



First Quarter 2020 Results

Forward Looking Statements

This presentation contains statements that we believe are “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements generally can be identified by the use of words such as “may,” “will,” “expect,” “intend,” “estimate,” “anticipate,” “believe,” “continue,” “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: negative impacts to our business, including demand for our products, operations and workforce dislocation and disruption, supply chain disruption and liquidity as a result of the severity and duration of the COVID-19 pandemic; a failure to recover or further weakening of the Chinese economy and/or a failure to recover or 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; a failure to recover or further weakening in the high efficiency boiler market segment in the U. S.; significant volatility in raw material availability and 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” .

Strength and Stability to Navigate Current Environment

Safety of
employees top
priority

Water heating &
water treatment
essential
products

Proactive
management of
supply chain for
business
continuity

85%
replacement of
water heaters
and boilers

Strong balance
sheet

Focus on Cash and Liquidity

2020 Share Repurchase suspended mid-March

Capital spending reprioritized and reduced

\$125M

Cash repatriated to U.S.

\$850M¹

Liquidity

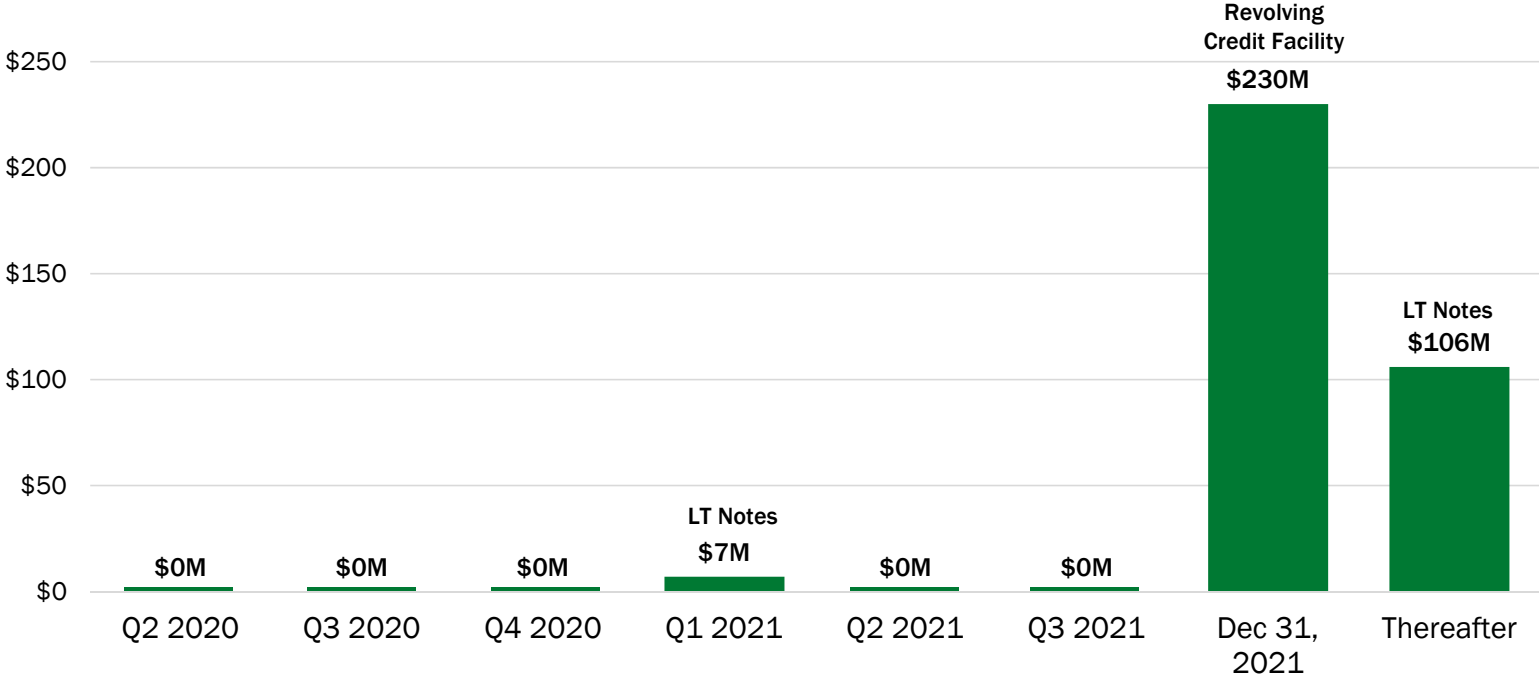
~ \$55M

China SG&A savings (\$30 million of which was achieved in 2019)

¹ As of April 30, 2020

Minimal Debt Maturities in Next Twelve Months

\$ in millions



March 31, 2020

First Quarter Results

\$ in millions

	2020	2019	Change	% Change
Sales	\$636.9	\$748.2	\$(111.3)	-15%
Net Earnings	\$ <u>51.7</u>	\$ <u>89.3</u>	\$ <u>(37.6)</u>	-42%
EPS	\$ <u>0.32</u>	\$ <u>0.53</u>	\$ <u>(0.21)</u>	-40%

First Quarter Sales

\$ in millions

	2020	2019	Change	% Change
North America	\$ 532.9	\$ 521.8	\$ 11.1	2%
Rest of World	110.2	232.1	(121.9)	-53%
Intersegment	<u>(6.2)</u>	<u>(5.7)</u>	<u>(0.5)</u>	
Total	\$ <u>636.9</u>	\$ <u>748.2</u>	\$ <u>(111.3)</u>	-15%

First Quarter Earnings (Loss)

\$ in millions, except percentages

	2020	2019	Change	% Change
North America	\$127.1	\$116.0	\$ 11.1	10%
Rest of World	<u>(42.2)</u>	<u>12.3</u>	<u>(54.5)</u>	
Total Segment Earnings	84.9	128.3	(43.4)	-34%
Corporate	(15.0)	(14.7)	(0.3)	-2%
Interest Expense	<u>(2.2)</u>	<u>(2.0)</u>	(0.2)	-10%
Pre-tax Earnings	67.7	111.6	(43.9)	-39%
Tax Provision	<u>(16.0)</u>	<u>(22.3)</u>		
Earnings	\$ <u>51.7</u>	\$ <u>89.3</u>	\$ <u>(37.6)</u>	-42%
Segment Margin				
North America	23.9 %	22.2 %		
Rest of World	(38.3)%	5.3 %		

Strong Capital Position¹

\$54M

Cash provided
by operations

17.5%

Debt to
capital ratio

\$552M

Cash balance²

\$209M

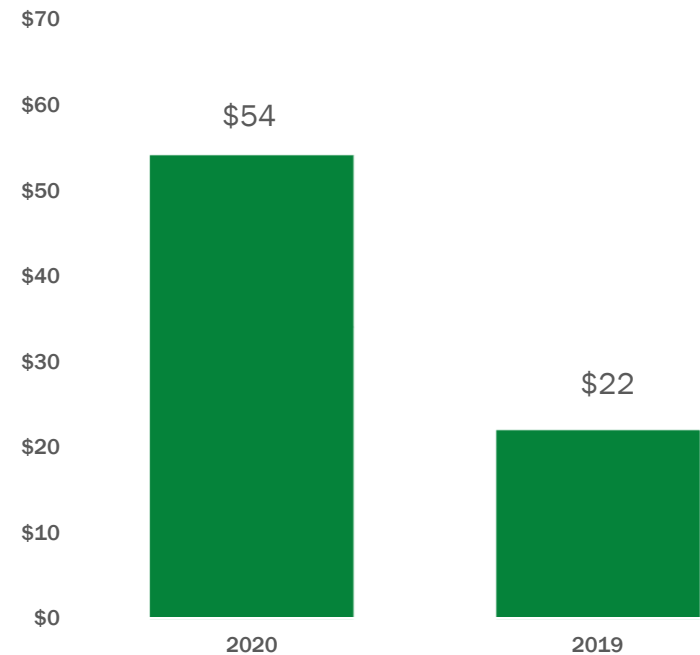
Net cash position

~1.3M

Stock repurchase;
shares totaling ~\$57M

Cash Flow from Operations

\$ in millions



April 2020 Business Conditions

	% Revenue ¹	Q1 YOY sales	April Commentary
NA Water Heaters	70%	-2%	April 2020 residential order rates off low single digits compared with Q1 2020; commercial orders down 30 - 35%
China ²	14%	-56%	Sequential sell-out improving
NA Boilers	7%	-3%	Commercial condensing backlog double YOY
NA Water Treatment ³	4%	+17%	Internet sales up; in-home install sales temporarily challenged
India/ROW	3%	flat	India manufacturing closed
Total ³	98%	-17%	

¹ Year to date March 31, 2020

² Local currency

³ Excludes \$16 million in revenues from April 2019 acquisition

North America Business Conditions

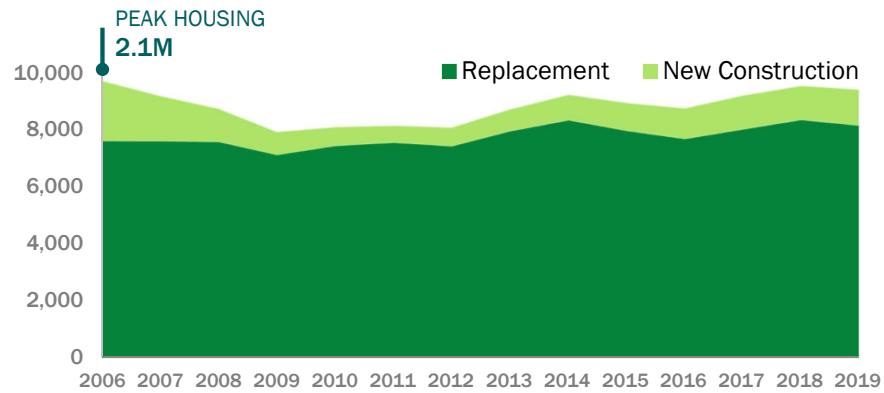
Manufacturing Flexibility in NA



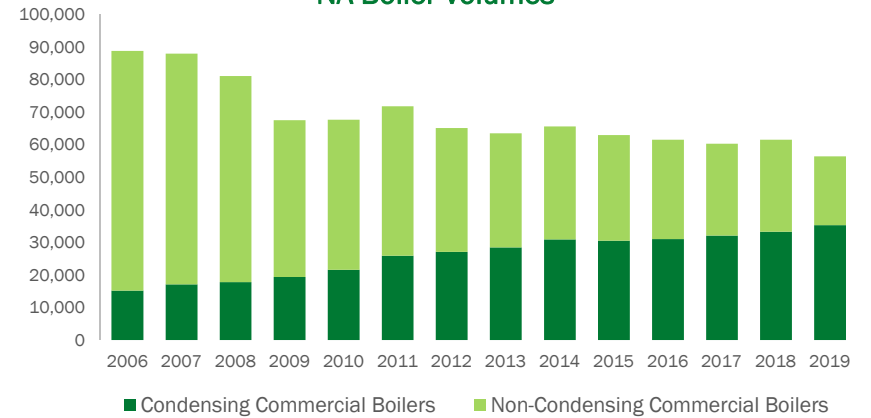
Supply Chain Proactively Managed



Residential Replacement Water Heater Volumes



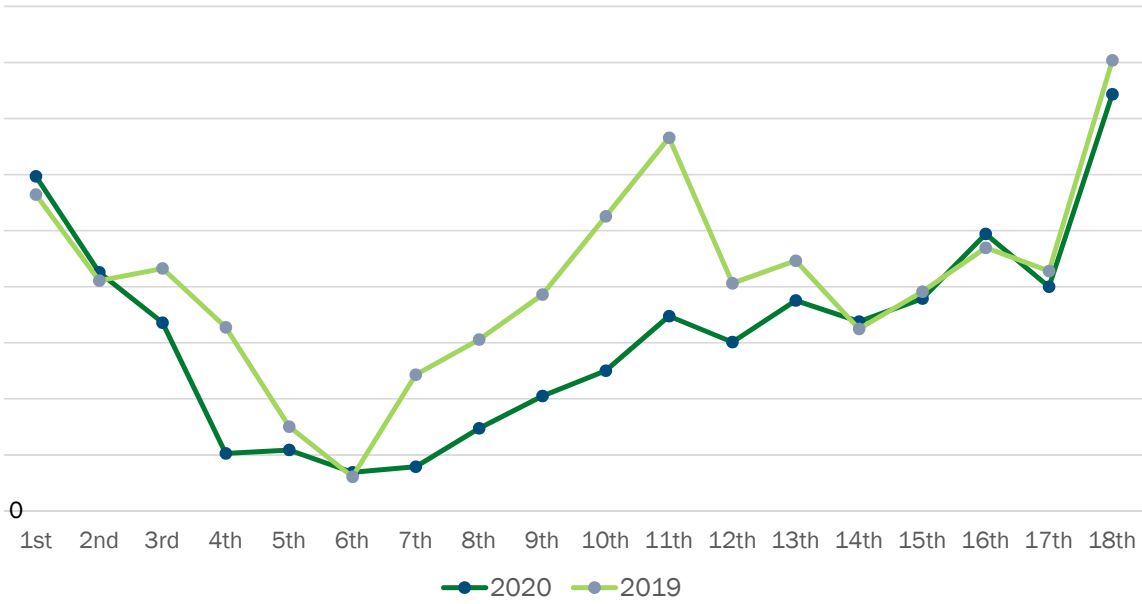
NA Boiler Volumes



Source: 2006 to 2017: BRG Solutions; 2018-2019: AOS estimates

China Business Conditions

Weekly China Channel sell out - Units



- Three plants operating
 - Building to order
 - Operating at lower than normal levels
- Supply chain intact
- Demand skew to on-line
- Right sizing and product cost reduction continue
- New product development and R&D continue

2020 COVID-19 Commentary



After a hard closure of the economy, the country is slowly returning to business



Great recession impacted residential volume by 18%



NA boiler sales will be impacted as construction slows



India will not achieve break-even in 2020

Compelling Investment Thesis



Market share leader
in major product lines



Stable/growing U.S.
replacement market;
operating leverage
from incremental new
construction and
replacement



Strength of premium
brand, distribution,
manufacturing and
innovation provide
clear market
advantage in China



5 year adjusted EPS
CAGR through 2019
= 12.7%

5 year dividend CAGR
through 2019 =
24.5%

5 year cumulative
cash returned to
shareholders from
dividends and share
repurchased = \$1.4
billion



Strong balance sheet
and cash flow to
support future
growth, share
repurchase and
acquisitions

