations or other tax items that are not indicative of the Company's normal or future income tax expense.
- (g) Litigation provisions and settlement gains were excluded as these items are isolated, unpredictable and not expected to recur regularly.
- (h) The provision for income taxes for the twelve months ended December 31, 2019 included a \$3 million benefit related to the tax on the change in foreign currency exchange rates on the earnings taxed in December 31, 2017 under the Tax Cuts and Jobs Act and the subsequent finalization of the tax regulations during the first quarter of 2019. The difference is due to the change from the foreign currency exchange rates required by the U.S. Department of the Treasury on December 31, 2017 to the foreign currency exchange rates on either the date of distribution of assets into the U.S. or the foreign currency exchange rates as of December 31, 2019.

Waters Corporation and Subsidiaries
Preliminary Condensed Unclassified Consolidated Balance Sheets
(In thousands and unaudited)

	December 31, 2020		December 31, 2019	
Cash, cash equivalents and investments	\$	443,146	\$	337,144
Accounts receivable		573,316		587,734
Inventories		304,281		320,551
Property, plant and equipment, net		494,003		417,342
Intangible assets, net		258,645		240,203
Goodwill		444,362		356,128
Other assets		322,167		297,953
Total assets	\$	2,839,920	\$	2,557,055
Notes payable and debt	\$	1,356,515	\$	1,681,163
Other liabilities		1,251,261		1,092,173
Total liabilities		2,607,776		2,773,336
Total stockholders' equity (deficit)		232,144		(216,281)
Total liabilities and stockholders' equity (deficit)	\$	2,839,920	\$	2,557,055

Waters Corporation and Subsidiaries
Preliminary Condensed Consolidated Statements of Cash Flows
Three and Twelve Months Ended December 31, 2020 and December 31, 2019
(In thousands and unaudited)

	Three Months Ended		Twelve Months Ended	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
Cash flows from operating activities:				
Net income	\$ 218,311	\$ 200,669	\$ 521,571	\$ 592,198
Adjustments to reconcile net income to net cash provided by operating activities:				
Stock-based compensation	9,150	9,660	36,865	38,577
Depreciation and amortization	44,260	24,977	135,351	105,296
Change in operating assets and liabilities, net	(4,239)	(43,411)	96,720	(92,984)
Net cash provided by operating activities	267,482	191,895	790,507	643,087
Cash flows from investing activities:				
Additions to property, plant, equipment	(152,000)	(152,000)	(152,000)	(152,000)

and software capitalization	(47,044)	(53,618)	(172,384)	(163,823)
Business acquisitions, net of cash acquired	(3,881)	-	(80,545)	-
Investment in unaffiliated companies	(2,293)	(1,593)	(6,143)	(8,843)
Net change in investments	15,685	(1,428)	(5,022)	941,468
Net cash (used in) provided by investing activities	(37,533)	(56,639)	(264,094)	768,802
Cash flows from financing activities:				
Net change in debt	(215,000)	325,308	(325,366)	532,256
Proceeds from stock plans	37,612	19,404	66,033	53,715
Purchases of treasury shares	(56)	(559,558)	(196,409)	(2,469,258)
Other cash flow from financing activities, net	4,910	3,709	15,240	10,609
Net cash used in financing activities	(172,534)	(211,137)	(440,502)	(1,872,678)
Effect of exchange rate changes on cash and cash equivalents	4,346	6,947	15,069	224
Increase (decrease) in cash and cash equivalents	61,761	(68,934)	100,980	(460,565)
Cash and cash equivalents at beginning of period	374,934	404,649	335,715	796,280
Cash and cash equivalents at end of period	<u>\$ 436,695</u>	<u>\$ 335,715</u>	<u>\$ 436,695</u>	<u>\$ 335,715</u>

Reconciliation of GAAP Cash Flows from Operating Activities to Free Cash Flow (a)

Net cash provided by operating activities - GAAP	\$ 267,482	\$ 191,895	\$ 790,507	\$ 643,087
Adjustments:				
Additions to property, plant, equipment and software capitalization	(47,044)	(53,618)	(172,384)	(163,823)
Tax reform payments	-	-	38,454	29,109
Major facility renovations	19,486	19,276	69,806	67,624
Free Cash Flow - Adjusted Non-GAAP	<u>\$ 239,924</u>	<u>\$ 157,553</u>	<u>\$ 726,383</u>	<u>\$ 575,997</u>

(a) The Company defines free cash flow as net cash flow from operations accounted for under GAAP less capital expenditures and software capitalizations plus or minus any unusual and non recurring items. Free cash flow is not a GAAP measurement and may not be comparable to free cash flow reported by other companies.

Waters Corporation and Subsidiaries Reconciliation of Projected GAAP to Adjusted Non-GAAP Financial Outlook

	Three Months Ended April 3, 2021		Twelve Months Ended December 31, 2021	
	Range		Range	
Projected Sales				
Projected constant-currency sales growth rate (a)	7%	- 10%	5%	- 8%
Projected currency impact	3%	- 3%	1%	- 2%
Projected sales growth rate as reported	<u>10%</u>	- <u>13%</u>	<u>6%</u>	- <u>10%</u>
Projected Earnings Per Diluted Share				
Projected GAAP earnings per diluted share	\$ 1.45	- \$ 1.55	\$ 9.12	- \$ 9.37
Adjustments:				
Purchased intangibles amortization	\$ 0.04	- \$ 0.04	\$ 0.16	- \$ 0.16
Certain income tax items	<u>\$ 0.01</u>	- <u>\$ 0.01</u>	<u>\$ 0.04</u>	- <u>\$ 0.04</u>
Projected adjusted non-GAAP earnings per diluted share	<u>\$ 1.50</u>	- <u>\$ 1.60</u>	<u>\$ 9.32</u>	- <u>\$ 9.57</u>

(a) Constant-currency growth rates are a non-GAAP financial measure that measures the change in net sales between current and prior year periods, ignoring the impact of foreign currency exchange rates during the current period. These amounts are estimated at the current foreign currency exchange rates and based on the forecasted geographical sales in local currency, as well as an assessment of market conditions as of today, and may differ significantly from actual results.

These forward-looking adjustment estimates do not reflect future gains and charges that are inherently difficult to predict and estimate due to their unknown timing, effect and/or significance.

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Source: Waters Corporation