

Third Quarter 2023 Financial Results

November 1, 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 October 31, 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

- ✓ YTD share repurchases total ~\$100M (4.4M shares) at an average price of \$22.55
- ✓ Quarterly dividend increased 14%
- ✓ In October prepaid \$60 million on Term Loan

3Q Results

- ✓ Proforma Core sales⁽¹⁾ ⁽²⁾ +1%
- ✓ Adjusted EBITDA⁽¹⁾ margin of 24.1%
- ✓ FCF⁽¹⁾ of \$99M in the quarter
- ✓ Ending net debt leverage at 1.2x ... on track to ~1.0x 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 October 31, 2023.

(2) 3Q CY22 pro forma cores sales of \$394 million (3Q CY22 ZWS reported sales less \$24M impact of product line exits).

3Q Zurn Elkay 2023 Results

Consolidated Results

\$ in millions	3Q 2023	3Q 2022	Change
Net Sales	\$398	\$418	(5%)
<i>Growth from:</i>			
Core ⁽¹⁾			(5%)
Pro forma Core ⁽²⁾			1%
Adjusted EBITDA ⁽¹⁾	\$96	\$84	15%
% of Sales	24.1%	20.0%	410 bps

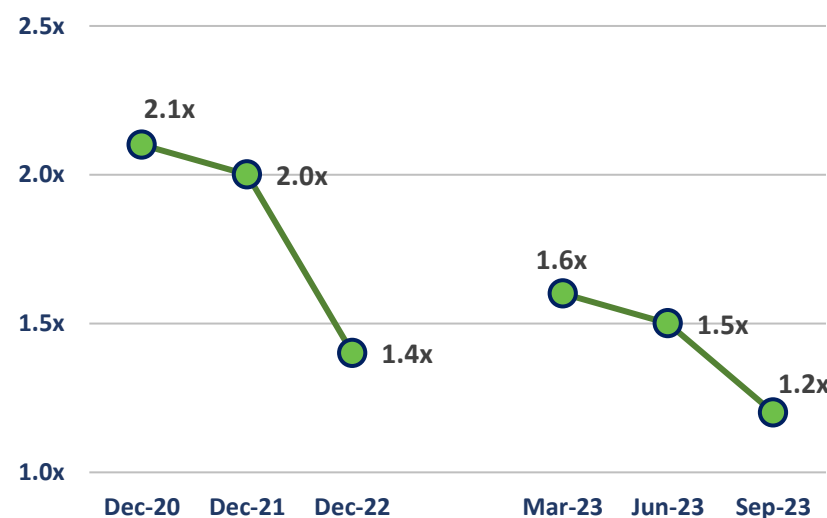
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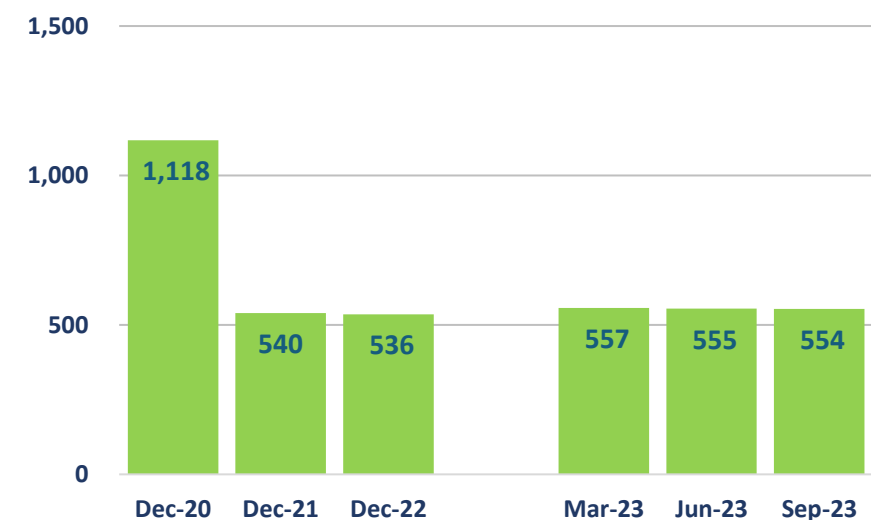


Zurn Elkay Leverage and Debt

Net Debt Leverage Ratio⁽¹⁾



Total Debt (\$ millions)



\$60 million prepayment on Term loan made October 11, 2023

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

ESG/Sustainability Impact



SUSTAINABLE PRODUCTS

84%

% revenue from products with sustainable attributes YTD

WASTE REDUCTION

14 Billion

Single-use plastic water bottles eliminated YTD

R&D

\$18 Million

Investment in engineering, research and development YTD

ENERGY / GHG REDUCTION

30%

Of major facilities currently purchasing renewable energy credits for electricity in addition to energy reduction projects

COMMUNITY DONATIONS

\$6 Million

Financial and product donations YTD

SUSTAINABLE PRODUCTS

23 Billion

Gallons of water saved from our products YTD

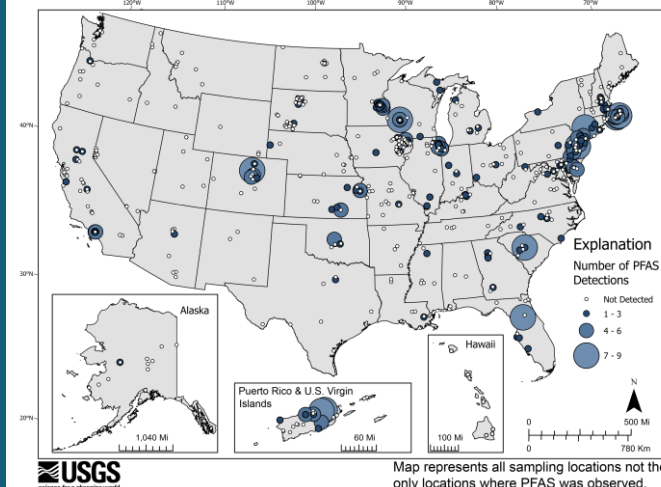
Commitment to Water quality... PFAS Filtration

- ✓ Immediate solution to **reduce PFOA and PFOS**, the two most widely used and studied chemicals in the PFAS group
- ✓ Tested and certified to NSF/ANSI 53 standards
- ✓ Continues to filter lead, Class 1 particulates, sediment, cysts, chlorine taste/odor
- ✓ Fits in the current installed base of Elkay filtered products

WaterSentry®
71300C Filter



Per- and Polyfluoroalkyl Substances (PFAS) in Select U.S. Tapwater Locations

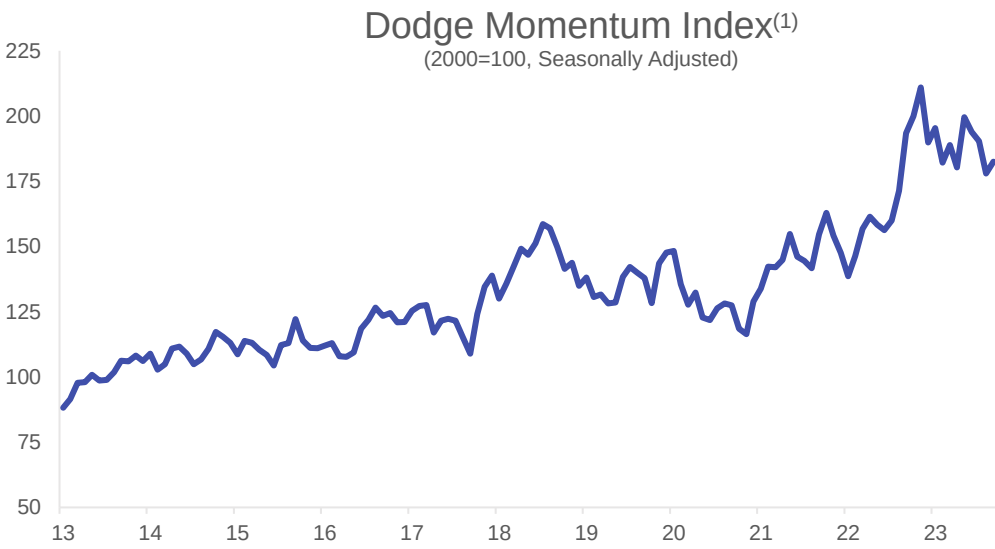
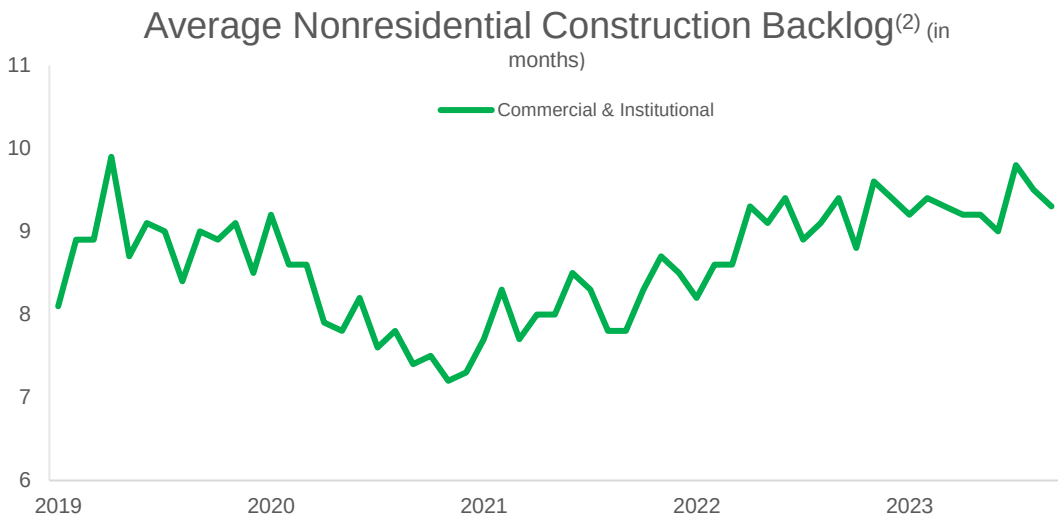
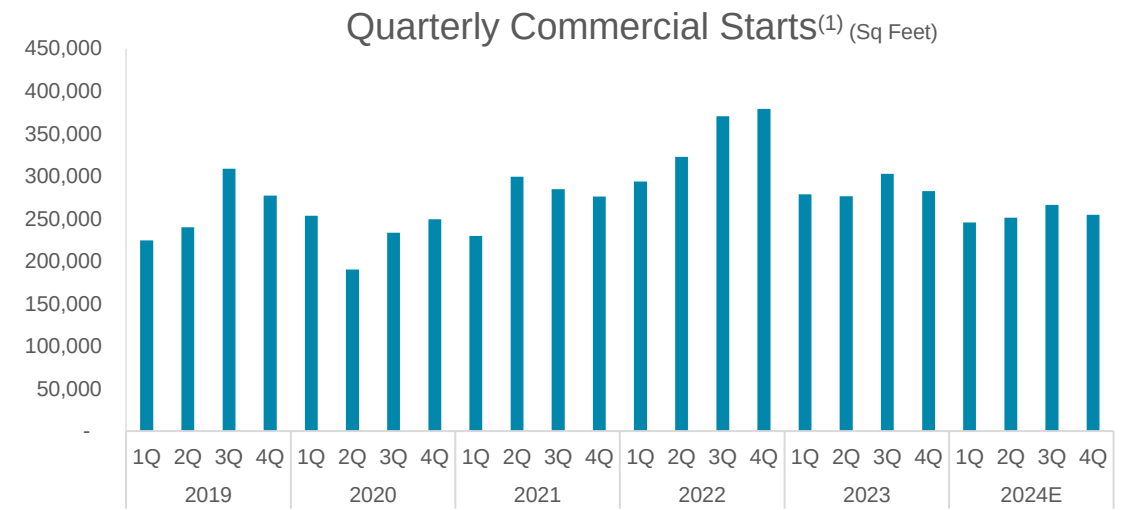


Exposure to PFAS at certain levels may lead to:

- developmental effects/delays in children
- low birth weight & behavioral changes
- increased risk of some cancers
- reduced immune response
- increased risk of obesity

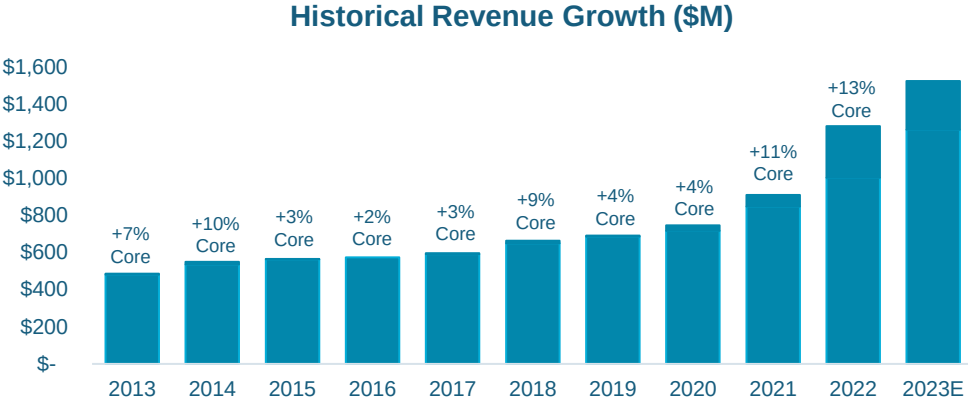
A recent study that tested for 32 types of PFAS in the nation's tap water, found at least **45%** of the nation's tap water is estimated to have one or more types of PFAS

Market Update



(1) Source: Dodge Construction Network (2) Associated Builders and Contractors

Resilient Financial Performance



Core Growth CAGR	
3 Years	+8%
7 Years	+6%
10 Years	+6%



End Market

- Institutional and waterworks exposure at 57% of sales
- Concentrated in the US (98%)
- +45% retrofit exposure
- Drinking water strength (legislation)
- Hyper local / Hyper regional



Business Model

- Highly variable cost structure
- Asset/capex light model
- +\$25M of synergies in 2024
- Ability to continue margin expansion
- Focus/track record of growth



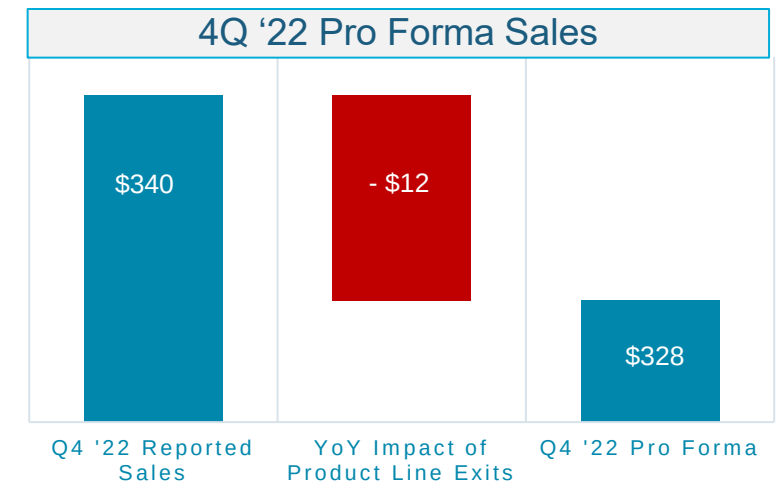
Capital Allocation

- Leverage at 1.2x ... anticipate ~1.0x by EOY
- \$500M repurchase authorized
- Increased quarterly dividend +14%
- Strong free cash generation
- Debt maturities out to 2028

Zurn Elkay Outlook – 4Q CY23

December Quarter (4Q)

- ✓ Total net sales around \$351 million...outlook assumes the following proforma sales growth:
 - ✓ *Non-residential sales growth up + high-single digits*
 - ✓ *Residential sales down - low single digits*
- ✓ Total Adjusted EBITDA⁽¹⁾ margin between 23.0% and 23.5%⁽²⁾
- ✓ Interest expense of ~\$9 million
- ✓ Stock compensation expense of ~\$10 million
- ✓ Depreciation & amortization of ~\$22 million
- ✓ Adjusted tax rate ~26.0% – 27.0%
- ✓ Diluted shares outstanding of ~176 million (pre additional share repurchase)



(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 on October 31, 2023.

(2) Forward-looking information and a non-GAAP measure. Although Zurn Elkay can quantify certain elements, it is not able to quantify all variances from GAAP without unreasonable efforts because certain factors are unknown at this time and out of Zurn Elkay's control.

THANK YOU

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