

# Second Quarter 2023 Financial Results

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July 25, 2023

 **Zurn** *ELKAY*



# Cautionary Statement Under the Private Securities Litigation Reform Act

## Forward-Looking Statements

This presentation includes "forward-looking statements" within the meaning of the federal securities laws that involve risks and uncertainties. Forward-looking statements include statements we make concerning our plans, objectives, goals, strategies, future events, future revenues or performance, capital expenditures, financing needs and other information that is not historical information. All forward-looking statements are based upon information available to us on the date of this presentation. These forward-looking statements are subject to risks, uncertainties and other factors, many of which are outside of our control, that could cause actual results to differ materially from the results discussed or implied in the forward-looking statements, including, among other things: the risks and uncertainties associated with the integration of Elkay Manufacturing Company; our competitive environment; the broader economic and business conditions, and our exposure to customers in cyclical industries; increases in cost of our raw materials, including as a result of tariffs, trade wars and other trade protection matters; and the other factors described under "Cautionary Notice Regarding Forward-Looking Statements" and "Risk Factors" in our 2022 Annual Report on Form 10-K filed with the Securities and Exchange Commission and subsequent reports filed with the SEC on Forms 10-Q and 8-K, all of which are available on our website at [ZurnElkay.com](https://www.zurnelkay.com).

Certain of the financial measures included in this presentation, including core sales, adjusted EBITDA, and free cash flow, have not been prepared in accordance with generally accepted accounting principles, or "GAAP", and constitute "non-GAAP financial measures" as defined by the rules of the Securities and Exchange Commission. We have included these non-GAAP measures because we believe they provide an additional tool for investors to use in evaluating the financial performance and prospects of Zurn Elkay. These non-GAAP measures should not be considered in isolation from, or as an alternative to, financial measures determined in accordance with GAAP. In addition, these non-GAAP financial measures may differ from non-GAAP financial measures with comparable names used by other companies. Our earnings release filed with the SEC under Form 8-K on July 24, 2023 and other SEC filings contain additional information about these non-GAAP measures, why we use them and why we believe they are helpful to investors and also contain reconciliations to GAAP data.

Except as required by law, we do not undertake any obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise.

# Performance Update

## Strategic Developments

- ✓ Repurchased \$50M of shares in 2Q
- ✓ YTD share repurchases total \$87M at an average price of \$21.81
- ✓ YTD 4 million shares repurchased

## 2Q Results

- ✓ 2Q net sales increased +42% year over year
  - ✓ Proforma Core sales<sup>(1)</sup> <sup>(2)</sup> -1%
  - ✓ YoY sales change impacted by PY backlog reduction
  - ✓ YoY proforma orders + high-single digits
- ✓ Adjusted EBITDA<sup>(1)</sup> margin of 21.6%
- ✓ FCF<sup>(1)</sup> of \$81M in the quarter
- ✓ Ending leverage at 1.5x on track to ~1.2x by year end

(1) Non-GAAP measure defined, reconciled, and discussed in the earnings release included in the Form 8-K filed with the Securities and Exchange Commission July 24, 2023.

(2) 2Q CY22 pro forma sales of \$409 million (2Q CY22 ZWS reported sales + 2Q CY22 Elkay sales less \$29M impact of product line exits).

# 2Q Zurn Elkay 2023 Results

## Consolidated Results

| \$ in millions                 | 2Q 2023      | 2Q 2022 | Change          |
|--------------------------------|--------------|---------|-----------------|
| Net Sales                      | <b>\$403</b> | \$284   | <b>42%</b>      |
| <i>Growth from:</i>            |              |         |                 |
| Core <sup>(1)</sup>            |              |         | <b>(5%)</b>     |
| Pro forma Core <sup>(2)</sup>  |              |         | <b>(1%)</b>     |
| Acquisitions                   |              |         | <b>47%</b>      |
| Adjusted EBITDA <sup>(1)</sup> | <b>\$87</b>  | \$64    | <b>35%</b>      |
| % of Sales                     | <b>21.6%</b> | 22.6%   | <b>-100 bps</b> |

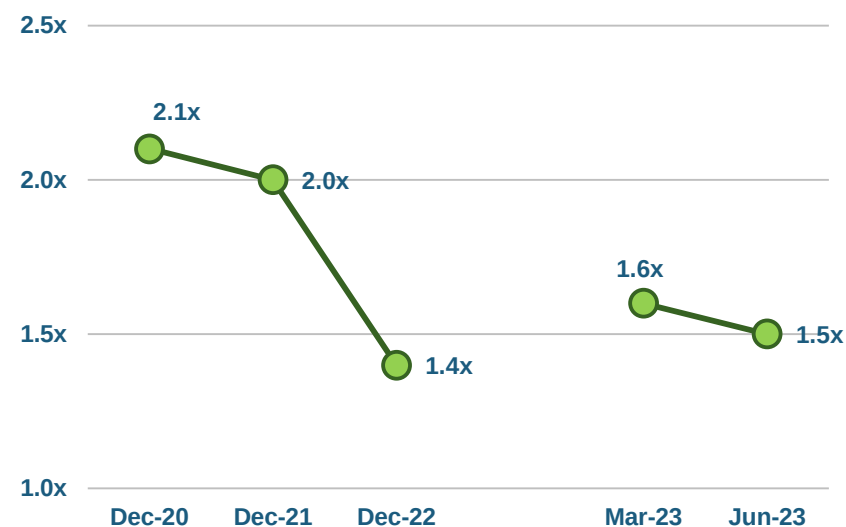
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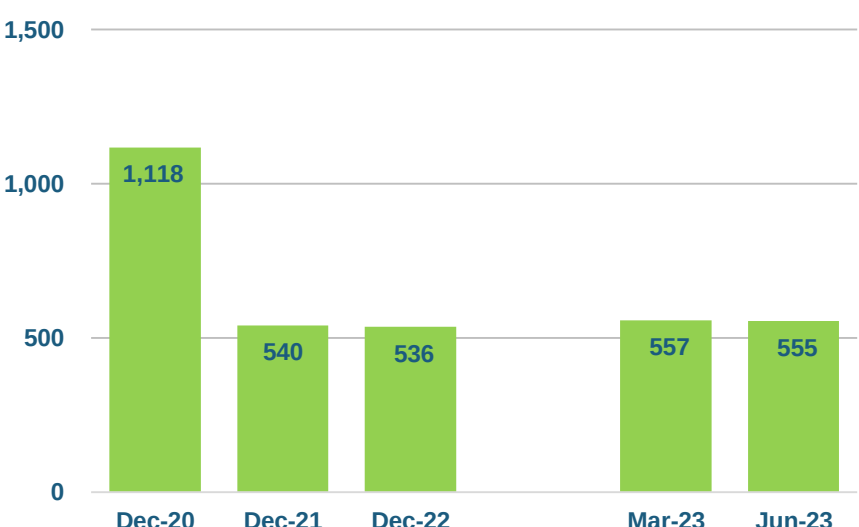


# Zurn Elkay Leverage and Debt

Net Debt Leverage Ratio<sup>(1)</sup>



Total Debt (\$ millions)



(1) Net Debt Leverage is defined as the ratio of total debt less cash to pro forma LTM Adjusted EBITDA.

# Continued momentum in Drinking Water

- ✓ K-12 market blitzes in states with lead related legislation
  - ✓ Engagement with key school decision makers
  - ✓ Opportunity to increase filtration
- ✓ Over 30 active pilots in Universities across the US
  - ✓ Sustainability in focus across higher education
  - ✓ Connected products assisting with large campus footprints

Pending legislation  
requiring filtered water  
in K-12 schools



Michigan

Passed legislation  
requiring lead testing  
with funding from “Test  
& Fix” program



Colorado

Pending legislation  
requiring lead testing &  
growing focus on water  
quality



California



# ESG/Sustainability Impact



## SUSTAINABLE PRODUCTS

**74%**

% revenue from products with sustainable attributes YTD

## WASTE REDUCTION

**9.4 Billion**

Single-use plastic water bottles eliminated YTD

## R&D

**\$11.9 Million**

Investment in engineering, research and development YTD

## ENERGY / GHG REDUCTION

**1,168 MWh**

Annual energy reduction from focused projects in process

## COMMUNITY DONATIONS

**\$4.4M**

Product donation to Habitat for Humanity International in 2Q

## SUSTAINABLE PRODUCTS

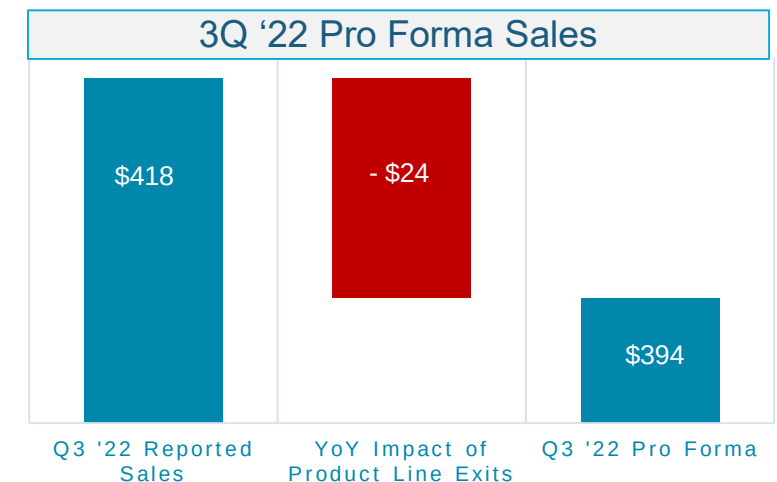
**16 Billion**

Gallons of water saved from our products YTD

# Zurn Elkay Outlook – 3Q CY23

## September Quarter (3Q)

- ✓ Total net sales between \$390 million and \$400 million...outlook assumes the following proforma sales growth:
  - ✓ *Non-residential sales growth up + low-single digits, inclusive of prior year backlog reduction*
  - ✓ *Residential sales decline approximately -10%*
- ✓ Total Adjusted EBITDA<sup>(1)</sup> margin in the 23.5% – 24.0% range<sup>(2)</sup>
- ✓ Interest expense of ~\$10 million
- ✓ Stock compensation expense of ~\$11 million
- ✓ Depreciation & amortization of ~\$22 million
- ✓ Adjusted tax rate ~27.5 – 28.5%
- ✓ Diluted shares outstanding of ~175 million (pre additional share repurchase)



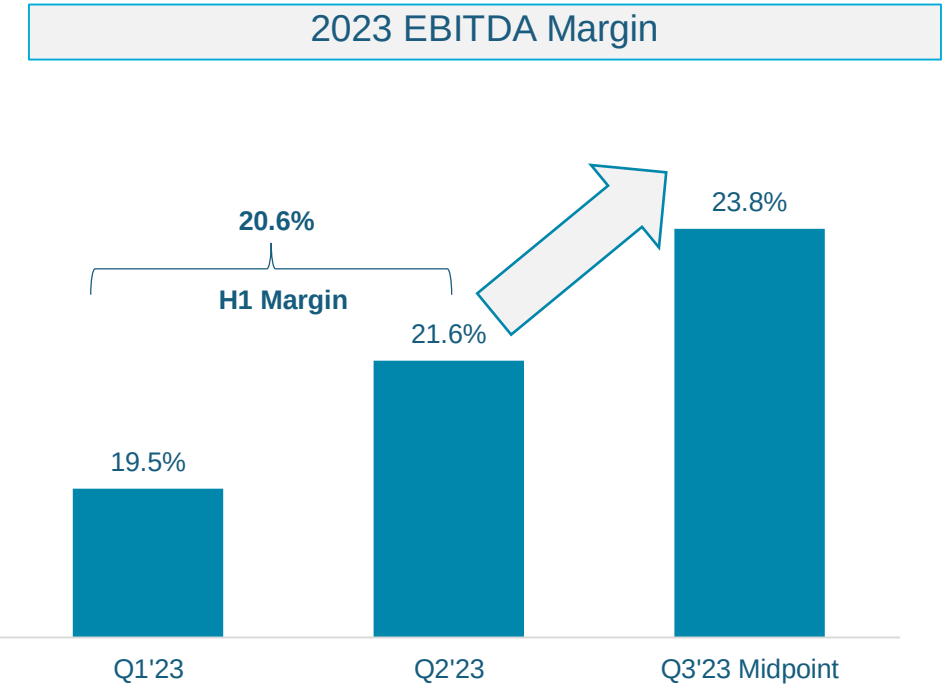
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# Zurn Elkay Outlook – Full Year

## Full Year 2023

- ✓ **Adjusting full year sales and EBITDA range <sup>(2)</sup> :**
  - ✓ Total net sales between \$1,525 million and \$1,550 million...outlook assumes the following proforma sales growth:
    - ✓ *Non-residential sales growth + mid-single digits*
    - ✓ *Residential sales low double-digit decline*
  - ✓ Total Adjusted EBITDA <sup>(1)</sup> between \$335 and \$345 million
  - ✓ Free cash flow <sup>(1)</sup> of ~\$215 million
- ✓ Interest expense of ~\$41 million
- ✓ Stock compensation expense of ~\$42 million
- ✓ Depreciation & amortization of ~\$88 million
- ✓ Adjusted tax rate ~27.5 – 28.5%
- ✓ Diluted shares outstanding of ~176 million (pre additional share repurchase)



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# THANK YOU

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