



# 2023 Investor Day

November 6, 2023

# Welcome & Opening Remarks



Helen Gurholt

VP, Investor Relations and FP&A

# 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,” “forecast,” “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: softening in U.S. residential water heater demand; 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; negative impacts to demand for the Company’s products, particularly commercial products, as a result of the severity and duration of the lingering effects of the COVID-19 pandemic; further weakening in U.S. residential or commercial construction or instability in the Company’s replacement markets; inability of the Company to implement or maintain pricing actions; inconsistent recovery of the Chinese economy or further decline in the growth rate of consumer spending or housing sales in China; negative impact to the Company’s business in China as a result of future COVID-19-related disruptions there; negative impact to the Company’s businesses from international tariffs, trade disputes and geopolitical differences, including the conflicts in Ukraine, and the Middle East; potential 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; the Company’s inability to successfully integrate or achieve its strategic objectives resulting from acquisitions; competitive pressures on the Company’s businesses; the impact of potential information technology or data security breaches; 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 news release are made only as of the date of this release, 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.

# Today's Agenda

---

12:30 pm **Welcome & Opening Remarks**  
**Helen Gurholt** | VP, Investor Relations and FP&A

---

**Innovating for the Long Term**  
**Kevin Wheeler** | Chairman and Chief Executive Officer

---

**Building on a Strong Foundation**  
**Dave Warren** | SVP and President, North America Water Heating

---

**Continuing to Build Brand Equity**  
**Steve O'Brien** | SVP and President, Lochinvar

---

**Driving Growth for Scale and Margin Expansion**  
**Sam Karge** | SVP and President, North America Water Treatment

---

2:05 pm **Q&A Session**  
**Above Presenters**

2:25 pm **Break**

---

2:40 pm **Capturing Growth Opportunities in China**  
**Jack Qiu** | SVP and President, China

---

**Expanding Presence in India**  
**Parag Kulkarni** | SVP and President, India

---

**Executing Clear Financial Priorities**  
**Chuck Lauber** | EVP and Chief Financial Officer

---

**Compelling Investment Thesis**  
**Kevin Wheeler** | Chairman and Chief Executive Officer

---

3:55 pm **Q&A Session**  
**All Presenters**

# Innovating for the Long-Term



Kevin J. Wheeler  
Chairman and Chief Executive Officer



# Our Company Vision

## Vision

To be the leading provider of innovative, highly efficient and differentiated solutions used to heat and treat water, creating exceptional long-term value for our global customers and stakeholders in a socially responsible manner.

## Strategy

Deliver profitable growth by...

- Living our values
- Taking care of our customers
- Creating value through innovation
- Driving operational excellence
- Investing in our people
- Expanding geographically
- Enhancing our portfolio through strategic acquisitions



# Key Messages

1

Leading with innovative products that drive technology and meet sustainability needs

2

Capitalizing on global megatrends in a large and growing market supported by regulatory changes

3

Leading North American water heater and boiler producer with stable and consistent replacement demand

4

Compelling brand awareness in emerging markets with attractive growth and margin expansion opportunities

5

Leveraging strong balance sheet for organic and inorganic growth while returning capital to shareholders

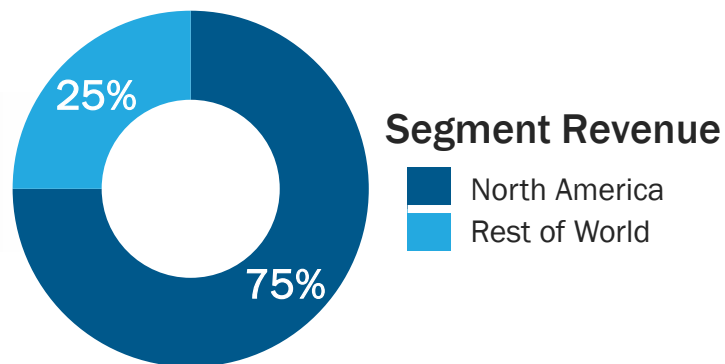
**Building on a Strong Foundation with Significant Growth Opportunities in Emerging Markets**

# A. O. Smith At-a-Glance

Leveraging 149 Years of Innovation to Continue Delivering Growth

2023<sup>1</sup>  
Revenue

~\$3.8B



## Products

- Water Heaters: Tank, Tankless, Heat Pump
- Boilers: Residential and Commercial
- Water Treatment: Water Softeners and Filtration

## Leading Brands

Water Heaters & Boilers



Water Treatment



Headquarters **Milwaukee, WI**

Global Employees **~12,000**

Mfg. Facilities **26**

Countries Served **~80**

Sales CAGR<sup>2</sup> **4%**

EPS CAGR<sup>2</sup> **8%**

Gross Margin<sup>1</sup> **39%**

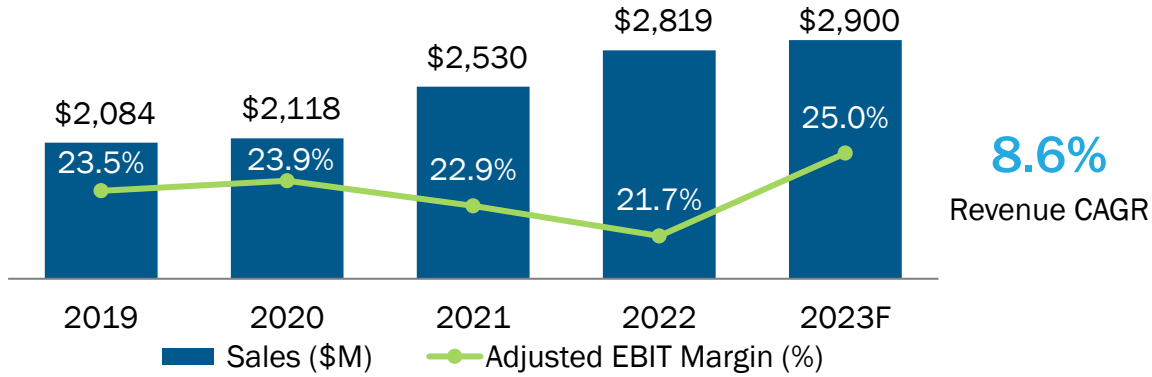
EBIT Margin<sup>1</sup> **20%**

Avg. 5-year FCF Conversion **105%**

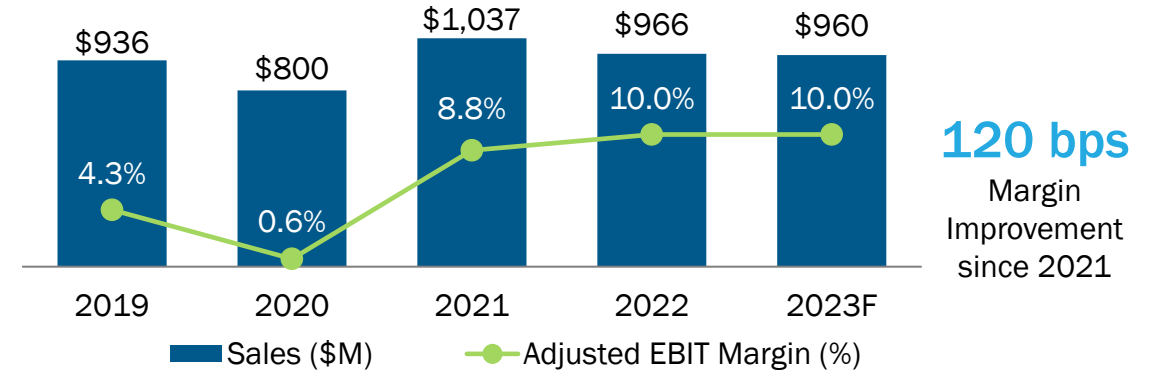


# A. O. Smith Geographic View

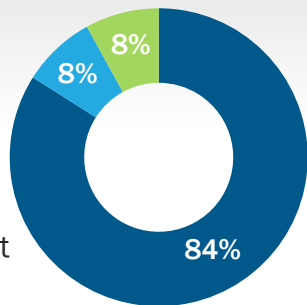
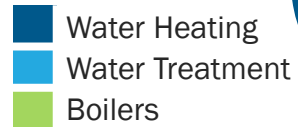
## North America



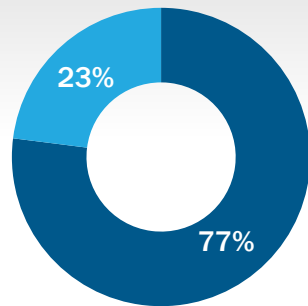
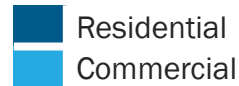
## Rest of World



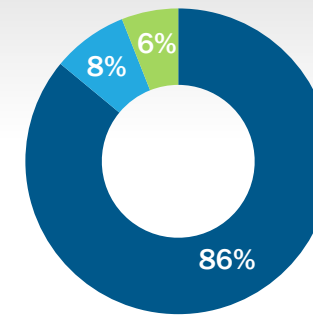
### Product Mix



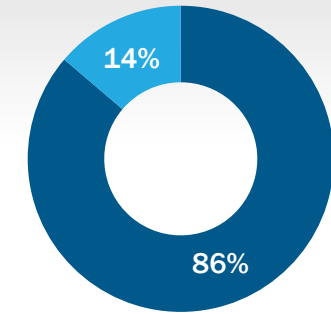
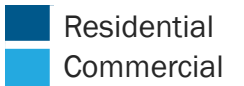
### End Markets



### Geography



### End Markets

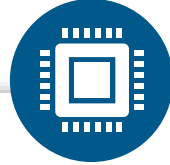


# Well Positioned to Address Global Megatrends



## Climate Change

Drives regulatory changes to accelerate transition to higher-efficiency products



## Technological Breakthroughs

Connected, energy-efficient products and digital platform that improve the customer experience



## Change in Demographics

Global urbanization, U.S. housing shortages as well as changes to consumer preferences

## Sustainable Competitive Advantages

- ✓ **Water Technologies Expertise**  
Opportunities to expand into adjacent markets
- ✓ **North America Leadership**  
Establishes strong brand recognition
- ✓ **Omni Channel Distribution**  
Offers flexibility and enhanced customer experience
- ✓ **Culture of Continuous Innovation**  
Secures A. O. Smith as a market leader
- ✓ **Wholesaler and Supplier Relationships**  
Premium partnerships help us win in the market
- ✓ **In Country for Country**  
Provides knowledgeable insight for local markets and shortens lead times

# Executing a Clear Strategy

## Innovate and Expand

### Research & Development

- New technologies
- Product development

### Industry Leadership

- Decarbonization
- Water stewardship

### Regulatory Environment

- 2026 / 2029

### Profitable Growth

- Stable & profitable core business
- Global water treatment footprint
- Organic growth in China
- Favorable market dynamics in India

### Technology

- Enhancing the customer experience

## Execute

### Operational Excellence

- A. O. Smith operating system
- Safety, quality and delivery
- Engineering footprint

### ESG Performance

### 2029 Regulatory Changes

### Acquisition Strategy



# Leading With Innovation

**IDENTIFY, RESEARCH, AND DEVELOP** new or disruptive technologies with commercialization potential within 2-5 years

- Electronic Controls
- Combustion
- Heat Exchangers
- Refrigeration
- Carbon
- Sensors



**PLATFORMS**

**DEVELOP AND MAINTAIN** standard global engineering processes

- New Product Development
- Certification
- Reliability
- Design Quality



**PROCESSES**

**DEVELOP** the R&D and corporate development teams and their resources to drive the next era of innovation

- People
- Lab infrastructure
- Through acquisition



**CAPABILITIES**



**INNOVATION**

**Develop and Seek New and Innovative Products**

- Water Heating
- Water Treatment
- Heat Pumps
- Boilers

# Innovation Hub: Lloyd R. Smith Corporate Technology Center

## Our Innovation Hub

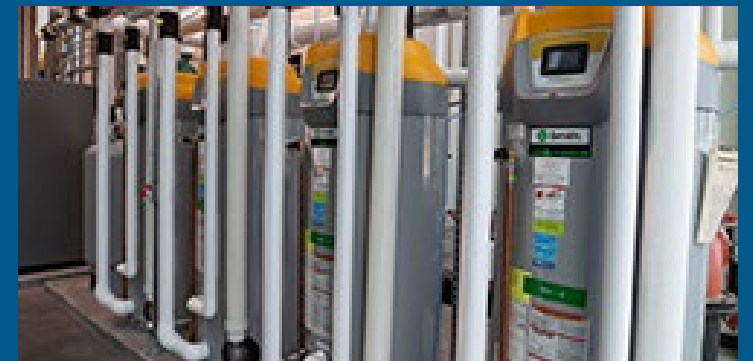
- Dedicated to enterprise-wide development of new energy efficient products and processes
- Teams of engineers develop concepts, test and finalize core technologies

## Core Competencies

- Water
- Analytics
- Coatings
- Electronics
- Sensors
- Materials
- Microbiology
- Prototypes

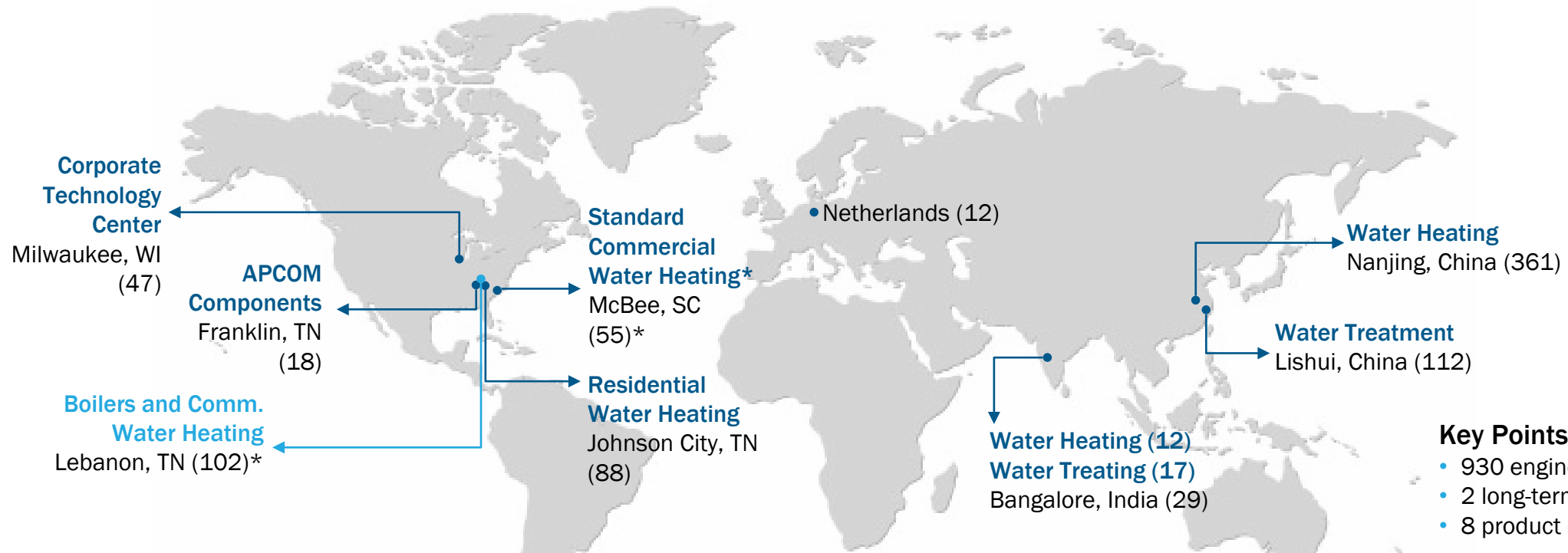


>\$800M Invested  
in R&D Since 2013



Innovate  
& Expand

# R&D Resources to Meet Current and Future Market Requirements



### Key Points

- 930 engineers & technicians
- 2 long-term engineering centers
- 8 product engineering centers



Investing \$30M to Consolidate Commercial Water Heater and Boilers Engineering into the Lebanon Facility

# Industry Leadership: Committed to a Culture of Innovation While Investing in Environmentally Sustainable Products

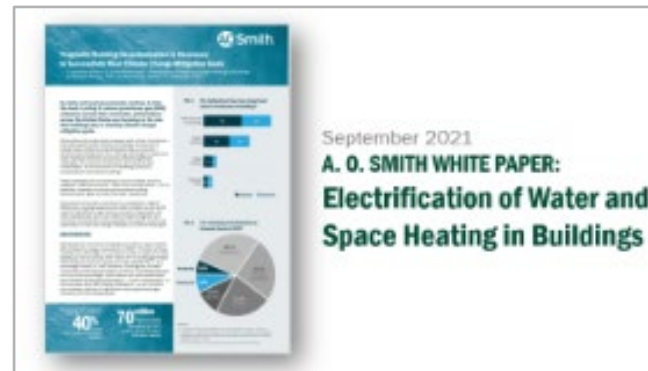
## Energy Efficiency

- Driving innovation within control systems, distributed energy, and renewable energy
- Product portfolio offers water and hydronic heating products, including high efficiency gas and electric water heaters and boilers, including electric heat pumps
  - 64% of 2022 commercial and residential boiler sales were high efficiency condensing boilers
  - 1,000+ Energy Star® water heater products



## Decarbonization

- Partnering with policymakers to promote high efficiency technology solutions, customer education, and incentives for marketplace adoption
- A. O. Smith Whitepaper research highlights the complexities of decarbonizing space and water heating, illustrating that various approaches for consideration



## Water Stewardship

- Market leader in water and salt efficiency
- WAVE Water Stewardship verification in 2022 for addressing enterprise-wide water challenges.
- Industry leader in water softener and reverse osmosis efficiency featuring packed bed resin design
  - Space and water efficient
  - Flow-based regeneration cycle produces less wastewater

We will announce a water-related ESG goal in 2024



QuadPro System



Water Softener

# Resilient Business Model with Growth Opportunities

## Our Core Business: North America Water Heaters & Boilers

- **Largest manufacturer and marketer of water heaters and boilers** with leading share in both residential and commercial markets
- Significant reoccurring replacement cycle: **80% - 85% of water heater and boiler sales**
- Increased focus on energy efficiency and decarbonization provide additional **growth opportunities in both boilers and water heaters**

## Expanding Organic Growth in China

- Leading supplier of residential water heaters with 25+ years of experience
- Growing presence in water treatment (now ~35% of sales)
  - Adding adjacent kitchen appliance business
- Focused on the long-term, supported by trends and innovation through connectivity

## Laying the Groundwork in India

- Growing market due to large population with favorable demographics
- Driving growth through innovation, building awareness and expanded distribution
- Long-term growth supported by urbanization, decarbonization and growing demand for clean water

## Invest and Grow Global Water Treatment

- Growing market with consolidation opportunities
- Omnichannel approach ensures broad market reach
- Global support through sustainability trend and quality of life issues



# Operational Excellence Opportunities Across the Organization Drives Margin Improvement



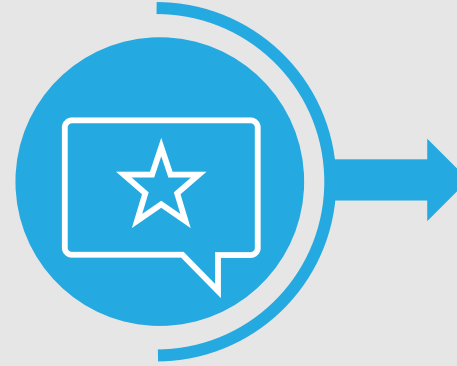
## Supply Chain

Leverage systems providing value, reliability, and efficiency



## Operations / Manufacturing

Maximize output and minimize cost



## Quality

Continuous Improvement

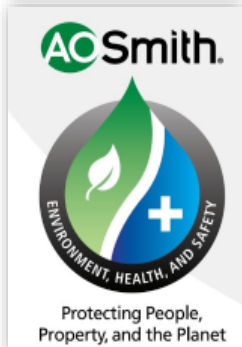


## A. O. Smith Operating System

Create an engaged culture of business performance problem solvers

# ESG Performance and Metrics

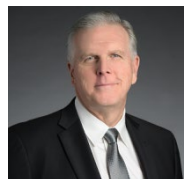
## 2022 ESG Scorecard



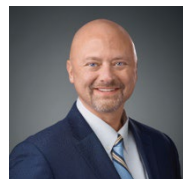
- Climate:**  
 Reduced GHG Emissions Intensity 25% from 2019 Baseline  
 Goal = 10%
- Health & Safety:**  
 2022 Total Recordable Incident Rate (TRIR): 1.13  
 Industry standard TRIR: 2.64<sup>1</sup>
- Good Place to Work:**  
 Invest in our people to retain talent and emphasize a collaborative and innovative work environment
- Diversity:**  
 Expanded initial diversity focus on gender diversity to include racial diversity in the United States  
 Implementing training to enhance inclusive leadership skills for all supervisors and managers globally
- Community Support:**  
 The A. O. Smith Foundation: \$1.8 MM in 2022

|   | 2019    | 2022    |
|---|---------|---------|
| Greenhouse Gas Emissions Intensity (Metric Tons CO <sub>2</sub> e/\$MM rev) | 54.22   | 40.26   |
| Total Greenhouse Gas Emissions (Metric Tons CO <sub>2</sub> e)              | 162,270 | 158,538 |
| Total Natural Gas Usage (MWh)   | 373,071 | 382,281 |
| Total Electricity Usage (MWh)   | 191,052 | 180,819 |
| Total Water Usage (gallons 000s)  | 362,129 | 347,650 |
| Total Recordable Incident Rate (TRIR)                                       | .094    | 1.13    |
| Employees with racial/ethnic diversity among U.S. workforce                 | N/A*    | 27%     |
| A. O. Smith Foundation grants (\$MM)  | \$1.6   | \$1.8   |

# Experienced Leadership Team Focused on Execution



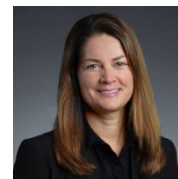
**Kevin J. Wheeler**  
Chairman and Chief  
Executive Officer  
Joined: 1994



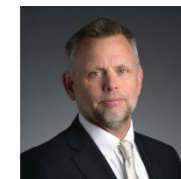
**Samuel M. Carver**  
SVP, Global  
Operations  
2006



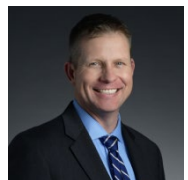
**Josh Greene**  
VP, Government,  
Regulatory and  
Industry Affairs  
2016



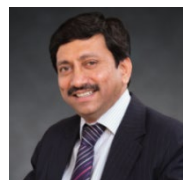
**Helen Gurholt**  
VP, Investor  
Relations and FP&A  
2002



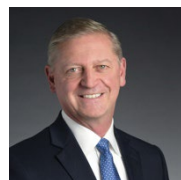
**Bob Heideman, PhD**  
SVP and CTO  
1994



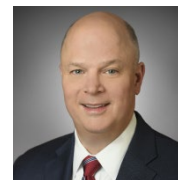
**Sam Karge**  
SVP and President,  
North America  
Water Treatment  
2018



**Parag Kulkarni**  
SVP and  
President, India  
2015



**Charles T. Lauber**  
EVP and Chief  
Financial Officer  
1999



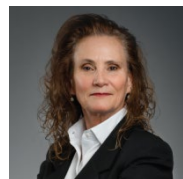
**Stephen O'Brien**  
SVP and President,  
Lochinvar  
2021



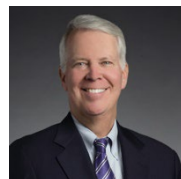
**Benjamin Otchere**  
VP and Controller  
2012



**Mark Petrarca**  
SVP, Human  
Resources and  
Public Affairs  
1999



**Melissa  
Scheppele**  
SVP and CIO  
2020



**James F. Stern**  
EVP, General  
Counsel and  
Secretary  
2007



**Jack Qiu, PhD**  
SVP and  
President, China  
2003



**Dave Warren**  
SVP and President,  
North America  
Water Heating  
1989

Today's presenters

Driven Team with 250+ Years of Industry Experience

# Experienced and Diversified Board of Directors



**Kevin Wheeler**  
Chairman and Chief  
Executive Officer, A. O. Smith  
**Elected: 2017**



**Ron Brown**  
Former Vice Chairman,  
The Armor Group  
**2001**



**Ilham Kadri**  
Director & CEO,  
Solvay S.A.  
**2016**



**Chris Mapes**  
Chairman, President & CEO,  
Lincoln Electric  
**2023**



**Mark Smith**  
Former Business Manager,  
Strattec Security  
**2001**



**Idelle Wolf**  
Former President,  
Barnes Distribution  
**2005**



**Victoria Holt**  
Former Director,  
President & CEO,  
Proto Labs  
**2021**

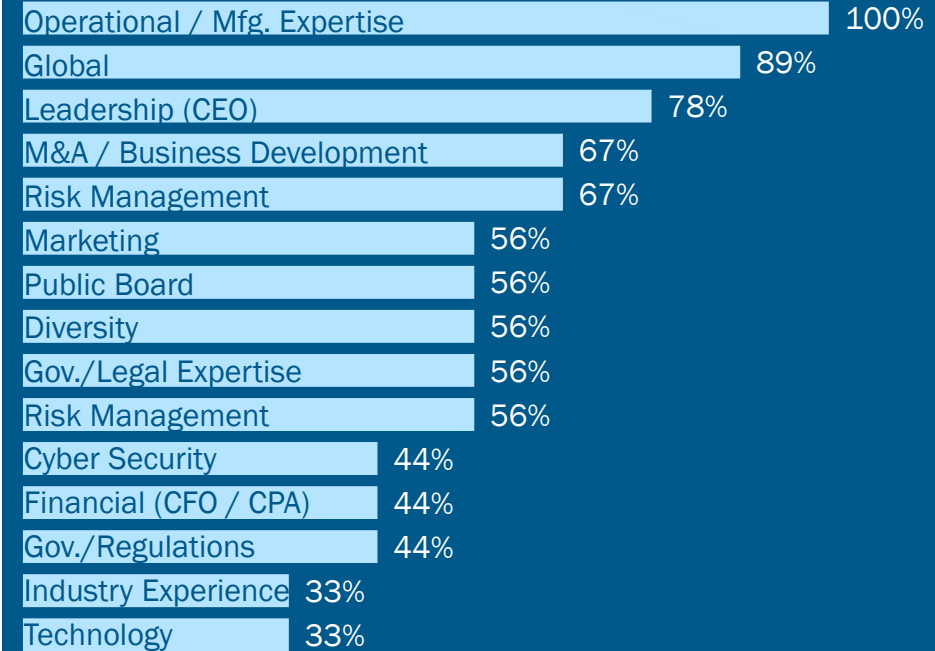


**Michael Larsen**  
SVP & CFO,  
Illinois Tool Works  
**2021**



**Ajita Rajendra**  
Former Executive Chairman,  
A. O. Smith  
**2011**

## Skills Matrix



## Board Attributes

|                           |                 |
|---------------------------|-----------------|
| Average Tenure            | <b>11 years</b> |
| Average Age               | <b>63 years</b> |
| Gender / Ethnic Diversity | <b>44%</b>      |

# Clear Strategy for Long-Term Value Creation Goals\*

Revenue



**5% - 6%**

Annual growth

Plus fire power to accelerate growth through strategic acquisitions

Earnings  
per Share



**7% - 9%**

Adjusted EPS CAGR

- North America margin growth ~150 bps<sup>1</sup>
- Rest of World margin growth ~400 bps<sup>2</sup>
- Share repurchase to contribute 1% - 2%<sup>3</sup>

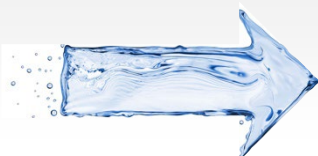
Cash Flow



**>100%**

Free cash flow conversion

Value-Creating  
Capital Allocation



**Target Leverage: ~1.5x - 2x Net Debt-to-Adjusted EBITDA**

Acquisitions that meet financial criteria

Pay an attractive dividend, continue share buybacks and ROIC above 30%<sup>4</sup>

\*2024-2028 timeframe – Growth rate is organic, except North America Water Treatment growth targeted at 15% - 17% which includes ~5% growth from acquisitions;

<sup>1</sup>Margin expansion versus 2023F exit rate of 24%; <sup>2</sup>Margin expansion versus 2023F of 10%; <sup>3</sup>Subject to ongoing board approval; <sup>4</sup>ROIC defined as ANOPAT divided by average invested capital net of cash

# Building On A Strong Foundation



David Warren  
SVP and President,  
North America Water Heating

# Key Messages – North America Water Heating

1

Market leader  
with long-term  
premier  
customers

2

Strong and  
stable  
replacement  
business  
benefiting from  
industry  
dynamics

3

Clear strategy  
for demand  
creation and  
profitable  
growth

4

Industry-leading  
solutions  
portfolio,  
service, and  
support

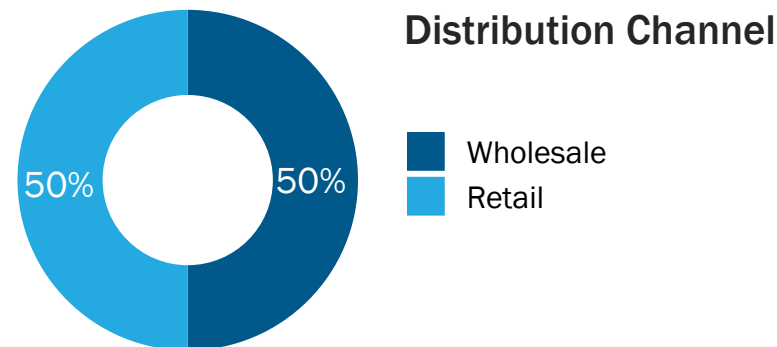
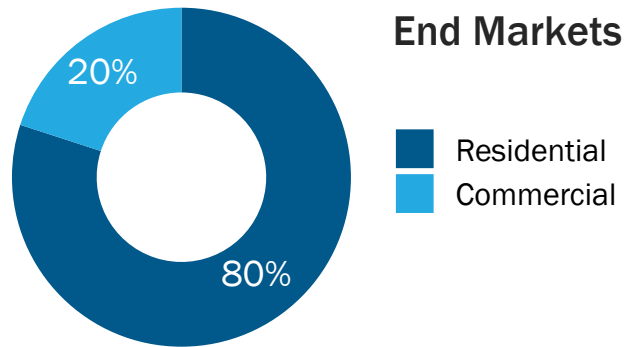
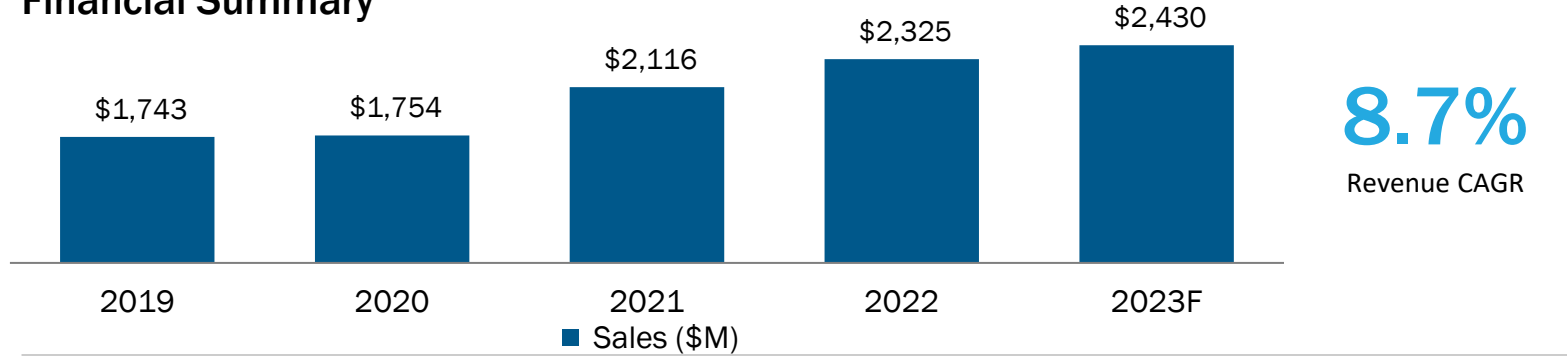
5

Regulatory  
environment  
expected to  
drive significant  
opportunity

Innovative Products and Service Deliver 4% to 5% CAGR through 2028; Regulatory Changes Accelerates Growth in 2029

# North America Water Heating At-a-Glance

## Financial Summary



- Market leader in residential and commercial market
- Balanced distribution channel
- Robust portfolio of products focused on innovation in energy efficiency
- New product investments support growth and ESG momentum
- Regulatory environment driving increased efficiency standards and expands market size

Leading Brands





# Comprehensive Portfolio with Premier Customer Relationships

## Robust Line of Existing Products

### Residential



ProLine®  
Electric



ProLine®  
Gas



Vertex®  
Condensing



Hybrid Electric  
Heat Pump



Gas  
Tankless

### Commercial



Cyclone®  
Condensing



Specialty  
Storage

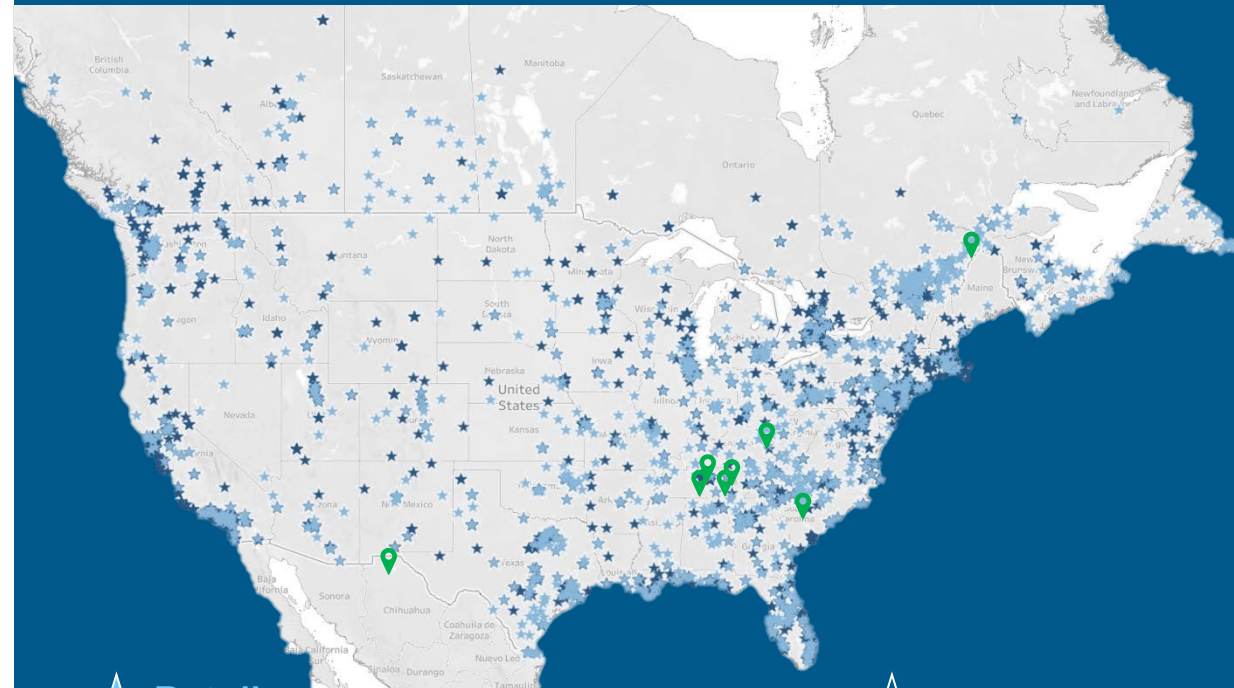


Specialty  
Electric



Heat  
Pump

Over 5,000 Customer Distribution Points



★ Retail  
2,791 locations

★ Wholesale  
2,396 locations



Do it Best

True Value

FERGUSON

FIRST SUPPLY

HDSUPPLY

Winsupply

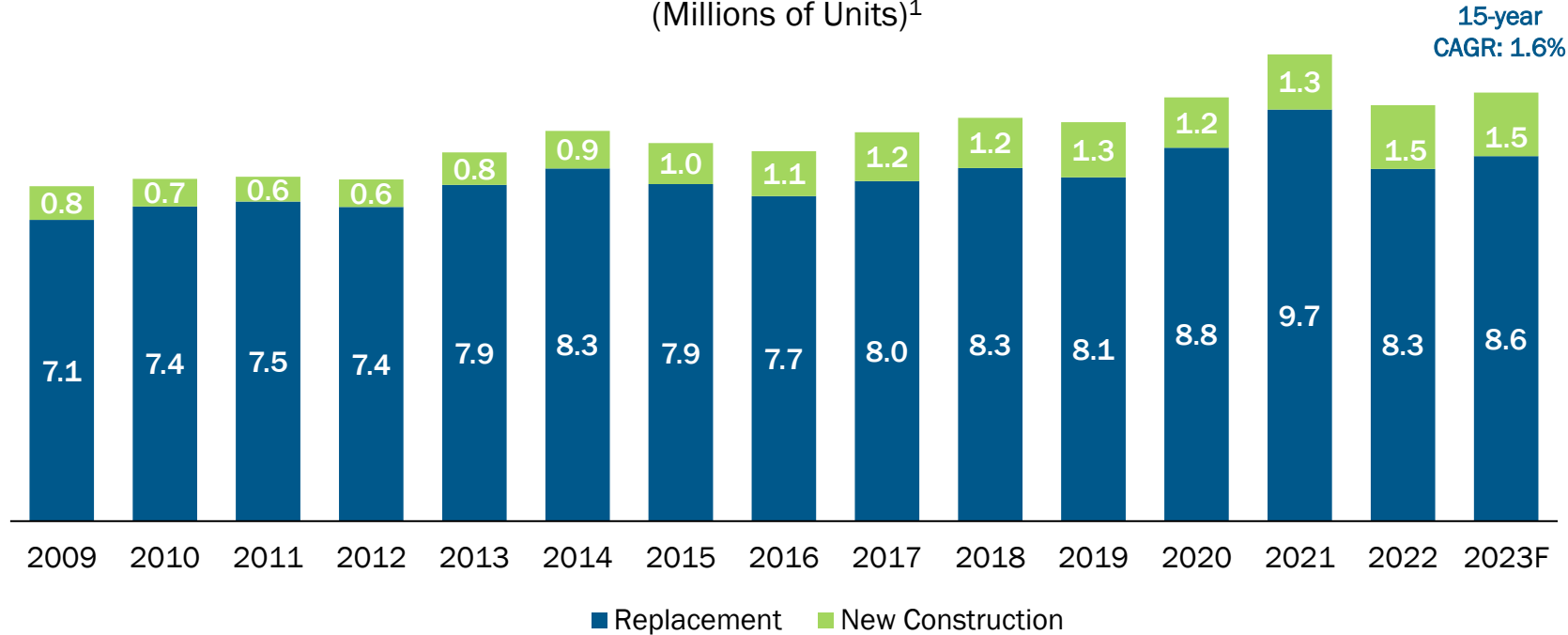
Manufacturing  
Plants

# North America Residential Market Leader

*U.S. Housing Shortage Presents Incremental Growth Opportunity*

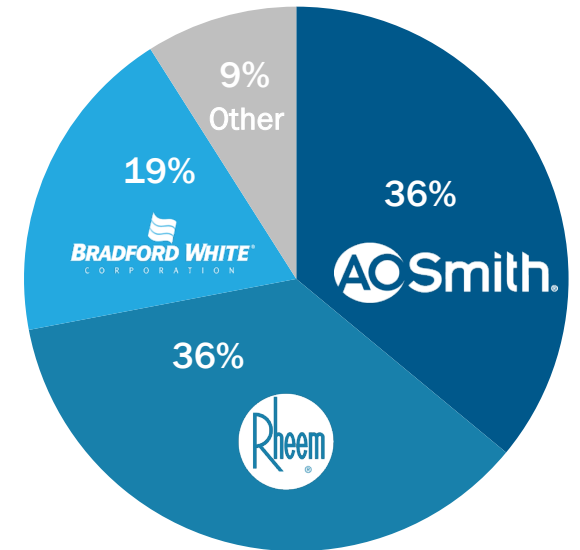
## U.S. Residential Water Heaters Industry

(Millions of Units)<sup>1</sup>



## North America Residential Market<sup>2</sup>

2022 Market Share Data  
(AHRI Tank + Gas Tankless)



**Stable Replacement Business Represents ~80 - 85% Volumes and Mitigates Housing Market Cyclicity**



<sup>1</sup> AHRI: Air Conditioning, Heating & Refrigeration Institute; data includes gas tankless water heaters

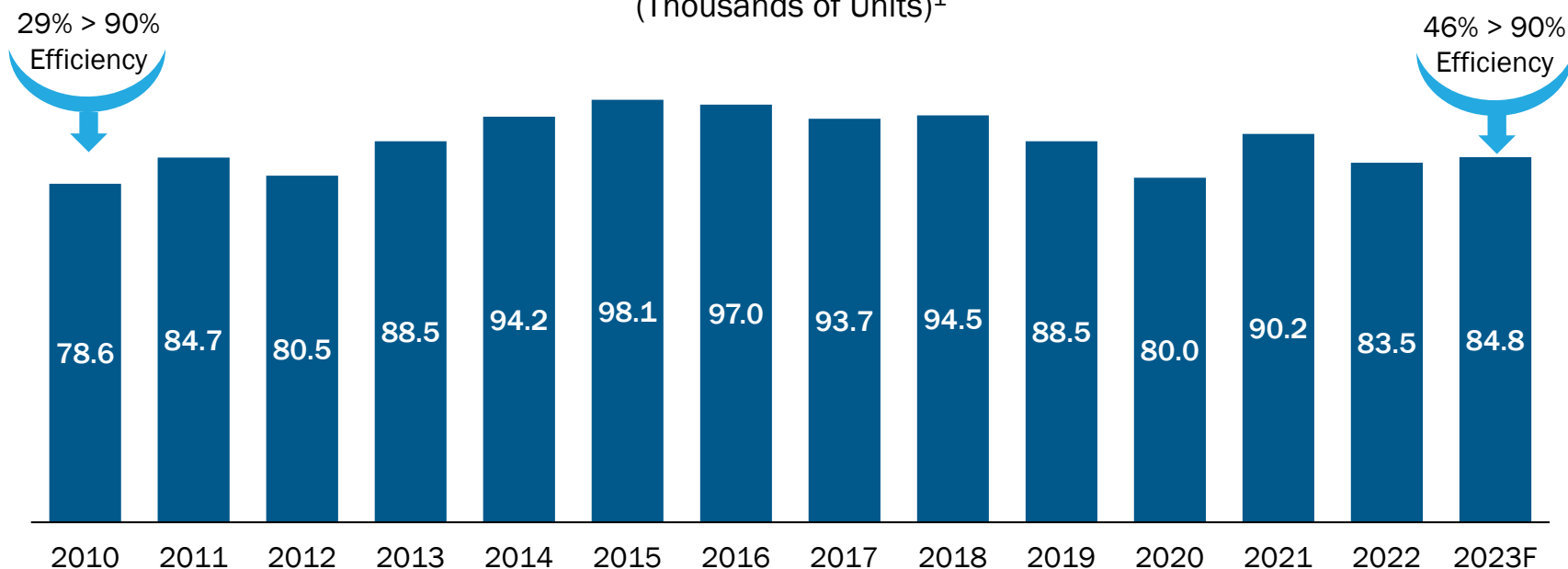
<sup>2</sup> Market share estimated using AHRI data and company estimates

# North America Commercial Market Leader

Gas Energy Efficient Units More Than Doubled Since 2010

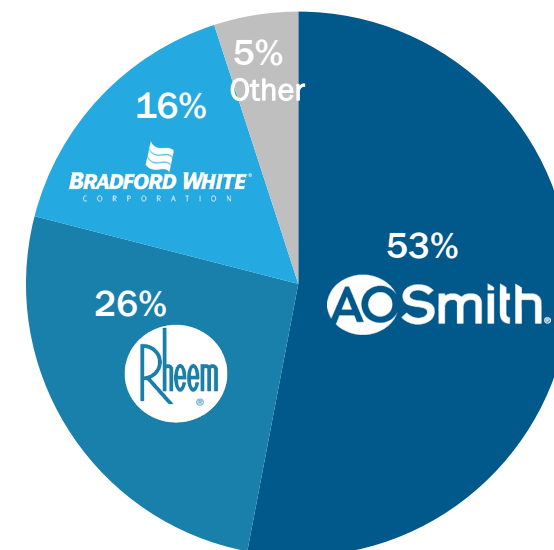
## U.S. Commercial Gas Storage Water Units Industry

(Thousands of Units)<sup>1</sup>



## U.S. Commercial Market <sup>2</sup>

2022 market share data (AHRI)



Higher Adoption Rates of Energy Efficient Units Supports Commercial Offerings

<sup>1</sup> AHRI: Air Conditioning, Heating & Refrigeration Institute; data includes gas tankless water heaters

<sup>2</sup> Market share estimated using AHRI data and company estimates

# Executing a Clear Strategy

## Innovate and Expand

### New Products

- Residential gas tankless
- Residential heat pump
- Commercial Cyclone Catalyst product digitization

### Technology – Customer Service

- Website / mobile platforms
- QR code platform
- Virtual assistance
- Interactive training

## Execute

### Execute on Key Drivers

- 2026 and 2029 regulatory changes
- A. O. Smith Operating System
- Manufacturing flexibility and product transition

# Regulatory Requirements: Bringing Change to the Market

## 2026 Commercial – Efficiency Standard

- Elimination of low efficiency commercial gas product
- Gas Storage: 95% thermal efficiency
- Gas Tankless: 96% thermal efficiency
- Growth of gas tankless for commercial market

Industry impact: ~55% units sold will be impacted

## 2029 Residential – Proposed NAECA IV<sup>1</sup> Rule

- Elimination of low efficiency residential gas product
- Higher efficiency power vent and non-power damper products
- Condensing gas tankless water heaters
- 35+ gallon capacity heat pump water heater

Industry impact: As currently proposed, ~70% of units sold will be impacted



Federal Government and Local Utilities Incentives Drive Adoption in Advance of Regulation

# Residential: Introducing Gas Tankless Product Line

Targeted incremental top line growth of \$100 million by 2026

## Gas Tankless Full Line Product Offering



← X3® Scale prevention technology...available on all product families

**Premium Condensing**  
160k/180k/  
199k BTU

**Standard Condensing**  
140k/160k/180k/  
199k BTU

**Non-Condensing**  
140k/180k/  
199k BTU

## Key Features

- Controls on-going product development and marketing
  - A. O. Smith designed and manufactured line of gas tankless products
- Improved design and product performance
  - Fast activation at low flow rates (0.4 gpm) and high incoming water temperature
  - Wi-Fi, Recirculation, and Cascading (up to 12 units)
  - Easy access to service parts with a unique flip down control panel
- Ease of Installation
  - 2" venting and 1/2" gas connection
- Eliminates annual maintenance costs ~\$200 - \$300 per year
  - Patent protected integrated scale prevention technology

2023

Began manufacturing gas tankless line in China

2024

Formal launch gas tankless products at AHR Expo in Chicago



2025

Production in Juarez, Mexico

# Residential: New Technology for Hybrid Heat Pump

## New VOLTEX® MAX Hybrid Heat Pump Water Heater



Ultra High Efficiency Hybrid, Efficiency or Electric

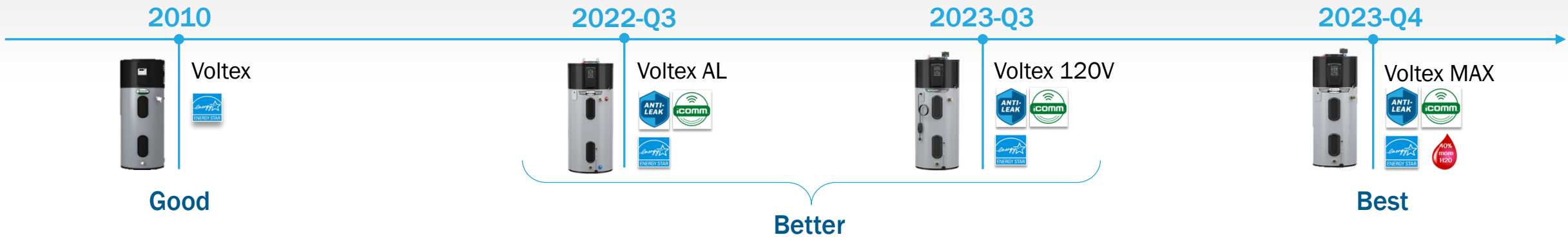
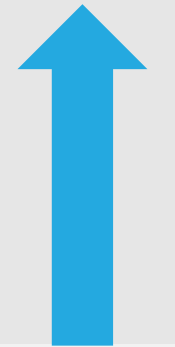


Advance Controls ICOMM Smart Connectivity with Utility Rate Plan Integration

### Key Features

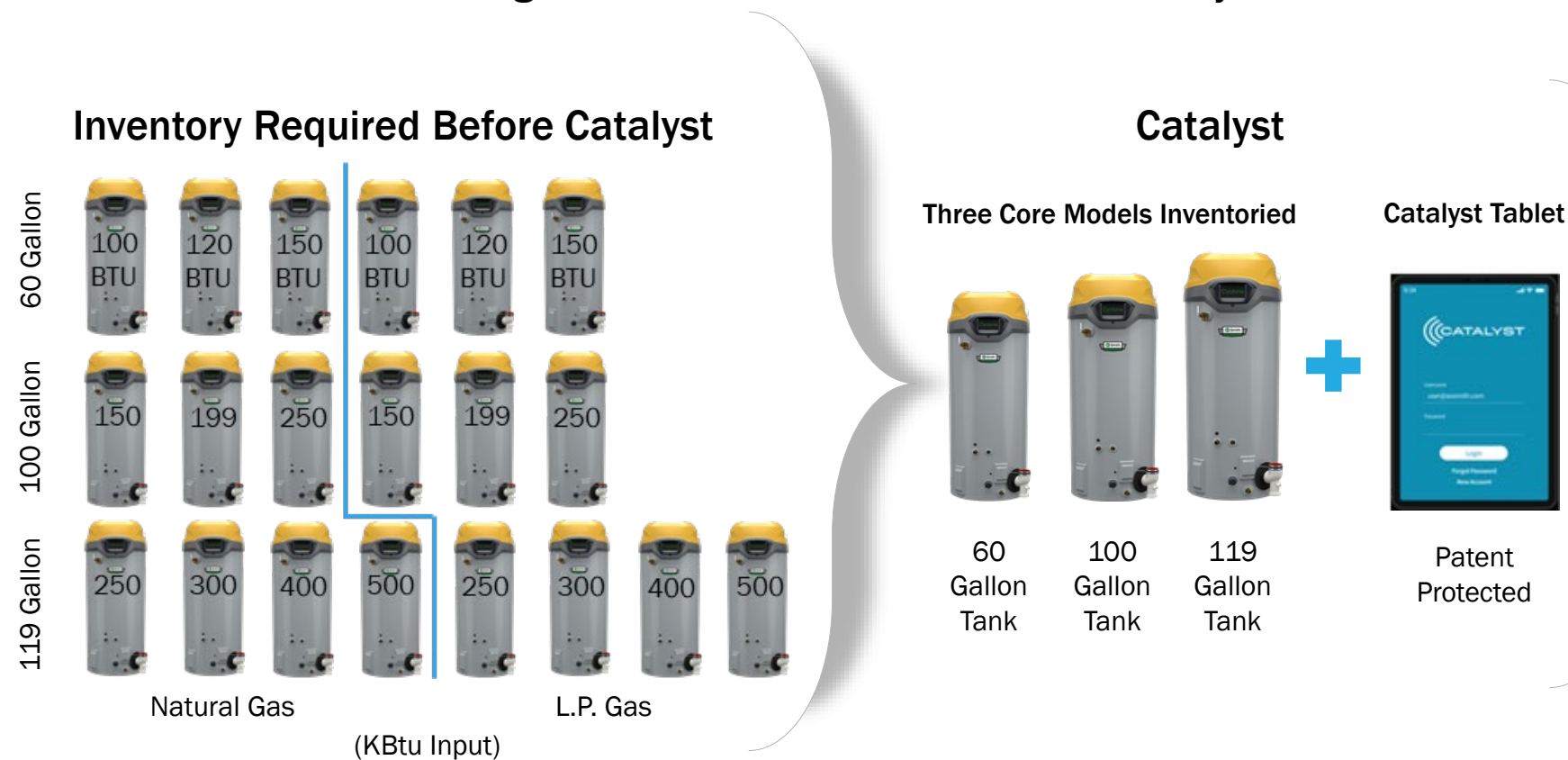
- 4 Sizes: 40, 50, 66, & 80 Gallon
- Whisper-Quiet Operation (45 dBA)
- Leak Detection w/ Automatic Shutoff Valve
- Operating Modes:
  - Efficiency = Heat Pump Only
  - Hybrid = Combination of Heat Pump + Electric Element
  - Electric = Electric Element Only (4.5kw Upper / Lower Elements)
- Easy to Install
  - Top Water Connections
  - Zero Clearance Design (sides/back)
  - Integrated ducting

Annual Growth Rate 25%



# Commercial: Upgrading the Market Leading Cyclone Product Line

Configures 3 Core Models with Software Key to 20 Possible Combinations



## Catalyst Technology

Allows customers to purchase A. O. Smith-provided key to configure 3 core models... 20 possible combinations.

Other features:

- Over the air updates
- Leak detection
- Performance balancing for connected products

Customer Benefit: Full Product Availability with Less Inventory Investment



# Innovation Improves Customer Experience and Reduces Costs

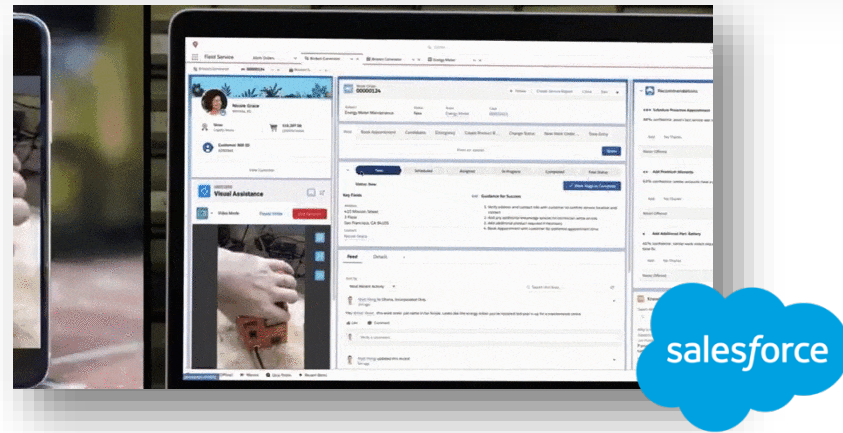
## QR Code Platform



A. O. Smith has sold 33M+ residential water heaters with QR codes since 2011

- QR mobile platform launched in 2023
- Provides customer/contractor information on the exact model installed
  - Warranty registration
  - Troubleshooting videos
  - Technical support
  - Installation manual
  - Service parts
- Provides a platform for future customer/contractor services
- Reduces administrative cost and call volumes (+\$1.5M annually)

## Virtual Remote Assistant



- Launched December 2022
- Technical support to view installation and assist in troubleshooting
- Information logged into Salesforce for future reference
- First-call resolution lowers cost to serve for contractor and A. O. Smith
- Operational savings of \$600k annually (warranty reduction)

# New Web Platform Drives Demand Creation

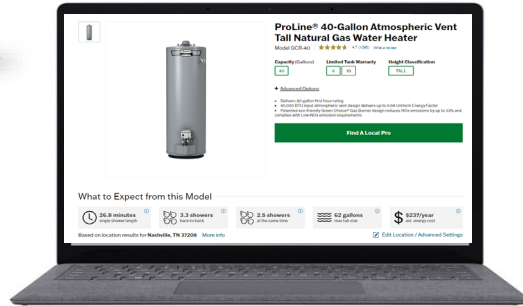


## Product Information Management Tool (PIM)



### Data Automation

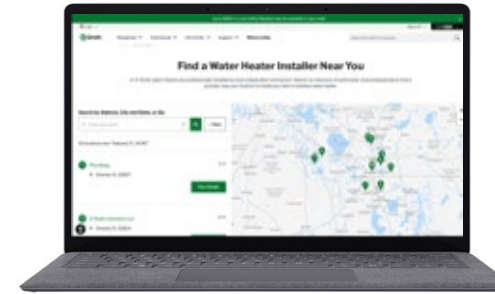
- Website data up-to-date and accurate
- Customer data syndication



### Self-service

- Mobile friendly & responsive
- Easy access to products/parts
- Contact local contractor for service/support

## Drives Customers to Contractors that Install A. O. Smith Products



### Demand Creation

- Lead generation
- Consumer satisfaction
- Contractor loyalty

## Product Information Management Tool

Mobile-responsive website attracts broader audience

Automated data updates to websites drives operational efficiencies and ensures accuracy

Lead generation drives contractor loyalty

Over 40,000 Contractors Participate in Our Contractor Rewards Program

# Multi-media Approach to Training Industry

## A. O. Smith University



PRODUCTS ONLINE CERTIFICATIONS VIRTUAL CAMPUS LIVE CONTACT

Register NOW for live online workshops!

We offer live virtual training on a selection of popular topics via Zoom. Register now, spots are limited!

2023 Virtual Campus Workshop Schedule

Tour our upgraded studio and training facilities

These improvements further our mission to provide you with the resources you need to grow your business, increase your profitability, and strengthen your presence in the marketplace.



- 1,455 training videos across 3 University sites and 7 branded sites
- Contractors gain education at their own pace
- Provide contractor certification upon completion of several modules

## Studio – Live Training



- Live training options available to contractors in their local market
- 245k people trained in 2022; 300k+ expected in 2023
- Allows for interaction / questions
- Less travel / days out of the field
- Content creation

## Live Fire Training Schools



- Contractor's training on working models
- 2,500+ contractors trained on-site per year
- Allows for interaction / questions / relationship building

# A. O. Smith Operating System Drives a Problem-Solving Culture

Enhances the A. O. Smith Culture

## Philosophy

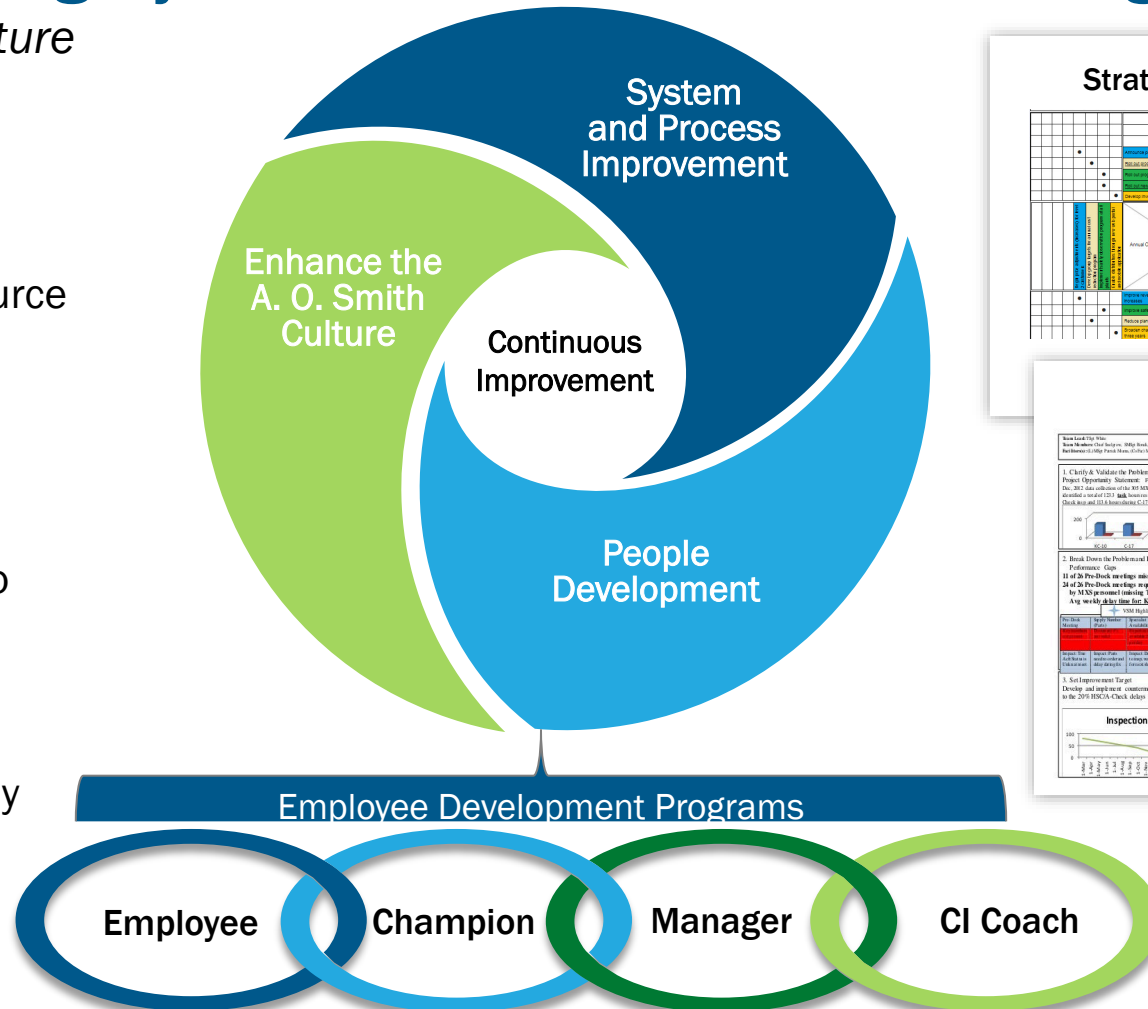
- Customer first
- People are most valuable resource
- Drive continuous improvement
- Front line focused

## Management

- Motivate and develop people to surface and solve problems

## Tools

- Use tools and methods correctly

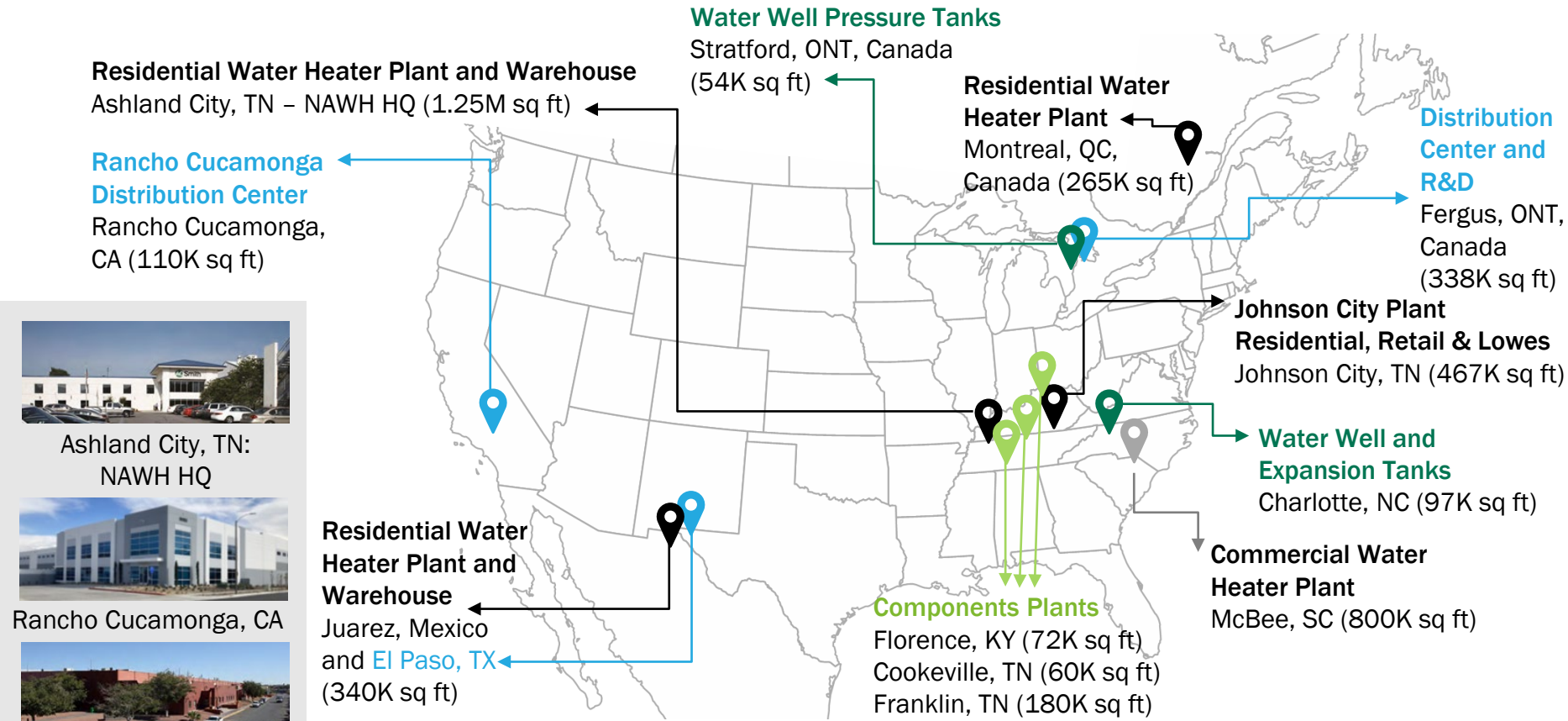


This block contains several key business tools used in the A. O. Smith Operating System:

- Strategy Deployment:** A grid-based tool for aligning goals across different levels of the organization.
- A3 Problem Solving:** A structured approach with four stages: PLAN (background, current condition, goal), DO (countermeasures), CHECK (effect confirmation), and ACT (follow-up actions).
- 8 Step Problem Solving:** A detailed process flowchart for identifying and resolving issues, including steps like 'Clarify & Validate the Problem' and 'Develop Countermeasures'.
- Sales, Inventory, Operations, Planning:** A circular diagram showing the integration of 'Executive S&OP Pre-S&OP', 'Product Portfolio Planning', 'Demand Planning', 'Supply Planning', and 'Budget Alignment'.

A Never-Ending Focus on Continuous Improvement

# Manufacturing Footprint Provides Flexibility and Capacity



Ashland City, TN:  
NAWH HQ



Rancho Cucamonga, CA



Juarez, Mexico



Franklin, TN



McBee, SC



Charlotte, NC



Johnson City, TN



Fergus, ONT, Canada



Montreal, QC, Canada



Stratford, ONT, Canada

## Manufacturing Footprint

|                                  |   |
|----------------------------------|---|
| Residential Plants               | 4 |
| Component Plants                 | 3 |
| Stand-Alone Distribution Centers | 2 |
| Water Well Pressure Tank Plants  | 2 |
| Commercial Plant                 | 1 |

- Residential Water Heater Plants
- Commercial Water Heater Plant
- Component Plants
- Distribution Centers
- Water Well Plants

# Long-Term Growth Profile

## Targeting Growth of 4% - 5% through 2028



### 5 Year Revenue Growth Profile: 4% - 5%

#### Key Drivers

- Industry unit growth + inflation
- Improved residential mix toward higher efficiency products
- Expansion of tankless market share with A. O. Smith designed and manufactured tankless product
- 2026 Commercial regulatory change

### Preserve and Expand Margin Profile

#### Key Initiatives

- A. O. Smith operating system
- Build out service platform capabilities
  - Websites
  - QR code
  - Product information management
  - Training initiatives
- Expand high efficiency product offering
- Improve product mix through regulation and 3<sup>rd</sup> party incentives



# Key Takeaways



Market leader with long-term premier customers



Strong and stable replacement business benefiting from industry dynamics



Clear strategy for demand creation and profitable growth



Industry-leading solutions portfolio, service, and support



Regulatory environment expected to drive significant opportunity

**Innovative Products and Service Deliver 4% to 5% CAGR through 2028; Regulatory Changes Accelerates Growth in 2029**

# Continuing to Build Brand Equity



Steve O'Brien  
SVP and President, Lochinvar



# Key Messages – Lochinvar

1

Build on established foundation of premium products, channel and services

2

Capture market share and capitalize on industry shifting to high efficiency products

3

Maintain and grow strong channel relationships as provider-of-choice

4

Provide highest standard of support and service

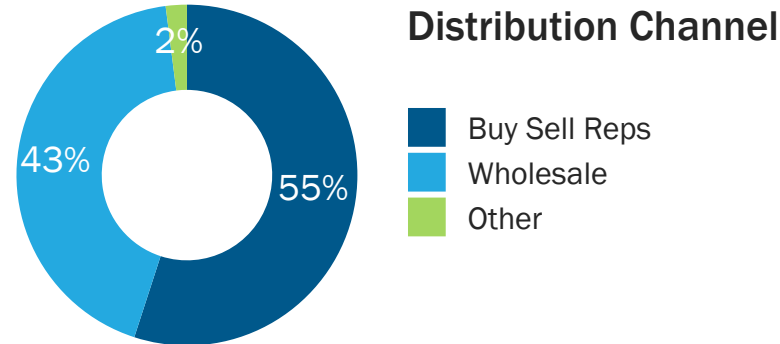
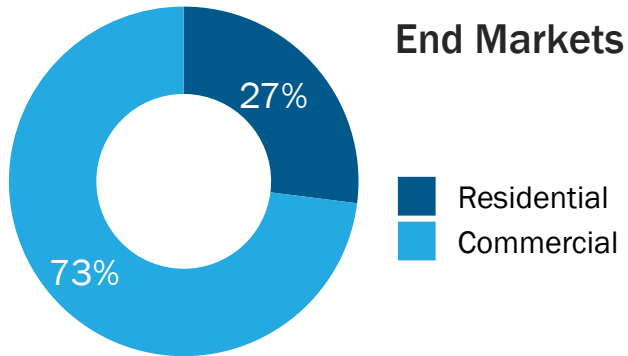
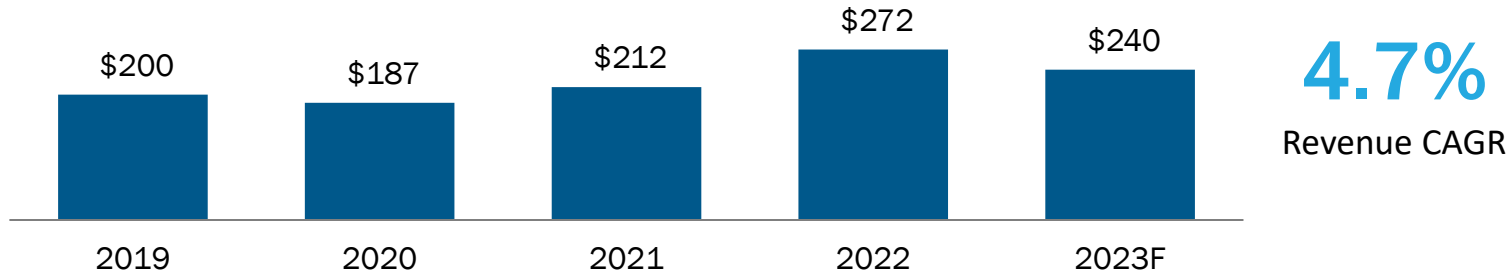
5

Add value through customized solutions and packaged systems

**Innovative Products and Best-in-class Customer Support to Drive 5% - 7% CAGR through 2028**

# Lochinvar-Branded Boilers At-a-Glance

Revenue (\$M)



- Market leader in high efficiency boilers
- Broad set of product offerings that address consumer needs
- Innovative products to navigate and capitalize on industry trend toward higher efficiency boilers
- Energy efficient products enable ability to take share and grow above market in a fragmented industry
- Solid replacement demand provides a strong base

Leading Brand



# Lochinvar-Branded Full Portfolio

## Boilers



## Water Heaters and Storage Tanks

## Pool Heaters

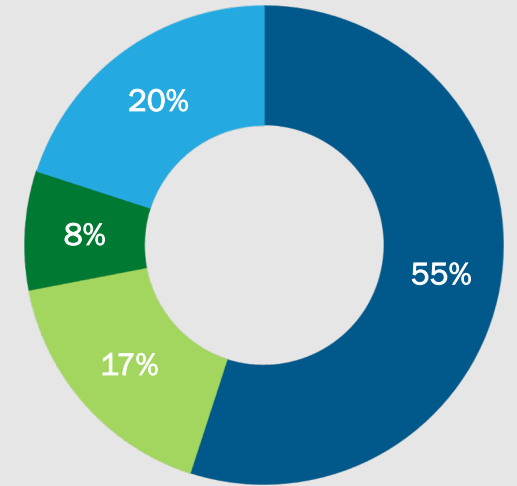


## Other



- Package Systems
- Heat Pump Water Heaters
- Parts & Accessories

## Revenue by Product Type

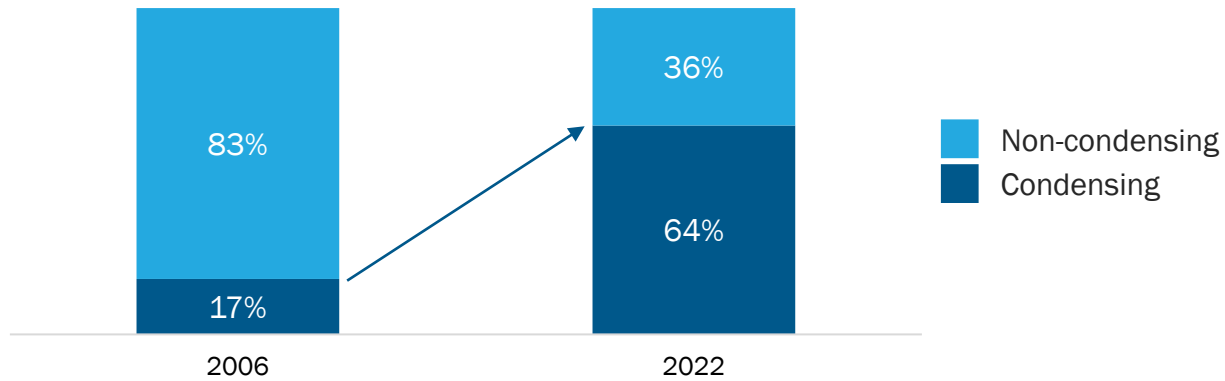


- Boilers
- Commercial Water Heaters
- Tanks
- Other

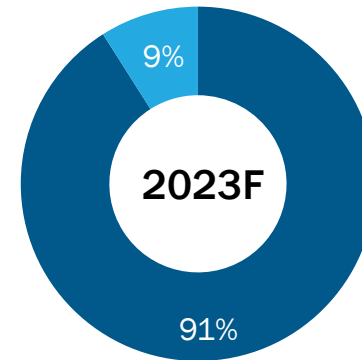
Boilers, Commercial Water Heaters and Tanks make up 80% of Lochinvar-branded Revenue

# Industry Continues Shift to Condensing Boiler Technology with Lochinvar as a Market Leader

## Industry Transition Toward Higher Efficiency Condensing Boilers<sup>1</sup>

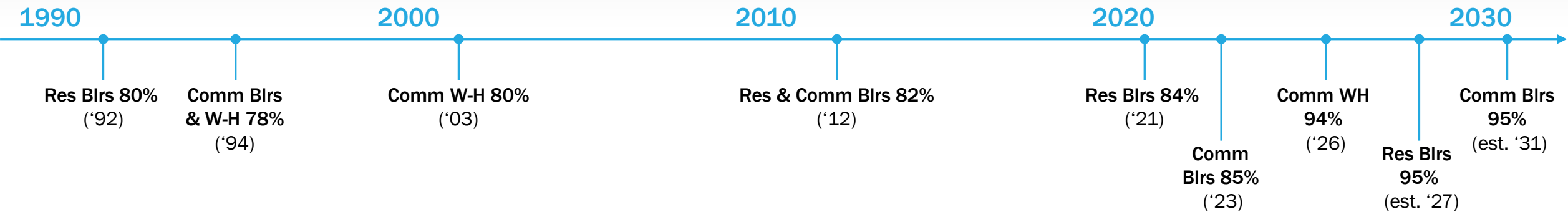


## Lochinvar-Branded Boiler Sales



Focus on condensing boilers & water heaters with >90% energy efficiency

## Dept. of Energy Minimum Efficiency Standards



# Lochinvar-Branded Condensing Boiler Value Proposition Wins in the Market

## Sustainable Solutions with Real Economic Payback

|                              | Lochinvar Crest Boilers (4)<br>(Energy Efficient) | Non-Condensing<br>(Non-Energy Efficient) |
|------------------------------|---|--|
| Efficiency                   | 98%   | 70%                                      |
| <b>Yearly Operating Cost</b> | <b>\$213,469</b>                                  | <b>\$357,814</b>                         |
| Installed Cost               | \$400,000   |  |
| <b>Payback (Years)</b>       | <b>2.77</b>                                       |  |

### Commercial Boiler Example:

- Typical mid-size apartment complex or office building
- 2.8 year payback with \$2 million in energy savings over 15-year life

## Crest with Hellcat Combustion Technology

- RealTime O2 Trim™ with continuous adjustment for optimal gas/air ratio
- Feedforward sensors monitor air temperature and barometric pressure
  - Learned trim from previous settings & conditions

### Benefits

- ✓ Efficiency maintained over seasons
- ✓ Shorter & easier commissioning
- ✓ No service calls for seasonal adjustments
- ✓ Reduced maintenance costs



# Executing a Clear Strategy

## Innovate and Expand

### Commercial Boilers

- High efficiency condensing
- Value added features
- Integrated electronic controls

### Residential Boilers

- High efficiency condensing
- High efficiency combi

### Commercial Heat Pump Offering

- Air source
- Water source
- Cold climate

### Packaged Systems/Solutions

- Custom storage tanks
- System controls

## Execute

### Training and Industry Engagement

- On-site
- In-field

### Channel Excellence

# High Efficiency Premium Commercial and Residential Products

## Commercial

- Up to 98% energy efficient – 23% above DOE requirement
- SmartTouch screen user interface and Con-X-Us wireless remote app control to program and adjust from anywhere

## Residential

- Up to 95% energy efficient – 13% above DOE requirement
- SmartControl user interface for easy set up and and Con-X-Us wireless remote app control to program and adjust from anywhere



**Water Tube Heat Exchanger**

400mbh–999mbh

**Fire Tube Heat Exchanger**

400mbh–1,000mbh  
750mbh–6,000mbh

**Heat Exchanger: Stainless Steel FIRE TUBE**

COMBINATION 110mbh–199mbh  
BOILER ONLY 80mbh–199mbh

55mbh–399mbh

All Stainless-steel Heat Exchangers for Longer Life of Boiler

# New Heat Pump Products Capitalize on Decarbonization Trends

Zero emission, water heating solutions for commercial buildings with industry leading 460% energy efficiency

## Veritus

- Air source heat pump
- Industry leading 460% efficiency
- Modular design
- Low global warming potential refrigerant
- Designed and manufactured in Lebanon, TN

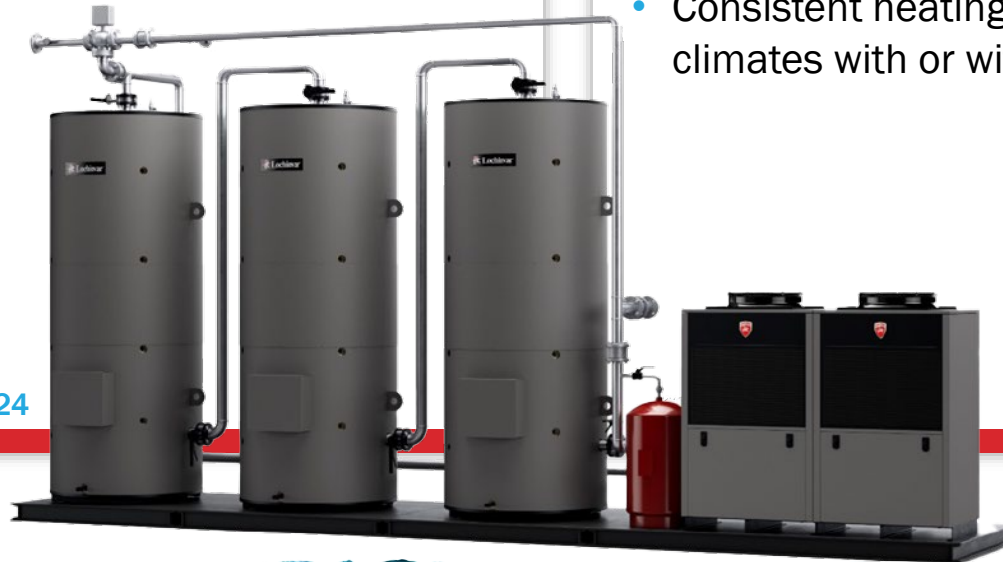
Launched  
August  
2023



## Water Source Veritus

- Alternative to Air Source with even greater energy efficiency
- Consistent heating regardless of outdoor temperature

Coming in 2024



## Cold Climate Veritus

- Provide reliable heat even when outside temperature is below freezing
- Air Source that operates  $\leq 0^{\circ}\text{F}$
- Variable speed compressor
- Consistent heating in Northern climates with or without backup

Coming in 2024



# Enhancing Packaged Systems Offering

*Single solution provider that designs, manufactures and assembles of customizable, space heating solutions*

## Custom Engineering Solutions

- Hydronic space heating
- Commercial water heating
- Hybrid solutions
  - Gas and electric
  - Space heating and domestic water heating
  - Pool heating

## Engineered to Order

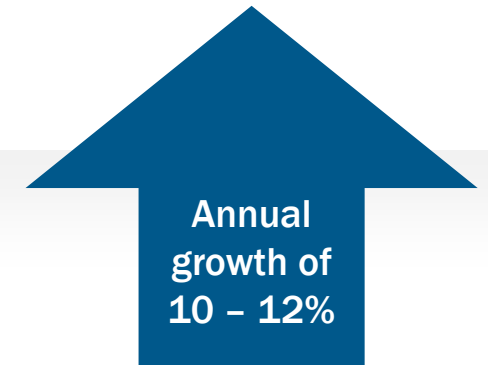
- Boilers
- Tanks
- Pumps
- Controls
- Accessories

## Pre-packaged for Various Applications

- Healthcare
- Car-Washes
- Aquatic Centers
- Amusement Parks

## Benefits

- Expedited construction completions
- Application expertise
- Manufacturing knowledge and capability
- Product availability
- Single source service



Providing Value Added Design and Assembly within Customized Solution

# Case Study: Major Theme Park

## Customer Need

Major Theme Park: Open Year Round

Park Size:

**53** Acres

Park Capacity:

**3.6** Million Gallons

Max Heating Req.

**85** Million Btu/Hr

Yearly Attendance:

**1.7** Million Guests

The Lochinvar customized packaged system provides hot water for large water theme park, including several water rides, a beach and a lagoon – all with temperature-controlled water

## A. O. Smith Unique Solution

Phase 1 Package

- 4 x Crest 6.0 with Hellcat
- Input: 24 Million Btu/Hr
- Heating Capacity: 1535 GPM
- Single Point Electrical Connections
- 10" SS Supply piping



# Innovative Channel Training and Education Help Our Customers Win

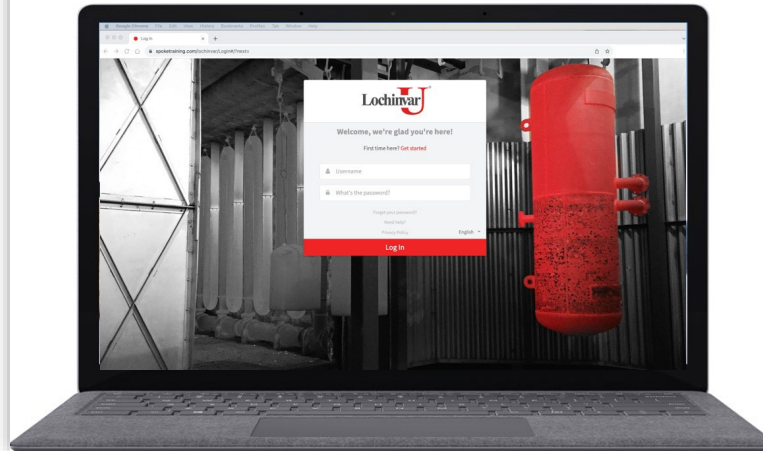
## University Factory Training

- Product specific consultative programs – installation, start-up, maintenance
- Customer specific –tailored content
- ~40 per year / 800 people



## Specifying Engineer Based Programs

- Masterclass content aimed at influencers (engineers, contractors, facility managers)
- ~30 per year / 400 people



## Field-Based Programs

- Customer specific –tailored content
- ~15 per year / 300 people

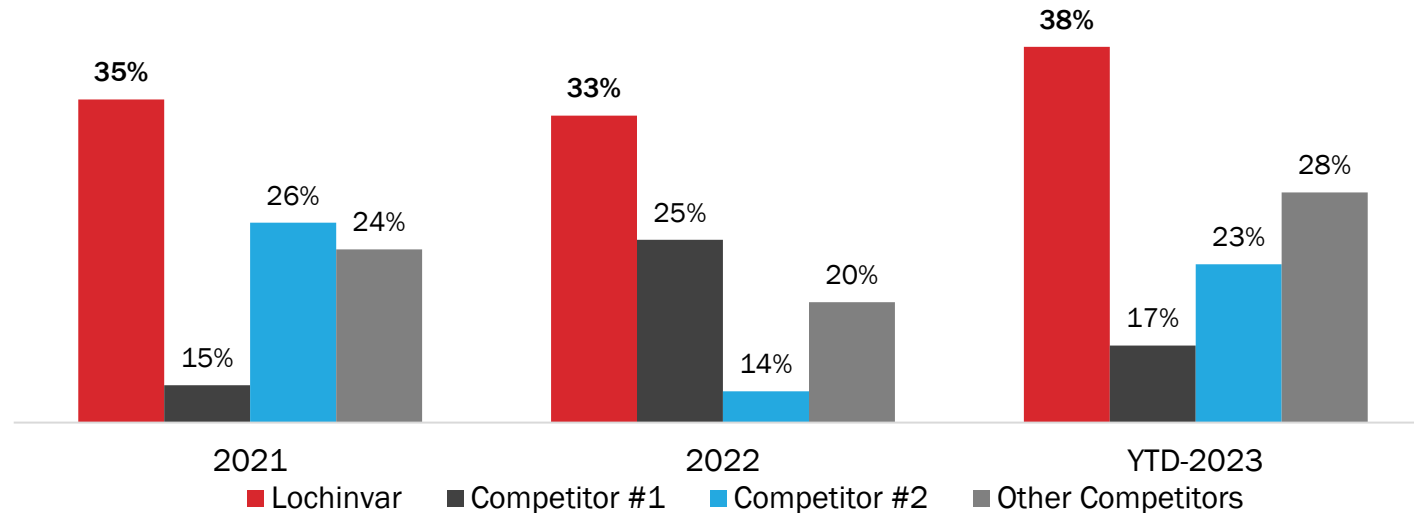


# Continue to Build on Channel Excellence, Strong Relationships and Provider-of-Choice

## Commercial Condensing Boiler Projects

- Best-in-Class buy / sell rep excellence
- Premium sales and support expertise
- Engineering specification pulls through demand

## U.S. Basis of Design by Manufacturer



- Basis of Design - enables higher win rates
- Specifications are typically determined by mechanical and plumbing engineering firms
- Market leading performance and advanced features - opportunities to maintain the specification with less competition
- Unparalleled training programs – reps and distributors master designing, installing and servicing of Lochinvar products

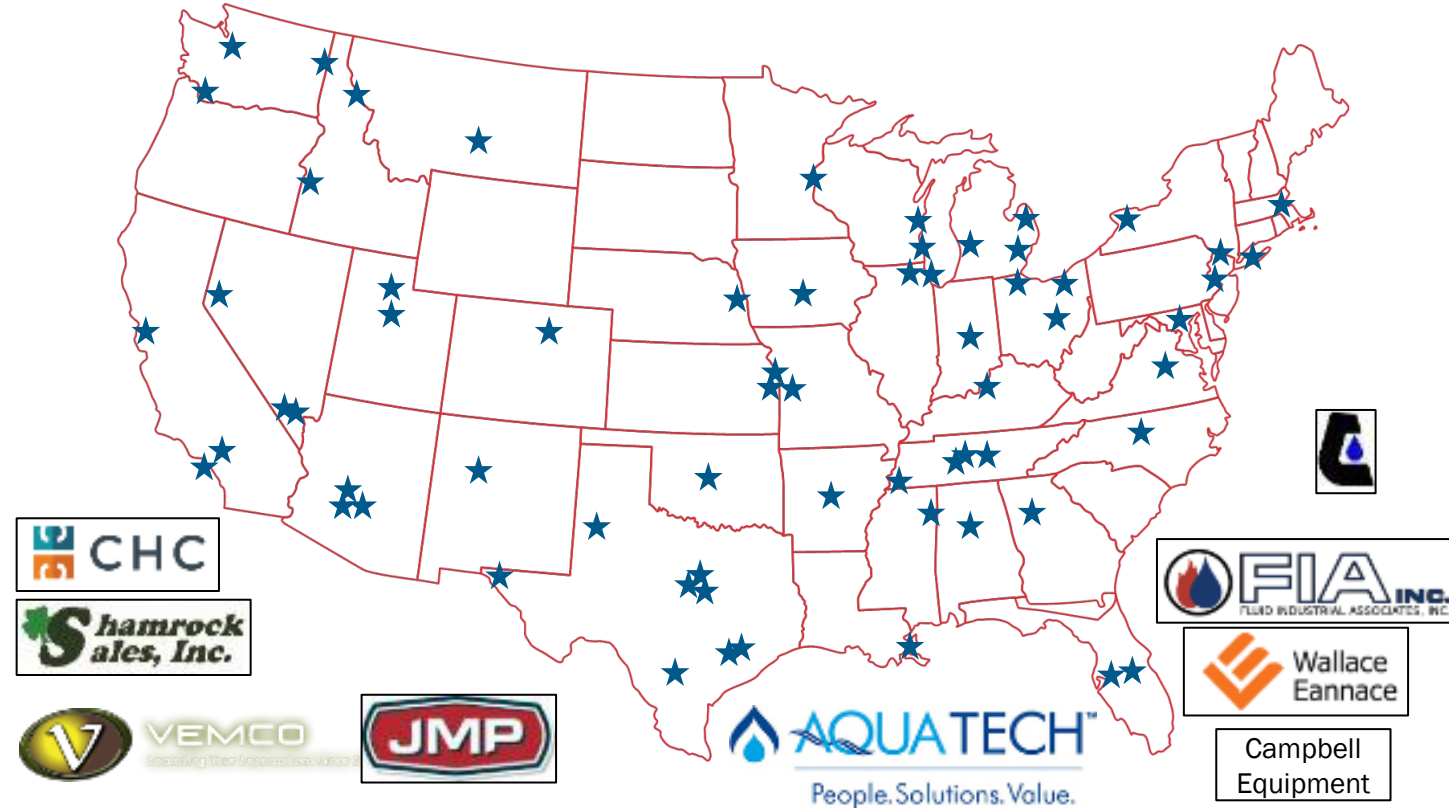
# Specified Products Buy / Sell Manufacturers' Rep Strength

**#1 or #2 position in revenue or income in 80% of Manufacturers' Representatives that carry the Lochinvar product lines**

## Core Tenants of our Partnerships

- Business development at engineer / contractor/ facility manager level
  - Packaging strength / product lines
- Application expertise
- Technical support services
- Dedicated start-up and/or service staff
- Commercial product inventory in territories

Over 80 Lochinvar Territories



**~80% Commercial Specified Product Demand is Created by Manufacturers' Representatives Activities**

# Long-Term Growth Profile

## Targeting Growth of 5% - 7% through 2028



### 5 Year Revenue Growth Profile: 5% - 7%

#### Key Drivers

- Continued market trend toward energy efficient products
- Innovation driven market leading products including newly introduced heat pump products
- Packaged systems drive down installation costs and time

### Preserve and Expand Margin Profile

#### Key Initiatives

- Product innovation and premium service drives premium position
- Innovative designs drive specifications that win business
- A. O. Smith Operating System is in initial steps of implementation, providing a margin improvement runway



# Key Takeaways



Build on established foundation of premium products, channel and services



Capture market share and capitalize on industry shifting to high efficiency products



Maintain and grow strong channel relationships as provider-of-choice



Provide highest standard of support and service



Add value through customized solutions and packaged systems

**Innovative Products and Best-in-class Customer Support to Drive 5% - 7% CAGR through 2028**

# Driving North America Water Treatment Growth for Scale and Margin Expansion



Sam Karge

SVP and President,  
North America Water Treatment



# Key Messages – North America Water Treatment

1

Full suite of premium and innovative products designed to meet consumers' broader needs

2

Multi-channel approach improves penetration in a fragmented market

3

Brand awareness through innovative marketing programs and consumer tools

4

Targeted vertical integration and improved supply chain drives margin improvement

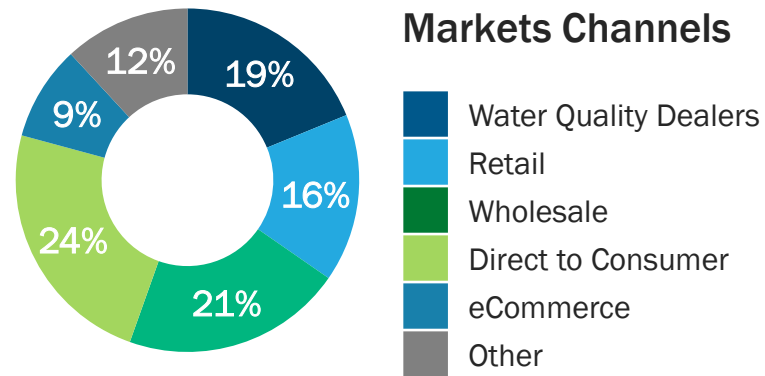
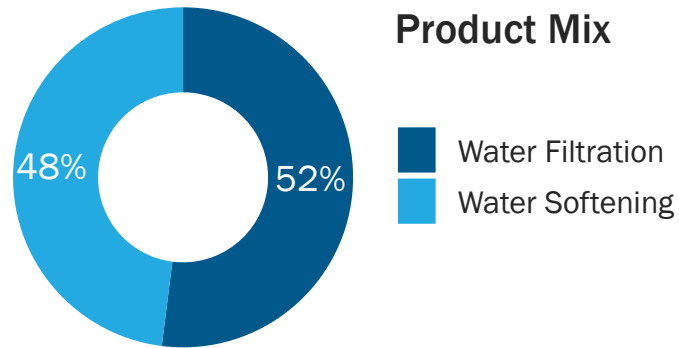
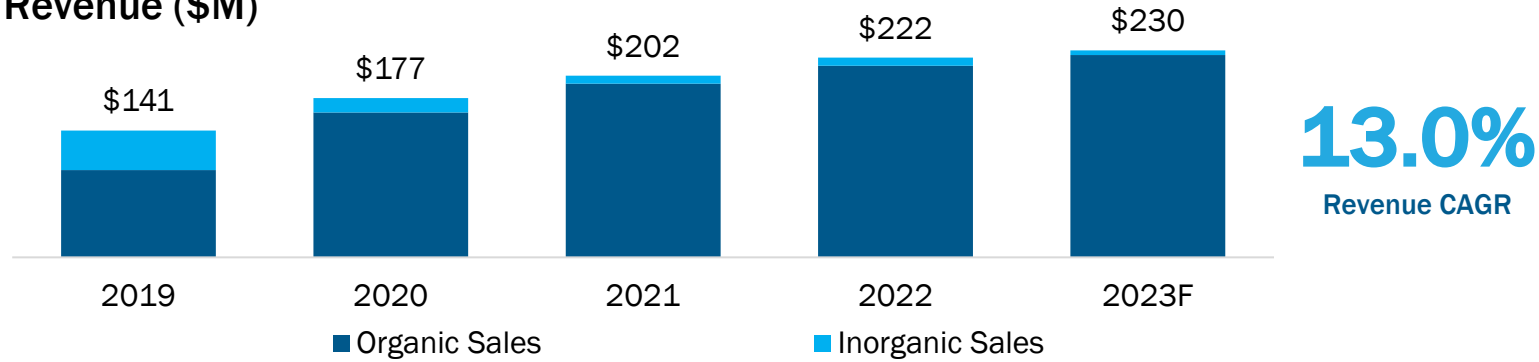
5

Geographic expansion through acquisition and organic growth drive 2028 sales target of \$500 million

Acquisitions, Innovative Products and Best-in-class Customer Support to Drive 15% - 17% CAGR through 2028

# North America Water Treatment At-a-Glance

## Revenue (\$M)



- A market leader in water treatment with strong industry leadership and influence
- Significant growth opportunity from market consolidation
- Channel-focused marketing
- Direct consumer relationships
- Innovation drives efficiency and differentiation
- High margin replacement filter consumables (~15% - 20% of sales) drive recurring revenues and stickiness

Leading Brands

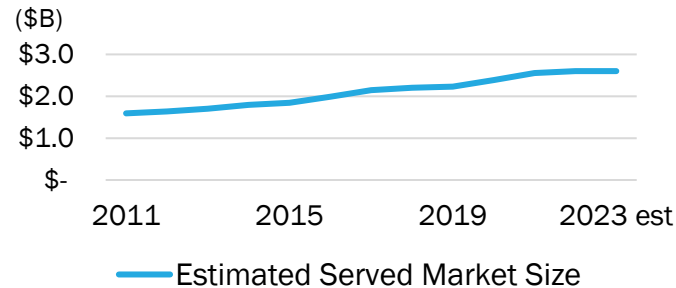


# North America Water Treatment Market Environment

## Market Opportunity<sup>1, 2</sup>

- \$2.6B current addressable market
- Represents only ~25% of U.S. households having a water treatment device

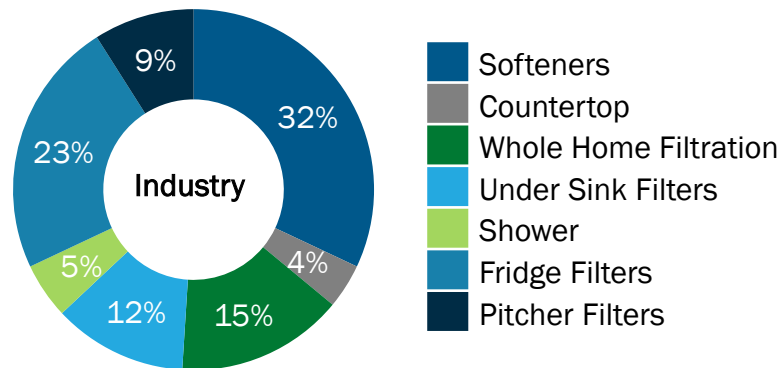
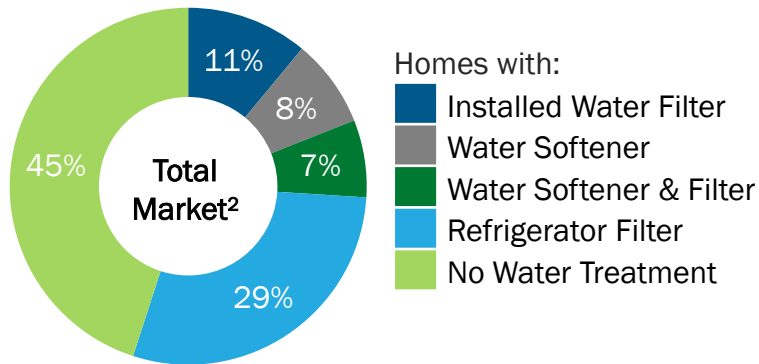
## ~4% - 5% Industry CAGR Over Last Decade<sup>2</sup>



## Market Growth Drivers

- Consumer awareness and greater focus on water quality
- Aging U.S. infrastructure
- PFAS/PFOS water contamination
- Environmental Protection Agency PFAS/PFOS, Lead/Copper, Arsenic regulations
- Lead contamination in over 100 major cities across U.S.
  - Impacts ~15 - 22M people<sup>3</sup>

## Market Penetration Opportunity



**PFAS** Per- And Polyfluoroalkyl Substances



Leverage Strong Brand and Industry Presence to Capture Share in Large and Growing Market



<sup>1</sup> Sources: 2020 comprehensive market interviews, SEAS Capital Primary Research 2017, WQA consumer study 2019,2021, A. O. Smith customer research study 2017,2019, 2021, WQA Valve and Tank Report 2022. <sup>2</sup> \$2.6B excludes Fridge filters due to low filter change compliance; total market including Fridge and Pitcher categories ~\$4B. <sup>3</sup> EPA lead and copper rule instruction materials

# Executing a Clear Strategy

## Innovate and Expand

### Products

- Portfolio addresses broad set of customer needs
- Innovative technology

### Multi-Channel Approach

### Marketing Programs and Customer Tools

### M&A Strategy

- Proven integration playbook

## Execute

### Operational Excellence

- Scale
- Targeted vertical integration
- Supply chain lead times
- Strategic acquisitions

# Water Treatment for All Needs

Full Spectrum of Water Treatment & Filtration Product

**Point of Entry**  
~60% of sales



Whole Home Filtration



Whole Home Softeners

**Point of Use**  
~30% of sales



Whole Kitchen Filtration



Under Sink Filtration



Tankless RO Systems



Traditional RO Systems

**Non-Installed**  
~10% of sales



Countertop Filtration



On-the-Go Filter Bottles

## Complete Technology Portfolio to Provide Clean & Safe Drinking Water

### Activated Carbon

Improves taste by removing chlorine and organic pollutants including PFAS

PS: 5,000 nm

### Micro-Filtration

Removes sediment, particulates and colloids

PS: 1,000 nm

### Ultra-Filtration

Removes bacterium, large organics and other pollutants resulting from water transport

PS: 50 nm

### Reverse Osmosis

The ultimate filtration technology; reduces nearly all substances

PS: 0.2 nm

\*PS: Pore Size



# Innovative Technologies Drive Growth

*By Removing the Most Contaminants with the Least Waste*

## Sidestream™ Technology

- Patented highest efficiency reverse osmosis technology on the market
- 4-to-1 water recovery



## Claryum™ Filter

- A. O. Smith developed carbon filter
- Certified to remove 77 contaminants
- Most certified carbon filter on the market
- PFAS, Lead, VOC, Mercury
- First filters to receive PFAS/PFOS and microplastics certification



## Problem Water Solutions

- CrystalRight™ media
- Reduces hardness, iron, ammonia, tannin
- Innovative self-sanitizing system



## WaterMAX™ Softener Technology

- Highest efficiency softener on the market
- Compact size with full flow performance



## A. O. Smith Technology Group

- 275 global water treatment technology professionals
- New Corporate Technology Center - Milwaukee
- Global engineering center - China
- Industry-leading R&D facilities

## Certification Differentiator from Competition

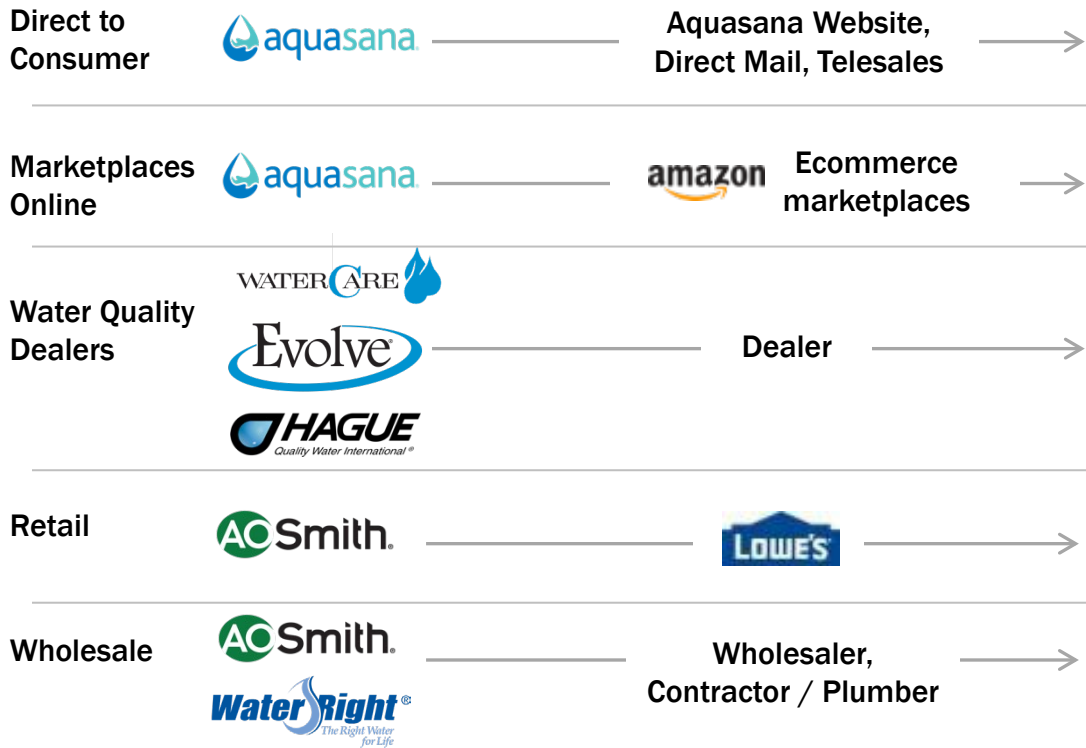
- Highest health claims for contaminant reduction with reverse osmosis and carbon filtration
- Certification for safety and product efficiency
- Certified to ANSI/NSF standards at the Water Quality Association



# Multi-Channel Approach Improves Penetration

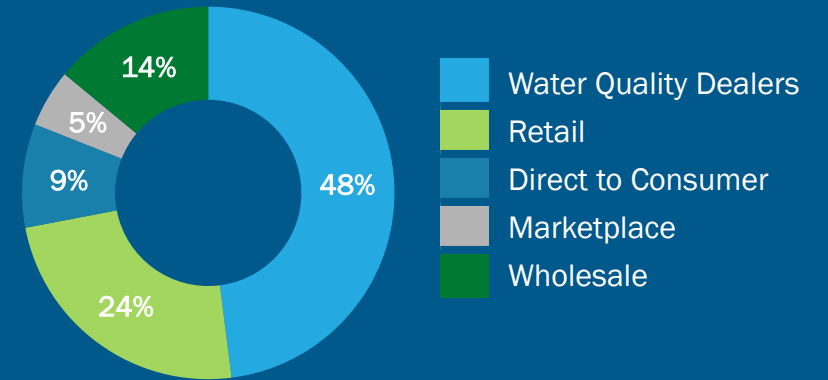
North America Channels & Brands

Our brands participate in all channels; most competitors operate in 1-2 of these channels

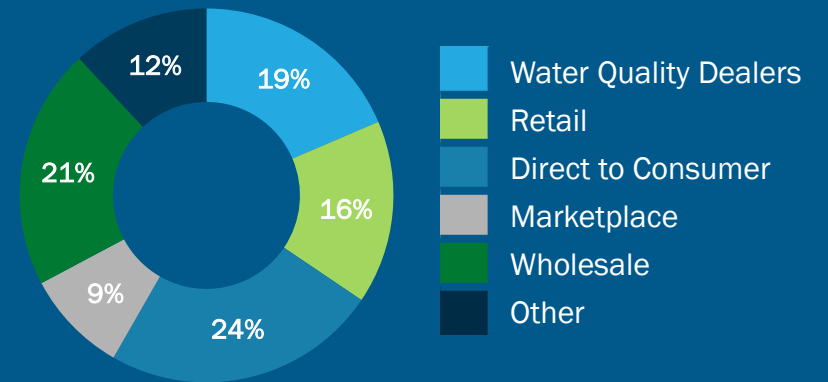


CONSUMER

## Water Treatment U.S. Market Channel<sup>1</sup>



## A. O. Smith Channel Penetration



# Marketing Programs and Consumer Service Tools

## Direct To Consumer Innovation

- Constantly evolving marketing programs to be part of consumers' decision-making process
- Omni-channel marketing - television, radio and online coordinated messaging
- Online influencers – market differentiation



## Professional Dealer Strength ~ 400 dealers in network and growing

- Best-in-class dealer products for home water solutions
- Dealer education, seminars and online training
- Unrivaled dealer marketing support – including consumer lead-generation programs and website creation



## Retail Merchandising Evolution

- Industry-leading contaminant reduction certifications
- Highest-efficiency reverse osmosis and softener products in retail market
- QR codes - innovative product selection tool

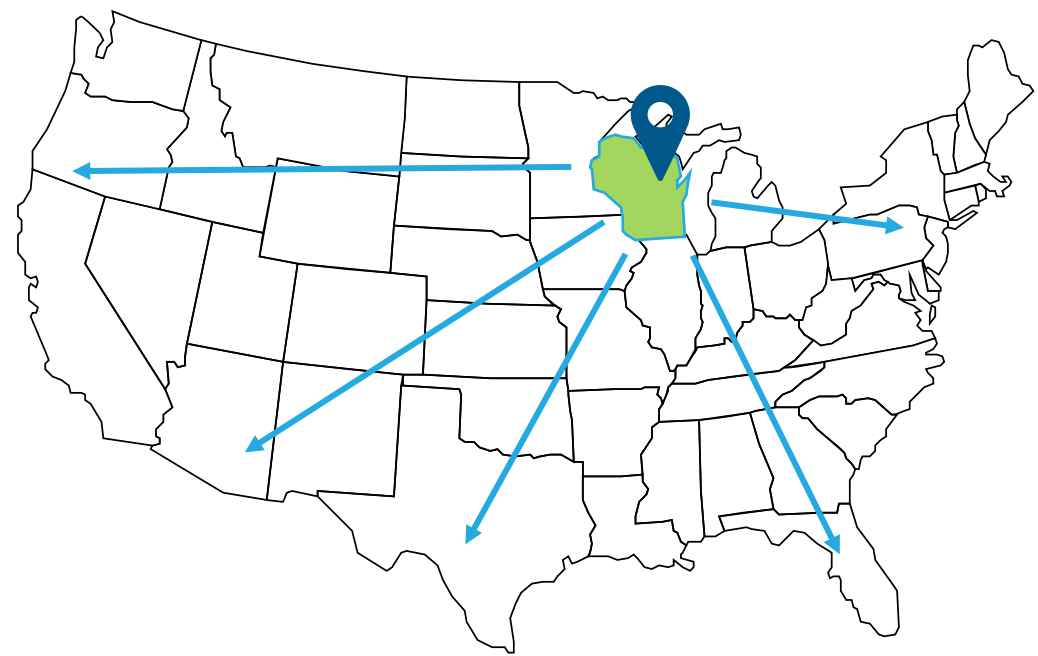




# Building Scale through M&A Strategy

## Inorganic geographic expansion across North America in residential and commercial

- Water treatment is “local” – regional expertise
- Acquire geographically for regional assembly and distribution
- Creating regional centers of excellence
- Commercial water treatment expertise
  - Commercial market space estimated to be ~2x size of residential
  - Targeted expertise in large-scale filters, reverse osmosis and high purity waster systems
  - Specification-driven growth
    - Similar to Lochinvar



Acquisitions are Critical to Building Scale

# Targeted Vertical Integration and Streamlined Supply Chain

## Improve Margin Profile

### Vertical Integration of Critical Components

- Growth driven by innovative core filtration products
- A. O. Smith innovative new filtration technologies:
  - Claryum™ carbon block
  - Sidestream™ reverse osmosis elements
- Vertically integrated many key filtration medias and cartridges within our factories
  - Faster product launch
  - Reduced overall cost due to shorter supply chain



### Shortening Material Supply Chain Length

- Many water treatment base materials originate in Asia
- Some materials may cross the Pacific Ocean up to 3x in journey from raw material to finished good
- Many materials have a 25-week lead time due to long supply chain
- Innovative planning and demand tools to help drive down overall supply chain lead time
- Resourcing key systems back to U.S. – including new high efficiency RO System



Targeting 100bps of Annual Margin Improvement

# Long-Term Growth Profile

## Path to \$500+ million and Mid-Teens Margins through 2028



### 5 Year Revenue Growth Profile: 15% – 17%

#### Key Drivers

- Grow faster than the market<sup>1</sup> with organic annual growth of 10% – 12% by:
  - 2% – 3% inflation
  - Marketing programs and service tools
  - Portfolio mix improvement
  - Dealer and e-commerce growth
  - Direct to Consumer growth
- Bolt-on acquisitions to add ~5% of annual sales growth

### Margin Expansion: Mid-teens by 2028

#### Key Initiatives

- Leverage growth within current footprint
- Enhance premium brand via leading technology and best-in-class service
- Annual material, labor and logistics cost reductions of \$3 – \$4 million annually



# Key Takeaways



Full suite of premium and innovative products designed to meet consumers' broader needs



Multi-channel approach improves penetration in a fragmented market



Brand awareness through innovative marketing programs and consumer tools



Targeted vertical integration and improved supply chain drives margin improvement



Geographic expansion through acquisition and organic growth drive 2028 sales target of \$500 million

**Innovative Products and Best-in-class Customer Support to Drive 15% - 17% CAGR through 2028**

# Q&A



# BREAK



# Executing Growth in China



Jack Qiu

SVP and President, China

# Key Messages - China

1

Leading position in premium segment with growing replacement base and recurring filter revenue

2

Maintaining a balanced go-to-market channel strategy

3

Focusing on customer experience using digital selling and service tools

4

Capturing growth through new adjacencies and expanding commercial markets

5

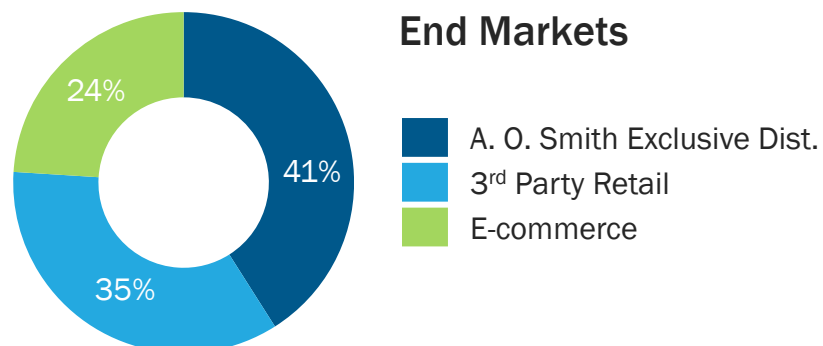
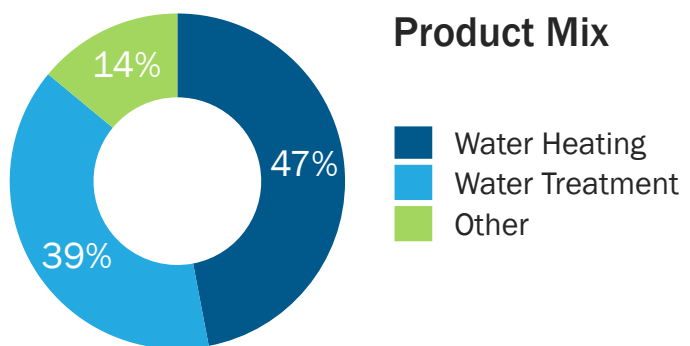
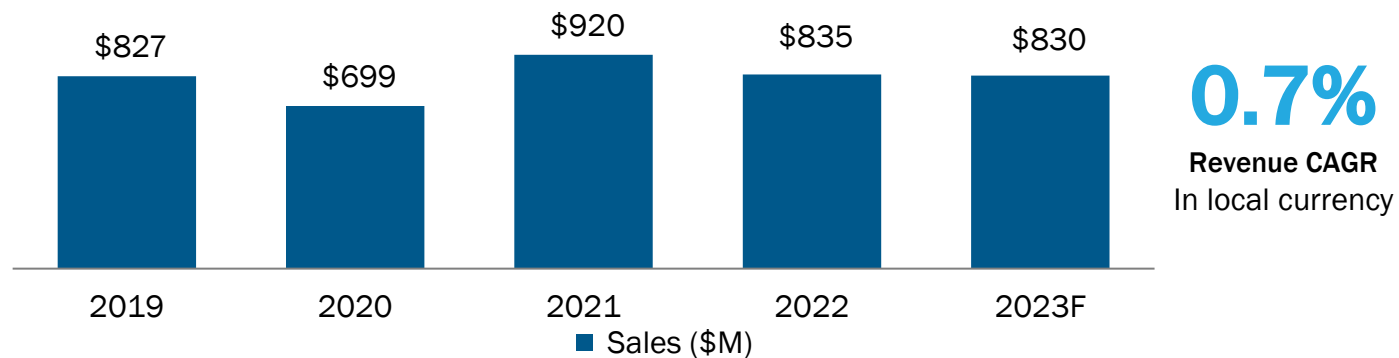
Leveraging strong in-country market presence and brand recognition for sustainable, profitable growth

**Innovative Products and Best-in-class Customer Support Drive 5% – 6% CAGR through 2028**



# China At-a-Glance

## Revenue (\$M)



## Leading Brands

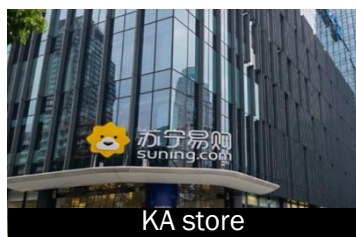
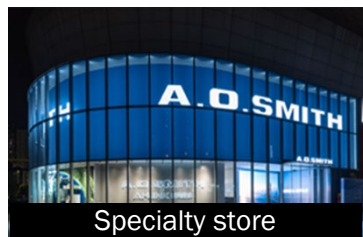


- 25+ years operating in China with ability to scale
  - Strong in-country leadership
  - Operational improvements and organizational driving margin expansion
- Premium brand recognition to reach middle / affluent classes
- Multiple distribution channels, including service network
- Dual brand strategy to preserve premium brand
- Continuous innovation around new technology and operational excellence
- ~60% of water heater sales are replacement
- ~20% - 25% of water treatment sale are replacement filters

# Balanced Go-To-Market Strategy with Key Partnerships

## Major Channels

### Offline Retail



### E-commerce



### Project



## Balanced Channel Strategy

- A. O. Smith exclusive specialty store are 100% dedicated to the success of the A. O. Smith product family
- Leading partners in the national and regional offline retail
- Leveraging e-commerce activity to drive in-store experience to upsell product offering

## 9,600 Points of Sale Across China

~4,500 Stores in Tier 1 – Tier 3 Cities

~1,800

A. O. Smith  
Specialty Stores

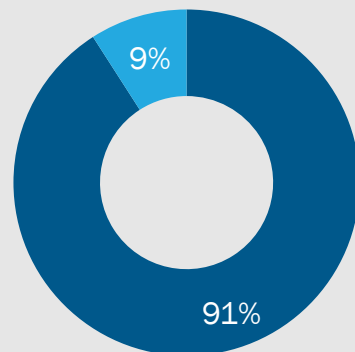
~1,400

Retail  
Stores

~1,300

Regional  
Stores

~5,100 Outlets in Tier 4 – Tier 6 Cities



### Sales Mix

- Tier 1-3 cities
- Tier 4-6 cities

# Investments in R&D and Manufacturing in place to Support Growth



~\$500M Invested in China's 3 Manufacturing and R&D Facilities

## Industry-Leading Technology

- Focus on quality excellence, safety and social responsibility
- Invest in digitalization and automation for productivity and profitable growth



Digitalization

Automation

Reliability Testing

# Executing a Clear Strategy

## Innovate and Expand

### Premium Residential Products

- Water heating
- Water treatment
- Kitchen appliances

### Whole-home HVAC Packaged System

### Technology

- Connected services (AI-LiNK)

### Commercial Product Opportunities

## Execute

### Premium Product Positioning

### Premium Customer Service

### Online to Offline Brand Convergence

# Innovative Core Product Offerings

## Water Heating



~60% of Water Heaters are Replacements

## Water Treatment



## Differentiated Features



8-year  
Warranty



Super  
Quiet  
Gas



Zero-cold  
Water  
Gas



Glassing  
Tank  
Electric

- Slim design electric wall-hung, extremely quiet and zero-cold-water gas tankless
- Soft-water-integrated gas tankless and combi-boilers



Hot  
Purified  
Water



Mom  
& Baby  
Care



Precise  
Display of  
Filter Life

- Large flow and hot water feature
- AI-LiNK connectivity to water treatment models with filter life display / calculation based on real water consumption
- Dual-function water purifier with 2 separate applications: drinking & cooking and washing dishes, vegetables, etc.

# Residential: Expanding into other Kitchen Appliance Categories as a Catalyst for Growth

## Innovative Products

### Range Hood

- Super quiet, super clean
- Top & side dual suction



2019

### Cook Tops

- High thermal output
- Precise temperature control



2019

### Steam Oven

- Dual-generator steam system
- 316 stainless steel tank

NEW



### Dishwasher

- Leading technology of bowl rotation
- 316 stainless steel tank

NEW



### Bundle Options

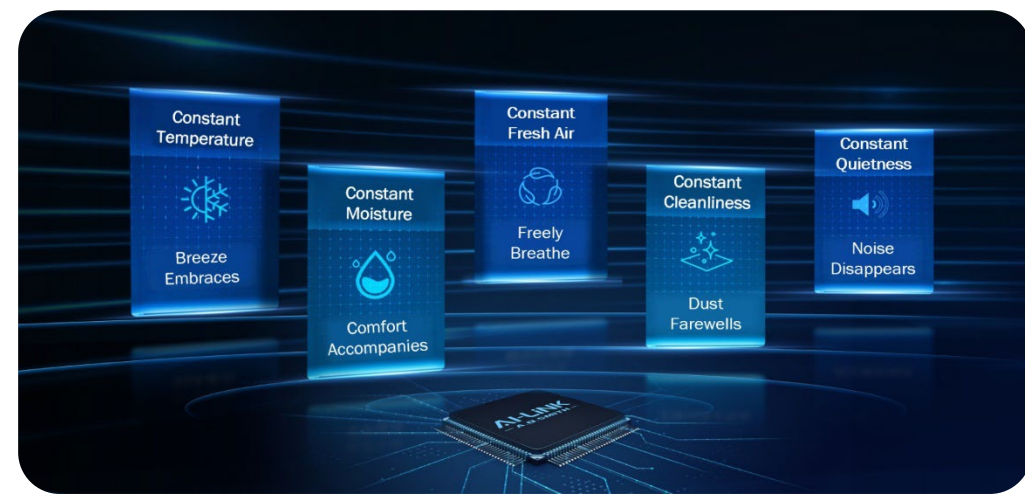


Leveraging Innovation Expertise Across New Premium Product Categories

# AI-LiNK Smart Home: “Good Air” HVAC System as a Solution

## Maximum Comfort and Most Efficient

- Customized, whole home packaged system that provides heating, cooling and fresh air
- A. O. Smith is single solution provider that designs, installs and services system – transforming to a system solutions provider
  - Comfort and energy efficiency with control of one digital display
  - Combi boiler
  - Heat pump
- Fresh air unit



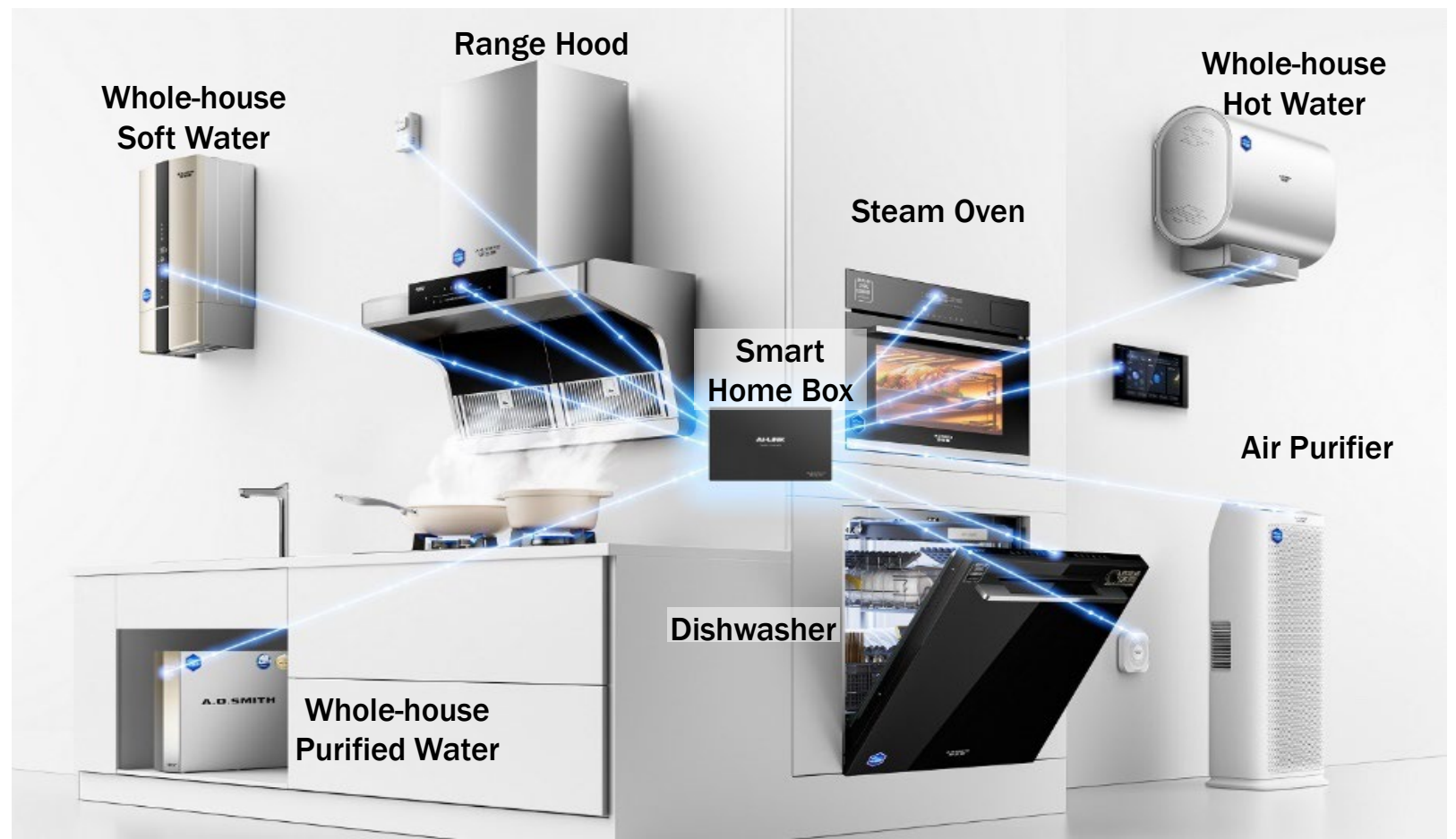
Annual Sales to Grow to \$100 Million by 2028, a 12% CAGR from 2023

# AI-LiNK Smart Home, Good Water System

*How A. O. Smith Will Own the Kitchen*

## AI-LiNK Smart Home

- AI-LiNK Technology (Power Line +Wi-Fi Dual-mode Connection)
- “Smart Home Box” creates a unique IOT system with enhanced safety and privacy protection
- Expand bundled offerings to drive growth and increase value to consumers



**AI-Link and Bundled Sales to Grow to \$100 Million by 2028, a 25% CAGR from 2023**



# Commercial Product Offerings are Catalysts for Growth

Water Treatment



Pre-Filter

Campus Product Line

Sparkling and Coffee Machine Solution

Annual Growth of 10-12%

Water Heating



EB Boiler

Gas Heater

Heat Pump-Hot Water

Heat Pump Heating

HB Condensing Boiler

AI-LiNK System

## Commercial Strategy

- Develop channels and win landmark projects to enhance brand influence
- Promote high efficiency condensing boiler and heat pump, with multi-energy management AI-LiNK smart system
- Focus on opportunities in the existing building renovation market
- Offer diversified water treatment solutions, catering to all scenarios

# Market Positioning AI-LiNK / A. O. Smith / Chanitex

Avg. Selling Price, Avg. Margin

**CHANITEX**  
佳尼特

Young, Stylish Brand

Mid-end

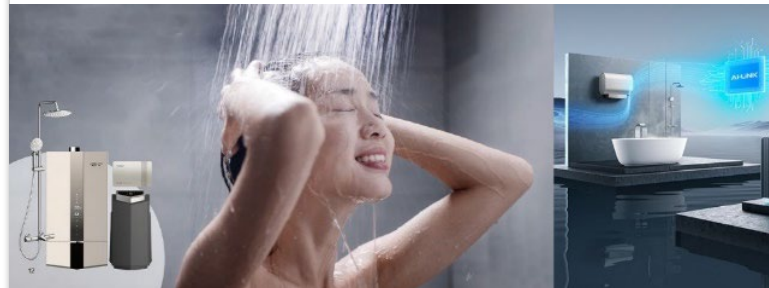


- Mid price positioning
- Good quality and mid-range features to attract younger generation / first-time buyers

**A.O.SMITH**  
史密斯

Best Product

Mid- to High-end



- Market-leading full range of products with differentiated features
- Uniform pricing across online and offline channels

**AI-LiNK**  
— A.O.SMITH —

Smart Linked Lifestyle

Premium



- Elevate our premium name
- Smart linked lifestyle with good air & water
- Professional one-stop solution provider

# Technology Drives Best-in-Class Customer Service



Design / Installation /  
After Service

- Digital tools to empower and manage the process of design, installation and after service
- Deliver high quality, turn-key system with customized solutions



Regional Materials Center

- Optimized warehouse, logistics, and fully barcode, visualized online system
- Provides full line of service parts to support premium services



A. O. Smith Industry College

- Established 2021, provides training to HVAC sales professionals, service technicians and onsite supervisors: supports AI-LiNK HVAC systems business
- Delivers premium customer solution for the HVAC system

**+7M**

Consumers Online

**6,000+**

Service Technicians

**4.2m**

Service Orders (2022)

**100K+**

President Hotline  
Messages

# Merge Online & Offline Brand Building to Complete the Sale

## Social Media Platform



Red



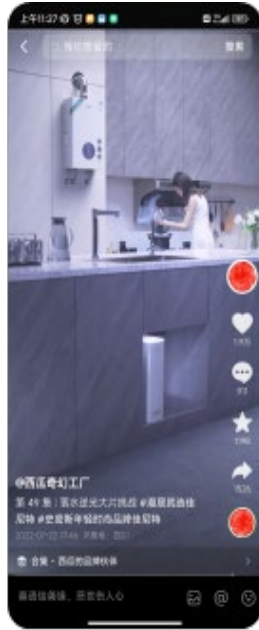
Tik Tok



Zhihu



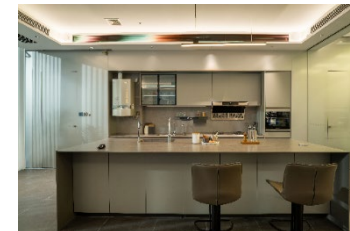
Bilibili



## Online-Offline Integration



## Offline Sales & Service



## Online & Offline Brand Building

- Cooperating with influencers for live-streaming and creating high-quality content
- Leveraging Tmall.com and JD online platforms to showcase A. O. Smith high-end offline products to achieve synergies through online-offline model

# Long-Term Growth Profile

## Path to \$1.1+ Billion Revenue and 15% Operating Margin in 2028



### 5 Year Revenue Growth Profile: 5% – 6%

#### Key Drivers

- Core business (residential water heating and water treatment) growth driven by new product introductions and project sales
- Expansion into targeted kitchen appliance adjacencies
- AI-LiNK technology
- Expand into higher growth and higher margin commercial business

### Margin Expansion: From 11% to 15%

#### Key Initiatives

- Leverage growth within current footprint
- Enhance premium brand via AI-Link and Best-in-Class service
- Annual cost reduction target \$5+ million



# Key Takeaways



Leading position in premium segment with growing replacement base and recurring filter revenue



Maintaining a balanced go-to-market channel strategy



Focusing on customer experience using digital selling and service tools



Capturing growth through new adjacencies and expanding commercial markets



Leveraging strong in-country market presence and brand recognition for sustainable, profitable growth

**Innovative Products and Best-in-class Customer Support Drive 5% – 6% CAGR Through 2028**

# Expanding Presence in India



Parag Kulkarni  
SVP and President, India

# Key Messages - India

1

Premium brand positioning and broad product portfolio

2

Positive market demographics present emerging opportunities

3

Deep industry knowledge and local market expertise

4

Strong channel relationships and broad distribution network drive market share

5

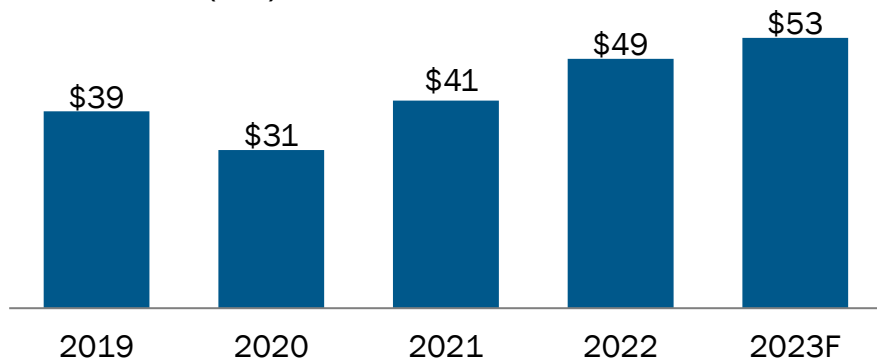
Near-term investments in innovative new products drive sustainable and profitable growth

Above Market Growth of 15% to 20% CAGR through 2028



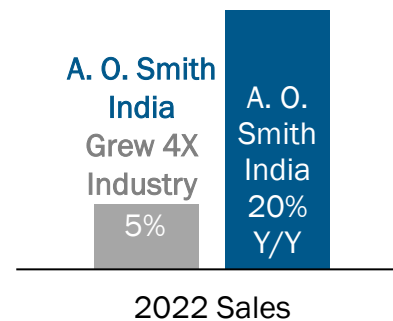
# India At-a-Glance

Revenue (\$M)



**12.6%**

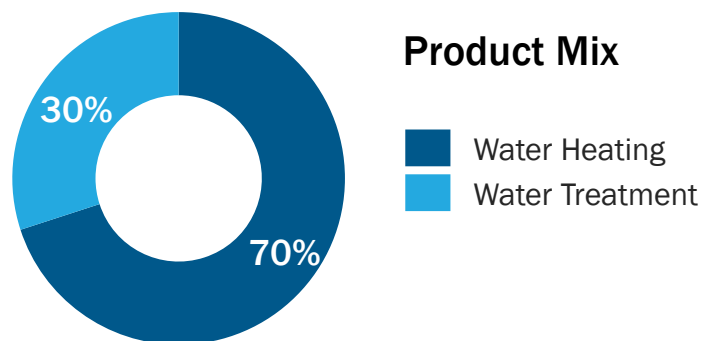
Revenue CAGR  
in local currency



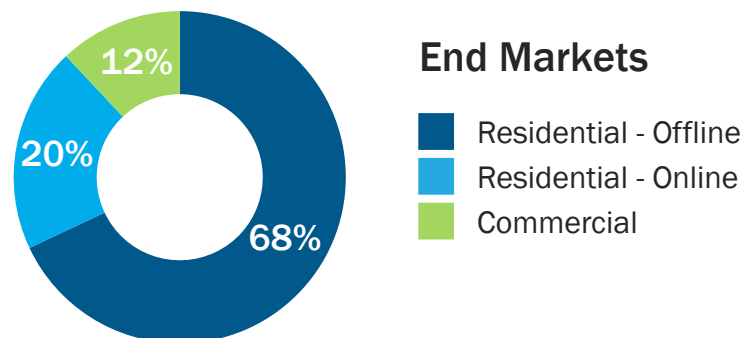
India's evolving demographics and economic transformation create significant growth opportunities

- GDP growth projected 6%+ in 2024
- \$5T economy by 2026
- Rapid urbanization
- Government-supported investments in infrastructure
- Innovative new products
- Premium, niche solutions
- Broad distribution network
- Ecommerce / digital consumption

Product Mix



End Markets



# Strong Brand and Broad Distribution

Water Heating



Water Treatment



National Retailers



Regional Retailers



## A. O. Smith India Channels

300 Distributors  
~13,000 Retailers

### Large Retailers

20 Chains

800 Stores

50 Commercial Dealers

### E-commerce

Flipkart Amazon

# Executing a Clear Strategy

## Innovate and Expand

### New Premium Products and Technology

- Residential water heating
- Residential water treatment

### Demand Creation

### Build Brand

- 360 engagement
- Accreditation / certification / service

### Channel Expansion

- Unique customer relationship platform
- Growing commercial channel

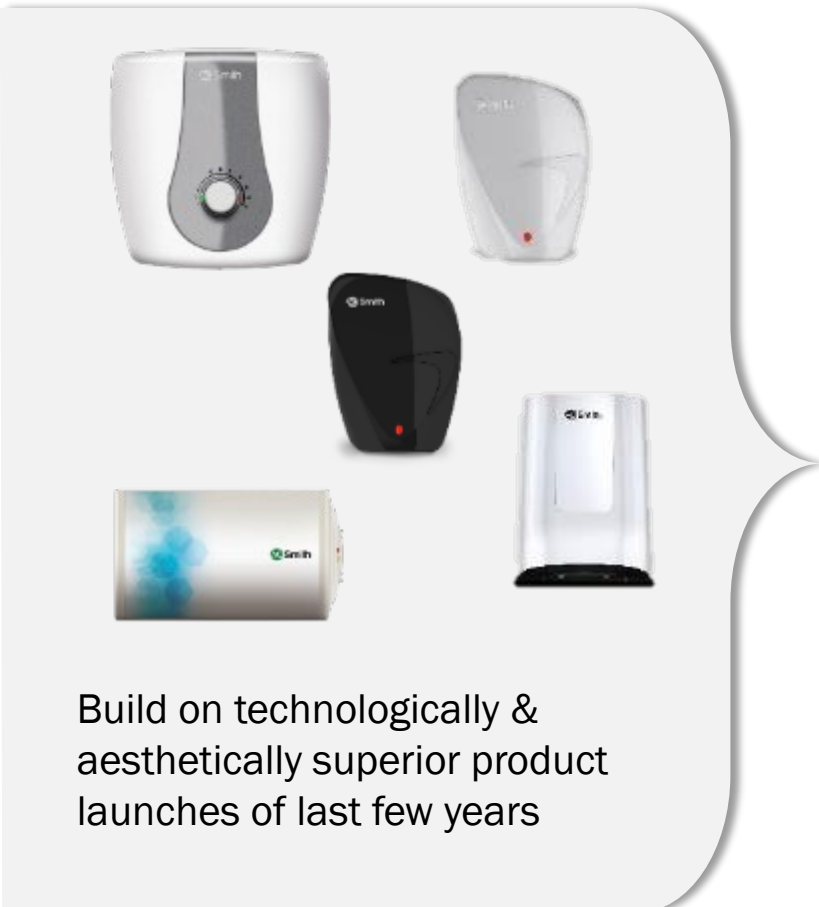
## Execute

### Best-in-Class Customer Experience

### Process and Platform Approach

# Residential Water Heaters – Innovation Raises the Bar in the Market

Value-added features including a longer life, energy savings & faster heating



“5-Star” Energy Star rated products despite revised energy star rating program



Premium value proposition through Blue Diamond & RRID technology



India’s First “Integrated Manifold” Connection



Integrated Manifold – Saves energy and easy to connect

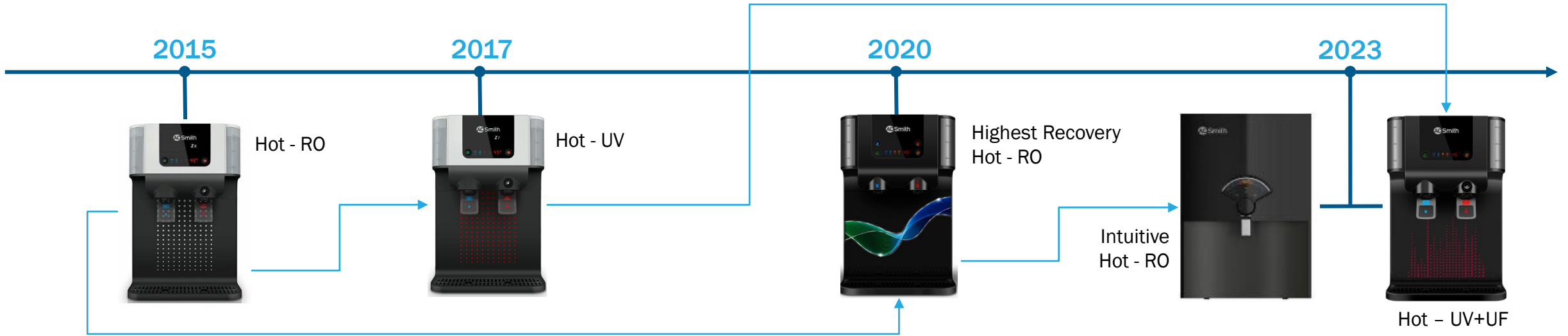


Premium, digital tankless products for high growth, niche markets

~30% of Sales from New Products

# Residential Water Treatment - Product Introductions

## Create New Trends in the Industry



## Create New Segments

Based on consumer needs (health needs, pregnant women, younger kids, older parents, tea / coffee etc.) with products like "Hot Water -RO"

~30% of Sales from New Products

# Demand Creation: Creating New Trends in the Market

## Hot is The New Healthy

- Hot as a unique consumer benefit
- Young, upwardly mobile, urban consumer family
- 7 offerings in 8 years
- Hot is the new healthy
- Health-conscious urban buyer



## Under the Counter, Over the Top

Growth in 3 Years  
~3X Unit

- Young, upwardly mobile, urban family
- Modern, minimalistic, modular, technologically advanced kitchen
- 4 products in 6 years



## Premium UV Range with Industry Firsts

Growth YOY  
~ 50%

- Sustainability driven premium offering to appeal to educated urban consumers
- Digitally advanced user interface
- Compact for new age homes



Creating Premium, Niche Segments within Water Treatment – Investing & Nurturing

# Building Brand Awareness through 360° Consumer Engagement

## Digital Outreach

- Social media
- Google platforms
- Precision targeting



## Print Advertisement

- Mass awareness
- Consumer offers

## E-Commerce Ads

- Conversion
- Speed of decision

## In Shop Branding

- Point of sale influencing




## Public Space Booths

- Brand building




# Building Brand Through Accreditation, Certification & Service

**India's Most Trusted Water Heater Brand 5<sup>th</sup> Time In A Row**



**THE POWER OF 5**

India's 1<sup>st</sup> Major Water Treatment Brand to get BIS Certification

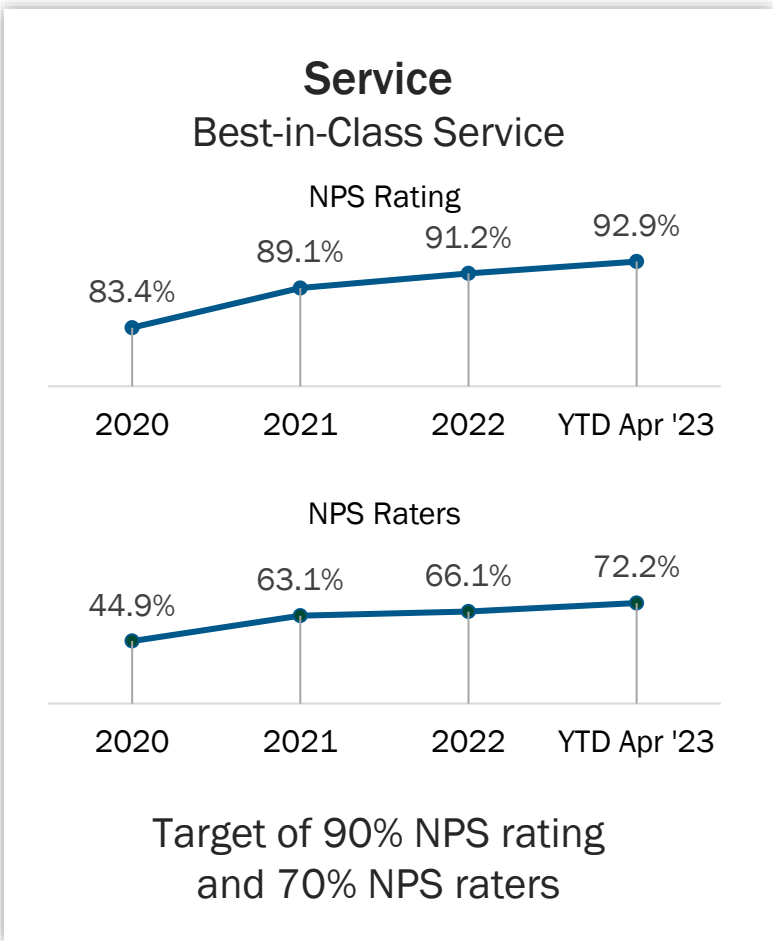


**One of the Highest Rated Brands on E-commerce Platform**

**40K+**  
Ratings & Reviews

~90% of ratings are 5-stars (maximum rating)

**Top Rated Product in Water Heating and Water Treatment**





# Channel Expansion through Strong Channel Relationships to Fuel Growth

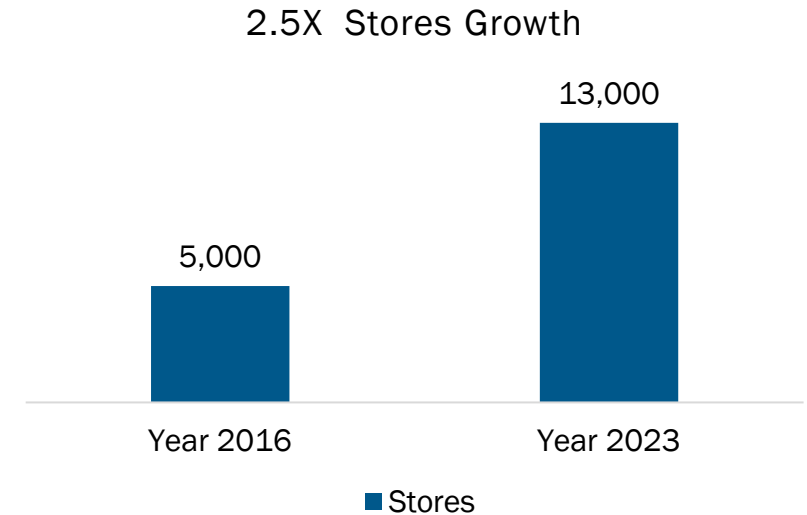
## A. O. Smith Top Customer Engagement Platform



- Annual event to award achievement, set future goals and aspirations
- Introduce new products and programs
- Build bonds between A. O. Smith and distributor network



## Store Focus



**Channel expansion supports strong foundation for sustainable growth**

# Growing Commercial Presence through Premium Value Proposition for Heat Pumps

## Heat Pumps



### Applications

- Top education institutes
- Villas, weekend retreats
- Healthcare facilities
- Green buildings
- Premium condominiums
- Corporate campuses
- Luxury hotels & resorts



# Leveraging Technology to Create Best-in-Class Consumer Experience

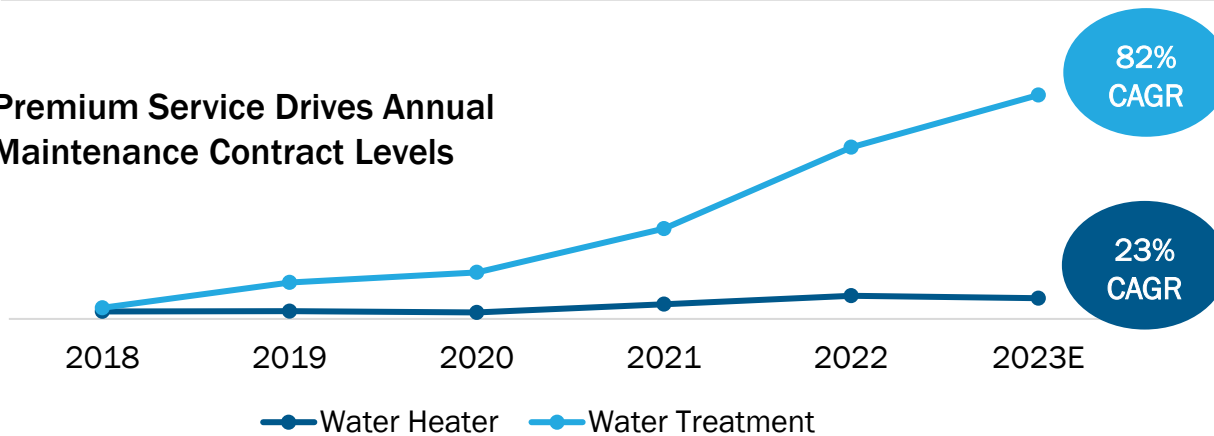
Raising The Bar on Customer Service with Superior Service Provider Training and Technology



## Human Touch — Delighting Customers

- 1200+ third party team members
- ~14K zip code coverage
- 365 days field operations
- Singular drive for Same Day Closure

## Premium Service Drives Annual Maintenance Contract Levels



## Digitization — The Way Forward

### Mobile Applications

- 24/7 consumer touch



### On-line AMC Purchase

- Convenience
- Genuine
- Higher margin



### Communication BOT

- 24/7 Customer support
- Better spike management



### Advanced CRM

- Same day closure
- Resource allocation

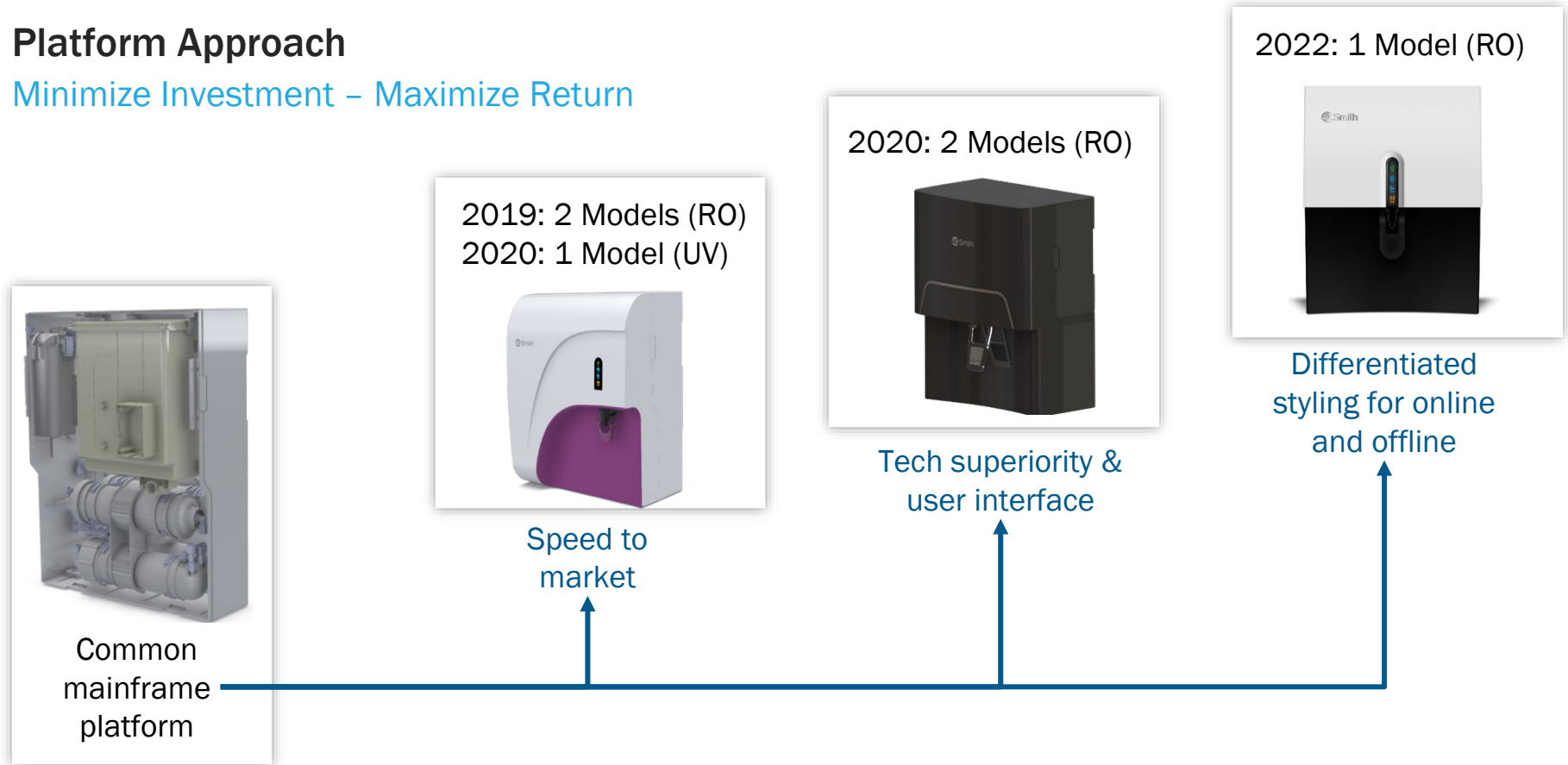


Best-in-Class Service, Cementing Premium Brand Imagery

# Process and Platform Approach Supports Product Introductions, Quality and Cost Position

## Platform Approach

Minimize Investment – Maximize Return



## Channel and Consumer Benefits:

- Speed to market of new products
- Improved technical support & user interface

## A. O. Smith Benefits:

- Common platform
- Improved manufacturability
- Minimizes tooling costs
- Improves quality

# Long-Term Growth Profile

## Targeting Growth of 15% - 20% through 2028



### 5 Year Revenue Growth Profile: 15% - 20%

#### Key Drivers

- New product introductions
- Best-in-Class Service
- Expand commercial presence
- Expand channel footprint with unique custom relationship platform

### Margin Profile: 3% - 5%

#### Key Initiatives

- Reinvest for growth
- Expand into commercial market and service
- Process and platform approach



# Key Takeaways – India



Premium brand positioning and broad product portfolio



Positive market demographics present emerging opportunities



Deep industry knowledge and local market expertise



Strong channel relationships and broad distribution network drive market share



Near-term investments in innovative new products drive sustainable and profitable growth

**Above Market Growth of 15% to 20% CAGR through 2028**

# Executing Clear Financial Priorities



Chuck Lauber

EVP and Chief Financial Officer

# Key Messages

1

Track record of delivering revenue and earnings growth

2

Industry-leading free cash flow conversion of 100%+

3

Balance and disciplined capital allocation approach for optimal returns

4

Strong balance sheet supports growth through strategic M&A

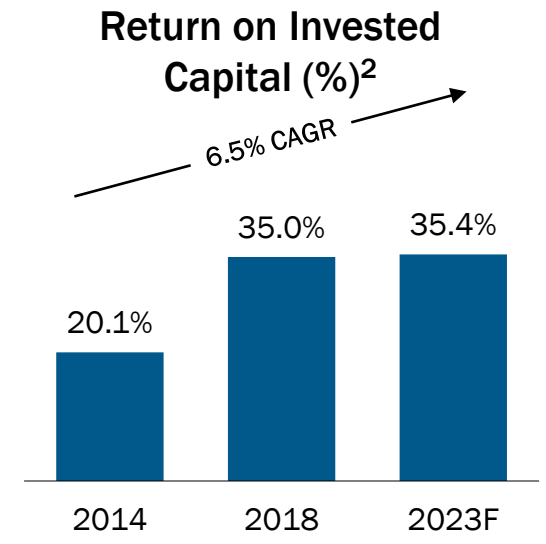
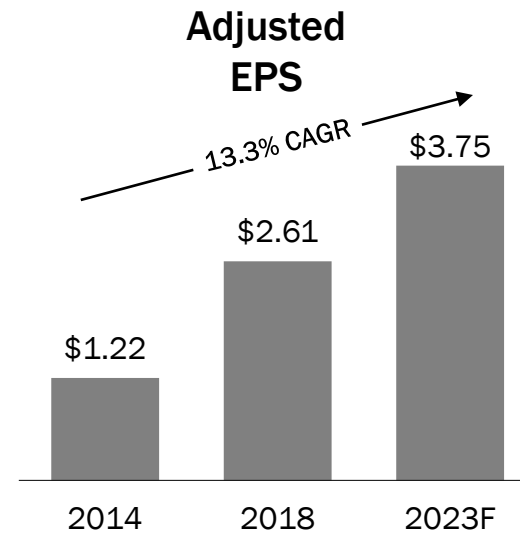
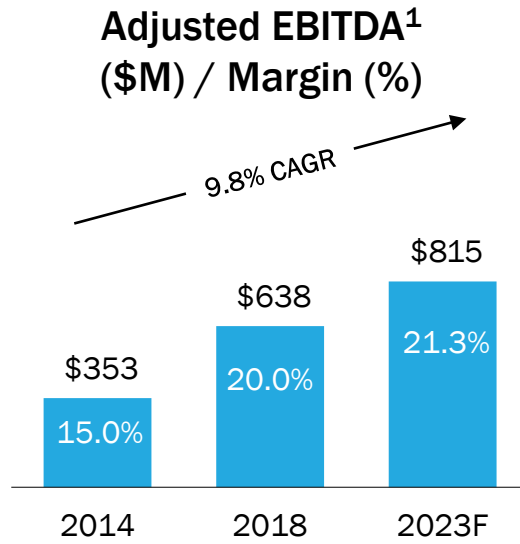
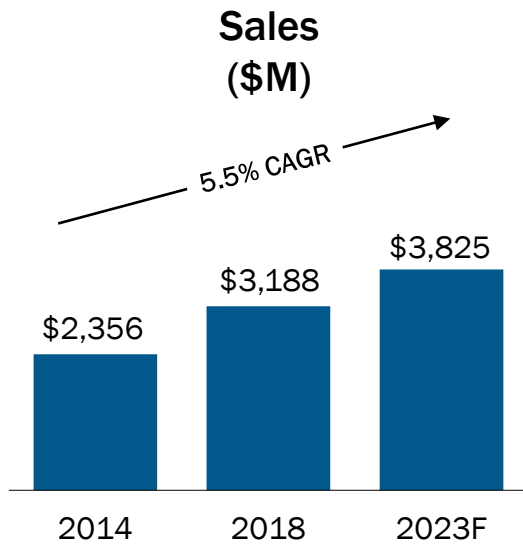
5

Clear strategy for long-term growth and value creation

**Above Market Growth and Strategic Capital Allocation Drives Shareholder Value**



# Strong Track Record of Delivering Financial Results



## Performance Drivers

### Historical Drivers

- Grew North America sales – from 69% to 75% of total sales
- Implemented price/cost actions
- Introduced new, innovative products
- Regulatory changes
- Invested in digital platforms
- Repurchased 40M+ shares
- Large base of repeatable replacement business in water heating and boilers

### Positioned for Future Performance

- Launch of internally-developed innovative tankless products
- Continued energy efficiency convergence in boiler market
- Organic and inorganic growth opportunities in water treatment
- Above market growth in India
- China positioned for growth
- Future regulatory changes

# Key Financial Objectives

## Volume



- Positive market dynamics
- Organic outgrowth driven by new products and regulatory change over time
- Strategic acquisitions will enhance growth

## Earnings per Share



- Operational excellence improves margins over time
- Share repurchases continue to contribute
- Strong EPS growth over cycle

## Cash Flow



- Expect strong cash flow and conversion to continue
- Continued focus on working capital management and asset efficiency
- Supports balanced capital allocation strategy

## Value-Creating Capital Allocation



- Investing in core business remains top priority
- Pay an attractive dividend; continue share repurchases
- Strategic acquisitions provide long-term value creating potential

# Resilient Business Model and Disciplined Capital Management Generate Best-in-Class Cash Flow

## 2019 – 2023F Cumulative Free Cash Flow (\$ in Millions)

|  |              |
|--|--------------|
| Sales  | \$17,006     |
| <b>Net earnings (excl 2022 pension settlement)</b> | <b>2,254</b> |
| D&A  | 383          |
| Working Capital                                    | 71           |
| Other  | (8)          |
| <b>Cash Flow from Operations</b>                   | <b>2,700</b> |
| Capital Expenditures                               | (331)        |
| <b>Free Cash Flow</b>                              | <b>2,369</b> |
| <b>FCF Conversion %</b>                            | <b>105%</b>  |

### “Annuity” Model

Consistent, recurring revenue stream

### Low Capital Intensity\*

Capital expenditures ~2% - 3% of annual revenue

### Strong Working Capital Management

Net working capital ~20% - 25% of annual revenue

### Leverage Opportunity

Allows for inorganic investments for long-term growth

# Capital Allocation Philosophy

## Strategic Investments

- ✓ **Organic Growth**  
Mix of Capex, R&D and new product development
- ✓ **M&A**  
Strategic M&A to drive shareholder value

## Returning Capital to Shareholders

- ✓ **Dividend**  
Annual dividend paid for last 82 years;  
annual dividend increased for past 30 years
- ✓ **Share Repurchases**  
Share repurchases has been and is expected to continue to be a key component of capital strategy<sup>1</sup>

Targeting Debt-to-Adjusted-EBIDTA of ~1.5-2x

# Investing in Core Remains Top Priority with Key Innovation and Growth Investments

## Capital Expenditures – target 2% - 3% of sales over the cycle

- Includes maintenance (~1% of sales)
- 2024-2025 Capital investments for growth (~\$85 million)
  - Commercial R&D engineering facility with testing capability – Lebanon, TN
  - Tankless manufacturing production – Juarez, MX
  - Heat pump production capacity expansion – Juarez, MX
  - Commercial water heating production capacity due to 2026 regulatory change

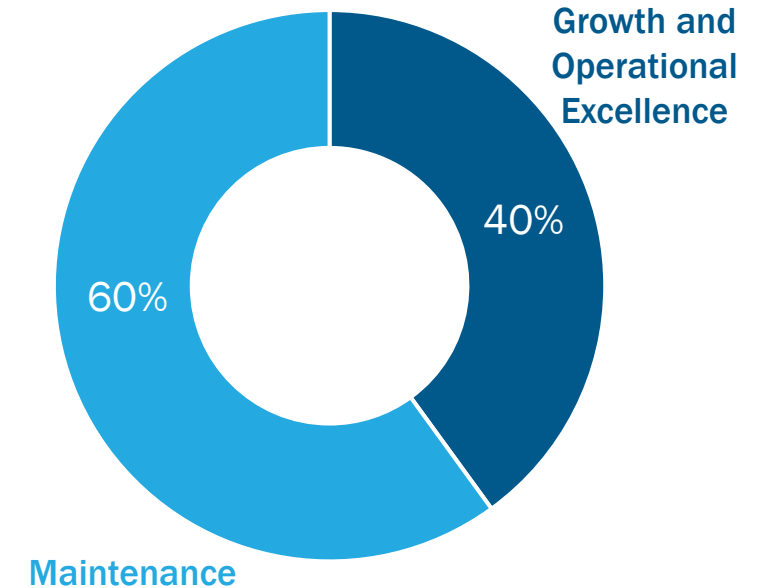
## R&D ~ \$90M annually

- Products / capabilities

## Operational Excellence and Channel Enhancement

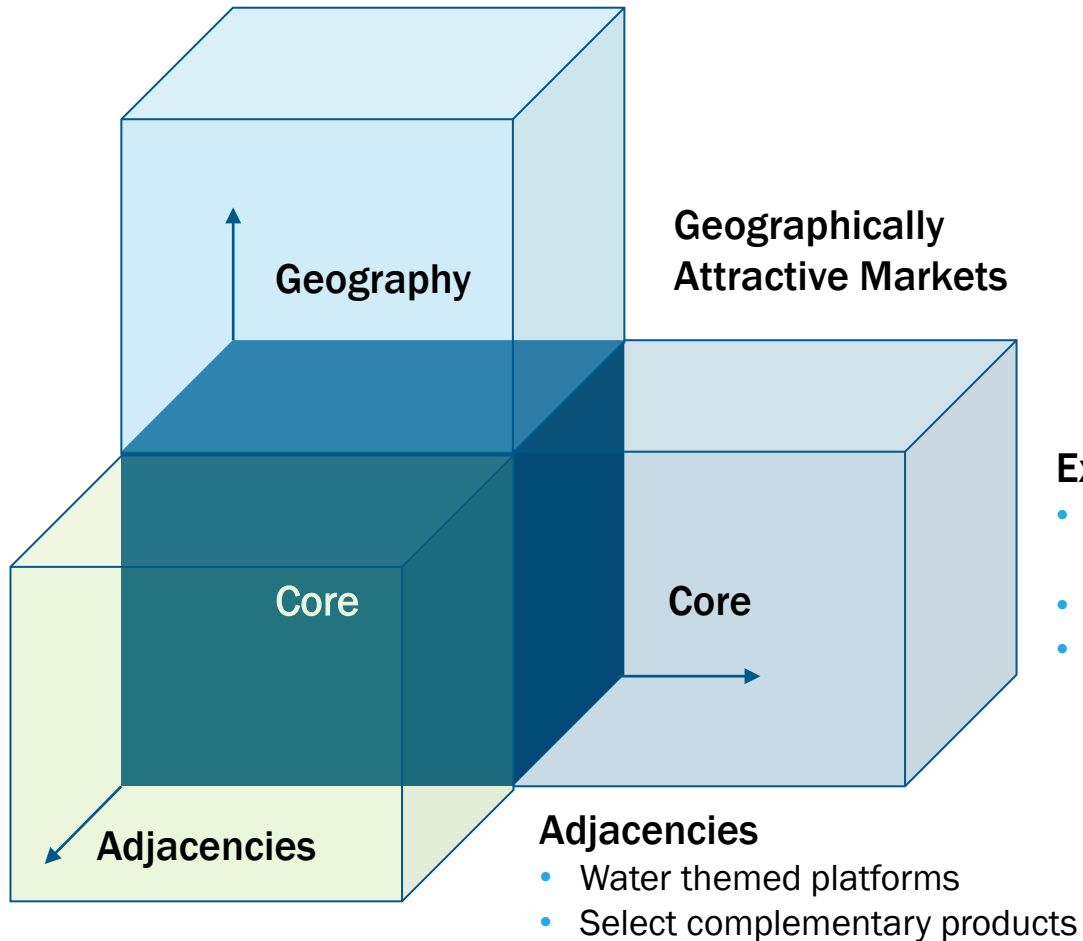
- Innovation in services, delivery, training and overall premium customer experience
- Channel expansion in India
- Efficiency and process improvement through A. O. Smith Operating System

## CapEx Target 2% - 3% of Annual Revenue



Best Use of Capital Expected to Produce Highest Risk-Adjusted Returns

# Strong Financial Position Supports Growth through Strategic M&A



## Strategic Fit

- Grow TAM
- Capitalize on megatrends
- Expand geographically
- New water themed platforms
- Grow / leverage existing capabilities and technology
- New or complimentary technology or innovation

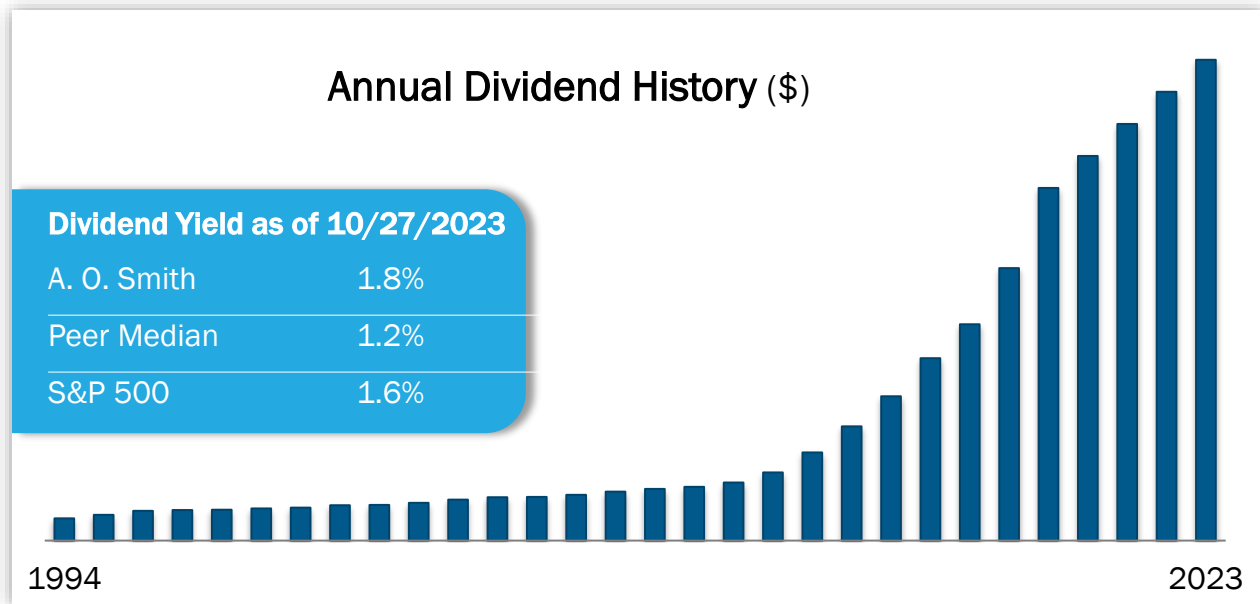
## Financially Attractive

- Accretive to EPS in the first year
- ROIC above cost of capital by the third year
- Meet risk adjusted IRR hurdle rates
- Accretive to growth or margin profile

# Returning Capital to Shareholders

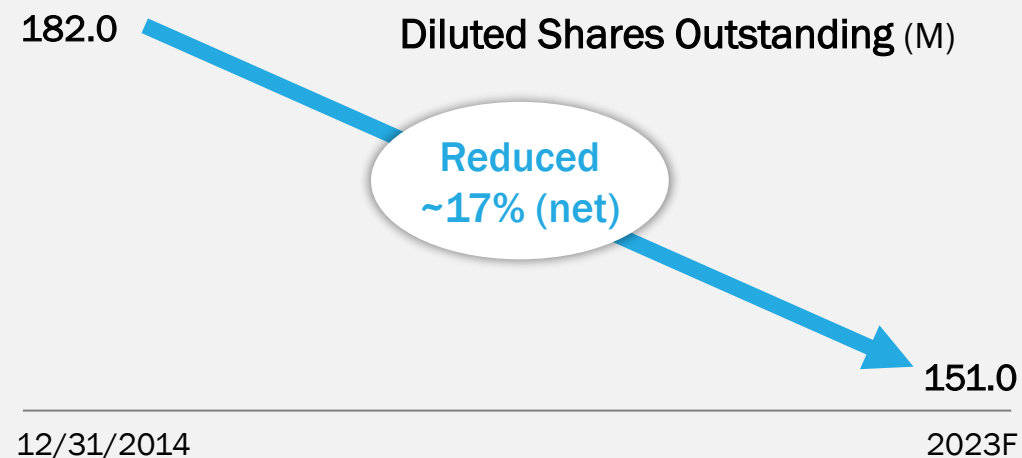
## Dividend Priorities

- Pay attractive dividend that grows with earnings
- Conduct peer analysis and assess yield / payout ratio
- Continued commitment to increasing dividend<sup>1</sup>



## Share Repurchase since 2014:

- Repurchased 41M+ shares for \$2.1B (~\$51/share)
- Diluted shares outstanding reduced ~17%<sup>2</sup>
- As of September 30, 2023: 5.5M shares remain under authorization
- Share repurchase expected to remain an important and attractive option<sup>1</sup>



**Dividend Aristocrat – Nearly 30 Consecutive Years of Dividend Increases**

# Delivering Sustainable Growth



|                   | North America   |   |   | Rest of World   |   | 2028   | 2029 |
|-------------------|---|---|---|---|---|--|------|
| 2023F             | Water Heating   | Boilers   | Water Treatment   | China   | India   |  |      |
| <b>CAGR</b>       | 4% - 5%   | 5% - 7%   | 15% - 17%   | 4% - 6%   | 15% - 20%   | Incremental  |      |
| <b>% of Sales</b> | 65%   | ~5% - 10%   | ~5% - 10%   | ~20% - 25%  | ~1%   |  |      |
| <b>Drivers</b>    | <ul style="list-style-type: none"> <li>• Industry unit growth + inflation</li> <li>• 2026 commercial regulations</li> <li>• Tankless market share</li> <li>• Residential mix</li> </ul> | <ul style="list-style-type: none"> <li>• Energy efficient market growth</li> <li>• Customized packages</li> <li>• Specified business</li> <li>• Training</li> </ul> | <ul style="list-style-type: none"> <li>• Dealer / D2C / e-commerce</li> <li>• Geographic expansion</li> <li>• Portfolio mix</li> <li>• Strategic M&amp;A</li> </ul> | <ul style="list-style-type: none"> <li>• Core business</li> <li>• New kitchen categories</li> <li>• AI-LiNK technology</li> <li>• Commercial opportunity</li> </ul> | <ul style="list-style-type: none"> <li>• New products</li> <li>• Channel expansion</li> <li>• Premium service</li> <li>• Commercial market</li> </ul> | <ul style="list-style-type: none"> <li>• Strategic M&amp;A</li> <li>• Proposed 2029 regulatory changes in residential water heating</li> </ul> |      |



# Clear Strategy for Long-Term Value Creation Goals\*

Revenue



**5% - 6%**

Annual growth

Plus fire power to accelerate growth through strategic acquisitions

Earnings  
per Share



**7% - 9%**

Adjusted EPS CAGR

- North America margin growth ~150 bps<sup>1</sup>
- Rest of World margin growth ~400 bps<sup>2</sup>
- Share repurchase to contribute 1% - 2%<sup>3</sup>

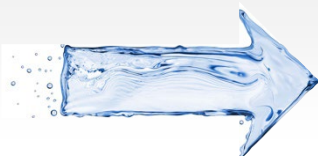
Cash Flow



**>100%**

Free cash flow conversion

Value-Creating  
Capital Allocation



**Target Leverage: ~1.5x - 2x Net Debt-to-Adjusted EBITDA**

Acquisitions that meet financial criteria

Pay an attractive dividend, continue share buybacks and ROIC above 30%<sup>4</sup>

\*2024-2028 timeframe – Growth rate is organic, except North America Water Treatment growth targeted at 15% - 17% which includes ~5% growth from acquisitions;

<sup>1</sup>Margin expansion versus 2023F exit rate of 24%; <sup>2</sup>Margin expansion versus 2023F of 10%; <sup>3</sup>Subject to ongoing board approval; <sup>4</sup>ROIC defined as ANOPAT divided by average invested capital net of cash

# Key Takeaways



Track record of delivering revenue and earnings growth



Industry-leading free cash flow conversion of 100%+



Balance and disciplined capital allocation approach for optimal returns



Strong balance sheet supports growth through strategic M&A



Clear strategy for long-term growth and value creation

**Above Market Growth and Strategic Capital Allocation Drives Shareholder Value**

# Closing Remarks



Kevin J. Wheeler  
Chairman and Chief Executive Officer

# Powerful Investment Thesis

1

Leading with innovative products that drive technology and meet sustainability needs

2

Capitalizing on global megatrends in a large and growing market supported by regulatory changes

3

Leading North American water heater and boiler producer with stable and consistent replacement demand

4

Compelling brand awareness in emerging markets with attractive growth and margin expansion opportunities

5

Leveraging strong balance sheet for organic and inorganic growth while returning capital to shareholders



**150**  
**years**  
**of innovation**

## Where water flows – our legacy grows

The 150<sup>th</sup> anniversary of A. O. Smith will acknowledge our rich history and celebrate our future among global employees, Smith family members, elected officials, our community and customers around the world.

### Our year-long celebration will:

- instill pride in the company
- emphasize our good name and values
- showcase our ongoing commitment to innovation and growth
- elevate our strength as a leading global water technology company

# Q&A



# Speaker Bios



## Speaker Bios



**Kevin J. Wheeler**  
Chairman and Chief  
Executive Officer

Kevin Wheeler was named chairman of the A. O. Smith Corporation board of directors on May 1, 2020. He was named president and chief executive officer on September 1, 2018 – the 10th chief executive officer in the company’s history. He has responsibility for the company’s global operations, as well as strategy development and implementation, profitability and shareholder returns.

Prior to becoming CEO, Kevin was president and chief operating officer from June 2017. In this role, he was responsible for A. O. Smith’s global water heater and boiler operations as well as its global water treatment business. He also oversaw the company’s global research and information technology functions. Kevin was elected to the A. O. Smith board of directors in July 2017.

Kevin joined A. O. Smith in 1994 as a regional sales manager for the former Water Products Company. In 1999, he was named managing director of A. O. Smith Water Products Company B.V., headquartered in Veldhoven, the Netherlands. In that role, he was responsible for the company’s water heater business in Europe and the Middle East. He returned to the U.S. in 2004 to serve as vice president-international with responsibility for all European and Asian operations. During this time, the company expanded its business in China and began evaluation of the India residential water heater market.

In 2007, Kevin was named senior vice president and general manager of the U.S. retail business for the Water Products Company. In that position, he oversaw all aspects of the U.S. retail business including sales, marketing, manufacturing, product engineering, and customer service. In 2011, he was named senior vice president and general manager of A. O. Smith’s largest operating unit – the North America, India and Europe water heating business – and became president of that business in 2013. Kevin began his career in 1984 at Hoyt Water Heater Company. He also held sales management positions at Bradford White Corporation and American Water Heater Company.

Kevin is a member of the Manufacturers Alliance Board of Trustees. He has served as chairman and an at-large director of the Air-conditioning, Heating, and Refrigeration Institute (AHRI). He is a director of Graco Inc. (NYSE: GGG). He is a graduate of the University of Nevada, Reno and the Advanced Management Program at Harvard University.



## Speaker Bios



**Chuck Lauber**  
EVP and Chief  
Financial Officer

Chuck Lauber was named executive vice president and chief financial officer of the company in May 2019. He is responsible for all financial functions of the company including treasury, controllership, cash management, and investor relations.

Chuck joined A. O. Smith as corporate director of tax and audit in December 1999. He was named vice president and controller of the former Electrical Products Company division in 2001 and was named vice president – global finance for Electrical Products in 2004. In 2006, he was promoted to senior vice president and group chief financial officer for the Water Products Company division.

Chuck was named to the newly created position of senior vice president – strategy and planning in January 2013 and assumed the position of senior vice president - strategy and corporate development in March 2013.

Before joining A. O. Smith, he held a number of auditing and management positions with Ernst & Young from 1984 to 1999.

He serves on the board of directors of the National Association of Manufacturers (NAM) and H.B. Fuller.

Chuck earned a BS in accounting from the University of Wisconsin-Whitewater and an MBA from Kellogg School of Management at Northwestern University.

## Speaker Bios



**David R. Warren**  
SVP and President,  
North America Water  
Heating

Dave Warren was named president and general manager of the North America Water Heating business unit in July 2017. In this role, Dave has profit and loss responsibility for the 10 brands that make up the operation. He oversees the unit's 4,860 employees at facilities in the U.S., Canada and Mexico.

Dave last served as vice president of the India, Europe and export businesses, overseeing the company's international water heater operations in Europe, and water heater and water treatment operations in Turkey and India. He also was responsible for the company's export water heater activities.

He joined A. O. Smith in 1989 as a wholesale sales coordinator and was promoted to district manager of the South Texas District. In 1999, he was named a regional sales manager for the South-Central Region. In 2002, he became director of Reliance retail water heater sales. In 2004, Dave was named managing director of the company's Veldhoven operation with responsibility for the European and Middle Eastern markets and export water heater sales.

Dave is a graduate of the University of Minnesota with a BA in sales and marketing and has taken courses in international business from Franklin University-Switzerland in Lugano, Switzerland.

## Speaker Bios



**Steve O'Brien**  
SVP and President,  
Lochinvar

Stephen O'Brien was named senior vice president of A. O. Smith Corporation and president of Lochinvar, LLC in April 2022. He joined Lochinvar as chief operating officer in August 2021, overseeing the engineering, manufacturing, quality, sales, marketing and business development functions.

Steve originally joined the company in 1997 as sales engineer for A. O. Smith Electrical Products Company, where he steadily progressed through sales and marketing roles, until being named senior vice president & general manager – HVAC, Hermetic and Appliances in 2008.

When Electrical Products Company was sold to Regal Beloit in 2011, he served as their acquisition integration leader and vice president & business leader, responsible for the P&L of the Marathon and Century Commercial Motor Business for four years. In 2015, he joined Mitsubishi Electric Cooling & Heating where he was instrumental in transforming the channel strategy through the formation of the Mitsubishi Electric Trane joint venture. He became senior vice president of the residential and commercial businesses and led the creation of strategies and programs resulting in significant revenue and net profit growth.

Steve earned his MBA from the University of Dayton and BA in mathematics and computer science from the State University of New York – Potsdam.

## Speaker Bios



**D. Samuel Karge**  
SVP and President,  
North America Water  
Treatment

Sam Karge was named senior vice president of A. O. Smith Corporation & president – North America Water Treatment on September 1, 2018. He joined A. O. Smith in March 2018 as president of the newly created North America Water Treatment business unit. In this position, he has profit and loss responsibility for the unit, which consists of A. O. Smith-branded water treatment products for North America, and the Aquasana, Hague, Master Water Conditioning, Atlantic Filter and Water-Right lines.

Sam joined A. O. Smith after serving as vice president sales & marketing for Zurn Industries of Milwaukee, part of the Rexnord Water Management Platform from April 2016 until March 2018. Prior to that, Sam worked at Pentair Residential Filtration of Milwaukee, holding positions in platform management and marketing management. He also held the positions of vice president global marketing and director of global marketing & product management. From 2001 until 2008, he worked at GE Water and Process Technologies, with roles in global marketing and sales, product management, and new product development. Sam began his career as a marketing manager with Osmonics, Inc. of Milwaukee.

Sam holds a BS in communications and advertising with an emphasis in engineering from the University of Wisconsin-Madison. He currently serves as the vice president of the Water Quality Research Foundation. Previously, he was a member of the board of directors of the Water Quality Association from 2007 until 2016 and served as the association president during the 2014-2015 term. He also chaired the association's Government Relations Committee and the Convention Committee. Sam received the Water Quality Association's Hall of Fame Award in 2017, the highest award presented by the organization. He also is a 2009 recipient of a Key Award from the WQA.

## Speaker Bios



**Jack Qiu, PhD**  
SVP and President,  
China

Jack Qiu was named senior vice president of A. O. Smith corporations and president – A. O. Smith China in October 2020. He has profit and loss responsibility for A. O. Smith’s water heating and water treatment business in China, based in Nanjing and Lishui, and he oversees the company’s strategic growth in the region.

Prior to his promotion in October 2020, Jack served as managing director of the A. O. Smith (China) Water Products Co., Ltd., driving growth of the Company’s traditional gas water heater business and expansion of the combi boiler line. As general manager for residential gas water heaters, Jack played an integral leadership role in growing net sales for the segment from \$26 million to \$255 million over his 2008-2018 tenure, which also included construction of a state-of-the-art 960,000 sq. ft. manufacturing and research facility, opened in 2013. He first joined A. O. Smith in 2003 as deputy general manager of product engineering, leading the team’s new product development process, continuous quality improvement efforts and pre- and after-sale technical support functions.

In the years preceding, Jack led a 30-person engineering team for York’s air conditioning and refrigeration unit, developing technologies in slim ducting, dual-fan water cooling and heat pumps for residential and commercial products. He began his career as a design engineer and project manager with Royal Service Air Conditioning, designing and leading the implementation of commercial HVAC infrastructure for clients such as Maxwell House and Amway.

Jack holds a BS in HVAC from Tsinghua University, a MS in power engineering from South China University of Technology and a PhD in engineering thermophysics from Southeast University.

## Speaker Bios



**Parag Kulkarni**  
SVP and President,  
India

Parag Kulkarni was named senior vice president-international and president of A. O. Smith India Water Products Private Limited, in September 2022, with profit & loss responsibility for the Company's operations in India, Vietnam, Europe, the Middle East and Africa.

As managing director of A. O. Smith India Water Products Private Limited since April 2015, Parag led the company to market-leading positions in India's water heating and water purifying categories. Under his leadership, A. O. Smith India has been recognized as the country's Most Trusted Brand for water heaters each year since 2019 and received certification as a Great Place to Work twice. In addition, the India team has been recognized internally for product innovation, environmental initiatives and workplace safety.

Parag came to A. O. Smith after 22 years with Wipro Limited, a leading technology services and consulting company, growing from a territory sales lead to senior vice president & business head for Wipro's commercial lighting and consumer care group. He began his career as a senior sales engineer with Atlas Copco India, a manufacturer of compressors, vacuum solutions, generators, pumps, power tools and assembly systems.

Parag was named one of the 50 Most Impactful Leaders in Global Water Management in 2017, among India's Best Leaders in Crisis in 2021 for managing the company through the global pandemic, and one of the country's Most Trusted CEOs in 2017, following the successful expansion of the water purification business. He earned his BE in mechanical engineering from the Government Engineering College in Jabalpur and an MBA in business management from Pune's Institute of Management Development. He also completed McGill University's Executive Leadership Experience.

## Speaker Bios



**Helen E. Gurholt**  
VP, Investor Relations  
and FP&A

Helen Gurholt, vice president – investor relations and financial planning and analysis, is responsible for investor relations, financial planning and analysis for the company. She also oversees the treasury and insurance functions.

Helen joined A. O. Smith as accounting supervisor in 2002. She was promoted several times to roles with increasing responsibilities, to director of accounting in July 2013 and vice president & controller in May 2019.

Helen is a member of the Manufacturers Alliance Investor Relations Council and the National Investor Relations Institute (NIRI). She serves on the Executive Council of the board of directors of the Wisconsin Policy Forum. Helen also serves on the board of directors of Milwaukee Women inc. and the American Red Cross of Wisconsin Southeast Chapter.

Helen earned her bachelor's degrees in business administration and Spanish from the University of Wisconsin-Milwaukee and is a certified public accountant.

# Financial Appendix





## Reconciliation of reported earnings before provision for income taxes to total segment earnings (non-GAAP) and adjusted segment earnings (non-GAAP):

| (\$millions)   | 2019            | 2020            | 2021            | 2022            | 2023F           |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|
| <b>Earnings Before Provision for Income Taxes (GAAP)</b> | \$ 472.1        | \$ 443.9        | \$ 625.6        | \$ 223.7        | \$ 735.0        |
| Add: Corporate expense <sup>(1)</sup>                    | 46.0            | 52.0            | 52.1            | 128.9           | 60.0            |
| Add: Interest expense                                    | 11.0            | 7.3             | 4.3             | 9.4             | 11.0            |
| <b>Total Segment Earnings (non-GAAP)</b>                 | <b>\$ 529.1</b> | <b>\$ 503.2</b> | <b>\$ 682.0</b> | <b>\$ 362.0</b> | <b>\$ 806.0</b> |
| North America <sup>(2)</sup>                             | \$ 488.9        | \$ 503.5        | \$ 590.8        | \$ 266.0        | \$ 721.0        |
| Rest of World <sup>(3)</sup>                             | 40.2            | -               | 91.4            | 96.3            | 85.0            |
| Intersegment earnings elimination                        | -               | (0.3)           | (0.2)           | (0.3)           | -               |
| <b>Total Segment Earnings (non-GAAP)</b>                 | <b>\$ 529.1</b> | <b>\$ 503.2</b> | <b>\$ 682.0</b> | <b>\$ 362.0</b> | <b>\$ 806.0</b> |
| <b>Additional Information</b>                            |                 |                 |                 |                 |                 |
| (1) Corporate Expenses                                   | (46.0)          | (52.0)          | (52.1)          | (128.9)         | (60.0)          |
| Pension settlement expense (income)                      | -               | -               | -               | 70.5            | (1.0)           |
| Impairment expense                                       | -               | -               | -               | -               | 3.1             |
| Pension (income) expense                                 | -               | -               | (2.6)           | 2.0             | -               |
| Terminated acquisition-related expenses                  | -               | -               | -               | 4.3             | -               |
| <b>Adjusted Corporate expense (non-GAAP)</b>             | <b>(46.0)</b>   | <b>(52.0)</b>   | <b>(54.7)</b>   | <b>(52.1)</b>   | <b>(57.9)</b>   |
| (2) North America  | 488.9           | 503.5           | 590.8           | 266.0           | 721.0           |
| Pension settlement expense (income)                      | -               | -               | -               | 346.8           | (5.0)           |
| Pension (income) expense                                 | -               | -               | (10.5)          | 9.7             | -               |
| Legal judgment income                                    | -               | -               | -               | (11.5)          | -               |
| Severance and restructuring expenses                     | -               | 2.7             | -               | -               | -               |
| <b>Adjusted North America (non-GAAP)</b>                 | <b>488.9</b>    | <b>506.2</b>    | <b>580.3</b>    | <b>611.0</b>    | <b>716.0</b>    |
| (3) Rest of World  | 40.2            | -               | 91.4            | 96.3            | 85.0            |
| Impairment expense                                       | -               | -               | -               | -               | 12.5            |
| Severance and restructuring expenses                     | -               | 5.0             | -               | -               | -               |
| <b>Adjusted Rest of World (non-GAAP)</b>                 | <b>40.2</b>     | <b>5.0</b>      | <b>91.4</b>     | <b>96.3</b>     | <b>97.5</b>     |

# Reconciliation of Reported Cash Flow from Operating Activities to FCF (Non-GAAP)

| (\$millions)                                 | 2019   | 2020   | 2021   | 2022   | 2023F  |
|--|--------|--------|--------|--------|--------|
| Cash provided by operating activities (GAAP) | \$ 456 | \$ 562 | \$ 641 | \$ 391 | \$ 650 |
| Less: Capital Expenditures                   | (64)   | (57)   | (75)   | (70)   | (65)   |
| Free cash flow (non-GAAP)                    | \$ 392 | \$ 505 | \$ 566 | \$ 321 | \$ 585 |

# Reconciliation of Earnings Before Provision for Income Taxes to Adjusted EBITDA (Non-GAAP)

| (\$millions)                                      | 2014          | 2018          | 2023F         |
|---|---------------|---------------|---------------|
| Earnings before provision for income taxes (GAAP) | \$ 287        | \$ 558        | \$ 735        |
| Add: Depreciation and amortization expense        | 60            | 72            | 70            |
| Add: Interest expense                             | 6             | 8             | 10            |
| Add: Pension settlement expense                   | -             | -             | -             |
| <b>Adjusted EBITDA (non-GAAP)</b>                 | <b>\$ 353</b> | <b>\$ 638</b> | <b>\$ 815</b> |

# Reconciliation of EPS to Adjusted EPS (Non-GAAP)

|                                       | 2014    | 2018    | 2023F   |
|---------------------------------------|---------|---------|---------|
| Diluted EPS (GAAP)                    | \$ 1.14 | \$ 2.58 | \$ 3.68 |
| Impairment Expense                    | -       | -       | 0.10    |
| Pension Settlement Costs (Income)     | 0.08    | -       | (0.03)  |
| Restructuring and impairment expenses | -       | 0.03    | -       |
| Adjusted EPS (non-GAAP)               | \$ 1.22 | \$ 3.61 | \$ 3.75 |