



Third Quarter 2022 Results

Participants



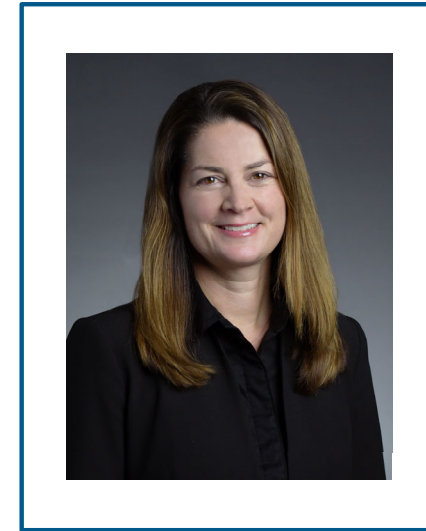
Kevin J. Wheeler

Chairman and
Chief Executive Officer



Charles T. Lauber

Executive Vice President
and Chief Financial Officer



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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. 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: further softening in U.S. residential water heater demand resulting primarily from channel inventory destocking; 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, and to its operations and workforce as a result of the severity and duration of 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; an uneven recovery of the Chinese economy or decline in the growth rate of consumer spending or housing sales in China; negative impact to the Company’s business in China as a result of future COVID-19 related shutdowns there; negative impact to the Company’s businesses from international tariffs, trade disputes and geopolitical differences, including the conflict in Ukraine; potential weakening in the high-efficiency 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; 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 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 Messages

Sales of \$874M
and adjusted EPS
of \$0.69

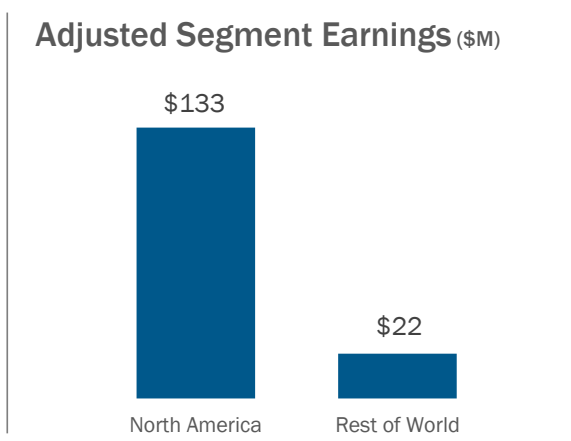
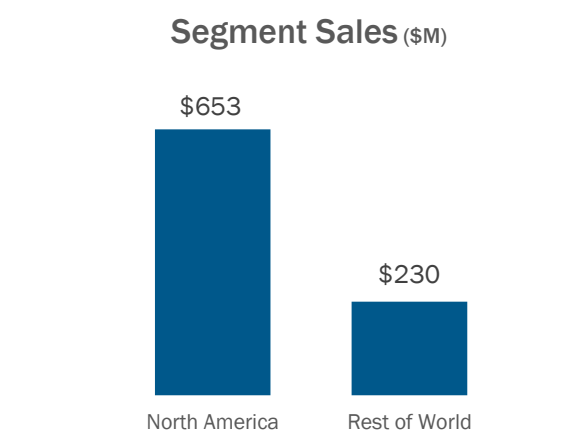
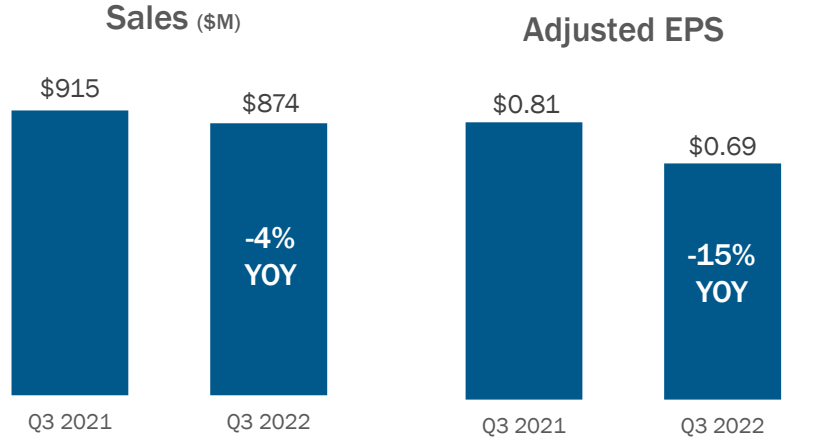
North America
sales decrease as
residential water
heater industry
demand
normalized

China achieved
higher operating
margins despite
continued Covid-
19-related
headwinds

Effective
operational
execution while
navigating macro
challenges

Returned \$413
million of capital to
shareholders
through
September

Third Quarter Performance and Highlights



Highlights

- Net sales ↓ 4 percent to \$874M
- Adjusted EPS ↓ 15 percent to \$0.69

North America

- Sales ↓ 1 percent on price increases
- Giant added \$25 million of sales
- Estimated 80 to 85 percent of water heater & boiler demand is replacement

Rest of World

- 13 percent sales decrease due to Covid-19 related lockdowns in China
- China margin improved 40 bps over last year

Introducing the Voltex[®] AL

Smart Residential Hybrid Electric Heat Pump Water Heaters

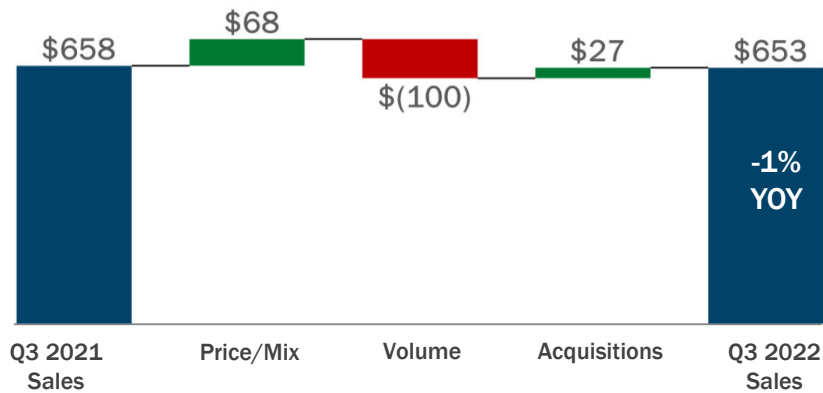


Market Leading Performance and Features

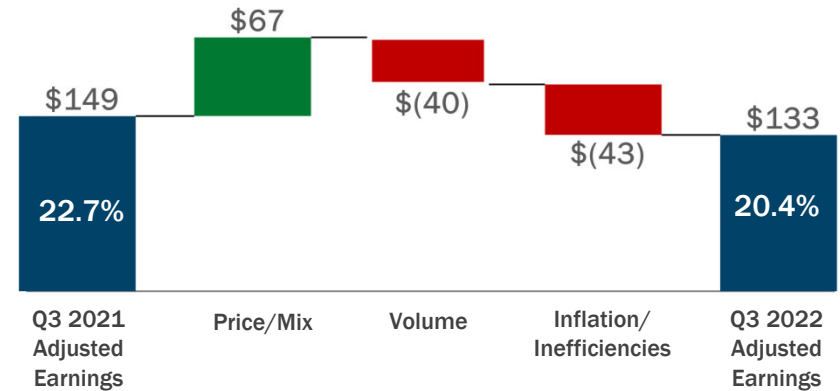
- ✓ Market leading performance and features
- ✓ The most efficient heat pump water heater on the market
- ✓ Reduces energy bills by an estimated 78%
- ✓ Industry's quietest heat pump at 45 dBA
- ✓ Versatile top and side connections
- ✓ Integrated leak detection and compatible with automatic shut-off valve

Third Quarter North America Segment

Segment Sales (\$M)



Adjusted Segment Operating Earnings (\$M)

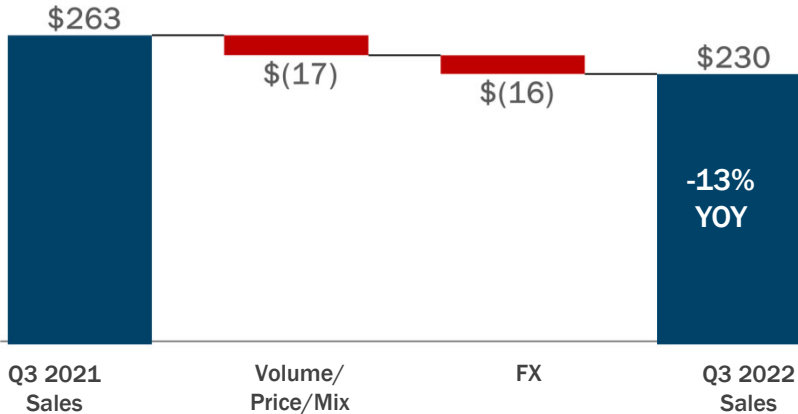


- Sales decreased primarily due to lower residential water heater volumes as industry lead times normalize
- Continued to see 2021 pricing actions implemented in response to cost inflation
- Acquisitions added \$27 million to sales

- Income was lower due to lower residential water heater volumes and higher input costs that more than offset inflation-related price increases
- Acquisitions negatively impacted margin by 50 bps

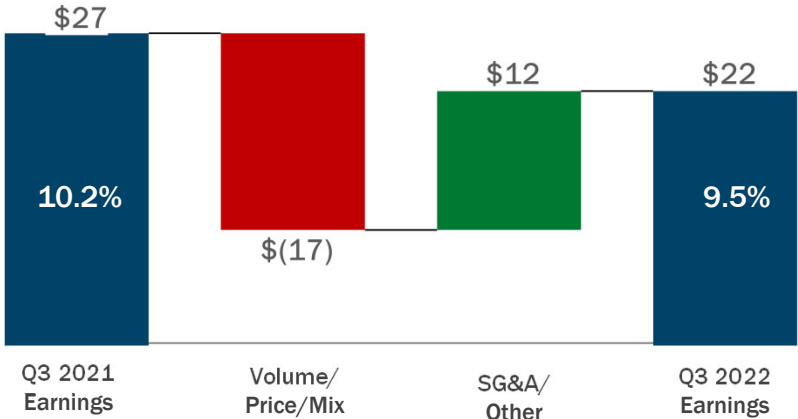
Third Quarter Rest of World Segment

Segment Sales (\$M)



- China: Lower volumes due to Covid-related lockdowns; currency translation reduced sales by \$12 million
- India sales increase ~16% in local currency due to robust demand

Segment Operating Earnings (\$M)



- Income decreased due to lower volumes in China
- China reduced discretionary spend in response to lower consumer demand

Cash Flow and Liquidity¹

\$417

Cash balance²

14.1%

Debt to
capital ratio

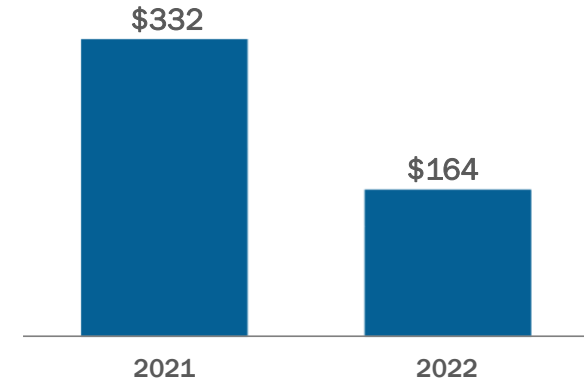
\$129M

Net cash
position

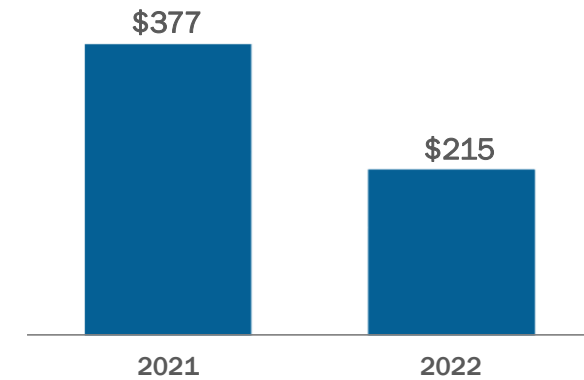
~4.5M

Shares repurchased
through September
2022
totaling ~\$282M

Free Cash Flow (\$M)



Cash Flow from Operations (\$M)



Capital Allocation Priorities

Priority	Comments
Organic Growth	Opportunities for organic growth in all our businesses and geographies by investing in ourselves through new product development and R&D
Acquisitions	<ul style="list-style-type: none">• Disciplined focus on transactions that enable geographic growth, expand/grow the core, establish adjacencies• Recent transactions include Atlantic Filter and Giant• Maintain active pipeline
Dividends • Philosophy: growing, competitive sustainable dividend	<ul style="list-style-type: none">• Five-year CAGR of 15 percent• 30 consecutive years of dividend increases
Share Repurchase	\$282 million through September 2022

2022 Outlook and Assumptions*

(\$M, except per share data)

Revenue Increase	5% to 7%
U.S. Residential Water Heater Industry	~ -12 to -13%
Commercial Water Heater Industry	~ -15%
China Sales (Local Currency)	Flat
North American Boiler Sales Growth	~25%
North American Water Treatment Growth	~10%
Free Cash Flow	\$400M to \$425M
Capital Expenditures	~\$70M to \$75M
Depreciation & Amortization	~\$80M
Adjusted Corporate/Other Expense	~\$55M
Effective Tax Rate	23.5% to 24%
Share Repurchase	~\$400
Share Count – Diluted	~156M

- North American segment margin expected to be approximately 21.5%, excluding legal judgment and pension expense
- Rest of World segment margin expected to be approximately 10%
- Reflects the effects of five announced inflation-related price increases in 2021 compounding to ~50% for water heaters

	2022 Guidance*	2021
Diluted EPS (GAAP)	\$1.29-1.39	\$ 3.02
Estimated pension settlement charge	1.73 ⁽¹⁾	-
Pension expense (income)	0.06 ⁽²⁾	(0.06) ⁽³⁾
Legal judgment income	(0.05)	-
Terminated acquisition-related expenses	0.02	-
Adjusted EPS (non-GAAP)	\$3.05-3.15	\$ 2.96

(1) Includes pre-tax pension settlement charges of \$378.3 million and \$66.7 million, within the North America segment and Corporate expenses, respectively.

(2) Includes pre-tax pension expense of \$10.5 million and \$1.3 million, within the North America segment and Corporate expenses, respectively.

(3) Includes pre-tax pension income of \$10.5 million and \$2.6 million, within the North America segment and Corporate expenses, respectively.

Compelling Investment Thesis



Market Leader



Stable/growing U.S. replacement market; operating leverage from incremental new construction and replacement of approximately 80 - 85%



Strength of premium brand, distribution, manufacturing and innovation provide significant opportunity for growth



Strong balance sheet and cash flow to support future growth, share repurchase and acquisitions with demonstrated success in all economic cycles



Adjusted Earnings and Adjusted EPS

(\$ in Millions, except per share data)

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Net Earnings (GAAP)	\$ 109.8	\$ 131.6	\$ 355.8	\$ 347.5
Legal judgment income, before tax	(11.5)	-	(11.5)	-
Pension expense (income), before tax	3.0	(3.2)	8.9	(9.5)
Terminated acquisition-related expenses, before tax	4.3	-	4.3	-
Tax effect on above items	<u>1.0</u>	<u>0.8</u>	<u>(0.4)</u>	<u>2.4</u>
Adjusted Earnings (non-GAAP)	\$ 106.6	\$ 129.2	\$ 357.1	\$ 340.4
Diluted EPS (GAAP) ⁽¹⁾	\$ 0.71	\$ 0.82	\$ 2.27	\$ 2.15
Legal judgment income, per diluted share, before tax	(0.07)	-	(0.07)	-
Pension expense income, per diluted share, before tax	0.02	(0.02)	0.06	(0.06)
Terminated acquisition-related expenses, per diluted share, before tax	0.03	-	0.03	-
Tax effect on above items per diluted share	<u>-</u>	<u>0.01</u>	<u>(0.01)</u>	<u>0.02</u>
Adjusted EPS (non-GAAP) ⁽¹⁾	\$ 0.69	\$ 0.81	\$ 2.28	\$ 2.11

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

Adjusted Segment Earnings & Adjusted Corporate Expense

(\$ in Millions)

The following is a reconciliation of reported segments earnings to adjusted segment earnings (non-GAAP):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Segment Earnings (GAAP)				
North America	\$ 141.8	\$ 151.8	\$ 453.5	\$ 423.9
Rest of World	21.8	26.8	64.7	60.9
Inter-segment earnings elimination	-	(0.1)	(0.1)	(0.1)
Total Segment Earnings (GAAP)	\$ 163.6	\$ 178.5	\$ 518.1	\$ 484.7
Adjustments:				
North America	\$ (8.9)	\$ (2.6)	\$ (3.7)	\$ (7.8)
Rest of World	-	-	-	-
Inter-segment earnings elimination	-	-	-	-
Total Adjustments	\$ (8.9)	\$ (2.6)	\$ (3.7)	\$ (7.8)
Adjusted Segment Earnings (non-GAAP)				
North America	\$ 132.9	\$ 149.2	\$ 449.8	\$ 416.1
Rest of World	21.8	26.8	64.7	60.9
Inter-segment earnings elimination	-	(0.1)	(0.1)	(0.1)
Total Adjusted Segment Earnings (non-GAAP)	\$ 154.7	\$ 175.9	\$ 514.4	\$ 476.9

Additional Information

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Adjustments: North America Segment				
Pension expense (income), before tax	\$ 2.6	\$ (2.6)	\$ 7.8	\$ (7.8)
Legal judgment income, before tax	(11.5)	-	(11.5)	-
Total Adjustments	\$ (8.9)	\$ (2.6)	\$ (3.7)	\$ (7.8)

The following is a reconciliation of reported Corporate Expense to adjusted Corporate Expense (non-GAAP):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Corporate Expense (GAAP):	\$ (16.5)	\$ (11.1)	\$ (45.5)	\$ (38.0)
Adjustments:				
Corporate pension expense (income)	0.4	(0.6)	1.1	(1.7)
Terminated acquisition-related expenses	4.3	-	4.3	-
Corporate Expense (non-GAAP)	\$ (11.8)	\$ (11.7)	\$ (40.1)	\$ (39.7)

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,	
	2022	2021
Cash provided by operating activities (GAAP)	\$214.7	\$ 376.8
Less: Capital expenditures	<u>(50.9)</u>	<u>(45.3)</u>
Free cash flow (non-GAAP)	<u>\$163.8</u>	<u>\$ 331.5</u>

2022 Adjusted EPS Guidance and 2021 Adjusted EPS

(\$ in Millions, except per share data)

The following is a reconciliation of diluted EPS to adjusted EPS (non-GAAP) (all items are net of tax):

	Twelve Months Ended December 31,	
	2022	2021
Diluted EPS (GAAP)	\$ 1.29 – 1.39	\$ 3.02
Estimated pension settlement charge	1.73 ⁽¹⁾	-
Pension expense (income)	0.06 ⁽²⁾	(0.06) ⁽³⁾
Legal judgment income	(0.05)	-
Terminated acquisition-related expenses	<u>0.02</u>	<u>-</u>
Adjusted EPS (non-GAAP)	\$ <u>3.05 – 3.15</u>	\$ <u>2.96</u>

⁽¹⁾ Includes pre-tax pension settlement charges of \$378.3 million and \$66.7 million, within the North America segment and Corporate expenses, respectively.

⁽²⁾ Includes pre-tax pension expense of \$10.5 million and \$1.3 million, within the North America segment and Corporate expenses, respectively.

⁽³⁾ Includes pre-tax pension income of \$10.5 million and \$2.6 million, within the North America segment and Corporate expenses, respectively.