

First Quarter 2023 Results

Participants



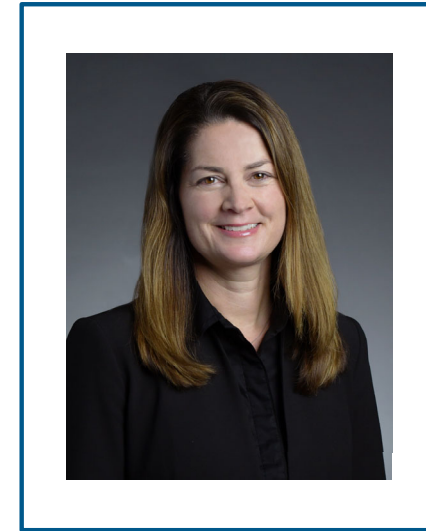
Kevin J. Wheeler

Chairman and
Chief Executive Officer



Charles T. Lauber

Executive Vice President
and Chief Financial Officer



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Vice President - Investor Relations,
Financial Planning & Analysis

Forward Looking Statements

This presentation contains statements that we believe are “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements generally can be identified by the use of words such as “may,” “will,” “expect,” “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: further 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 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 conflict in Ukraine; potential weakening in the high-efficiency 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. Forward-looking statements included in this presentation are made only as of the date of this presentation, and the Company is under no obligation to update these statements to reflect subsequent events or circumstances. All subsequent written and oral forward-looking statements attributed to the Company, or persons acting on its behalf, are qualified entirely by these cautionary statements. This presentation contains certain non-GAAP financial measures as that term is defined by the SEC. Non-GAAP financial measures are generally identified by “Adjusted” (Adj.) or “Non-GAAP.”

First Quarter Messages

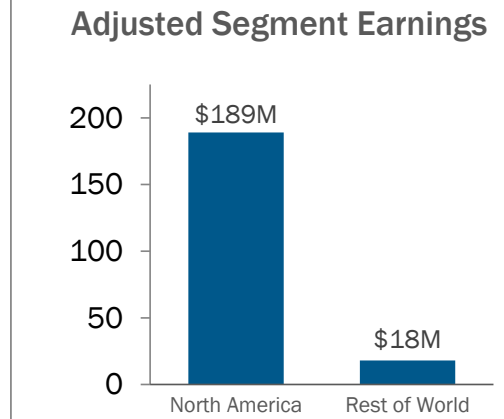
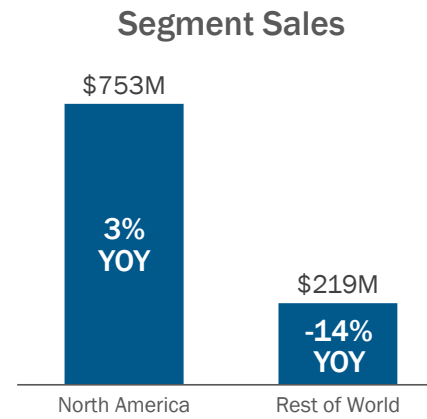
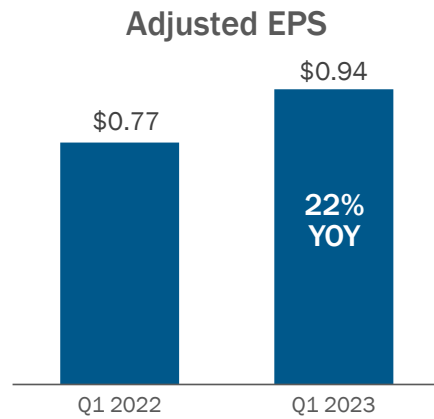
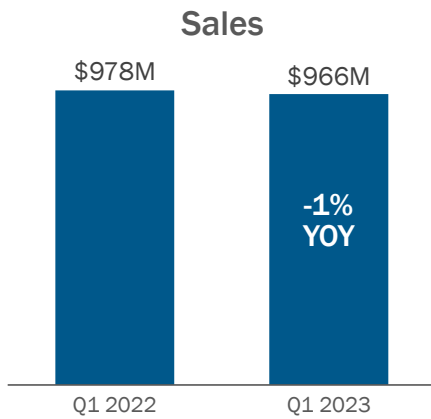
Sales of \$966M
and record
adjusted EPS of
\$0.94

Higher North
America sales due
to strong demand
for commercial
and residential
water heaters

Strong North
America margins
driven by water
heater volumes
and lower steel
costs

Sales in India grew
28% and China
showed consistent
performance

First Quarter Performance and Highlights



Highlights

- Net sales down 1 percent to \$966M
- Adjusted EPS up 22 percent to a record \$0.94

North America

- Sales up 3 percent due to higher commercial and residential water heater volumes
- Segment margin increased 400 bps to 25.1 percent

Rest of World

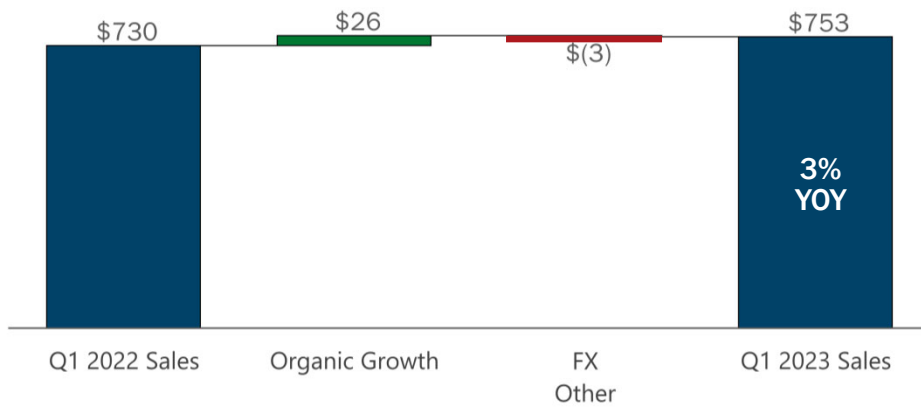
- 14 percent sales decrease due to expected headwinds in China; sales down 8 percent in local currency
- India sales increased 28 percent in local currency

Our Commitment to Sustainability

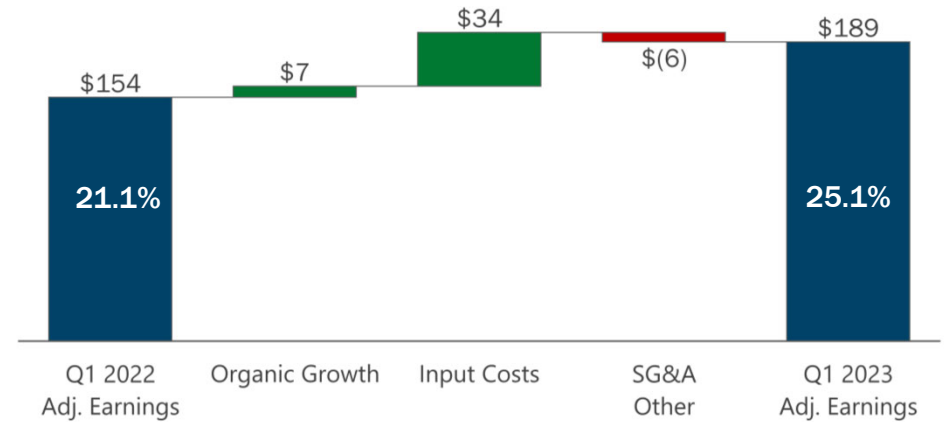


First Quarter North America Segment

Segment Sales (\$M)



Adjusted Segment Operating Earnings (\$M)

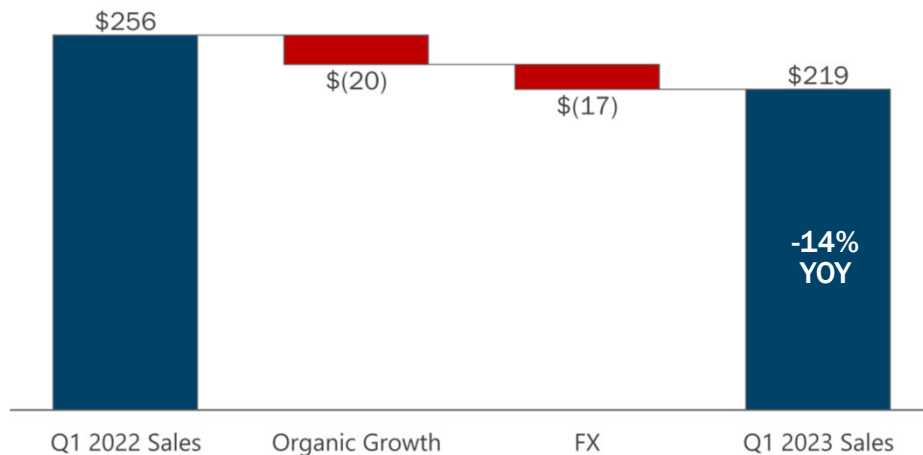


- Sales increased primarily due to higher commercial and residential water heater volumes
- Lower pricing partially offset higher volumes

- Earnings increased due to higher water heater volumes and lower steel costs
- Margin improvement driven by improved price/cost relationship

First Quarter Rest of World Segment

Segment Sales (\$M)



Adjusted Segment Operating Earnings (\$M)



- Lower volumes in China due to consumer demand headwinds; currency translation reduced sales by \$17 million
- India sales increase ~28% in local currency due to robust demand for new products

- Income lower due to YOY volumes declines partially offset by lower selling costs in China
- Operating margin expected to improve sequentially through the year

Cash Flow and Liquidity¹

\$496M

Cash balance²

16.0%

Debt to
capital ratio

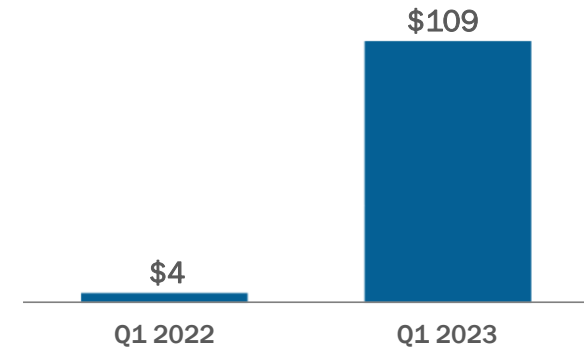
\$155M

Net cash
position

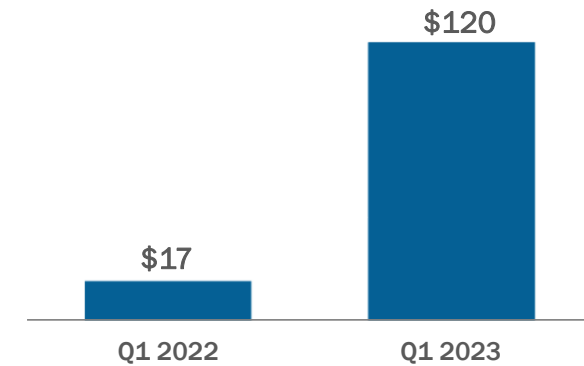
~821K

Shares repurchased
in Q1 2023
totaling ~\$53M

Free Cash Flow (\$M)



Cash Flow from Operations (\$M)



Capital Allocation Priorities

Priority	Comments
Organic Growth	<ul style="list-style-type: none">• Opportunities for organic growth in all our businesses and geographies
Acquisitions	<ul style="list-style-type: none">• Disciplined focus on transactions that enable geographic growth, expand/grow the core, establish adjacencies• Recent transactions include Atlantic Filter and Giant• Maintain active pipeline
Dividends <ul style="list-style-type: none">• Philosophy: growing, competitive sustainable dividend	<ul style="list-style-type: none">• Five-year CAGR of 13 percent• Over 30 consecutive years of dividend increases
Share Repurchase	<ul style="list-style-type: none">• \$53 million in Q1 2023; \$300 million projected for the full year

2023 Outlook and Assumptions*

(\$M, except per share data)

Revenue Increase	Flat +/- 2%
U.S. Residential Water Heater Industry	Flat
Commercial Water Heater Industry	+MSD
China Sales (Local Currency)	~3% to 5%
North American Boiler Sales Growth	+MSD
North American Water Treatment Growth	~5% to 7%
Free Cash Flow	\$575M to \$625M
Capital Expenditures	~\$70M to \$75M
Depreciation & Amortization	~\$70M
Corporate/Other Expense	~\$55M
Effective Tax Rate	~24%
Share Repurchase	~\$300
Share Count – Diluted	~150M

- North American segment margin expected to be between 23% and 23.5%
- Rest of World segment margin expected to be approximately 10%, excluding impairment expense

	2023 Guidance*	2022
Diluted EPS (GAAP)	\$3.20-3.40	\$ 1.51
Impairment expense	0.10 ⁽¹⁾	-
Pension settlement expense	-	1.60 ⁽²⁾
Pension expense	-	0.06 ⁽³⁾
Legal judgment income	-	(0.05)
Terminated acquisition-related expenses	-	0.02
Adjusted EPS (non-GAAP)	\$3.30-3.50	\$ 3.14

⁽¹⁾ Includes pre-tax impairment expense of \$12.5 million and \$3.1 million, within the Rest of World segment and Corporate expenses, respectively.

⁽²⁾ Includes pre-tax pension settlement charges of \$346.8 million and \$70.5 million, within the North America segment and Corporate expenses, respectively.

⁽³⁾ Includes pre-tax pension expense of \$9.7 million and \$2.0 million, within the North America segment and Corporate expenses, respectively.

Compelling Investment Thesis



Market Leader



Stable/growing U.S. replacement market; operating leverage from incremental new construction and replacement of approximately 80 - 85%



Strength of premium brand, distribution, manufacturing and innovation provide significant opportunity for growth



Strong balance sheet and cash flow to support future growth, share repurchase and acquisitions with demonstrated success in all economic cycles



Adjusted Earnings and Adjusted EPS

(\$ in Millions, except per share data)

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

	Three Months Ended March 31,	
	2023	2022
Net Earnings (GAAP)	\$ 126.9	\$ 119.8
Impairment expense, before tax	15.6	-
Pension expense, before tax	-	2.9
Tax effect on above items	—	—(0.7)
Adjusted Earnings (non-GAAP)	<u>\$ 142.5</u>	<u>\$ 122.0</u>
Diluted EPS (GAAP)	\$ 0.84	\$ 0.76
Impairment expense per diluted share, before tax	0.10	-
Pension expense per diluted share, before tax	-	0.01
Tax effect on above items per diluted share	—	—
Adjusted EPS (non-GAAP)	<u>\$ 0.94</u>	<u>\$ 0.77</u>

Adjusted Segment Earnings

(\$ in Millions)

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

	Three Months Ended March 31,	
	2023	2022
Earnings Before Provision for Income Taxes (GAAP)	\$ 171.3	\$ 156.6
Add: Corporate expense ⁽¹⁾	18.6	18.4
Add: Interest expense	<u>4.0</u>	<u>1.5</u>
Total Segment Earnings (non-GAAP)	\$ <u>193.9</u>	\$ <u>176.5</u>
North America ⁽²⁾	\$ 188.6	\$ 151.8
Rest of World ⁽³⁾	5.3	24.8
Inter-segment earnings elimination	<u>-</u>	<u>(0.1)</u>
Total Segment Earnings (non-GAAP)	\$ <u>193.9</u>	\$ <u>176.5</u>
Additional Information		
⁽¹⁾ Corporate Expense	\$ (18.6)	\$ (18.4)
Impairment expense, before tax	3.1	-
Pension expense, before tax	<u>-</u>	<u>0.3</u>
Adjusted Corporate expense (non-GAAP)	\$ <u>(15.5)</u>	\$ <u>(18.1)</u>
⁽²⁾ North America	\$ 188.6	\$ 151.8
Pension expense, before tax	<u>-</u>	<u>2.6</u>
Adjusted North America (non-GAAP)	\$ <u>188.6</u>	\$ <u>154.4</u>
⁽³⁾ Rest of World	\$ 5.3	\$ 24.8
Impairment expense, before tax	<u>12.5</u>	<u>-</u>
Adjusted Rest of World (non-GAAP)	\$ <u>17.8</u>	\$ <u>24.8</u>

Free Cash Flow

(\$ in Millions)

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

	Three Months Ended March 31,	
	2023	2022
Cash provided by operating activities (GAAP)	\$119.9	\$ 16.5
Less: Capital expenditures	<u>(10.7)</u>	<u>(12.9)</u>
Free cash flow (non-GAAP)	<u>\$109.2</u>	<u>\$ 3.6</u>

2023 Adjusted EPS Guidance and 2022 Adjusted EPS

(\$ in Millions, except per share data)

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

	2023 Guidance	2022
Diluted EPS (GAAP)	\$ 3.20 – 3.40	\$ 1.51
Impairment expense	0.10 ⁽¹⁾	-
Pension settlement charges	-	1.60 ⁽²⁾
Pension expense	-	0.06 ⁽³⁾
Legal judgment income	-	(0.05)
Terminated acquisition-related expenses	-	<u>0.02</u>
Adjusted EPS (non-GAAP)	<u>\$ 3.30 – 3.50</u>	<u>\$ 3.14</u>

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