



Investor Presentation

Leading Provider of Innovative Solutions in Water Heating & Treatment

Winter 2024

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: 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 changes in commercial property usage that followed 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 a further decline in the growth rate of consumer spending or housing sales in China; negative impact to the Company’s businesses from international tariffs, trade disputes and geopolitical differences, including the conflicts in Ukraine, the Middle East and attacks on commercial shipping vessels in the Red Sea; 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, including new technologies and new competitors; 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. 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.”

Company Overview



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

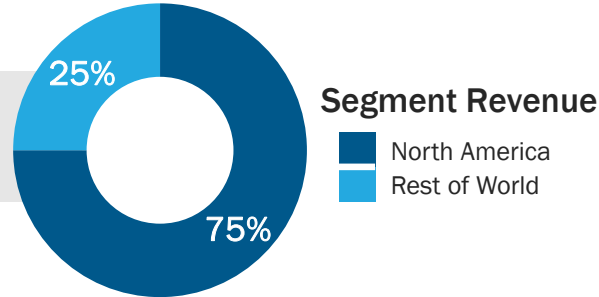
5

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

A. O. Smith Snapshot

Leveraging 150 Years of Innovation to Continue Delivering Growth

2023 Revenue ~\$3.9B



Products

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

Leading Brands



Headquarters	Milwaukee, WI
Global Employees	~12,000
Mfg. Facilities	27
Countries Served	~80
Sales CAGR ¹	4%
EPS CAGR ¹	7%
Gross Margin	39%
EBIT Margin	19%
Avg. 5-year FCF Conversion	104%

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



Building on 150 Years of Innovation...

Foundation of Innovation

1874 – 1927

1874

C.J. Smith and Sons machine shop founded in Milwaukee, WI

1904

A.O. Smith incorporated

1921

Developed world's 1st automated automobile frame assembly plant oil pipelines

1925

Introduced 1st high-pressure vessel used to refine oil

1927

Developed method of producing large-diameter steel line pipe, key in launching natural gas and transcontinental oil pipelines

1936

A. O. Smith patents the process of glass-lining a water heater tank. This concept became the standard of the industry.

Expansion to Water

1927 – Today

1948

Entered market for coil-type instantaneous commercial water heaters

1954

Introduced first glass-lined commercial water heater

1961

Opened first international water heater and boiler plant in Canada

1972

Water heater division opens its first European operation

1974

Introduction of Conservationist line of residential water heaters

1995

Entered China market with three joint ventures including residential water heaters

2001

Acquired State Industries, nearly doubling water heater business and entering retail market segment

2006

Completed acquisition that added American, Whirlpool, GSW & John Wood brands

2008

Entered India water heater market

2011

Acquired Lochinvar, manufacturer of high efficiency condensing boilers

2016

Acquired Aquasana and entered the North America Water Treatment market

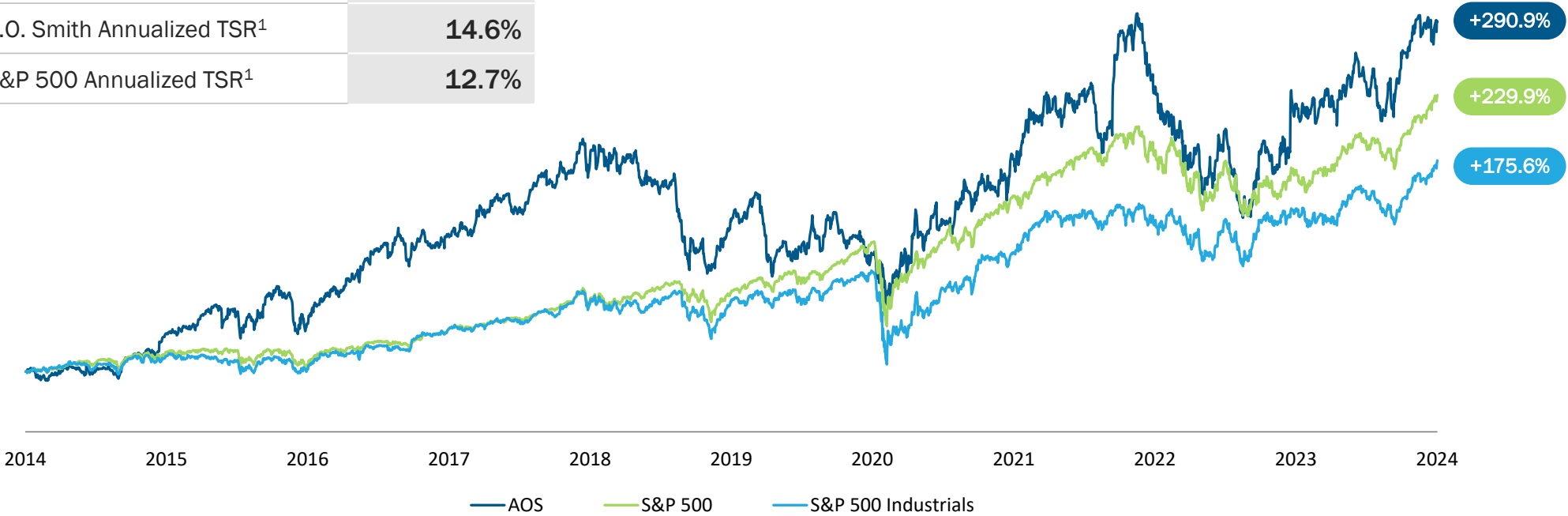
2021

Acquired Giant, a Canadian water heater manufacturer

Delivering Long-term Outperformance and Value Creation

10-Year Performance

Market-cap	+\$7.6B
A.O. Smith Annualized TSR ¹	14.6%
S&P 500 Annualized TSR ¹	12.7%

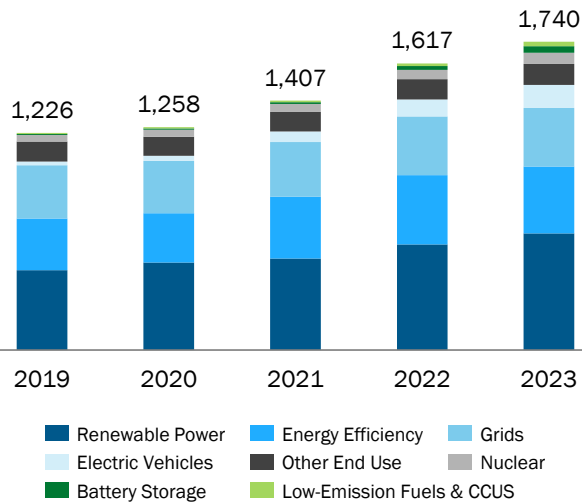


¹ Includes dividends. As of 2/15/2024 Source FactSet

Strategy, Portfolio and Culture that Preceded Global Mega Trends

Energy Efficiency & Decarbonization

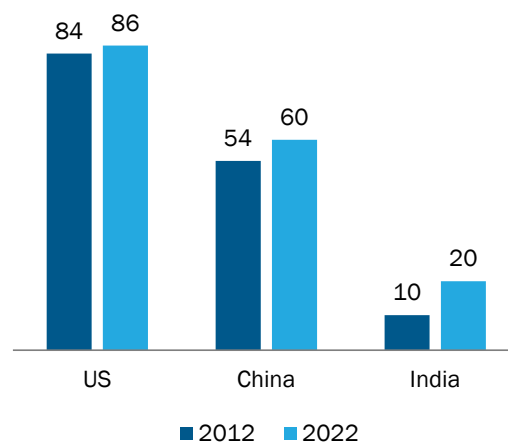
Global Investment in Clean Energy (\$B)¹



- Global investment in clean energy and energy efficiency is growing
- Increasing energy intensity improvement is required to meet Net Zero goals

Clean Water

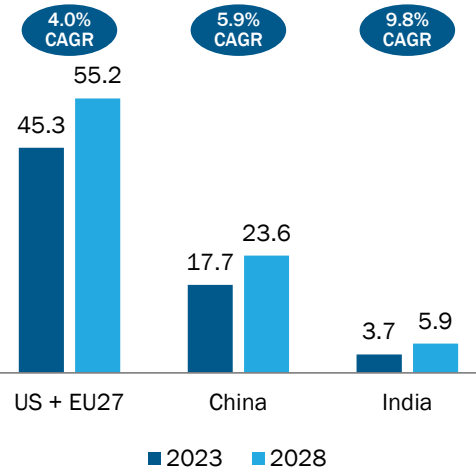
Sanitation & Drinking Water Index (0 - 100)²



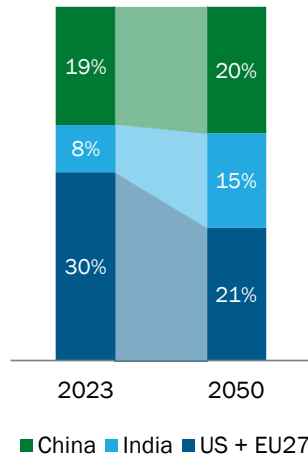
- Poor global water quality and increasing awareness of residential treatment systems
- Increased spending power in India and China drive demand
- COVID-19 pandemic has driven a heightened focus on health and safety issues

Rising Consumer Class in Emerging Markets

GDP (\$T)³



Share of Global GDP^{3,4}



- Emerging markets, including **China** and **India**, will dominate the world's top 10 economies by 2050, with realignment of global economic growth and activity from G7 to E7 economies

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% to 85% of water heater and boiler sales**
- Increased focus on energy efficiency and decarbonization provide additional **growth opportunities in both boilers and water heaters**

Stable and Profitable Core Business Supports Growth Opportunities

Expanding Organic Growth in China

- A leading supplier of residential water heaters with 25+ years of experience
- Growing presence in water treatment (now ~35-40% of sales)
 - Adding adjacent kitchen product 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

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

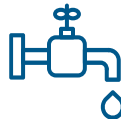
Deep Focus on Innovation Drives Significant Growth

Creating new, sustainable technologies in growing and emerging platforms such as heat pumps, condensing water heaters and boilers, and tankless water heaters to drive:

- Digitization
- Connectivity / IoT
- Gas Alternatives



2022 sales of systems and replacements in North America filtered ~330M gallons of drinking water, equivalent to **eliminating >1.8B plastic bottles of water**



High-efficiency, Absolute Brining technology used mainly in our retail water softeners results in: **30% less water and more efficient salt consumption**



One heat pump residential water heater saves 13MT of CO₂ over its life, equivalent to **taking 2.7 passenger cars off the road for a year**



Over 60% of the steel used to manufacture our water heaters and boilers is sourced from **recycled steel and is nearly 100% recyclable**



Our patented Max 4.0 RO membrane technology **increases water efficiency** of our water treatment products by up to **250%**

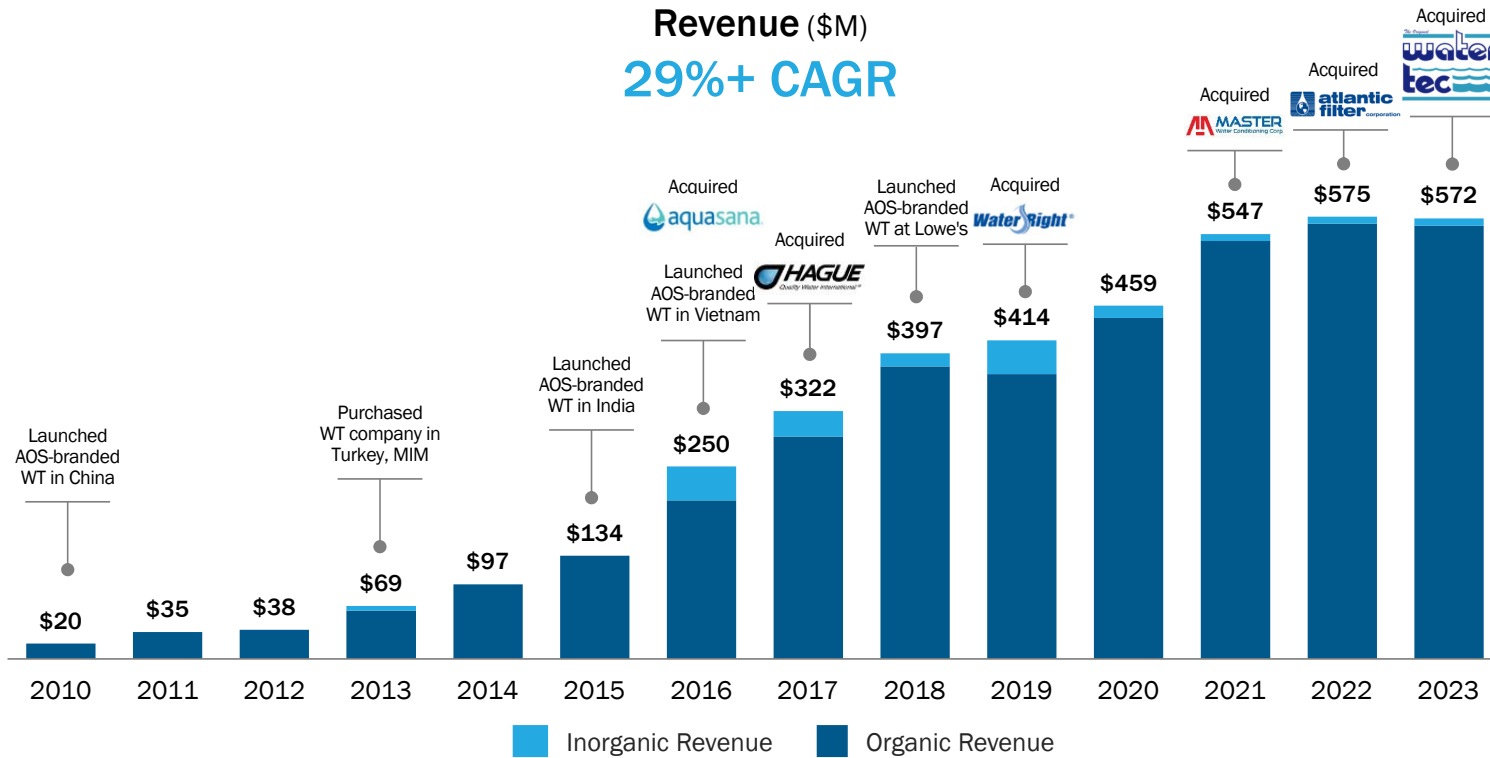


Our high-efficiency water heaters and boilers contribute to decarbonization and carbon neutrality goals by **reducing energy consumption and associated GHG emissions**

5th Consecutive ENERGY STAR[®] Partner of the Year and 3rd Consecutive ENERGY STAR[®] Sustained Excellence Awards

Building a Strong Platform and Growing Scale in Water Treatment (WT) through Organic Growth Supplemented by Strategic Acquisitions

Revenue (\$M)
29%+ CAGR



- Product innovation** provides differentiation and pricing power in the marketplace
- Growing scale** provides operating efficiency and leverage
- Leveraging innovation and recurring revenue stream from consumable filters** drive margin improvement and stable growth

Capital Allocation Priorities

Strategic Investments

✓ Organic Growth

Mix of Capex, R&D and new product development

- Invested \$73M in Capex in 2023; ~\$105-110M in 2024
- R&D totaled \$98M in 2023

✓ M&A

Strategic M&A to drive shareholder value

- Clear strategic filters and financial criteria
- Cultivate active pipeline

Returning Capital to Shareholders

✓ Dividend

Philosophy: Growing, competitive & sustainable dividend

- Conduct peer analysis and assess yield / payout ratio
- 5-year dividend rate per share CAGR of 10%
- Over 30 consecutive years of dividend increases

✓ Share Repurchases

Share repurchases remains a key component of capital allocation strategy¹

- 2024 target: ~\$300 million

Our Strategy to Deliver Profitable Growth



Live our Values

- Achieve profitable growth
- Emphasize innovation
- Preserve our good name
- Be a good place to work
- Be a good citizen



Investing in our People

- Attractive Work Environment
- Develop Individual Organization Capabilities
- Align and Engage Workforce



Leading Through Innovation

- Strategic Platforms
- R&D Capabilities
- New Differentiated Products
- Deliver Technology Solutions



Taking Care of our Customers

- Channel Convergence
- Superior Service Levels
- Demand Creation
- Digitalization



Geographic Expansion

- Organic and Inorganic
- Emerging Markets
- Market Penetration
- New Markets



Operational Excellence

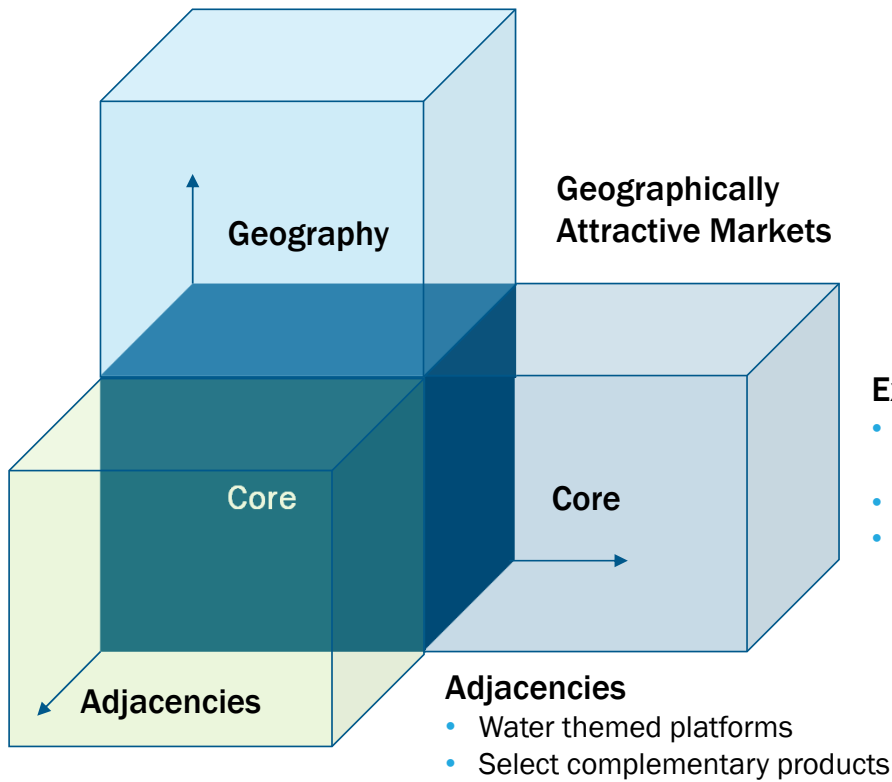
- Operations / Manufacturing
- Supply Chain
- Quality
- AOS Operating System



Strategic Acquisitions

- Expand Core Businesses
- Adjacencies
- Capabilities and Technologies
- New Platforms

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

Key Takeaways



Leading with innovative products that drive technology and meet sustainability needs



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



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



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



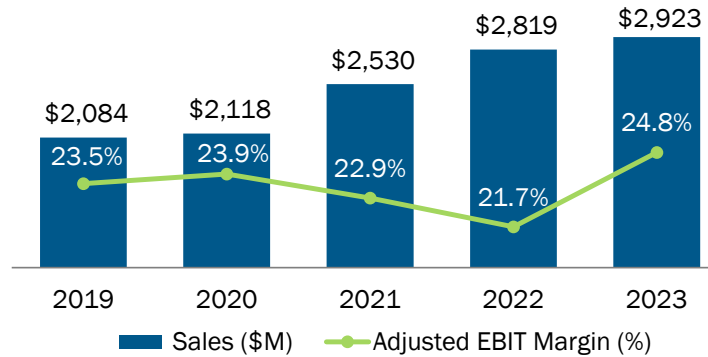
Leveraging strong balance sheet for organic and inorganic growth while returning capital to shareholders

North America Segment Overview

North America Snapshot

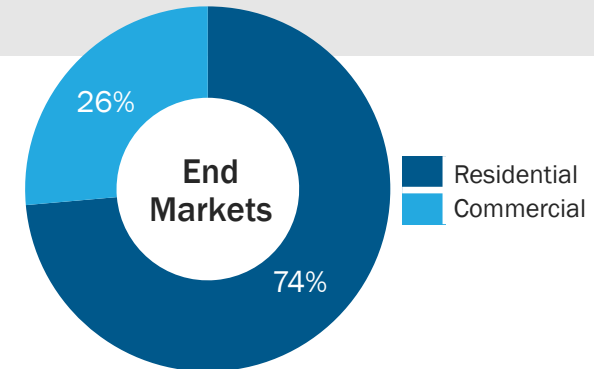
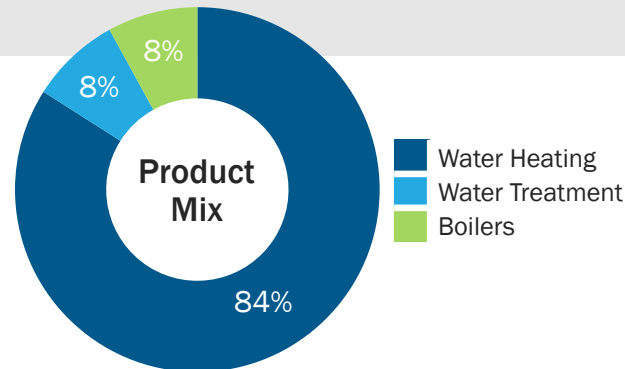
- Market leader in the production of residential and commercial water heaters and boilers
- Key participant in the water treatment market with significant opportunity for growth and market consolidation
- Focused on innovation to drive efficiency and differentiation in the marketplace
- Solid replacement demand provides a strong base in a consolidated market

Financial Summary



8.8%
Revenue CAGR

Leading Brands



Residential Water Heaters

ACSmith

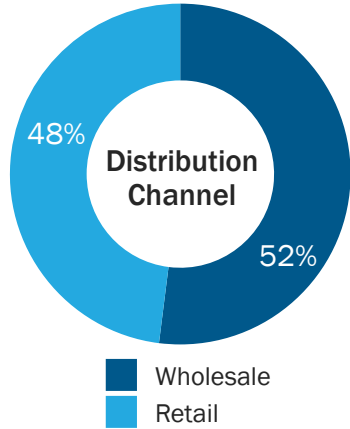
american
WATER HEATERS

GSW

Reliance
Water Heaters

state
WATER HEATERS

Giant



Wholesale
Retail

Gas



Electric



Heat Pump



Tankless



Major Customers

Retail

LOWE'S

True Value

ACE
Hardware

Do it
Best

Wholesale

Winsupply
THE WINSUPPLY FAMILY OF COMPANIES

FERGUSON

reece
group

HD SUPPLY

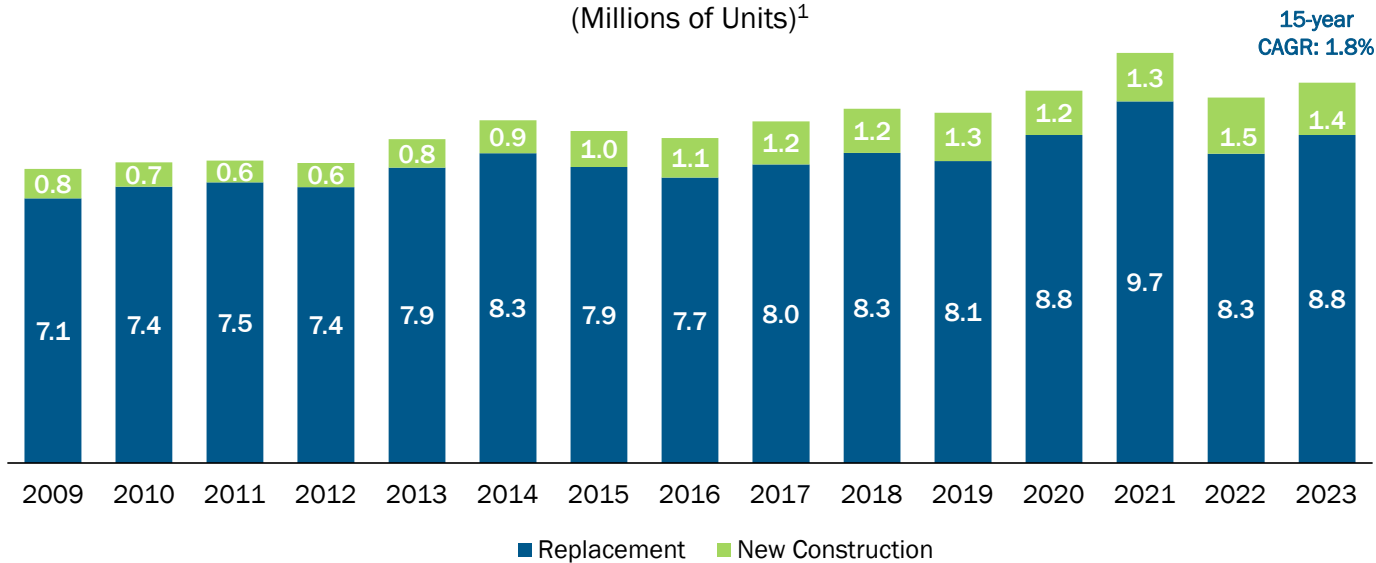
Leading
the Market

- ✓ Stable replacement volumes of 80% - 85% temper downcycles with upside new construction optionality
- ✓ Innovation drives efficiency
- ✓ Full suite product offering to accommodate any residential water heater need

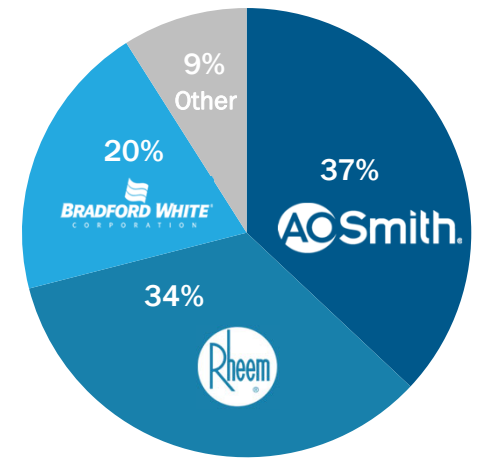
North America Residential Market Leader

U.S. Housing Shortage Presents Incremental Growth Opportunity

U.S. Residential Water Heaters Industry
(Millions of Units)¹



North America Residential Market²
2023 Market Share Data
(AHRI Tank + Gas Tankless)



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

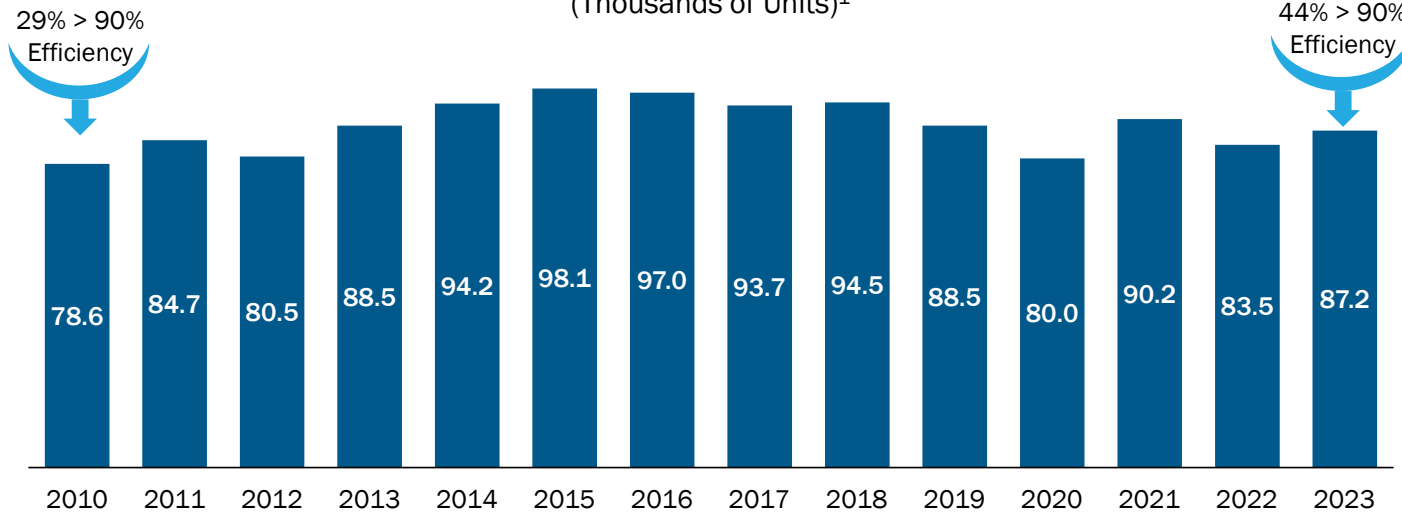


¹ AHRI: Air Conditioning, Heating & Refrigeration Institute; data includes gas tankless water heaters
² Market share estimated using AHRI data and company estimates

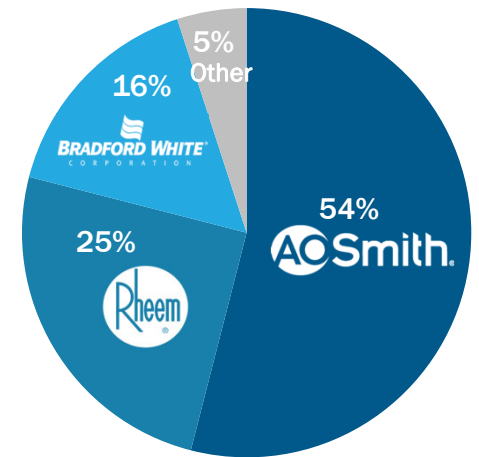
North America Commercial Market Leader

Gas Energy Efficient Units More Than Doubled Since 2010

U.S. Commercial Gas Storage Water Units Industry
(Thousands of Units)¹



U.S. Commercial Market ²
2023 market share data (AHRI)



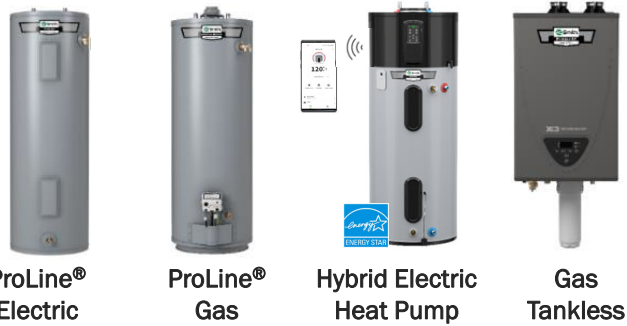
Higher Adoption Rates of Energy Efficient Units Supports Commercial Offerings



¹ AHRI: Air Conditioning, Heating & Refrigeration Institute; data includes gas tankless water heaters
² Market share estimated using AHRI data and company estimates

Comprehensive Water Heating Product Line with Ongoing New Product Development

Robust Line of Existing Products



ProLine® Electric ProLine® Gas Hybrid Electric Heat Pump Gas Tankless

Continuous Innovation to Advance Technology and Develop New Products

Heat Pump Voltex AL
(Launched Q3 2022)

Key Features

- 4 Sizes
- Whisper-Quiet Operation (45 dBA)
- Leak Detection w/ Automatic Shutoff Valve

Heat Pump Voltex MAX
(Launched Q3 2023)

Premium Condensing Gas Tankless
(Launched Q1 2024)

Improved design & product performance and eliminate annual maintenance costs

Scale prevention technology

Residential

Commercial



Cyclone® Mxi Tankless Rack System Heat Pump

Catalyst

+

60 Gallon Tank 100 Gallon Tank 119 Gallon Tank Patent Protected

Catalyst Technology

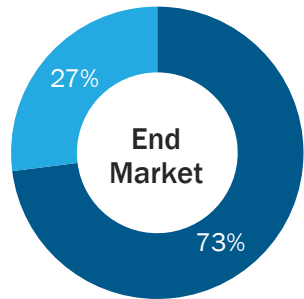
Allows customers to purchase A. O. Smith-provided key to configure 3 core models... 20 possible combinations.

Other features:

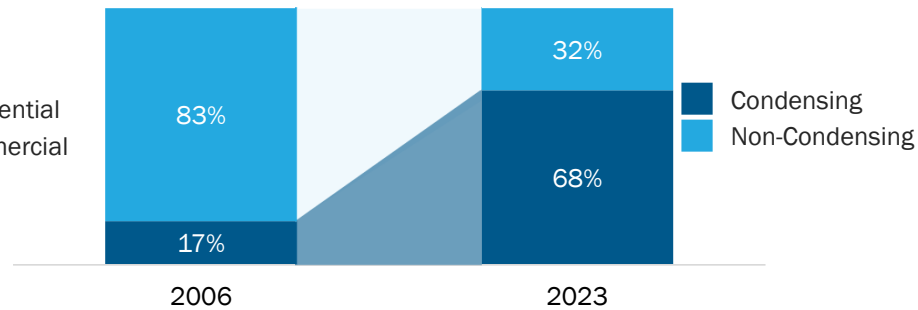
- Over the air updates
- Leak detection
- Performance balancing for connected products

Commercial and Residential Boilers

Trend Toward Higher Efficiency Condensing Boilers¹



Residential
Commercial



Condensing
Non-Condensing

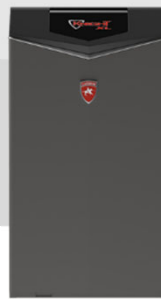
Commercial
Condensing



Crest with Hellcat™
Combustion Technology



FTXL™ Fire Tube



Knight™ XL

Residential
Condensing



Knight™

Increasing Efficiency Drives Growth

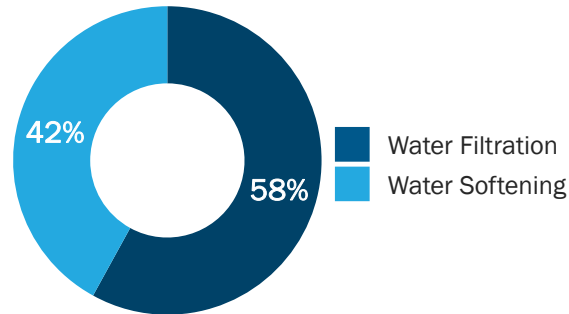
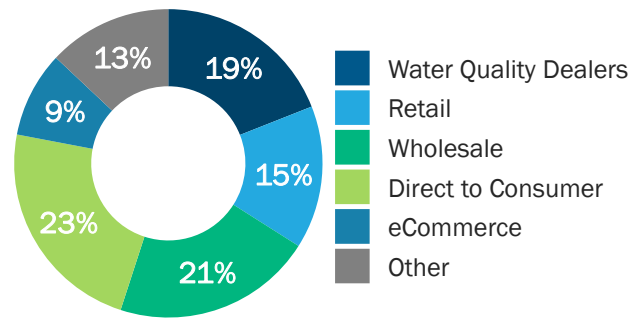
- ✓ Broad industry-leading product offering to serve any need, from a few thousand to 6M BTU
- ✓ Technology leader capitalizing on strong industry trends toward higher efficiency condensing boilers driving growth and innovation
- ✓ Fragmented market combined with energy efficient products provides ability to take share and grow above market

Capturing Greater Market Share in Water Treatment

Capturing Maturing Share

- Broad portfolio and distribution in a growing, fragmented market with consolidation opportunity fueled by macro trends
- AOS brands participate in all distribution channels, while most competitors operate in only 1 - 2 channels

\$2.6B Addressable Market



AOS Brands in North America Distribution Channels



Water Treatment for the Entire Home

Full Spectrum of Water Treatment & Filtration Products

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

Pore size: 5,000 nm

Micro-Filtration

Removes sediment, particulates and colloids

Pore size: 1,000 nm

Ultra-Filtration

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

Pore size: 50 nm

Reverse Osmosis

The ultimate filtration technology; reduces nearly all substances

Pore size: 0.2 nm



North America Key Takeaways



Market leadership in large, stable water heater and boiler markets



Strong 9% Sales CAGR over past 5 years; significant opportunity to grow Water Treatment business and participate in market consolidation



Replacement market helps to buffer cyclical elements



Active innovation pipeline driving continued gains in energy efficiency and supporting future organic growth



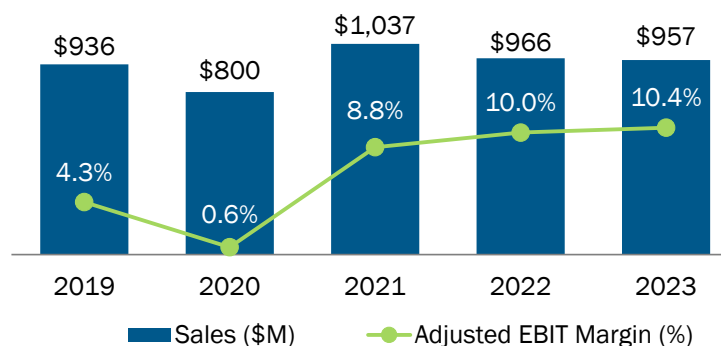
Very attractive margin profile of ~25%

Rest of World Segment Overview

Rest of World Snapshot

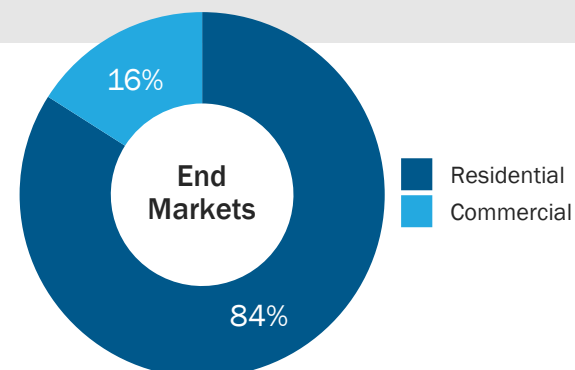
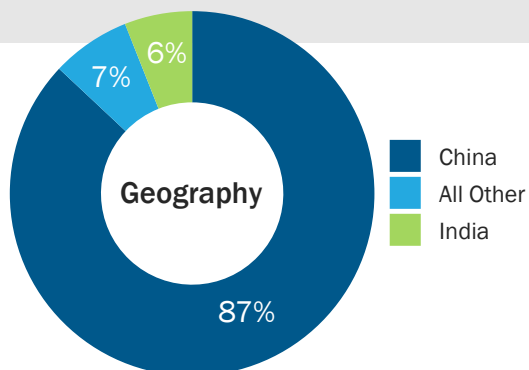
- Global scale enables leveraging of innovation, technology and new product development
- Aligned megatrends with significant market potential in the world's two most populous countries: China and India
- Distribution to reach 35% of world's population in China and India alone
- Local leadership and infrastructure with a customized approach for each unique market
- Segment earnings are on margin recovery path after bottoming in 2020

Financial Summary



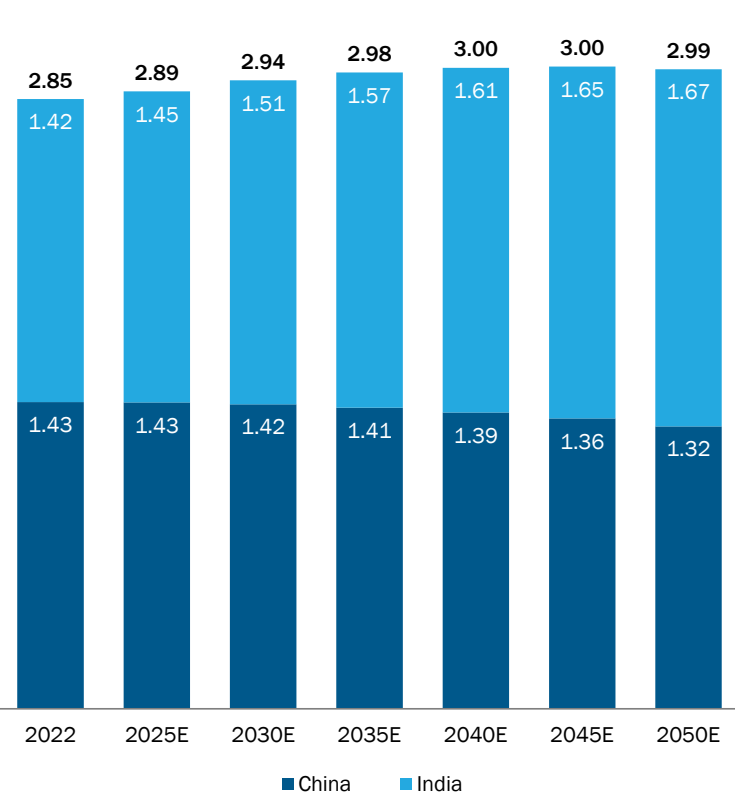
160 bps
Margin Improvement
since 2021

Leading Brands

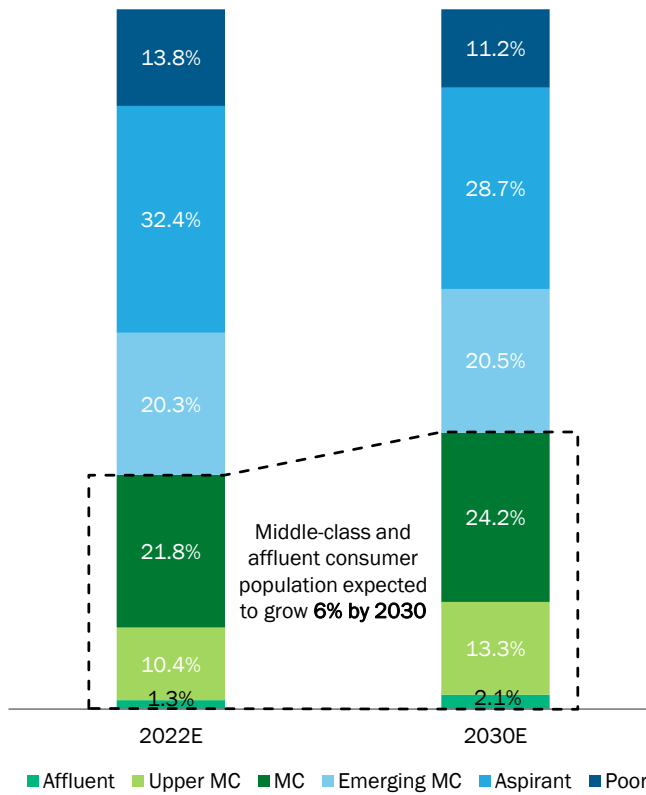


Opportunities in China and India

Population Growth (B)¹



Growing Middle & Upper Classes in China²



Emerging Markets

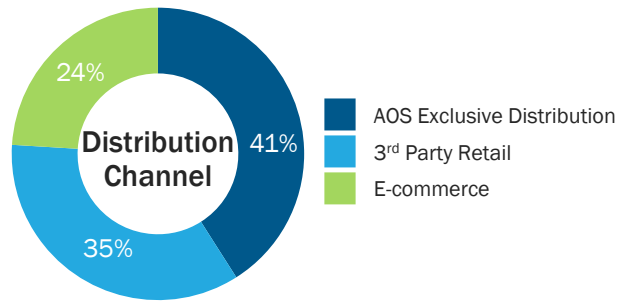
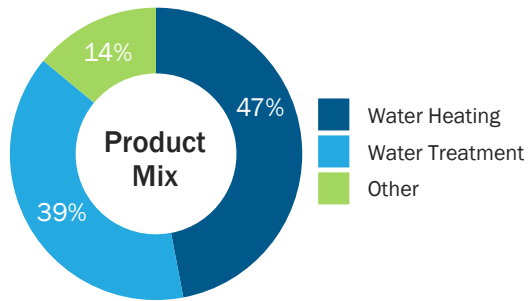
China

- Strong AOS legacy and brand awareness
- Favorable LT market fundamentals for water heating and treatment
 - Urbanization projected to account for 28% of all global growth³
 - Rapidly growing affluent and middle classes
 - Consumers are increasing their spending on categories related to health and lifestyle, including water treatment⁴

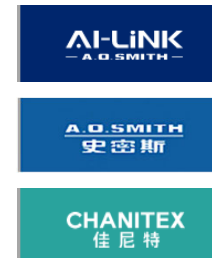
India

- Favorable LT market fundamentals for water heating and treatment
 - Large population with an emerging middle class
 - Increased awareness of need for safe water

China Overview



Leading Brands



Strong Foundation

25+ years of experience operating in China with ability to scale

- Strong in-country leadership
- Operational improvements and organizational changes leading to margin recovery

Well-positioned to reach growing middle and affluent classes

- Premium brand with strong recognition
- Multiple distribution channels, including service network and increasing e-commerce

~9,700 points of sale across country

- ~4,500 exclusive AOS Specialty stores and regional stores in Tier 1 – Tier 3 cities
- ~5,200 outlets in Tier 4 – Tier 6 cities

Continuous innovation around both new products, technology and operational excellence

Growing Product Portfolio Designed and Built in China for China

Water Heaters

~60% of sales are replacement

Electric Gas



Water Treatment

25-30% of sales are replacement filters

Water Purifiers



AI-LINK HVAC



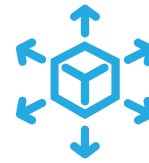
Kitchen Products



A. O. Smith China Built On...



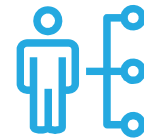
Premium Brand



Extensive Distribution
and Service Network

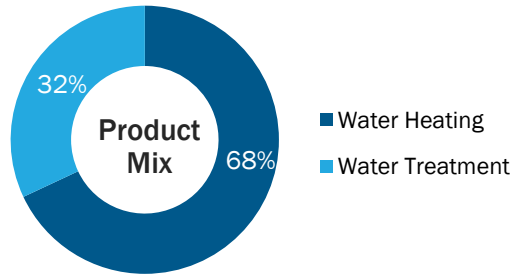


Innovative New Products and
World Class Manufacturing



Local Management Team and
Organizational Development

India Overview



National Retailers



Regional Retailers



Growing Scale for Long-term

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

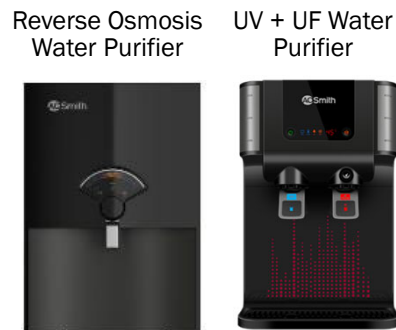
Ecommerce / digital consumption

Product Portfolio Designed for the Indian Market

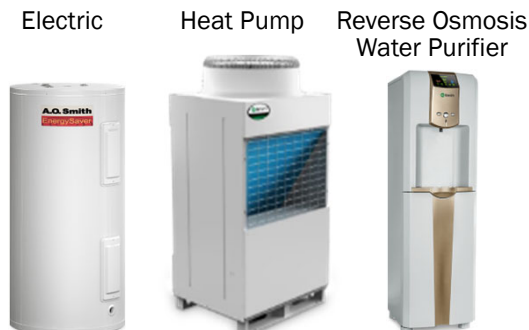
Residential Water Heaters



Residential Water Treatment



Commercial Water Heaters & Treatment



ROW Key Takeaways



Diverse product portfolio with many avenues for growth



Maintaining a balanced go-to-market channel strategy



Long-standing leadership position in China given established, trusted brand



Numerous opportunities to grow in new geographies; India the most nascent opportunity



Well-positioned to deliver improved margins in the future with a return to stronger performance

Financial Overview



Compelling Financial Characteristics



21.4%

Adjusted EBITDA Margin
In 2023

>\$449M

Invested in R&D
Since 2019

108%

Avg. FCF Conversion
Since 2019

>\$1.4B

Share Repurchases
Since 2019

32

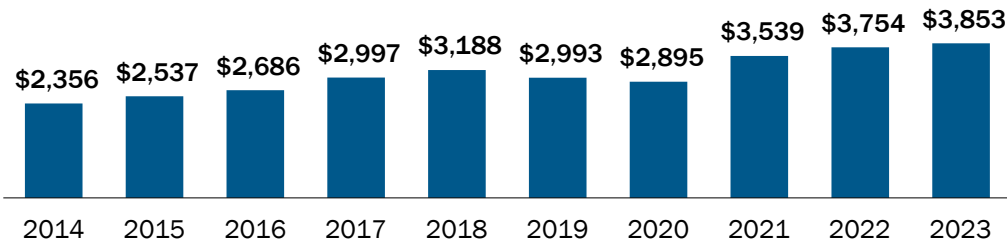
Consecutive Years of
Dividend Increases

>\$360M

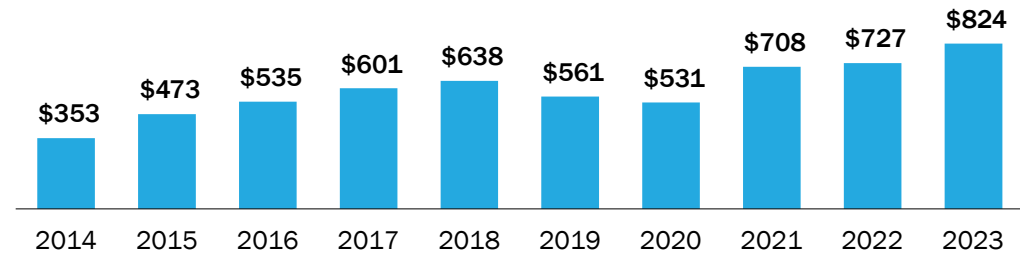
Cash on Hand

Strong Earnings Anchored by Consistent North America Segment Growth

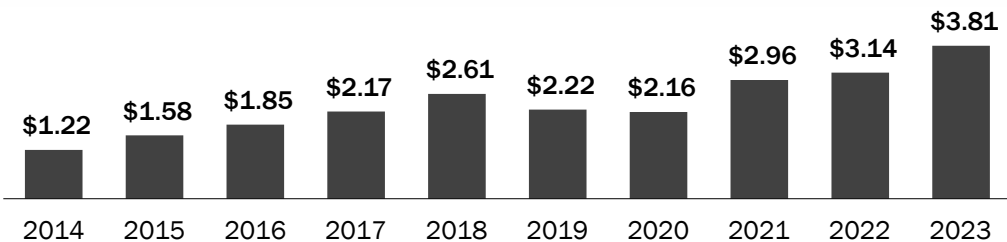
Sales (\$M)
5.6% CAGR



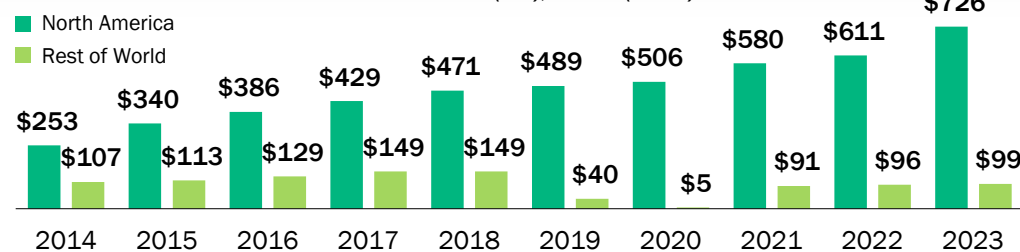
EBITDA¹ (\$M)
10.1% CAGR



Adjusted EPS
13.5% CAGR

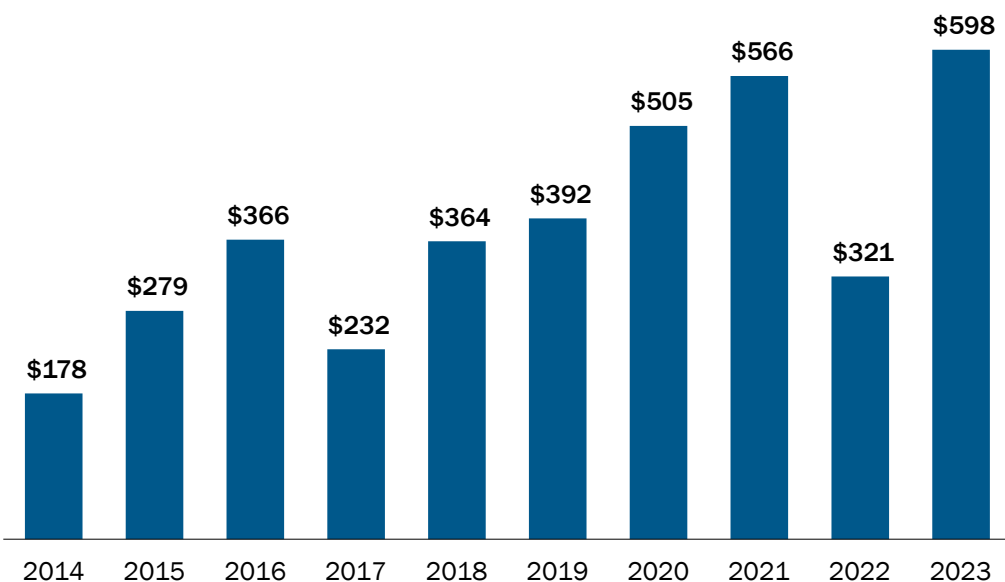


Adjusted Segment Earnings (\$M)
12.4% CAGR (NA), -0.9% (ROW)



Robust Free Cash Flow Generation and Ample Liquidity

Free Cash Flow (\$M)¹



6.5%
Debt to Capital
Ratio

\$236M
Net Cash
Position

~4.4M
Shares Repurchased
In 2023

Debt	
Debt as of 12/31/2023	\$127.3M
Upcoming Maturities Due	
2024	\$10.0M
2025	\$10.0M
2026	\$28.5M
2027	\$28.5M
2028	\$13.2M

Significant Cash and Availability to Fuel Our Balanced Capital Allocation Strategy

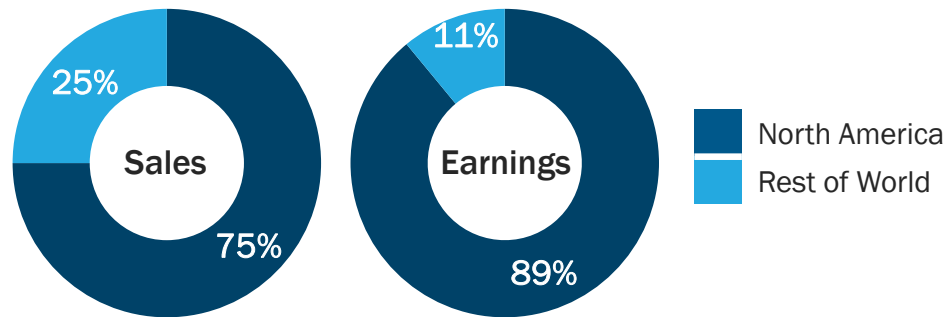


¹ Non-GAAP measure. See reconciliation to GAAP measures in Appendix.

Latest Quarterly Results: Q4 2023

(\$M)	Q4 2022	Q4 2023	\$ Change	% Change
Net Sales	\$ 936.1	\$ 988.1	\$ 52.0	6%
Adjusted Earnings	\$ 131.6	\$ 144.4	\$ 12.8	10%
Adjusted EPS	\$ 0.86	\$ 0.97	\$ 0.11	13%

Q4 2023 Segment Data



North America

7% sales increase driven by higher commercial and residential water heater volumes partially offset by lower boiler sales

Rest of World

4% sales increase driven by higher volumes in China and robust demand in India

Key Takeaways



Technology leadership and culture of innovation enables development of new products and services to capitalize on technology adoption, decarbonization and sustainability trends



North American replacement demand for water heaters and boilers provides a stable base and pricing environment



Well positioned to capitalize on opportunity to participate in and consolidate the growing North American water treatment market



Significant opportunity to leverage compelling brand awareness in emerging markets, with attractive growth and margin expansion potential



Focused on robust execution, value creation strategy and effective capital deployment to grow earnings and cash flow

Appendix



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

(\$millions)	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Cash provided by operating activities (GAAP)	\$ 280	\$ 264	\$ 352	\$ 447	\$ 326	\$ 449	\$ 456	\$ 562	\$ 641	\$ 391	\$ 670
Less: Capital Expenditures	(98)	(86)	(73)	(81)	(94)	(85)	(64)	(57)	(75)	(70)	(73)
Free cash flow (non-GAAP)	\$ 182	\$ 178	\$ 279	\$ 366	\$ 232	\$ 364	\$ 392	\$ 505	\$ 566	\$ 321	\$ 598

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

(\$millions)	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Earnings before provision for income taxes (GAAP)	\$ 236	\$ 287	\$ 403	\$ 463	\$ 521	\$ 558	\$ 472	\$ 444	\$ 626	\$ 224	\$ 734
Add: Depreciation and amortization expense	60	60	63	65	70	72	78	80	78	77	78
Add: Interest expense	6	6	7	7	10	8	11	7	4	9	12
Add: Pension settlement expense	-	-	-	-	-	-	-	-	-	417	-
Adjusted EBITDA (non-GAAP)	\$ 302	\$ 353	\$ 473	\$ 535	\$ 601	\$ 638	\$ 561	\$ 531	\$ 708	\$ 727	\$ 824

