

A horizontal splash of clear blue water with numerous bubbles, spanning across the middle of the page. The water is captured in motion, with a central peak and a receding wave on the right. The bubbles vary in size and are most concentrated near the surface of the splash.

# First Quarter 2025 Results

April 29, 2025



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



**Stephen M. Shafer**  
President and  
Chief Operating Officer



**Charles T. Lauber**  
Executive Vice President  
and Chief Financial Officer



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

## Forward Looking Statements

This presentation contains statements that we believe are “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements generally can be identified by the use of words such as “may,” “will,” “expect,” “intend,” “estimate,” “anticipate,” “believe,” “continue,” “forecast,” “guidance” or words of similar meaning. Important factors that could cause actual results to differ materially from these expectations include, among other things, the following: negative impact to the Company’s businesses from international tariffs, including any new or increased tariffs that could also trigger retaliatory responses from other countries, as well as, trade disputes and geopolitical differences, including the conflicts in Ukraine and the Middle East; further softening in U.S. residential and commercial 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 changes in commercial property usage that followed the COVID-19 pandemic; further weakening in North American 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 a further decline in the growth rate of consumer spending or housing sales in China; the availability, timing or effects of China stimulus programs; potential 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; failure to realize the expected benefits of acquisitions or expected synergies; failure to realize the expected benefits, timing and extent of regulatory changes; competitive pressures on the Company’s businesses, including new technologies and new competitors; the impact of potential information technology or data security breaches; negative impact of changes in government regulations or regulatory requirements; the inability to respond to secular trends toward decarbonization and energy efficiency; and adverse developments in general economic, political and business conditions in key regions of the world. . Forward-looking statements included in this presentation are made only as of the date of this presentation, and the Company is under no obligation to update these statements to reflect subsequent events or circumstances. All subsequent written and oral forward-looking statements attributed to the Company, or persons acting on its behalf, are qualified entirely by these cautionary statements. This presentation contains certain non-GAAP financial measures as that term is defined by the SEC. Non-GAAP financial measures are generally identified by “Adjusted” (Adj.) or “Non-GAAP.”

## First Quarter Messages



Sales of \$964M  
and EPS of \$0.95



North America  
sales declined  
2% compared to  
a tough prior year  
comp; up 9%  
sequentially from  
Q4 2024



China sales  
decreased 4% in  
local currency  
driven by  
continued weak  
consumer  
demand

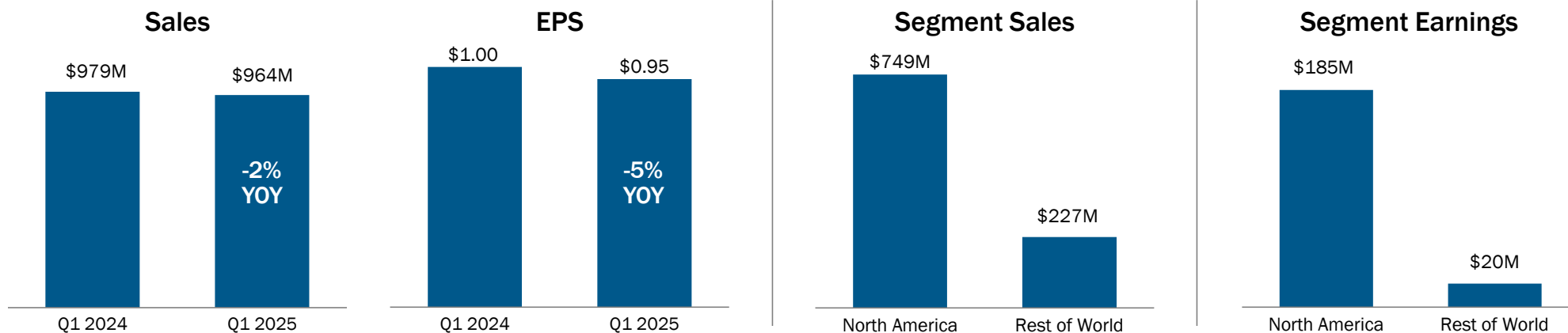


200+ bps  
operating margin  
improvement in  
China and North  
American Water  
Treatment  
enabled by  
restructuring and  
cost controls



Pureit added \$12  
million to Rest of  
World sales

# First Quarter Performance and Highlights



## Highlights

- Net sales decreased 2 percent to \$964M
- EPS down 5 percent to \$0.95

## North America

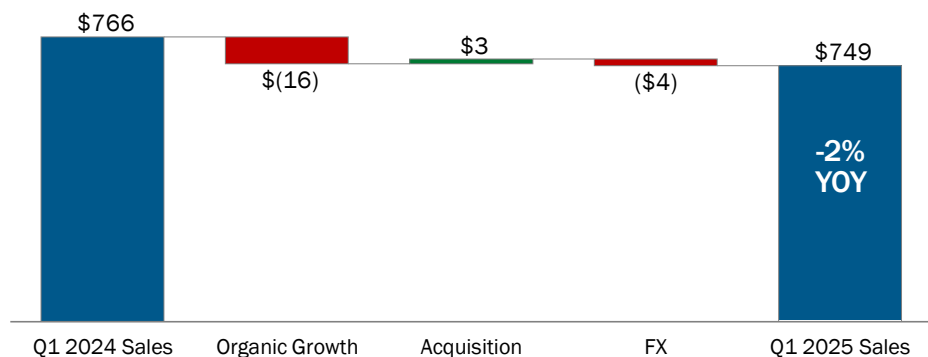
- Sales down 2 percent relative to a tough prior year comp
- Segment margin decreased to 24.7 percent

## Rest of World

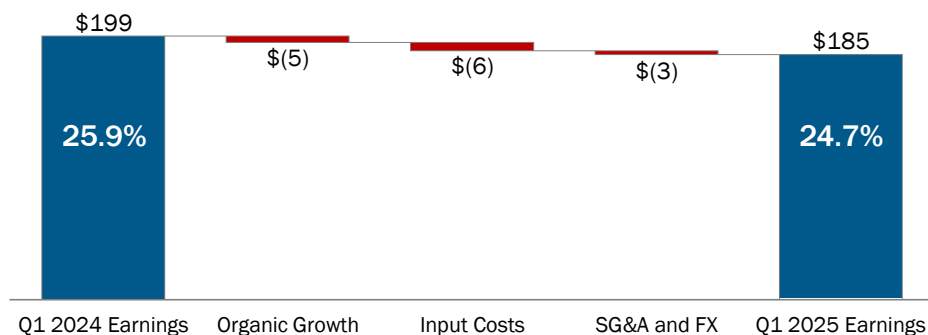
- Flat sales as lower sales in China were offset by Pureit acquisition sales
- Segment margin increased 110 basis points

# First Quarter North America Segment

Segment Sales (\$M)



Segment Operating Earnings (\$M)

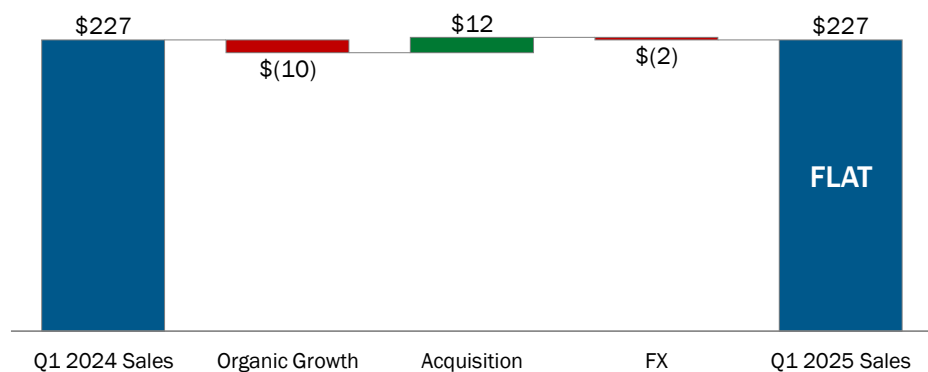


- Sales decreased primarily due to lower water heater volumes, partially offset by pricing action benefits
- Boilers sales increased 10 percent

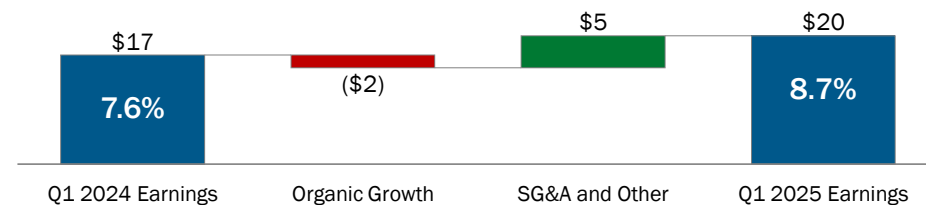
- Earnings decline driven by lower water heater volumes, partially offset by higher boiler sales and water treatment margin improvement
- Higher input costs driven by:
  - Continued strategic investments, including tankless
  - Lower volume-related absorption
- Segment margin was 24.7%, a decrease of 120 bps

# First Quarter Rest of World Segment

Segment Sales (\$M)



Segment Operating Earnings (\$M)



- Flat sales as lower China volumes offset by acquisition sales
- China third-party sales declined 4 percent in local currency due to continued weak consumer demand
- Pureit added \$12 million to the quarter

- Operating earnings increased as SG&A expense reductions more than offset lower volumes in China
- Cost controls and restricting benefits enabled China operating margin expansion of 200 bps
- Pureit integration on track

**\$200M**  
Cash balance<sup>2</sup>

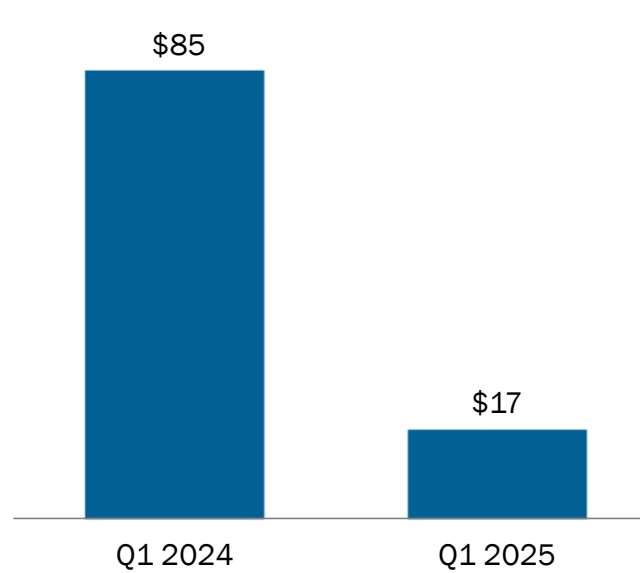
**12.7%**  
Debt to capital ratio

**\$70M**  
Net debt position

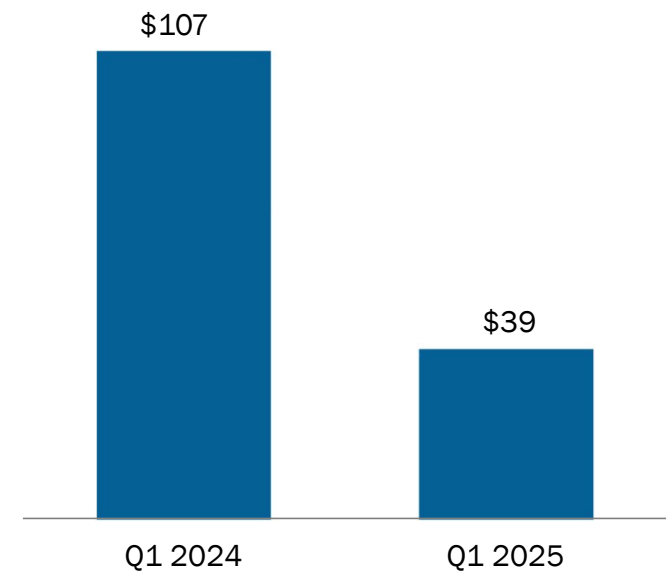
**~1.8M**  
Shares repurchased  
in Q1 2025 totaling ~\$121M

## Cash Flow and Liquidity<sup>1</sup>

Free Cash Flow (\$M)



Cash Flow From Operations (\$M)



# Capital Allocation Priorities

## Organic Growth



- Opportunities for organic growth in all our businesses and geographies

## Acquisitions



- Disciplined focus on transactions that expand/grow the core, enable geographic growth, and establish adjacencies
- Recent transactions include Pureit and Impact Water
- Cultivating active pipeline

## Dividends

Philosophy: growing, competitive sustainable dividend



- Five-year CAGR of 7 percent
- Over 30 consecutive years of dividend increases

## Share Repurchases



- \$121 million in Q1 2025; \$400 million projected for the full year

## 2025 Outlook and Assumptions<sup>1</sup>

	2025 Guidance	2024
Diluted EPS (GAAP)	\$3.60 - \$3.90	\$3.63
Restructuring and impairment expense	-	\$0.10 <sup>1</sup>
Adjusted EPS (non-GAAP)	\$3.60 - \$3.90	\$3.73
<sup>1</sup> Includes pre-tax restructuring and impairment expenses of \$6.3 million and \$11.3 million, within the North America segment and the Rest of World segment, respectively.		

Revenue Increase	~Flat to 2%
U.S. Residential Water Heater Industry	~Flat
Commercial Water Heater Industry	~Flat
China Sales Decrease (Local Currency)	~-5% to -8%
North American Boiler Sales Growth	~3% to 5%
North American Water Treatment Decrease	~-5%
North America Segment Margin	~24% to 24.5%
Rest of World Segment Margin	~8% to 9%
Free Cash Flow	\$500M to \$550M
Capital Expenditures	~\$90M to \$100M
Depreciation & Amortization	~\$80M
Interest Expense	~\$15M to \$20M
Corporate/Other Expense	~\$75M
Effective Tax Rate	~24% to 24.5%
Share Repurchase	~\$400M
Share Count - Diluted	~142M

# Tariff Impact & Actions Taken to Mitigate Risk

*Potential Annualized Tariff Exposure: ~6 to 8% of Cost of Goods Sold*

## Footprint Optimization

- Majority of North American Segment capacity is based in U.S.
- 15% of U.S. residential tank water heater production in Mexico and is USMCA compliant
- Accelerated transition of gas tankless production from China to Mexico

**Strategic Sourcing – working with existing and potential new suppliers to mitigate tariff exposure**

**Company-wide Cost Containment Actions – disciplined spending approach to ensure flexibility**

**Announced Pricing Actions – passing through cost impacts where necessary**

- Average range of 6 to 9% price increases on most of water heater products
- Actions vary depending on cost impact and relative value proposition



**Confident in our ability to navigate tariff volatility**

## Continuing to Execute Our Strategy

### Product Development Center

- Opened in Lebanon, TN
- Leverages commercial engineering talent and expands commercial testing capabilities



A. O. Smith Recognized for Ethics For 2<sup>nd</sup> Year in a Row



2025 | WORLD'S MOST  
**ETHICAL**  
COMPANIES<sup>®</sup>  
**ETHISPHERE**<sup>™</sup>



## 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

# 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,	
	2025	2024
Cash provided by operating activities (GAAP)	\$ 38.7	\$ 106.6
Less: Capital expenditures	(21.3)	(22.0)
<b>Free cash flow (non-GAAP)</b>	<b>\$ 17.4</b>	<b>\$ 84.6</b>