



# FORTUNE BRANDS ACQUIRES EMTEK, SCHAUB, YALE AND AUGUST\*

A HIGHLY STRATEGIC GROWTH ACCELERATOR

SUPPLEMENTAL Q2 SLIDES

JULY 27, 2023



Fortune Brands  
Innovations

\* FBIN acquired U.S. and Canadian Yale and August residential smart locks business

## FORWARD LOOKING STATEMENTS

This presentation contains certain “forward-looking statements” made within the meaning of the Private Securities Litigation Reform Act of 1995. Forward looking statements include all statements that are not historical statements of fact and those regarding our intent, belief, or expectations, including, but not limited to: our general business strategies, anticipated market potential, the potential impact of costs, including material and labor costs, the potential impact of inflation, the potential of our brands’ expected capital spending, expected pension contributions, expected impact of acquisitions, the anticipated effects of recently issued accounting standards on our financial statements, planned business strategies, future financial performance and other matters. Statements that include the words “believes,” “expects,” “anticipates,” “intends,” “projects,” “estimates,” “plans,” “outlook,” “positioned” and similar expressions or future or conditional verbs such as “will,” “should,” “would,” “may” and “could” are generally forward-looking in nature and not historical facts. Where, in any forward-looking statement, we express an expectation or belief as to future results or events, such expectation or belief is based on the expectations, estimates, assumptions and projections about our industry, business and future financial results available at the date of this presentation.

Although we believe that these statements are based on reasonable assumptions, they are subject to numerous factors, risks and uncertainties that could cause actual outcomes and results to be materially different from those indicated in such statements, including, but not limited to: unanticipated difficulties or expenditures relating to the transaction, including, without limitation, difficulties that result in the failure to realize expected synergies, efficiencies and cost savings from the transaction within the expected time period (if at all), our reliance on the North American and Chinese home improvement, repair and remodel and new home construction activity levels, the housing market, downward changes in the general economy, unfavorable interest rates or other business conditions, the competitive nature of consumer and trade brand businesses, our ability to execute on our strategic plans and the effectiveness of our strategies in the face of business competition, our reliance on key customers and suppliers, including wholesale distributors and dealers and retailers, risks associated with our ability to improve organizational productivity and global supply chain efficiency and flexibility, risks associated with global commodity and energy availability and price volatility, as well as the possibility of sustained inflation, delays or outages in our information technology systems or computer networks, risks associated with doing business globally, including changes in trade-related tariffs and risks with uncertain trade environments, risks associated with the disruption of operations, our inability to obtain raw materials and finished goods in a timely and cost-effective manner, the uncertainties relating to the impact of COVID-19 on our business, financial performance and operating results, our ability to attract and retain qualified personnel and other labor constraints, the effect of climate change, changes in government and industry regulatory standards, and the other factors discussed in our securities filings, including in Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2022, filed with the Securities and Exchange Commission.

The forward-looking statements included in this presentation are made as of the date hereof, and except as required by law, we undertake no obligation to, and expressly disclaim any such obligation to, update, amend or clarify any forward-looking statements to reflect events, new information or circumstances occurring after the date of this presentation.

## RECONCILIATION STATEMENT

This presentation includes measures not derived in accordance with generally accepted accounting principles (“GAAP”). These measures should not be considered in isolation or as a substitute for any measure derived in accordance with GAAP and may also be inconsistent with similar measures presented by other companies. Reconciliation of these measures to the most closely comparable GAAP measures, and reasons for the company’s use of these measures, are attached as an appendix hereto.

# ACQUISITION ACCELERATES OUR GROWTH STRATEGY AND IS CONSISTENT WITH OUR DISCIPLINED TRACK RECORD

- Strategic accelerant to brand, innovation and channel excellence across FBIN
- Extremely attractive price; FBIN retains strong balance sheet and leverage ratio
- Expected to be immediately accretive to P+L
  - Expected incremental 2H 2023 net sales of \$190 million to \$210 million
  - + \$0.04 to \$0.06 EPS expected in 2023, inclusive of \$0.08 of purchase price amortization
  - + \$0.12 to \$0.14 EPS expected in 2023, excluding purchase price amortization
- Compelling value creation opportunity through run-rate sales and cost synergies

## Emtek and Schaub

Leading luxury door and cabinet hardware brands recognized for world-class design and customer service



## Yale and August\*

Innovative developer of smart home access software and manufacturer of keyless residential smart locks



# ACQUISITION DETAILS SUMMARY

EMTEK.

Schaub



## CLOSED JUNE 20, 2023

FBIN completed acquisition of world-class brands from ASSA ABLOY

Impact to FBIN 2Q P+L immaterial



## \$800 MILLION PURCHASE PRICE

8.9x adjusted 2022 EBITDA or 7.8x 2022 adjusted EBITDA before synergies

Expected 2023 EPS impact of +\$0.04 to \$0.06, inclusive of \$0.08 of PPA



## \$410 MILLION COMBINED FY 2022 SALES 17% 5 Year Net Sales CAGR

Approximate revenue mix by brand:

- 59% Emtek and Schaub
- 41% Yale and August

Approximate revenue mix by market:

- 80% R&R
- 20% New Construction



## 22% COMBINED 2022 EBITDA MARGIN

Expected to be margin-accretive to FBIN

Growth and cost synergies expected to drive margin expansion



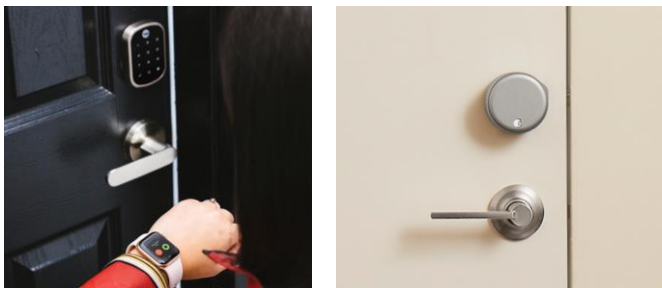
## ACQUIRED ASSETS INCLUDE

- Complete rights in the U.S. and Canada for the Yale smart residential brand, and globally for the August smart residential brand
- Emtek and Schaub global business
- Strong patent and trademark portfolio
- 2 dedicated manufacturing/assembly facilities

# ACQUISITION IS A GROWTH ACCELERANT WITH TRANSFORMATIVE POTENTIAL

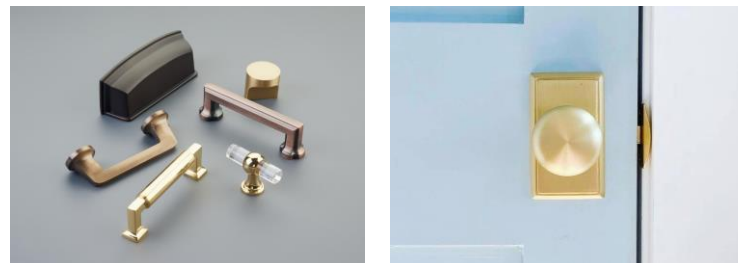
Combining Fortune Brands Innovations' existing assets with the acquired assets uniquely positions us to deliver first-to-market and scaled solutions, including the following:

## SMART ENTRY



THERMA-TRU DOORS + YALE AND AUGUST SMART RESIDENTIAL LOCKS WILL UNLOCK NEW PRODUCTS

## COMPREHENSIVE LUXURY PLATFORM



HOUSE OF ROHL + EMTEK AND SCHAUB CREATE MORE COMPREHENSIVE LUXURY PLATFORM ACROSS THE ENTIRE HOME

## DIGITAL & CONNECTED CAPABILITIES AT SCALE



EXISTING DIGITAL CAPABILITIES + TEAM OF ~100 ENGINEERS CAN BRING ENHANCEMENTS AT SCALE

# ATTRACTIVE SYNERGY OPPORTUNITY BY 2026

## Sales Synergies:

- Yale and August: ~ \$35 million to \$45 million run-rate sales synergy potential driven by:
  - Expanding retail business
  - Growing e-commerce and multifamily security channels
  - Accelerating innovations in smart security ecosystem and smart entry
- Emtek and Schaub: ~ \$30 million to \$40 million run-rate sales synergy potential driven by:
  - Expanding cross-distribution in showrooms
  - Introducing joint collections and marketing with House of Rohl
  - Accelerating e-commerce, growing multifamily and hospitality
  - Cross selling with Therma-Tru

~ \$65M to \$85M  
RUN-RATE  
SALES SYNERGIES

## Cost Synergies:

- ~ \$10 million to \$20 million run-rate cost synergy potential by leveraging combined scale and capabilities in sourcing, design, logistics and site optimization

~ \$10M to \$20M  
RUN-RATE  
COST SYNERGIES

## Strategic Acceleration of Growth Platforms:

- Accelerate digital and connected capabilities across enterprise

## Results:

- Expected net sales of \$500 million to \$550 million, inclusive of identified synergies
- Expected EPS accretion of \$0.45 to \$0.55

# EMTEK AND SCHAUB: LUXURY DOOR AND INTERIOR HARDWARE BRANDS RECOGNIZED FOR EXCEPTIONAL DESIGN AND CUSTOMER SERVICE

EMTEK. Schaub

## Value Proposition:

- Leading luxury brand with strong reputation for product quality, customer service and compelling design
- Highly complementary with House of Rohl's focus on craftsmanship and design
- Opportunity to expand cross-distribution in showrooms; Emtek and Schaub are anchor brands in over 800 showrooms
- Creates more complete FBIN luxury platform; luxury sales within FBIN now more than \$500 million
- Opportunity to accelerate e-commerce, grow multifamily and hospitality
- Efficient, best-in-class supply chain and industry-leading customer service

## Key Financial Highlights:

~\$240 million net sales in 2022

11% 5-year net sales CAGR

## Reporting:

Water Innovations Segment

## Revenue Mix:



■ 70% R&R  
■ 30% New

Construction



■ 93% U.S.  
■ 6% Canada  
■ 1% LATAM



■ 94% Emtek  
■ 6% Schaub

# YALE AND AUGUST: SMART HOME ACCESS SOFTWARE AND LEADING MANUFACTURER OF RESIDENTIAL SMART LOCKS



## Value Proposition:

- Highly trusted brands and strong IP portfolio with full suite of innovative products across professionally installed and DIY residential smart locks
- Premier software platform that enables flexibility with existing systems and wide range of integration partners
- Focus on innovation driven by sophisticated technical team supporting in-house software and hardware platform
- Strong relationships with leading channel partners; opportunities to grow e-commerce and multifamily
- Opportunities to expand retail business

## Key Financial Highlights:

~\$170 million net sales in 2022

32% 5-year net sales CAGR

*Includes impact of product availability shortage in 2021-2022*

## Reporting:

Security Segment

## Revenue Mix:



■ 98% R&R  
■ 2% New Construction



■ 98% U.S.  
■ 2% Canada

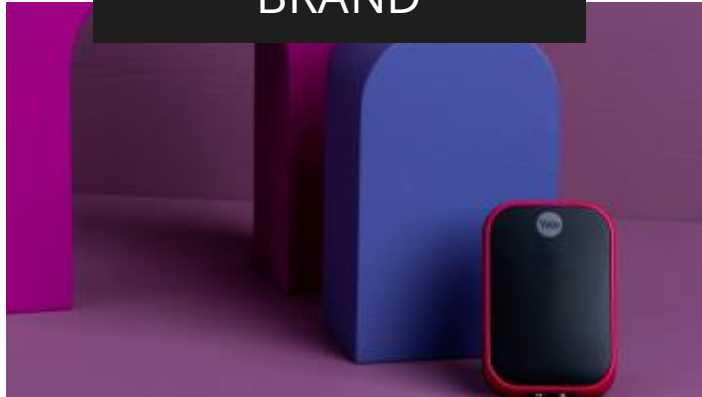


■ 90% Yale  
■ 10% August



# STRONG STRATEGIC FIT WITH BRAND, INNOVATION AND CHANNEL FOCUS WILL ACCELERATE GROWTH

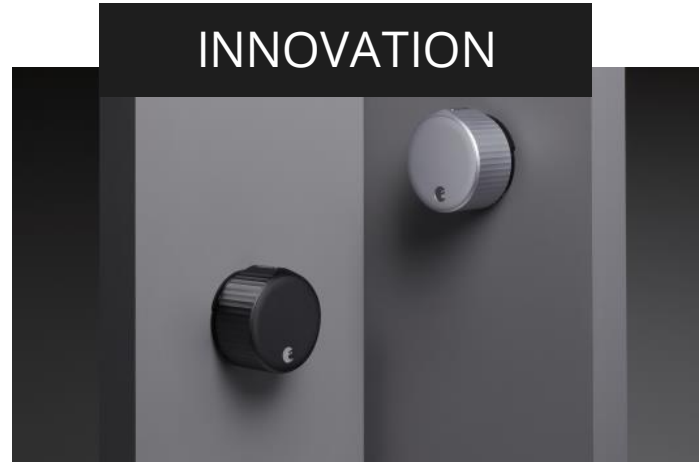
## BRAND



### ADDING STRONG BRANDS TO PORTFOLIO

- Leading luxury door and cabinet hardware brands recognized for world-class design and customer service
- Innovative developer of smart home access software and manufacturer of keyless residential smart locks

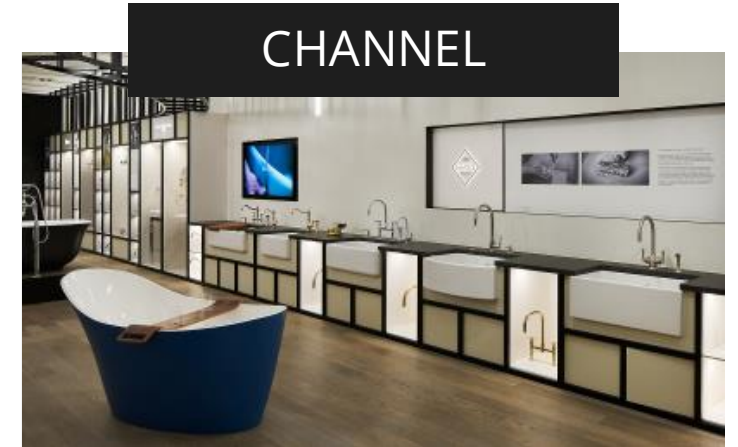
## INNOVATION



### NEW AND TRANSFORMATIVE OPPORTUNITIES

- Adding leading IP
- Team of ~100 engineers within acquired business will help accelerate FBIN's digital transformation
- FBIN now best-positioned to develop first-to-market products such as smart entry door, enhanced connected security and comprehensive luxury platform

## CHANNEL



### EXPANDING REACH BY LEVERAGING CHANNEL STRENGTHS

- Opportunities to expand showroom presence and drive new e-commerce channels
- Can enter new, global markets with August, Emtek and Schaub

# FY 2023 UPDATED GUIDANCE INCLUSIVE OF ACQUISITION

Updated guidance as of July 27, 2023

MARKET	Prior Guidance	Updated
Global Market	-6.5% to -8.5%	-5.5% to -7.5%
U.S. Market	-6.5% to -8.5%	-5.5% to -7.5%
U.S. R&R	-4% to -6%	-4% to -6%
U.S. Single Fam NC	-18% to -22%	-12% to -14%
China Market	-15% to -20%	-15% to -20%

OTHER ITEMS	Prior Guidance	Updated
Free Cash Flow	Around \$475M	Around \$575M
Cash Conversion	Around 100%	Around 120%
Capex	\$250M to \$300M	\$250M to \$300M
Corporate Expense	\$110M to \$120M	Around \$130M
Interest Expense	\$110M to \$115M	\$124M to \$126M
Tax Rate	23.5% to 24.0%	23.5% to 24.0%
Share Count	128M to 129M	Around 128M

NET SALES	Prior Guidance	Updated	Updated [Organic]
Total Company	-5% to -7%	-0% to -2%	-4% to -6%
Water Innovations	-5% to -7%	-0% to -2%	-4% to -6%
Outdoors	-6% to -8%	-6% to -8%	-
Security	-2% to -4%	13% to 15%	-1% to +1%

OPERATING MARGIN	Prior Guidance	Updated	Updated [Organic]
Total Company	16% to 17%	16% to 16.5%	Around 16.5%
Water Innovations	23% to 24%	Around 23.5%	-
Outdoors	13.5% to 14.5%	13.5% to 14.5%	-
Security	14% to 15%	14% to 14.5%	-

EPS	Prior Guidance	Updated
EPS before charges/gains	\$3.65 to \$3.85	\$3.75 to \$3.90

# RECONCILIATIONS

<b><u>FREE CASH FLOW</u></b>	<b>2023 Full Year Estimate</b>
<b>Cash flow from operations (GAAP)</b>	\$830.0 – 880.0
Less: Capital expenditures	250.0 – 300.0
<b>Free cash flow*</b>	\$575.0

\*Free cash flow is cash flow from operations calculated in accordance with U.S. generally accepted accounting principles ("GAAP") less capital expenditures. Free cash flow does not include adjustments for certain non-discretionary cash flows such as mandatory debt repayments. Free cash flow is a measure not derived in accordance with GAAP. Management believes that free cash flow provides investors with helpful supplemental information about the Company's ability to fund internal growth, make acquisitions, repay debt and related interest, pay dividends and repurchase common stock. This measure may be inconsistent with similar measures presented by other companies.

