



First Quarter 2016 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” .

First Quarter Highlights



- ▶ Record sales of \$637 million
 - Revenue three percent higher; up five percent in local currency
- ▶ China sales up 17 percent in local currency
- ▶ Record net earnings of \$.83 per share
 - Increase of 28 percent over \$.65 per share last year
- ▶ Cash returned to shareholders
 - Share repurchase totaled \$30 million in the quarter; expect \$175 million share repurchase in 2016
 - 26 percent dividend increase in January

First Quarter Results



| (\$ in millions) | 2016 | 2015 | change | % chg. |
|--------------------|----------|----------|---------|--------|
| Sales | \$ 636.9 | \$ 618.5 | \$ 18.4 | 3% |
| Net Earnings | 73.5 | 58.4 | 15.1 | 26% |
| Earnings per Share | 0.83 | 0.65 | 0.18 | 28% |

First Quarter Sales



| (\$ in millions) | 2016 | 2015 | change | % chg. |
|------------------|-----------------|-----------------|----------------|--------|
| North America | \$ 423.9 | \$ 429.2 | \$ (5.3) | -1% |
| Rest of World | 217.4 | 195.9 | 21.5 | 11% |
| Intersegment | <u>(4.4)</u> | <u>(6.6)</u> | <u>2.2</u> | |
| Total | <u>\$ 636.9</u> | <u>\$ 618.5</u> | <u>\$ 18.4</u> | 3% |

First Quarter Earnings

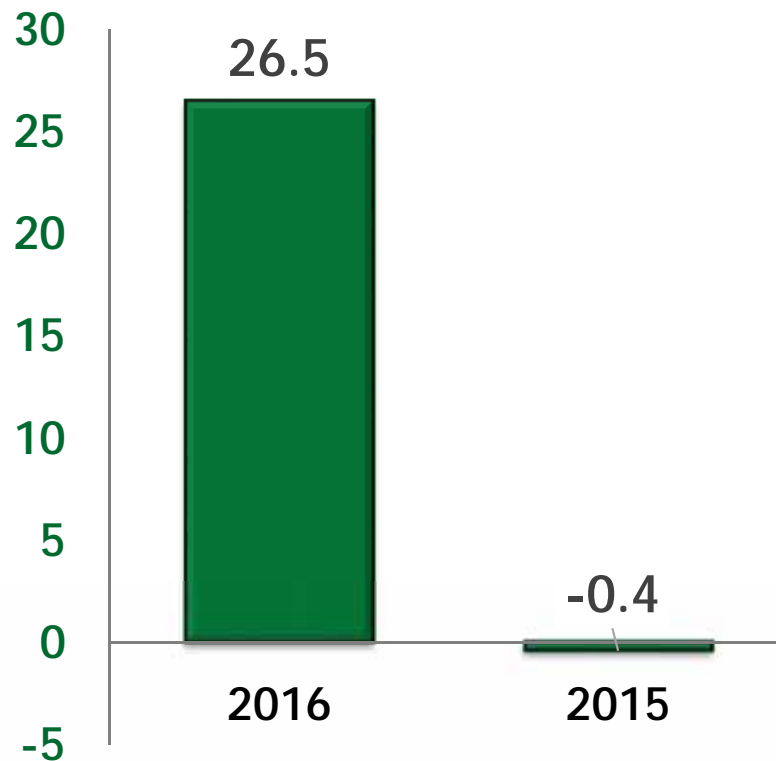


| (\$ in millions, except percentages) | 2016 | 2015 | change | % chg. |
|--------------------------------------|----------------|----------------|----------------|--------|
| North America | \$ 91.8 | \$ 71.2 | \$ 20.6 | 29% |
| Rest of World | <u>26.9</u> | <u>26.2</u> | <u>0.7</u> | 3% |
| Total Operating | 118.7 | 97.4 | 21.3 | 22% |
| Corporate | (13.4) | (12.7) | (0.7) | -6% |
| Interest Expense | <u>(1.7)</u> | <u>(1.9)</u> | <u>0.2</u> | 11% |
| Pre-tax Earnings | 103.6 | 82.8 | 20.8 | 25% |
| Income Tax Expense | <u>(30.1)</u> | <u>(24.4)</u> | <u>(5.7)</u> | -23% |
| Earnings | <u>\$ 73.5</u> | <u>\$ 58.4</u> | <u>\$ 15.1</u> | 26% |
| <u>Operating Margin</u> | | | | |
| North America | 21.7% | 16.6% | | |
| Rest of World | 12.4% | 13.4% | | |

Cash Flow from Operations



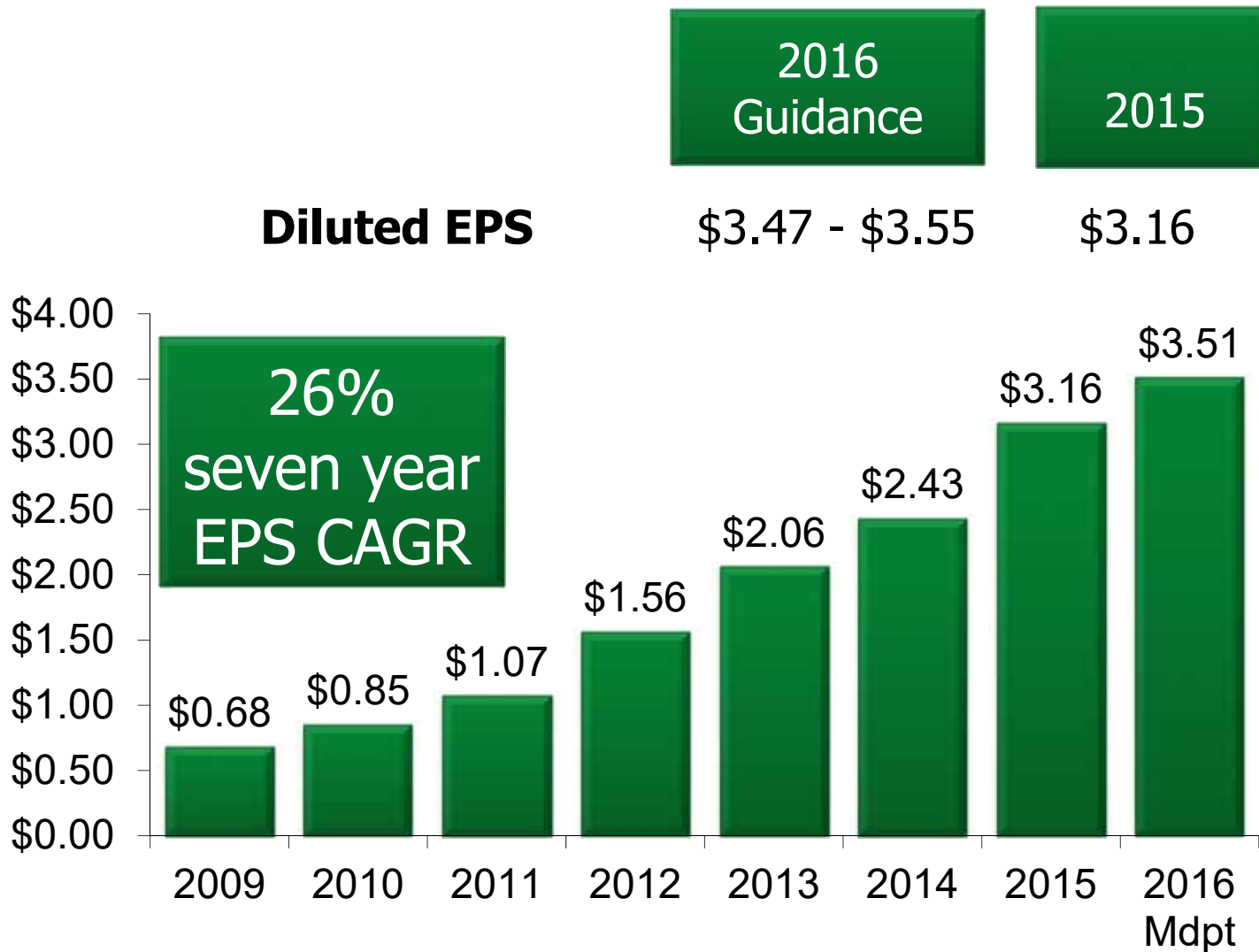
(\$ in millions)



First Quarter Highlights

- ▶ Operating cash flow of \$27 million
- ▶ Debt to capital ratio of 16%
- ▶ Cash balance: \$641 million
- ▶ Net cash position: \$354 million
- ▶ Stock repurchase: 430,000 shares totaling \$30 million

2016 EPS Guidance and 2015 EPS



Note: 2009 through 2014 are adjusted EPS

As of April 27, 2016

2016 Assumptions



(\$ in millions)

2016 Projections

| | |
|-------------------------------------|----------------|
| Operating Cash Flow | approx \$330 |
| Capital Expenditures | \$110 to \$120 |
| Stock Repurchase | approx \$175 * |
| Depreciation and Amortization | approx \$70 |
| Costs related to ERP Implementation | approx \$24 |
| Corporate/Other Expense | approx \$48 |
| Effective Tax Rate | 30.5% |
| Share Count - Diluted | 88 million |

*subject to acquisitions, cash flow and working capital needs

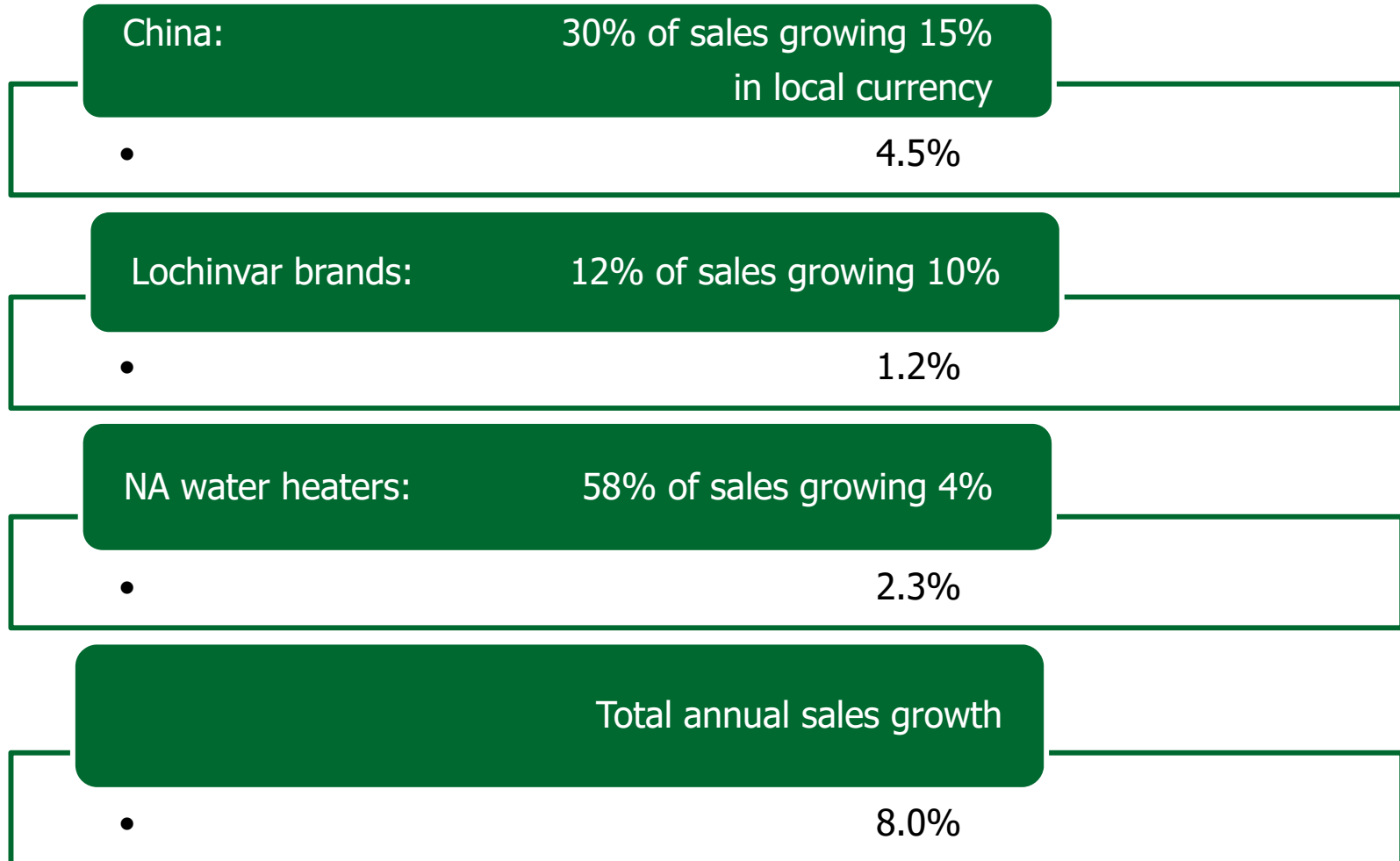
As of April 27, 2016

2016 Outlook



- ▶ Organic growth of approximately 9 – 9.5 percent in local currency; 7 – 7.5 percent in USD
- ▶ Currency assumptions at current rates, with modest depreciation assumed for CNY against the USD
- ▶ Steel prices remain firm
- ▶ North America
 - U.S. pricing actions anniversary in late April
 - U.S. residential water heater volume increases of 100,000 to 150,000 units; U.S. commercial volumes increase approximately 10,000 units
 - Lochinvar–branded product sales growth of 10 percent
 - Canadian currency impact
 - Operating margin expected to be between 20.5 and 21 percent
- ▶ Rest of World
 - 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...

ACSmith.

