



Third Quarter 2016 Results

Forward Looking Statements



This presentation contains statements that we believe are “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements generally can be identified by the use of words such as “may,” “will,” “expect,” “intend,” “estimate,” “anticipate,” “believe,” “continue,” “guidance” or words of similar meaning. All forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those anticipated as of the date of this presentation. Important factors that could cause actual results to differ materially from these expectations include, among other things, the following: a further slowdown in the growth rate of the Chinese economy or a decline in the growth rate of consumer spending in China; potential weakening in the high efficiency boiler market segment in the U. S.; significant volatility in raw material prices; our inability to implement or maintain pricing actions; potential weakening in U. S. residential or commercial construction or instability in our replacement markets; uncertain costs, savings and timeframes associated with the implementation of our new enterprise resources planning system; foreign currency fluctuations; ability to execute our acquisition strategy; competitive pressures on our businesses; and adverse general economic conditions and capital market deterioration in the U. S., Canada and China.

Forward-looking statements included in this presentation are made only as of the date of this presentation, and the company is under no obligation to update these statements to reflect subsequent events or circumstances. All subsequent written and oral forward-looking statements attributed to the company, or persons acting on its behalf, are qualified entirely by these cautionary statements. This presentation contains certain non-GAAP financial measures as that term is defined by the SEC. Non-GAAP financial measures are generally identified by “Adjusted” (Adj.) or “Non-GAAP” .

Third Quarter Highlights



- ▶ Record sales of \$684 million
 - Revenue 9 percent higher; up 11 percent in local currency
- ▶ China sales up 17 percent in local currency
- ▶ Net earnings of \$.47 per share
 - Increase of 15 percent over \$.41 per share last year
- ▶ Purchased Aquasana on August 8
- ▶ Cash returned to shareholders
 - Share repurchase year to date totaled \$100 million; expect \$135 million share repurchase in 2016
 - 26 percent dividend increase in January, 2016
- Stock Split effective October 6

Third Quarter Results



(\$ in millions)

2016

2015

change

% chg.

Sales	\$ 683.9	\$ 625.1	\$ 58.8	9%
Net Earnings	\$ 83.4	\$ 73.6	\$ 9.8	13%
Earnings per Share	\$ 0.47	\$ 0.41	\$ 0.06	15%

Third Quarter Sales



(\$ in millions)	2016	2015	change	% chg.
North America	\$ 450.8	\$ 417.4	\$ 33.4	8%
Rest of World	240.3	217.1	\$ 23.2	11%
Intersegment	<u>(7.2)</u>	<u>(9.4)</u>	<u>\$ 2.2</u>	
Total	<u>\$ 683.9</u>	<u>\$ 625.1</u>	<u>\$ 58.8</u>	9%

Third Quarter Earnings

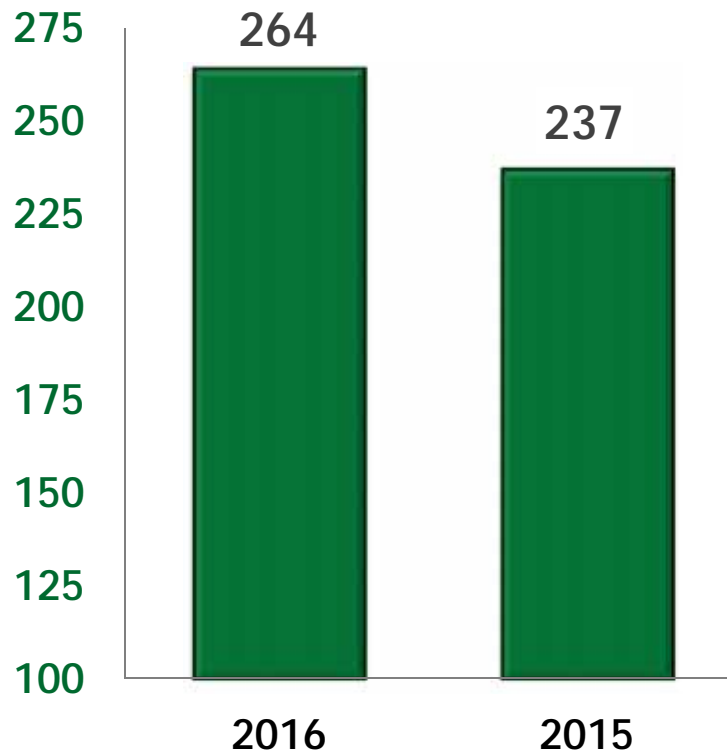


(\$ in millions, except percentages)	2016	2015	change	% chg.
North America	\$ 100.5	\$ 90.5	\$ 10.0	11%
Rest of World	<u>31.1</u>	<u>27.4</u>	<u>3.7</u>	14%
Total Operating	131.6	117.9	13.7	12%
Corporate	(11.1)	(9.1)	(2.0)	-22%
Interest Expense	<u>(2.1)</u>	<u>(1.6)</u>	<u>(0.5)</u>	-31%
Pre-tax Earnings	118.4	107.2	11.2	10%
Income Tax Expense	<u>(35.2)</u>	<u>(33.6)</u>	<u>(1.6)</u>	-5%
Earnings	<u>\$ 83.2</u>	<u>\$ 73.6</u>	<u>\$ 9.6</u>	13%
<u>Operating Margin</u>				
North America	22.3%	21.7%		
Rest of World	12.9%	12.6%		

Cash Flow from Operations



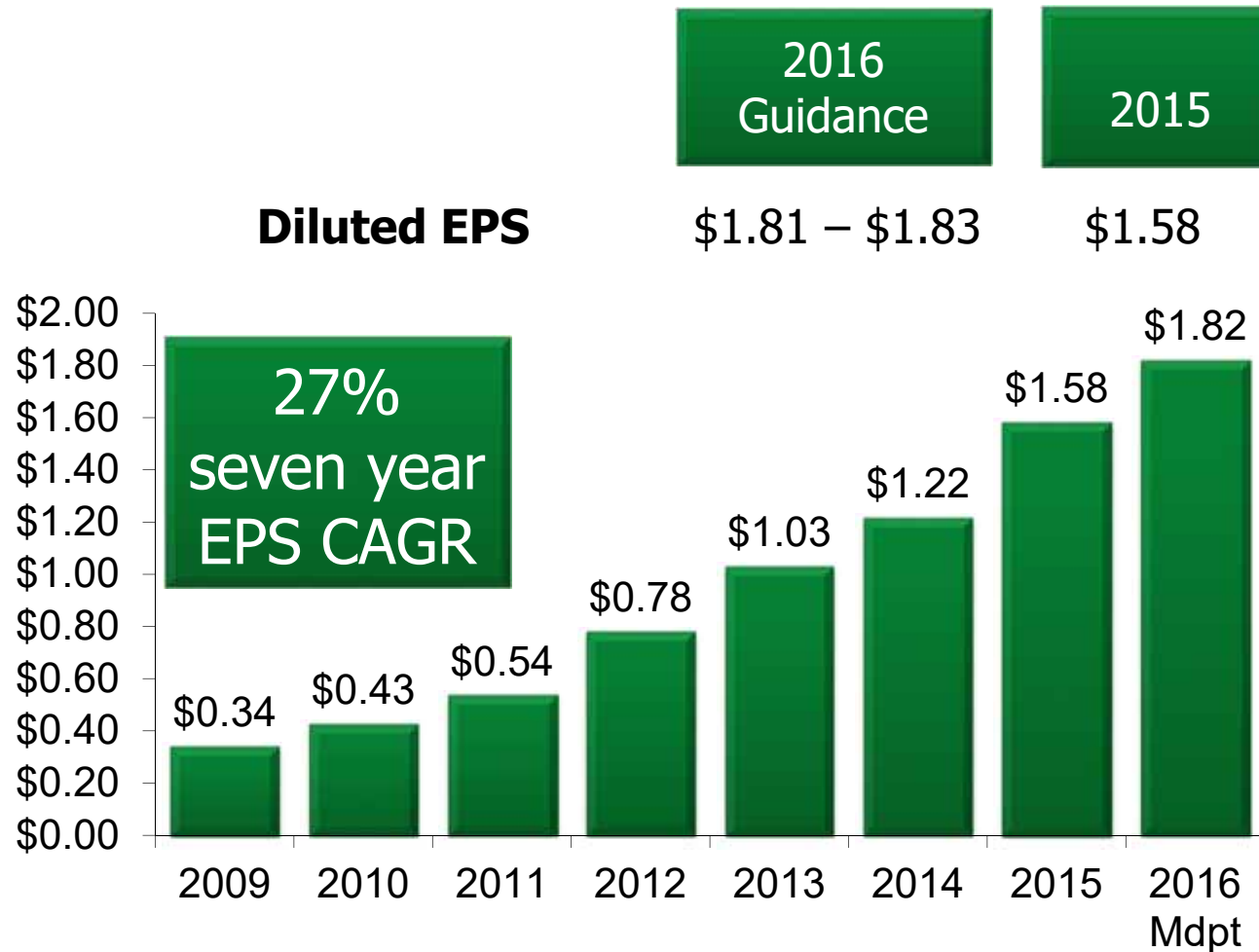
(\$ in millions)



Highlights through September 2016

- ▶ Operating cash flow of \$264 million
- ▶ Debt to capital ratio of 18%
- ▶ Cash balance: \$679 million
- ▶ Net cash position: \$343 million
- ▶ Acquisitions: approximately \$91 million
- ▶ Voluntary contribution to pension plan of \$30 million
- ▶ Stock repurchase: 1.3 million shares totaling \$100 million

2016 EPS Guidance and 2015 EPS



Note: 2009 through 2014 are adjusted EPS and all years are adjusted for 2 for 1 stock split

As of October 26, 2016

2016 Assumptions



(\$ in millions)

2016 Projections

Operating Cash Flow	approx \$325
Capital Expenditures	\$95 to \$100
Stock Repurchase	approx \$135 *
Depreciation and Amortization	approx \$66
Expenses related to ERP Implementation	approx \$25
Corporate/Other Expense	\$46
Effective Tax Rate	approx 29.7%
Share Count - Diluted	approx 176.8 million

*subject to acquisitions, cash flow and working capital needs

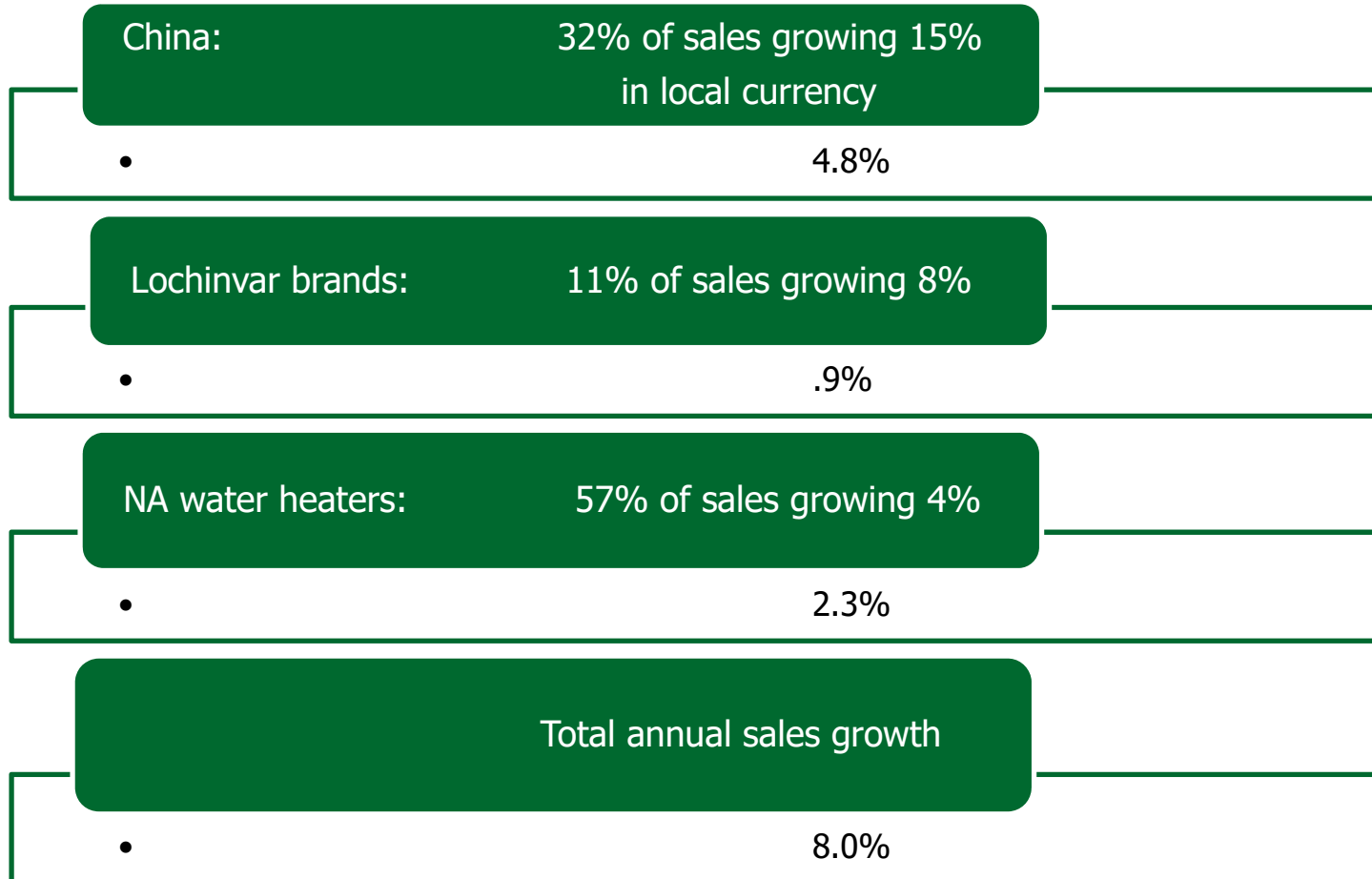
As of October 26, 2016

2016 Outlook



- ▶ Organic growth of approximately 8 to 8.25 percent in local currency; 6 to 6.25 percent in USD
- ▶ Currency assumptions at current rates, with continued depreciation assumed for CNY against the USD
- ▶ North America
 - ▶ Full impact of higher steel costs occurs in the fourth quarter
 - ▶ Minimal growth in Lochinvar-branded product sales
 - ▶ Operating margin expected to be between 21.75 and 22 percent
- ▶ Rest of World
 - ▶ China sales growth model of 15 percent in local currency in tact
 - ▶ Operating margin expected to be slightly higher than 13 percent

Growth Strategy: Organic Growth



Answers to your questions...

