



Second Quarter 2025 Results

July 24, 2025



Stephen M. Shafer

President and
Chief Executive Officer



Charles T. Lauber

Executive Vice President
and Chief Financial Officer



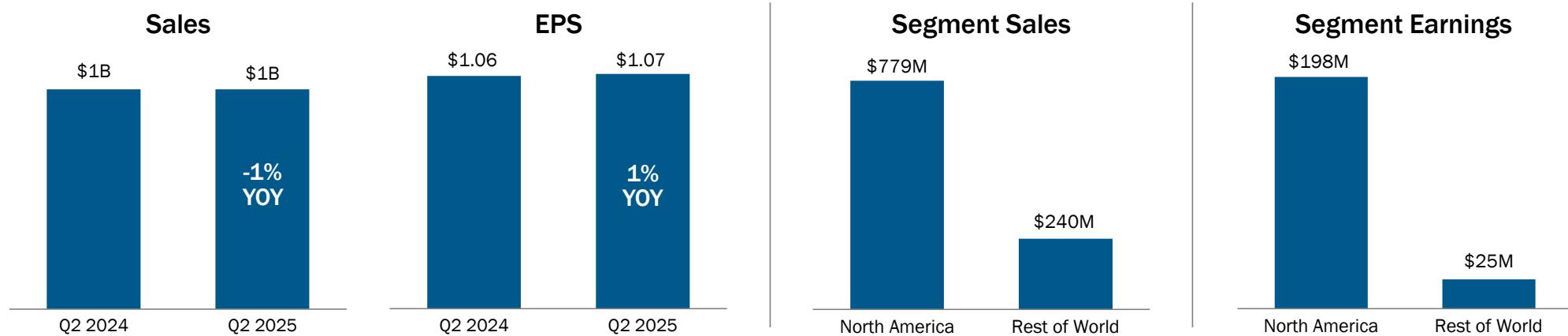
Helen E. Gurholt

Vice President - Investor Relations,
Financial Planning & Analysis

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: negative impact to the Company’s businesses from international tariffs, including any new or increased tariffs that could also trigger retaliatory responses from other countries, as well as, trade disputes and geopolitical differences, including the conflicts in Ukraine and the Middle East; 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; uncertain outcomes and costs and other potential impacts of the Company’s assessment relating to the Company’s China business; 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 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 Performance and Highlights



Highlights

- Net sales decreased slightly to \$1B
- EPS increased to \$1.07

North America

- Sales down 1 percent relative to challenging prior year comparable
- Segment margin increased to 25.4 percent

Rest of World

- Sales down 2 percent due to lower sales in China that were partially offset by Pureit acquisition sales
- China operating margin flat on lower sales

Innovative New Product Introductions

Adapt™ SC Standard Condensing Tankless

- Industry-First Integrated X3® Scale Prevention
- ENERGY STAR® Certified, up to .95 UEF
- No flushing maintenance required
- Primary copper and secondary stainless steel heat exchanger



HomeShield™ Whole House Water Filter

- Certified to reduce PFAS¹ to less than 4 ng/L for 500,000 gallons
- Space-saving design with no drain line required for greater installation flexibility
- Reduces Chlorine for improved taste and water quality from every tap
- No wastewater for economic and eco-friendly performance

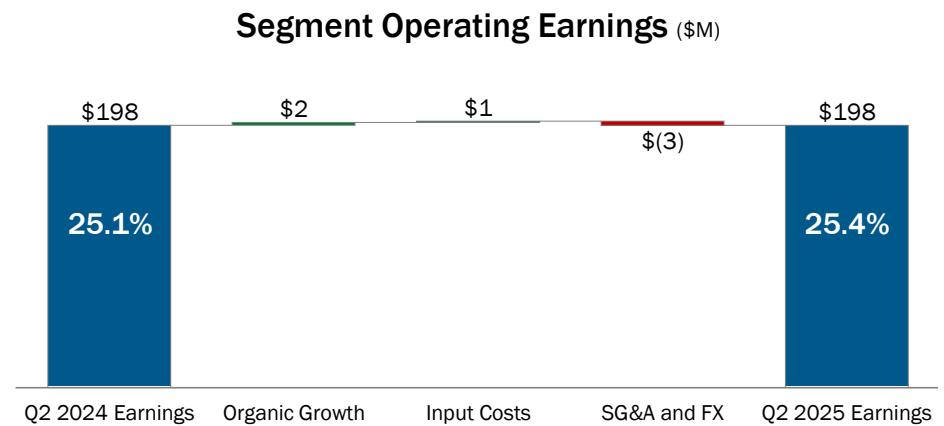
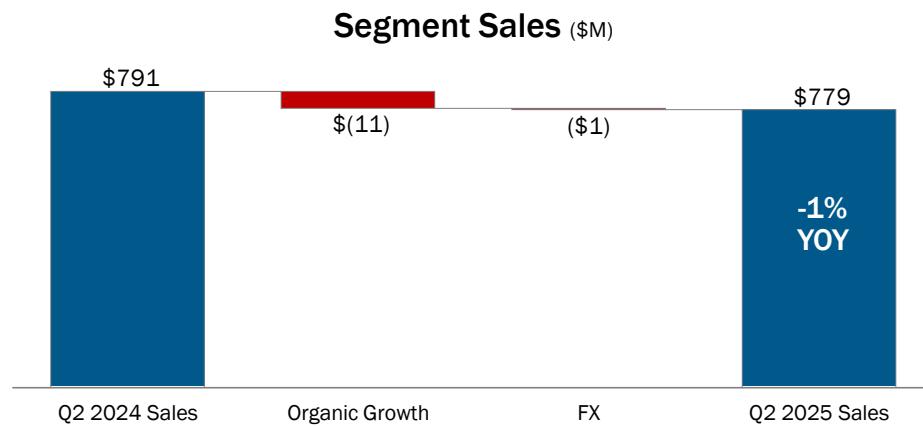


Cyclone® FLEX: Smarter, More Efficient and Flexible

- Smarter: AiQ Adaptive Gas Technology, integrated leak detection for proactive protection
- More Efficient: Cleaner ignition and optimized combustion for better performance and energy savings
- More Flexible: Longer vent runs, more model sizes and dual-fuel compatibility



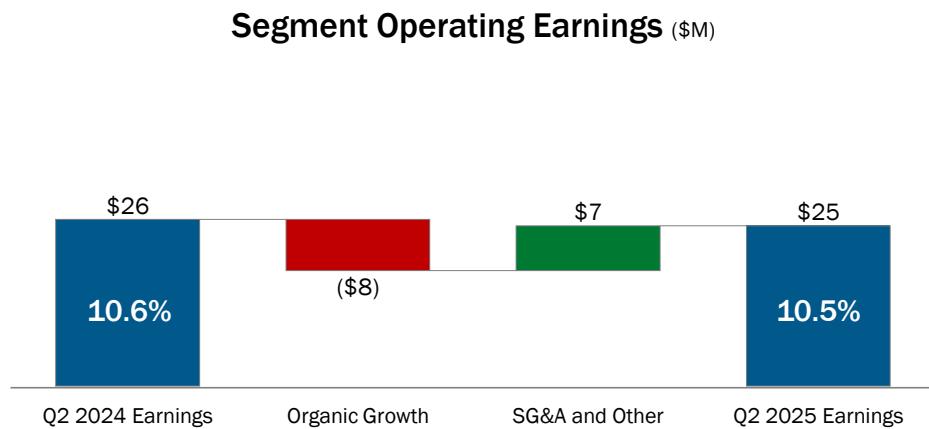
Second Quarter North America Segment



- Sales decreased primarily due to lower water heater volumes
- Boilers sales increased 6 percent

- Flat earnings primarily due to lower water heater volumes offset by higher boiler sales and water treatment margin improvement
- Favorable steel costs and productivity gains offset by tariff impacts
- Segment margin was 25.4%, an increase of 30 bps, driven by mix toward more profitable channels in water treatment and growth in high efficiency water heaters

Second Quarter Rest of World Segment



- Sales decrease 2 percent primarily due to lower China volumes, partially offset by higher sales in India
- China third-party sales declined 11 percent in local currency due to continued weak consumer demand
- Pureit added \$16 million to the quarter

- Operating earnings decreased as lower volumes in China offset SG&A and other cost reductions
- China operating margin flat even on lower sales
- Pureit integration on track

Cash Flow and Liquidity¹

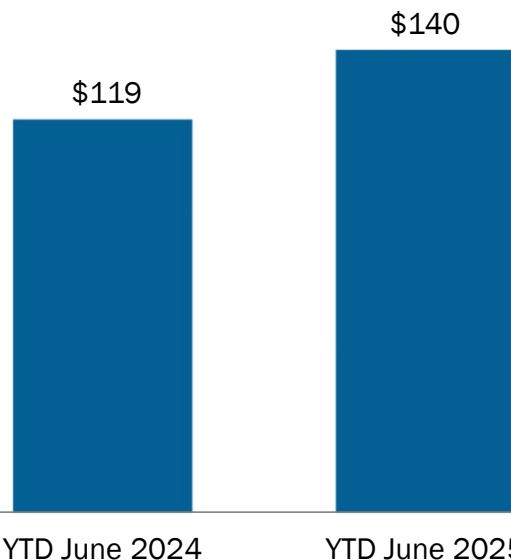
\$178M
Cash balance²

14.1%
Debt to capital ratio

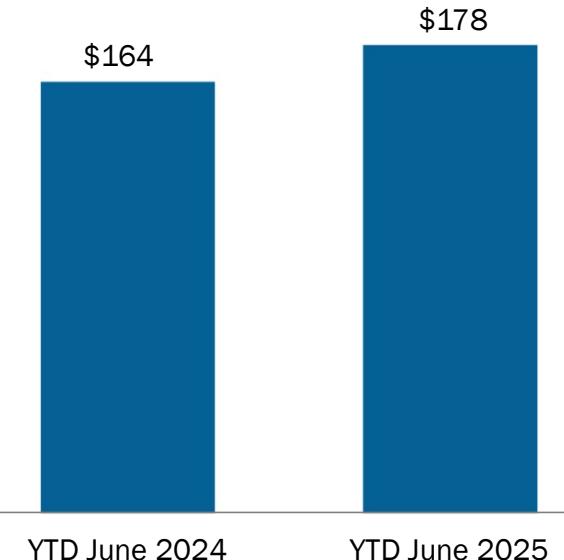
\$126M
Net debt position

~3.8M
Shares repurchased
YTD June 2025 totaling ~\$251M

Free Cash Flow (\$M)



Cash Flow From Operations (\$M)



Capital Allocation Priorities

Organic Growth



- Driving organic growth: developing products aligned to upcoming regulatory changes, investing in productivity and continuing to build the strength of the core

Acquisitions



- Disciplined focus on transactions that expand/grow the core, enable geographic growth, expand technology capabilities, and establish adjacencies
- Continued focus within North America Water Treatment
- Portfolio management

Dividends

Philosophy: growing, competitive sustainable dividend



- Five-year CAGR of 7 percent
- Over 30 consecutive years of dividend increases

Share Repurchases



- \$251 million through June 2025; \$400 million projected for the full year

2025 Outlook and Assumptions¹

	2025 Guidance	2024
Diluted EPS (GAAP)	\$3.70 - \$3.90	\$3.63
Restructuring and impairment expense	-	\$0.10 ¹
Adjusted EPS (non-GAAP)	\$3.70 - \$3.90	\$3.73

¹Includes 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	~1% to 3%
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	~4% to 6%
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 \$525M
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	~\$400M
Share Count – Diluted	~142M



WHY I JOINED...



Commitment to doing business the right way



Strong culture of innovation



Excellent, market leading businesses



Exciting strategic opportunities ahead

MY FOCUS AREAS...



Operational Excellence



Innovation



Portfolio Management

Second Quarter Messages



Total Company sales of \$1B and EPS grew 1% to \$1.07 against a challenging comparable Q2 2024



Continued sequential margin expansion enabled by 2024 restructuring actions



Disciplined operations and proactive tariff mitigation actions impacted North America performance



Initiating an assessment of China business to ensure business is positioned well for the future



Focusing on Operational Excellence, Innovation and Portfolio Management for future value creation

Appendix

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

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,	
	2025	2024
Cash provided by operating activities (GAAP)	\$ 178.3	\$ 164.0
Less: Capital expenditures	(38.4)	(44.9)
Free cash flow (non-GAAP)	\$ 139.9	\$ 119.1

