A.O. Smith
Innovation has a name.

Full Year & Fourth Quarter 2025 Results

January 29, 2026

Stephen M. Shafer
President and
Chief Executive Officer

Charles T. Lauber
Executive Vice President
and Chief Financial Officer

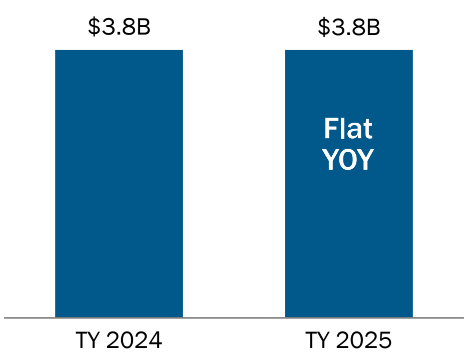
Helen E. Gurholt
Vice President - Investor Relations,
Financial Planning & Analysis

Forward Looking Statements

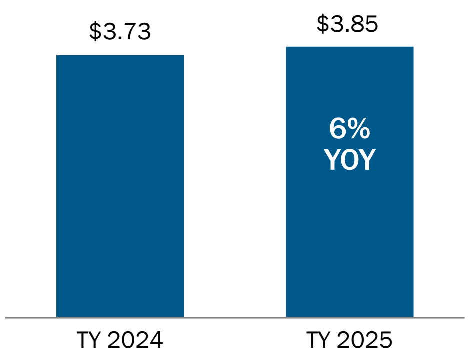
This presentation contains statements that we believe are “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements generally can be identified by the use of words such as “may,” “will,” “expect,” “intend,” “estimate,” “anticipate,” “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: further weakening in North American residential or commercial construction or instability in the Company’s replacement markets; failure to realize the expected benefits of acquisitions or expected synergies; difficulties in predicting results of operations of an acquired business; 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; 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; 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.”

Full Year Performance and Highlights

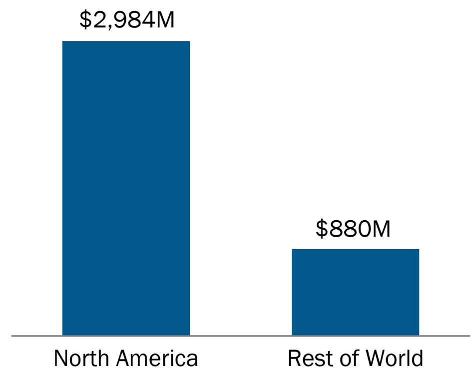
Sales



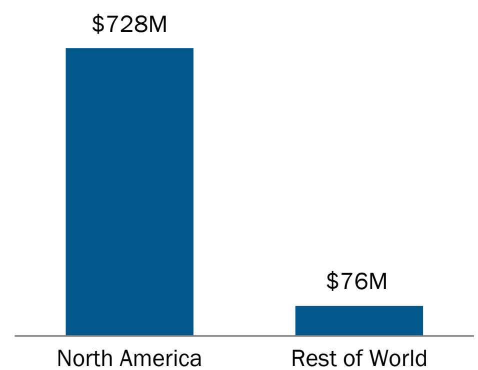
Adjusted EPS



Segment Sales



Segment Earnings



Highlights

- Net sales of $3.8 billion
- Adjusted EPS increased 6 percent to $3.85 driven by profitability improvements

North America

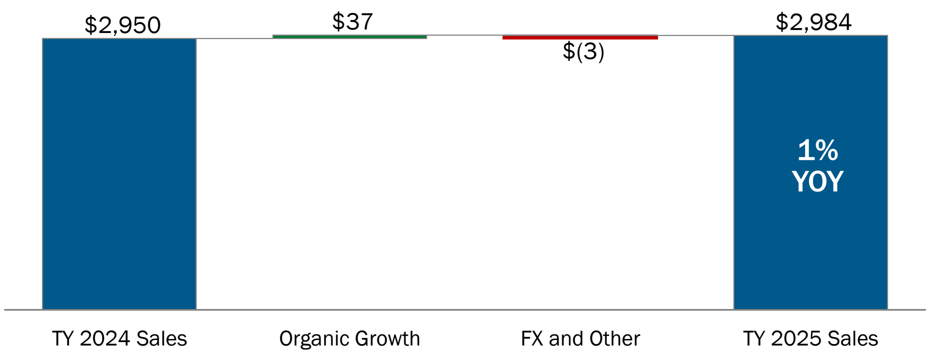
- Sales increased slightly as pricing actions and higher commercial water heater and boiler volumes were largely offset by lower residential water heater volumes
- Boiler sales grew 8 percent

Rest of World

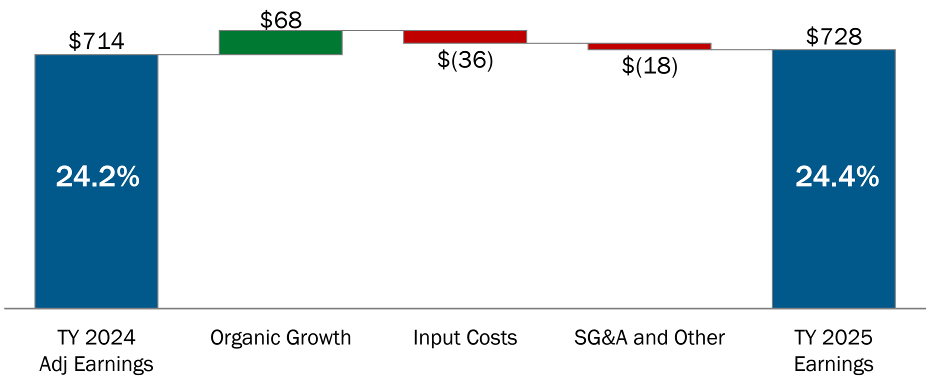
- China sales decreased 12 percent in local currency due to weak consumer demand
- India sales grew 13 percent in local currency
- Pureit contributed $54 million to sales

Full Year North America Segment

Segment Sales ($M)



Adjusted Segment Operating Earnings ($M)

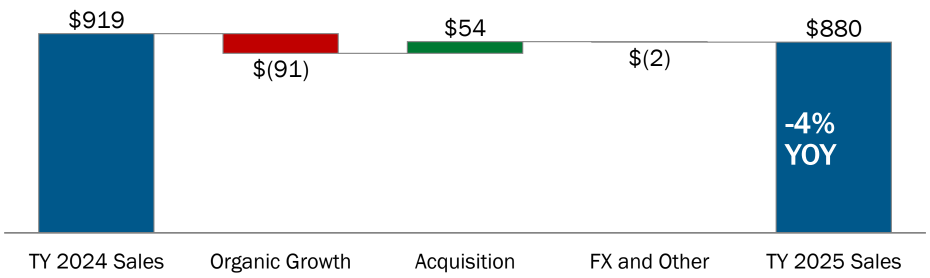


- Sales increased slightly primarily due to pricing and higher boiler and commercial water heater sales offset by lower residential water heater volumes
- Boiler sales increased 8 percent
- Priority water treatment channel sales increased 10 percent

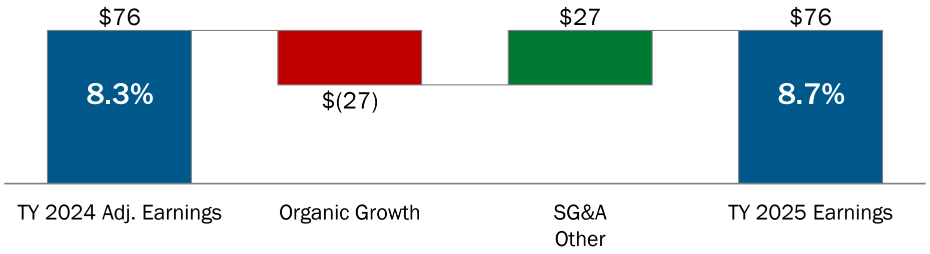
- Income increased as pricing benefits were partially offset by higher input costs (primarily tariff cost increases)
- SG&A expenses increased due to continued strategic investments
- Adjusted segment margin up 20 bps year-over-year

Full Year Rest of World Segment

Segment Sales ($M)



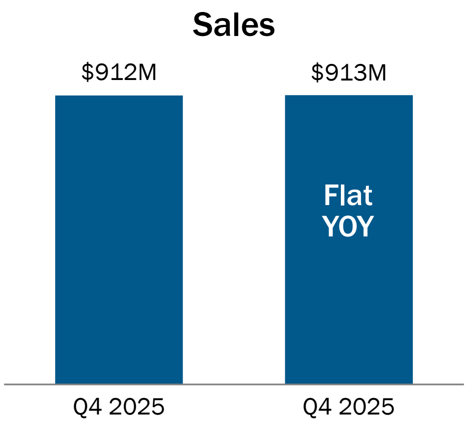
Adjusted Segment Operating Earnings ($M)

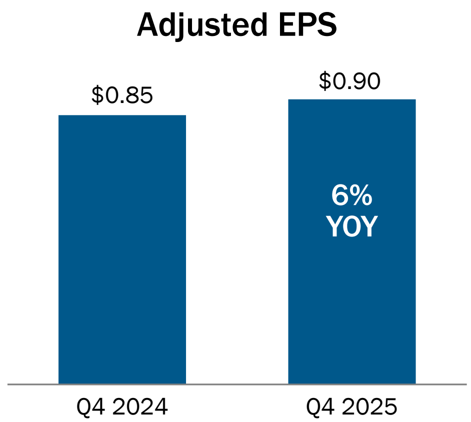


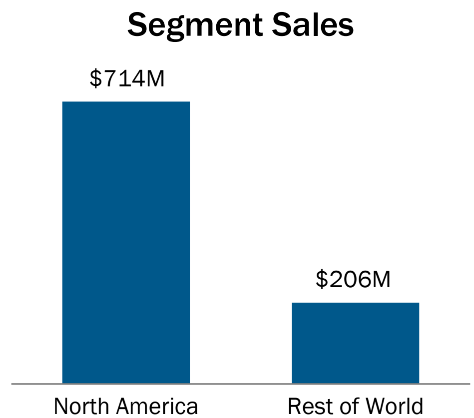
- China sales decreased 12% in local currency driven by weak consumer demand
- India sales increased 13% in local currency, outpacing the market
- Pureit contributed $54 million in sales

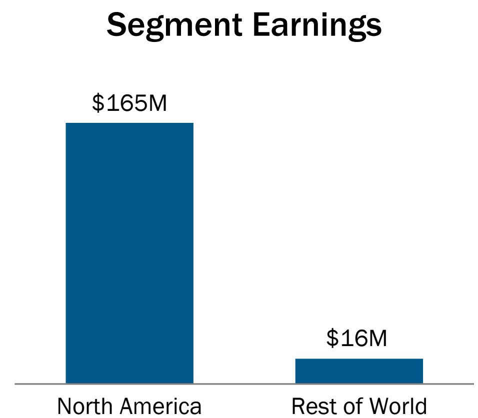
- Lower China sales negatively impacted 2025 earnings
- Lower SG&A costs offset lower volumes

Fourth Quarter Performance and Highlights









Highlights

- Net sales flat at $913 million
- EPS increased 6 percent to $0.90

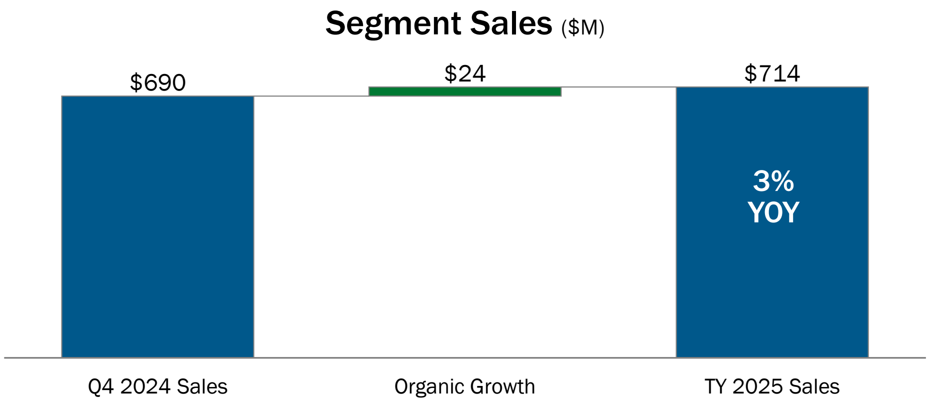
North America

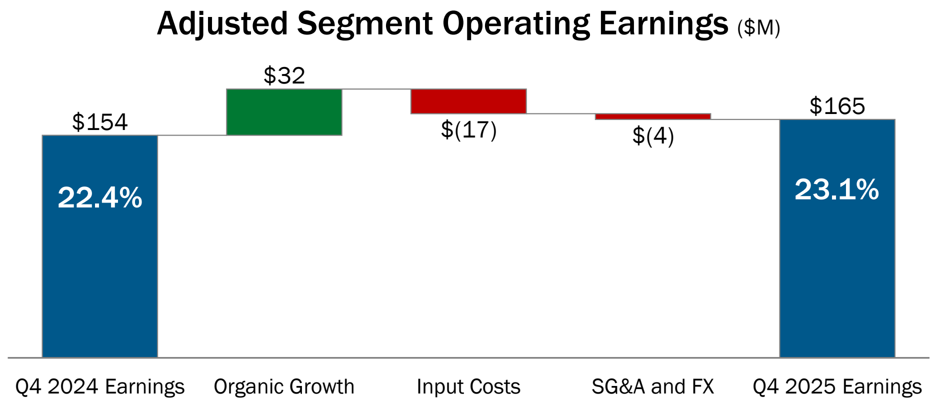
- Sales up 3 percent primarily due to pricing actions
- Segment margin increased 70 bps to 23.1 percent

Rest of World

- Sales down 13 percent due to lower China sales partially offset by Pureit acquisition sales and legacy India sales growth
- Segment margin decreased 30 bps to 7.8 percent

Fourth Quarter North America Segment



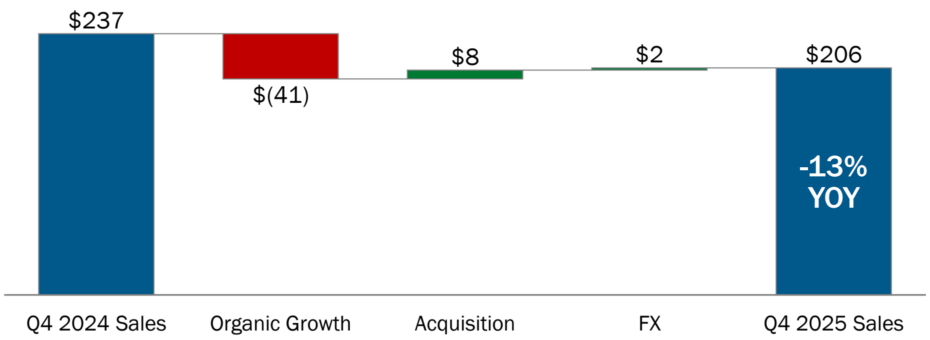


- Sales increased primarily due to pricing actions
- North America Water Treatment priority dealer, e-commerce and direct-to-consumer channels grew 3 percent

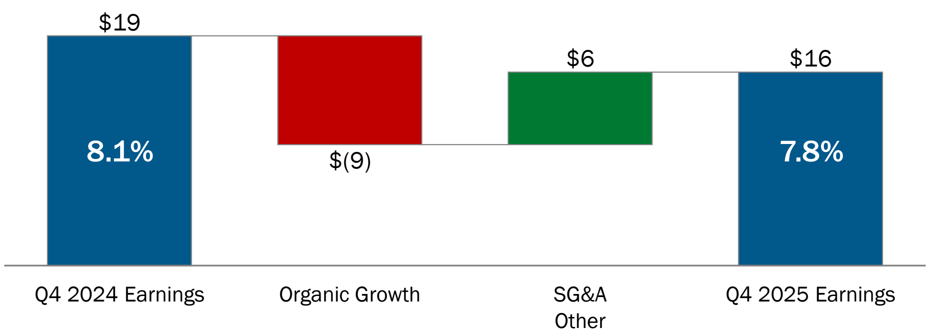
- Higher earnings primarily due to pricing actions partially offset by higher steel, tariff and other input costs
- Segment margin was 23.1 percent, an increase of 70 bps

Fourth Quarter Rest of World Segment

Segment Sales ($M)



Adjusted Segment Operating Earnings ($M)



- Sales decreased 13 percent primarily due to lower China volumes,
- Legacy India business grew 18 percent and Pureit added $8 million to the quarter

- Operating earnings decreased as lower volumes in China more than offset cost control efforts
- Segment operating margin decreased 30 basis points due to lower China sales
- Pureit integration on track

Cash Flow and Liquidity[1]

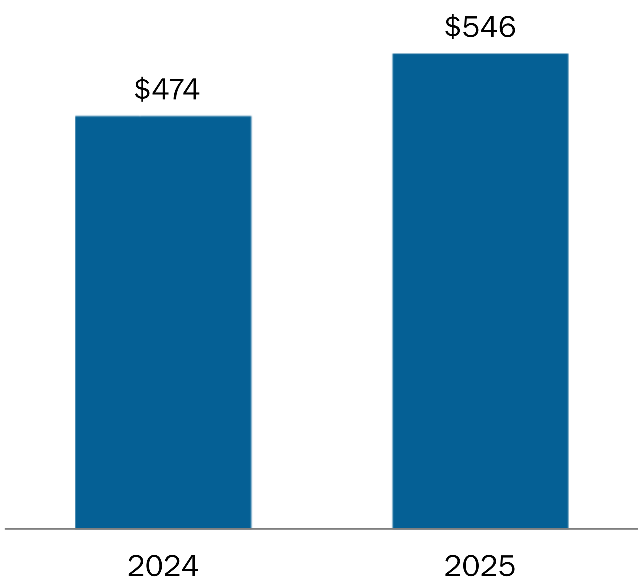
$193M
Cash balance[2]

7.7%
Debt to capital ratio

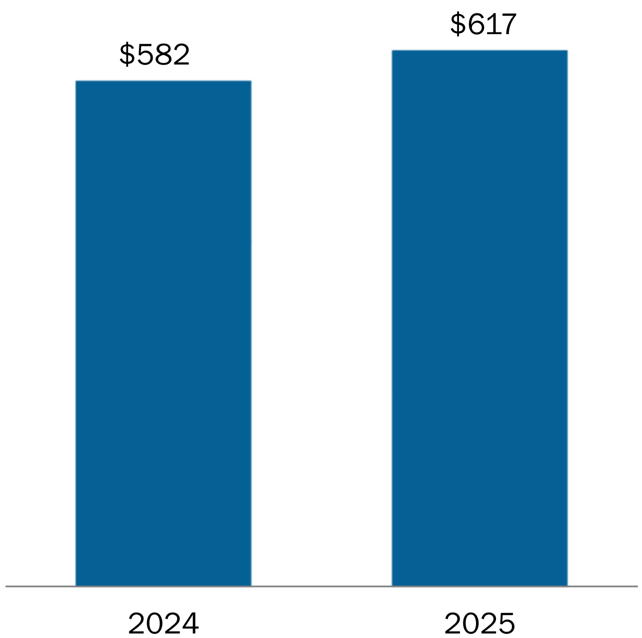
$38M
Net cash position

~5.9M
Shares repurchased YTD[1] totaling ~$401M

Free Cash Flow ($M)



Cash Flow From Operations ($M)



[1]As of December 31, 2025
[2]Includes cash, cash equivalents and marketable securities

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 • Portfolio management • Continued focus within North America Water Treatment and Water Management
Dividends	• Quarterly dividend increased 6 percent • Five-year CAGR of 7 percent • Over 30 consecutive years of dividend increases
Share Repurchases	• $401 million in 2025; $200 million projected for the full year 2026

2026 Outlook and Assumptions[1]

Diluted EPS (GAAP)

2026 Guidance → **$3.85 - $4.15**

2025 → **$3.85**

Revenue Increase	~2% to 5%
U.S. Residential Water Heater Industry	~Flat
Commercial Water Heater Industry	~LSD
China Sales Decrease (Local Currency)	~-MSD
North American Boiler Sales Growth	~6% to 8%
North American Water Treatment Increase	~10% to 12%
North America Segment Margin	~24% to 24.5%
Rest of World Segment Margin	~9% to 10%

Free Cash Flow	~$525M to $575M
Capital Expenditures	~$70M to $80M
Depreciation & Amortization	~$100M
Interest Expense	~$30M to $40M
Corporate/Other Expense	~$80M to $85M
Effective Tax Rate	~24% to 24.5%
Share Repurchase	~$200M
Share Count – Diluted	~138M

[1] As of January 29, 2026

Finding a Better Way: Key Strategic Priorities to Deliver Greater Value

Portfolio Management

Innovation

Operational Excellence

- Improving performance: China
- Investing in the core: New products and capacity
- Increasing scale and profitability: North America Water Treatment
- Building out new platforms: Water Management

Leonard Valve At-a-Glance

Leader in Water Temperature Mixing Valves and Heating Control Solutions

- **Leading manufacturer of best-in-class, highly engineered solutions** under Leonard Valve and Heat-Timer brands for water temperature and flow control
- Products include water temperature mixing valves and heating control for **non-discretionary applications** and **IoT heating controls** for commercial buildings
- **Deep specification presence** across plumbing codes and design standards, driving replacement and project-based demand
- Generates **best-in-class margins and strong free cash flow**
- **U.S. business** headquartered in Cranston, RI with ~100 employees

Proven Track Record
110+ years of Performance and Integrity

Industry-Leading Innovation
10 Products Launched in the Last 7 Years

Predictable Demand
~80% Repair and Replace Exposure

High Growth Platform
Double Digit 2022-2025 Revenue CAGR

Large Installed Base
'Spec'd'-in, Critical Products

Leading Digital Capabilities
~30% Digital/Connected Revenue

Acquisition Details

Acquired Leonard Valve for \$470M (\$412M, after adjusting for estimated tax benefits)	~12x 2026E EBITDA[1]	Deal closed in January 2026	Projected 2026 revenue: \$70M

[1]Net of expected tax benefit

Full Year 2025 Messages

1. Total Company sales were $3.8B and EPS was a record $3.85
2. Margin expansion in both the North America and Rest of the World segments
3. Continued focus on Portfolio Management, Innovation and Operational Excellence for future value creation
4. Growth platforms of boilers, water treatment and India positioned for growth in 2026
5. Leonard Valve acquisition expands reach into Water Management market

Appendix

Powerful Investment Thesis

1	2	3	4	5
Leading with innovative products that drive technology and meet sustainability needs	Capitalizing on global megatrends in a large and growing market supported by regulatory changes	Leading North American water heater and boiler producer with stable and consistent replacement demand	Compelling brand awareness in emerging markets with attractive growth and margin expansion opportunities	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,	
	2025	2024	2025	2024
Net Earnings (GAAP)	$ 125.4	$ 109.7	$ 546.2	$ 533.6
Restructuring and impairment expenses, before tax	—	17.6	—	17.6
Tax effect on above items	—	(3.2)	—	(3.2)
Adjusted Earnings (non-GAAP)	$ 125.4	$ 124.1	$ 546.2	$ 548.0
Diluted Earnings Per Share (GAAP)[1]	$ 0.90	$ 0.75	$ 3.85	$ 3.63
Restructuring and impairment expenses, per diluted share, before tax	—	0.12	—	0.12
Tax effect on above items per diluted share	—	(0.02)	—	(0.02)
Adjusted Earnings Per Share (non-GAAP)[1]	$ 0.90	$ 0.85	$ 3.85	$ 3.73

[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,	
	2025	2024	2025	2024
Earnings Before Provision for Income Taxes (GAAP)	$ 160.6	$ 145.1	$ 715.1	$ 701.0
Add: Corporate expense	17.9	8.2	75.5	63.9
Add: Interest expense	2.4	2.4	13.5	6.7
Total Segment Earnings (non-GAAP)	$ 180.9	$ 155.7	$ 804.1	$ 771.6
North America[1]	$ 164.9	$ 147.9	$ 727.9	$ 707.5
Rest of World[2]	16.0	7.8	76.4	64.5
Inter-segment earnings elimination	—	—	(0.2)	(0.4)
Total Segment Earnings (non-GAAP)	$ 180.9	$ 155.7	$ 804.1	$ 771.6
Additional Information				
[1]North America	$ 164.9	$ 147.9	$ 727.9	$ 707.5
Restructuring and impairment expenses, before tax	—	6.3	—	6.3
Adjusted North America (non-GAAP)	$ 164.9	$ 154.2	$ 727.9	$ 713.8
[2]Rest of World	$ 16.0	$ 7.8	$ 76.4	$ 64.5
Restructuring and impairment expenses, before tax	—	11.3	—	11.3
Adjusted Rest of World (non-GAAP)	$ 16.0	$ 19.1	$ 76.4	$ 75.8

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,	
	2025	2024
Cash provided by operating activities (GAAP)	$ 616.8	$ 581.8
Less: Capital expenditures	(70.8)	(108.0)
Free cash flow (non-GAAP)	$ 546.0	$ 473.8

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