



Leaks: How to Minimize Your Exposure

January 15, 2020

Presented by:

Jason Yarnes

Vice President of Operations

Why Should You Care?



Risks are significant

- 💧 Leak damages can run into the hundreds of thousands of dollars **per claim**
- 💧 Out of pocket costs
- 💧 Increased insurance premiums
- 💧 Customer dissatisfaction
- 💧 Reduces your exit value
- 💧 Misplaced blame on the dealer

The good news is that it is relatively easy to reduce your exposure

How Can You Minimize Your Exposure?



Installation policy
Contract language
Leak response protocol



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Leak response protocol

Best method to reduce exposure is not to have a leak in the first place

Trainings and Standard Operating Procedures

- ◆ Installation Training
 - ◆ Fittings
 - ◆ Best practices
- ◆ Service Training
- ◆ Refurbishment and Replacement



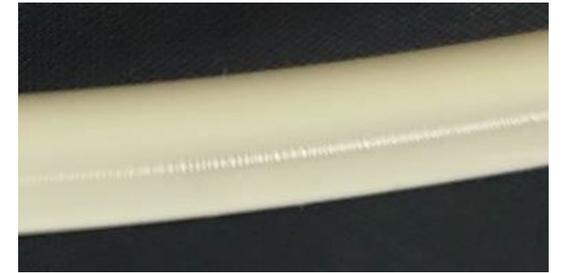
How Can You Minimize Your Exposure?



Installation policy
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Materials

- 💧 Source tubing
- 💧 Saddle valves



How Can You Minimize Your Exposure?



Installation policy
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Materials

- ◆ Certified filters
 - ◆ Big difference between certified filters and certified media
 - ◆ How to tell if your filter is certified
- ◆ Pressure-reducing valves



How Can You Minimize Your Exposure?



Installation policy
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Policy

- ◆ Multi-story buildings
- ◆ High value
- ◆ High technology
- ◆ Weekend/holiday installs



How Can You Mitigate Your Exposure?



Installation policy
Contract language
Leak response protocol

- 💧 Warranty
- 💧 Limitation of liability
- 💧 Indemnification
- 💧 Insurance

make, model or equivalent capability. Customer agrees to defend, indemnify, and hold harmless Dealer from and against any and all claims, losses, liabilities, damages, and expenses relating to the Equipment, Equipment installation, or this Agreement, or the failure of any connection to or from the Equipment (including any supply lines enabling such connection), except to the extent arising from the intentional misconduct of Dealer.

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- 💧 Insurance

relating to the Equipment. Customer will maintain, at all times while the Equipment is located on the premises of Customer, (i) insurance covering any loss, damage or injury of any nature caused by the Equipment, which insurance will protect Dealer from any such liability, and (ii) insurance against any loss of or damage to the Equipment. Customer agrees that the amount of insurance against loss of or damage to the Equipment shall not be less than its full replacement value. All insurance will show Dealer as a loss payee and additional named insured. In the event that the Equipment is lost, damaged or becomes

How Can You Mitigate Your Exposure?



Installation policy
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Many possible causes for leaks

- ◆ Dealers sometimes blamed inaccurately

Important to visit site immediately

- ◆ Try to determine root cause
- ◆ Take pictures of origination point and any damage
- ◆ Take good notes

Happy Leak Prevention!!





Accelerating Growth via Territory Expansion

January 15, 2020

Moderated by:

Marvin Salganov

Director of Business Development, Bluline

Panelists:

Eric Sweeney H2Office Tech

Barry Snyder Optimum Water Solutions

Interest in Expansion



- Our preference is for our existing dealers to expand into open territories versus recruiting unproven new dealers into them
- It turns out that many of you are similarly interested in expansion opportunities
 - In our recent dealer survey, about half of you expressed interest in expanding into a new territory this year

The Fundamentals



- 💧 When should you consider expanding?
- 💧 Where should you consider expanding?
 - 💧 Must it be near my existing territory?
- 💧 How do I maximize the probability of success?

Opportunities for Territory Expansion



What is Quench's expansion assistance program?

- ◆ Extended payment terms
- ◆ Subsidized sales training at PWP University

What does Quench look for in a candidate for expansion?

- ◆ Track record of penetrating an existing territory
 - ◆ Recruiting, training & retaining key employees
 - ◆ Operational and financial stability
- ◆ Track record of adding a new territory



Panel Discussion



Barry Snyder

CEO & Founder – Optimum Water

Offices in:

Pittsburgh | Raleigh | Jacksonville
Savannah | Orlando | Charleston | Boston
New York | Charlotte



Eric Sweeney

Founder & Partner – H2Office Technologies

Offices in:

Atlanta | Nashville | Charlotte

Panel Discussion



- ◆ How did you decide where to expand?
 - Must it be near my existing territory?
- ◆ How do you find a sales leader in a new territory?
- ◆ How many people do you need to start a new territory and what positions?
- ◆ How do you generate leads in a new territory?
- ◆ What key performance indicators did you track to evaluate success?
- ◆ What collaboration and communication tools have you used for remote employees?
- ◆ What pricing considerations should you make for the new market?
- ◆ How often do you engage with and/or visit the new territory?
- ◆ How do you make sure not to neglect your existing territory?
- ◆ What is the biggest challenge in operating multiple locations?

Thank you!



Investing Together



2020 Dealer Meeting

Closing Remarks

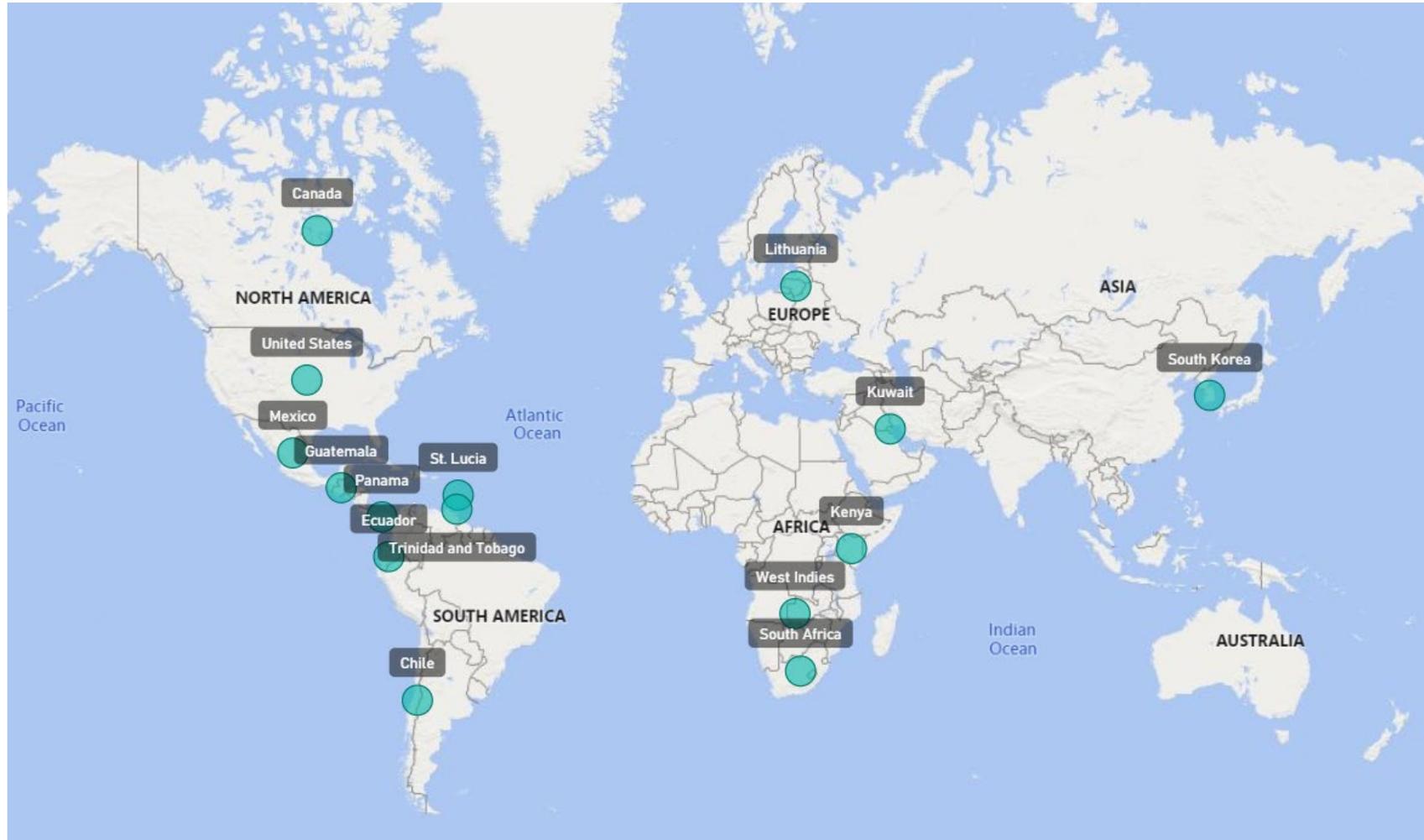
January 15, 2020

Presented by:

Todd Peterson

Chief Operating Officer, Quench

Indirect POU Business At A Glance



Key stats:

- 💧 262 dealers
 - 💧 241 US
 - 💧 21 International
- 💧 3 distribution centers
- 💧 Factory in Korea

Why Be In Direct & Indirect POU?



- 💧 Broader participation in fast-growing POU industry
 - Quench’s market share is only ~10% in the US
 - Quench’s Direct rental sales reps are encouraged to focus on national/multi-region accounts
- 💧 Greater purchasing leverage with our suppliers
 - Benefits Direct and Indirect Businesses
- 💧 Offers a pipeline of future acquisitions

Vision & Strategy



Vision

- ◆ To invest in making our dealers the most successful entrepreneurs in the POU industry

Strategy

- ◆ To focus investments on those areas which accelerate dealer growth and improve dealer profitability, including product innovation, dealer training & support, and value-added services
- ◆ To help facilitate a lucrative liquidity event for dealers if and when they desire one



Investing Together

Channel Strategy



- Quench's direct business and indirect business are run as separate divisions with separate leadership, IT systems, and business strategies
- Quench direct sales reps are not allowed to promote the brands or core product lines of our dealers or vice versa
 - Smaller-volume specialty products available to all Quench dealers (e.g. WS 12000), where the dealer or direct volume alone isn't large enough for us to secure exclusivity from the supplier
- Dealers are free to compete with Quench's direct rental business
 - Quench's Direct rental reps are encouraged to focus on national/multi-region accounts

Product Strategy



Maintain/extend our dealers' competitive advantage in the marketplace

- ◆ Continuous innovation of exclusive new products
 - “Good, better, best” solutions
 - Increasing emphasis on high-value, emerging “Water 2.0” solutions (ice, sparkling, flavors, etc.)
 - Differentiation from lower-end competitors
- ◆ Periodic upgrading of aesthetics and features of existing products
 - Consistent, distinctive family look for each brand
- ◆ Leveraging of Quench’s purchasing power to reduce costs
 - Consolidation of spend with a small number of strategic suppliers

State Of The Industry: Great Time To Be In POU



Strong economy
POU continues to take share from bottled water
Availability of growth financing
Favorable macro trends
Growth in higher-value specialty products

Great Time To Be In POU



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Stock market at all-time highs...



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Unemployment at historical lows...

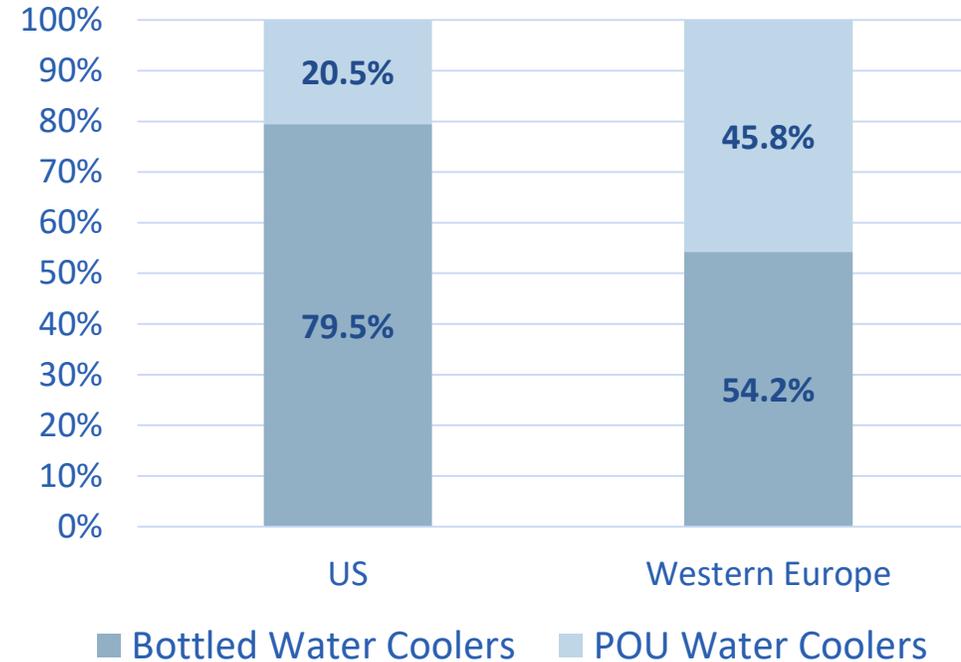


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POU Penetration by Market

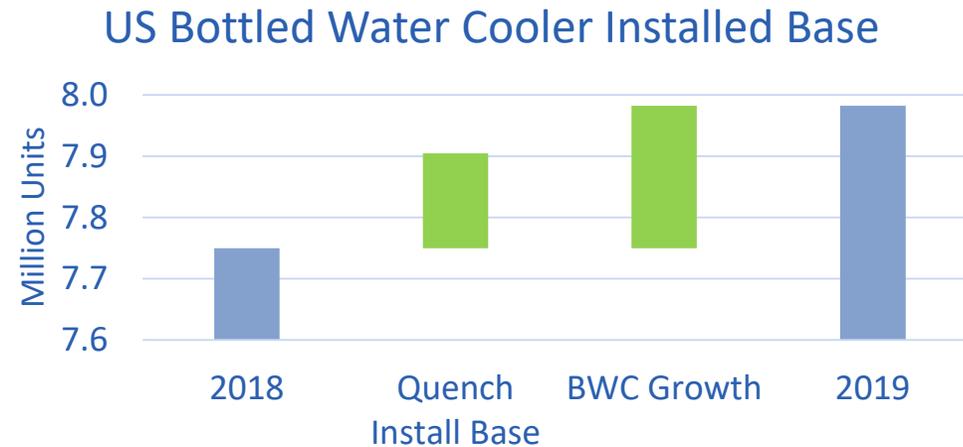




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- 💧 The US bottled water cooler industry generates more new installs each year than **Quench's entire rental install base**
- 💧 Each of these new installs is a prime target for POU



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- 💧 For the first time, financing companies are emerging with an **exclusive focus on POU**
- 💧 Those financing companies aren't just competing by offering competitive rates but also **value-added services**



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Concerns about the environmental impact of bottled water...



It takes at least
450 years
for a plastic bottle to completely degrade.



Usage

Globally, more than a million plastic bottles are sold every single minute.



Recycling

In the U.S., only 30% of these bottles are recycled; Norway recycles 97%.



Did You Know?

Bottled water requires up to 2,000 times the energy used to produce tap water.



MONICA SERRANO; INGM STAFF; KELSEY NOWAKOWSKI
SOURCES: EUROMONITOR; ILEMELSON-MIT; PETER GLEICK AND HEATHER COOLEY; PACIFIC INSTITUTE; NOAA; INFINITUM; EPA.



Great Time To Be In POU



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Concerns about contaminants in tap water....

Thousands of U.S. Areas Afflicted with Lead Poisoning beyond Flint's

The Michigan city doesn't even rank among the most dangerous lead hotspots in America

**SCIENTIFIC
AMERICAN**

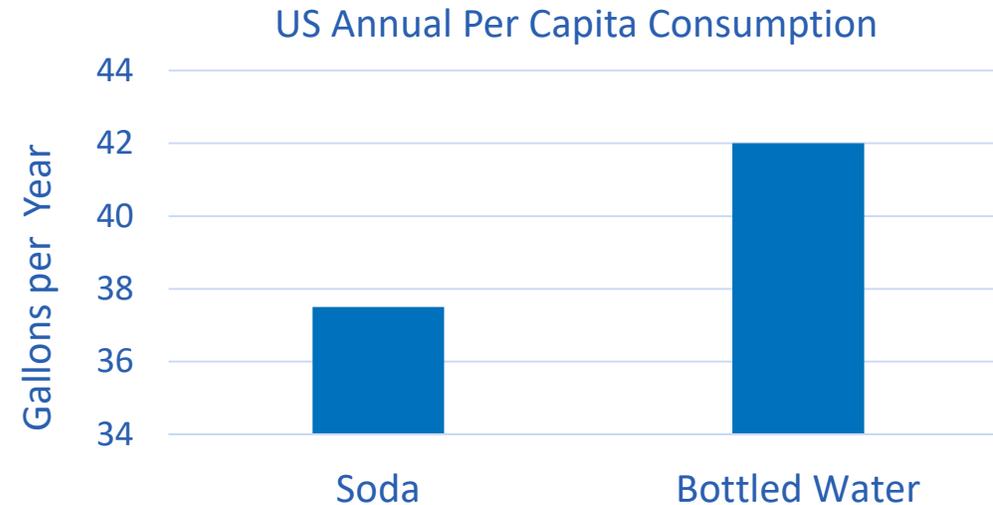


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Concerns about health impacts of sugary drinks...



- ◆ Philadelphia & Berkeley are the first two cities to pass a tax on sugary drinks in the U.S.
- ◆ Berkeley's tax of 1 cent/oz of sugary drink has caused a decline in soda consumption by **more than 20%**!



Great Time To Be In POU



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- Account for 42% of new rental revenue in Quench's direct business
- Defensibility from low-cost water coolers
- Upselling opportunity to existing customers
- Increased customer "stickiness"
- Less customer price sensitivity

State Of The Industry: Continued Consolidation

Quench Acquisition Timeline



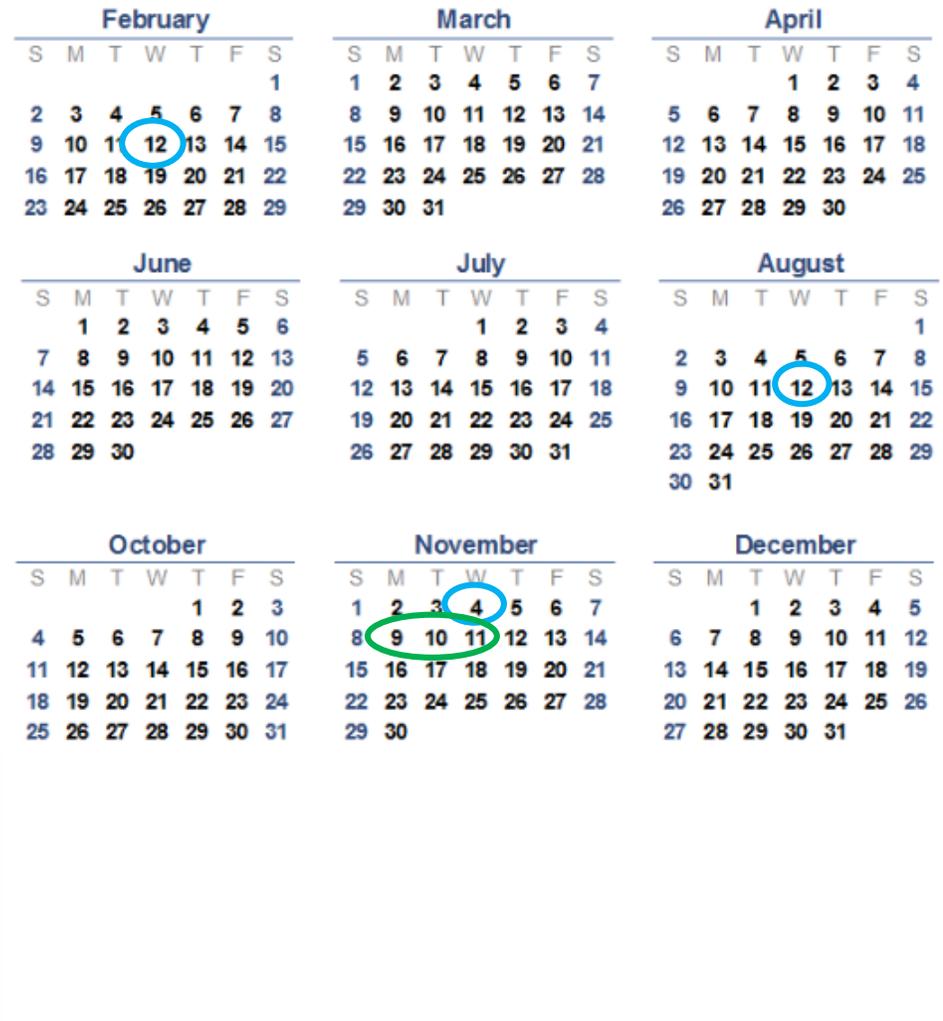
- 💧 >1,100 POU dealers in N. America
- 💧 Despite the record number of POU acquisitions in the last 2 years, the number of dealers continues to grow



Event Calendar



2020-2021



Tradeshows

- (May 6-8) NAMA Show – Nashville, TN
- (Nov 9-11) CTW Show – Orlando FL

Webinars

- (Feb 12) Annual Dealer Meeting Summary/Review
- (May 20) New 15000 Ice Unit Kick-off
- (Aug 12) How to Upsell/Cross-sell High Dollar Units
- (Nov 4) 9000 & 11000 Refresh/Sales Best Practices

2021 Dealer Meeting

- (Jan 20-21) Rosen Shingle Creek - Orlando, FL



We'd Love To See You At NAMA...



May 6-8, 2020
Nashville
Music City Center



...And At CTW...



November 9-11, 2020
Orlando, FL



...And At Our New Offices In PA...



- ◆ 33,000 square feet
- ◆ 30 minutes from PHL International Airport
- ◆ 1 mile from King of Prussia Mall
(largest mall in America)



...And Next Year In Orlando



January 20-21, 2021
at the
Rosen Shingle Creek