



First 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: 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.”

First Quarter Messages

1

Strong sales of \$979M and EPS of \$1.00

2

Higher North America sales due to positive mix toward high efficiency water heaters

3

North America segment margin of 25.9% driven by positive mix and lower steel costs

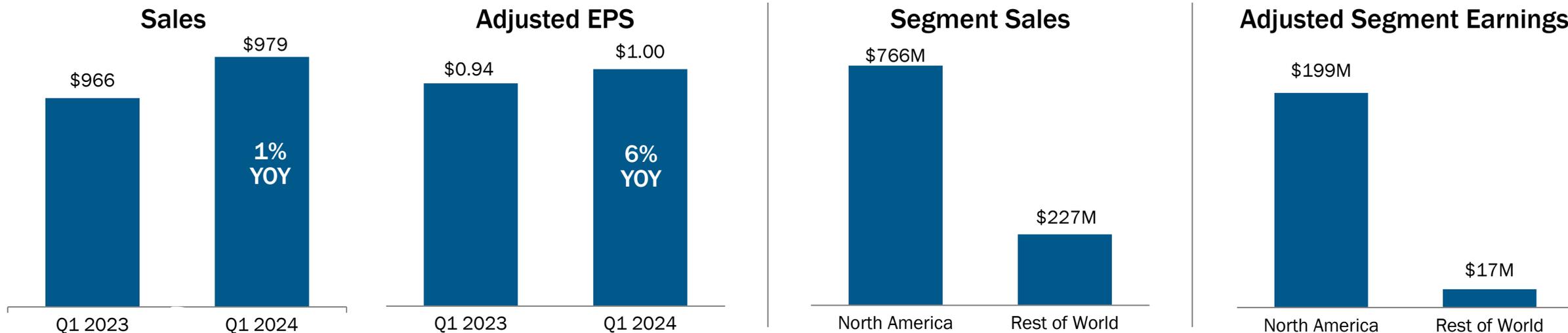
4

China achieved third-party local currency sales growth of 6%

5

India achieved local currency sales growth of 16%

First Quarter Performance and Highlights



Highlights

- Net sales up 1 percent to \$979M
- EPS up 6 percent to \$1.00

North America

- Sales up 2 percent driven positive mix in commercial water heaters
- Estimated 80 to 85 percent of water heater and boiler demand is replacement

Rest of World

- China third-party sales grew 6 percent in local currency driven by kitchen appliances and HVAC
- India sales grew 16 percent in local currency

First Quarter North America Segment

Segment Sales (\$M)



- Sales increase primarily due to higher commercial volumes and favorable mix in water heaters toward high efficiency products including heat pumps
- Impact Water Products acquired in the first quarter

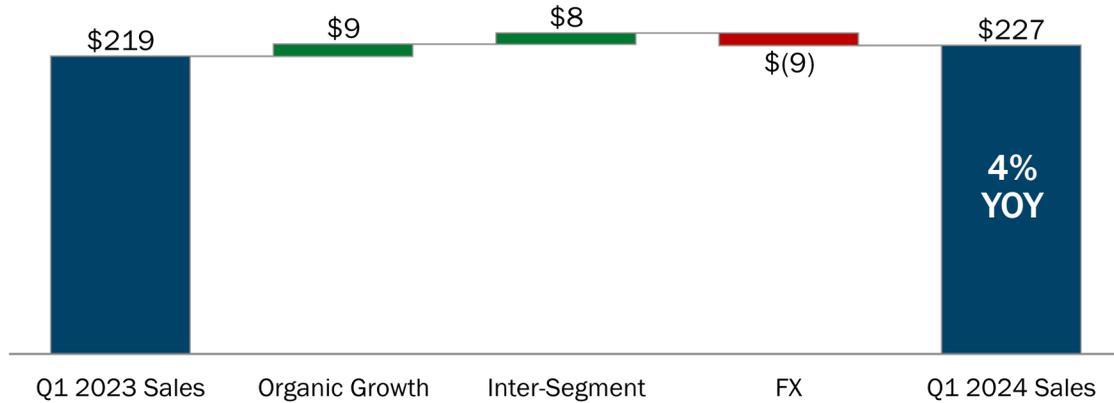
Segment Operating Earnings (\$M)



- Earnings increase driven by positive mix and lower material costs
- Higher SG&A expenses to support sales growth
- Year-over-year segment margin increase of 80 bps

First Quarter Rest of World Segment

Segment Sales (\$M)



Adjusted Segment Operating Earnings (\$M)



- China sales grew 6% driven by kitchen appliance and HVAC sales
- Includes inter-segment sales associated with gas-tankless water heaters to the sold in the North America market
- Currency translation impacted segment sales by \$9 million, primarily due to China sales
- India sales increase 16% in local currency, growing faster than the market

- Earnings benefits from higher volumes of kitchen products in China offset by sales promotions and product mix
- Segment margin related third-party sales is 7.9%

Cash Flow and Liquidity¹

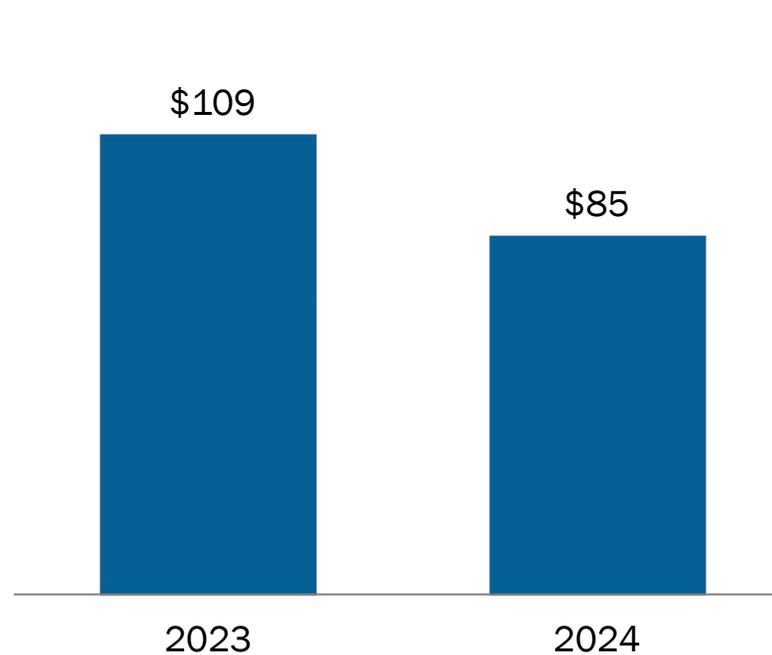
\$303M
Cash balance²

6.0%
Debt to capital ratio

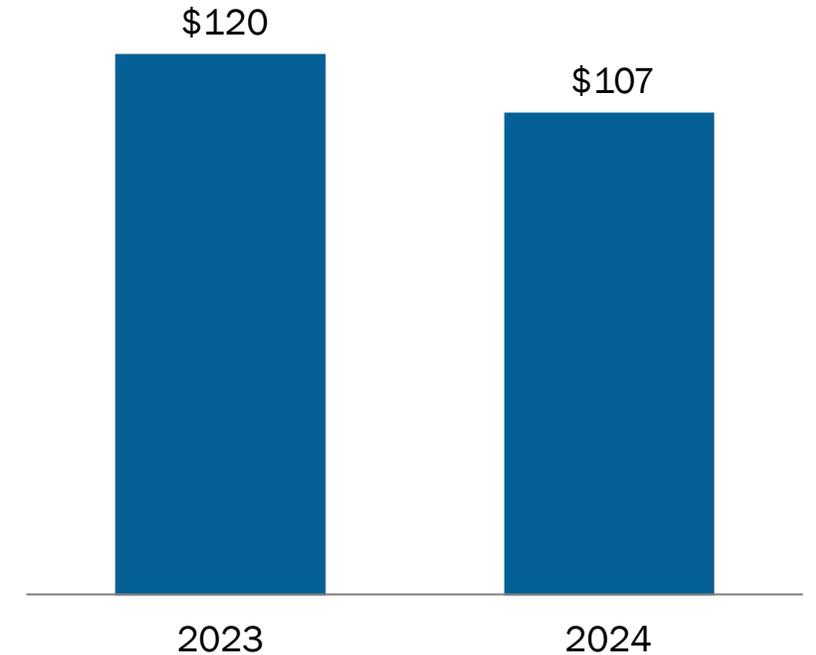
\$183M
Net cash position

~906K
Shares repurchased
in 2024 totaling ~\$75M

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 Impact Water and Water Tec
- Cultivate active pipeline

Dividends

Philosophy: growing, competitive sustainable dividend



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

Share Repurchase



- \$75 million in Q1 2024; \$300 million projected for the full year

2024 Outlook and Assumptions¹

Revenue Increase	~3% to 5%
U.S. Residential Water Heater Industry	Flat
Commercial Water Heater Industry	+ LSD
China Sales Growth (Local Currency)	~Flat to 3%
North American Boiler Sales Growth	~8% to 10%
North American Water Treatment Growth	~8% to 10%
North America Segment Margin	~25%
Rest of World Segment Margin	~10%
Free Cash Flow	\$525M to \$575M
Capital Expenditures	\$105M to \$115M
Depreciation & Amortization	~\$80M
Corporate/Other Expense	~\$65M
Effective Tax Rate	~24% to 24.5%
Share Repurchase	~\$300
Share Count – Diluted	~147M

	2024 Guidance	2023
Diluted EPS (GAAP)	\$3.90 - \$4.15	\$3.69
Restructuring and impairment expense	-	\$0.12 ¹
Adjusted EPS (non-GAAP)	\$3.90 - \$4.15	\$3.81

¹ 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 March 31,	
	2024	2023
Net Earnings (GAAP)	\$ 147.6	\$ 126.9
Impairment expense, before tax	—	15.6
Tax effect on above items	—	—
Adjusted Earnings (non-GAAP)	<u>\$ 147.6</u>	<u>\$ 142.5</u>
Diluted Earnings Per Share (GAAP)	\$ 1.00	\$ 0.84
Impairment expense per diluted share, before tax	—	0.10
Tax effect on above items per diluted share	—	—
Adjusted Earnings Per Share (non-GAAP)	<u>\$ 1.00</u>	<u>\$ 0.94</u>

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 March 31,	
	2024	2023
Earnings Before Provision for Income Taxes (GAAP)	\$ 192.7	\$ 171.3
Add: Corporate expense ⁽¹⁾	21.9	18.6
Add: Interest expense	1.0	4.0
Total Segment Earnings (non-GAAP)	<u>\$ 215.6</u>	<u>\$ 193.9</u>
North America	\$ 198.7	\$ 188.6
Rest of World ⁽²⁾	17.2	5.3
Inter-segment earnings elimination	(0.3)	—
Total Segment Earnings (non-GAAP)	<u>\$ 215.6</u>	<u>\$ 193.9</u>
Additional Information		
⁽¹⁾ Corporate expense	\$ (21.9)	\$ (18.6)
Impairment expense, before tax	—	3.1
Adjusted Corporate expense (non-GAAP)	<u>\$ (21.9)</u>	<u>\$ (15.5)</u>
⁽²⁾ Rest of World	\$ 17.2	\$ 5.3
Impairment expense, before tax	—	12.5
Adjusted Rest of World (non-GAAP)	<u>\$ 17.2</u>	<u>\$ 17.8</u>

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,	
	2024	2023
Cash provided by operating activities (GAAP)	\$ 106.6	\$ 119.9
Less: Capital expenditures	(22.0)	(10.7)
Free cash flow (non-GAAP)	<u>\$ 84.6</u>	<u>\$ 109.2</u>