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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(Mark one)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarter ended September 30, 2026

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission File Number: 001-35475

ZURN ELKAY WATER SOLUTIONS CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	**20-5197013**
(State or Other Jurisdiction of Incorporation or Organization)	**(I.R.S. Employer Identification No.)**
511 W. Freshwater Way **Milwaukee, Wisconsin**	**53204**
(Address of Principal Executive Offices)	**(Zip Code)**

Registrant's telephone number, including area code: (855) 480-5050

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol(s)	Name of Each Exchange on Which Registered
Common Stock, $.01 par value	**ZWS**	**The New York Stock Exchange**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by checkmark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§229.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Exchange Act Rule 12b-2). Yes ☐ No ☒

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at October 22, 2026
Zurn Elkay Water Solutions Corporation Common Stock, $0.01 par value per share	165,092,978 shares

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Private Securities Litigation Reform Act Safe Harbor Statement

Our disclosure and analysis in this report concerning our operations, cash flows and financial position, including, in particular, the likelihood of our success in developing and expanding our business and the realization of sales from our backlog, include forward-looking statements. Statements that are predictive in nature, that depend upon or refer to future events or conditions, or that include words such as “expects,” “anticipates,” “intends,” “plans,” “believes,” “estimates” and similar expressions are forward-looking statements. Although these statements are based upon reasonable assumptions, including projections of orders, sales, operating margins, earnings, cash flows, research and development costs, working capital and capital expenditures, they are subject to risks and uncertainties that are described more fully herein and in our Annual Report on Form 10-K for the year ended December 31, 2025, in Part I, Item 1A, “Risk Factors” and in Part I under the heading "Cautionary Notice Regarding Forward-Looking Statements", as well as in our other filings with the Securities and Exchange Commission. Accordingly, we can give no assurance that we will achieve the results anticipated or implied by our forward-looking statements. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise, except as required by law.

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Zurn Elkay Water Solutions Corporation and Subsidiaries
Condensed Consolidated Balance Sheets
(in Millions, except share amounts)

	(Unaudited) September 30, 2026	December 31, 2025
Assets		
Current assets:		
Cash and cash equivalents	$ 307.1	$ 300.5
Receivables, net	264.9	184.8
Inventories, net	280.8	274.4
Income taxes receivable	0.9	13.3
Other current assets	30.4	38.7
Total current assets	884.1	811.7
Property, plant and equipment, net	160.3	157.6
Intangible assets, net	835.0	835.0
Goodwill	848.6	795.0
Other assets	78.8	80.1
Total assets	$ 2,806.8	$ 2,679.4
Liabilities and stockholders' equity		
Current liabilities:		
Current maturities of debt	$ 1.7	$ 0.9
Trade payables	90.4	65.2
Compensation and benefits	41.7	40.9
Current portion of pension and other postretirement benefit obligations	1.1	1.1
Other current liabilities	175.2	151.3
Total current liabilities	310.1	259.4
Long-term debt	498.6	495.6
Pension and other postretirement benefit obligations	9.3	9.6
Deferred income taxes	166.9	189.7
Operating lease liability	32.2	42.0
Other liabilities	96.2	79.8
Total liabilities	1,113.3	1,076.1
Stockholders' equity:		
Common stock, $0.01 par value; 200,000,000 shares authorized; shares issued and outstanding: 165,383,297 at September 30, 2026 and 166,981,602 at December 31, 2025	1.7	1.7
Additional paid-in capital	2,790.8	2,810.0
Retained deficit	(1,018.7)	(1,131.7)
Accumulated other comprehensive loss	(80.3)	(76.7)
Total stockholders' equity	1,693.5	1,603.3
Total liabilities and stockholders' equity	$ 2,806.8	$ 2,679.4

See notes to the condensed consolidated financial statements.

Zurn Elkay Water Solutions Corporation and Subsidiaries
Condensed Consolidated Statements of Operations
(in Millions, except share and per share amounts)
(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30, 2026	September 30, 2025	September 30, 2026	September 30, 2025
Net sales	$ 495.1	$ 455.4	$ 1,419.1	$ 1,288.7
Cost of sales	249.3	254.7	679.2	704.7
Gross profit	245.8	200.7	739.9	584.0
Selling, general and administrative expenses	121.0	106.7	348.7	316.1
Restructuring and other similar charges	1.4	1.8	4.1	5.4
Amortization of intangible assets	15.2	14.7	44.5	44.0
Income from operations	108.2	77.5	342.6	218.5
Non-operating expense:				
Interest expense, net	(6.3)	(7.1)	(18.6)	(22.1)
Other income, net	0.7	8.7	5.6	6.7
Income before income taxes	102.6	79.1	329.6	203.1
Provision for income taxes	(26.5)	(19.5)	(82.1)	(52.4)
Net income from continuing operations	76.1	59.6	247.5	150.7
Income from discontinued operations, net of tax	0.2	2.2	1.0	5.2
Net income	$ 76.3	$ 61.8	$ 248.5	$ 155.9
Basic net income per share:				
Continuing operations	$ 0.46	$ 0.35	$ 1.49	$ 0.89
Discontinued operations	$ —	$ 0.01	$ —	$ 0.03
Net income	$ 0.46	$ 0.36	$ 1.49	$ 0.92
Diluted net income per share:				
Continuing operations	$ 0.45	$ 0.35	$ 1.47	$ 0.88
Discontinued operations	$ —	$ 0.01	$ —	$ 0.03
Net income	$ 0.45	$ 0.36	$ 1.47	$ 0.91
Weighted-average number of shares outstanding (in thousands):				
Basic	166,259	168,125	167,002	168,977
Effect of dilutive equity awards	1,846	2,148	2,009	2,250
Diluted	168,105	170,273	169,011	171,227

See notes to the condensed consolidated financial statements.

Zurn Elkay Water Solutions Corporation and Subsidiaries
Condensed Consolidated Statements of Comprehensive Income
(in Millions)
(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30, 2026	September 30, 2025	September 30, 2026	September 30, 2025
Net income	$ 76.3	$ 61.8	$ 248.5	$ 155.9
Other comprehensive income (loss):				
Foreign currency translation adjustments	0.5	(2.5)	(3.6)	2.2
Change in pension and other postretirement benefit obligations, net of tax	—	(6.2)	—	(6.2)
Other comprehensive income (loss), net of tax	0.5	(8.7)	(3.6)	(4.0)
Total comprehensive income	$ 76.8	$ 53.1	$ 244.9	$ 151.9

See notes to the condensed consolidated financial statements.

Zurn Elkay Water Solutions Corporation and Subsidiaries
Condensed Consolidated Statements of Cash Flows
(in Millions)
(Unaudited)

	Nine Months Ended	
	September 30, 2026	**September 30, 2025**
Operating activities		
Net income	$ 248.5	$ 155.9
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation	19.3	22.6
Amortization of intangible assets	44.5	44.0
Non-cash restructuring charges	—	0.5
Loss on dispositions of long-lived assets	0.7	0.3
Deferred income taxes	(14.2)	(11.7)
Other non-cash expenses	2.0	1.7
Pension curtailment and settlement	—	(10.7)
Stock-based compensation expense	31.5	29.1
Changes in operating assets and liabilities:		
Receivables, net	(76.6)	(29.4)
Inventories, net	2.2	0.5
Other assets	27.6	22.9
Accounts payable	22.8	10.3
Accruals and other	12.3	18.8
Cash provided by operating activities	320.6	254.8
Investing activities		
Expenditures for property, plant and equipment	(16.1)	(20.7)
Acquisitions, net of cash acquired	(107.3)	—
Cash used for investing activities	(123.4)	(20.7)
Financing activities		
Repayments of debt	(1.0)	(0.6)
Payment of debt issuance costs	(3.0)	—
Proceeds from exercise of stock options and ESPP contributions	4.4	7.4
Taxes withheld and paid on employees' share-based payment awards	—	(0.6)
Repurchase of common stock	(134.7)	(134.9)
Payment of common stock dividends	(55.0)	(45.4)
Cash used for financing activities	(189.3)	(174.1)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(1.3)	2.1
Increase in cash, cash equivalents and restricted cash	6.6	62.1
Cash, cash equivalents and restricted cash at beginning of period	300.5	198.0
Cash, cash equivalents and restricted cash at end of period	$ 307.1	$ 260.1

See notes to the condensed consolidated financial statements.

Zurn Elkay Water Solutions Corporation and Subsidiaries

Notes to Condensed Consolidated Financial Statements
September 30, 2026
(Unaudited)

1. Basis of Presentation and Significant Accounting Policies

The unaudited condensed consolidated financial statements included herein have been prepared by Zurn Elkay Water Solutions Corporation (“Zurn Elkay” or the “Company”) in accordance with accounting principles generally accepted in the United States ("GAAP") pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations, although the Company believes that the disclosures are adequate to make the information presented not misleading.

In the opinion of management, the condensed consolidated financial statements include all adjustments necessary for a fair presentation of the results of operations for the interim periods. Results for the interim periods are not necessarily indicative of results that may be expected for the year ending December 31, 2026. These condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and the notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2025.

The Company

Zurn Elkay is a growth-oriented, pure-play water management business that designs, procures, manufactures, and markets what the Company believes to be the broadest sustainable product portfolio of specification-driven water management solutions to improve health, hydration, human safety and the environment. The Company's product portfolio includes professional grade water safety and control products, flow systems products, hygienic and environmental products, and filtered drinking water products for public and private spaces that deliver superior value to building owners, positively impact the environment and human hygiene and reduce product installation time. The Company's heritage of innovation and specification has allowed it to provide highly-engineered, mission-critical solutions to customers for decades and affords it the privilege of having long-term, valued relationships with market leaders. The Company operates in a disciplined way and the Zurn Elkay Business System (“ZEBS”) is its operating philosophy. Grounded in the spirit of continuous improvement, ZEBS creates a scalable, process-based framework that focuses on driving superior customer satisfaction and financial results by targeting world-class operating performance throughout all aspects of its business.

Recent Accounting Pronouncements

In November 2024, the FASB issued Accounting Standards Update 2024-03 “Income Statement — Reporting Comprehensive Income — Expense Disaggregation Disclosures: Disaggregation of Income Statement Expenses” (“ASU 2024-03”), which is intended to improve disclosures about a public business entity's expenses, primarily through additional disaggregation of income statement expenses. The ASU’s amendments are effective for fiscal years beginning after December 15, 2026 and interim periods within fiscal years beginning after December 15, 2027. The Company is evaluating the impact of the adoption of ASU 2024-03 on the consolidated financial statements.

2. Acquisition

On July 21, 2026, the Company acquired (via merger) 100% of the stock of Intellihot, Inc. ("Intellihot") for total consideration transferred of $107.3 million, excluding transaction costs and net of $2.1 million of cash acquired. Intellihot, based in Vernon Hills, Illinois, is a leader in tankless water heater solutions serving the healthcare, education, hospitality and commercial end markets.

The Company's results of operations include the acquired operations subsequent to July 20, 2026. Pro-forma results of operations and certain other U.S. GAAP disclosures related to the Intellihot acquisition have not been presented because they are not material to the Company's condensed consolidated statements of operations and condensed consolidated balance sheets.

The acquisition of Intellihot was accounted for as a business combination and recorded by allocating the purchase price to the fair value of assets acquired and liabilities assumed at the acquisition date. The excess of the acquisition purchase price over the fair value assigned to the assets acquired and liabilities assumed was recorded as goodwill. The preliminary purchase price allocation resulted in non-tax deductible goodwill of $55.0 million, other intangible assets of $44.5 million (includes tradenames of $9.8 million, customer relationships of $23.3 million, and patents of $11.4 million), deferred tax asset of $8.5 million, and other net assets of $12.7 million, offset by acquired warranties of $13.4 million. The purchase price allocation is preliminary and subject to fair value adjustments that will be completed within the one year period following the acquisition date.

3. Restructuring and Other Similar Charges

During the three and nine months ended September 30, 2026, the Company continued to execute various restructuring actions. These initiatives were implemented to drive efficiencies and reduce operating costs while also modifying the Company's footprint to reflect changes in the markets it serves, the impact of mergers and acquisitions on the Company's overall manufacturing capacity and the refinement of its overall product portfolio. These restructuring actions primarily resulted in workforce reductions, lease termination costs and other facility rationalization costs. Management expects to continue executing similar initiatives to optimize the Company's operating margin and manufacturing footprint. As such, the Company expects further expenses related to workforce reductions, potential impairment or accelerated depreciation of assets, lease termination costs and other facility rationalization costs. The Company's restructuring plans are preliminary and the full extent of related expenses are not yet estimable. The Company accounts for restructuring costs in the period in which the liability is incurred.

The following table summarizes the Company's restructuring and other similar charges during the three and nine months ended September 30, 2026 and September 30, 2025, (in millions):

	Three Months Ended		Nine Months Ended	
	September 30, 2026	September 30, 2025	September 30, 2026	September 30, 2025
Employee termination benefits	$ 0.9	$ 0.6	$ 2.2	$ 1.9
Contract termination and other associated costs	0.5	1.2	1.9	3.5
Total restructuring and other similar charges	$ 1.4	$ 1.8	$ 4.1	$ 5.4

The following table summarizes the activity in the Company's restructuring accrual for the nine months ended September 30, 2026 (in millions):

	Employee termination benefits	Contract termination and other associated costs	Total
Accrued restructuring costs, December 31, 2025 (1)	$ 1.6	$ 0.3	$ 1.9
Charges	2.2	1.9	4.1
Cash payments	(2.2)	(2.2)	(4.4)
Accrued restructuring costs, September 30, 2026 (1)	$ 1.6	$ —	$ 1.6

(1) As of September 30, 2026 and December 31, 2025, the restructuring accrual is included in other current liabilities in the condensed consolidated balance sheets.

4. Discontinued Operations

During the year ended December 31, 2021, the Company completed a Reverse Morris Trust tax-free spin-off transaction (the “Spin-Off Transaction”) of the Company's Process & Motion Control ("PMC") business. The operating results of PMC are reported as discontinued operations in the condensed consolidated statements of operations for all periods presented, as the Spin-Off Transaction of PMC represented a strategic shift that had a major impact on operations and financial results. The condensed consolidated statements of cash flows for the nine months ended September 30, 2026 and September 30, 2025 have not been adjusted to separately disclose cash flows related to the discontinued operations.

The major components of the income from discontinued operations, net of tax presented in the condensed consolidated statements of operations for the three and nine months ended September 30, 2026 and September 30, 2025, are as follows (in millions):

	Three Months Ended		Nine Months Ended	
	September 30, 2026	September 30, 2025	September 30, 2026	September 30, 2025
Selling, general and administrative income (1)	$ —	$ (2.1)	$ (0.3)	$ (4.7)
Income from discontinued operations before income tax	—	2.1	0.3	4.7
Income tax benefit	0.2	0.1	0.7	0.5
Income from discontinued operations, net of tax	$ 0.2	$ 2.2	$ 1.0	$ 5.2

(1) Selling, general and administrative income includes the release of certain accruals as a result of costs the Company will no longer incur related to the Spin-Off Transaction.

5. Revenue Recognition

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer, and is the unit of account in Accounting Standards Codification ("ASC") 606, *Revenue from Contracts with Customers*. A contract’s transaction price is allocated to each distinct performance obligation and revenue is recognized when obligations under the terms of a contract with the customer are satisfied. For the majority of the Company's product sales, revenue is recognized at a point-in-time when control of the product is transferred to the customer, which generally occurs when the product is shipped from the Company's manufacturing facility to the customer. When contracts include multiple products to be delivered to the customer, generally each product is separately priced and is determined to be distinct within the context of the contract. Other than a standard assurance-type warranty that the product will conform to agreed-upon specifications, there are generally no other significant post-shipment obligations. The expected costs associated with standard warranties continue to be recognized as an expense when the products are sold.

When the contract provides the customer the right to return eligible products or when the customer is part of a sales rebate program, the Company reduces revenue at the point of sale using current facts and historical experience to estimate for expected product returns and rebates associated with the transaction. The Company adjusts these estimates at the earlier of when the most likely amount of consideration that is expected to be received changes or when the consideration becomes fixed. Accordingly, an increase or decrease to revenue is recognized at that time.

Sales and other taxes collected concurrent with revenue-producing activities are excluded from revenue. The Company has elected to recognize the cost for freight and shipping when control of products has transferred to the customer as a component of cost of sales in the consolidated statements of operations. The Company classifies shipping and handling fees billed to customers as net sales and the corresponding costs are classified as cost of sales in the condensed consolidated statements of operations. Unsatisfied performance obligations as of September 30, 2026 have an expected duration of one year or less.

Revenue by Category

The Company designs, procures, manufactures, and markets a comprehensive portfolio of water management solutions. The Company disaggregates its sales by customer type and geographic location, which the Company believes best depicts how the nature, amount, timing and uncertainty of its revenue and cash flows may be impacted differently by certain economic factors. The following tables present revenue disaggregated by customer type and the geographic region of the end customer (in millions):

	Three Months Ended		Nine Months Ended	
Customer Type	**September 30, 2026**	**September 30, 2025**	**September 30, 2026**	**September 30, 2025**
Institutional	$ 243.6	$ 223.5	$ 702.9	$ 632.7
Commercial	147.4	128.3	416.6	362.8
All other	104.1	103.6	299.6	293.2
Total	$ 495.1	$ 455.4	$ 1,419.1	$ 1,288.7

	Three Months Ended		Nine Months Ended	
Geography	**September 30, 2026**	**September 30, 2025**	**September 30, 2026**	**September 30, 2025**
United States	$ 456.7	$ 414.9	$ 1,307.4	$ 1,182.8
Canada	27.1	27.6	77.2	73.0
Rest of world	11.3	12.9	34.5	32.9
Total	$ 495.1	$ 455.4	$ 1,419.1	$ 1,288.7

Contract Balances

For substantially all of the Company's product sales, the customer is billed 100% of the contract value when the product ships and payment is generally due 30 days from shipment. Certain contracts include longer payment periods; however, the Company has elected to utilize the practical expedient in which the Company will only recognize a financing component to the sale if payment is due more than one year from the date of shipment.

Billings are recorded as accounts receivable when an unconditional right to the contractual consideration exists. Contract assets arise when the Company performs by transferring goods or services to a customer before the customer pays consideration, or before the customer’s payment is due. A contract liability exists when the Company has received consideration or the amount is due from the customer in advance of revenue recognition. Contract liabilities and contract assets as of September 30, 2026 and December 31, 2025 were not material.

Timing of Performance Obligations Satisfied at a Point in Time

The Company determined that the customer is able to control the product when it is delivered to them; thus, depending on the shipping terms, control will transfer at different points between the Company's manufacturing facility or warehouse and the customer’s location. The Company considers control to have transferred upon shipment or delivery because the Company has a present right to payment at that time, the customer has legal title to the asset, the Company has transferred physical possession of the asset and the customer has significant risks and rewards of ownership of the asset.

Variable Consideration

The Company provides volume-based rebates and the right to return product to certain customers, which are accrued for based on current facts and historical experience. Rebates are paid either on an annual or quarterly basis. There are no other significant variable consideration elements included in the Company's contracts with customers.

Allowance for Credit Losses

The Company assesses the collectability of customer receivables based on the credit worthiness of a customer as determined by credit checks and analysis, as well as the customer’s payment history. In determining the allowance for credit losses, the Company also considers various factors, including the aging of customer accounts and historical write-offs. In addition, the Company monitors other risk factors, including forward-looking information when establishing allowances for credit losses, which reflects the current estimate of credit losses expected to be incurred over the life of the receivables.

6. Income Taxes

The provision for income taxes for all periods presented is based on an estimated effective income tax rate for the respective fiscal years. The estimated annual effective income tax rate is determined excluding the effect of significant discrete items or items that are reported net of their related tax effects. The tax effect of significant discrete items is reflected in the period in which they occur. The Company's income tax expense is impacted by a number of factors, including the amount of taxable earnings derived in foreign jurisdictions with tax rates that are generally higher than the U.S. federal statutory rate, state tax rates in the jurisdictions where the Company does business and the Company's ability to utilize various tax credits, capital loss and net operating loss ("NOL") carryforwards.

On July 4, 2025, the One Big Beautiful Bill Act ("OBBBA") was enacted. OBBBA incorporates changes that extend several provisions of the Tax Cuts and Jobs Act ("TCJA") of 2017 that were set to expire on December 31, 2025, including immediate expensing of domestic research and development expenses, 100% bonus depreciation, 100% depreciation of qualified production property, and reinstatement of utilizing EBITDA for the interest deduction limitation. OBBBA incorporates additional changes to the U.S tax code that are effective after January 1, 2026, including charitable contribution limitations, deductible meal limitations, and changes to the U.S. system for taxing international corporate income. These changes did not have a material impact on the financial statements for the period ended September 30, 2026. The Company is continuing to monitor these business tax provisions for further guidance from the U.S. Treasury and the Internal Revenue Service.

The Company regularly reviews its deferred tax assets for recoverability and valuation allowances are established based on historical losses, projected future taxable income and the expected timing of the reversals of existing temporary differences, as deemed appropriate. In addition, all other available positive and negative evidence is taken into consideration for the purpose of determining the proper balances of such valuation allowances. As a result of this review, the Company continues to maintain a full valuation allowance against U.S. federal and state capital loss carryforwards, as well as certain foreign NOL carryforwards and related deferred tax assets and continues to maintain a partial valuation allowance against certain U.S. state NOL and tax credit carryforwards. Future changes to the balances of these valuation allowances, as a result of this continued review and analysis by the Company, could impact the financial statements for such period of change.

The income tax provision was $26.5 million for the three months ended September 30, 2026, compared to $19.5 million for the three months ended September 30, 2025. The effective income tax rate for the three months ended September 30, 2026 was 25.8% versus 24.7% for the three months ended September 30, 2025. The effective income tax rate for the three months ended September 30, 2026 and September 30, 2025 was above the U.S. federal statutory rate of 21% primarily due to the accrual of additional income taxes associated with compensation deduction limitations under Section 162(m) of the Internal Revenue Code, the accrual of various state income taxes and the accrual of foreign income taxes, which are generally above the U.S. federal statutory rate, partially offset by the recognition of certain previously unrecognized tax benefits due to the lapse of the applicable statutes of limitations and by the recognition of income tax benefits associated with share-based payments.

The income tax provision was $82.1 million for the nine months ended September 30, 2026, compared to $52.4 million for the nine months ended September 30, 2025. The effective income tax rate for the nine months ended September 30, 2026 was 24.9% versus 25.8% for the nine months ended September 30, 2025. The effective income tax rate for the nine months ended September 30, 2026 and September 30, 2025 was above the U.S. federal statutory rate of 21% primarily due to the accrual of additional income taxes associated with compensation deduction limitations under Section 162(m) of the Internal Revenue Code, the accrual of various state income taxes and the accrual of foreign income taxes, which are generally above the U.S. federal statutory rate, partially offset by the recognition of certain previously unrecognized tax benefits due to the lapse of the applicable statutes of limitations and the recognition of income tax benefits associated with share-based payments.

The Company's total liability for net unrecognized tax benefits as of September 30, 2026 and December 31, 2025 was $0.7 million and $0.6 million, respectively. The Company recognizes accrued interest and penalties related to unrecognized income tax benefits in income tax expense. As of September 30, 2026 and December 31, 2025, the total amount of unrecognized tax benefits includes gross accrued interest and penalties of $0.1 million and $0.1 million, respectively.

The Company conducts business in multiple locations within and outside the U.S. Consequently, the Company is subject to periodic income tax examinations by domestic and foreign income tax authorities. It is reasonably possible that the amounts of unrecognized income tax benefits could change in the next twelve months based upon future income tax examinations; however, any potential payments of income tax, interest and penalties would not be expected to be significant to the Company's consolidated financial statements. With certain exceptions, the Company is no longer subject to U.S. federal income tax examinations for tax years ending prior to December 31, 2021, state and local income tax examinations for years ending prior to December 31, 2020 or significant foreign income tax examinations for years ending prior to March 31, 2020.

7. Earnings per Share

Basic net income per share from continuing and discontinued operations is computed by dividing net income from continuing operations and income from discontinued operations, respectively, by the corresponding weighted average number of common shares outstanding for the period. Diluted net income per share from continuing and discontinued operations is computed based on the weighted average number of common shares outstanding, increased by the number of incremental shares that would have been outstanding if the potential dilutive shares were issued through the exercise of outstanding stock options to purchase common shares and the vesting of restricted stock units and performance stock units using the treasury stock method, except when the effect would be anti-dilutive.

The computation for diluted net income per share for the three and nine months ended September 30, 2026 excludes 0.1 million and 0.0 million shares due to their anti-dilutive effects, respectively. The computation for diluted net income per share for the three and nine months ended September 30, 2025 excludes 0.1 million shares and 0.1 million shares, respectively, due to their anti-dilutive effects.

8. Stockholders' Equity

Stockholders' equity consists of the following (in millions):

	Common stock (1)	Additional paid-in capital	Retained deficit	Accumulated other comprehensive loss	Total stockholders' equity
Balance at December 31, 2024	$ 1.7	$ 2,828.2	$ (1,168.7)	$ (74.4)	$ 1,586.8
Total comprehensive income	—	—	43.6	(0.2)	43.4
Stock-based compensation expense	—	10.5	—	—	10.5
Proceeds from exercise of stock options and ESPP contributions	—	1.1	—	—	1.1
Taxes withheld and paid on employees' share-based payment awards	—	(0.5)	—	—	(0.5)
Repurchase of common stock	—	—	(78.0)	—	(78.0)
Common stock dividends ($0.09 per share)	—	(15.3)	—	—	(15.3)
Balance at March 31, 2025	$ 1.7	$ 2,824.0	$ (1,203.1)	$ (74.6)	$ 1,548.0
Total comprehensive income	—	—	50.5	4.9	55.4
Stock-based compensation expense	—	9.0	—	—	9.0
Proceeds from exercise of stock options and ESPP contributions	—	1.3	—	—	1.3
Repurchase of common stock	—	—	(32.9)	—	(32.9)
Common stock dividends ($0.09 per share)	—	(16.4)	—	—	(16.4)
Balance at June 30, 2025	$ 1.7	$ 2,817.9	$ (1,185.5)	$ (69.7)	$ 1,564.4
Total comprehensive income	—	—	61.8	(8.7)	53.1
Stock-based compensation expense	—	9.6	—	—	9.6
Proceeds from exercise of stock options and ESPP contributions	—	5.0	—	—	5.0
Taxes withheld and paid on employees' share-based payment awards	—	(0.1)	—	—	(0.1)
Repurchase of common stock	—	—	(25.0)	—	(25.0)
Common stock dividends ($0.09 per share)	—	(15.5)	—	—	(15.5)
Balance at September 30, 2025	$ 1.7	$ 2,816.9	$ (1,148.7)	$ (78.4)	$ 1,591.5

	Common stock (1)	Additional paid-in capital	Retained deficit	Accumulated other comprehensive loss	Total stockholders' equity
Balance at December 31, 2025	$ 1.7	$ 2,810.0	$ (1,131.7)	$ (76.7)	$ 1,603.3
Total comprehensive income	—	—	58.9	(1.6)	57.3
Stock-based compensation expense	—	11.7	—	—	11.7
Proceeds from exercise of stock options and ESPP contributions	—	2.5	—	—	2.5
Repurchase of common stock	—	—	(50.0)	—	(50.0)
Common stock dividends ($0.11 per share)	—	(18.0)	—	—	(18.0)
Balance at March 31, 2026	$ 1.7	$ 2,806.2	$ (1,122.8)	$ (78.3)	$ 1,606.8
Total comprehensive income	—	—	113.3	(2.5)	110.8
Stock-based compensation expense	—	9.2	—	—	9.2
Proceeds from exercise of stock options and ESPP contributions	—	1.0	—	—	1.0
Repurchase of common stock	—	—	(50.1)	—	(50.1)
Common stock dividends ($0.11 per share)	—	(18.6)	—	—	(18.6)
Balance at June 30, 2026	$ 1.7	$ 2,797.8	$ (1,059.6)	$ (80.8)	$ 1,659.1
Total comprehensive income	—	—	76.3	0.5	76.8
Stock-based compensation expense	—	10.6	—	—	10.6
Proceeds from exercise of stock options and ESPP contributions	—	0.9	—	—	0.9
Repurchase of common stock	—	—	(35.4)	—	(35.4)
Common stock dividends ($0.11 per share)	—	(18.5)	—	—	(18.5)
Balance at September 30, 2026	$ 1.7	$ 2,790.8	$ (1,018.7)	$ (80.3)	$ 1,693.5

(1) During the three and nine months ended September 30, 2026, the Company issued 52,043 and 1,210,313 shares of common stock, upon the exercise of stock options, vesting of restricted stock units and performance stock units, and for other common stock issuances, respectively. During the three and nine months ended September 30, 2025, the Company issued 383,590 and 981,523 shares of common stock, upon the exercise of stock options, vesting of restricted stock units and performance stock units, and for other common stock issuances, respectively.

Share Repurchase Program

During fiscal 2015, the Company's Board of Directors approved a common stock repurchase program (the "Repurchase Program") authorizing the repurchase of the Company's common stock from time to time on the open market or in privately negotiated transactions. Since putting the Repurchase Program in place, the most recent Board of Directors approval was on October 28, 2025, when the Company's Board of Directors approved increasing the remaining share repurchase authority under the Repurchase Program to $500.0 million. The Repurchase Program does not require the Company to acquire any particular amount of common stock and does not specify the timing of purchases or the prices to be paid; however, the program will continue until the maximum amount of dollars authorized have been expended or until it is modified or terminated by the Board of Directors. During the three months ended September 30, 2026, the Company repurchased 732,793 shares of common stock at a total cost of $35.0 million at an average price of $47.74 per share. During the nine months ended September 30, 2026, the Company repurchased 2,808,618 shares of common stock at a total cost of $134.6 million at an average price of $47.92 per share. During the three months ended, September 30, 2025, the Company repurchased 575,600 shares of common stock at a total cost of $25.0 million at an average price of $43.43 per share. During the nine months ended September 30, 2025, the Company repurchased 3,820,241 shares of common stock at a total cost of $134.9 million at an average price of $35.31 per share. The repurchased shares were canceled by the Company upon receipt. Approximately $347.5 million of the existing authority remained under the Repurchase Program at September 30, 2026.

9. Accumulated Other Comprehensive Loss

The changes in accumulated other comprehensive loss, net of tax, for the nine months ended September 30, 2026, are as follows (in millions):

	Foreign Currency Translation Adjustments	Pension and Other Postretirement Obligations	Total
Balance at December 31, 2025	$ (76.6)	$ (0.1)	$ (76.7)
Other comprehensive loss before reclassifications	(3.6)	—	(3.6)
Net current period other comprehensive loss	(3.6)	—	(3.6)
Balance at September 30, 2026	$ (80.2)	$ (0.1)	$ (80.3)

The following table summarizes the amounts reclassified from accumulated other comprehensive loss to net income during the three and nine months ended September 30, 2026 and September 30, 2025 (in millions):

	Three Months Ended		Nine Months Ended		
	September 30, 2026	September 30, 2025	September 30, 2026	September 30, 2025	Income Statement Line
Pension and other postretirement obligations					
Settlement gain	—	(10.0)	—	(10.0)	Other income, net
Provision for income taxes	—	2.0	—	2.0	
Total net of tax	$ —	$ (8.0)	$ —	$ (8.0)	

10. Inventories

The major classes of inventories are summarized as follows (in millions):

	September 30, 2026	December 31, 2025
Finished goods	$ 243.4	$ 241.3
Work in progress	16.8	17.3
Raw materials	51.8	49.2
Inventories at First-In, First-Out ("FIFO") cost	312.0	307.8
Adjustment to state inventories at Last-In, First-Out ("LIFO") cost	(31.2)	(33.4)
	$ 280.8	$ 274.4

11. Goodwill and Intangible Assets

The changes in the net carrying value of goodwill for the nine months ended September 30, 2026, are presented below (in millions):

Net carrying amount as of December 31, 2025	$ 795.0
Currency translation adjustments	(1.4)
Acquisition (1)	55.0
Net carrying amount as of September 30, 2026	$ 848.6

(1) Refer to Note 2, Acquisition for additional information regarding the acquisition.

The gross carrying amount and accumulated amortization for each major class of identifiable intangible assets as of September 30, 2026 and December 31, 2025 are as follows (in millions):

		September 30, 2026		
	Weighted Average Useful Life	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Intangible assets subject to amortization:				
Patents (1)	11 years	$ 40.5	$ (23.6)	$ 16.9
Customer relationships (including distribution network) (1)	16 years	1,090.8	(486.6)	604.2
Tradenames (1)	19 years	166.5	(38.9)	127.6
Intangible assets not subject to amortization - trademarks and tradenames		86.3	—	86.3
Total intangible assets, net	16 years	$ 1,384.1	$ (549.1)	$ 835.0

		December 31, 2025		
	Weighted Average Useful Life	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Intangible assets subject to amortization:				
Patents	10 years	$ 28.4	$ (23.3)	$ 5.1
Customer relationships (including distribution network)	16 years	1,068.6	(448.9)	619.7
Tradenames	19 years	156.7	(32.8)	123.9
Intangible assets not subject to amortization - trademarks and tradenames		86.3	—	86.3
Total intangible assets, net	16 years	$ 1,340.0	$ (505.0)	$ 835.0

(1) Tradenames, customer relationships, and patents acquired during 2026 were assigned weighted average useful lives of 20 years, 13 years, and 15 years, respectively.

Intangible asset amortization expense totaled $15.2 million and $14.7 million for the three months ended September 30, 2026 and September 30, 2025, respectively. Intangible asset amortization expense totaled $44.5 million and $44.0 million for the nine months ended September 30, 2026 and September 30, 2025, respectively.

The Company expects to recognize amortization expense on the intangible assets subject to amortization of $59.9 million in the year ending December 31, 2026 (inclusive of the $44.5 million of amortization expense recognized in the nine months ended September 30, 2026), $61.6 million in 2027, $61.6 million in 2028, $61.6 million in 2029, $61.6 million in 2030 and $60.9 million in 2031.

12. Other Current Liabilities

Other current liabilities are summarized as follows (in millions):

	September 30, 2026	December 31, 2025
Commissions	$ 14.9	$ 9.1
Current portion of operating lease liability	15.9	14.7
Income taxes payable	10.4	3.1
Professional fees	4.9	5.8
Product warranty (1)	7.2	3.1
Restructuring and other similar charges (2)	1.6	1.9
Risk management (3)	7.2	5.8
Sales rebates	83.6	81.1
Tax indemnities	8.3	9.2
Taxes, other than income taxes	3.2	3.1
Other	18.0	14.4
	$ 175.2	$ 151.3

(1) See more information related to the product warranty obligations balance within Note 15, Commitments and Contingencies.

(2) See more information related to the restructuring obligations balance within Note 3, Restructuring and Other Similar Charges.

(3) Includes projected liabilities related to losses arising from automobile, general, environmental, worker's compensation, and product liability claims.

13. Long-Term Debt

Long-term debt is summarized as follows (in millions):

	September 30, 2026	December 31, 2025
Term loan (1)	$ 477.4	$ 476.4
Finance leases	22.9	20.1
Total	500.3	496.5
Less current maturities	1.7	0.9
Long-term debt	$ 498.6	$ 495.6

(1) Includes unamortized debt issuance costs of $2.9 million and $4.0 million at September 30, 2026 and December 31, 2025, respectively.

Senior Secured Credit Facility

On October 4, 2021, ZBS Global, Inc. (“Holdings”), Zurn Holdings, Inc., Zurn LLC (together, the “Original Borrowers”), the lenders from time to time party thereto, and Credit Suisse AG, Cayman Islands Branch, as administrative agent for the lenders entered into a Fourth Amended and Restated First Lien Credit Agreement as amended by that certain Amendment No. 1 to Fourth Amended and Restated First Lien Credit Agreement dated as of July 1, 2022 ("Amendment No. 1") (as so amended and as further amended to date, including Amendment No. 3 referenced below, the “Credit Agreement”). Pursuant to Amendment No. 1, Elkay joined the Credit Agreement as a borrower (Elkay and the Original Borrowers, collectively, the "Borrowers"). The Credit Agreement is funded by a syndicate of banks and other financial institutions and provides for (i) a $550.0 million term loan facility (the “Term Loan”) and (ii) a revolving credit facility (the “Revolving Credit Facility”). On February 19, 2026, the Borrowers entered into Amendment No. 3 to the Credit Agreement ("Amendment No. 3"), appointing JPMorgan Chase Bank, N.A. as successor administrative agent and successor collateral agent in accordance with the terms of the Credit Agreement. Amendment No. 3 also increased the Revolving Credit Facility commitment from $200.0 million to $550.0 million and further extended the maturity date of the Revolving Credit Facility to February 19, 2031.

The obligations under the Credit Agreement and related documents are secured by liens on substantially all of the assets of Holdings, the Borrowers, and certain subsidiaries of the Borrowers pursuant to a Third Amended and Restated Guarantee and Collateral Agreement, dated as of October 4, 2021, among Holdings, the Original Borrowers, the subsidiaries of the Original Borrowers party thereto, and the Administrative Agent, as supplemented pursuant to that certain Supplement No. 1 dated as of July 1, 2022, executed by Elkay and its domestic subsidiaries, and certain other collateral documents.

The Credit Agreement contains representations, warranties, covenants and events of default, including, without limitation, a financial covenant under which the Borrowers are obligated to maintain on a consolidated basis, as of the end of each fiscal quarter, a maximum Total Net Leverage Ratio (as defined in the Credit Agreement) of not greater than 4.00 to 1.00 (increasing to 4.50 to 1.00 at the Borrowers' election in conjunction with a Material Acquisition (as defined in the Credit Agreement)). As of September 30, 2026, the Borrowers were in compliance with all applicable covenants under the Credit Agreement.

Term Debt

The Credit Agreement provides for the issuance of a term loan facility in an aggregate principal amount of $550.0 million. The proceeds of the Term Loan were, together with the dividend received by the Company in connection with the Spin-Off Transaction and cash on hand, used to (i) repay in full a $625.0 million term loan, together with accrued interest thereon, (ii) redeem the $500.0 million of outstanding principal amount of the 4.875% Senior Notes due 2025, and (iii) pay related fees and expenses.

In October 2023, the Company made a voluntary prepayment on its Term Loan of $60.0 million. In connection with this prepayment, the Company recognized a $0.9 million loss on debt extinguishment to write off a portion of the unamortized debt issuance costs. The Term Loan has a maturity date of October 4, 2028. In connection with the voluntary prepayment of $60.0 million, quarterly principal payments are no longer required.

The Term Loan bears interest at the Borrowers' option, by reference to a base rate or a rate based on Term SOFR, plus a Term SOFR adjustment of 0.114%, 0.262%, or 0.428% for interest periods of one month, three months, and six months, respectively, plus an applicable margin based on the Borrowers' Net First Lien Leverage Ratio (as defined in the Credit Agreement) as of the last day of each fiscal quarter. If the Net First Lien Leverage Ratio is greater than 1.80 to 1.00, the applicable margin shall equal 1.25% in the case of base rate borrowings and 2.25% in the case of SOFR borrowings. In the event the Borrowers' Net First Lien Leverage Ratio is less than or equal to 1.80 to 1.00, the applicable margin on both base rate and SOFR borrowings would decrease by 0.25%. The Borrowers' Net First Lien Leverage Ratio was 0.47 to 1.00 as of September 30, 2026, and therefore the applicable margin is 2.00%.

At September 30, 2026 and for the nine months then ended, the borrowings under the Term Loan had weighted-average effective interest rates of 6.03% and 5.79%, respectively.

Revolving Credit Facility

The Credit Agreement includes a $550.0 million revolving credit facility that has a maturity date of February 19, 2031. The Revolving Credit Facility bears interest by reference to a base rate or a rate based on Term SOFR for interest periods of one month, three months, and six months, plus an applicable margin based on the Borrowers' Net First Lien Leverage Ratio as of the last day of each fiscal quarter. The applicable margin ranges from 0.25% in the case of base rate borrowings and 1.25% in the case of SOFR borrowings, when the Net First Lien Leverage Ratio is less than or equal to 1.50 to 1.00, to 0.75% in the case of base rate borrowings and 1.75% in the case of SOFR borrowings, when the Net First Lien Leverage Ratio is greater than 3.75 to 1.00. The Borrowers' Net First Lien Leverage Ratio was 0.47 to 1.00 as of September 30, 2026. The Borrowers are also required to pay a quarterly commitment fee on the average daily unused portion of the Revolving Credit Facility for each fiscal quarter and fees in connection with the issuance of letters of credit. The commitment fee ranges from 0.175% when the Net First Lien Leverage Ratio is less than or equal to 1.50 to 1.00, to 0.300% when the Net First Lien Leverage Ratio is greater than 3.75 to 1.00.

In February 2026, in connection with Amendment No. 3, the Company capitalized $3.0 million of debt issuance costs as deferred financing costs on long-term borrowings, and wrote off $0.4 million of unamortized deferred financing costs related to lenders who exited the Revolving Credit Facility, which is included in other income, net in the condensed consolidated statements of operations.

At September 30, 2026 and December 31, 2025, there were no amounts borrowed under the Revolving Credit Facility. As of September 30, 2026 and December 31, 2025, $9.2 million and $10.1 million, respectively, of the Revolving Credit Facility was considered utilized in connection with outstanding letters of credit.

Finance Leases

At September 30, 2026 and December 31, 2025, the Company had finance lease obligations of $22.9 million and $20.1 million, respectively.

14. Fair Value Measurements

ASC 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants. ASC 820 also specifies a fair value hierarchy based upon the observability of inputs used in valuation techniques. Observable inputs (highest level) reflect market data obtained from independent sources, while unobservable inputs (lowest level) reflect internally developed assumptions about the assumptions a market participant would use.

In accordance with ASC 820, fair value measurements are classified under the following hierarchy:

- Level 1 - Quoted prices for identical instruments in active markets.
- Level 2 - Quoted prices for similar instruments; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs or significant value-drivers are observable.
- Level 3 - Model-derived valuations in which one or more inputs or value-drivers are both significant to the fair value measurement and unobservable.

If applicable, the Company uses quoted market prices in active markets to determine fair value, and therefore classifies such measurements within Level 1. In some cases where market prices are not available, the Company makes use of observable market-based inputs to calculate fair value, in which case the measurements are classified within Level 2. If quoted or observable market prices are not available, fair value is based upon internally developed models that use, where possible, current market-based parameters. These measurements are classified within Level 3 if they use significant unobservable inputs.

Fair Value of Financial Instruments

The Company has a nonqualified deferred compensation plan where assets are invested in mutual funds and corporate-owned life insurance contracts held in a Rabbi Trust, which is restricted for payments to participants of the plan. The Company has elected to use the fair value option for the mutual funds, which are measured using quoted prices of identical instruments in active markets categorized as Level 1. Corporate-owned life insurance contracts are recorded at cash surrender value, which is provided by a third party and reflects the net asset value of the underlying publicly traded mutual funds categorized as Level 2. The deferred compensation plan assets are classified within Other assets on the condensed consolidated balance sheets. Deferred compensation plan liabilities are measured at fair value based on quoted prices of identical instruments to the investment vehicles selected by the participants categorized as Level 1. Deferred compensation short-term and long-term plan liabilities are classified within Compensation and benefits and Other liabilities, respectively, on the condensed consolidated balance sheets.

The following table provides a summary of the Company's assets and liabilities that were recognized at fair value on a recurring basis as of September 30, 2026 and December 31, 2025 (in millions):

	Fair Value as of September 30, 2026			
	Level 1	Level 2	Level 3	Total
Deferred compensation plan assets	$ 3.9	$ 17.2	$ —	$ 21.1
Deferred compensation plan liabilities	26.3	—	—	26.3

	Fair Value as of December 31, 2025			
	Level 1	Level 2	Level 3	Total
Deferred compensation plan assets	$ 2.3	$ 16.4	$ —	$ 18.7
Deferred compensation plan liabilities	22.9	—	—	22.9

There were no transfers of assets between levels at September 30, 2026 and December 31, 2025, respectively.

Fair Value of Non-Derivative Financial Instruments

The carrying amounts of cash, receivables, payables and accrued liabilities approximated fair value at September 30, 2026 and December 31, 2025, due to the short-term nature of those instruments. The fair value of long-term debt as of September 30, 2026 and December 31, 2025, was approximately $507.5 million and $502.9 million, respectively. The fair value is based on quoted market prices for the same instruments.

15. Commitments and Contingencies

Warranties:

The Company offers warranties on the sales of certain of its products and records an accrual for estimated future claims. Such accruals are based upon historical experience and management's estimate of the level of future claims. The following table presents changes in the Company's product warranty liability (in millions):

	Nine Months Ended	
	September 30, 2026	**September 30, 2025**
Balance at beginning of period	$ 6.6	$ 4.9
Acquired obligations	13.4	—
Charged to operations	5.0	3.3
Claims settled	(2.0)	(1.9)
Total	$ 23.0	$ 6.3
Less current reserve	$ 7.2	$ 6.3
Long-term reserve	$ 15.8	$ —

Contingencies:

The Company's subsidiaries are involved in various unresolved legal actions, administrative proceedings and claims in the ordinary course of business involving, among other things, product liability, commercial, employment, workers' compensation, intellectual property claims and environmental matters. The Company establishes accruals in a manner that is consistent with accounting principles generally accepted in the United States for costs associated with such matters when a liability is probable and those costs are capable of being reasonably estimated. Although it is not possible to predict with certainty the outcome of these unresolved legal actions or the range of possible loss or recovery, based upon current information, management believes the eventual outcome of these unresolved legal actions, either individually or in the aggregate, will not have a material adverse effect on the financial position, results of operations or cash flows of the Company.

Divestiture of Zurn Industries, LLC

On December 15, 2023, Zurn Holdings, Inc. sold all of the equity interests of its direct subsidiary Zurn Industries, LLC, together with Zurn Industries' direct and indirect subsidiaries that held certain liabilities, certain assets and cash, in a stock sale transaction to an unaffiliated buyer. During the nine months ended September 30, 2026, the Company received and recorded a purchase price adjustment of $4.4 million related to the settlement of an insurance coverage dispute in other income, net in the condensed consolidated statements of operations.

Tariffs

As previously disclosed, the Company was the importer of record and paid reciprocal tariffs on certain imported raw materials and products under the International Emergency Economic Powers Act ("IEEPA"). On February 20, 2026, the U.S. Supreme Court ruled that such IEEPA reciprocal tariffs were not authorized under the statute. Subsequently, a process was established for importers to seek refunds of previously paid IEEPA reciprocal tariffs.

During the three and nine months ended September 30, 2026, in accordance with ASC 450, the Company applied the gain contingency model and recognized approximately $1.5 million and $49.1 million, respectively, of refunds for previously paid IEEPA reciprocal tariffs as a reduction to cost of sales in the condensed consolidated statements of operations.

As of September 30, 2026, the Company is continuing to evaluate its eligibility for additional tariff refunds associated with prior import activity. These potential recoveries are subject to ongoing administrative processes, legal considerations, and claim validation procedures, and the ultimate amount and timing of any additional refunds remain uncertain.

16. Retirement Benefits

On January 30, 2025, the Company's Board of Directors approved a resolution to terminate the Company's U.S. defined benefit pension plan (the "Pension Plan") with the full freeze of benefit accruals under the Pension Plan effective March 31, 2025 and the termination of the Pension Plan effective April 1, 2025. The Pension Plan freeze resulted in a curtailment gain of $0.7 million in the first quarter of 2025. During the year ended December 31, 2025, the Company entered into an agreement to purchase annuities from a third-party annuity provider and contributed $4.3 million to fund the liquidation of the Pension Plan. As a result, Pension Plan liabilities were settled and the Pension Plan was exited during the third quarter of 2025, resulting in a pre-tax settlement gain of $10.0 million from accumulated other comprehensive loss to other income (expense), net in the condensed consolidated statements of operations.

The components of net periodic benefit cost are as follows (in millions):

	Three Months Ended		Nine Months Ended	
	September 30, 2026	September 30, 2025	September 30, 2026	September 30, 2025
Pension Benefits:				
Service cost	$ —	$ 0.1	$ 0.1	$ 0.1
Interest cost	0.1	2.8	0.3	8.5
Expected return on plan assets	—	(2.3)	(0.1)	(6.9)
Amortization of:				
Prior service cost	—	0.3	—	0.3
Settlement	—	(10.0)	—	(10.0)
Curtailment	—	—	—	(0.7)
Net periodic benefit cost	$ 0.1	$ (9.1)	$ 0.3	$ (8.7)
Other Postretirement Benefits:				
Interest cost	$ 0.1	$ 0.1	$ 0.3	$ 0.3
Net periodic benefit cost	$ 0.1	$ 0.1	$ 0.3	$ 0.3

The service cost component of net periodic benefit cost is presented within cost of sales and selling, general and administrative expenses in the condensed consolidated statements of operations, while the other components of net periodic benefit cost are presented within other income, net. The Company recognizes the net actuarial gains or losses in excess of the corridor in operating results during the final quarter of each fiscal year (or upon any required re-measurement event).

See Note 14, Retirement Benefits, to the audited consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2025 for further information regarding retirement benefits.

17. Stock-Based Compensation

The Zurn Elkay Water Solutions Corporation Performance Incentive Plan (the "Plan") is utilized to provide performance incentives to the Company's officers, employees, directors and certain others by permitting grants of equity awards (for common stock), as well as performance-based cash awards, to such persons to encourage them to maximize the Company's performance and create value for the Company's stockholders. For the three months ended September 30, 2026 and September 30, 2025, the Company recognized $10.6 million and $9.6 million of stock-based compensation expense, respectively. For the nine months ended September 30, 2026 and September 30, 2025, the Company recognized $31.5 million and $29.1 million of stock-based compensation expense, respectively.

During the nine months ended September 30, 2026, the Company granted the following stock options, restricted stock units, performance stock units, and common stock to directors, executive officers, and certain other employees:

Award Type	Number of Awards	Weighted Average Grant-Date Fair Value
Stock options	53,514	$ 19.02
Restricted stock units	181,091	$ 50.22
Performance stock units	336,641	$ 51.11
Common stock	146,025	$ 46.68

Employee Stock Purchase Plan

In May 2024, the Company's stockholders approved the adoption of the Zurn Elkay Water Solutions Corporation Employee Stock Purchase Plan (the "ESPP"). The number of shares of Company common stock available for purchase under the ESPP is 2,000,000 shares, subject to adjustment in the event of a change in capitalization.

During the three and nine months ended September 30, 2026, the Company issued 18,687 and 56,315 shares of common stock, respectively. During the three and nine months ended September 30, 2025, the Company issued 16,176 and 61,874 shares of common stock, respectively. As of September 30, 2026, 1,828,306 shares remained available for future issuance. During the three and nine months ended September 30, 2026, the Company recognized $0.2 million and $0.5 million of stock-based compensation expense related to the ESPP, respectively. During the three and nine months ended September 30, 2025, the Company recognized $0.1 million and $0.4 million of stock-based compensation expense related to the ESPP, respectively.

See Note 13, Stock-Based Compensation, to the audited consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2025, for further information regarding stock-based compensation.

18. Business Segment Information

The Company is a pure-play water management business that designs, procures, manufactures and markets what the Company believes to be the broadest sustainable product portfolio of specification-driven water management solutions to improve health, hydration, human safety and the environment. The Company's product portfolio includes professional grade water safety and control products, flow systems products, hygienic and environmental products and filtered drinking water products. Revenue is primarily generated in the United States and the Company manages and evaluates its operations on a consolidated basis as one reportable operating segment due to similarities of its products, processes, customer base and methods of distribution. See Note 2, Significant Accounting Policies, to the audited consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2025, for further information regarding the Company's accounting policies.

The Company's Chief Operating Decision Maker ("CODM") is the Chief Executive Officer. The CODM assesses the Company's performance and makes capital allocation decisions based on net income from continuing operations as reported in the consolidated statement of operations. This metric is used to monitor forecasted to actual and budgeted results and benchmarking to our peers. The following table includes segment revenue, significant expense items and segment profit as viewed by the CODM for the three and nine months ended September 30, 2026 and September 30, 2025 (in millions):

	Three Months Ended		Nine Months Ended	
	September 30, 2026	September 30, 2025	September 30, 2026	September 30, 2025
Net sales	$ 495.1	$ 455.4	$ 1,419.1	$ 1,288.7
Less:				
Cost of sales (1)	249.3	254.7	679.2	704.7
Selling, general and administrative expenses	121.0	106.7	348.7	316.1
Other segment items (2)	48.7	34.4	143.7	117.2
Segment profit (Net income from continuing operations)	$ 76.1	$ 59.6	$ 247.5	$ 150.7

(1) For the three and nine months ended September 30, 2026, cost of sales includes the receipt of a $1.5 million and $49.1 million, IEEPA reciprocal tariff refund, respectively. See Note 15, Commitments and Contingencies for further information.

(2) Other segment items include restructuring and other similar charges, amortization of intangible assets, interest expense, net, other income, net, and provision for income taxes.

Segment net sales, amortization of intangible assets, interest expense, net, and provision for income taxes are included on the condensed consolidated statement of operations. Segment assets are included on the condensed consolidated balance sheet and segment depreciation, stock-based compensation expense, non-cash restructuring charges, and expenditures for property, plant and equipment are included on the condensed consolidated statement of cash flows. Interest income for the three months ended September 30, 2026 and September 30, 2025 was $2.3 million and $2.2 million, respectively. Interest income for the nine months ended September 30, 2026 and September 30, 2025 was $6.5 million and $5.3 million, respectively.

19. Subsequent Events

On October 22, 2026, the Company's Board of Directors declared a quarterly cash dividend on the Company's common stock of $0.13 per-share to be paid on December 7, 2026, to stockholders of record as of November 20, 2026.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

General

Zurn Elkay Water Solutions Corporation is a growth-oriented, pure-play water management business that designs, procures, manufactures, and markets what we believe to be the broadest sustainable product portfolio of specification-driven water management solutions to improve health, hydration, human safety and the environment. Our product portfolio includes professional grade water safety and control products, flow systems products, hygienic and environmental products, and filtered drinking water products for public and private spaces that deliver superior value to building owners, positively impact the environment and human hygiene and reduce product installation time. Zurn Elkay's heritage of innovation and specification has allowed us to provide highly-engineered, mission-critical solutions to customers for decades and affords us the privilege of having long-term, valued relationships with market leaders. We operate in a disciplined way and the Zurn Elkay Business System (“ZEBS”) is our operating philosophy. Grounded in the spirit of continuous improvement, ZEBS creates a scalable, process-based framework that focuses on driving superior customer satisfaction and financial results by targeting world-class operating performance throughout all aspects of our business.

The following information should be read in conjunction with the audited consolidated financial statements and notes thereto, along with Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations (“MD&A”), in our Annual Report on Form 10-K for the year ended December 31, 2025.

Recent Developments

Tariffs

As disclosed in Part I, Item 1A, "Risk Factors", of our Annual Report on Form 10-K for the year ended December 31, 2025, the Company’s business is subject to risks related to, among other factors, tariffs and other trade protection measures put in place by the United States or other countries. Starting in the first quarter of 2025, the United States government announced additional tariffs on goods imported from various countries into the U.S., and in response, certain of those countries countered with reciprocal tariffs and other actions. While the Company is well positioned to respond to the tariff environment, costs are impacted by trade policies. On February 20, 2026, the U.S. Supreme Court ruled that reciprocal tariffs imposed under the International Emergency Economic Powers Act ("IEEPA") were not authorized by the statute. The Company is the importer of record for certain raw materials and products that were previously subject to such reciprocal tariffs under IEEPA.

During the three and nine months ended September 30, 2026, the Company received refunds of approximately $1.5 million and $49.1 million, respectively, related to previously paid IEEPA reciprocal tariffs on certain raw materials and products. The Company continues to evaluate additional recovery opportunities associated with reciprocal tariffs previously paid under IEEPA. While amounts have been received, uncertainty remains regarding the process, timing, and total amount of any additional recoveries, including the resolution of administrative procedures and any further legal developments. Accordingly, the Company has not recorded any additional potential benefit from refunds beyond amounts received at this time.

Critical Accounting Estimates

The condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP"), which require us to make estimates and assumptions that affect the reported amounts of assets and liabilities on the date of the financial statements and revenues and expenses during the periods reported. Actual results could differ from those estimates. Refer to Item 7, MD&A, of our Annual Report on Form 10-K for the year ended December 31, 2025 for information with respect to our critical accounting estimates which we believe could have the most significant effect on our reported results and require subjective or complex judgments by management. Except for the items reported below, management believes that as of September 30, 2026, and during the period from January 1, 2026 through September 30, 2026, there has been no material change to this information.

Recent Accounting Pronouncements

See Item 1, Note 1, Basis of Presentation and Significant Accounting Policies regarding recent accounting pronouncements.

Acquisition

On July 21, 2026, the Company acquired (via merger) 100% of the stock of Intellihot, Inc. ("Intellihot") for total consideration transferred of $107.3 million, excluding transaction costs and net of $2.1 million of cash acquired. Intellihot, based in Vernon Hills, Illinois, is a leader in tankless water heater solutions serving the healthcare, education, hospitality and commercial end markets. Our results of operations include the acquired operations subsequent to July 20, 2026.

See Item 1, Note 2, Acquisition for additional information.

U.S. Pension Plan Termination & Settlement

On January 30, 2025, the Company's Board of Directors approved a resolution to terminate the Company's U.S. defined benefit pension plan (the "Pension Plan") with the full freeze of benefit accruals under the Pension Plan effective March 31, 2025 and the termination of the Pension Plan effective April 1, 2025. The Pension Plan freeze resulted in a curtailment gain of $0.7 million in the first quarter of 2025. During the year ended December 31, 2025, the Company entered into an agreement to purchase annuities from a third-party annuity provider and contributed $4.3 million to fund the liquidation of the Pension Plan. As a result, Pension Plan liabilities were settled and the Pension Plan was exited during the third quarter of 2025, resulting in a pre-tax settlement gain of $10.0 million from accumulated other comprehensive loss to other income (expense), net in the condensed consolidated statements of operations.

See Item 1, Note 16, Retirement Benefits for additional information.

Discontinued Operations

During the year ended December 31, 2021, the Company completed a Reverse Morris Trust tax-free spin-off transaction (the “Spin-Off Transaction”) of the Company's Process & Motion Control ("PMC") business. The operating results of PMC are reported as discontinued operations in the condensed consolidated statements of operations for all periods presented, as the Spin-Off Transaction of PMC represented a strategic shift that had a major impact on operations and financial results. The condensed consolidated statements of cash flows for the nine months ended September 30, 2026 and September 30, 2025 have not been adjusted to separately disclose cash flows related to the discontinued operations.

The major components of the income from discontinued operations, net of tax presented in the condensed consolidated statements of operations for the three and nine months ended September 30, 2026 and September 30, 2025, are as follows (in millions):

	Three Months Ended		Nine Months Ended	
	September 30, 2026	**September 30, 2025**	**September 30, 2026**	**September 30, 2025**
Selling, general and administrative income (1)	$ —	$ (2.1)	$ (0.3)	$ (4.7)
Income from discontinued operations before income tax	—	2.1	0.3	4.7
Income tax benefit	0.2	0.1	0.7	0.5
Income from discontinued operations, net of tax	$ 0.2	$ 2.2	$ 1.0	$ 5.2

(1) Selling, general and administrative income includes the release of certain accruals as a result of costs the Company will no longer incur related to the Spin-Off Transaction.

See Item 1, Note 4, Discontinued Operations for additional information.

Restructuring and Other Similar Charges

During the three and nine months ended September 30, 2026, the Company continued to execute various restructuring actions. These initiatives were implemented to drive efficiencies and reduce operating costs while also modifying the Company's footprint to reflect changes in the markets it serves, the impact of mergers and acquisitions on the Company's overall manufacturing capacity and the refinement of its overall product portfolio. These restructuring actions primarily resulted in workforce reductions, lease termination costs and other facility rationalization costs. Management expects to continue executing similar initiatives to optimize the Company's operating margin and manufacturing footprint. As such, the Company expects further expenses related to workforce reductions, potential impairment or accelerated depreciation of assets, lease termination costs and other facility rationalization costs. For the three and nine months ended September 30, 2026, restructuring charges totaled $1.4 million and $4.1 million, respectively. For the three and nine months ended September 30, 2025, restructuring charges totaled $1.8 million and $5.4 million, respectively. Refer to Item 1, Note 3, Restructuring and Other Similar Charges for further information.

Results of Operations

Three Months Ended September 30, 2026 compared with the Three Months Ended September 30, 2025:

Net sales

(Dollars in Millions)

	Three Months Ended			
	September 30, 2026	September 30, 2025	Change	% Change
Net sales	$ 495.1	$ 455.4	$ 39.7	8.7 %

Net sales were $495.1 million and $455.4 million during the three months ended September 30, 2026 and September 30, 2025, respectively, an increase of 9% year over year. Core sales improved 7% year over year, including growth in nearly all product categories, as well as an additional 2% increase resulting from our acquisition of Intellihot.

Income from operations

(Dollars in Millions)

	Three Months Ended			
	September 30, 2026	September 30, 2025	Change	% Change
Income from operations	$ 108.2	$ 77.5	$ 30.7	39.6 %
% of net sales	*21.9 %*	*17.0 %*	*4.9 %*	

During the three months ended September 30, 2026, income from operations was $108.2 million compared to $77.5 million during the three months ended September 30, 2025. Income from operations as a percentage of net sales increased by 490 basis points year over year as a result of product mix, Zurn Elkay Business System led productivity initiatives and supply chain repositioning.

Interest expense, net

Interest expense, net was $6.3 million for the three months ended September 30, 2026, compared to $7.1 million for the three months ended September 30, 2025. The decrease in interest expense, net as compared to the prior year period is primarily the result of lower interest rates.

Other income, net

Other income, net for the three months ended September 30, 2026 and September 30, 2025, was $0.7 million and $8.7 million, respectively. Other income, net consists primarily of foreign currency transaction gains and losses, the non-service cost components associated with our defined benefit and postretirement plans and other non-operational gains and losses. The year-over-year change is primarily driven by the settlement and exit of our U.S. defined benefit pension plan in the prior year.

Provision for income taxes

The income tax provision was $26.5 million for the three months ended September 30, 2026, compared to $19.5 million for the three months ended September 30, 2025. The effective income tax rate for the three months ended September 30, 2026 was 25.8% versus 24.7% for the three months ended September 30, 2025. The effective income tax rate for the three months ended September 30, 2026 and September 30, 2025 was above the U.S. federal statutory rate of 21% primarily due to the accrual of additional income taxes associated with compensation deduction limitations under Section 162(m) of the Internal Revenue Code, the accrual of various state income taxes and the accrual of foreign income taxes, which are generally above the U.S. federal statutory rate, partially offset by the recognition of certain previously unrecognized tax benefits due to the lapse of the applicable statutes of limitations and by the recognition of income tax benefits associated with share-based payments.

On a quarterly basis, we review and analyze our valuation allowances associated with deferred tax assets relating to certain foreign and state net operating loss carryforwards as well as U.S. federal and state capital loss carryforwards. In conjunction with this analysis, we weigh both positive and negative evidence for purposes of determining the proper balances of such valuation allowances. Future changes to the balances of these valuation allowances, as a result of our continued review and analysis, could impact the financial statements for such period of change.

Net income

Net income for the three months ended September 30, 2026, was $76.3 million compared to net income of $61.8 million for the three months ended September 30, 2025. Diluted net income per share for the three months ended September 30, 2026 and September 30, 2025, was $0.45 and $0.36, respectively. The year-over-year change is the result of the factors described above. Net income from discontinued operations, net of tax, was $0.2 million for the three months ended September 30, 2026 compared to net income from discontinued operations, net of tax, of $2.2 million for the three months ended September 30, 2025. Diluted net income per share from discontinued operations for the three months ended September 30, 2026 and September 30, 2025, was $0.00 and $0.01, respectively.

Nine Months Ended September 30, 2026 compared with the Nine Months Ended September 30, 2025:

Net sales

(Dollars in Millions)

	Nine Months Ended			
	September 30, 2026	**September 30, 2025**	**Change**	**% Change**
Net sales	$ 1,419.1	$ 1,288.7	$ 130.4	10.1 %

Net sales were $1,419.1 million and $1,288.7 million during the nine months ended September 30, 2026 and September 30, 2025, respectively, an increase of 10% year-over-year. Core sales improved 9% year over year, including growth in nearly all product categories, as well as an additional 1% increase associated with the acquisition of Intellihot.

Income from operations

(Dollars in Millions)

	Nine Months Ended			
	September 30, 2026	**September 30, 2025**	**Change**	**% Change**
Income from operations	342.6	218.5	124.1	56.8 %
% of net sales	*24.1 %*	*17.0 %*	*7.1 %*	

Income from operations during the nine months ended September 30, 2026 was $342.6 million compared to $218.5 million during the nine months ended September 30, 2025. During the nine months ended September 30, 2026, the Company received $49.1 million of IEEPA reciprocal tariff refunds. Excluding the tariff refunds, income from operations increased by $75.0 million, an increase of 370 basis points year over year as a result of product mix, Zurn Elkay Business System led productivity initiatives and supply chain repositioning.

Interest expense, net

Interest expense, net was $18.6 million during the nine months ended September 30, 2026, compared to $22.1 million during the nine months ended September 30, 2025. The decrease in interest expense, net as compared to the prior year period is a result of lower interest rates and interest earned on higher cash balances.

Other income, net

Other income, net during the nine months ended September 30, 2026 was $5.6 million compared to $6.7 million during the nine months ended September 30, 2025. Other income, net consists primarily of foreign currency transaction gains and losses, the non-service cost components associated with our defined benefit plans and other non-operational gains and losses. The year-over-year change is primarily driven by the settlement and exit of our U.S. defined benefit pension plan in the prior year and a $4.4 million purchase price adjustment related to a 2023 divestiture of certain legal entities in the current year.

Provision for income taxes

The income tax provision was $82.1 million for the nine months ended September 30, 2026, compared to $52.4 million for the nine months ended September 30, 2025. The effective income tax rate for the nine months ended September 30, 2026 was 24.9% versus 25.8% for the nine months ended September 30, 2025. The effective income tax rate for the nine months ended September 30, 2026 and September 30, 2025 was above the U.S. federal statutory rate of 21% primarily due to the accrual of additional income taxes associated with compensation deduction limitations under Section 162(m) of the Internal Revenue Code, the accrual of various state income taxes and the accrual of foreign income taxes, which are generally above the U.S. federal statutory rate, partially offset by the recognition of certain previously unrecognized tax benefits due to the lapse of the applicable statutes of limitations and the recognition of income tax benefits associated with share-based payments.

Net income

Net income for the nine months ended September 30, 2026, was $248.5 million compared to $155.9 million for the nine months ended September 30, 2025. Diluted net income per share for the nine months ended September 30, 2026 and September 30, 2025, was $1.47 and $0.91, respectively. The year-over-year change is the result of the factors described above. Net income from discontinued operations, net of tax, was $1.0 million for the nine months ended September 30, 2026 compared to $5.2 million for the nine months ended September 30, 2025. Diluted net income per share from discontinued operations for the nine months ended September 30, 2026 and September 30, 2025, was $0.00 and $0.03, respectively.

Non-GAAP Financial Measures

Non-GAAP financial measures are intended to supplement and not replace financial measures prepared in accordance with GAAP. The following non-GAAP financial measures are utilized by management in comparing our operating performance on a consistent basis. We believe that these financial measures are appropriate to enhance an overall understanding of our underlying operating performance trends compared to historical and prospective periods and our peers. Management also believes that these measures are useful to investors in their analysis of our results of operations and provide improved comparability between fiscal periods as well as insight into the compliance with our debt covenants. Non-GAAP financial measures should not be considered in isolation from, or as a substitute for, financial information calculated in accordance with GAAP. Investors are encouraged to review the reconciliation of these non-GAAP measures to their most directly comparable GAAP financial measures.

Core sales

Core sales excludes the impact of mergers and acquisitions, divestitures and foreign currency translation. Management believes that core sales facilitates easier and more meaningful comparisons of our net sales performance with prior and future periods and to our peers. We exclude the effect of mergers and acquisitions and divestitures because the nature, size and number can vary dramatically from period to period and between us and our peers, and can also obscure underlying business trends and make comparisons of long-term performance difficult. We exclude the effect of foreign currency translation from this measure because the volatility of currency translation is not under management's control.

EBITDA

EBITDA represents earnings before interest and other debt related activities, taxes, depreciation and amortization. EBITDA is presented because it is an important supplemental measure of performance and it is frequently used by analysts, investors and other interested parties in the evaluation of companies in our industry. EBITDA is also presented and compared by analysts and investors in evaluating our ability to meet debt service obligations. Other companies in our industry may calculate EBITDA differently. EBITDA is not a measurement of financial performance under GAAP and should not be considered as an alternative to cash flow from operating activities or as a measure of liquidity or an alternative to net income as indicators of operating performance or any other measures of performance derived in accordance with GAAP. Because EBITDA is calculated before recurring cash charges, including interest expense and taxes, and is not adjusted for capital expenditures or other recurring cash requirements of the business, it should not be considered as a measure of discretionary cash available to invest in the growth of the business.

Adjusted EBITDA

Adjusted EBITDA is an important measure because, under our credit agreement, our ability to incur certain types of acquisition debt and certain types of subordinated debt, make certain types of acquisitions or asset exchanges, operate our business and make dividends or other distributions, all of which will impact our financial performance, is impacted by our Adjusted EBITDA, as our lenders measure our performance with a Total Net Leverage Ratio by comparing our senior secured bank indebtedness to our Adjusted EBITDA (see "Covenant Compliance" for additional discussion of this ratio, including a reconciliation to our net income). "Adjusted EBITDA" is the term we use to describe EBITDA as defined and adjusted in our credit agreement, which is net income, adjusted for the items summarized in the table in the "Covenant Compliance" section. Adjusted EBITDA is intended to show our unleveraged, pre-tax operating results and therefore reflects our financial performance based on operational factors, excluding non-operational, non-cash or non-recurring losses or gains. It is also provided to aid investors in understanding our compliance with our debt covenants. Adjusted EBITDA is not a presentation made in accordance with GAAP, and our use of the term Adjusted EBITDA varies from others in our industry. This measure should not be considered as an alternative to net income, income from operations or any other performance measures derived in accordance with GAAP. Adjusted EBITDA has important limitations as an analytical tool, and should not be considered in isolation, or as a substitute for analysis of our results as reported under GAAP. For example, Adjusted EBITDA does not reflect: (a) our capital expenditures, future requirements for capital expenditures or contractual commitments; (b) changes in, or cash requirements for, our working capital needs; (c) the significant interest expenses, or the cash requirements necessary to service interest or principal payments, on our debt; (d) tax payments that represent a reduction in cash available to us; (e) any cash requirements for the assets being depreciated and amortized that may have to be replaced in the future; or (f) the impact of earnings or charges resulting from matters that we and the lenders under our credit agreement may not consider indicative of our ongoing operations. In particular, our definition of Adjusted EBITDA allows us to add back certain non-cash, non-operating or non-recurring charges that are deducted in calculating net income, even though these are expenses that may recur, vary greatly and are difficult to predict and can represent the effect of long-term strategies as opposed to short-term results.

In addition, certain of these expenses added back in calculating Adjusted EBITDA can represent the reduction of cash that could be used for other corporate purposes. Further, although not included in the calculation of Adjusted EBITDA in the "Covenant Compliance" section below, the measure may at times allow us to add estimated cost savings and operating synergies related to operational changes ranging from mergers, acquisitions or dispositions to restructuring, and/or exclude one-time transition expenditures that we anticipate incurring to realize cost savings before such savings have occurred.

The calculation of Adjusted EBITDA under our credit agreement as of September 30, 2026, is presented in the table in the "Covenant Compliance" section below. However, the results of such calculation could differ in the future based on the different types of adjustments that may be included in such respective calculations at the time. For the nine months ended September 30, 2026, we reported net income of $248.5 million and Adjusted EBITDA for the same period of $392.1 million. See "Covenant Compliance" for a reconciliation of Adjusted EBITDA to GAAP net income.

Covenant Compliance

Our credit agreement, which governs our senior secured credit facilities, contains, among other provisions, restrictive covenants regarding indebtedness, payments and distributions, mergers and acquisitions, asset sales, affiliate transactions, capital expenditures and the maintenance of certain financial ratios. Payment of borrowings under the credit agreement may be accelerated if there is an event of default. Events of default include the failure to pay principal and interest when due, a material breach of a representation or warranty, certain non-payments or defaults under other indebtedness, covenant defaults, events of bankruptcy and a change of control. Certain covenants contained in the credit agreement restrict our ability to take certain actions, such as incurring additional debt or making acquisitions, if we are unable to meet a maximum Total Net Leverage Ratio (consolidated indebtedness to Adjusted EBITDA) of 4.00 to 1.00 as of the end of each fiscal quarter. As of September 30, 2026, our Total Net Leverage Ratio was 0.47 to 1.00. Failure to comply with these covenants could limit our long-term growth prospects by hindering our ability to borrow under the revolver, to obtain future debt and/or to make acquisitions.

Set forth below is a reconciliation of net income to Adjusted EBITDA for the periods indicated below.

(in millions)	Nine months ended September 30, 2025	Twelve months ended December 31, 2025	Nine months ended September 30, 2026	Twelve months ended September 30, 2026
Net income	$ 155.9	$ 198.0	$ 248.5	$ 290.6
Income from discontinued operations, net of tax (1)	(5.2)	(5.6)	(1.0)	(1.4)
Provision for income taxes	52.4	63.9	82.1	93.6
Actuarial gain on pension and other postretirement benefit obligations	—	(0.5)	—	(0.5)
Other income, net (2)	(6.7)	(5.5)	(5.6)	(4.4)
Interest expense, net	22.1	28.6	18.6	25.1
Depreciation and amortization	66.6	88.7	63.8	85.9
EBITDA	285.1	367.6	406.4	488.9
Adjustments to EBITDA				
Restructuring and other similar charges (3)	5.4	9.6	4.1	8.3
Stock-based compensation expense	29.1	40.6	31.5	43.0
Last-In, First-Out ("LIFO") adjustments (4)	18.2	20.4	(2.2)	—
Tariff refunds (5)	—	—	(49.1)	(49.1)
Acquisition-related fair value adjustment	—	—	0.7	0.7
Other, net (6)	0.3	4.0	0.7	4.4
Subtotal of adjustments to EBITDA	53.0	74.6	(14.3)	7.3
Adjusted EBITDA	**$ 338.1**	**$ 442.2**	**$ 392.1**	**$ 496.2**
Consolidated indebtedness (7)				$ 230.8
Total Net Leverage Ratio (8)				**0.47**

(1) Income from discontinued operations, net of tax is not included in Adjusted EBITDA in accordance with the terms of our credit agreement.

(2) Other income, net consists primarily of gains and losses from foreign currency transactions, the non-service cost components associated with our defined benefit and postretirement plans and other non-operational gains and losses as defined in our credit agreement.

(3) In accordance with the terms in our credit agreement, restructuring and other similar charges is comprised of costs associated with workforce reductions, asset impairments, lease termination costs, and other facility rationalization costs. See Item 1, Note 3, Restructuring and Other Similar Charges for more information.

(4) Last-In, First-Out ("LIFO") adjustments are excluded in calculating Adjusted EBITDA as defined in our credit agreement.

(5) Tariff refunds related to non-recurring IEEPA reciprocal tariffs are excluded in calculating Adjusted EBITDA as defined in our credit agreement.

(6) Other, net consists of gains and losses on the disposition of long-lived assets per the credit agreement.

(7) Our credit agreement defines our consolidated indebtedness as the sum of all indebtedness (other than letters of credit or bank guarantees, to the extent undrawn) consisting of indebtedness for borrowed money and capitalized lease obligations, less unrestricted cash, which was $269.5 million (as defined by the credit agreement) at September 30, 2026.

(8) Our credit agreement defines the Total Net Leverage Ratio as the ratio of consolidated indebtedness (as described above) to Adjusted EBITDA for the trailing four fiscal quarters.

Liquidity and Capital Resources

On February 19, 2026, we increased our revolving credit facility commitment from $200.0 million to $550.0 million and further extended the maturity date to February 19, 2031. Refer to Item 1, Note 13, Long-Term Debt for further information. Our primary sources of liquidity are available cash and cash equivalents, cash flow from operations, and borrowing availability of up to $550.0 million under our revolving credit facility.

As of September 30, 2026, we had $307.1 million of cash and cash equivalents and $540.8 million of additional borrowing capacity under our revolving credit facility. As of September 30, 2026, the available borrowings under our credit facility were reduced by $9.2 million due to outstanding letters of credit. As of December 31, 2025, we had $300.5 million of cash and cash equivalents and $189.9 million of additional borrowing capacity under our revolving credit facility. As of December 31, 2025, the available borrowings under our credit facility were reduced by $10.1 million due to outstanding letters of credit.

Our revolving credit facility is available to fund our working capital requirements, capital expenditures and other general corporate purposes. We believe this resource is adequate for our expected short-term and long-term needs.

Cash Flows

Net cash provided by operating activities was $320.6 million and $254.8 million during the nine months ended September 30, 2026 and September 30, 2025, respectively. The change in year-over-year operating cash flows was primarily the result of an increase in net income, inclusive of $49.1 million IEEPA reciprocal tariff refunds, partially offset by cash used for trade working capital in support of higher sales volume during the nine months ended September 30, 2026.

Cash used for investing activities was $123.4 million during the nine months ended September 30, 2026 and $20.7 million during the nine months ended September 30, 2025. Investing activities during the nine months ended September 30, 2026, consisted of $16.1 million of capital expenditures and $107.3 million used to fund the acquisition of Intellihot. Investing activities during the nine months ended September 30, 2025, consisted of $20.7 million of capital expenditures.

Cash used for financing activities was $189.3 million during the nine months ended September 30, 2026, compared to $174.1 million during the nine months ended September 30, 2025. During the nine months ended September 30, 2026, we utilized $1.0 million of cash for payments on finance leases, $134.7 million to repurchase outstanding shares of our common stock, $55.0 million for the payment of common stock dividends, $3.0 million for payment of debt issuance costs, which was partially offset by $4.4 million of proceeds from the exercise of stock options and ESPP contributions. During the nine months ended September 30, 2025, we utilized $0.6 million of cash for payments on finance leases, $134.9 million to repurchase outstanding shares of our common stock, and $45.4 million for the payment of common stock dividends, which was partially offset by $6.8 million of proceeds from the exercise of stock options and ESPP contributions, net of taxes withheld and paid on employees' share-based awards.

Indebtedness

As of September 30, 2026, we had $500.3 million of total indebtedness outstanding as follows (in millions):

	Total Debt at September 30, 2026	Current Maturities of Debt	Long-term Portion
Term loan (1)	$ 477.4	$ —	$ 477.4
Finance leases	22.9	1.7	21.2
Total	$ 500.3	$ 1.7	$ 498.6

(1) Includes unamortized original issue discount and debt issuance costs of $2.9 million at September 30, 2026.

See Item 1, Note 13, Long-Term Debt for a description of our outstanding indebtedness.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to market risk during the normal course of business from changes in foreign currency exchange rates and interest rates. The exposure to these risks is managed through a combination of normal operating and financing activities and at times derivative financial instruments in the form of foreign currency forward contracts to cover certain known foreign currency transactional risks. We also have historically entered into interest rate derivatives to manage interest rate fluctuations.

ITEM 4. CONTROLS AND PROCEDURES

We maintain a set of disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms.

We carried out an evaluation, under the supervision and with the participation of management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Rules 13a-15 and 15d-15 of the Exchange Act. Based on that evaluation as of September 30, 2026, the Chief Executive Officer and Chief Financial Officer concluded that, as of such date, the Company's disclosure controls and procedures are adequate and effective in recording, processing, summarizing and reporting, on a timely basis, information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act and that such information is accumulated and communicated to the Company's management, including the Chief Executive Officer and Chief Financial Officer, in a manner allowing timely decisions regarding required disclosure. As such, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of the period covered by this report.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of the changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

There have been no changes in our internal control over financial reporting that occurred during our last fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

See the information under the heading "Commitments and Contingencies" in Note 15 to the condensed consolidated financial statements contained in Part I, Item 1 of this report, which is incorporated in this Part II, Item 1 by reference.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

During fiscal 2015, the Company's Board of Directors approved a common stock repurchase program (the "Repurchase Program") authorizing the repurchase of the Company's common stock from time to time on the open market or in privately negotiated transactions. Since putting the Repurchase Program in place, the most recent Board of Directors approval was on October 28, 2025, when the Company's Board of Directors approved increasing the remaining share repurchase authority under the Repurchase Program to $500.0 million. The Repurchase Program does not require the Company to acquire any particular amount of common stock and does not specify the timing of purchases or the prices to be paid; however, the program will continue until the maximum amount of dollars authorized have been expended or until it is modified or terminated by the Board of Directors. During the three months ended September 30, 2026, the Company repurchased 732,793 shares of common stock at a total cost of $35.0 million at an average price of $47.74 per share. The repurchased shares were canceled by the Company upon receipt. Approximately $347.5 million of the existing authority remained under the Repurchase Program at September 30, 2026.

ISSUER PURCHASES OF EQUITY SECURITIES

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Approximate Dollar Value that may yet be Purchased Under the Plans or Programs
July 1 - July 31, 2026	259,641	$ 47.83	259,641	$ 370,070,038
August 1 - August 31, 2026	135,701	$ 50.16	135,701	$ 363,260,503
September 1 - September 30, 2026	337,451	$ 46.70	337,451	$ 347,495,441
Total/Average	732,793	$ 47.74	732,793	

ITEM 5. OTHER INFORMATION

During the three months ended September 30, 2026, no director or officer of the Company adopted or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408(a) of Regulation S-K.

ITEM 6. EXHIBITS

Exhibit No.	Description	Filed Herewith
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 and Rule 13a-14(a) under the Securities Exchange Act of 1934, as amended	X
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 and Rule 13a-14(a) under the Securities Exchange Act of 1934, as amended	X
32.1	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350	X
101.INS	Inline XBRL Instance Document (The instance document does not appear in the interactive data file because its XBRL tags are embedded within the inline XBRL document.)	X
101.SCH	Inline XBRL Taxonomy Extension Schema Document	X
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document	X
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document	X
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document	X
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document	X
104	Cover Page Inline XBRL data (contained in Exhibit 101)	X

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, Zurn Elkay Water Solutions Corporation has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ZURN ELKAY WATER SOLUTIONS CORPORATION

Date: October 27, 2026

By: /s/ DANIEL J. KLUN

Name: **Daniel J. Klun**

Title: **Chief Financial Officer**