

# Fourth Quarter 2023 Financial Results

February 7, 2024

**zurn • elkay**  
WATER SOLUTIONS

# 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 2023 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 February 6, 2024 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 ~\$125M (5.3M shares, ~3% of outstanding shares)
- ✓ Quarterly dividend increased 14%
- ✓ Completed sale of asbestos assets/liabilities
- ✓ Sustainability report to be issued mid-February

## 4Q Results

- ✓ Proforma Core sales<sup>(1)</sup> <sup>(2)</sup> +9%
- ✓ Adjusted EBITDA<sup>(1)</sup> margin of 23.6%
- ✓ FCF<sup>(1)</sup> of \$53M in the quarter

## CY 2023 Results

- ✓ Proforma Core sales<sup>(1)</sup> <sup>(2)</sup> +3%
- ✓ Adjusted EBITDA<sup>(1)</sup> margin of 22.2%
- ✓ FCF<sup>(1)</sup> of \$233M for the year
- ✓ Year-end leverage at 1.1x

(1) Non-GAAP measure defined and discussed in the earnings release included in the Form 8-K filed with the Securities and Exchange Commission February 6, 2024.

(2) 4Q CY22 proforma core sales of \$328 million (4Q CY22 ZWS reported sales less \$12M impact of product line exits).

# 4Q Zurn Elkay 2023 Results

## Consolidated Results

| \$ in millions                 | 4Q 2023      | 4Q 2022 | Change         |
|--------------------------------|--------------|---------|----------------|
| Net Sales                      | <b>\$357</b> | \$340   | <b>5%</b>      |
| <i>Growth from:</i>            |              |         |                |
| Core <sup>(1)</sup>            |              |         | <b>5%</b>      |
| Pro forma Core <sup>(2)</sup>  |              |         | <b>9%</b>      |
| Adjusted EBITDA <sup>(1)</sup> | <b>\$84</b>  | \$65    | <b>30%</b>     |
| % of Sales                     | <b>23.6%</b> | 19.0%   | <b>460 bps</b> |

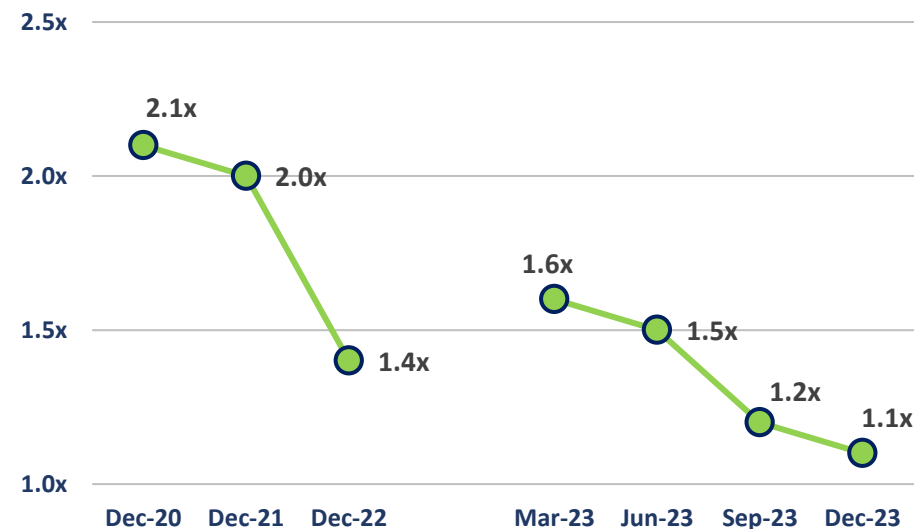
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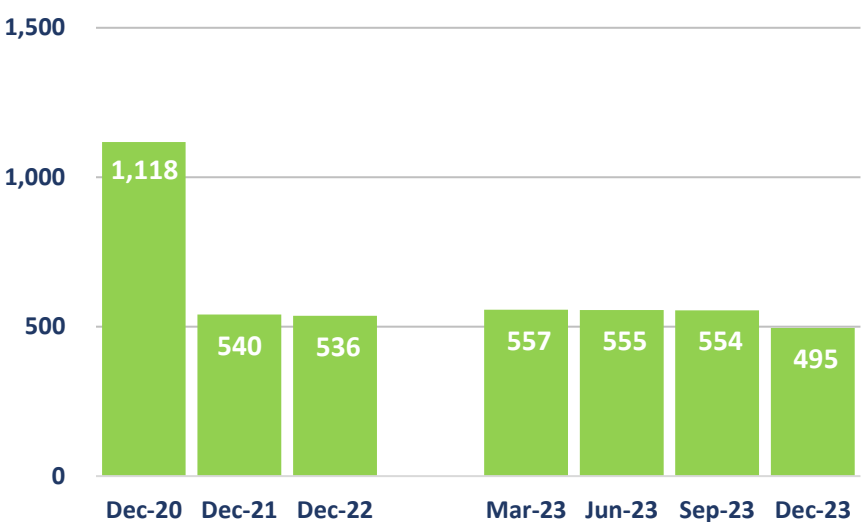


# Zurn Elkay Leverage Debt

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



Total Debt (\$ millions)



\$60 million prepayment on Term loan made October 2023

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

# 2023 Sustainability Report

2023 Report to be issued in coming weeks



## Enhanced transparency and disclosures

- ✓ Three new targets:
  - ✓ Reduce waste to landfill
  - ✓ Increase use of renewable electricity
  - ✓ Increase in training hours
- ✓ Separate GRI Index with additional material GRI KPIs
- ✓ ESG Performance Index with three years of data
- ✓ New section on water scarcity and resilience
- ✓ Enhanced Supplier Excellence manual
- ✓ Added sixth strategic pillar for our Products

# Environmental Benefit of Elkay Bottle Fillers

## Sustainably Inspired Products

Our Elkay bottle filling stations deliver multiple sustainability benefits for consumers and the broader community by delivering clean drinking water while reducing reliance on single-use plastic bottles, which have negative environmental impacts during their production and through the waste they generate.

It takes **9x** the amount of water to make a plastic bottle than to fill it

Bottled water is up to **2,000** times more energy-intensive than tap water

Americans purchase **50B** single-use plastic water bottles annually

**85%** of water bottles produced are disposed of in landfills or as unregulated waste



## Where do single-use plastic bottles go?

**8M** metric tons of plastics leak into the ocean per year, equivalent to dumping over 10,000 single-use plastic bottles in the ocean per second

Plastics can take up to 450 years to degrade and can end up as micro-plastics

PET microplastics are the most abundant form of plastic debris in the ocean at present

Microplastics contain persistent organic pollutants that contaminate animal and human food chains when ingested in marine environments

## Elkay bottle filling stations break an unsustainable cycle

**2M** metric tons of plastic waste reduced since 2012

**8.1M** metric tons of GHG emissions avoided

Over **84B** plastic water bottles avoided since 2012

## Gallons of filtered water delivered 2022-2023

**2022:** 1.7B gallons

**2023:** 2.0B gallons



# Sustainability Impact in 2023

## SUSTAINABLE PRODUCTS

86%

Revenue from products with sustainable attributes

## HEALTH AND SAFETY

0.68

Total Recordable Incident Rate compared to 2.9 industry average

## WASTE REDUCTION

18 billion

Single-use plastic water bottles eliminated

## RESEARCH & DEVELOPMENT

\$24 million

Investment in engineering, research and development

## ENERGY / GHG REDUCTION

13%

Reduction in energy intensity (compared to baseline in year 2021)

## PEOPLE

94%

Response rate on Total Associate Engagement survey

## COMMUNITY DONATIONS

\$8 million

Cash and in-kind donations

## SUSTAINABLE PRODUCTS

2 billion

Gallons of safe, clean filtered water delivered by our filters

# Q1 2024 and CY 2024 Guidance Framework

## Key 2024 Assumptions

### Positive Proforma core sales growth YoY

- Commercial market down –MSD
- Residential market flat
- Waterworks market up +LSD
- Institutional market up +LSD
- Drinking water growth +DD
- Modest planned price increases

### Adjusted EBITDA margin expanding ~150 bps

- Delivering an additional \$25M of synergies in 2024

### Free cash flow of ~\$250M

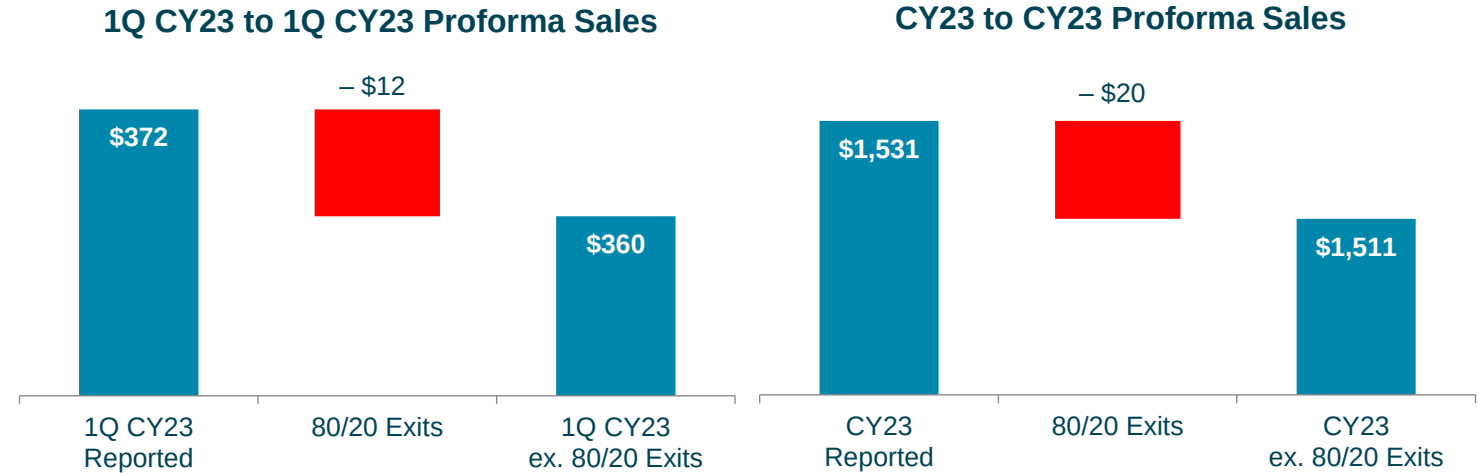
- Strong FCF generation continues to strengthen our balance sheet flexibility

### Remain committed to share buy back

## Q1 2024 Outlook

### Proforma core revenue growth +LSD

### Adjusted EBITDA Margin 23.5% – 24.0%



| Below the line assumptions  | Q1 2024                    | CY 2024                    |
|-----------------------------|----------------------------|----------------------------|
| Interest Expense            | ~\$9 Million               | ~\$34 Million              |
| Stock Compensation Expense  | ~\$11 Million              | ~\$37 Million              |
| Depreciation & Amortization | ~\$22 Million              | ~\$87 Million              |
| Adjusted Tax Rate           | ~24.5% to 25.5%            | ~25.0% to 27.0%            |
| Diluted Shares Outstanding  | ~176 Million (pre-buyback) | ~177 Million (pre-buyback) |

# Thank You

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