



# Second Quarter 2021 Results

## Forward Looking Statements

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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 businesses, including demand for our products, particularly commercial 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; lengthening or deepening of supply chain bottlenecks; an uneven recovery of the Chinese economy or decline in the growth rate of consumer spending or housing sales in China; negative impact to our businesses from international tariffs, trade disputes or geopolitical differences; potential 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; a failure to recover or further 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.”

## Second Quarter Commentary

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Record Q2  
EPS of \$0.73

Boiler sales  
grow 35  
percent

NA Water  
Treatment  
grows 17  
percent

U.S. Water  
Heater  
volumes  
increase

Fourth 2021  
water heater  
price increase  
effective  
August 1

China sales  
grow 26  
percent in  
local currency

## Second Quarter Results

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\$ in millions except per share data

	2021	2020	Change	% Change
<b>Sales</b>	\$ 859.8	\$ 663.9	\$ 195.9	30%
<b>Net Earnings</b>	\$ 118.2	\$ 67.8	\$ 50.4	74%
<b>EPS</b>	\$ 0.73	\$ 0.42	\$ 0.31	74%

## Second Quarter Sales

\$ in millions

	2021	2020	Change	% Change
North America	\$ 603.6	\$ 480.5	\$ 123.1	26%
Rest of World	263.2	189.7	73.5	39%
Intersegment	<u>(7.0)</u>	<u>(6.3)</u>	<u>(0.7)</u>	
<b>Total</b>	<b>\$ <u>859.8</u></b>	<b>\$ <u>663.9</u></b>	<b>\$ <u>195.9</u></b>	<b>30%</b>

## Second Quarter Earnings (Loss)

\$ in millions

	2021	2020	Change	% Change
<b>Segment Earnings (Loss)</b>				
North America	\$ 141.7	\$ 105.4	\$ 36.3	34%
Rest of World	22.3	(5.8)	28.1	NA
Intersegment	—	(0.3)		
<b>Total Segment Earnings</b>	<b>164.0</b>	<b>99.3</b>	<b>64.7</b>	<b>65%</b>
Corporate	(11.8)	(9.8)	(2.0)	(20)%
Interest Expense	(0.9)	(2.5)	1.6	64%
Pre-tax Earnings	151.3	87.0	64.3	74%
Tax Provision	(33.1)	(19.2)	(13.9)	
Net Earnings	\$ <u>118.2</u>	\$ <u>67.8</u>	\$ <u>50.4</u>	74%
<b>Segment Margin</b>				
North America	23.5%	21.9 %		
Rest of World	8.5%	(3.1)%		

## Strong Capital Position<sup>1</sup>

**\$196M**

Cash provided  
by operations

**5.5%**

Debt to  
capital ratio

**\$582M**

Cash balance<sup>2</sup>

**\$476M**

Net cash position

**~3.0M**

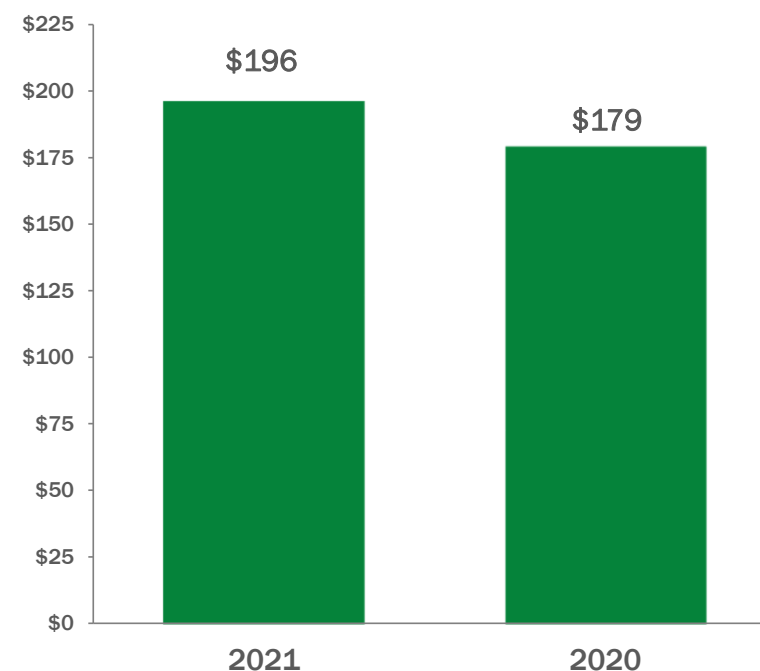
Shares repurchased  
totaling **~\$198M**

<sup>1</sup> as of June 30, 2021

<sup>2</sup> includes cash, cash equivalents and marketable securities

### Cash Flow from Operations

\$ in millions



## 2021 EPS Guidance and Assumptions

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(\$ in millions)	2021 Projections
EPS	\$2.70 to \$2.76 per share
Operating Cash Flow	\$500 - \$525
Capital Expenditures	\$85 - \$90
Depreciation & Amortization	Approximately \$80
Corporate/Other Expense	Approximately \$50
Effective Tax Rate	Approximately 23 percent
Stock Repurchase	Approximately \$400
Share Count - Diluted	Approximately 160 million

*As of July 29, 2021*



## 2021 Outlook

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- Revenue increases between 17 and 18 percent, including two percent growth from China FX benefit
  - U.S. residential water heater volumes up approximately three percent, commercial water heater industry volumes up approximately two percent
  - China sales increase 20 – 22% in local currency
  - NA boiler sales increase low double digits
  - NA water treatment sales increase 13 to 14 percent
  - Fourth water heater price increase of 10 to 12 percent effective August 1
- North America segment margin expected to be between 22.75 and 23 percent
- Rest of World segment margin expected to be approximately eight percent

*As of July 29, 2021*

