



# Third Quarter 2024 Results

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# 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: 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; 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; the possibility that the parties will fail to obtain necessary regulatory approvals or to satisfy any of the other conditions to the proposed acquisition; 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. Additional factors are discussed in the Company’s filings with Securities and Exchange Commission, including the Company’s Annual Report on Form 10-K for the year ended December 31, 2023, quarterly reports on Form 10-Q and current reports on Form 8-K. 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.”

# Second Quarter Messages

1

Sales of \$903M  
and EPS of \$0.82

2

China third-party  
local currency  
sales decrease of  
17% driven by  
weak consumer  
demand

3

North America  
water heater  
sales negatively  
impacted by  
prebuy and lead  
time reduction

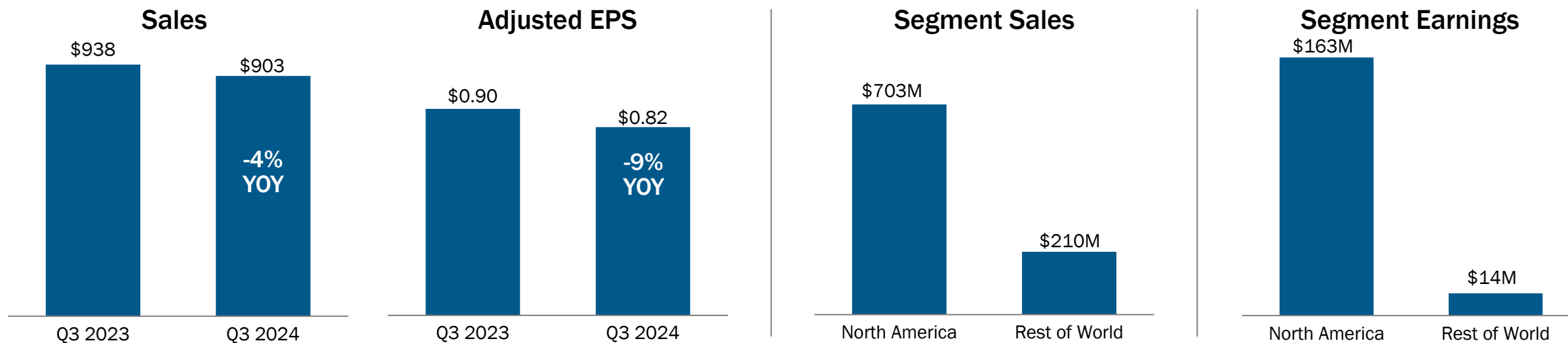
4

Double digit sales  
growth in North  
America water  
treatment and  
boilers

5

India sales grew  
12% in local  
currency and  
Pureit projected  
to close by the  
end of 2024

# Third Quarter Performance and Highlights



## Highlights

- Net sales decreased 4 percent to \$903M
- EPS down 9 percent to \$0.82

## North America

- Sales down 1 percent driven by lower water heater volumes partially offset by higher boiler and water treatment sales
- Pricing actions also benefited the quarter

## Rest of World

- China third-party sales decreased 17 percent in local currency due to lower volumes of core products
- India sales grew 12 percent in local currency



# 2024 Expansion Updates



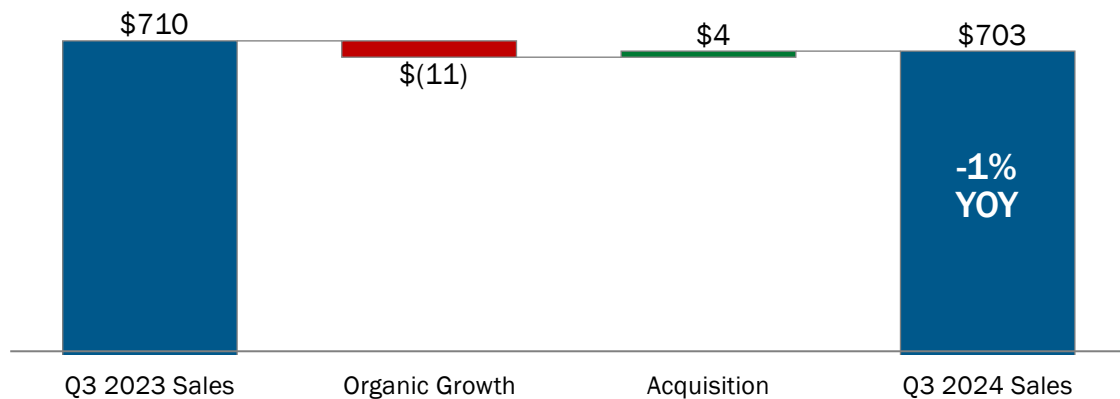
**Product Development Center  
Lebanon, TN**

**Tankless Building Expansion  
Ciudad Juarez, Mexico**

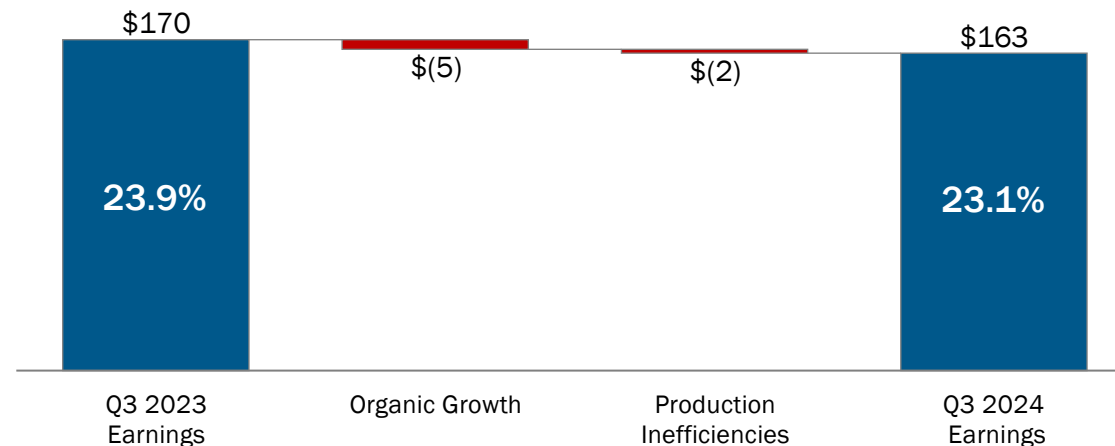


# Third Quarter North America Segment

## Segment Sales (\$M)



## Segment Operating Earnings (\$M)

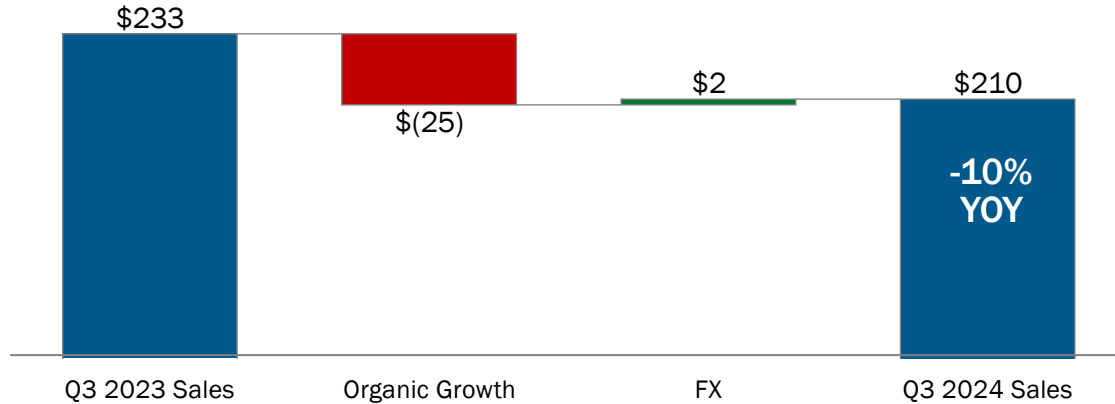


- Sales decrease primarily driven by lower water heater volumes, which more than offset continued pricing action benefits
- Boiler sales increased 15 percent
- Water treatment sales grew 16 percent

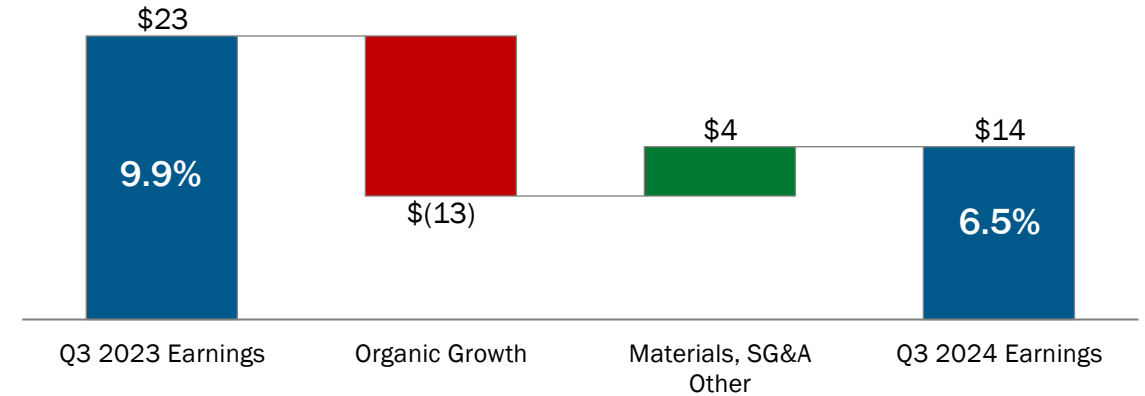
- Earnings decrease driven by lower water heater volumes, partially offset by pricing action benefits
- Year-over-year segment margin decrease of 80 bps

# Third Quarter Rest of World Segment

Segment Sales (\$M)



Segment Operating Earnings (\$M)



- China sales declined 17% in local currency due to lower volumes
- India sales increase 12% in local currency, continuing to outpace market growth

- Earnings decline driven by lower volumes in China
- Lower materials costs resulting from cost saving projects in China



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

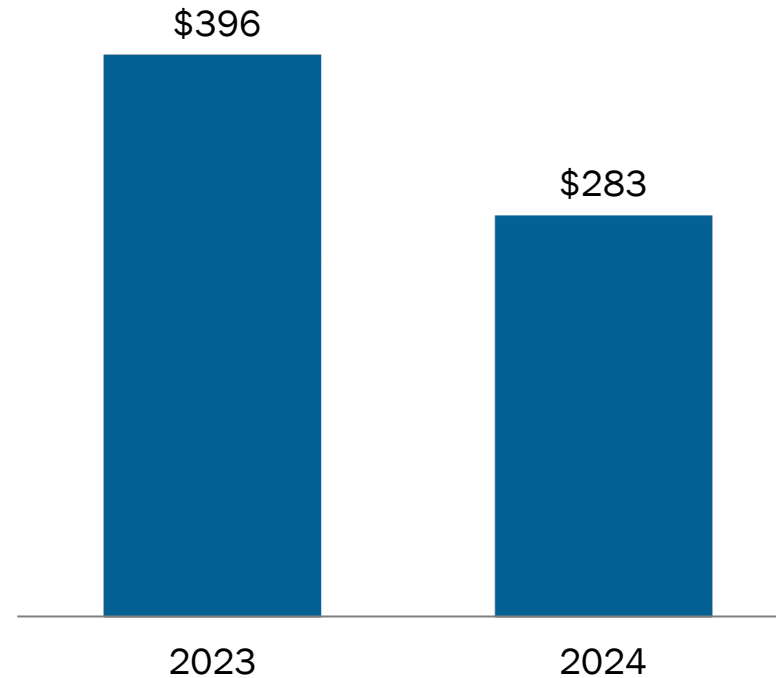
**\$256M**  
Cash balance<sup>2</sup>

**5.9%**  
Debt to capital ratio

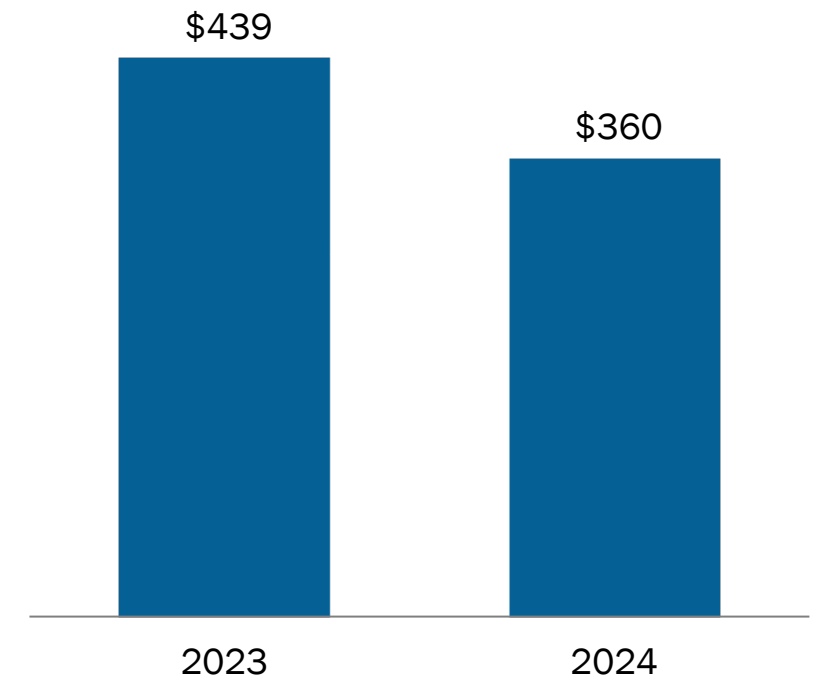
**\$136M**  
Net cash position

**~2.9M**  
Shares repurchased  
in 2024 totaling ~\$237M

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: Impact Water and Water Tec; Pureit expected to close by year-end
- Cultivate active pipeline

## Dividends

Philosophy: growing, competitive sustainable dividend



- Five-year CAGR of 8 percent
- Over 30 consecutive years of dividend increases

## Share Repurchase



- \$237 million in YTD September 2024; ~\$300 million projected for the full year

# 2024 Outlook and Assumptions<sup>1</sup>

Revenue Increase	~Flat
U.S. Residential Water Heater Industry	~Flat
Commercial Water Heater Industry	~Flat
China Sales Decrease (Local Currency)	~-6% to -8%
North American Boiler Sales Growth	~8%
North American Water Treatment Growth	~8% to 10%
North America Segment Margin	~24.5%
Rest of World Segment Margin	~8%
Free Cash Flow	~\$415M
Capital Expenditures	\$105M to \$115M
Depreciation & Amortization	~\$80M
Corporate/Other Expense	~\$70M
Effective Tax Rate	~24%
Share Repurchase	~\$300
Share Count – Diluted	~147M

	2024 Guidance	2023
Diluted EPS (GAAP)	\$3.70 - \$3.85	\$3.69
Restructuring and Impairment Expense	-	\$0.12 <sup>1</sup>
Adjusted EPS (non-GAAP)	\$3.70 - \$3.85	\$3.81
<sup>1</sup> Includes pre-tax restructuring and impairment expenses of \$15.7 million and \$3.1 million, within the Rest of World segment and Corporate expenses, respectively.		

# 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





# Adjusted Earnings and Adjusted EPS

(\$ in Millions, except per share data)

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
<b>Net Earnings (GAAP)</b>	\$ 120.1	\$ 135.4	\$ 423.9	\$ 419.3
Impairment expense, before tax	—	—	—	15.6
Pension settlement income, before tax	—	—	—	(6.0)
Tax effect on above items	—	—	—	1.5
<b>Adjusted Earnings (non-GAAP)</b>	<u>\$ 120.1</u>	<u>\$ 135.4</u>	<u>\$ 423.9</u>	<u>\$ 430.4</u>
<b>Diluted Earnings Per Share (GAAP)<sup>(1)</sup></b>	\$ 0.82	\$ 0.90	\$ 2.87	\$ 2.77
Impairment expense per diluted share, before tax	—	—	—	0.10
Pension settlement income per diluted share, before tax	—	—	—	(0.04)
Tax effect on above items per diluted share	—	—	—	0.01
<b>Adjusted Earnings Per Share (non-GAAP)<sup>(1)</sup></b>	<u>\$ 0.82</u>	<u>\$ 0.90</u>	<u>\$ 2.87</u>	<u>\$ 2.84</u>

<sup>(1)</sup> Earnings per share amounts are calculated discretely and, therefore, may not add up to the total due to rounding.

# Adjusted Segment Earnings

(\$ in Millions)

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Earnings Before Provision for Income Taxes (GAAP)	\$ 156.6	\$ 176.4	\$ 555.9	\$ 556.6
Add: Corporate expense <sup>(1)</sup>	18.0	14.4	55.7	47.0
Add: Interest expense	1.5	2.4	4.3	10.9
<b>Total Segment Earnings (non-GAAP)</b>	<b>\$ 176.1</b>	<b>\$ 193.2</b>	<b>\$ 615.9</b>	<b>\$ 614.5</b>
North America <sup>(2)</sup>	\$ 162.5	\$ 170.0	\$ 559.6	\$ 557.7
Rest of World <sup>(3)</sup>	13.6	23.2	56.7	56.8
Inter-segment earnings elimination	—	—	(0.4)	—
<b>Total Segment Earnings (non-GAAP)</b>	<b>\$ 176.1</b>	<b>\$ 193.2</b>	<b>\$ 615.9</b>	<b>\$ 614.5</b>
<b>Additional Information</b>				
<sup>(1)</sup> Corporate expense	\$ (18.0)	\$ (14.4)	\$ (55.7)	\$ (47.0)
Pension settlement income, before tax	—	—	—	(1.0)
Impairment expense, before tax	—	—	—	3.1
<b>Adjusted Corporate expense (non-GAAP)</b>	<b>\$ (18.0)</b>	<b>\$ (14.4)</b>	<b>\$ (55.7)</b>	<b>\$ (44.9)</b>
<sup>(2)</sup> North America	\$ 162.5	\$ 170.0	\$ 559.6	\$ 557.7
Pension settlement income, before tax	—	—	—	(5.0)
<b>Adjusted North America (non-GAAP)</b>	<b>\$ 162.5</b>	<b>\$ 170.0</b>	<b>\$ 559.6</b>	<b>\$ 552.7</b>
<sup>(3)</sup> Rest of World	\$ 13.6	\$ 23.2	\$ 56.7	\$ 56.8
Impairment expense, before tax	—	—	—	12.5
<b>Adjusted Rest of World (non-GAAP)</b>	<b>\$ 13.6</b>	<b>\$ 23.2</b>	<b>\$ 56.7</b>	<b>\$ 69.3</b>

# Free Cash Flow

(\$ in Millions)

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

	Nine Months Ended September 30,	
	2024	2023
<b>Cash provided by operating activities (GAAP)</b>	\$ 359.9	\$ 439.0
Less: Capital expenditures	(77.4)	(42.7)
<b>Free cash flow (non-GAAP)</b>	<u>\$ 282.5</u>	<u>\$ 396.3</u>