

Third Quarter 2026 Results

October 29, 2026



Stephen M. Shafer
Chairman and
Chief Executive Officer



Carrie L. Anderson
Executive Vice President
and Chief Financial Officer



Helen E. Gurholt
Vice President - Investor Relations,
Financial Planning & Analysis

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,” “confident”, “intend,” “estimate,” “anticipate,” “believe,” “continue,”, “outlook”, “forecast,” “guidance” or words of similar meaning. Important factors that could cause actual results to differ materially from these expectations include, among other things, the following: further softening in U.S. residential and commercial water heater demand; further weakening in North American residential or commercial construction or instability in the Company’s replacement markets; the timing and effects of the China business transaction, including the possibility that the parties will fail to obtain necessary regulatory approvals or to satisfy any of the other conditions to the transaction; potential negative effects relating to the announcement of the China business transaction; failure to realize the expected benefits of the China business transaction; failure to realize the expected benefits of acquisitions or expected synergies; difficulties in predicting results of operations of an acquired business; negative impact to the Company’s businesses from international tariffs, including any new or increased tariffs that could also trigger retaliatory responses from other countries, as well as trade disputes and geopolitical differences, including the conflicts in Ukraine and the Middle East; negative impacts to the Company, particularly the demand for its products, resulting from global inflationary pressures or a potential recession in one or more of the markets in which the Company participates; the Company’s ability to continue to obtain commodities, components, parts and accessories on a timely basis through its supply chain and at expected costs, including the recent volatility in fuel and other material prices; inability of the Company to implement or maintain pricing actions; inconsistent recovery of the Chinese economy or a further decline in the growth rate of consumer spending or housing sales in China; the availability, timing or effects of China stimulus programs; the failure to realize the expected benefits of restructuring actions; further weakening in the high-efficiency gas boiler segment in the U.S.; substantial defaults in payment by, material reduction in purchases by or the loss, bankruptcy or insolvency of a major customer; foreign currency fluctuations; failure to realize the expected benefits, timing and extent of regulatory changes; competitive pressures on the Company’s businesses, including new technologies and new competitors; the impact of potential information technology or data security breaches; negative impact of changes in government regulations or regulatory requirements; the inability to respond to secular trends toward decarbonization and energy efficiency; and adverse developments in general economic, political and business conditions in key regions of the world. 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.”

Majority Sale of China Business Unlocks Value for Shareholders

Transaction Overview

- Announced definitive agreements on October 27, 2026, with CPE, a leading China-based alternative asset manager, to acquire a majority interest in the China business
- Completes the strategic review of the China business announced in July 2025
- Sharpens strategic focus and reduces exposure to a challenging market
- CPE, an experienced local owner, is well positioned to lead the business forward

Terms & Valuation

- CPE to acquire ~81%; A. O. Smith to retain ~19% minority interest
- China business valued at ~$400 million, cash-free, debt-free
- Royalties under a long-term brand licensing agreement for the A. O. Smith brand in China
- Expected close: first half of 2027 subject to regulatory approvals and other customary closing conditions

Value Creation

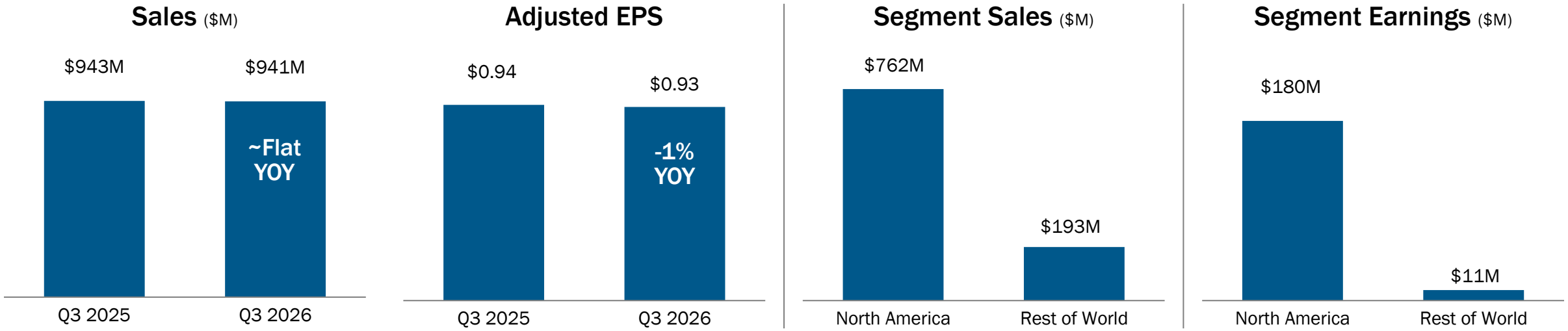
- Total value, including estimated value of future royalty payments, expected to exceed $500 million
- Repatriation of ~$80 million cash currently held in China
- Upside opportunity from retained ~19% minority interest
- Prioritize share repurchases as a use of after-tax proceeds and repatriated cash

Will Exit Majority Ownership of China Business

Simplifies Portfolio and Sharpens Strategic Focus

Enables Return of Capital to Shareholders and Retains Upside Potential

Third Quarter Performance and Highlights



Highlights

- Net sales approximately flat compared to prior year
- Adjusted EPS decreased 1% to $0.93

North America

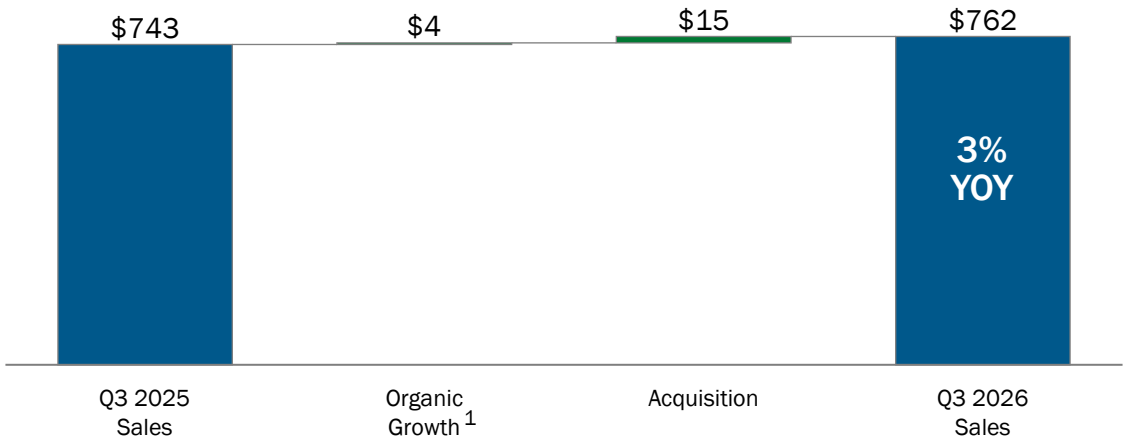
- Sales increased 3%, with organic growth of 1%
- Leonard Valve acquisition contributed $15 million in sales

Rest of World

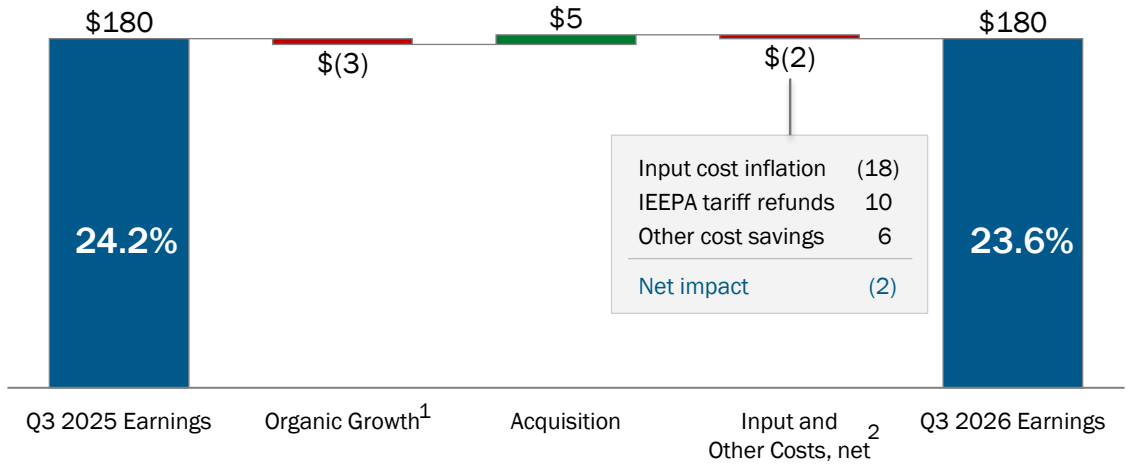
- Sales decreased 7% primarily due to lower China sales
- Continued cost management actions partially mitigate China sales decline

Third Quarter North America Segment

Segment Sales ($M)



Segment Operating Earnings ($M)



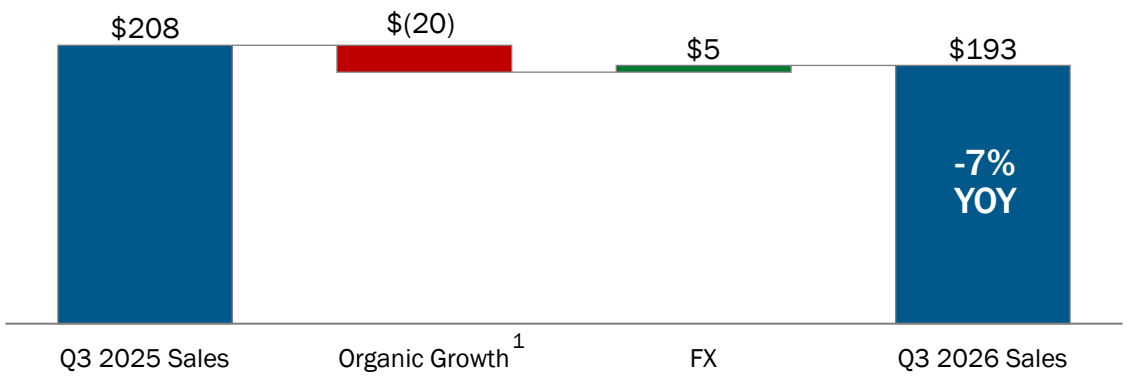
- Excluding acquisitions, organic growth was 1%
- Boilers sales increased 13% driven by higher volumes and pricing benefits
- Water heaters down 1% primarily driven by lower residential volumes
- Water treatment sales grew 5%
- Leonard Valve contributed $15 million to sales

- Segment earnings flat and margin down 60 bps
- Higher than expected input costs, including double-digit increases in steel and freight costs, partially offset by IEEPA tariff refunds and other cost savings
- Water treatment restructuring initiatives progressing with operations ceased at the Groveport, OH facility and production transferred to other sites

[1]Includes volume, price and mix
[2]Net of cost savings

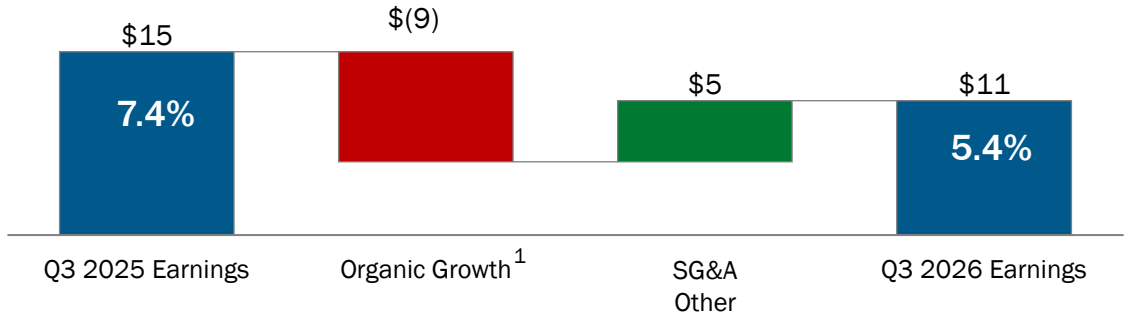
Third Quarter Rest of World Segment

Segment Sales ($M)



- Sales decreased 7% and included a favorable currency impact of $5 million primarily related to sales in China
- China sales decreased 17% in local currency, reflecting continued weak consumer demand and disruption related to the recently concluded strategic assessment

Segment Operating Earnings ($M)



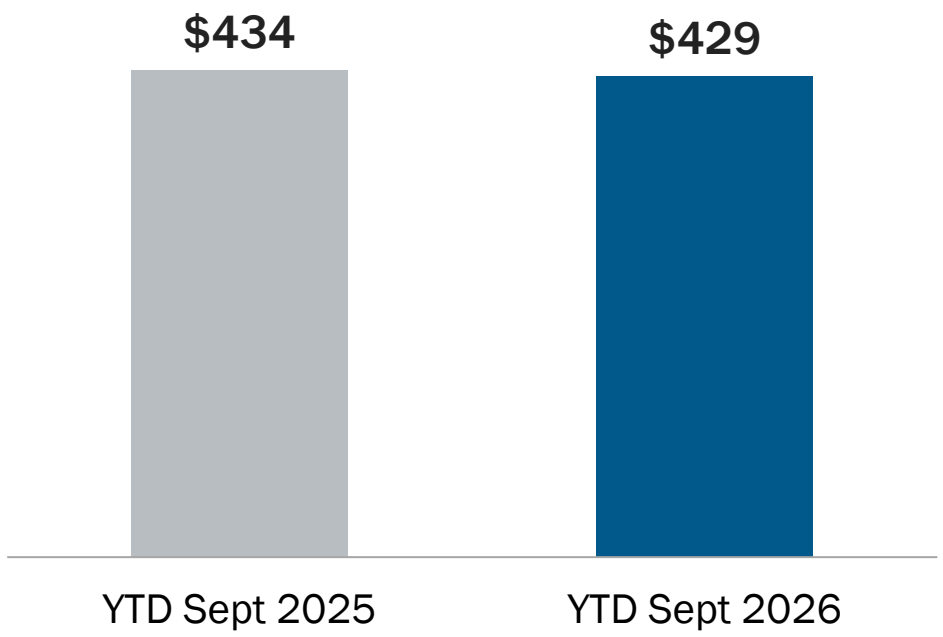
- Operating earnings decreased due to lower volumes in China
- Continued cost control actions help to mitigate volume impact

[1]Includes volume, price and mix

Cash Flow and Capital Allocation

$429 million YTD 2026 operating cash flow. Strong balance sheet supports $470 million in acquisitions and $410 million returned to shareholders

Operating Cash Flow[1] ($M)



Capital Allocation[1] ($M)

	YTD Sept 2025	YTD Sept 2026
Invest for Growth		
Capital expenditures	$53	$33
Acquisitions	$0	$470
Return Cash to Shareholders		
Dividends	$145	$149
Share repurchases[2]	$335	$261
Total returned	**$480**	**$410**
Balance Sheet		
Debt to capital ratio	9.2%	27.0%

[1]As of September 30, 2026
[2]Full year 2026 share repurchase target is $300 million

2026 Outlook and Assumptions[1]

All Guidance excludes the impact of the China business and restructuring and impairment expenses

2026 REVENUE GROWTH

~4%

2025 base: $3,155M (excl. China)

2026 ADJUSTED EPS

$3.42 – $3.52

2025: $3.42 (excl. China)

2026 FREE CASH FLOW

~$525M–$575M

Supports ~$300M share repurchase target

Business Drivers

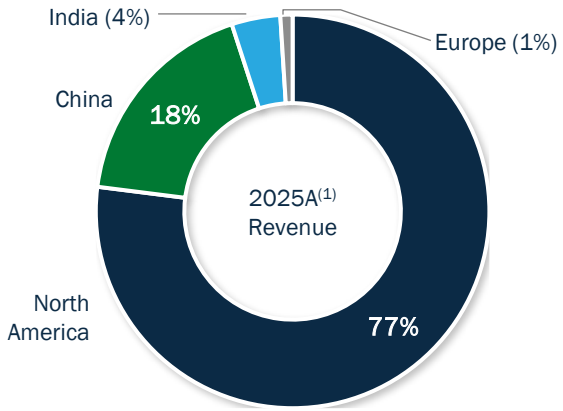
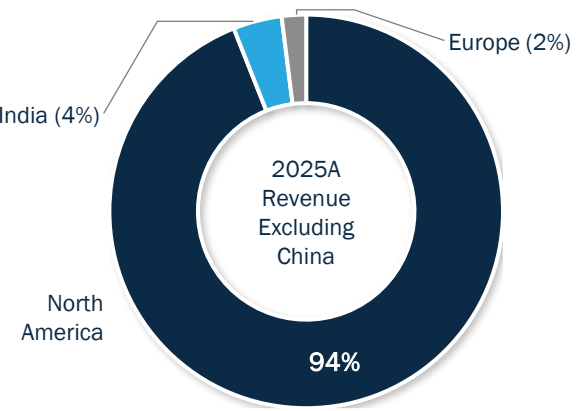
U.S. Residential Water Heater Industry	**~-LSD**
U.S. Commercial Water Heater Industry	**~Flat**
North American Boiler Sales Growth	**~10% to 12%**
North America Water Treatment Sales Growth	**~3% to 4%**
Leonard Valve Acquisition	**~$65M**
Adjusted North America Segment Margin	**~24%**
Rest of World Segment Margin	**~5%**

Financial Assumptions

Capital Expenditures	**~$50M to $55M**
Depreciation & Amortization	**~$80M**
Interest Expense	**~$35M**
Corporate/Other Expense	**~$80M to $85M**
Effective Tax Rate	**~25%**
Share Repurchases	**~$300M**
Share Count – Diluted	**~137M**

[1]As of October 29, 2026

North American Focused Water Platform with Enhanced Growth & Margins

	Historical	Excluding China[2]
2025 Revenue	$3.8B	$3.2B
2025 Revenue Growth	0%	3%
2025 EBIT Margin	19%	21%
Revenue by Geography[2]		

- Retains scale with market leading positions
- Raises growth profile
- Improves EBIT margin by ~200bps
- Focused portfolio with a resilient core

(1) Geographic mix based on 2025 actual revenue.
(2) Information presented represents non-GAAP, unaudited information that excludes the China business. See accompanying reconciliations from GAAP measures to non-GAAP measures in the Appendix

Sharper Focus. Higher Margins. Investing Where We Win.

Portfolio Priorities

1. **Leader in North American Water Heating and Boilers**
   Leading residential and commercial share, earned through innovation and deep customer relationships • Resilient, replacement-driven demand (80–85% of sales)

2. **Growing & Scalable Water Treatment Business**
   Secular health and sustainability tailwinds • Innovation-led growth in priority channels • Recurring filter revenue and scale drive operating leverage opportunity

3. **A New Growth Platform in Water Management**
   Deeper into the commercial mechanical room • Spec-driven, digital, high-margin solutions • Scalable through bolt-on growth and connected solutions

4. **Emerging Growth Engine in India**
   Compelling market dynamics for clean hot water • Innovation-led product leadership • Growing brand and channel coverage

How We Create Value



Focused levers to grow shareholder value…

- ✓ **Market-Led Innovation:** Differentiated products and solutions that navigate the regulatory environment, build brand of choice, and win share
- ✓ **Operational Excellence**
  Disciplined pricing and productivity that protect margins and self-fund growth investments
- ✓ **Disciplined Capital Deployment:** Strong cash flow & balance sheet support a balanced approach: reinvest for growth, pursue targeted M&A and return cash to shareholders

A simpler, higher-margin portfolio with a resilient core and multiple growth platforms

Appendix

Adjusted Earnings and Adjusted EPS

($ in Millions, except per share data)

A. O. SMITH CORPORATION
Adjusted Earnings and Adjusted Earnings Per Share
(dollars in millions, except per share data)
(unaudited)

The following is a reconciliation of net earnings and diluted earnings per share to adjusted earnings (non-GAAP) and adjusted earnings per share (non-GAAP):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2026	2025	2026	2025
Net Earnings (GAAP)	$ 126.3	$ 132.0	$ 369.2	$ 420.8
Restructuring and impairment expenses, before tax	—	—	22.6	—
Tax effect on above items	—	—	(5.5)	—
Adjusted Earnings (non-GAAP)	$ 126.3	$ 132.0	$ 386.3	$ 420.8
Diluted Earnings Per Share (GAAP)[1]	$ 0.93	$ 0.94	$ 2.68	$ 2.95
Restructuring and impairment expenses, per diluted share, before tax	—	—	0.16	—
Tax effect on above items per diluted share	—	—	(0.04)	—
Adjusted Earnings Per Share (non-GAAP)[1]	$ 0.93	$ 0.94	$ 2.80	$ 2.95

[1] Earnings per share amounts are calculated discretely and, therefore, may not add up to the total due to rounding.

Sales Growth (Decline)

A. O. SMITH CORPORATION
Sales Growth (Decline)
(unaudited)

The following table provides the components of net sales growth (decline):

	Three Months Ended September 30, 2026		
	North America	Rest of World	Total
Sales Growth (Decline)	3 %	(7)%	— %
Acquisition Impact[1]	2 %	—	2 %
Foreign Exchange Impact	— %	2 %	— %
Organic Sales Growth (Decline) (non-GAAP)	1 %	(9)%	(2)%

	Nine Months Ended September 30, 2026		
	North America	Rest of World	Total
Sales Growth (Decline)	3 %	(13)%	(1)%
Acquisition Impact[1]	2 %	—	2 %
Foreign Exchange Impact	— %	3 %	— %
Organic Sales Growth (Decline) (non-GAAP)	1 %	(16)%	(3)%

[1] The acquisition effect includes the sales impact of the Leonard Valve acquisition in 2026.

Adjusted Segment Earnings

($ in Millions)

A. O. SMITH CORPORATION
Total Segment Earnings, Adjusted Segment Earnings, and Adjusted Segment Margin
(dollars in millions)
(unaudited)

The following is a reconciliation of reported earnings before provision for income taxes to total segment earnings (non-GAAP), adjusted segment earnings (non-GAAP), and adjusted segment margin (non-GAAP):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2026	2025	2026	2025
Earnings Before Provision for Income Taxes (GAAP)	$ 166.7	$ 171.8	$ 479.4	$ 554.5
Add: Corporate expense	16.0	19.7	63.3	57.6
Add: Interest expense	7.7	3.6	22.9	11.1
Total Segment Earnings (non-GAAP)	$ 190.4	$ 195.1	$ 565.6	$ 623.2
North America[1]	$ 179.9	$ 179.7	$ 532.5	$ 563.0
Rest of World	10.5	15.4	33.1	60.4
Inter-segment earnings elimination	—	—	—	(0.2)
Total Segment Earnings (non-GAAP)	$ 190.4	$ 195.1	$ 565.6	$ 623.2
Additional Information				
[1]North America Segment Earnings	$ 179.9	$ 179.7	$ 532.5	$ 563.0
Restructuring and impairment expenses, before tax	—	—	22.6	—
Adjusted North America Segment Earnings (non-GAAP)	$ 179.9	$ 179.7	$ 555.1	$ 563.0
Net Sales: North America	$ 761.6	$ 742.8	$ 2,335.5	$ 2,270.5
Adjusted North America Segment Margin (non-GAAP)	23.6 %	24.2 %	23.8 %	24.8 %

Free Cash Flow

($ in Millions)

A. O. SMITH CORPORATION
Free Cash Flow
(dollars in millions)
(unaudited)

The following is a reconciliation of reported cash flow from operating activities to free cash flow (non-GAAP):

	Nine Months Ended September 30,	
	2026	2025
Cash provided by operating activities (GAAP)	$ 429.4	$ 433.7
Less: Capital expenditures	(33.2)	(53.2)
Free cash flow (non-GAAP)	$ 396.2	$ 380.5

2026 Year to Date and Full Year 2026 Net Sales excluding results of China business

($ in Millions)

A. O. SMITH CORPORATION
2026 Year to Date and Full Year 2025 Net Sales
(dollars in millions)
(unaudited)

The following is a reconciliation of 2025 GAAP net sales to 2025 net sales excluding the results of the China business (non-GAAP):

	Nine Months Ended September 30,	Year Ended, December 31,
	2026	2025
Net Sales (GAAP)	$ 2,890.4	$ 3,830.2
China business impact (net of inter-segment sales of $20.0 and $14.6 million in 2026 and 2025 respectively)	(434.6)	(674.9)
Net Sales excluding the results of China business (non-GAAP)	$ 2,455.8	$ 3,155.3

2026 Year to Date and Full Year EPS excluding results of China business

A. O. SMITH CORPORATION
2026 Year to Date and Full Year 2025 EPS
(unaudited)

The following is a reconciliation of diluted EPS to adjusted diluted EPS excluding the results of the China business (non-GAAP) (all items are net of tax):

	Nine Months Ended September 30,	Year Ended December 31,
	2026	2025
Diluted EPS (GAAP)	$ 2.68	$ 3.85
Restructuring and impairment expenses, per diluted share, net of tax	0.12	—
Adjusted EPS (non-GAAP)	2.80	3.85
China business impact, per diluted share, net of tax	(0.20)	(0.43)
Adjusted EPS excluding the results of China business (non-GAAP)	$ 2.60	$ 3.42

2025 Net Sales and Earnings before interest and taxes (EBIT) and EBIT Margin

A. O. SMITH CORPORATION
Full Year 2025 Net sales and Earnings before interest and taxes (EBIT) and EBIT margin
(dollars in millions)
(unaudited)

The following is a reconciliation of 2025 GAAP net sales to 2025 net sales excluding the results of the China business (non-GAAP) and 2025 net earnings (GAAP) to 2025 EBIT margin (non-GAAP) and 2025 EBIT margin excluding the results of China business (non-GAAP):

	2025
Net Sales (GAAP)	$ 3,830.2
China business impact (net of inter-segment sales of $14.6 million)	(674.9)
Net Sales excluding the results of China business (non-GAAP)	$ 3,155.3
Net Earnings (GAAP)	$ 546.2
Provision for income taxes	168.9
Interest expense	13.5
EBIT (non-GAAP)	$ 728.6
EBIT Margin % (non-GAAP)	**19%**
Net Earnings impact from China business	(60.4)
EBIT excluding the results of China business (non-GAAP)	$ 668.2
EBIT Margin % excluding the results of China business (non-GAAP)	**21%**


AO Smith
Innovation has a name.