



Second 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; 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; 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.”

Second Quarter Messages



Record sales of
\$1B and strong
EPS of \$1.06



North American
water heater and
boiler sales
increased 10%



China achieved
third-party local
currency sales
growth of 2%

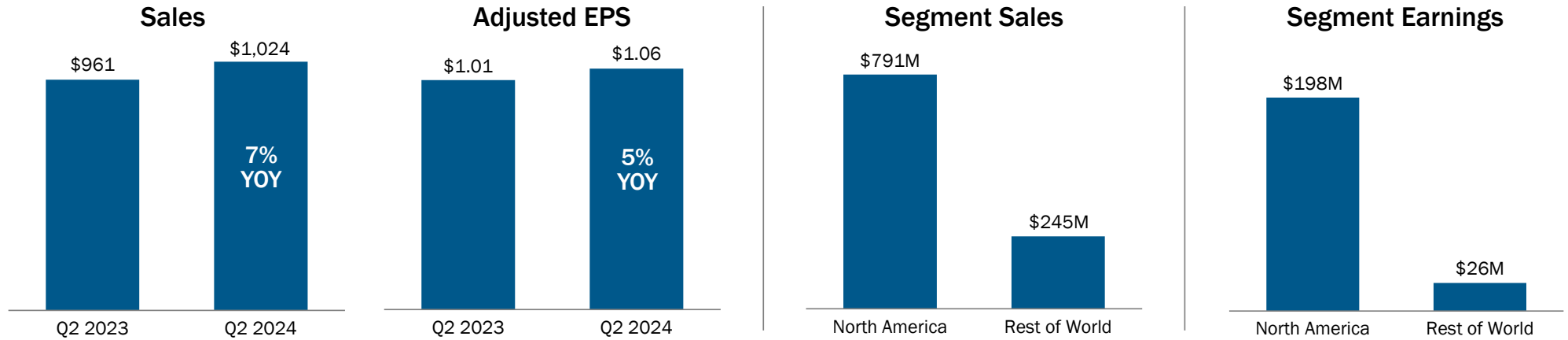


India achieved
local currency
sales growth of
16%



Pureit to be
acquired by the
end of 2024

Second Quarter Performance and Highlights



Highlights

- Net sales up 7 percent to \$1B
- EPS up 5 percent to \$1.06

North America

- Sales up 9 percent driven by higher water heater and boiler volumes
- Pricing actions also benefited the quarter

Rest of World

- China third-party sales grew 2 percent in local currency driven by kitchen appliances
- India sales grew 16 percent in local currency

A. O. Smith Values recognized in 2024

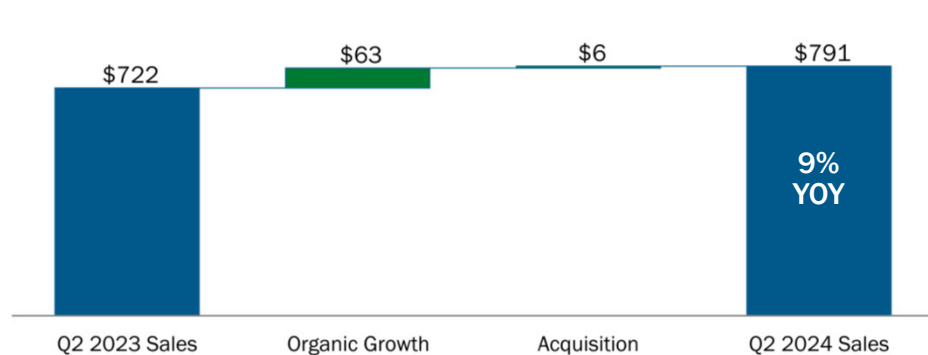
Live our Values

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

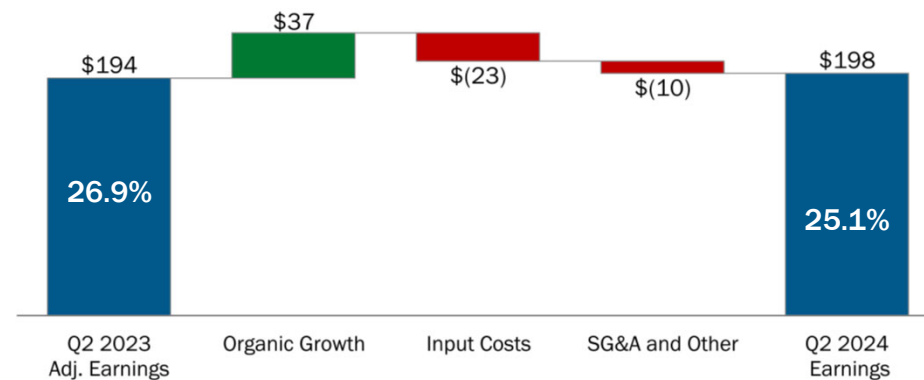


Second Quarter North America Segment

Segment Sales (\$M)



Adjusted Segment Operating Earnings (\$M)

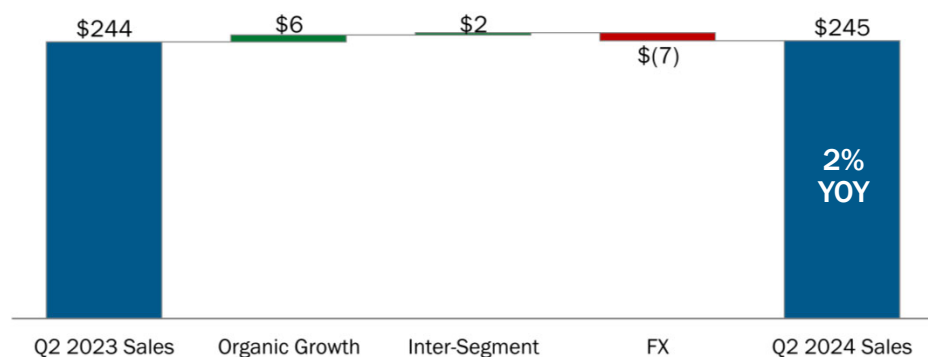


- Sales increase primarily due to higher water heater volumes and pricing actions
- Began shipping tankless product in the quarter
- Boiler sales increased 10 percent
- Water treatment sales grew 8 percent

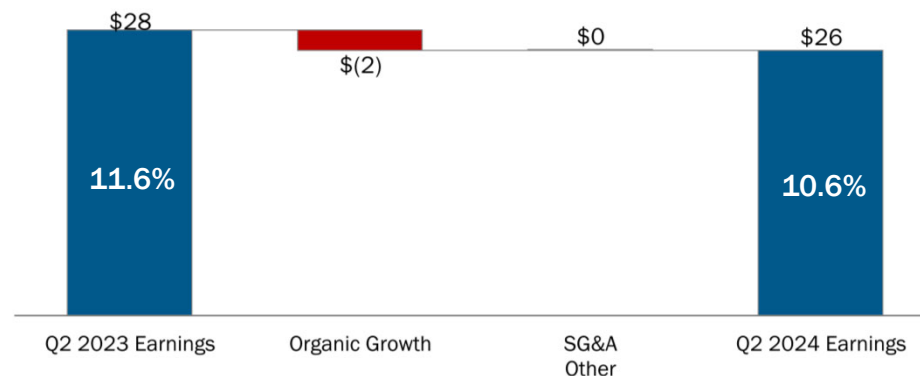
- Earnings increase driven by higher volumes partially offset by higher material costs
- Higher SG&A expenses to support sales growth initiatives
- Year-over-year segment margin decrease of 180 bps

Second Quarter Rest of World Segment

Segment Sales (\$M)



Segment Operating Earnings (\$M)



- China sales grew 2% driven by kitchen appliance and HVAC sales, partially offset by residential water treatment
- Includes inter-segment sales associated with gas-tankless water heaters to the sold in the North America market
- Currency translation negatively impacted segment sales by \$7 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 unfavorable product mix and expenses associated with sales promotions
- Segment margin related to third-party sales is 11.5%

\$233M
Cash balance²

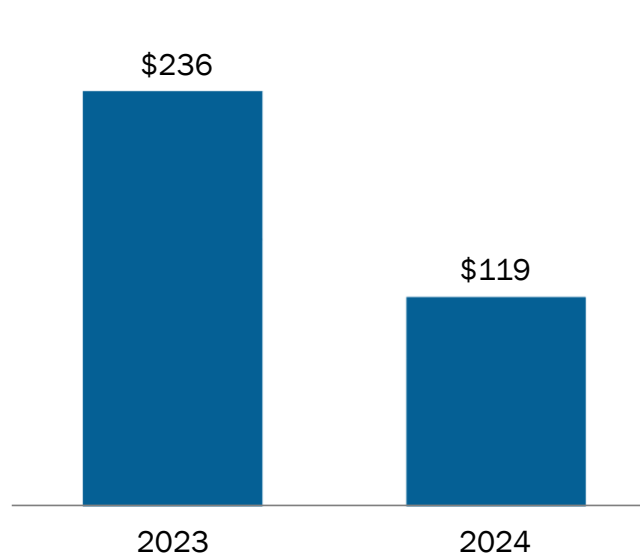
6.8%
Debt to capital ratio

\$93M
Net cash position

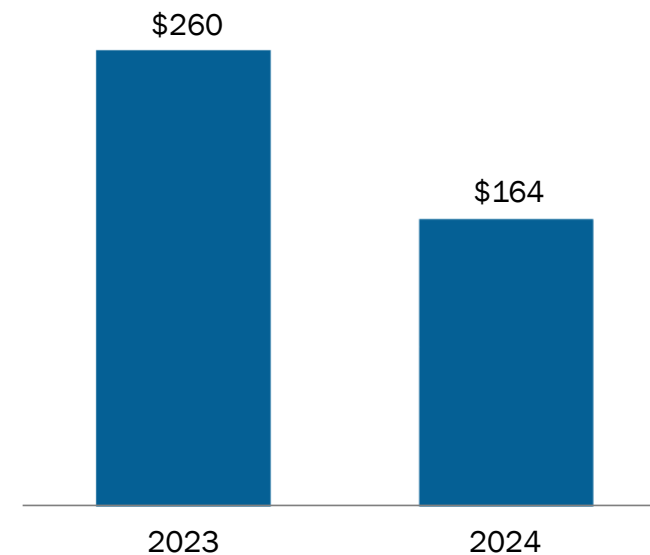
~1.8M
Shares repurchased
in 2024 totaling ~\$153M

Cash Flow and Liquidity¹

Free Cash Flow (\$M)



Cash Flow From Operations (\$M)



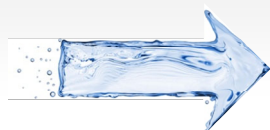
Capital Allocation Priorities

Organic Growth



- Opportunities for organic growth in all our businesses and geographies

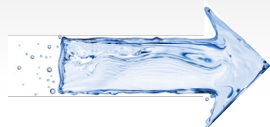
Acquisitions



- 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



- \$153 million in YTD June 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%
Share Repurchase	~\$300
Share Count – Diluted	~147M

	2024 Guidance	2023
Diluted EPS (GAAP)	\$3.95 - \$4.10	\$3.69
Restructuring and Impairment Expense	-	\$0.12 ¹
Adjusted EPS (non-GAAP)	\$3.95 - \$4.10	\$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 June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Net Earnings (GAAP)	\$ 156.2	\$ 157.0	\$ 303.8	\$ 283.9
Impairment expense, before tax	—	—	—	15.6
Pension settlement income, before tax	—	(6.0)	—	(6.0)
Tax effect on above items	—	1.5	—	1.5
Adjusted Earnings (non-GAAP)	<u>\$ 156.2</u>	<u>\$ 152.5</u>	<u>\$ 303.8</u>	<u>\$ 295.0</u>
Diluted Earnings Per Share (GAAP)⁽¹⁾	\$ 1.06	\$ 1.04	\$ 2.05	\$ 1.87
Impairment expense per diluted share, before tax	—	—	—	0.10
Pension settlement income per diluted share, before tax	—	(0.04)	—	(0.04)
Tax effect on above items per diluted share	—	0.01	—	0.01
Adjusted Earnings Per Share (non-GAAP)⁽¹⁾	<u>\$ 1.06</u>	<u>\$ 1.01</u>	<u>\$ 2.05</u>	<u>\$ 1.94</u>

⁽¹⁾ 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 June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Earnings Before Provision for Income Taxes (GAAP)	\$ 206.6	\$ 208.9	\$ 399.3	\$ 380.2
Add: Corporate expense ⁽¹⁾	15.8	14.0	37.7	32.6
Add: Interest expense	1.8	4.5	2.8	8.5
Total Segment Earnings (non-GAAP)	\$ 224.2	\$ 227.4	\$ 439.8	\$ 421.3
North America ⁽²⁾	\$ 198.4	\$ 199.1	\$ 397.1	\$ 387.7
Rest of World ⁽³⁾	25.9	28.3	43.1	33.6
Inter-segment earnings elimination	(0.1)	—	(0.4)	—
Total Segment Earnings (non-GAAP)	\$ 224.2	\$ 227.4	\$ 439.8	\$ 421.3
Additional Information				
⁽¹⁾ Corporate expense	\$ (15.8)	\$ (14.0)	\$ (37.7)	\$ (32.6)
Pension settlement income, before tax	—	(1.0)	—	(1.0)
Impairment expense, before tax	—	—	—	3.1
Adjusted Corporate expense (non-GAAP)	\$ (15.8)	\$ (15.0)	\$ (37.7)	\$ (30.5)
⁽²⁾ North America	\$ 198.4	\$ 199.1	\$ 397.1	\$ 387.7
Pension settlement income, before tax	—	(5.0)	—	(5.0)
Adjusted North America (non-GAAP)	\$ 198.4	\$ 194.1	\$ 397.1	\$ 382.7
⁽³⁾ Rest of World	\$ 25.9	\$ 28.3	\$ 43.1	\$ 33.6
Impairment expense, before tax	—	—	—	12.5
Adjusted Rest of World (non-GAAP)	\$ 25.9	\$ 28.3	\$ 43.1	\$ 46.1

Free Cash Flow

(\$ in Millions)

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

	Six Months Ended June 30,	
	2024	2023
Cash provided by operating activities (GAAP)	\$ 164.0	\$ 260.2
Less: Capital expenditures	(44.9)	(24.2)
Free cash flow (non-GAAP)	<u>\$ 119.1</u>	<u>\$ 236.0</u>