



Full Year & Fourth Quarter 2024 Results

January 30, 2025



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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: further softening in U.S. residential and commercial 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 North American 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; the availability, timing or effects of China stimulus programs; negative impact to the Company’s businesses from international tariffs, trade disputes and geopolitical differences, including the conflicts in Ukraine and the Middle East; potential 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; failure to realize the expected benefits of acquisitions or expected synergies; failure to realize the expected benefits, timing and extent, of regulatory changes; competitive pressures on the Company’s businesses, including new technologies and new competitors; the impact of potential information technology or data security breaches; negative impact of 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.”

Full Year Messages



Sales of \$3.8B
and adjusted EPS
of \$3.73



North America
sales growth
muted by lower
water heater
volumes



China sales
decreased 6% in
local currency
driven by weak
consumer
demand

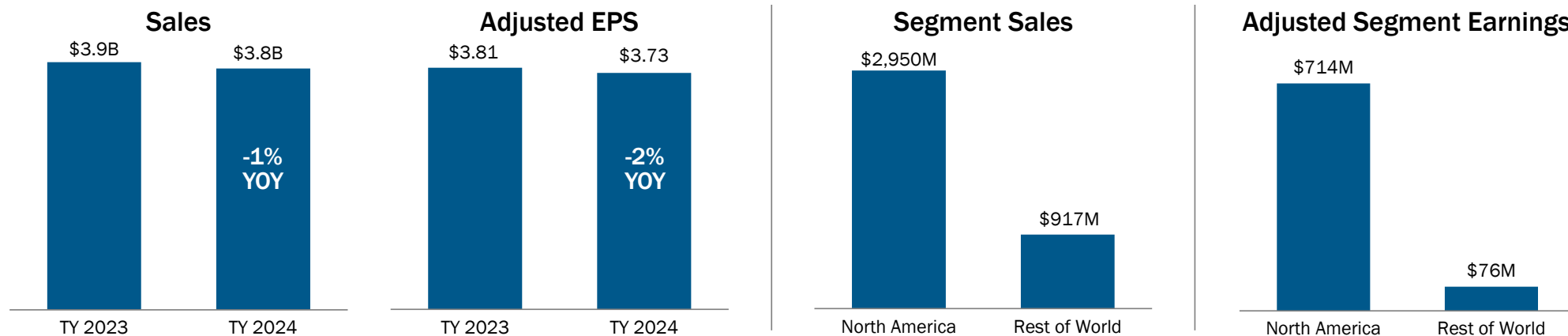


India sales grew
13% in local
currency and
Pureit acquisition
closed in the
fourth quarter



Returned \$496
million of capital
to shareholders
through share
repurchases and
dividends in
2024

Full Year Performance and Highlights



Highlights

- Net sales down 1 percent to \$3.8B
- Adjusted EPS down 2 percent to \$3.73

North America

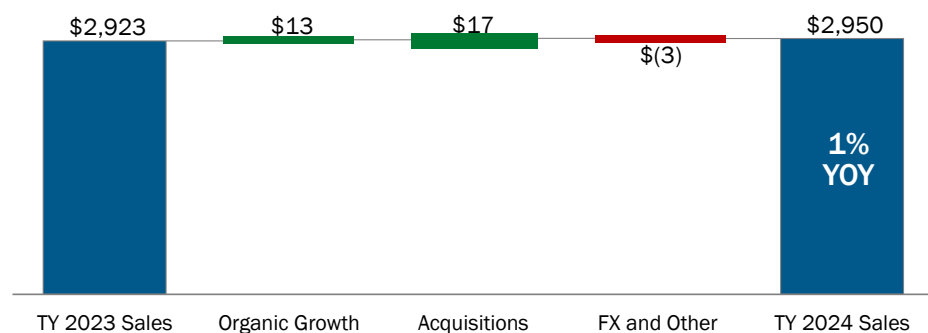
- Sales grew slightly as pricing actions were more than offset by lower water heater volumes
- Boiler sales grew 8 percent
- Water treatment sales grew 10 percent

Rest of World

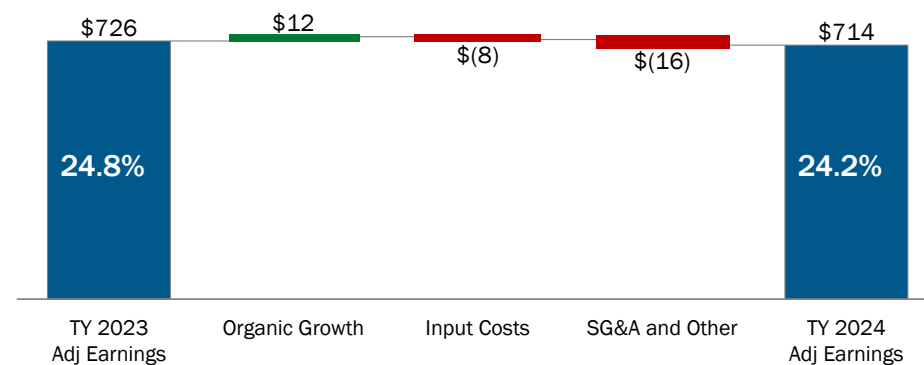
- China sales decreased 6 percent in local currency due to weak consumer demand
- India sales grew 13 percent in local currency

Full Year North America Segment

Segment Sales (\$M)



Adjusted Segment Operating Earnings (\$M)

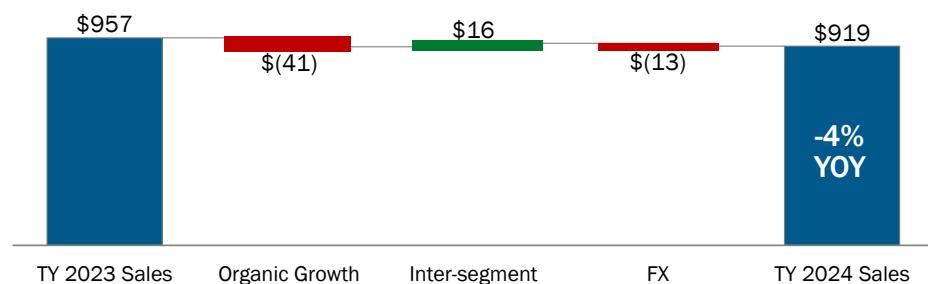


- 1% sales increase primarily due to pricing and higher boiler and water treatment sales offset by lower water heater volumes
- Impact Water and WaterTec acquisitions contributed \$18 million in sales

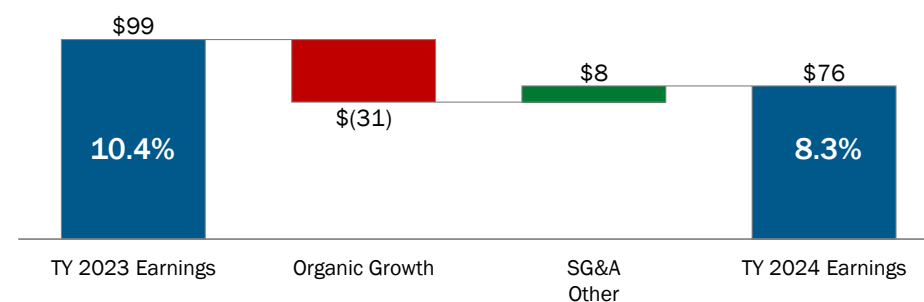
- Income decrease driven by lower water heater volumes and higher costs
- Input costs include \$6 million of FX losses
- SG&A expenses higher as strategic investments continue
- Year-over-year adjusted segment margin decrease of 60 bps

Full Year Rest of World Segment

Segment Sales (\$M)



Adjusted Segment Operating Earnings (\$M)

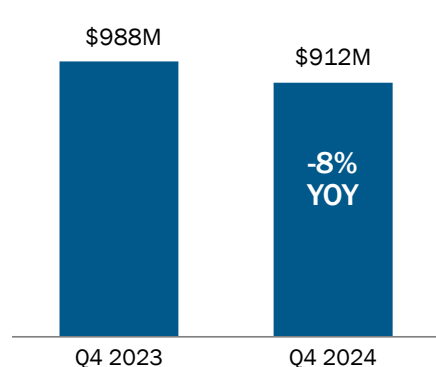


- China sales declined 6% in local currency driven by higher sales of kitchen products that were more than offset by lower sales of core products
- Currency translation impacted segment sales by \$13 million, primarily due to China sales
- India sales increased 13% in local currency, growing faster than the market

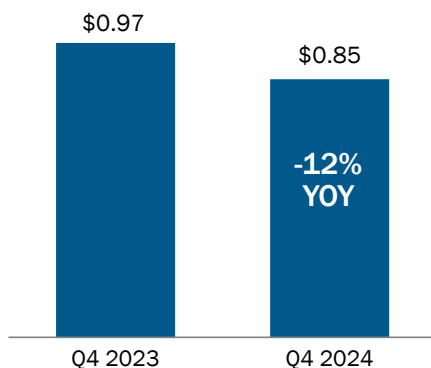
- Adjusted earnings decrease driven by lower volumes in China
- Lower SG&A costs partially offset lower volumes

Fourth Quarter Performance and Highlights

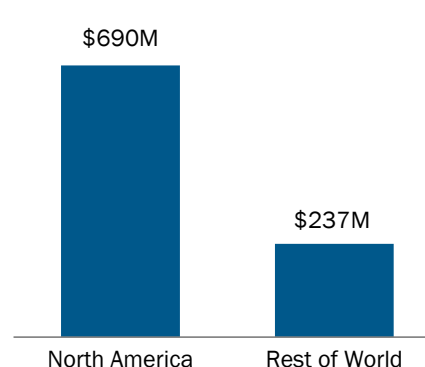
Sales



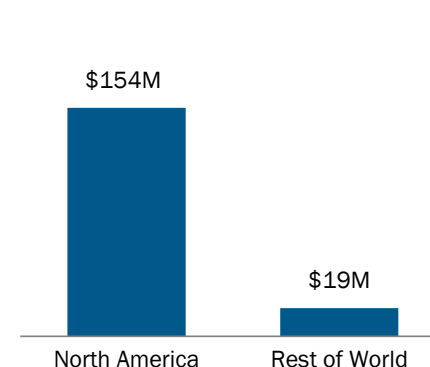
Adjusted EPS



Segment Sales



Adjusted Segment Earnings



Highlights

- Net sales decreased 8 percent to \$912M
- Adjusted EPS down 12 percent to \$0.85

North America

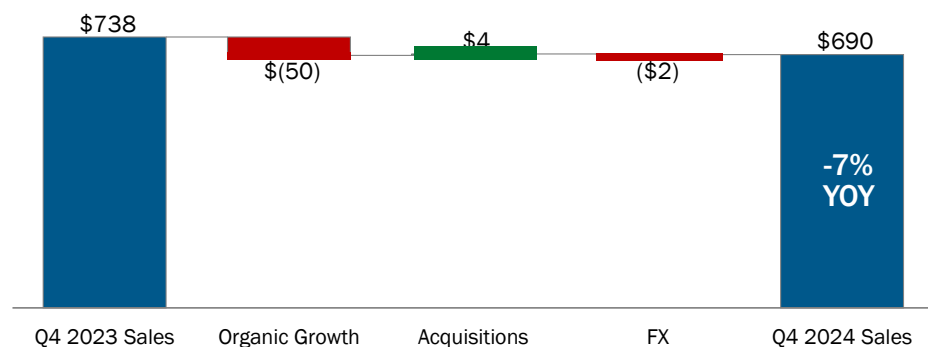
- Sales down 7 percent due to lower water heater volumes
- Adjusted segment margin decreased to 22.4 percent

Rest of World

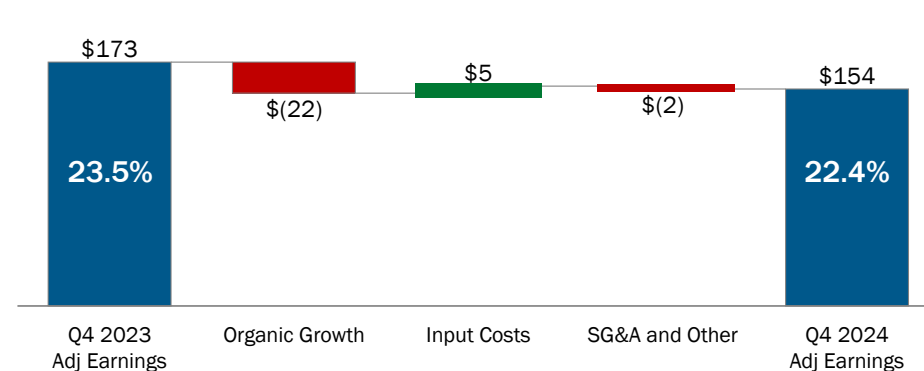
- 9 percent sales decrease due to lower sales in China
- India sales increased 11 percent in local currency

Fourth Quarter North America Segment

Segment Sales (\$M)



Adjusted Segment Operating Earnings (\$M)

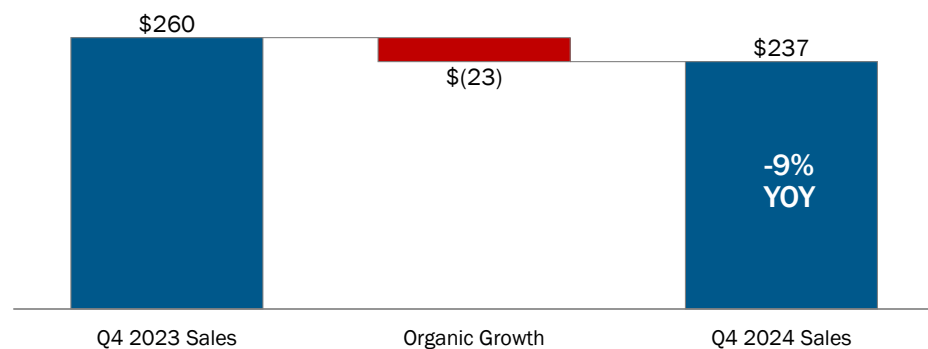


- Sales decreased primarily due to lower water heater volumes
- Boilers sales increased 7 percent

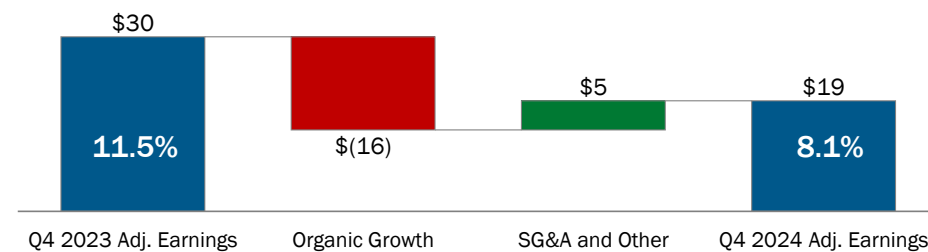
- Earnings decline driven lower water heater volumes partially offset by lower input expenses
- Adjusted segment margin decrease of 110 bps

Fourth Quarter Rest of World Segment

Segment Sales (\$M)



Adjusted Segment Operating Earnings (\$M)



- Lower sales in China due to weak consumer demand
- India sales increased 11% in local currency due to robust demand

- Operating earnings impacted by lower sales of core products in China, partially offset by lower SG&A costs
- Pureit closed in the quarter

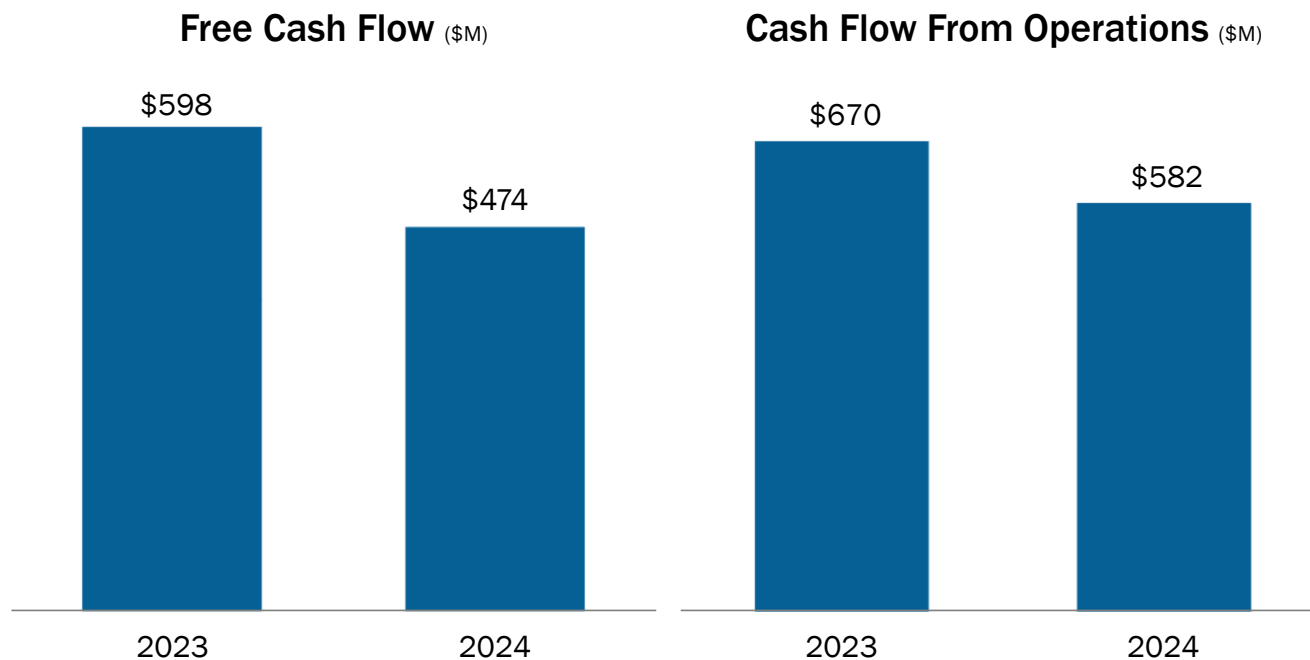
\$276M
Cash balance²

9.3%
Debt to capital ratio

\$83M
Net cash position

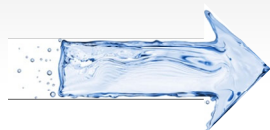
~3.8M
Shares repurchased
in 2024 totaling ~\$306M

Cash Flow and Liquidity¹



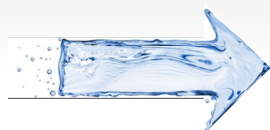
Capital Allocation Priorities

Organic Growth



- Opportunities for organic growth in all our businesses and geographies
- Invested \$108 million in capital expenditures in 2024 versus \$73 million in 2023
- R&D totaled \$102 million versus \$98 million 2023

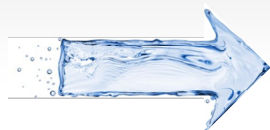
Acquisitions



- Disciplined focus on transactions that expand/grow the core, enable geographic growth, and establish adjacencies
- Recent transactions include Pureit and Impact Water
- Cultivating active pipeline

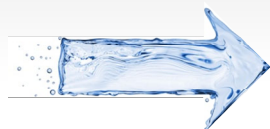
Dividends

Philosophy: growing, competitive sustainable dividend



- Increased 6 percent in October
- Five-year CAGR of 8 percent
- Over 30 consecutive years of dividend increases

Share Repurchases



- \$306 million in 2024

2025 Outlook and Assumptions¹

	2025 Guidance	2024
Diluted EPS (GAAP)	\$3.60 - \$3.90	\$3.63
Restructuring and impairment expense	-	\$0.10 ¹
Adjusted EPS (non-GAAP)	\$3.60 - \$3.90	\$3.73
¹ Includes pre-tax restructuring and impairment expenses of \$6.3 million and \$11.3 million, within the North America segment and the Rest of World segment, respectively.		

Revenue Increase	~Flat to 2%
U.S. Residential Water Heater Industry	~Flat
Commercial Water Heater Industry	~Flat
China Sales Decrease (Local Currency)	~-5% to -8%
North American Boiler Sales Growth	~3% to 5%
North American Water Treatment Decrease	~-5%
North America Segment Margin	~24% to 24.5%
Rest of World Segment Margin	~8% to 9%
Free Cash Flow	\$500M to \$550M
Capital Expenditures	~\$90M to \$100M
Depreciation & Amortization	~\$80M
Interest Expense	~\$15M to \$20M
Corporate/Other Expense	~\$75M
Effective Tax Rate	~24% to 24.5%
Share Repurchase	~\$400
Share Count - Diluted	~142M

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 December 31,		Twelve Months Ended December 31,	
	2024	2023	2024	2023
Net Earnings (GAAP)	\$ 109.7	\$ 137.3	\$ 533.6	\$ 556.6
Restructuring and impairment expenses, before tax	17.6	3.2	17.6	18.8
Pension settlement expense (income), before tax	—	5.1	—	(0.9)
Tax effect on above items	(3.2)	(1.2)	(3.2)	0.3
Adjusted Earnings (non-GAAP)	<u>\$ 124.1</u>	<u>\$ 144.4</u>	<u>\$ 548.0</u>	<u>\$ 574.8</u>
Diluted Earnings Per Share (GAAP)⁽¹⁾	\$ 0.75	\$ 0.92	\$ 3.63	\$ 3.69
Restructuring and impairment expenses, per diluted share, before tax	0.12	0.02	0.12	0.12
Pension settlement expense (income) per diluted share, before tax	—	0.04	—	—
Tax effect on above items per diluted share	(0.02)	(0.01)	(0.02)	—
Adjusted Earnings Per Share (non-GAAP)⁽¹⁾	<u>\$ 0.85</u>	<u>\$ 0.97</u>	<u>\$ 3.73</u>	<u>\$ 3.81</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 December 31,		Twelve Months Ended December 31,	
	2024	2023	2024	2023
Earnings Before Provision for Income Taxes (GAAP)	\$ 145.1	\$ 176.9	\$ 701.0	\$ 733.5
Add: Corporate expense ⁽¹⁾	8.2	17.1	63.9	64.1
Add: Interest expense	2.4	1.1	6.7	12.0
Total Segment Earnings (non-GAAP)	\$ 155.7	\$ 195.1	\$ 771.6	\$ 809.6
North America ⁽²⁾	\$ 147.9	\$ 169.0	\$ 707.5	\$ 726.7
Rest of World ⁽³⁾	7.8	26.6	64.5	83.4
Inter-segment earnings elimination	—	(0.5)	(0.4)	(0.5)
Total Segment Earnings (non-GAAP)	\$ 155.7	\$ 195.1	\$ 771.6	\$ 809.6
Additional Information				
⁽¹⁾ Corporate expense	\$ (8.2)	\$ (17.1)	\$ (63.9)	\$ (64.1)
Pension settlement expense (income), before tax	—	0.8	—	(0.2)
Impairment expense, before tax	—	—	—	3.1
Adjusted Corporate expense (non-GAAP)	\$ (8.2)	\$ (16.3)	\$ (63.9)	\$ (61.2)
⁽²⁾ North America	\$ 147.9	\$ 169.0	\$ 707.5	\$ 726.7
Restructuring and impairment expenses, before tax	6.3	—	6.3	—
Pension settlement expense (income), before tax	—	4.3	—	(0.7)
Adjusted North America (non-GAAP)	\$ 154.2	\$ 173.3	\$ 713.8	\$ 726.0
⁽³⁾ Rest of World	\$ 7.8	\$ 26.6	\$ 64.5	\$ 83.4
Restructuring and impairment expenses, before tax	11.3	3.2	11.3	15.7
Adjusted Rest of World (non-GAAP)	\$ 19.1	\$ 29.8	\$ 75.8	\$ 99.1

Free Cash Flow

(\$ in Millions)

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

	Twelve Months Ended December 31,	
	2024	2023
Cash provided by operating activities (GAAP)	\$ 581.8	\$ 670.3
Less: Capital expenditures	(108.0)	(72.6)
Free cash flow (non-GAAP)	<u>\$ 473.8</u>	<u>\$ 597.7</u>