

## 2023 Chairperson's Letter

Fellow Shareholders,

Predicting end-user demand in our markets is always a challenge, but 2023 proved more difficult than most years as geopolitics became increasingly uncertain, the U.S. dollar continued to strengthen, housing markets slowed, and varying weather patterns affected demand. In our largest end market, the United States, new housing starts declined over 25%, existing home sales were the lowest in thirty years and interest rates climbed beyond expectations. We worked diligently in the first half of the year to catch up to customer demand, then experienced de-stocking pressure across the entire supply chain as lead times shortened and interest rates rose. Later in 2023, customers regained confidence that we could deliver on a level similar to our performance before the pandemic. Against this backdrop, Franklin employees across the globe managed these challenges and executed on our strategic initiatives, contributing to yet another year of record performance.



Franklin Electric has an established track record of anticipating and successfully navigating changing industry dynamics to execute our strategy - growing as a global provider of water and fuel systems through geographic expansion and product line extensions, leveraging our global platform and competency in system design. In 2004, we leveraged our leadership position in submersible motors and controls by forward integrating into groundwater pumping systems. We've expanded our position in that market and capitalized on this strategic vision by building a global manufacturing and distribution platform while expanding our product lines to include pumps for other residential, commercial, agricultural, municipal, and mining applications through organic growth and acquisitions, as well as establishing ourselves as an emerging leader in the water treatment systems industry. With the same mindset, in 2017, we forward integrated into the groundwater distribution channel in the United States, expanding to become the largest distributor in the market and a valued partner to our ultimate customer: the professional contractor.

Similarly, over the last twenty years, through a series of strategic acquisitions and customer-focused innovations, we grew from being the leading supplier of underground pumps for retail gas stations to providing the most complete underground pumping system and an industry leading service station management platform—the EVO fuel management system, which operates as the center of the fuel station ecosystem. We've since extended the capabilities of the EVO to monitor the status of devices inside the convenience store, such as coolers and food machinery, and outside the forecourt to include remotely monitoring the fluid levels in a car wash. The EVO is not our only device to monitor critical assets. At Franklin Grid Solutions, we design and manufacture intelligent monitoring systems that are used in utility substations, telecommunications systems, railways, and data centers and enable these end-users to enhance critical asset performance and minimize the risks and costs associated with downtime.

In response to the National Electric Vehicle Infrastructure initiative, we again saw an opportunity to capitalize on our engineering expertise and leadership position in these markets to develop our NexPhase™ EV switchgear and monitoring system, which is an all-in-one switchgear panel containing the entire infrastructure required between the utility service and Level 3 DC fast chargers. Unlike any switchgear of its kind, the NexPhase™ Smart EV Switchgear features cutting-edge grid intelligence for switchgear and EV charger remote monitoring and control.

Our commitment to continuous improvement has driven this series of innovative solutions, products and services that directly address the evolving demands of our customers. This customer-centric approach has not only fueled growth but has also strengthened the bond between our brand and our customers, fostering a sense of loyalty and trust that positions us for sustained success in a dynamically changing environment. Our fueling system customers understand that our products and systems provide unparalleled safety, quality and the lowest total cost of ownership.

In the execution of our Mission, Franklin Electric, and its Employees: Live Safety; Respect People; and Apply our Key Factors – Quality, Availability, Service, Innovation and Cost. We work towards Goal Zero – a commitment to strive for zero harm to employees and our environment. Our injury rate is below the average for our industry, and I am encouraged that it declined over 30% from 2022. While we work to achieve and maintain Goal Zero, we will continue our relentless focus on placing safety first in all that we do.

With a history of success and customer-focused innovation that established a firm foundation for growth, Franklin Electric consistently delivers value to our shareholders. In 2023, we delivered a record \$4.11 of EPS. Cash generation as measured by Free Cash Flow (FCF) was a record \$276 million, or 142% of net income and after tax Return on Invested Capital (ROIC) was over 17%. The primary use of this cash is to continue our strategic growth through accretive acquisition. Other uses of cash are reinvestment in our business to drive innovation through research and development, and capital investments that focus on expanding our operational capabilities. We also return a sizable portion of our cash to shareholders through dividends and the re-purchase of company stock, and we maintain a conservative leverage ratio, positioning us to pursue significant acquisitions when compelling strategic opportunities arise.

I want to thank our employees around the world for their commitment and service to our customers, colleagues, business partners and communities. I would also like to acknowledge our Board of Directors, who collectively provide a wealth of wisdom and experience, drive our performance through our goal-setting process, and support our long-term strategic objectives and direction.

We look forward to another successful year and sharing our achievements along the way.

Sincerely,



**Gregg C. Sengstack**

Chairperson of the Board and Chief Executive Officer  
Franklin Electric Co., Inc.