



2015 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,” “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: a further slowdown in the growth rate of the Chinese economy; potential weakening in the high efficiency boiler market segment in the U. S.; significant volatility in raw material prices; inability to implement or maintain pricing actions; potential weakening in U. S. residential or commercial construction or instability in the company’s replacement markets; uncertain costs, savings and timeframes associated with the implementation of the new enterprise resources planning system; foreign currency fluctuations; the ability to execute our acquisition strategy; competitive pressures on the company’s businesses; and adverse general economic conditions and capital market deterioration in the U. S., Canada and China.

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” .

2015 Highlights



- ▶ Record sales of \$2.54 billion
 - Revenue nearly eight percent higher; up more than nine percent in local currency
- ▶ China sales up over 16 percent in local currency
- ▶ Record net earnings of \$3.16 per share
 - Increase of 30 percent over \$2.43* per share last year
- ▶ Cash returned to shareholders
 - Share repurchase totaled \$128 million
 - 27 percent dividend increase last January; 26 percent increase in dividend announced earlier this week
 - Returned approximately \$196 million to shareholders

* Excludes \$.15 per share non-operating pension costs

Full Year Results



(\$ in millions)	2015	2014	change	% chg.
Sales	\$ 2,536.5	\$ 2,356.0	\$ 180.5	7.7%
Net Earnings	282.9	207.8		
Non-operating Pension (after-tax)	<u> </u>	<u>13.2</u>		
Adjusted Earnings	\$ 282.9	\$ 221.0	\$ 61.9	28%

Full Year EPS



(\$ in millions)	2015	2014	change	% chg.
EPS	\$ 3.16	\$ 2.28		
Non-operating Pension	<u> </u>	<u>0.15</u>		
Adjusted EPS	<u>\$ 3.16</u>	<u>\$ 2.43</u>	\$ 0.73	30%

Full Year Sales



(\$ in millions)	2015	2014	change	% chg.
North America	\$ 1,703.0	\$ 1,621.7	\$ 81.3	5%
Rest of World	866.1	768.3	\$ 97.8	13%
Intersegment	<u>(32.6)</u>	<u>(34.0)</u>	<u>\$ 1.4</u>	
Total	<u>\$ 2,536.5</u>	<u>\$ 2,356.0</u>	<u>\$ 180.5</u>	7.7%

Full Year Earnings



(\$ in millions, except margins)	2015	2014	change	% chg.
North America	\$ 339.9	\$ 253.3 *	\$ 86.6	34%
Rest of World	<u>113.0</u>	<u>106.7</u>	<u>6.3</u>	6%
Total Operating	452.9	360.0	92.9	26%
Corporate	(43.0)	(45.9) **	2.9	6%
Interest Expense	<u>(7.4)</u>	<u>(5.7)</u>	<u>(1.7)</u>	-30%
Pre-tax Earnings	402.5	308.4	94.1	31%
Income Tax Expense	<u>(119.5)</u>	<u>(87.4)</u>	<u>(32.1)</u>	-37%
Earnings	<u>\$ 283.0</u>	<u>\$ 221.0</u>	<u>\$ 62.0</u>	28%
<u>Operating Margin</u>				
North America	20.0%	15.6% *		
Rest of World	13.0%	13.9%		

* Excludes \$14.7 million non-operating pension costs in 2014

** Excludes \$7.0 million non-operating pension costs in 2014

Fourth Quarter Results



(\$ in millions)	2015	2014	change	% chg.
Sales	\$ 639.4	\$ 626.8	\$ 12.6	2.0%
Net Earnings	79.8	53.2		
Non-operating Pension (after-tax)	<u>-</u>	<u>4.3</u>		
Adjusted Earnings	\$ 79.8	\$ 57.5	\$ 22.3	39%

Fourth Quarter EPS



(\$ in millions)	2015	2014	change	% chg.
EPS	\$ 0.90	\$ 0.59		
Non-operating Pension	<u> </u>	<u>0.05</u>		
Adjusted EPS	<u>\$ 0.90</u>	<u>\$ 0.64</u>	\$ 0.26	41%

Fourth Quarter Sales



(\$ in millions)	2015	2014	change	% chg.
North America	\$ 413.7	\$ 430.7	\$ (17.0)	-4%
Rest of World	231.8	203.4	\$ 28.4	14%
Intersegment	<u>(6.1)</u>	<u>(7.3)</u>	<u>\$ 1.2</u>	
Total	<u>\$ 639.4</u>	<u>\$ 626.8</u>	<u>\$ 12.6</u>	2.0%

Fourth Quarter Operating Earnings



(\$ in millions, except margins)	2015	2014	change	% chg.
North America	\$ 92.2	\$ 70.8 *	\$ 21.4	30%
Rest of World	<u>28.5</u>	<u>22.4</u>	<u>6.1</u>	27%
Total Operating	120.7	93.2	27.5	30%
Corporate	(10.0)	(10.8) **	0.8	7%
Interest Expense	<u>(1.4)</u>	<u>(1.4)</u>	<u>-</u>	0%
Pre-tax Earnings	109.3	81.0	28.3	35%
Income Tax Expense	<u>(29.5)</u>	<u>(23.4)</u>	<u>(6.1)</u>	-26%
Earnings	<u>\$ 79.8</u>	<u>\$ 57.6</u>	<u>\$ 22.2</u>	39%
<u>Operating Margin</u>				
North America	22.3%	16.4% *		
Rest of World	12.3%	11.0%		

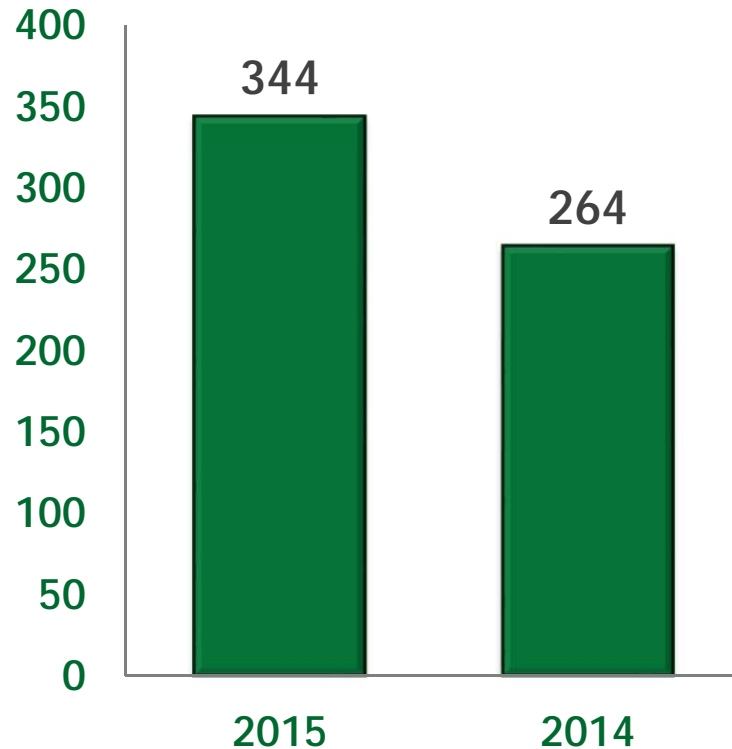
* Excludes \$3.7 million non-operating pension costs in 2014

** Excludes \$3.4 million non-operating pension costs in 2014

Operating Cash Flow from Operations



(\$ in millions)



Full Year 2015 Highlights

- ▶ Cash flow of \$344 million
- ▶ Debt to capital ratio of 15%
- ▶ Cash balance: \$645 million
- ▶ Net cash position: \$396 million
- ▶ Stock repurchase: 1.9 million shares totaling \$128 million

2016 EPS Guidance and 2015 EPS



Diluted EPS

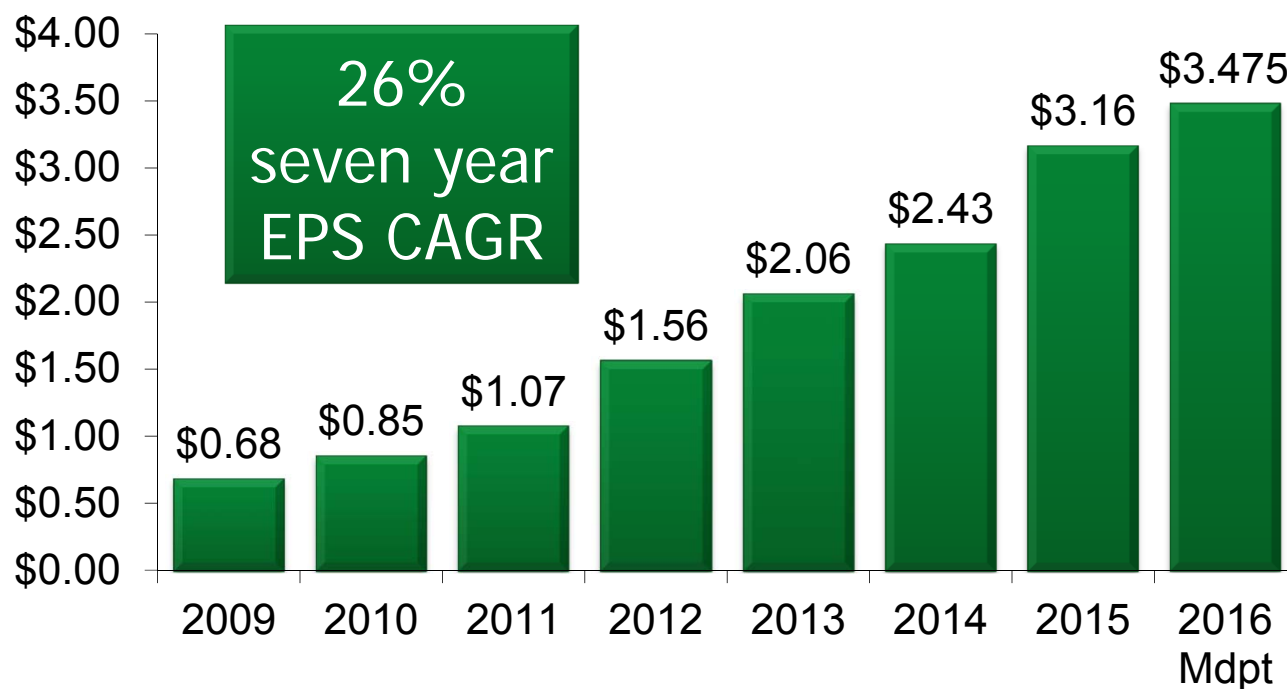
2016
Guidance

2015

\$3.40 - \$3.55

\$3.16

As of January 29, 2016



2016 Assumptions



(\$ in millions, except share count)

2016 Projections

Operating Cash Flow	approx \$320
Capital Expenditures	\$120 to \$130
Stock Repurchase	approx \$150 *
Depreciation and Amortization	approx \$70
ERP Implementation Expense	approx \$25
Corporate/Other Expense	approx \$48
Effective Tax Rate	30.5 to 31%
Share Count - Diluted	87.5 to 88 million

*subject to acquisitions, cash flow and working capital needs

As of January 29, 2016

2016 Outlook

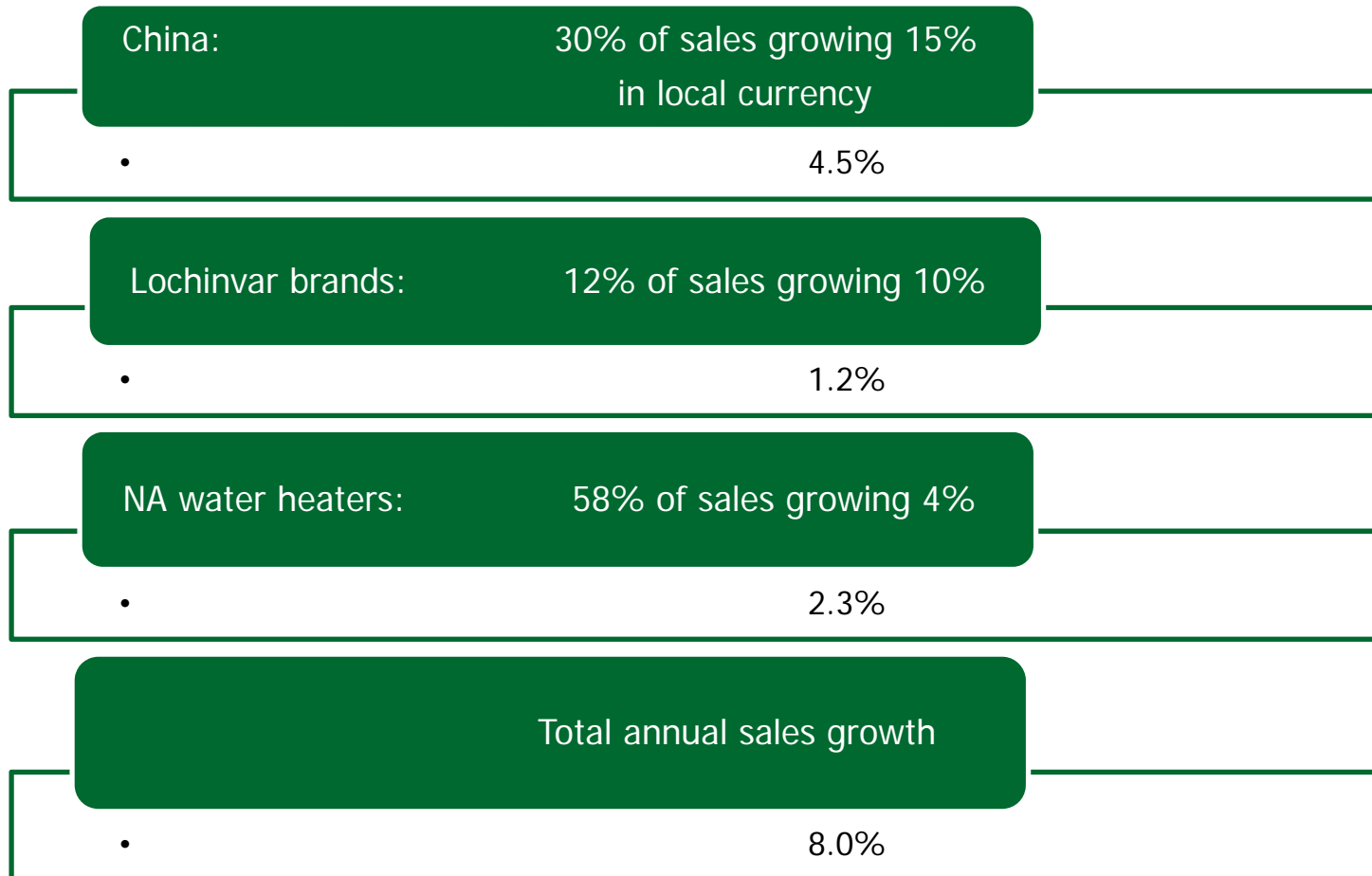


- ▶ Organic growth of approximately 9 – 10 percent in local currency;
7 – 8 percent in USD
 - Currency assumptions at current rates
 - Steel prices remain soft

- ▶ North America
 - U.S. pricing actions anniversary in late April
 - U.S. residential water heater volume increases of 100,000 to 150,000;
U.S. commercial volumes modestly higher than prior year
 - Lochinvar-branded product sales growth of 10 percent
 - Canadian currency impact
 - Operating margin expected to be 20 to 21 percent

- ▶ Rest of World
 - Committed to India; expanding water treatment to six cities from two
 - China sales growth model of 15 percent in local currency in tact
 - Operating margin expected to be 13 percent; similar to 2015

Growth Strategy: Organic Growth



Answers to your questions...

