



First Quarter 2021 Results

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: 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 weather-related 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.”

First Quarter Commentary

Record Q1
EPS of \$0.60

NA Water
Treatment
grows 12
percent

Boiler sales
grow 12
percent

U.S. Water
Heater
volumes
decline

Supply chain
challenges
and
production
constraints

Third 2021
water heater
price increase
effective
June 1

China sales
grow >100
percent in
local currency

First Quarter Results

\$ in millions except per share data

	2021	2020	Change	% Change
Sales	\$ 769.0	\$ 636.9	\$ 132.1	21%
Net Earnings	\$ 97.7	\$ 51.7	\$ 46.0	89%
EPS	\$ 0.60	\$ 0.32	\$ 0.28	88%

First Quarter Sales

\$ in millions

	2021	2020	Change	% Change
North America	\$ 552.9	\$ 532.9	\$ 20.0	4%
Rest of World	222.3	110.2	112.1	102%
Intersegment	<u>(6.2)</u>	<u>(6.2)</u>	<u>-</u>	
Total	\$ <u>769.0</u>	\$ <u>636.9</u>	\$ <u>132.1</u>	21%

First Quarter Earnings (Loss)

\$ in millions

	2021	2020	Change	% Change
Segment Earnings (Loss)				
North America	\$ 130.4	\$ 127.1	\$ 3.3	3%
Rest of World	<u>11.8</u>	<u>(42.2)</u>	<u>54.0</u>	NA
Total Segment Earnings	142.2	84.9	57.3	67%
Corporate	(15.1)	(15.0)	(0.1)	1%
Interest Expense	<u>(1.0)</u>	<u>(2.2)</u>	<u>1.2</u>	(55)%
Pre-tax Earnings	126.1	67.7	58.4	86%
Tax Provision	<u>(28.4)</u>	<u>(16.0)</u>	<u>(12.4)</u>	
Earnings	\$ <u>97.7</u>	\$ <u>51.7</u>	\$ <u>46.0</u>	89%
Segment Margin				
North America	23.6%	23.9 %		
Rest of World	5.3%	(38.3)%		

Strong Capital Position¹

\$104M

Cash provided
by operations

5.4%

Debt to
capital ratio

\$666M

Cash balance²

\$559M

Net cash position

~1.1M

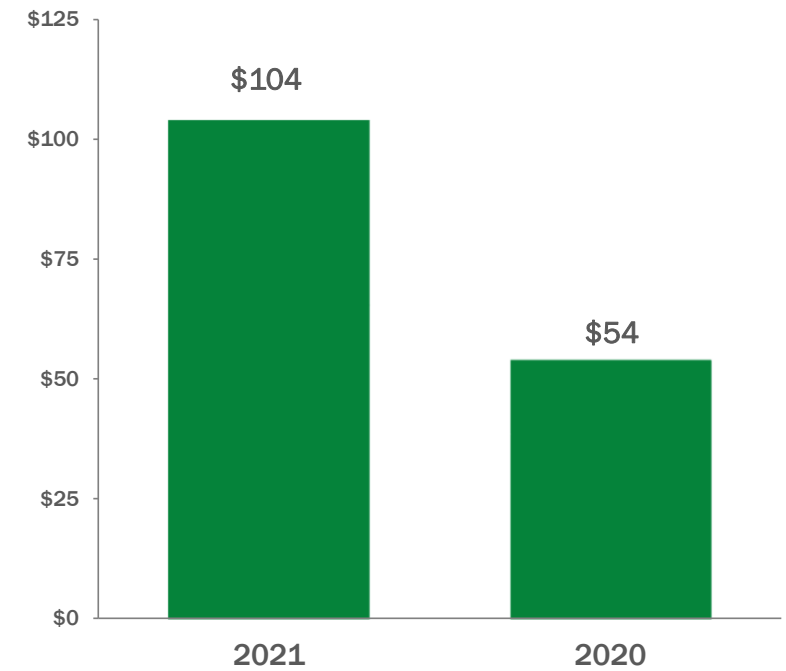
Shares repurchased
totaling ~\$67M

¹ as of March 31, 2021

² includes cash, cash equivalents and marketable securities

Cash Flow from Operations

\$ in millions



2021 EPS Guidance and Assumptions

(\$ in millions)	2021 Projections
EPS	\$2.55 to \$2.65 per share
Operating Cash Flow	\$475 - \$500
Capital Expenditures	\$85 - \$90
Depreciation & Amortization	Approximately \$80
Corporate/Other Expense	Approximately \$52
Effective Tax Rate	Approximately 23 percent
Stock Repurchase	Approximately \$400
Share Count - Diluted	Approximately 160 million

As of April 29, 2021

2021 Outlook

	% Revenue	2021 Assumptions
NA Water Heaters	59%	U.S. residential water heater industry volumes down approximately two percent, or 200,000 units; commercial water heater industry volumes down approximately four percent
China	26%	China sales increase 18 – 20 percent in local currency
NA Boilers	6%	NA Boiler revenue increase of low double digits
NA Water Treatment	6%	Sales increase 13 to 14 percent
India/ROW	3%	Sales increase of >20 percent; India loss \$1 – 2 million
Total	100%	

Q1 2021

As of April 29, 2021

2021 Outlook

- Revenue increases between 14 and 15 percent, including \$50 million China FX benefit
- North America segment margin expected to be between 23 and 23.5 percent
- Rest of World segment margin expected to be between seven and eight percent

As of April 29, 2021

Compelling Investment Thesis



Market leader



Stable/growing U.S. replacement market; operating leverage from incremental new construction and replacement



Strength of premium brand, distribution, manufacturing and innovation provide clear market advantage in China



5-year dividend CAGR through 2020 = 22%

5-year cumulative cash returned to shareholders from dividends and shares repurchased = \$1.4 billion through 2020



Strong balance sheet and cash flow to support future growth, share repurchase and acquisitions

