

## Risk Factors Comparison 2025-02-10 to 2024-02-06 Form: 10-K

**Legend:** New Text ~~Removed Text~~ Unchanged Text Moved Text Section

The risks described below are not the only risks facing Zurn Elkay. Additional risks and uncertainties not currently known to us, or those risks we currently view to be immaterial, may also materially and adversely affect our business, financial condition or results of operations. In addition, see Management's Discussion and Analysis of Financial Condition and Results of Operations in Item 7 for a further discussion of some of the factors that could affect future results. If any of these risks materialize, our business, financial condition, results of operations or cash flows could be materially and adversely affected. Strategic Risks Economic and financial market weakness, as well as overall challenging market cycles, may particularly impact the markets we serve, and, as a result may adversely affect our financial condition or results of operations. Our business operations may be adversely affected by volatility and weaknesses in the overall economy and financial markets. Weak, challenging or volatile economic conditions in the end markets, businesses or geographic areas in which we sell our products typically reduces demand for our products and results in a decrease in sales volume. Our financial performance depends, in large part, on conditions in the markets that we serve in the U. S. and, to a lesser extent, the global economy generally. Some of the end markets we serve are highly cyclical, and some at times have experienced greater cyclicity than others. Any sustained weakness in demand or downturn or uncertainty in the economy, could materially reduce our net sales and profitability. For example, sales to the construction industry are driven by trends in institutional, commercial, and residential construction, housing starts and trends in residential repair and remodeling. Consumer confidence, employment rates, weather conditions, interest rates, credit standards and availability of consumer credit and income levels play a significant role in driving demand in institutional, commercial and residential construction, repair and remodeling sectors. A drop or weakness in consumer confidence, prolonged adverse weather conditions, lack of availability or increased cost of credit, tightened credit standards or increased unemployment could materially impact demand for ~~and~~ sales of our products and / or result in downward pressure on product pricing and our profit margins, any or all of which could adversely affect our financial results. Volatility and disruption of financial markets could limit the ability of our customers to obtain adequate financing to maintain operations and may cause them to terminate existing purchase orders, reduce the volume of products they purchase from us in the future or impact their ability to pay their receivables. Adverse economic and financial market conditions may also cause our suppliers to be unable to meet their commitments to us or may cause suppliers to make changes in the credit terms they extend to us, such as shortening the required payment period for outstanding accounts receivable or reducing or eliminating the amount of trade credit available to us. The markets we serve are highly competitive; an inability to effectively compete would adversely affect our business, financial condition and results of operations. We operate in highly competitive markets. Some of our competitors have achieved substantially more market penetration in certain of the markets in which we operate. Some of our competitors are larger and may have greater financial and other resources than we do, and our competitors may adopt more aggressive sales policies and devote greater resources to the development, promotion and sale of their products than we do, all of which could result in a loss of customers and adversely affect our results of operations. We compete against both large international and national rivals, as well as many regional competitors. Increased competition in any of the markets in which we operate could result in substantial downward pressure on product pricing and our profit margins, thereby adversely affecting our financial results. We cannot provide assurance that we will be able to maintain or increase the current market share of our products successfully in the future. If we are unable to effectively manage risks associated with changing technology, product innovation and new product development, manufacturing techniques, distribution channels and business continuity, we may be at a competitive disadvantage. The successful implementation of our business strategy requires us to continuously evolve our existing products and introduce new products to meet customers' needs in the industries we serve. Our products are characterized by stringent performance and specification requirements that mandate a high degree of manufacturing and engineering expertise. If we fail to meet these requirements, our business and ability to compete effectively could suffer. We believe our customers rigorously evaluate their suppliers on a number of factors, including product quality, price competitiveness, technical and manufacturing expertise, development and product design capability, new product innovation, reliability and timeliness of delivery, operational flexibility, customer service and overall management. Our ongoing success depends on our ability to continue to meet our customers' changing specifications with respect to these criteria. We cannot ensure that we will be able to address technological advances or introduce new products that may be necessary to remain competitive within our businesses. Further, such new products and technologies may create additional exposure or risk. We cannot ensure that we can adequately protect our own technological developments to produce a sustainable competitive advantage. Furthermore, we may be subject to business continuity risk in the event of an unexpected loss of a material facility or operation. We cannot ensure adequate insurance protection against such a loss. We may be unable to realize intended benefits from our ongoing Supply Chain Optimization and Footprint Repositioning initiatives, restructuring and divestiture efforts, and as a result our profitability ~~may be hurt~~ or our business otherwise might be adversely affected. To operate more efficiently, control costs and refine our business focus, we periodically undertake restructuring plans, which can include facility consolidations, product rationalizations, workforce reductions and other cost reduction initiatives. We also periodically choose to divest operations or product lines that we no longer believe are additive or complementary to our business or strategic direction. These plans are intended to reduce operating costs, to modify our footprint to reflect changes in the markets we serve, to reflect changes in business focus, to strengthen focus on our core business and / or to address overall manufacturing overcapacity, including as a result of acquisitions. If we do not successfully manage our current restructuring activities, or any other restructuring activities or divestitures that we may

undertake in the future, expected efficiencies, benefits and cost savings might be delayed or not realized, and our operations and business could be disrupted. In addition, as a result of such actions, we expect to incur restructuring expenses and other charges (including, for example, potential impairment charges related to fixed assets, goodwill and other intangibles), which may be material, and may exceed our estimates. Several factors could cause restructuring or divestiture activities to adversely affect our business, financial condition and results of operations. These include potential disruption of our operations, customer relationships and other aspects of our business. Employee morale and productivity could also suffer and may result in unwanted employee attrition. These activities require substantial management time and attention and may divert management from other important work or result in a failure to meet operational targets. Divestitures may also result in obligations to buyers or other parties that could have a financial effect after the transaction is completed. Moreover, we could make changes to, or experience delays in executing, any restructuring or divestiture plans, any of which could cause further disruption and additional unanticipated expense. An inability to effectively integrate acquisitions, mergers or other business combinations could adversely affect our business, financial condition, results of operations or cash flows. Additionally, dispositions or liabilities retained in connection with dispositions could negatively affect us. Acquisitions, mergers and other business combinations are part of our growth strategy, and we have completed several in the last few years. We also sell or divest businesses, products and technologies from time to time. We cannot ensure that we will be able to complete any future acquisition or divestiture, successfully integrate any acquired business or operations, or accomplish our strategic objectives as a result of any such acquisition or divestiture. Acquisitions are often undertaken to improve the operating results of either or both of the acquirer and the acquired company and we cannot ensure that we will be successful in this regard. We cannot provide any assurance that we will be able to fully realize the intended benefits from our acquisitions. Acquisitions involve risks, including the possible inability to integrate an acquired business into our operations, potential failure to realize anticipated benefits, diversion of management's attention, issues in customer transitions, potential inadequacies of indemnities and other contractual remedies and unanticipated problems, risks or liabilities, including environmental, some or all of which could have a material adverse effect on our business, financial condition, results of operations or cash flows. Refer to Risks Related to the Merger with Elkay section below for additional considerations. If dispositions are not completed in a timely manner, there may be a negative effect on our cash flows and / or our ability to execute our strategy. In addition, we may not realize some or all of the anticipated benefits of our dispositions. From time to time, we have sold or divested businesses, products and technologies. With respect to some of these former businesses, we may contractually agree to indemnify the counterparties against, or otherwise retain, certain liabilities, including, certain lawsuits, tax liabilities, product liability claims, and environmental matters. Even without ongoing contractual indemnification obligations, we could be exposed to liabilities arising out of the businesses for certain activities prior to the divestitures. In addition, certain of the counterparties to those divestitures and / or the divested businesses have agreed to indemnify us or assume certain liabilities relating to those divestitures. However, there can be no assurance that the indemnity or assumption of liability by the counterparties or divested businesses will be sufficient to protect us against the full amount of these liabilities, or that a counterparty or divested business will be able to fully satisfy its obligations. Third parties also could seek to hold us responsible for any of the liabilities that a counterparty or divested business agreed to assume. Even if we ultimately succeed in recovering any amounts for which we were initially held liable, we may be temporarily required to bear these losses ourselves. The loss or financial instability of any significant customer or customers accounting for our backlog could adversely affect **our business, financial condition, results of operations or cash flows**. A substantial part of our business is concentrated with a few customers, and we have certain customers that are significant to our business. During the year ended December 31, ~~2023~~ **2024**, our top five customers accounted for approximately 39 % of our consolidated net sales, with one customer accounting for ~~20-19~~ % of consolidated net sales. The loss of one or more of these customers or other major customers, or a deterioration in our relationship with any of them could have a material adverse effect on our business, financial condition, results of operations or cash flows. Our contracted backlog is comprised of future orders for our products from a broad number of customers. Defaults by any of the customers that have placed significant orders with us, whether because of bankruptcy, illiquidity, operational problems or otherwise, could have a significant adverse effect on our net sales, profitability and cash flow. As of December 31, ~~2023~~ **2024**, all of our backlog was scheduled to ship during the year ending December 31, ~~2024~~ **2025**. We rely on independent distributors and independent sales representatives. Termination of one or more of our relationships with any of our key independent distributors and / or a substantial number of independent representatives could have a material adverse effect on our business, financial condition, results of operations or cash flows. We depend on 1, ~~055~~ **100** independent sales representatives and approximately ~~70-65~~ third- party warehouses to distribute our products. In fiscal ~~2023~~ **2024**, our three largest independent distributors generated approximately 33 % of our consolidated net sales with the largest accounting for ~~20-19~~ % of consolidated net sales. The loss of one of our key distributors or of a substantial number of our other distributors or independent sales representatives, or an increase in the distributors' sales of competitors' products to our customers could have a material adverse effect on our business, financial condition, results of operations or cash flows. The inability to adequately protect intellectual property, or defend against infringement claims brought against us, could adversely affect our business. We attempt to protect our intellectual property through a combination of patent, trademark, copyright and trade secret protection, as well as third- party nondisclosure and assignment agreements. We cannot assure that any of our applications for protection of our intellectual property rights will be approved and successfully maintained or that our competitors will not infringe or successfully challenge our intellectual property rights. We also rely on unpatented proprietary technology and trade secrets. It is possible that others will independently develop the same or similar technology or otherwise obtain access to our unpatented technology. To protect our trade secrets and other proprietary information, we require employees, consultants and advisors to enter into confidentiality agreements. We cannot assure that these agreements will provide meaningful protection for our trade secrets, know- how or other proprietary information in the event of any unauthorized use, misappropriation or disclosure. If we are unable to maintain the proprietary nature of our technologies, our

ability to sustain margins on some or all of our products may be affected, which could have a material adverse effect on our business. In addition, in the ordinary course of our operations, we periodically seek to enforce our intellectual property rights through litigation or are subject to third party litigation claiming infringement, including in respect of some of our more profitable products. An adverse ruling or other unfavorable outcome in any such litigation could have a material adverse effect on our business, reputation, financial condition, results of operations or cash flows. Operational Risks Increases in the cost, and / or the availability, of raw materials, including as a result of tariffs or other trade protection measures, could adversely affect our business, financial condition, results of operations or cash flows. Our manufacturing processes depend on third parties for raw materials, in particular ~~bar~~ **bronze, iron, brass, stainless steel, brass carbon steel, castings zinc, and copper, forgings, high-performance engineered plastic plastics, plate steel, resin, sheet steel and zinc, as well as petroleum and other carbon-based fuel products. While we strive to maintain alternative sources for most raw materials, our business is subject to the risk of price fluctuations, including as a result of, or in reaction to, tariffs, import duties, or other trade protection measures instituted by the U. S. or other countries, inefficiencies in the event of a need to change our suppliers, and delays in the delivery of and potential unavailability of our raw materials. Also, trade wars or outbreaks of infectious diseases, could impact the cost or availability of goods or materials, both imported and domestic, or adversely affect demand for our products. Any such price fluctuations or delays, if material, could harm our profitability or operations. In addition, the loss of a substantial number of suppliers could result in material cost increases or reduce our production capacity. In addition to suppliers, we also rely on third party shippers to assist in transportation of our product throughout the supply chain. Reduced availability of transportation and the associated cost increases could adversely impact our profitability or operations. We do not typically enter into hedge transactions to reduce our exposure to purchase price risks and cannot ensure that we would be successful in recouping any increases if these risks were to materialize. In addition, if we are unable to continue to purchase our required quantities of raw materials on commercially reasonable terms, or at all, or if we are unable to maintain or enter into new purchase contracts for our larger commodities, our business operations could be disrupted and our profitability could be adversely impacted. The ongoing updates to our Enterprise Resource Planning (" ERP") systems, as well as failures of our data security and information technology infrastructure ~~or~~, **cybersecurity breaches or misuse of artificial intelligence tools**, could cause substantial business interruptions and adversely affect our business. ~~We Utilizing a phased approach, we~~ continue to update our ERP systems across our Zurn Elkay operations. If these updates are ineffective, we could incur substantial business interruptions, including the inability to perform routine business transactions, which could have a material adverse effect on our financial performance. Further, these updates may not result in the benefits we intend or be timely implemented. In addition, we depend heavily on information technology infrastructure to manage our business objectives and operations, support our customers' requirements and protect sensitive information. In the regular course of our business, we also handle a range of sensitive security and customer information. We are subject to laws and rules issued by different agencies concerning safeguarding and maintaining the confidentiality of this information. There have been significant and increasing instances of data and security breaches, malicious interference with technology systems and industrial espionage involving companies in numerous industries, including cloud providers, and cybersecurity threats are becoming more complex. Like other companies, we have experienced, and will continue to experience, these types of threats; however, to date, we have not experienced a material threat or incident. In addition, at times a large percentage of our workforce may be working remotely ~~in response to outbreaks of infectious disease~~, which may heighten these risks. While we have taken steps to maintain and enhance our cybersecurity by implementing additional security technologies, internal controls, network and data center resiliency, redundancy and disaster recovery processes and backup systems, upgrading our remote work environment and by obtaining insurance coverage, these measures may be inadequate and our technology systems could be vulnerable to disability, failures or unauthorized access. **Furthermore, continued geopolitical turmoil, including the Russia- Ukraine conflict, has heightened the risk of cyberattacks. As discussed further below, the rapid evolution and increased adoption of artificial intelligence and machine learning technologies may intensify our cybersecurity risks.** As a result, any inability by us to successfully manage our information systems, or respond effectively to any attack on or interference with our systems, including matters related to system and data security, privacy, reliability, compliance, performance and access, problems related to our systems caused by natural disasters, security breaches or malicious attacks, **misuse of artificial intelligence tools**, and any inability of these systems to fulfill their intended business purpose, could impede our ability to record or process orders, manufacture and ship in a timely manner, account for and collect receivables, protect sensitive data of the Company, our customers, our employees, our suppliers and other business partners, comply with our third party obligations of confidentiality and care, or otherwise carry on business in the normal course. Any such events could require costly remediation beyond levels covered by insurance and could cause us to lose customers and / or revenue, including as a result of legal or regulatory claims or proceedings, or damage our reputation, any of which could have a material adverse effect on our business and operating results. We are also subject to an increasing number of evolving data privacy and security laws and regulations that impose requirements on us. We collect, store, access and otherwise process various types of confidential or sensitive data, including proprietary business information, personal data and other information that is subject to privacy and security laws, regulations and / or customer- imposed controls. Failure to comply with such laws and regulations could result in the imposition of fines, penalties and other costs. Our inability to attract and retain key personnel, as well as challenges with respect to the management of human capital resources, in a highly competitive industry may adversely affect our business. Our ongoing success depends on our ability to recruit, retain and develop highly skilled management and key personnel, as well as our ability to effectively manage human capital resources. Competition for talented and skilled individuals in our industry is intense and we may not be able to successfully recruit, train or retain qualified personnel, or to effectively implement successions for existing personnel. If we fail to retain and recruit the necessary personnel or arrange for successors to key personnel, our business could materially suffer. Increased frequency of weather events could disrupt construction activity and adversely affect the demand for our products. Demand for our products is primarily driven by**

**institutional and** commercial construction activity, remodeling and retrofit opportunities, and to a lesser extent, new home starts. Weather is an important variable affecting financial performance as it significantly impacts construction activity. Adverse weather conditions, such as prolonged periods of cold or rain, blizzards, hurricanes and other severe weather patterns, the frequency of which might be affected by climate change, could delay or halt construction and remodeling activity, which could have a negative effect on our business. For example, an unusually severe or prolonged winter can lead to reduced or delayed construction activity which could magnify the seasonal decline in our net sales and earnings during the winter months and hamper the typical seasonal increase in net sales and earnings during the spring months. The long- term effect of climate change could decrease demand for certain of our products. Climate change may impact rainfall and water availability in many areas in unpredictable and different ways, which may change the way building owners and municipalities manage drinking, waste and storm water and may lead to new or modified regulations that may impact the market for our products. In certain areas, these changes could lead to a reduction in demand for certain of our products, although it also could increase demand for other of our products. The overall effect of this could be to reduce our sales and addressable market and / or alter our product sales mix in ways that reduce our margins, either of which could adversely impact our results of operations. The physical impacts of climate change may materially adversely affect our business and financial condition. The physical impacts of climate change on our operations are highly uncertain and could differ amongst the geographic regions of relevant markets and areas of operation. These may include changes in rainfall and storm patterns and intensities, water shortages, changing sea levels and changing temperatures. The impacts of climate change may materially and adversely affect the cost, production and financial performance of our operations. Further, any impacts to our business and financial condition as a result of climate change are likely to occur over an extended period of time and are therefore difficult to quantify with any degree of specificity. For example, extreme weather events may result in adverse physical effects on portions of our infrastructure, which could disrupt our supply chain and ultimately our business operations. In addition, disruption of transportation and distribution systems could result in reduced operational efficiency and customer service interruption. Climate related events have the potential to disrupt our business, including the business of our suppliers, and may cause us to experience higher attrition, losses and additional costs to resume operations. Our business and operations, and the operations of our suppliers, business partners and customers, may be adversely affected by future outbreaks of infectious diseases. Future outbreaks of infectious diseases, ~~including further developments in the COVID pandemic,~~ may result in widespread or localized health crises that adversely affect general commercial activity and the economies and financial markets of the countries and localities in which we operate, sell, and purchases goods and services. Any outbreak of infectious disease poses the risk that we or our employees, contractors, suppliers, customers, transportation providers, and other business partners may be prevented or impaired from conducting ordinary course business activities for an indefinite period of time, either at specific branches or on a broader scale, including due to shutdowns necessitated for the health and well- being of our employees, the employees of our business partners, or shutdowns that may be requested or mandated by governmental authorities. In addition, our suppliers, business partners and customers may also experience similar negative impacts from an outbreak of infectious disease. Global supply chains may be disrupted, causing shortages, which could impact our ability to manufacture or supply our products. Also, we could in the future experience increased compensation expenses associated with employee recruiting and employee retention to the extent employment opportunities multiply post- pandemic, causing the search for and retention of talent to become more competitive. This disruption of our employees, distributors, suppliers and customers may impact our sales and future operating results. The unpredictable ebbing and flowing of new infectious diseases worldwide may continue to adversely impact our business, operations, suppliers and customers for the foreseeable future. Equally unpredictable are the responses of national and local governments and health authorities in affected regions to reduce community spread and protect employees, which may include mandatory shutdowns or limitations on all or certain types of business operations. The ultimate impact of an infectious disease outbreak on our business depends on the severity, location and duration of outbreaks, and the actions of government and health officials in response to the outbreaks, none of which is predictable at this time.

**Artificial intelligence presents challenges that can impact our business by posing security risks to confidential or proprietary information and personal data. The use of artificial intelligence, combined with an uncertain regulatory environment, may result in reputational harm, liability, or other adverse consequences to our business operations. We may adopt and integrate artificial intelligence tools into our systems for specific use cases after review by our Legal and Information Security teams. Our vendors and third- party partners may incorporate artificial intelligence tools into their offerings with or without disclosing this use to us. The providers of these artificial intelligence tools may not meet existing or rapidly evolving regulatory or industry standards concerning privacy and data protection, which may result in a loss of intellectual property or confidential information and / or cause harm to our reputation and the public perception of the effectiveness of our security measures. Further, bad actors around the world use increasingly sophisticated methods, including the use of artificial intelligence, to engage in illegal activities involving the theft and misuse of personal information, confidential information and intellectual property. Any of these outcomes could damage our reputation, result in the loss of valuable property and information and adversely impact our business.**

**Financial Risks** Our debt levels could adversely affect our ability to raise additional capital to fund our operations, limit our ability to react to changes in the economy or our industry, inhibit us from making beneficial acquisitions, adversely impact our ability to implement our capital allocation strategy and prevent us from making debt service payments. In addition, changing or increasing interest rates, including the rates under our debt agreements, could adversely affect our business or financial condition. ~~Our As a leveraged company, our~~ ability to generate sufficient cash flow from operations to make scheduled payments on our debt will depend on a range of economic, competitive and business factors, many of which are outside our control. Our business may not generate sufficient cash flow from operations to meet our debt service and other obligations, and currently anticipated cost savings and operating improvements may not be realized on schedule, or at all. If we are unable to meet our expenses and debt service and other obligations, we may need to refinance all or a portion of our indebtedness on or

before maturity, sell assets or raise equity. We may not be able to refinance any of our indebtedness, sell assets or raise equity on commercially reasonable terms or at all, which could cause us to default on our obligations and impair our liquidity. Our inability to generate sufficient cash flow to satisfy our debt obligations or to refinance our obligations on commercially reasonable terms would have a material adverse effect on our business, financial condition, results of operations and cash flows. Our indebtedness could also have other important consequences with respect to our ability to manage and grow our business successfully, including the following: • it may limit our ability to borrow money for our working capital, capital expenditures, strategic initiatives, acquisitions or other purposes; • it may make it more difficult for us to satisfy our obligations with respect to our indebtedness, and any failure to comply with the obligations of any of our debt instruments, including restrictive covenants and borrowing conditions, could result in an event of default under our credit agreement and our other indebtedness; • a portion of our cash flow from operations will be dedicated to the repayment of our indebtedness and so will not be available for other purposes; • it may limit our flexibility in planning for, or reacting to, changes in our operations or business, or in taking advantage of strategic opportunities; • at times we may be more highly leveraged than some of our competitors, which may place us at a competitive disadvantage; • it may make us more vulnerable to downturns in our business or the economy; • it may restrict us from making strategic acquisitions or divestitures, introducing new technologies or exploiting business opportunities; and • along with the financial and other restrictive covenants in the documents governing our indebtedness, among other things, may limit our ability to borrow additional funds, make acquisitions or capital expenditures, acquire or dispose of assets or take certain of the actions mentioned above, or adversely impact our ability to implement our capital allocation strategy (which includes paying dividends on our common stock), any of which could restrict our operations and business plans. We recently amended our credit facilities to switch from eurodollar loans based on LIBOR to term Secured Overnight Financing Rate (“SOFR”) loans. SOFR is a relatively new reference rate, and its composition and characteristics are not the same as LIBOR. It is not possible to predict what effect the change to SOFR may have on our interest rates. As indicated above, SOFR is a relatively new reference rate. Any failure of SOFR to gain market acceptance could cause it the SOFR to be modified or discontinued. Our current credit facilities provide a mechanism for determining an alternative rate of interest upon the occurrence of certain events related to the discontinuance of SOFR. The change to SOFR or transition to other alternative rates, whether in connection with borrowings under the current credit facilities, or borrowings under replacement facilities or lines of credit, could expose our future borrowings to less favorable rates. If the change to SOFR, or other alternative rates, results in increased alternative interest rates or if our lenders have increased costs due to such phase out or changes, then our debt that uses benchmark rates could be affected and, in turn, our cash flows and interest expense could be adversely impacted. Also, in spite of the limitations in our credit agreement, we may still incur significantly more debt, which could intensify the risks described above on our business, results and financial condition. For more information about our indebtedness, see Item 8, Note 11, Long-Term Debt. The agreements governing our financing arrangements impose certain operating and financial restrictions, which could have a material adverse effect on our business, financial condition, results of operations or cash flows. Our credit agreement contains various covenants that limit or prohibit our ability (subject to certain exceptions), among other things, to: • incur or guarantee additional indebtedness; • pay dividends on our common stock or redeem, repurchase, retire or make distributions in respect of our common stock or subordinated indebtedness or make other restricted payments; • make certain loans, acquisitions, capital expenditures or investments; • sell certain assets, including stock of our subsidiaries; • enter into sale and leaseback transactions; • create or incur liens; • consolidate, merge, sell, transfer or otherwise dispose of all or substantially all of our assets; and • enter into certain transactions with our affiliates. These agreements contain covenants that restrict our ability to take certain actions, such as incurring additional debt, if we are unable to meet defined specified financial ratios, which could result in limiting our long-term growth prospects by hindering our ability to incur future indebtedness or grow through acquisitions. Failure to comply with certain covenants in these agreements could result in a default. For more information, see Item 7, Management’s Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources. The restrictions contained in the credit agreement could: • limit our ability to plan for or react to market conditions or meet capital needs or otherwise restrict our activities or business plans; • restrict our ability to repurchase shares of our common stock and / or adversely impact our ability to implement capital allocation strategy; • adversely affect our ability to finance our operations, to enter into strategic acquisitions, to fund investments or other capital needs or to engage in other business activities that would be in our interest; and • limit our access to the cash generated by our subsidiaries. Upon the occurrence of an event of default under the credit agreement, the lenders could elect to declare all amounts outstanding under the senior secured credit facilities to be immediately due and payable and terminate all commitments to extend further credit. If we were unable to repay those amounts, the lenders under the senior secured credit facilities could proceed against the collateral granted to them to secure the senior secured credit facilities on a first-priority lien basis. If the lenders under the senior secured credit facilities accelerate the repayment of borrowings, such acceleration could have a material adverse effect on our business, financial condition, results of operations or cash flows. For a more detailed description of the limitations on our ability to incur additional indebtedness, see Item 7, Management’s Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources. Our goodwill and intangible assets are valued at an amount that is high relative to our total assets and in excess of our stockholders’ equity. As of December 31, 2023-2024, our goodwill and intangible assets totaled \$ 796-794 . 02 million and \$ 952-891 . 46 million, respectively, and represent a substantial portion of our assets. These assets result from our acquisitions, representing the excess of cost over the fair value of the tangible net assets we have acquired. We assess at least annually whether there has been impairment in the value of our goodwill and indefinite-lived intangible assets. Significant negative industry or economic trends, disruptions to our business, inability to effectively integrate acquired businesses, unexpected significant changes or planned changes to the use of our assets, changes in the structure of our business, divestitures, market capitalization declines, or increases in associated discount rates may impair our goodwill and other intangible assets. Any determination requiring the impairment of goodwill or intangible assets would negatively affect our results of operations,

particularly in the period in which we record any related charges, and financial condition. Our required cash contributions to our pension plans may increase further and we could experience a material change in the funded status of our defined benefit pension plans and the amount recorded in our consolidated balance sheets related to those plans. Additionally, our pension costs could increase in future years. The funded status of the defined benefit pension plans depends on such factors as asset returns, market interest rates, legislative changes and funding regulations. If the returns on the assets of any of our plans were to decline in future periods, if market interest rates were to decline, if the Pension Benefit Guaranty Corporation (" PBGC") were to require additional contributions to any such plans as a result of acquisitions or if other actuarial assumptions were to be modified, our future required cash contributions and pension costs to such plans could increase. Any such increases could have a material and adverse effect on our business, financial condition, results of operations or cash flows. The need to make contributions, which may be substantial, to such plans may reduce the cash available to meet our other obligations, including our obligations under our borrowing arrangements or to meet the needs of our business. In addition, the PBGC may terminate our U. S. defined benefit pension plans under limited circumstances, including in the event the PBGC concludes that the risk may increase unreasonably if such plans continue. In the event one of our U. S. defined benefit pension plans is terminated for any reason while it is underfunded, we could be required to make an immediate payment to the PBGC of all or a substantial portion of such plan's underfunding, as calculated by the PBGC based on its own assumptions (which might result in a larger obligation than that based on the assumptions we have used to fund such plan), and the PBGC could place a lien on material amounts of our assets.

**Legal and Compliance Risks** Our failure to comply with government regulations and requirements, third- party certification requirements and policies and standards driven by our customers or other constituencies, including those related to social responsibility, could adversely affect our reputation, business and results of operations. In addition to complying with laws and applicable government regulations and requirements, prevailing industry standards, competitive pressures and / or our customers may require us to comply with further quality, social responsibility, climate- related or other business policies or standards, before customers and prospective customers commence, or continue, doing business with us. These expectations, policies and standards may be more restrictive than current laws and regulations as well as our own pre- existing policies; they may be customer- driven, established by the industry sectors in which we operate or imposed by third- party organizations or other constituencies. Our compliance with these policies, standards and third party certification requirements could be costly and could in some cases require us to change the way in which we operate. In addition, if we fail to comply, or if our compliance increases our costs and / or restricts our ability to do business as compared to our competitors that do not adhere to such standards, we could experience an adverse effect on our customer relationships, reputation, operations, cost structure and / or profitability. Regulatory and legislative developments related to climate change, may materially adversely affect our business and financial condition. Numerous governmental bodies have introduced or are contemplating legislative and regulatory changes in response to various climate change interest groups and the impact of climate change. Legislation and increased regulation relating to climate change and the transition to a low carbon economy could impose significant costs on us and our suppliers, including costs related to increased energy requirements, capital equipment, environmental monitoring and reporting, and other costs to comply with such regulations. Any future climate change related regulations could also negatively impact our ability to compete with companies situated in areas not subject to such requirements. Given the political significance and uncertainty around the impact of climate change and how it should be addressed, we cannot predict how legislation and regulation will affect our financial condition, operating performance and ability to compete. Furthermore, even without such regulation, increased awareness and any adverse publicity in the global marketplace about impacts on climate change by us could harm our reputation. Any of the foregoing could result in a material adverse effect on our business and financial condition. We are subject to changes in legislative, regulatory and legal developments involving taxes. We are subject to U. S. federal and state, and foreign, income, payroll, property, sales and use, value- added, fuel and other types of taxes. Changes in tax rates, enactment of new tax laws, revisions of tax regulations, and claims or litigation with taxing authorities may require significant judgment in determining the appropriate provision and related accruals for these taxes; and as a result, such changes could result in substantially higher taxes and, therefore, could have a significant adverse effect on our results or operations, financial conditions and liquidity. Moreover, in recent years, the Organization for Economic Co- operation and Development (" OECD ") and member countries have been focused on taxation issues relating to multi- national companies. In October 2021, more than 130 countries agreed to implement Pillar 2, a plan introduced by the OECD providing for a global minimum tax rate of 15 % (calculated on a country- by- country basis) for those companies having consolidated revenue of at least € 750 million; with any shortfall of the 15 % minimum tax resulting in a related tax assessment (" Top- Up Tax"). The implementation of the Pillar 2 global minimum tax rules ~~is intended~~ **has begun** to apply for tax years beginning in 2024. The main purpose of such rules is to minimize tax base erosion and profit shifting from higher tax jurisdictions to lower tax jurisdictions by multi- national companies. On February 2, 2023, the OECD issued various administrative guidance including transitional safe harbor rules available in conjunction with the implementation of the Pillar 2 global minimum tax. Based upon the current OECD rules and administrative guidance, **as well as the related legislation of those countries which has been enacted to date,** the Company does not anticipate being subject to material Top- Up Taxes ~~as various tax jurisdictions begin enacting such legislation~~. The Company is continuing to monitor the potential impact of the Pillar 2 proposals and developments on our consolidated financial statements and related disclosures, including eligibility for any transitional safe harbor rules. We may incur significant costs for environmental compliance and / or to address liabilities under environmental laws and regulations, and our reputation may be adversely affected. Our operations and facilities worldwide are subject to extensive laws and regulations related to pollution and the protection of the environment, health and safety, including those governing, among other things, emissions to air, discharges to water, the generation, handling, storage, treatment and disposal of hazardous wastes and other materials, and the remediation of contaminated sites. A failure by us to comply with applicable requirements or the permits required for our operations could result in civil or criminal fines, penalties, enforcement actions, third- party claims for property damage and personal injury,

requirements to clean up property or to pay for the costs of cleanup or regulatory or judicial orders enjoining or curtailing operations or requiring corrective measures, including the installation of pollution control equipment or remedial actions, as well as cause damage to our reputation. Some environmental laws and regulations impose requirements to investigate and remediate contamination on present and former owners and operators of facilities and sites, and on potentially responsible parties ("PRPs") for sites to which such parties may have sent waste for disposal. Such liability can be imposed without regard to fault and, under certain circumstances, may be joint and several, resulting in one PRP being held responsible for the entire obligation. Liability may also include damages to natural resources. On occasion we are involved in such investigations and / or cleanup, and also have been or could be named as a PRP in environmental matters. The discovery of additional contamination, including at acquired facilities, the imposition of more stringent environmental, health and safety laws and regulations, including cleanup requirements, disputes with our insurers or the insolvency of other responsible parties could require us to incur significant capital expenditures or operating costs materially in excess of our accruals. Future investigations we undertake may lead to discoveries of contamination that must be remediated, and decisions to close facilities may trigger remediation requirements that are not currently applicable. We may also face liability for alleged personal injury or property damage due to exposure to hazardous substances used or disposed of by us, contained within our current or former products, or present in the soil or groundwater at our current or former facilities. We could incur significant costs in connection with such liabilities. See Item 8, Note 17, Commitments and Contingencies for additional information. Certain subsidiaries are subject to litigation, including product liability and other claims, which could adversely affect our business, reputation, financial condition, results of operations or cash flows. We may be subject to product liability and other claims if the use of our products, or the exposure to our products or their raw materials, is alleged to have resulted in injury or other adverse effects. We currently maintain product liability insurance coverage but we cannot assure that we will be able to obtain such insurance on commercially reasonable terms in the future, if at all, or that any such insurance will provide adequate coverage against claims. Litigation and product liability claims can be expensive to defend and can divert the attention of management and other personnel for long periods of time, regardless of the ultimate outcome. In addition, our business depends on the strong brand reputation we have developed; if this reputation is damaged as a result of litigation or product liability claims, it may be difficult to maintain our pricing positions and market share with respect to our products. Therefore, an unsuccessful litigation matter or product liability defense could have a material adverse effect on our business, financial condition, results of operations or cash flows. See Item 8, Note 17, Commitments and Contingencies for additional details.

**Our inability to achieve our sustainability strategy goals and targets could adversely impact our business, financial condition, results of operations or cash flows. Achieving our sustainability strategy goals and targets included in our annual Sustainability Report may be impacted by factors such as availability of resources, technological advances, legislative and regulatory changes, and customer or supplier requirements, many of which are not in our control. We are committed to meeting these goals and targets, however, the inability to do so could adversely impact our business or financial condition. Also, changing standards for measuring and reporting on applicable sustainability metrics could result in increased costs and adversely impact our results of operations or cash flows. Additionally, if our sustainability strategy and initiatives are misaligned with evolving stakeholder expectations, it could negatively impact our reputation.**

Risks Related to the Spin- Off Transaction If the Spin- Off Transaction does not qualify as a tax- free reorganization and distribution for purposes of U. S. federal income taxes, we may be subject to substantial additional taxes. In connection with the Spin- Off Transaction, we obtained a tax opinion and a private letter ruling from the IRS (" IRS Ruling ") as to certain aspects relevant to treatment of the various steps of the transaction as tax- free to us and our shareholders for U. S. federal income tax purposes. The tax opinion and IRS Ruling are based on certain factual representations and assumptions and covenants of the parties to the transaction. If any of the factual representations and assumptions are materially false or incorrect, or one or more of the relevant covenants are breached, the validity of the tax opinion and IRS Ruling could be impaired. Furthermore, a tax opinion only represents counsel' s best legal judgment, and is not binding on the IRS or the courts, which may disagree with the opinion. If the IRS determines that some or all of the transactions comprising the Spin- Off Transaction are taxable to us, we and our shareholders at the time of the transaction could be subject to significant additional U. S federal and state income taxes. In certain circumstances, we would be entitled to indemnity from Regal Rexnord Corporation for all or a portion of such additional tax, but there is no assurance that Regal Rexnord Corporation would have the ability to satisfy any such indemnity obligation. **As a result of the Spin- Off Transaction, we are subject to certain limitations on Company actions for two years, including certain business combinations, that might otherwise be advantageous. Under relevant agreements governing the Spin- Off Transaction, we are prohibited from taking certain actions during the two- year period following the closing that could cause aspects of the Spin- Off Transaction to fail to qualify for their intended tax treatment. If we breach or are deemed to have breached these restrictions, the tax- free treatment of some or all of the Spin- Off Transaction could be impaired, and we could be subject to substantial additional U. S. federal and state income taxes. These restrictions might interfere with our current business and prevent us from taking advantage of opportunities that might be advantageous.** We recorded substantial goodwill and other intangible assets as a result of the Merger that could become impaired and result in material non- cash charges to our results of operations in the future. We account for the Merger as an acquisition of a business in accordance with GAAP. Under the acquisition method of accounting, the assets and liabilities of Elkay and its subsidiaries have been recorded, as of the completion of the Merger, at their respective fair values. Our reported financial condition and results of operations for periods after completion of the Merger reflect Elkay' s balances and results but have not been restated retroactively to reflect the historical financial position or results of operations of Elkay and its subsidiaries for periods prior to the Merger. Under the acquisition method of accounting, the total purchase price was allocated to Elkay' s tangible assets and liabilities and identifiable intangible assets based on their fair values as of the date of completion of the Merger. The excess of the purchase price over those fair values was recorded as goodwill. To the extent the value of goodwill or intangibles becomes impaired in the future, we may be required to incur material non- cash charges relating to such impairment. Our operating results

may be significantly impacted from both the impairment and the underlying trends in the business that triggered the impairment. ~~We may be unable to successfully integrate Elkay's business into our business or achieve the anticipated benefits of the Merger. The success of the Merger depends, in part, on our ability to realize the anticipated benefits and cost savings from adding Elkay's businesses, and we cannot assure successful integration or realization of the anticipated benefits of the Merger. Potential difficulties that may be encountered as we continue the integration process which may result in Zurn Elkay performing differently than expected include, among others: • the inability to successfully integrate Elkay in a manner that permits the achievement of full revenue, expected cash flows and cost savings anticipated from the Merger; • not realizing anticipated synergies; • integrating personnel from Elkay and the loss of key employees; • potential unknown liabilities and unforeseen expenses; • integrating relationships with customers, vendors and business partners; • performance shortfalls as a result of the diversion of management's attention caused by completing the Merger and integrating Elkay's operations; and • the disruption of, or the loss of momentum in, our ongoing business or inconsistencies in standards, controls, procedures and policies.~~ Our results may suffer if we do not effectively manage our expanded operations following the Merger. Following the Merger, the size of our business has increased significantly. Our future success will depend, in part, on our ability to **continue to** manage this expanded business, resulting in risks and uncertainties, including the need to efficiently and timely integrate the operations and business of Elkay, to combine systems and management controls, and to integrate relationships with customers, vendors and business partners. Sales of substantial amounts of the Zurn Elkay Common Stock in the open market by the former Elkay stockholders could depress the trading price of our common stock. The former Elkay stockholders may wish to dispose of some or all of the Zurn Elkay Common Stock that they received in the Merger. These sales may adversely affect the trading price of our Common Stock. ~~Certain of these stockholders, who received Zurn Elkay shares in the Merger aggregating approximately 23% of our outstanding common stock as of December 31, 2023, agreed not to sell or transfer their shares, subject to certain exceptions, prior to December 31, 2023. Certain~~ former stockholders of Elkay have registration rights, the exercise of which could adversely affect the market price of our Common Stock. In connection with the Merger, the Company and certain stockholders of Elkay entered into a Registration Rights Agreement, pursuant to which such stockholders have a right to demand registration of one public offering within the first three years after the closing of the Merger, subject to certain minimum and maximum thresholds and other customary conditions. The existence and potential or actual exercise of such rights could adversely impact the market price of our Common Stock.