



Third Quarter 2019 Results

October 29, 2019

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: a further weakening of the Chinese economy and/or a further decline in the growth rate of consumer spending or housing sales in China; negative impact to our businesses from international tariffs and trade disputes; potential weakening in the high efficiency boiler market segment in the U. S.; significant volatility in raw material prices; our inability to implement or maintain pricing actions; potential weakening in U. S. residential or commercial construction or instability in our replacement markets; foreign currency fluctuations; inability to successfully integrate or achieve our strategic objectives resulting from acquisitions; competitive pressures on our businesses; the impact of potential information technology or data security breaches; changes in government regulations or regulatory requirements; and adverse developments in general economic, political and business conditions in the key regions of the world. Forward-looking statements included in this presentation are made only as of the date of this presentation, and the company is under no obligation to update these statements to reflect subsequent events or circumstances. All subsequent written and oral forward-looking statements attributed to the company, or persons acting on its behalf, are qualified entirely by these cautionary statements. This presentation contains certain non-GAAP financial measures as that term is defined by the SEC. Non-GAAP financial measures are generally identified by “Adjusted” (Adj.) or “Non-GAAP” .

Third Quarter Results

- North America sales up six percent
- Solid North America performance
- Dividend increase of nine percent
- China continues to face headwinds

Actions Taken in China

- Headcount reduction increased to nearly 20%
- Reduced SG&A
- Over 700 net retail store closures
- Aggressive manufacturing and product cost programs
- Working with customers on channel inventory reduction

Third Quarter Results

\$ in millions

	2019	2018	change	% chg.
Sales	\$728.2	\$754.1	\$(25.9)	-3%
Net Earnings	87.3	104.6	(17.3)	-17%
Earnings Per Share	\$ 0.53	\$ 0.61	\$(0.08)	-13%

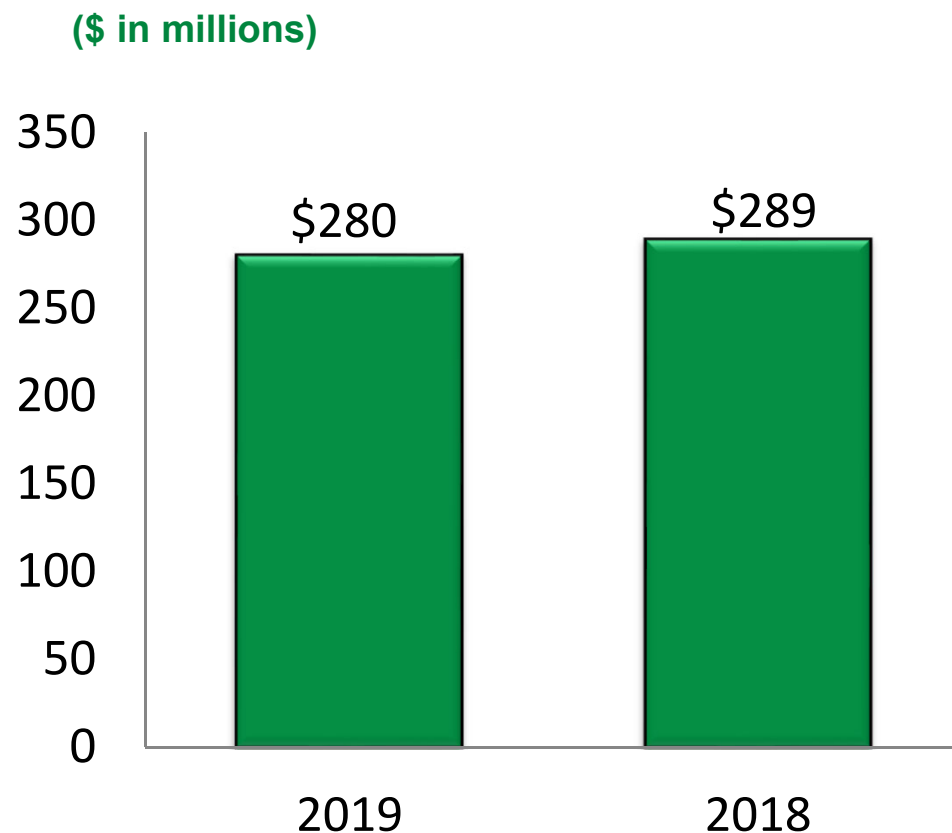
Third Quarter Sales

\$ in millions	2019	2018	change	% chg.
North America	\$ 514.6	\$ 486.9	\$ 27.7	6%
Rest of World	220.3	274.1	(53.8)	-20%
Intersegment	<u>(6.7)</u>	<u>(6.9)</u>	<u>0.2</u>	
Total	<u>\$ 728.2</u>	<u>\$ 754.1</u>	<u>\$(25.9)</u>	-3%

Third Quarter Earnings

\$ in millions, except percentages	2019	2018	change	% chg.
North America	\$ 121.6	\$ 105.6	\$ 16.0	15%
Rest of World	<u>4.1</u>	<u>39.1</u>	<u>(35.0)</u>	-90%
Total Segment Earnings	125.7	144.7	\$(19.0)	-13%
Corporate	(9.8)	(11.2)	1.4	13%
Interest Expense	<u>(3.1)</u>	<u>(2.0)</u>	<u>(1.1)</u>	-55%
Pre-tax Earnings	112.8	131.5	(18.7)	-14%
Tax Provision	<u>(25.5)</u>	<u>(26.9)</u>		
Earnings	<u>\$ 87.3</u>	<u>\$ 104.6</u>	<u>\$(17.3)</u>	-17%
<u>Segment Margin</u>				
North America	23.6%	21.7%		
Rest of World	1.9%	14.3%		

Cash Flow from Operations



YTD September 30, 2019 Highlights

- Cash provided by operations of \$280 million
- Debt to capital ratio of 16%
- Cash balance: \$514 million
- Net cash position: \$195 million
- Stock repurchase: ~4.9 million shares totaling approximately \$230 million

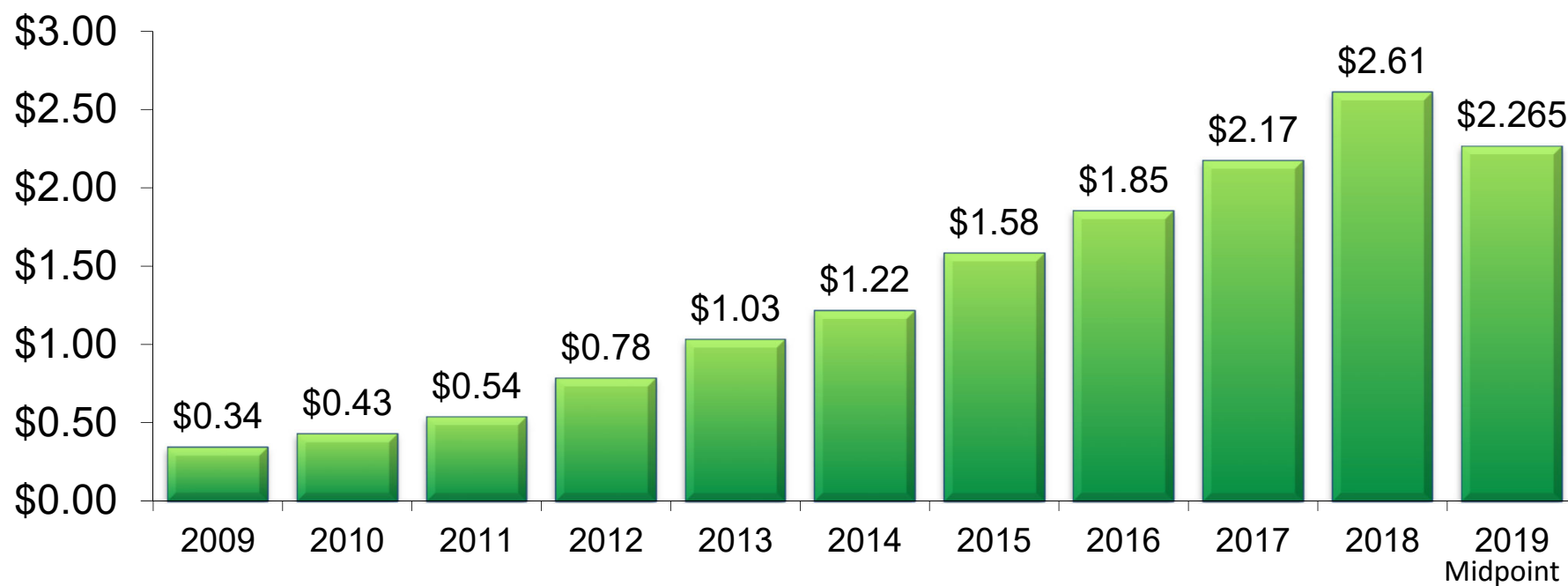
2019 Assumptions

(\$ in millions)	2019 Projections
Operating Cash Flow	approximately \$400
Capital Expenditures	approximately 80
Depreciation and Amortization	approximately 75
Corporate/Other Expense	approximately 46
Effective Tax Rate	approximately 22%
Stock Repurchase	approximately 300
Share Count - Diluted	approximately 167 million

As of October 29, 2019

2019 EPS Guidance and 2018 EPS

	2019 Guidance	2018
Diluted EPS	\$2.25 to \$2.28	\$2.61



Note: 2009 through 2014, 2017 and 2018 are adjusted EPS and all years are adjusted for stock splits

As of October 29, 2019

2019 Outlook

- China sales decline of approximately 19 percent in local currency, as economic weakness persists, previously disclosed channel inventory remains elevated and FX translation is unfavorable by four percentage points
- U.S. residential water heater industry volumes down 100,000 to 150,000 units; commercial water heater industry volumes up 4 - 5 percent
- NA Boiler revenue growth of approximately five percent
- Smaller expected losses in India than in 2018; water heater operations to be slightly profitable

As of October 29, 2019

2019 Outlook - continued

- Revenue declines of approximately five percent in USD; approximately 3.5 percent in local currency
- EPS between \$2.25 and \$2.28
- North America segment margin expected to be 23.5 to 23.75 percent
- Rest of World segment margin expected to be approximately 4.25 percent

Questions

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