



Second Quarter 2022 Results

Participants



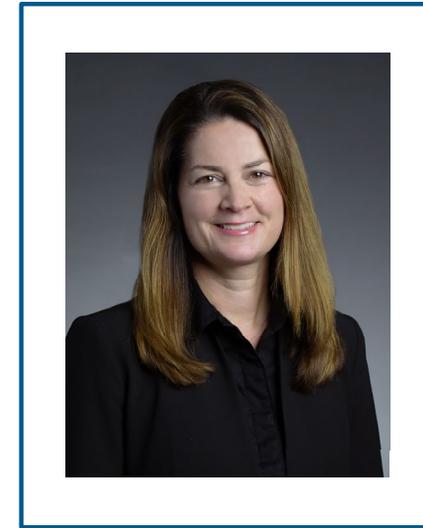
Kevin J. Wheeler

Chairman and
Chief Executive Officer



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Executive Vice President
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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. 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: 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 products, particularly commercial products, and its operations and workforce, as a result of the severity and duration of the COVID-19 pandemic; 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 our businesses from international tariffs, trade disputes or geopolitical differences including the conflict in Ukraine; potential weakening in the high efficiency boiler market segment in the U.S.; substantial defaults in payment material reduction in purchases by or the loss, bankruptcy or insolvency of a major customer; a 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 Messages

Sales of \$966M
and adjusted EPS
of \$0.82

North America
sales up 23% on
pricing actions and
sales from Giant

Sequential
improvement in
consumer demand
in China

Effective
operational
execution while
navigating macro
challenges

Returned \$278
million of capital to
shareholders in
the first half of the
year

Second Quarter Performance and Highlights

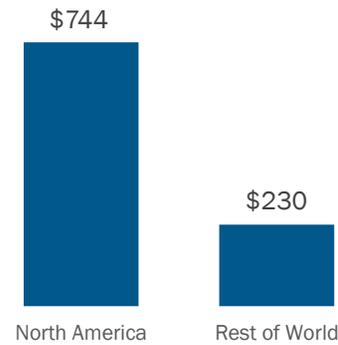
Sales (\$M)



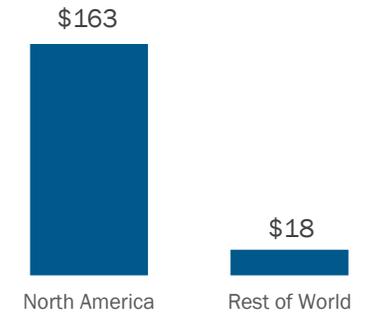
Adjusted EPS



Segment Sales (\$M)



Adjusted Segment Earnings (\$M)



Highlights

- Net sales ↑ 12 percent to \$966M
- Adjusted EPS ↑ 14 percent to \$0.82

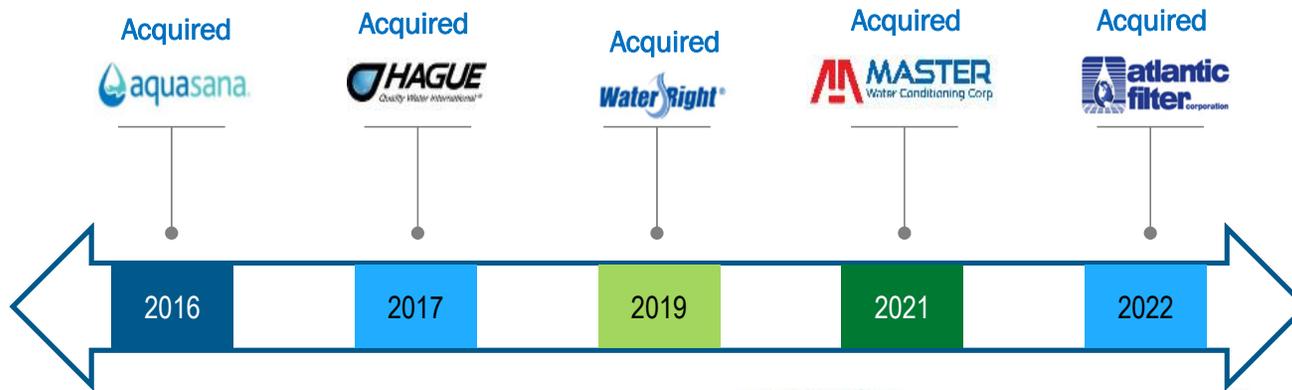
North America

- Sales ↑ 23 percent on price increases
- Giant added \$31 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
- Sequential improvement in China sales as lockdowns lessened by the end of Q2

Aquasana Introduces Redesigned Clean Water Machine



Second Quarter North America Segment

Segment Sales (\$M)



Adjusted Segment Operating Earnings (\$M)

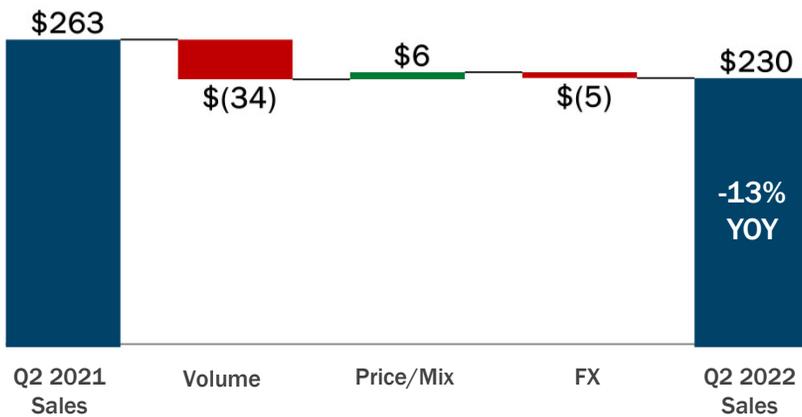


- Sales increased primarily as a result of water heater price increases
- Residential water heater volumes lower as industry lead times normalize
- Acquisitions added \$34 million to sales

- Income was higher due to inflation-related price increases, partially offset by higher materials, freight costs and inefficiencies
- Acquisitions negatively impacted margin by 50 bps

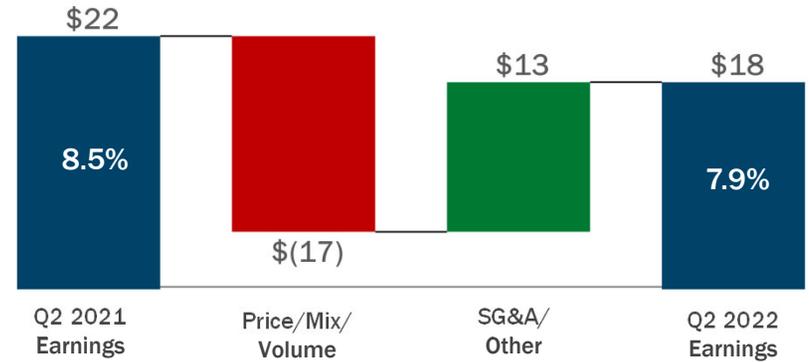
Second Quarter Rest of World Segment

Segment Sales (\$M)



- China: Lower volumes due to Covid-related lockdowns; currency translation reduced sales by \$5 million
- India sales increase ~79% 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

\$459

Cash balance²

14.3%

Debt to capital ratio

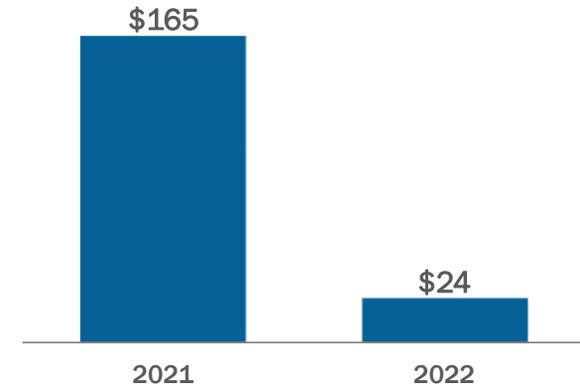
\$161M

Net cash position

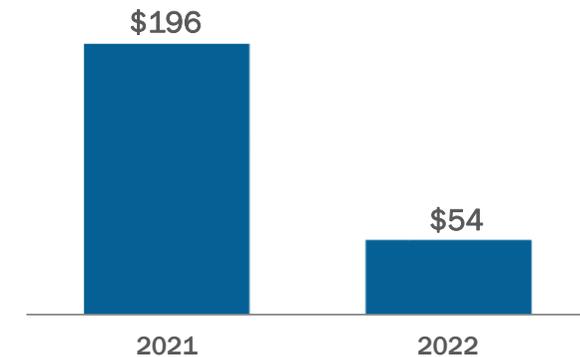
~2.9M

Shares repurchased through June 2022 totaling ~\$190M

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 16 percent• 30 consecutive years of dividend increases
Share Repurchase	\$190 million through June 2022

2022 Outlook and Assumptions*

(\$M, except per share data)

Revenue Increase	↑ 12% to 14%
U.S. Residential Water Heater Industry	↓ ~ -4 to -6%
Commercial Water Heater Industry	↓ ~ -7 to -9%
China Sales (Local Currency)	Flat
North American Boiler Sales Growth	↑ ~25%
North American Water Treatment Growth	↑ ~15%
Free Cash Flow	\$450M to \$500M
Capital Expenditures	~\$80M
Depreciation & Amortization	~\$80M
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 between 22.5% and 23.0%, excluding pension expense
- Rest of World segment margin expected to be between 9.5% and 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)	\$1.56-1.76	\$ 3.02
Estimated pension settlement expense ¹	1.73	-
Pension expense (income) ²	<u>0.06</u>	<u>(0.06)</u>
Adjusted EPS	<u>\$3.35-3.55</u>	<u>\$ 2.96</u>

¹ Includes pre-tax pension settlement expense:

North America segment operating earnings	378.3	-
Corporate expenses	66.7	-

² Includes pre-tax pension expense (income):

North America segment operating earnings	10.5	(10.5)
Corporate expenses	1.3	(2.6)

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 June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Net Earnings (GAAP)	\$ 126.2	\$ 118.2	\$ 246.0	\$ 215.9
Pension expense (income), before tax	3.0	(3.1)	5.9	(6.3)
Tax effect of pension expense (income)	<u>(0.7)</u>	<u>0.8</u>	<u>(1.4)</u>	<u>1.6</u>
Adjusted Earnings (non-GAAP)	\$ <u>128.5</u>	\$ <u>115.9</u>	\$ <u>250.5</u>	\$ <u>211.2</u>
Diluted EPS (GAAP)	\$ 0.81	\$ 0.73	\$ 1.56	\$ 1.33
Pension expense (income) per diluted share, before tax	0.02	(0.02)	0.04	(0.04)
Tax effect of pension expense (income) per diluted share	<u>(0.01)</u>	<u>0.01</u>	<u>(0.01)</u>	<u>0.01</u>
Adjusted EPS (non-GAAP)	\$ <u>0.82</u>	\$ <u>0.72</u>	\$ <u>1.59</u>	\$ <u>1.30</u>

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 June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Segment Earnings (GAAP)				
North America	\$ 159.9	\$ 141.7	\$ 311.7	\$ 272.1
Rest of World	18.1	22.3	42.9	34.1
Inter-segment earnings elimination	-	-	(0.1)	-
Total Segment Earnings (GAAP)	\$ 178.0	\$ 164.0	\$ 354.5	\$ 306.2
Adjustments:				
North America pension expense (income)	\$ 2.6	\$ (2.6)	\$ 5.2	\$ (5.2)
Rest of World	-	-	-	-
Inter-segment earnings elimination	-	-	-	-
Total Adjustments	\$ 2.6	\$ (2.6)	\$ 5.2	\$ (5.2)
Adjusted Segment Earnings (non-GAAP)				
North America	\$ 162.5	\$ 139.1	\$ 316.9	\$ 266.9
Rest of World	18.1	22.3	42.9	34.1
Inter-segment earnings elimination	-	-	(0.1)	-
Total Adjusted Segment Earnings (non-GAAP)	\$ 180.6	\$ 161.4	\$ 359.7	\$ 301.0

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Corporate Expense (GAAP)	\$ (10.6)	\$ (11.8)	\$ (29.0)	\$ (26.9)
Adjustments:				
Corporate pension expense (income)	0.4	(0.5)	0.7	(1.1)
Corporate Expense (non-GAAP)	\$ (10.2)	\$ (12.3)	\$ (28.3)	\$ (28.0)

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,	
	2022	2021
Cash provided by operating activities (GAAP)	\$ 54.4	\$ 196.0
Less: Capital expenditures	<u>(30.7)</u>	<u>(30.7)</u>
Free cash flow (non-GAAP)	\$ <u>23.7</u>	\$ <u>165.3</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)	\$ 1.56 – 1.76	\$ 3.02
Estimated pension settlement charge	1.73 ⁽¹⁾	-
Pension expense (income)	<u>0.06</u> ⁽²⁾	<u>(0.06)</u> ⁽³⁾
Adjusted EPS (non-GAAP)	<u>\$ 3.35 – 3.55</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.