



2016 Energy Star Products Partners Meeting
October 25-27, New Orleans

Corporation Profile



- Manufacturer of residential and commercial water heaters, boilers and water treatment products
- Market share leader in major businesses
- Stable/growing U.S. replacement market; operating leverage as new construction recovers
- Premium brand, manufacturing, innovation and distribution capabilities – in the U.S., Canada and China
- Organic growth of 8 percent for next several years
- 13,400 employees and 16 manufacturing facilities
- Founded in 1874 in Milwaukee, WI

AOS
LISTED
NYSE

2015 Sales: \$2.5 B
2015 EBITDA: \$473 MM
2015 EBITDA Margin:
18.7%
Market Cap: \$8 B
(7/15/16)

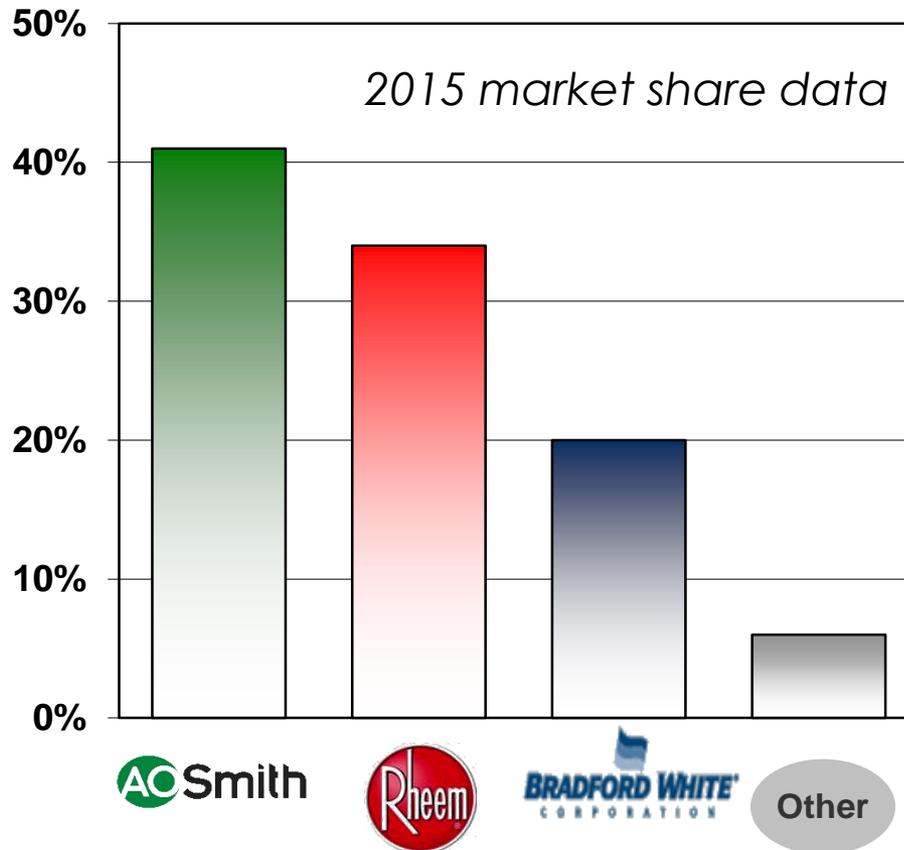
Proud Energy Star Partner



U.S. Water Heater Market Segment



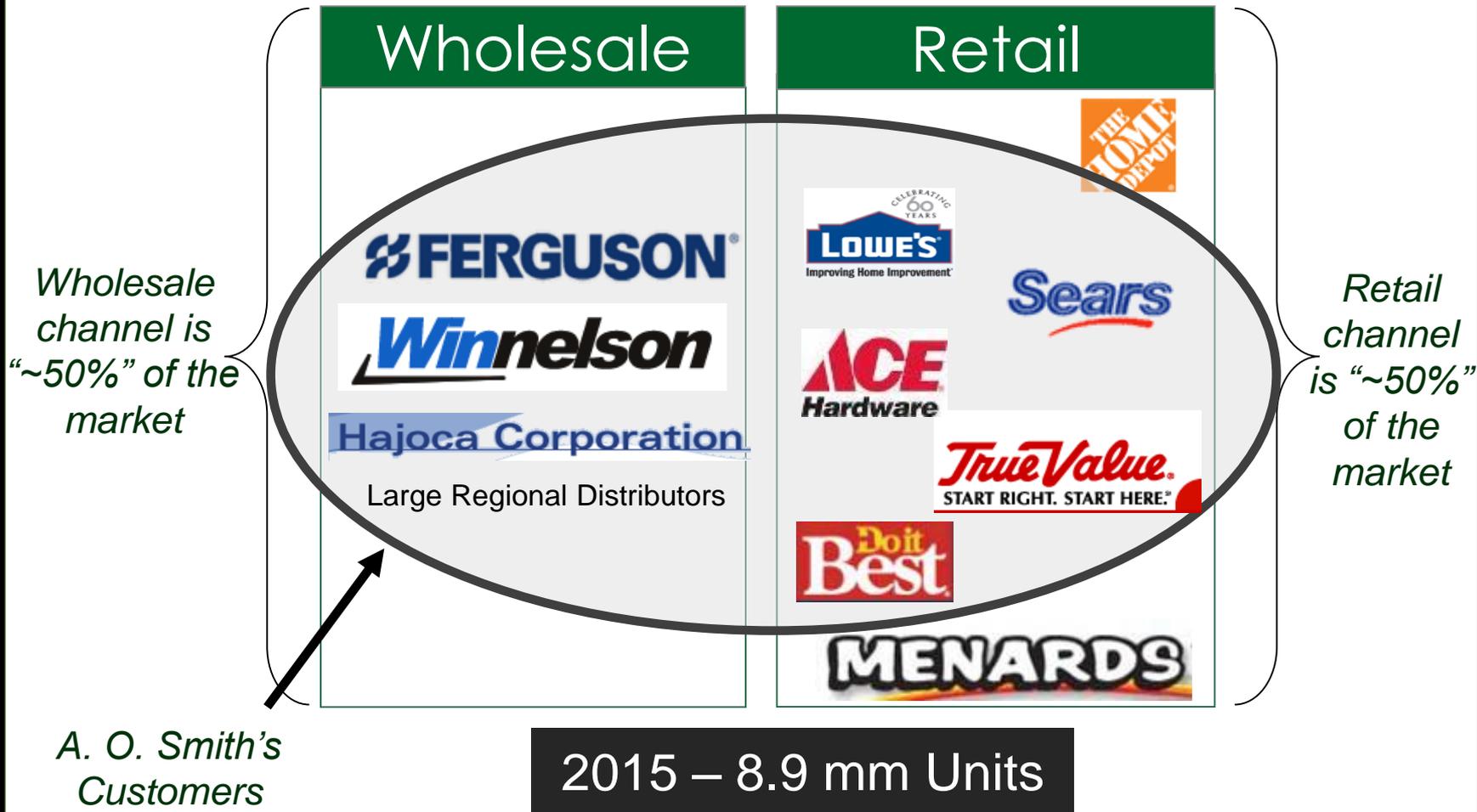
Residential Market



Growth driven by replacement demand, repair and remodel activity and new home construction

AHRI data + tankless:
AOS actual shipments
and AOS estimates of competitors' shipments

U.S. Residential Water Heater Market Segment



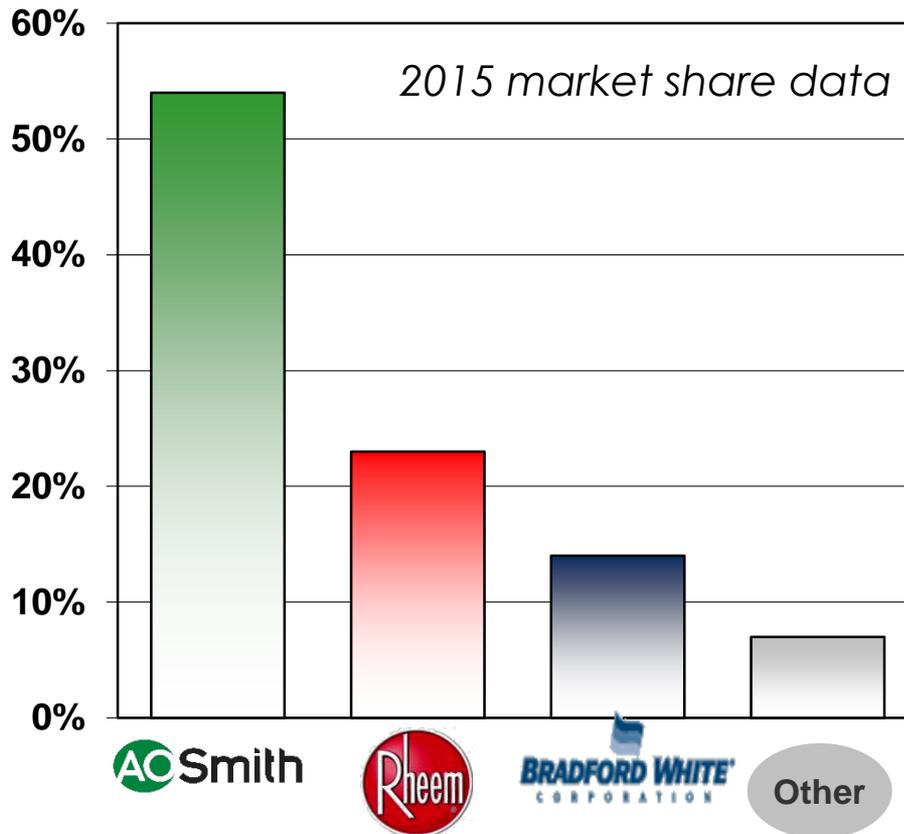
A. O. Smith's
Customers

2015 – 8.9 mm Units

U.S. Water Heater Market Segment



Commercial Market



Growth driven by industry transition from lower efficiency to higher efficiency (~2 year payback), replacement demand, repair and remodel activity and new commercial construction

AHRI data: AOS actual shipments and AOS estimates of competitors' shipments

Lochinvar Boilers



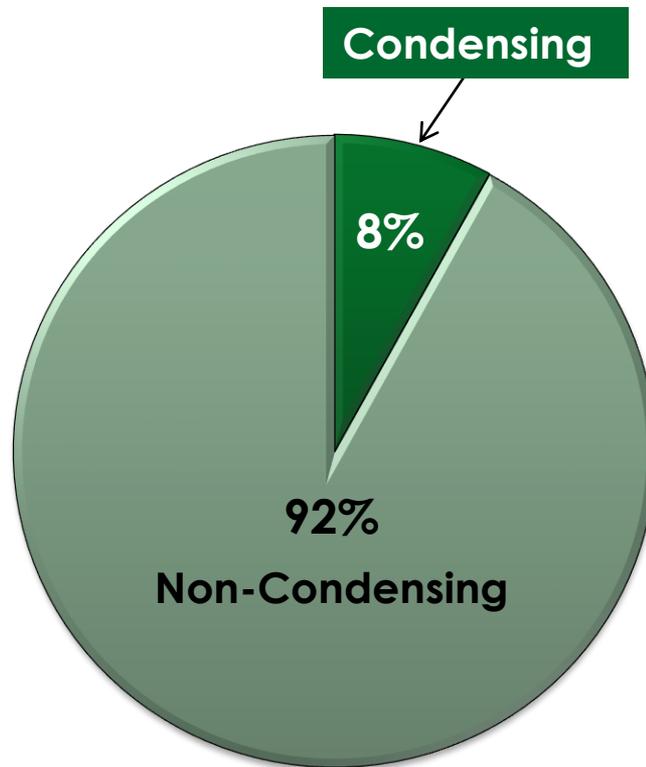
- Lochinvar branded boilers hold leading market share in condensing commercial boilers



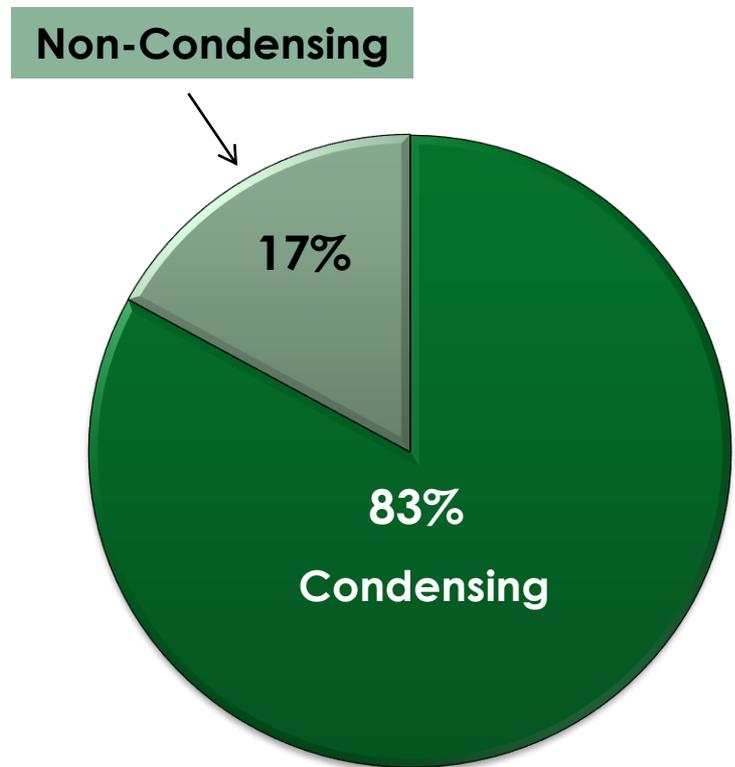
Growth driven by industry transition from lower efficiency to higher efficiency (3-4 year payback), replacement demand, repair and remodel activity and new commercial construction

2/3 commercial end markets; 1/3 residential end markets

Lochinvar Branded Sales Dollars Condensing vs. Non-Condensing*



2004



2015

*Residential Boilers, Commercial Boilers & Commercial Water Heaters

ENERGY STAR® Unit Shipment and Market Penetration Report

Calendar Year 2015 Summary



	2015 Units Shipped (thousand units unless otherwise)	2015 Estimated Market Penetration	
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Boilers	138	45%	
<i>Residential Gas Boilers</i>	112	45%	
<i>Residential Oil Boilers</i>	26	45%	

<u>Commercial Water Heaters - Gas</u>	44	45%	
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Water Heaters ¹⁸	330	4%
<i>Gas Storage</i>	275	6%
<i>Gas Tankless</i>	297	N/A
<i>Heat Pump</i>	55	1%
<i>Solar</i>	8	N/A

- ▶ Transition to UEF (Uniform Efficiency Factor) for residential water heaters
- ▶ New minimum efficiency standards forthcoming for commercial water heaters and commercial packaged boilers
- ▶ Heat Pump Water Heater (HPWH) market shifts
- ▶ National utility market
- ▶ Contractor Programs
- ▶ Millennials and Social Media Strategies

Contact and Follow Up

Joshua C. Greene

Vice President, Government and Industry Affairs

Direct: 202-434-4779

Email: jgreene@aosmith.com