

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Quarterly Period Ended June 30, 2023

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission file number 001-38265



nVent Electric plc

(Exact name of Registrant as specified in its charter)

Ireland

98-1391970

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification number)

The Mille, 1000 Great West Road, 8th Floor (East), London, TW8 9DW, United Kingdom

(Address of principal executive offices)

Registrant's telephone number, including area code: 44-20-3966-0279

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading symbol	Name of each exchange on which registered
Ordinary Shares, nominal value \$0.01 per share	NVT	New York Stock Exchange

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐ Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

On June 30, 2023, 165,774,511 shares of Registrant's common stock were outstanding.

PART I FINANCIAL INFORMATION

ITEM 1.	<u>Financial Statements (unaudited)</u>	
	<u>Condensed Consolidated Statements of Income and Comprehensive Income</u>	<u>3</u>
	<u>Condensed Consolidated Balance Sheets</u>	<u>4</u>
	<u>Condensed Consolidated Statements of Cash Flows</u>	<u>5</u>
	<u>Condensed Consolidated Statements of Changes in Equity</u>	<u>6</u>
	<u>Notes to Condensed Consolidated Financial Statements</u>	<u>7</u>
ITEM 2.	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>22</u>
ITEM 3.	<u>Quantitative and Qualitative Disclosures about Market Risk</u>	<u>34</u>
ITEM 4.	<u>Controls and Procedures</u>	<u>34</u>

PART II OTHER INFORMATION

ITEM 1.	<u>Legal Proceedings</u>	<u>35</u>
ITEM 1A.	<u>Risk Factors</u>	<u>35</u>
ITEM 2.	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>36</u>
ITEM 5.	<u>Other Information</u>	<u>37</u>
ITEM 6.	<u>Exhibits</u>	<u>37</u>
	<u>Signatures</u>	<u>38</u>

PART I FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

nVent Electric plc Condensed Consolidated Statements of Income and Comprehensive Income (Unaudited)

	Three months ended		Six months ended	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
<i>In millions, except per-share data</i>				
Net sales	\$ 803.0	\$ 727.5	\$ 1,543.6	\$ 1,422.2
Cost of goods sold	471.1	459.7	908.5	907.1
Gross profit	331.9	267.8	635.1	515.1
Selling, general and administrative	167.7	148.5	330.1	290.5
Research and development	17.5	14.6	34.2	29.8
Operating income	146.7	104.7	270.8	194.8
Net interest expense	21.7	7.5	29.5	14.7
Gain on sale of investment	(10.2)	—	(10.2)	—
Other expense	1.1	1.2	2.3	1.8
Income before income taxes	134.1	96.0	249.2	178.3
Provision for income taxes	21.2	16.1	42.5	30.6
Net income	\$ 112.9	\$ 79.9	\$ 206.7	\$ 147.7
Comprehensive income, net of tax				
Net income	\$ 112.9	\$ 79.9	\$ 206.7	\$ 147.7
Changes in cumulative translation adjustment	(0.4)	(9.0)	3.8	(6.0)
Changes in market value of derivative financial instruments, net of tax	(4.3)	3.5	(4.9)	(0.2)
Comprehensive income	\$ 108.2	\$ 74.4	\$ 205.6	\$ 141.5
Earnings per ordinary share				
Basic	\$ 0.68	\$ 0.48	\$ 1.25	\$ 0.89
Diluted	\$ 0.67	\$ 0.48	\$ 1.23	\$ 0.88
Weighted average ordinary shares outstanding				
Basic	165.7	166.4	165.5	166.3
Diluted	168.0	168.2	167.9	168.2
Cash dividends paid per ordinary share	\$ 0.175	\$ 0.175	\$ 0.35	\$ 0.35

See accompanying notes to condensed consolidated financial statements.

nVent Electric plc
Condensed Consolidated Balance Sheets (Unaudited)

<i>In millions, except per-share data</i>	June 30, 2023	December 31, 2022
Assets		
Current assets		
Cash and cash equivalents	\$ 138.5	\$ 297.5
Accounts and notes receivable, net of allowances of \$15.1 and \$9.9, respectively	546.5	472.5
Inventories	475.3	346.7
Other current assets	135.8	112.5
Total current assets	1,296.1	1,229.2
Property, plant and equipment, net	378.1	289.2
Other assets		
Goodwill	2,543.3	2,178.1
Intangibles, net	1,547.5	1,066.1
Other non-current assets	157.1	139.6
Total other assets	4,247.9	3,383.8
Total assets	\$ 5,922.1	\$ 4,902.2
Liabilities and Equity		
Current liabilities		
Current maturities of long-term debt and short-term borrowings	\$ 30.0	\$ 15.0
Accounts payable	241.3	252.1
Employee compensation and benefits	99.1	109.3
Other current liabilities	250.2	273.1
Total current liabilities	620.6	649.5
Other liabilities		
Long-term debt	1,938.8	1,068.2
Pension and other post-retirement compensation and benefits	135.9	128.5
Deferred tax liabilities	205.2	199.6
Other non-current liabilities	145.9	124.7
Total liabilities	3,046.4	2,170.5
Equity		
Ordinary shares \$0.01 par value, 400.0 million authorized, 165.8 million and 165.3 million issued at June 30, 2023 and December 31, 2022, respectively	1.7	1.7
Additional paid-in capital	2,369.2	2,372.3
Retained earnings	605.5	457.3
Accumulated other comprehensive loss	(100.7)	(99.6)
Total equity	2,875.7	2,731.7
Total liabilities and equity	\$ 5,922.1	\$ 4,902.2

See accompanying notes to condensed consolidated financial statements.

nVent Electric plc
Condensed Consolidated Statements of Cash Flows (Unaudited)

<i>In millions</i>	Six months ended	
	June 30, 2023	June 30, 2022
Operating activities		
Net income	\$ 206.7	\$ 147.7
Adjustments to reconcile net income to net cash provided by (used for) operating activities		
Depreciation	23.0	21.6
Amortization	38.9	35.5
Deferred income taxes	(3.8)	(0.4)
Share-based compensation	11.4	11.9
Gain on sale of investment	(10.2)	—
Amortization of bridge financing debt issuance costs	3.6	—
Changes in assets and liabilities, net of effects of business acquisitions		
Accounts and notes receivable	7.7	(53.0)
Inventories	(18.5)	(61.1)
Other current assets	(16.6)	(34.3)
Accounts payable	(25.1)	28.6
Employee compensation and benefits	(19.5)	(21.4)
Other current liabilities	(45.2)	(12.2)
Other non-current assets and liabilities	(5.8)	1.0
Net cash provided by (used for) operating activities	146.6	63.9
Investing activities		
Capital expenditures	(32.3)	(20.8)
Proceeds from sale of property and equipment	0.2	2.0
Settlement of net investment hedge	3.1	—
Acquisitions, net of cash acquired	(1,091.8)	(8.6)
Net cash provided by (used for) investing activities	(1,120.8)	(27.4)
Financing activities		
Net receipts of revolving long-term debt	100.0	51.2
Proceeds from long-term debt	800.0	—
Repayments of long-term debt	(7.5)	(2.7)
Settlement of cash flow hedge	4.5	—
Debt issuance costs	(10.8)	—
Dividends paid	(58.5)	(58.4)
Shares issued to employees, net of shares withheld	(1.3)	(1.3)
Repurchases of ordinary shares	(15.2)	(8.5)
Net cash provided by (used for) financing activities	811.2	(19.7)
Effect of exchange rate changes on cash and cash equivalents	4.0	(10.5)
Change in cash and cash equivalents	(159.0)	6.3
Cash and cash equivalents, beginning of period	297.5	49.5
Cash and cash equivalents, end of period	\$ 138.5	\$ 55.8

See accompanying notes to condensed consolidated financial statements.

nVent Electric plc
Condensed Consolidated Statements of Changes in Equity (Unaudited)

<i>In millions</i>	Ordinary shares		Additional paid-in capital	Retained earnings	Accumulated other comprehensive loss	Total
	Number	Amount				
December 31, 2022	165.3	\$ 1.7	\$ 2,372.3	\$ 457.3	\$ (99.6)	\$ 2,731.7
Net income	—	—	—	93.8	—	93.8
Other comprehensive income (loss), net of tax	—	—	—	—	3.6	3.6
Dividends declared	—	—	—	(29.3)	—	(29.3)
Share repurchases	(0.3)	—	(13.2)	—	—	(13.2)
Exercise of options, net of shares tendered for payment	0.2	—	5.1	—	—	5.1
Issuance of restricted shares, net of cancellations	0.7	—	—	—	—	—
Shares surrendered by employees to pay taxes	(0.2)	—	(7.5)	—	—	(7.5)
Share-based compensation	—	—	5.7	—	—	5.7
March 31, 2023	165.7	\$ 1.7	\$ 2,362.4	\$ 521.8	\$ (96.0)	\$ 2,789.9
Net income	—	—	—	112.9	—	112.9
Other comprehensive income (loss), net of tax	—	—	—	—	(4.7)	(4.7)
Dividends declared	—	—	—	(29.2)	—	(29.2)
Exercise of options, net of shares tendered for payment	0.1	—	1.8	—	—	1.8
Issuance of restricted shares, net of cancellations	—	—	—	—	—	—
Shares surrendered by employees to pay taxes	—	—	(0.7)	—	—	(0.7)
Share-based compensation	—	—	5.7	—	—	5.7
June 30, 2023	165.8	\$ 1.7	\$ 2,369.2	\$ 605.5	\$ (100.7)	\$ 2,875.7

<i>In millions</i>	Ordinary shares		Additional paid-in capital	Retained earnings	Accumulated other comprehensive loss	Total
	Number	Amount				
December 31, 2021	166.1	\$ 1.7	\$ 2,403.1	\$ 174.5	\$ (83.2)	\$ 2,496.1
Net income	—	—	—	67.8	—	67.8
Other comprehensive income (loss), net of tax	—	—	—	—	(0.7)	(0.7)
Dividends declared	—	—	—	(29.0)	—	(29.0)
Share repurchases	(0.1)	—	(3.9)	—	—	(3.9)
Exercise of options, net of shares tendered for payment	—	—	1.4	—	—	1.4
Issuance of restricted shares, net of cancellations	0.4	—	—	—	—	—
Shares surrendered by employees to pay taxes	(0.1)	—	(4.4)	—	—	(4.4)
Share-based compensation	—	—	6.6	—	—	6.6
March 31, 2022	166.3	\$ 1.7	\$ 2,402.8	\$ 213.3	\$ (83.9)	\$ 2,533.9
Net income	—	—	—	79.9	—	79.9
Other comprehensive income (loss), net of tax	—	—	—	—	(5.5)	(5.5)
Dividends declared	—	—	—	(29.3)	—	(29.3)
Exercise of options, net of shares tendered for payment	0.1	—	2.0	—	—	2.0
Issuance of restricted shares, net of cancellations	0.1	—	—	—	—	—
Shares surrendered by employees to pay taxes	—	—	(0.3)	—	—	(0.3)
Share-based compensation	—	—	5.3	—	—	5.3
June 30, 2022	166.5	\$ 1.7	\$ 2,409.8	\$ 263.9	\$ (89.4)	\$ 2,586.0

See accompanying notes to condensed consolidated financial statements.

1. Basis of Presentation and Responsibility for Interim Financial Statements

Business

nVent Electric plc ("nVent," "we," "us," "our" or the "Company") is a leading global provider of electrical connection and protection solutions. The Company is comprised of three reporting segments: Enclosures, Electrical & Fastening Solutions and Thermal Management.

The Company was incorporated in Ireland on May 30, 2017. Although our jurisdiction of organization is Ireland, we manage our affairs so that we are centrally managed and controlled in the United Kingdom (the "U.K.") and have tax residency in the U.K.

Basis of presentation

The accompanying unaudited condensed consolidated financial statements of nVent have been prepared following the requirements of the Securities and Exchange Commission ("SEC") for interim reporting. As permitted under those rules, certain footnotes or other financial information that are normally required by accounting principles generally accepted in the United States of America ("GAAP") can be condensed or omitted.

We are responsible for the unaudited condensed consolidated financial statements included in this document. The financial statements include all normal recurring adjustments that are considered necessary for the fair presentation of our financial position and operating results. As these are condensed financial statements, one should also read our consolidated and combined financial statements and notes thereto, which are included in our Annual Report on Form 10-K for the year ended December 31, 2022.

Revenues, expenses, cash flows, assets and liabilities can and do vary during each quarter of the year. Therefore, the results and trends in these interim financial statements may not be indicative of those for a full year. We may experience changes in customer demand or constrained supply that could materially adversely impact our business, financial condition, results of operations and overall financial performance in future periods.

2. Revenue

Disaggregation of revenue

We disaggregate our revenue from contracts with customers by geographic location and vertical for each of our segments, as we believe these best depict how the nature, amount, timing and uncertainty of our revenue and cash flows are affected by economic factors.

Geographic net sales information, based on geographic destination of the sale, was as follows:

<i>In millions</i>	Three months ended June 30, 2023			
	Enclosures	Electrical & Fastening Solutions	Thermal Management	Total
U.S. and Canada	\$ 278.4	\$ 212.6	\$ 86.8	\$ 577.8
Developed Europe ⁽¹⁾	81.4	37.1	26.7	145.2
Developing ⁽²⁾	35.9	12.0	18.6	66.5
Other Developed ⁽³⁾	4.3	5.0	4.2	13.5
Total	\$ 400.0	\$ 266.7	\$ 136.3	\$ 803.0

<i>In millions</i>	Six months ended June 30, 2023			
	Enclosures	Electrical & Fastening Solutions	Thermal Management	Total
U.S. and Canada	\$ 545.9	\$ 365.5	\$ 176.1	\$ 1,087.5
Developed Europe ⁽¹⁾	165.3	74.1	56.8	296.2
Developing ⁽²⁾	71.2	23.1	38.2	132.5
Other Developed ⁽³⁾	8.6	9.7	9.1	27.4
Total	\$ 791.0	\$ 472.4	\$ 280.2	\$ 1,543.6

Three months ended June 30, 2022					
<i>In millions</i>	Enclosures	Electrical & Fastening Solutions	Thermal Management	Total	
U.S. and Canada	\$ 257.0	\$ 152.0	\$ 87.7	\$	496.7
Developed Europe ⁽¹⁾	81.1	33.7	30.7		145.5
Developing ⁽²⁾	38.2	9.9	23.5		71.6
Other Developed ⁽³⁾	4.5	5.3	3.9		13.7
Total	\$ 380.8	\$ 200.9	\$ 145.8	\$	727.5

Six months ended June 30, 2022					
<i>In millions</i>	Enclosures	Electrical & Fastening Solutions	Thermal Management	Total	
U.S. and Canada	\$ 497.3	\$ 289.9	\$ 174.9	\$	962.1
Developed Europe ⁽¹⁾	162.4	68.4	63.7		294.5
Developing ⁽²⁾	71.4	20.8	45.9		138.1
Other Developed ⁽³⁾	9.1	9.4	9.0		27.5
Total	\$ 740.2	\$ 388.5	\$ 293.5	\$	1,422.2

⁽¹⁾ Developed Europe includes Western Europe and Eastern Europe included in European Union.

⁽²⁾ Developing includes China, Eastern Europe not included in European Union, Latin America, Middle East and Southeast Asia.

⁽³⁾ Other Developed includes Australia and Japan.

Vertical net sales information was as follows:

Three months ended June 30, 2023					
<i>In millions</i>	Enclosures	Electrical & Fastening Solutions	Thermal Management	Total	
Industrial	\$ 222.6	\$ 30.1	\$ 62.5	\$	315.2
Commercial & Residential	58.7	140.2	43.6		242.5
Infrastructure	112.9	85.3	7.2		205.4
Energy	5.8	11.1	23.0		39.9
Total	\$ 400.0	\$ 266.7	\$ 136.3	\$	803.0

Six months ended June 30, 2023					
<i>In millions</i>	Enclosures	Electrical & Fastening Solutions	Thermal Management	Total	
Industrial	\$ 441.2	\$ 50.3	\$ 133.3	\$	624.8
Commercial & Residential	117.3	239.6	85.4		442.3
Infrastructure	219.8	163.0	12.8		395.6
Energy	12.7	19.5	48.7		80.9
Total	\$ 791.0	\$ 472.4	\$ 280.2	\$	1,543.6

<i>In millions</i>	Three months ended June 30, 2022			
	Enclosures	Electrical & Fastening Solutions	Thermal Management	Total
Industrial	\$ 209.8	\$ 19.7	\$ 68.8	\$ 298.3
Commercial & Residential	58.6	103.3	48.6	210.5
Infrastructure	105.4	69.8	5.8	181.0
Energy	7.0	8.1	22.6	37.7
Total	\$ 380.8	\$ 200.9	\$ 145.8	\$ 727.5

<i>In millions</i>	Six months ended June 30, 2022			
	Enclosures	Electrical & Fastening Solutions	Thermal Management	Total
Industrial	\$ 413.2	\$ 38.9	\$ 141.4	\$ 593.5
Commercial & Residential	112.7	199.1	95.2	407.0
Infrastructure	201.6	134.9	10.8	347.3
Energy	12.7	15.6	46.1	74.4
Total	\$ 740.2	\$ 388.5	\$ 293.5	\$ 1,422.2

In the fourth quarter of 2022, for purposes of how we assess performance, we determined that certain revenue was better aligned with the infrastructure and commercial & residential verticals, rather than the industrial and energy verticals, where it was previously reported. For comparability, we have reclassified revenue for the three and six months ended June 30, 2022 to conform to the new presentation. This reclassification of revenue by vertical had no impact on our consolidated financial results.

Contract balances

Contract assets and liabilities consisted of the following:

<i>In millions</i>	June 30, 2023	December 31, 2022	\$ Change	% Change
Contract assets	\$ 42.7	\$ 45.6	\$ (2.9)	(6.4%)
Contract liabilities	23.4	22.7	0.7	3.1%
Net contract assets	\$ 19.3	\$ 22.9	\$ (3.6)	(15.7%)

The \$3.6 million decrease in net contract assets from December 31, 2022 to June 30, 2023 was primarily the result of the timing of milestone payments. The majority of our contract liabilities at December 31, 2022 were recognized in revenue during the six months ended June 30, 2023. There were no material impairment losses recognized on our contract assets for the three and six months ended June 30, 2023 and 2022.

Remaining performance obligations

We have elected the practical expedient to disclose only the value of remaining performance obligations for contracts with an original expected length of one year or more. On June 30, 2023, we had \$30.3 million of remaining performance obligations on contracts with an original expected duration of one year or more. We expect to recognize the majority of our remaining performance obligations on these contracts within the next 12 to 18 months.

3. Restructuring

During the six months ended June 30, 2023 and the year ended December 31, 2022, we initiated and continued execution of certain business restructuring initiatives aimed at reducing our fixed cost structure and realigning our business.

nVent Electric plc
Notes to condensed consolidated financial statements (unaudited)

Restructuring related costs included in *Selling, general and administrative expense* in the Condensed Consolidated Statements of Income and Comprehensive Income included costs for severance and other restructuring costs as follows:

<i>In millions</i>	Three months ended		Six months ended	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Severance and related costs	\$ 2.1	\$ 1.7	\$ 3.3	\$ 3.7
Other	0.4	0.6	3.2	0.6
Total restructuring costs	\$ 2.5	\$ 2.3	\$ 6.5	\$ 4.3

Other restructuring costs primarily consist of asset impairment and various contract termination costs.

Restructuring costs by reportable segment were as follows:

<i>In millions</i>	Three months ended		Six months ended	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Enclosures	\$ —	\$ 2.1	\$ 0.6	\$ 2.3
Electrical & Fastening Solutions	0.6	—	0.8	—
Thermal Management	1.8	0.1	4.7	0.1
Other	0.1	0.1	0.4	1.9
Total	\$ 2.5	\$ 2.3	\$ 6.5	\$ 4.3

Activity related to accrued severance and related costs recorded in *Other current liabilities* in the Condensed Consolidated Balance Sheets is summarized as follows:

<i>In millions</i>	Six months ended	
	June 30, 2023	June 30, 2022
Beginning balance	\$ 2.4	\$ 2.4
Costs incurred	3.3	3.7
Cash payments and other	(2.7)	(3.8)
Ending balance	\$ 3.0	\$ 2.3

4. Earnings Per Share

Basic and diluted earnings per share were calculated as follows:

	Three months ended		Six months ended	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
<i>In millions, except per-share data</i>				
Net income	\$ 112.9	\$ 79.9	\$ 206.7	\$ 147.7
Weighted average ordinary shares outstanding				
Basic	165.7	166.4	165.5	166.3
Dilutive impact of stock options, restricted stock units and performance share units	2.3	1.8	2.4	1.9
Diluted	168.0	168.2	167.9	168.2
Earnings per ordinary share				
Basic earnings per ordinary share	\$ 0.68	\$ 0.48	\$ 1.25	\$ 0.89
Diluted earnings per ordinary share	\$ 0.67	\$ 0.48	\$ 1.23	\$ 0.88
Anti-dilutive stock options excluded from the calculation of diluted earnings per share	0.4	0.7	0.3	0.5

5. Acquisitions

On May 18, 2023, as part of our Electrical & Fastening Solutions reporting segment, we completed the acquisition of ECM Investors, LLC, the parent of ECM Industries, LLC ("ECM Industries"), for approximately \$1.1 billion in cash, subject to customary adjustments. ECM Industries is a leading provider of high-value electrical connectors, tools and test instruments and cable management. The purchase price was funded primarily through borrowings under the 2033 Notes and 2023 Term Loan Facility (as described in Note 9 below).

The purchase price has been preliminarily allocated based on the estimated fair value of assets acquired and liabilities assumed at the date of the ECM Industries acquisition. The preliminary purchase price allocation is subject to further refinement and may require significant adjustments to arrive at the final purchase price allocation. These changes will primarily relate to the fair value of trade names, tangible assets and impacts associated with income taxes. There can be no assurance that such finalization will not result in material changes from the preliminary purchase price allocation.

The following table summarizes our preliminary estimates of the fair values of the assets acquired and liabilities assumed in the ECM Industries acquisition:

<i>In millions</i>	
Cash	\$ 45.7
Accounts receivable	78.1
Inventories	107.8
Other current assets	4.9
Property, plant and equipment	81.1
Identifiable intangible assets	519.8
Goodwill	361.5
Other assets	16.6
Current liabilities	(51.5)
Other liabilities	(26.5)
Purchase price	\$ 1,137.5

The excess purchase price over tangible net assets and identified intangible assets acquired has been allocated to goodwill in the amount of \$361.5 million, substantially all of which is expected to be deductible for income tax purposes.

Identifiable intangible assets acquired included \$113.3 million of trade name intangible assets, a majority of which are indefinite-lived, \$377.9 million of definite-lived customer relationships with an estimated useful life of 20 years, and \$22.0 million of definite-lived proprietary technology intangible assets with an estimated useful life of 7 years. The fair values of trade names and proprietary technology acquired in the acquisition were determined using a relief-from-royalty method, and customer relationships acquired were determined using a multi-period excess earnings method. These methods utilize unobservable inputs that are significant to these fair value measurements and thus classified as Level 3 of the fair value hierarchy.

ECM Industries net sales and operating income for the period from the acquisition date to June 30, 2023 were \$49.7 million and \$3.8 million, respectively. ECM Industries operating income includes identifiable intangible asset amortization expense and expense related to the fair market value inventory step-up.

The following table presents unaudited pro forma financial information as if the ECM Industries acquisition had occurred on January 1, 2022:

<i>In millions, except per-share date</i>	Three months ended		Six months ended	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Pro forma net sales	\$ 852.9	\$ 837.1	\$ 1,700.1	\$ 1,629.9
Pro forma net income	129.3	71.6	225.7	115.1
Pro forma earnings per ordinary share				
Basic	\$ 0.78	\$ 0.43	\$ 1.36	\$ 0.69
Diluted	0.77	0.43	1.34	0.68

The unaudited pro forma results include adjustments for the amortization of acquired intangible assets, depreciation for the fair value adjustment to acquisition-date fixed assets and interest expense on debt issued to finance the acquisition, as well as the related income tax impact.

The unaudited pro forma results for the three and six months ended June 30, 2023 excludes the impact of \$14.4 million and \$16.9 million, respectively, of transaction-related charges, acquisition-related bridge financing costs and non-recurring expense related to the fair value inventory step-up. The three and six months ended June 30, 2022 was adjusted to include \$5.9 million and \$29.1 million, respectively, of transaction-related charges, acquisition-related bridge financing costs and non-recurring expense related to the fair market value inventory step-up.

The pro forma condensed consolidated financial information has been prepared for comparative purposes only and includes certain adjustments, as noted above. The adjustments are estimates based on currently available information and actual amounts may differ materially from these estimates. They do not reflect the effect of costs or synergies that would have been expected to result from the integration of the ECM Industries acquisition. The pro forma information does not purport to be indicative of the results of operations that actually would have resulted had the ECM Industries acquisition occurred on January 1, 2022.

On July 10, 2023, we acquired TEXA Industries for approximately \$38.5 million in cash, subject to customary purchase price adjustments. TEXA Industries is an Italian manufacturer of industrial cooling applications that we will market as part of the nVent HOFFMAN product line within our Enclosures segment.

6. Goodwill and Other Identifiable Intangible Assets

The changes in the carrying amount of goodwill by reportable segment were as follows:

<i>In millions</i>	December 31, 2022	Acquisitions/ divestitures	Foreign currency translation/other	June 30, 2023
Enclosures	\$ 414.4	\$ —	\$ 2.7	\$ 417.1
Electrical & Fastening Solutions	1,052.0	361.5	—	1,413.5
Thermal Management	711.7	—	1.0	712.7
Total goodwill	\$ 2,178.1	\$ 361.5	\$ 3.7	\$ 2,543.3

Identifiable intangible assets consisted of the following:

<i>In millions</i>	June 30, 2023			December 31, 2022		
	Cost	Accumulated amortization	Net	Cost	Accumulated amortization	Net
Definite-life intangibles						
Customer relationships	\$ 1,667.0	\$ (555.5)	\$ 1,111.5	\$ 1,287.6	\$ (519.1)	\$ 768.5
Proprietary technology and patents	61.2	(17.4)	43.8	39.7	(15.2)	24.5
Other finite-lived intangible assets	17.7	(0.8)	16.9	—	—	—
Total definite-life intangibles	1,745.9	(573.7)	1,172.2	1,327.3	(534.3)	793.0
Indefinite-life intangibles						
Trade names	375.3	—	375.3	273.1	—	273.1
Total intangibles	\$ 2,121.2	\$ (573.7)	\$ 1,547.5	\$ 1,600.4	\$ (534.3)	\$ 1,066.1

Identifiable intangible asset amortization expense was \$21.3 million and \$17.7 million for the three months ended June 30, 2023 and 2022, respectively, and \$38.9 million and \$35.5 million for the six months ended June 30, 2023 and 2022, respectively.

Estimated future amortization expense for identifiable intangible assets during the remainder of 2023 and the next five years is as follows:

<i>In millions</i>	Q3-Q4					
	2023	2024	2025	2026	2027	2028
Estimated amortization expense	\$ 50.0	\$ 95.3	\$ 92.8	\$ 92.8	\$ 92.8	\$ 88.6

7. Supplemental Balance Sheet Information

<i>In millions</i>	June 30, 2023	December 31, 2022
Inventories		
Raw materials and supplies	\$ 157.3	\$ 112.9
Work-in-process	46.3	36.2
Finished goods	271.7	197.6
Total inventories	\$ 475.3	\$ 346.7
Other current assets		
Contract assets	\$ 42.7	\$ 45.6
Prepaid expenses	59.3	44.9
Prepaid income taxes	16.1	4.1
Cross currency swap assets	—	14.5
Other current assets	17.7	3.4
Total other current assets	\$ 135.8	\$ 112.5
Property, plant and equipment, net		
Land and land improvements	\$ 44.8	\$ 38.6
Buildings and leasehold improvements	220.8	180.5
Machinery and equipment	563.4	500.4
Construction in progress	38.1	34.7
Total property, plant and equipment	867.1	754.2
Accumulated depreciation and amortization	489.0	465.0
Total property, plant and equipment, net	\$ 378.1	\$ 289.2
Other non-current assets		
Deferred compensation plan assets	\$ 17.9	\$ 16.7
Lease right-of-use assets	96.7	76.4
Deferred tax assets	17.1	16.3
Other non-current assets	25.4	30.2
Total other non-current assets	\$ 157.1	\$ 139.6
Other current liabilities		
Dividends payable	\$ 29.9	\$ 30.4
Accrued rebates	68.6	98.4
Contract liabilities	23.4	22.7
Accrued taxes payable	27.8	34.5
Accrued interest	11.9	6.5
Current lease liabilities	22.7	17.7
Other current liabilities	65.9	62.9
Total other current liabilities	\$ 250.2	\$ 273.1
Other non-current liabilities		
Income taxes payable	\$ 27.6	\$ 29.8
Deferred compensation plan liabilities	17.9	16.7
Non-current lease liabilities	79.1	63.7
Other non-current liabilities	21.3	14.5
Total other non-current liabilities	\$ 145.9	\$ 124.7

8. Derivatives and Financial Instruments

Derivative financial instruments

We are exposed to market risk related to changes in foreign currency exchange rates. To manage the volatility related to this exposure, we periodically enter into a variety of derivative financial instruments. Our objective is to reduce, where it is deemed appropriate to do so, fluctuations in earnings and cash flows associated with changes in foreign currency exchange rates. The derivative contracts contain credit risk to the extent that our bank counterparties may be unable to meet the terms of the agreements. The amount of such credit risk is generally limited to the unrealized gains, if any, in such contracts. Such risk is minimized by limiting those counterparties to major financial institutions of high credit quality.

Foreign currency contracts

We conduct business in various locations throughout the world and are subject to market risk due to changes in the value of foreign currencies. We manage our economic and transaction exposure to certain market-based risks through the use of derivative instruments. These derivative instruments primarily consist of forward foreign currency contracts used to mitigate foreign currency exposure for certain foreign currency assets and liabilities. Our objective in holding these derivatives is to reduce the volatility in net earnings and cash flows associated with changes in foreign currency rates. The majority of our foreign currency contracts have an original maturity date of less than one year. These foreign currency contracts are not designated as hedging instruments; accordingly, changes in the fair value are recorded in current period earnings.

At June 30, 2023 and December 31, 2022, we had outstanding foreign currency derivative contracts with gross notional U.S. dollar equivalent amounts of \$184.1 million and \$145.7 million, respectively. The impact of these contracts on the Condensed Consolidated Statements of Income and Comprehensive Income was not material for any period presented.

Cross currency swaps

At June 30, 2023 and December 31, 2022, we had outstanding cross currency swap agreements with a combined notional amount of \$259.6 million and \$345.1 million, respectively. The agreements are accounted for as either cash flow hedges, to hedge foreign currency fluctuations on certain intercompany debt, or as net investment hedges, to manage our exposure to fluctuations in the Euro-U.S. Dollar exchange rate. In the second quarter of 2023, a cash flow hedge instrument and a net investment hedge instrument each reached maturity, resulting in settlement amounts reflected as a component of financing and investing cash inflows in the amount of \$4.5 million and \$3.1 million, respectively. Upon maturity of the previous agreement, we entered into a new net investment hedge of certain Euro-denominated subsidiaries to manage exposure to fluctuations in the Euro-U.S. dollar exchange rate with a gross notional U.S. dollar equivalent amount of \$66.1 million. At June 30, 2023 and December 31, 2022, we had deferred foreign currency gains of \$6.0 million and \$18.9 million, respectively, in *Accumulated other comprehensive loss* associated with our cross currency swap activity.

Fair value of financial instruments

The following methods were used to estimate the fair values of each class of financial instrument:

- *short-term financial instruments (cash and cash equivalents, accounts and notes receivable, accounts and notes payable and variable-rate debt)* — recorded amount approximates fair value because of the short maturity period;
- *long-term fixed-rate debt, including current maturities* — fair value is based on market quotes available for issuance of debt with similar terms, which are inputs that are classified as Level 2 in the valuation hierarchy defined by the accounting guidance;
- *cross currency swap and foreign currency contract agreements* — fair values are determined through the use of models that consider various assumptions, including time value, yield curves, as well as other relevant economic measures, which are inputs that are classified as Level 2 in the valuation hierarchy defined by the accounting guidance; and
- *deferred compensation plan assets (mutual funds, common/collective trusts and cash equivalents for payment of certain non-qualified benefits for retired, terminated and active employees)* — fair value of mutual funds and cash equivalents are based on quoted market prices in active markets that are classified as Level 1 in the valuation hierarchy defined by the accounting guidance; fair value of common/collective trusts are valued at net asset value ("NAV"), which is based on the fair value of underlying securities owned by the fund divided by the number of shares outstanding.

nVent Electric plc
Notes to condensed consolidated financial statements (unaudited)

The recorded amounts and estimated fair values of total debt, excluding unamortized issuance costs and discounts, were as follows:

<i>In millions</i>	June 30, 2023		December 31, 2022	
	Recorded Amount	Fair Value	Recorded Amount	Fair Value
Variable rate debt	\$ 681.2	\$ 681.2	\$ 288.8	\$ 288.8
Fixed rate debt	1,300.0	1,204.7	800.0	717.7
Total debt	\$ 1,981.2	\$ 1,885.9	\$ 1,088.8	\$ 1,006.5

Financial assets and liabilities measured at fair value on a recurring basis were as follows:

Recurring fair value measurements		June 30, 2023				
<i>In millions</i>		Level 1	Level 2	Level 3	NAV	Total
Cross currency swap liabilities	\$	—	\$ (9.3)	\$ —	\$ —	\$ (9.3)
Cross currency swap assets		—	6.2	—	—	6.2
Foreign currency contract liabilities		—	(1.6)	—	—	(1.6)
Foreign currency contract assets		—	0.9	—	—	0.9
Deferred compensation plan assets		12.4	—	—	5.5	17.9
Total recurring fair value measurements	\$	12.4	\$ (3.8)	\$ —	\$ 5.5	\$ 14.1

Recurring fair value measurements		December 31, 2022				
<i>In millions</i>		Level 1	Level 2	Level 3	NAV	Total
Cross currency swap liabilities	\$	—	\$ (4.8)	\$ —	\$ —	\$ (4.8)
Cross currency swap assets		—	22.4	—	—	22.4
Foreign currency contract liabilities		—	(1.5)	—	—	(1.5)
Foreign currency contract assets		—	0.5	—	—	0.5
Deferred compensation plan assets		11.8	—	—	4.9	16.7
Total recurring fair value measurements	\$	11.8	\$ 16.6	\$ —	\$ 4.9	\$ 33.3

9. Debt

Debt and the average interest rates on debt outstanding were as follows:

<i>In millions</i>	Average interest rate at June 30, 2023	Maturity Year	June 30, 2023	December 31, 2022
Revolving credit facility	6.341%	2026	\$ 100.0	\$ —
2021 Term loan facility	6.431%	2026	281.2	288.8
2023 Term loan facility	6.816%	2028	300.0	—
Senior notes - fixed rate	4.550%	2028	500.0	500.0
Senior notes - fixed rate	2.750%	2031	300.0	300.0
Senior notes - fixed rate	5.650%	2033	500.0	—
Unamortized debt issuance costs and discounts	N/A	N/A	(12.4)	(5.6)
Total debt			1,968.8	1,083.2
Less: Current maturities and short-term borrowings			(30.0)	(15.0)
Long-term debt			\$ 1,938.8	\$ 1,068.2

Senior notes

In March 2018, nVent Finance S.à r.l. ("nVent Finance" or "Subsidiary Issuer"), a 100-percent owned subsidiary of nVent, issued \$500.0 million aggregate principal amount of 4.550% senior notes due 2028 (the "2028 Notes").

In November 2021, nVent Finance issued \$300.0 million aggregate principal amount of 2.750% senior notes due 2031 (the "2031 Notes").

On May 3, 2023, to finance the acquisition of ECM Industries, nVent Finance issued \$500.0 million aggregate principal amount of 5.650% Senior Notes due 2033 (the "2033 Notes" and, collectively with the 2028 Notes and the 2031 Notes, the "Notes").

Interest on the 2028 Notes is payable semi-annually in arrears on April 15 and October 15 of each year, and interest on the 2031 Notes and 2033 Notes is payable semi-annually in arrears on May 15 and November 15 of each year.

The Notes are fully and unconditionally guaranteed as to payment by nVent (the "Parent Company Guarantor"). There are no subsidiaries that guarantee the Notes. The Parent Company Guarantor is a holding company that has no independent assets or operations unrelated to its investments in consolidated subsidiaries. The Subsidiary Issuer is a holding company that has no independent assets or operations unrelated to its investments in consolidated subsidiaries and the issuance of the Notes and other external debt. The Parent Company Guarantor's principal source of cash flow, including cash flow to make payments on the Notes pursuant to the guarantees, is dividends from its subsidiaries. The Subsidiary Issuer's principal source of cash flow is interest income from its subsidiaries. None of the subsidiaries of the Parent Company Guarantor or the Subsidiary Issuer is under any direct obligation to pay or otherwise fund amounts due on the Notes or the guarantees, whether in the form of dividends, distributions, loans or other payments. In addition, there may be statutory and regulatory limitations on the payment of dividends from certain subsidiaries of the Parent Company Guarantor or the Subsidiary Issuer. If such subsidiaries are unable to transfer funds to the Parent Company Guarantor or the Subsidiary Issuer and sufficient cash or liquidity is not otherwise available, the Parent Company Guarantor or the Subsidiary Issuer may not be able to make principal and interest payments on their outstanding debt, including the Notes or the guarantees.

The Notes constitute general unsecured senior obligations of the Subsidiary Issuer and rank equally in right of payment with all existing and future unsubordinated and unsecured indebtedness and liabilities of the Subsidiary Issuer. The guarantees of the Notes by the Parent Company Guarantor constitute general unsecured obligations of the Parent Company Guarantor and rank equally in right of payment with all existing and future unsubordinated and unsecured indebtedness and liabilities of the Subsidiary Issuer. Subject to certain qualifications and exceptions, the indenture pursuant to which the Notes were issued contains covenants that, among other things, restrict nVent's, nVent Finance's and certain subsidiaries' ability to merge or consolidate with another person, create liens or engage in sale and lease-back transactions.

There are no significant restrictions on the ability of nVent to obtain funds from its subsidiaries by dividend or loan. None of the assets of nVent or its subsidiaries represents restricted net assets pursuant to the guidelines established by the SEC.

Senior credit facilities

In September 2021, the Company and its subsidiaries nVent Finance and Hoffman Schroff Holdings, Inc. entered into an amended and restated credit agreement (the "Credit Agreement") with a syndicate of banks providing for a five-year \$300.0 million senior unsecured term loan facility (the "2021 Term Loan Facility") and a five-year \$600.0 million senior unsecured revolving credit facility (the "Revolving Credit Facility" and, together with the 2021 Term Loan Facility, the "Senior Credit Facilities"). Borrowings under the 2021 Term Loan Facility were permitted on a delayed draw basis during the first year of the five-year term of the 2021 Term Loan Facility, and borrowings under the Revolving Credit Facility are permitted from time to time during the full five-year term of the Revolving Credit Facility. In September 2022, nVent exercised the delayed draw provision of the 2021 Term Loan Facility, increasing the total borrowings under the 2021 Term Loan Facility by \$200.0 million to \$300.0 million. nVent Finance has the option to request to increase the Revolving Credit Facility in an aggregate amount of up to \$300.0 million, subject to customary conditions, including the commitment of the participating lenders. As of June 30, 2023, the borrowing capacity under the Revolving Credit Facility was \$500.0 million.

Borrowings under the Senior Credit Facilities bear interest at a rate equal to an adjusted base rate, the Secured Overnight Financing Rate ("SOFR"), Euro Interbank Offer Rate ("EURIBOR") or Sterling Overnight Index Average ("SONIA"), plus, in each case, an applicable margin. The applicable margin will be based on, at nVent Finance's election, the Company's leverage level or public credit rating.

On April 26, 2023, nVent and nVent Finance entered into a loan agreement providing for another unsecured term loan facility of \$300.0 million for five years (the "2023 Term Loan Facility"), which was used to fund the acquisition of ECM Industries. The 2023 Term Loan Facility bears interest at a rate equal to an adjusted base rate or adjusted term SOFR plus an applicable margin. The applicable margin will be based on, at nVent Finance's election, the Company's leverage level or public credit rating.

Our debt agreements contain certain financial covenants, the most restrictive of which are in the Senior Credit Facilities and the 2023 Term Loan Facility, including that we may not permit (i) the ratio of our consolidated debt (net of our consolidated unrestricted cash in excess of \$5.0 million but not to exceed \$250.0 million) to our consolidated net income (excluding, among other things, non-cash gains and losses) before interest, taxes, depreciation, amortization and non-cash share-based compensation expense ("EBITDA") on the last day of any period of four consecutive fiscal quarters (each a "testing period") to exceed 3.75 to 1.00 (or, at nVent Finance's election and subject to certain conditions, 4.25 to 1.00 for four testing periods in connection with certain material acquisitions, which we elected in connection with the acquisition of ECM Industries in May 2023 for each of the next four fiscal quarters beginning in the second quarter of 2023) and (ii) the ratio of our EBITDA to our consolidated interest expense for the same period to be less than 3.00 to 1.00. In addition, subject to certain qualifications and exceptions, the Senior Credit Facilities and the 2023 Term Loan Facility also contain covenants that, among other things, restrict our ability to create liens, merge or consolidate with another person, make acquisitions and incur subsidiary debt. As of June 30, 2023, we were in compliance with all financial covenants in our debt agreements.

Debt outstanding at June 30, 2023, excluding unamortized issuance costs and discounts, matures on a calendar year basis as follows:

	Q3-Q4								
<i>In millions</i>	2023	2024	2025	2026	2027	2028	Thereafter	Total	
Contractual debt obligation maturities	\$ 15.0	\$ 31.9	\$ 37.5	\$ 353.1	\$ 22.5	\$ 721.2	\$ 800.0	\$ 1,981.2	

10. Income Taxes

The effective income tax rate for the six months ended June 30, 2023 was 17.1% compared to 17.2% for the six months ended June 30, 2022. The liability for uncertain tax positions was \$13.1 million and \$13.4 million at June 30, 2023 and December 31, 2022, respectively. We record penalties and interest related to unrecognized tax benefits in *Provision for income taxes* and *Net interest expense*, respectively, on the Condensed Consolidated Statements of Income and Comprehensive Income, which is consistent with our past practices.

In the three and six months ended June 30, 2023, we recorded a \$4.3 million non-cash benefit related to the release of a valuation allowance on certain foreign deferred tax assets.

11. Shareholders' Equity

Share repurchases

On May 14, 2021, the Board of Directors authorized the repurchase of our ordinary shares up to a maximum dollar limit of \$300.0 million (the "2021 Authorization"). The 2021 Authorization began on July 23, 2021 and expires on July 22, 2024.

During the six months ended June 30, 2023, we repurchased 0.3 million of our ordinary shares for \$13.2 million under the 2021 Authorization. During the six months ended June 30, 2022, we repurchased 0.1 million of our ordinary shares for \$3.9 million under the 2021 Authorization. As of June 30, 2023 and December 31, 2022, outstanding share repurchases recorded in *Other current liabilities* were zero and \$2.0 million, respectively.

As of June 30, 2023, we had \$127.3 million available for share repurchases under the 2021 Authorization.

Dividends payable

On May 12, 2023, the Board of Directors declared a quarterly cash dividend of \$0.175 per ordinary share payable on August 4, 2023, to shareholders of record at the close of business on July 21, 2023. The balance of dividends payable included in *Other current liabilities* on our Condensed Consolidated Balance Sheets was \$29.9 million and \$30.4 million at June 30, 2023 and December 31, 2022, respectively.

12. Segment Information

We evaluate performance based on net sales and segment income and use a variety of ratios to measure performance of our reporting segments. These results are not necessarily indicative of the results of operations that would have occurred had each segment been an independent, stand-alone entity during the periods presented. Segment income represents operating income exclusive of intangible amortization, acquisition-related expenses, costs of restructuring activities, impairments and other unusual non-operating items.

Financial information by reportable segment is as follows:

<i>In millions</i>	Three months ended		Six months ended	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Net sales				
Enclosures	\$ 400.0	\$ 380.8	\$ 791.0	\$ 740.2
Electrical & Fastening Solutions	266.7	200.9	472.4	388.5
Thermal Management	136.3	145.8	280.2	293.5
Total	\$ 803.0	\$ 727.5	\$ 1,543.6	\$ 1,422.2
Segment income (loss)				
Enclosures	\$ 90.0	\$ 61.5	\$ 172.5	\$ 111.8
Electrical & Fastening Solutions	86.5	58.8	147.8	105.9
Thermal Management	28.6	28.3	59.5	60.7
Other	(23.8)	(23.4)	(50.5)	(43.0)
Total	\$ 181.3	\$ 125.2	\$ 329.3	\$ 235.4

The following table presents a reconciliation of segment income to income before income taxes:

<i>In millions</i>	Three months ended		Six months ended	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Segment income	\$ 181.3	\$ 125.2	\$ 329.3	\$ 235.4
Intangible amortization	(21.3)	(17.7)	(38.9)	(35.5)
Restructuring and other	(2.5)	(2.3)	(6.5)	(4.3)
Acquisition transaction and integration costs	(4.9)	(0.5)	(7.2)	(0.8)
Inventory step-up amortization	(5.9)	—	(5.9)	—
Net interest expense	(21.7)	(7.5)	(29.5)	(14.7)
Gain on sale of investment	10.2	—	10.2	—
Other expense	(1.1)	(1.2)	(2.3)	(1.8)
Income before income taxes	\$ 134.1	\$ 96.0	\$ 249.2	\$ 178.3

13. Share-Based Compensation

Total share-based compensation expense for the three and six months ended June 30, 2023 and 2022, was as follows:

<i>In millions</i>	Three months ended		Six months ended	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Restricted stock units	2.8	2.5	5.5	4.9
Performance share units	1.8	1.8	3.8	5.0
Stock options	1.1	1.0	2.1	2.0
Total	\$ 5.7	\$ 5.3	\$ 11.4	\$ 11.9

In the first quarter of 2023, we issued our annual share-based compensation grants under the 2018 Omnibus Incentive Plan to eligible employees. The total number of awards issued was approximately 0.6 million, of which 0.2 million were restricted stock units ("RSUs"), 0.1 million were performance share units ("PSUs") and 0.3 million were stock options. The weighted-average grant date fair value of the RSUs, PSUs and stock options issued was \$46.15, \$68.72 and \$16.56, respectively.

We estimated the fair value of each stock option award issued in the annual share-based compensation grant using a Black-Scholes option pricing model, modified for dividends, and using the following assumptions:

	2023 Annual Grant
Risk-free interest rate	3.77 %
Expected dividend yield	1.73 %
Expected share price volatility	36.6 %
Expected term (years)	6.5

These estimates require us to make assumptions based on historical results, observance of trends in our share price, changes in option exercise behaviors, future expectations and other relevant factors. If other assumptions had been used, share-based compensation expense, as calculated and recorded under the accounting guidance, could have been affected.

We based the expected life assumption on historical experience as well as the terms and vesting periods of the options granted. For purposes of determining expected volatility, we considered historical volatilities of peer companies over a period approximately equal to the expected option term. The risk-free rate for periods that coincide with the expected life of the options is based on the U.S. Treasury Department yield curve in effect at the time of grant.

14. Commitments and Contingencies

Warranties and guarantees

In connection with the disposition of our businesses or product lines, we may agree to indemnify purchasers for various potential liabilities relating to the sold business, such as pre-closing tax, product liability, warranty, environmental, or other obligations. The subject matter, amounts and duration of any such indemnification obligations vary for each type of liability indemnified and may vary widely from transaction to transaction.

Generally, the maximum obligation under such indemnifications is not explicitly stated and as a result, the overall amount of these obligations cannot be reasonably estimated. Historically, we have not made significant payments for these indemnifications. We believe that if we were to incur a loss in any of these matters, the loss would not have a material effect on our financial position, results of operations or cash flows. We recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee.

We provide service and warranty policies on our products. Liability under service and warranty policies is based upon a review of historical warranty and service claim experience. Adjustments are made to accruals as claim data and historical experience warrant. Our liability for service and product warranties as of June 30, 2023 and December 31, 2022 was not material.

Stand-by letters of credit, bank guarantees and bonds

In the ordinary course of business, we are required to commit to bonds, letters of credit and bank guarantees that require payments to our customers for any non-performance. The outstanding face value of these instruments fluctuates with the value of our projects in process and in our backlog. In addition, we issue financial stand-by letters of credit primarily to secure our performance to third parties under self-insurance programs.

As of June 30, 2023 and December 31, 2022, the outstanding value of bonds, letters of credit and bank guarantees totaled \$38.7 million and \$38.0 million, respectively.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Forward-looking Statements

This report contains statements that we believe to be "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. All statements, other than statements of historical fact are forward-looking statements. Without limitation, any statements preceded or followed by or that include the words "targets," "plans," "believes," "expects," "intends," "will," "likely," "may," "anticipates," "estimates," "projects," "forecasts," "should," "would," "could," "positioned," "strategy," "future," "are confident," or words, phrases or terms of similar substance or the negative thereof, are forward-looking statements. All statements made about the ECM Industries acquisition, including the expected financial results of the acquired business and the anticipated benefits of the acquisition, are forward-looking statements. These forward-looking statements are not guarantees of future performance and are subject to risks, uncertainties, assumptions and other factors, some of which are beyond our control, which could cause actual results to differ materially from those expressed or implied by such forward-looking statements. These factors include our ability to integrate the ECM Industries acquisition successfully; our ability to retain customers and employees of the acquired business; adverse effects on our business operations or financial results, including due to the overall global economic and business conditions impacting our business; the ability to achieve the benefits of our restructuring plans; the ability to successfully identify, finance, complete and integrate acquisitions; competition and pricing pressures in the markets we serve, including the impacts of tariffs; volatility in currency exchange rates, interest rates and commodity prices; inability to generate savings from excellence in operations initiatives consisting of lean enterprise, supply management and cash flow practices; inability to mitigate material and other cost inflation; risks related to the availability of, and cost inflation in, supply chain inputs, including labor, raw materials, commodities, packaging and transportation; increased risks associated with operating foreign businesses, including risks associated with the conflict between Russia and Ukraine and related sanctions; the ability to deliver backlog and win future project work; failure of markets to accept new product introductions and enhancements; the impact of changes in laws and regulations, including those that limit U.S. tax benefits; the impact of the novel coronavirus 2019 ("COVID-19") pandemic; the outcome of litigation and governmental proceedings; and the ability to achieve our long-term strategic operating goals. Additional information concerning these and other factors is contained in our filings with the U.S. Securities and Exchange Commission (the "SEC"), including this Quarterly Report on Form 10-Q and ITEM 1A. of our Annual Report on Form 10-K for the year ended December 31, 2022. All forward-looking statements speak only as of the date of this report. nVent Electric plc assumes no obligation, and disclaims any obligation, to update the information contained in this report.

Overview

The terms "us," "we," "our," "the Company" or "nVent" refer to nVent Electric plc. nVent is a leading global provider of electrical connection and protection solutions. We believe our inventive electrical solutions enable safer systems and ensure a more secure world. We design, manufacture, market, install and service high performance products and solutions that connect and protect mission critical equipment, buildings and critical processes. We offer a comprehensive range of enclosures, electrical fastening solutions and thermal management solutions across industry-leading brands that are recognized globally for quality, reliability and innovation.

We classify our operations into business segments based primarily on types of products offered and markets served. We operate across three segments: Enclosures, Electrical & Fastening Solutions and Thermal Management, which represented approximately 51%, 31% and 18% of total revenues during the first six months of 2023, respectively.

- **Enclosures**—The Enclosures segment provides innovative solutions to connect, protect, power and cool critical controls systems, electronics, data and electrical equipment. From metallic and non-metallic enclosures to cabinets, subracks and backplanes, it offers the physical infrastructure to host, connect and protect server and network equipment, as well as indoor and outdoor protection for test and measurement and aerospace and defense applications in industrial, infrastructure, commercial and energy verticals.
- **Electrical & Fastening Solutions**—The Electrical & Fastening Solutions segment provides solutions that connect and protect electrical and mechanical systems and civil structures. Its engineered electrical and fastening products are innovative cost efficient and time saving connections that are used across a wide range of verticals, including commercial & residential, industrial, infrastructure and energy.
- **Thermal Management**—The Thermal Management segment provides electric thermal solutions that connect and protect critical buildings, infrastructure, industrial processes and people. Its thermal management systems include heat tracing, floor heating, fire-rated and specialty wiring, sensing and snow melting and de-icing solutions for use in industrial, commercial & residential, energy and infrastructure verticals. Its highly reliable and easy to install solutions lower total cost of ownership to building owners, facility managers, operators and end users.

On May 18, 2023, as part of our Electrical & Fastening Solutions reporting segment, we completed the acquisition of ECM Investors, LLC, the parent of ECM Industries, LLC ("ECM Industries"), for approximately \$1.1 billion in cash, subject to customary adjustments. ECM Industries is a leading provider of high-value electrical connectors, tools and test instruments and cable management. The purchase price was funded primarily through borrowings under the 2033 Notes and 2023 Term Loan Facility (as defined below).

On July 10, 2023, we acquired TEXA Industries for approximately \$38.5 million in cash, subject to customary purchase price adjustments. TEXA Industries is an Italian manufacturer of industrial cooling applications that we will market as part of the nVent HOFFMAN product line within our Enclosures segment.

Key Trends and Uncertainties Regarding our Existing Business

The following trends and uncertainties affected our financial performance in 2022 and the first six months of 2023 and will likely impact our results in the future:

- During 2022, we experienced inflationary increases of raw materials, logistics, labor and energy costs, and supply chain challenges, including increased lead times due to availability constraints and high demand. During the first two quarters of 2023, supply chain challenges moderated, but we continued to experience inflationary increases, primarily related to labor costs. While we have taken pricing actions and we have implemented and plan to continue to implement productivity improvements that could help offset these cost increases, we expect inflationary cost increases to continue in 2023, which could negatively impact our results of operations.
- Although economic conditions have generally improved since the height of the COVID-19 pandemic, the COVID-19 pandemic continues to cause disruption to the global economy, including in the regions in which we, our suppliers, distributors, business partners, and customers do business. The impact of the COVID-19 pandemic continues to evolve and the economic recovery we are seeing could be slowed or reversed by a number of factors, including a widespread resurgence in COVID-19 infections, whether due to the spread of variants of the virus or otherwise, the rate and efficacy of vaccinations, labor constraints, the strength of the global supply chain and government actions including potential business curtailments and shutdowns impacting our factories. The magnitude of the impact of the pandemic on our financial condition, liquidity and results of operations cannot be determined at this time.
- Beginning in February 2022, in response to the conflict between Russia and Ukraine, many countries have initiated a variety of sanctions targeting Russia and associated entities. As a result of the ongoing conflict, the Company is exiting its business operations in Russia, and winding down existing contractual obligations in compliance with applicable sanctions. While our historical business activity in Russia is not material to our operations, an escalation or expansion of economic disruption or the conflict's current scope could disrupt sales to our customers or our supply chain, increase inflationary costs and have a material adverse effect on our results of operations.
- Our global operations make our effective tax rate sensitive to significant tax law changes. Several countries in which we operate, including the U.K., have begun to enact legislation to implement the Organization for Economic Cooperation and Development's international tax framework, including the Pillar II global minimum tax regime with effect from January 1, 2024 or later. The Pillar II global minimum tax regime could negatively impact our effective tax rate beginning in 2024. We are currently monitoring these developments and are in the process of evaluating the potential impact on our results of operations.

In 2023, our operating objectives include the following:

- Executing our Environmental, Social and Governance ("ESG") strategy focused on People, Products and Planet;
- Enhancing and supporting employee engagement, development and retention;
- Achieving differentiated revenue growth through new products and innovation and expansion in higher growth verticals across all regions globally;
- Integrating ECM Industries with our existing operations;
- Optimizing our technological capabilities to increasingly generate innovative new and connected products and advance digital transformation;

- Driving operational excellence through lean and agile, with specific focus on our digital transformation and supply chain resiliency;
- Optimizing working capital through inventory reduction initiatives across business segments and focused actions to optimize customer and vendor payment terms; and
- Deploying capital strategically to drive growth and value creation.

CONSOLIDATED RESULTS OF OPERATIONS

The consolidated results of operations for the three months ended June 30, 2023 and 2022 were as follows:

<i>In millions</i>	Three months ended			
	June 30, 2023	June 30, 2022	\$ change	% / point change
Net sales	\$ 803.0	\$ 727.5	\$ 75.5	10.4%
Cost of goods sold	471.1	459.7	11.4	2.5%
Gross profit	331.9	267.8	64.1	23.9%
<i>% of net sales</i>	<i>41.3%</i>	<i>36.8%</i>		<i>4.5 pts</i>
Selling, general and administrative	167.7	148.5	19.2	12.9%
<i>% of net sales</i>	<i>20.9%</i>	<i>20.4%</i>		<i>0.5 pts</i>
Research and development	17.5	14.6	2.9	19.9%
<i>% of net sales</i>	<i>2.2%</i>	<i>2.0%</i>		<i>0.2 pts</i>
Operating income	146.7	104.7	42.0	40.1%
<i>% of net sales</i>	<i>18.3%</i>	<i>14.4%</i>		<i>3.9 pts</i>
Net interest expense	21.7	7.5	14.2	N.M.
Gain on sale of investment	(10.2)	—	(10.2)	N.M.
Other expense	1.1	1.2	(0.1)	N.M.
Income before income taxes	134.1	96.0	38.1	39.7%
Provision for income taxes	21.2	16.1	5.1	31.7%
<i>Effective tax rate</i>	<i>15.8%</i>	<i>16.8%</i>		<i>(1.0 pts)</i>
Net income	112.9	79.9	33.0	41.3 %

N.M. Not Meaningful

The consolidated results of operations for the six months ended June 30, 2023 and 2022 were as follows:

<i>In millions</i>	Six months ended			
	June 30, 2023	June 30, 2022	\$ change	% / point change
Net sales	\$ 1,543.6	\$ 1,422.2	\$ 121.4	8.5%
Cost of goods sold	908.5	907.1	1.4	0.2%
Gross profit	635.1	515.1	120.0	23.3%
<i>% of net sales</i>	<i>41.1%</i>	<i>36.2%</i>		<i>4.9 pts</i>
Selling, general and administrative	330.1	290.5	39.6	13.6%
<i>% of net sales</i>	<i>21.4%</i>	<i>20.4%</i>		<i>1.0 pts</i>
Research and development	34.2	29.8	4.4	14.8%
<i>% of net sales</i>	<i>2.2%</i>	<i>2.1%</i>		<i>0.1 pts</i>
Operating income	270.8	194.8	76.0	39.0%
<i>% of net sales</i>	<i>17.5%</i>	<i>13.7%</i>		<i>3.8 pts</i>
Net interest expense	29.5	14.7	14.8	N.M.
Gain on sale of investment	(10.2)	—	(10.2)	N.M.
Other expense	2.3	1.8	0.5	N.M.
Income before income taxes	249.2	178.3	70.9	39.8%
Provision for income taxes	42.5	30.6	11.9	38.9%
<i>Effective tax rate</i>	<i>17.1%</i>	<i>17.2%</i>		<i>(0.1 pts)</i>
Net income	206.7	147.7	59.0	39.9 %

N.M. Not Meaningful

Net sales

The components of the change in consolidated net sales from the prior period were as follows:

	Three months ended June 30, 2023 over the prior year period	Six months ended June 30, 2023 over the prior year period
Volume	(1.6%)	(0.7%)
Price	5.5	6.8
Organic growth	3.9	6.1
Acquisition	6.8	3.5
Currency	(0.3)	(1.1)
Total	10.4%	8.5%

The 10.4 and 8.5 percentage point increases in net sales in the second quarter and first half of 2023 from 2022, respectively, were primarily the result of:

- sales of \$49.7 million in both the second quarter and first half of 2023 as a result of the ECM Industries acquisition; and
- organic sales growth contribution of approximately 2.5% and 3.0% from our infrastructure business in the second quarter and first half of 2023 from 2022, respectively, and approximately 1.0% and 2.0% from our industrial business in the second quarter and first half of 2023 from 2022, respectively, which includes increases in selling prices.

These increases were partially offset by:

- unfavorable foreign currency effects.

Gross profit

The 4.5 and 4.9 percentage point increases in gross profit as a percentage of net sales in the second quarter and first half of 2023 from 2022, respectively, were primarily the result of:

- increases in selling prices to mitigate inflationary cost increases; and
- savings generated from our lean and supply chain management practices.

These increases were partially offset by:

- inflationary increases, primarily related to labor costs, compared to 2022; and
- \$5.9 million of expense related to inventory step-up recorded in the second quarter and first half of 2023 as a result of the ECM Industries acquisition.

Selling, general and administrative ("SG&A")

The 0.5 and 1.0 percentage point increases in SG&A expense as a percentage of net sales in the second quarter and first half of 2023 from 2022, respectively, were primarily the result of:

- inflationary increases impacting our labor costs, professional fees and other administrative costs;
- restructuring and acquisition transaction and integration costs of \$7.4 million and \$13.7 million in the second quarter and first half of 2023, respectively, compared to \$2.8 million and \$5.1 million in the second quarter and first half of 2022; and
- investments in digital, selling and marketing to drive growth.

These increases were partially offset by:

- savings generated from restructuring and other lean initiatives.

Net interest expense

The increase in net interest expense in the second quarter and first half of 2023 from 2022 was the result of:

- increased debt due to the acquisition of ECM Industries;
- the amortization of debt issuance costs of \$3.6 million during the second quarter of 2023 related to financing commitments for the bridge loan facility established in connection with the acquisition of ECM Industries; and
- increased variable interest rates compared to the same periods of the prior year.

Gain on sale of investment

In the second quarter of 2023, we recorded a \$10.2 million gain related to the sale of a \$3.8 million equity investment recorded on a cost basis, of which the cash proceeds were received in the third quarter.

Provision for income taxes

The 1.0 and 0.1 percentage point decreases in the effective tax rate in the second quarter and first half of 2023 from 2022, respectively, were primarily the result of:

- a \$4.3 million non-cash benefit related to the release of a valuation allowance on certain foreign deferred tax assets recorded in the second quarter of 2023.

These decreases were partially offset by:

- increased earnings in higher tax rate jurisdictions.

SEGMENT RESULTS OF OPERATIONS

The summary that follows provides a discussion of the results of operations of each of our three reportable segments (Enclosures, Electrical & Fastening Solutions and Thermal Management). Each of these segments comprises various product offerings that serve multiple end users.

We evaluate performance based on sales and segment income and use a variety of ratios to measure performance of our reporting segments. Segment income represents operating income exclusive of intangible amortization, acquisition related expenses, costs of restructuring activities, impairments and other unusual non-operating items.

Enclosures

The net sales, segment income and segment income as a percentage of net sales for Enclosures were as follows:

<i>In millions</i>	Three months ended			% / point change	Six months ended		
	June 30, 2023	June 30, 2022			June 30, 2023	June 30, 2022	% / point change
Net sales	\$ 400.0	\$ 380.8		5.0%	\$ 791.0	\$ 740.2	6.9%
Segment income	90.0	61.5		46.3%	172.5	111.8	54.3%
% of net sales	22.5 %	16.2 %		6.3 pts	21.8 %	15.1 %	6.7 pts

Net sales

The components of the change in Enclosures net sales from the prior period were as follows:

	Three months ended June 30, 2023 over the prior year period	Six months ended June 30, 2023 over the prior year period
Volume	0.8%	1.5%
Price	4.3	6.4
Organic growth	5.1	7.9
Currency	(0.1)	(1.0)
Total	5.0%	6.9%

The 5.0 and 6.9 percentage point increases in Enclosures net sales in the second quarter and first half of 2023 from 2022, respectively, were primarily the result of:

- organic sales growth contribution of approximately 3.5% and 4.5% from our industrial business in the second quarter and first half of 2023 from 2022, respectively, and approximately 2.0% and 2.5% from our infrastructure business in the second quarter and first half of 2023 from 2022, respectively, which includes increases in selling prices.

These increases were partially offset by:

- unfavorable foreign currency effects.

Segment income

The components of the change in Enclosures segment income as a percentage of net sales from the prior period were as follows:

	Three months ended June 30, 2023 over the prior year period	Six months ended June 30, 2023 over the prior year period
Growth/acquisition	0.5 pts	0.8 pts
Price	3.5	5.1
Currency	(0.5)	(0.3)
Net productivity	2.8	1.1
Total	6.3 pts	6.7 pts

The 6.3 and 6.7 percentage point increases in segment income for Enclosures as a percentage of net sales in the second quarter and first half of 2023 from 2022, respectively, were primarily the result of:

- increases in selling prices to mitigate inflationary cost increases; and
- reductions in certain raw materials costs compared to 2022.

These increases were partially offset by:

- inflationary increases, primarily related to labor costs, compared to 2022.

Electrical & Fastening Solutions

The net sales, segment income and segment income as a percentage of net sales for Electrical & Fastening Solutions were as follows:

<i>In millions</i>	Three months ended			% / point change	Six months ended		
	June 30, 2023	June 30, 2022			June 30, 2023	June 30, 2022	% / point change
Net sales	\$ 266.7	\$ 200.9		32.8%	\$ 472.4	\$ 388.5	21.6%
Segment income	86.5	58.8		47.2%	147.8	105.9	39.6%
% of net sales	32.4 %	29.3%		3.1 pts	31.3%	27.3%	4.0 pts

Net sales

The components of the change in Electrical & Fastening Solutions net sales from the prior period were as follows:

	Three months ended June 30, 2023 over the prior year period	Six months ended June 30, 2023 over the prior year period
Volume	(0.5%)	(0.2%)
Price	8.6	9.7
Organic growth	8.1	9.5
Acquisition	24.7	12.8
Currency	—	(0.7)
Total	32.8%	21.6%

The 32.8 and 21.6 percentage point increases in Electrical & Fastening Solutions net sales in the second quarter and first half of 2023 from 2022, respectively, were primarily the result of:

- sales of \$49.7 million in both the second quarter and first half of 2023 as a result of the ECM Industries acquisition.
- organic sales growth contribution of approximately 2.5% from our commercial & residential business in both the second quarter and first half of 2023 from 2022, and approximately 4.0% and 5.5% from our infrastructure business in the second quarter and first half of 2023 from 2022, respectively, which primarily relates to selective increases in selling prices.

In the first half of 2023 from 2022, this increase was partially offset by:

- unfavorable foreign currency effects.

Segment income

The components of the change in Electrical & Fastening Solutions segment income as a percentage of net sales from the prior period were as follows:

	Three months ended June 30, 2023 over the prior year period	Six months ended June 30, 2023 over the prior year period
Growth/acquisition	(0.1 pts)	0.8 pts
Price	5.6	6.4
Currency	—	(0.1)
Net productivity	(2.4)	(3.1)
Total	3.1 pts	4.0 pts

The 3.1 and 4.0 percentage point increases in segment income for Electrical & Fastening Solutions as a percentage of net sales in the second quarter and first half of 2023 from 2022, respectively, was primarily the result of:

- increases in selling prices to mitigate inflationary cost increases; and

- the impact of favorable product mix.

These increases were partially offset by:

- inflationary increases, primarily related to labor costs, compared to 2022; and
- investments in digital, selling and marketing to drive growth.

Thermal Management

The net sales, segment income and segment income as a percentage of net sales for Thermal Management were as follows:

<i>In millions</i>	Three months ended			% / point change	Six months ended			% / point change
	June 30, 2023	June 30, 2022			June 30, 2023	June 30, 2022		
Net sales	\$ 136.3	\$ 145.8		(6.5%)	\$ 280.2	\$ 293.5		(4.5%)
Segment income	28.6	28.3		1.1%	59.5	60.7		(2.0%)
<i>% of net sales</i>	<i>21.0%</i>	<i>19.4%</i>		<i>1.6 pts</i>	<i>21.2%</i>	<i>20.7%</i>		<i>0.5 pts</i>

Net sales

The components of the change in Thermal Management net sales from the prior period were as follows:

	Three months ended June 30, 2023 over the prior year period	Six months ended June 30, 2023 over the prior year period
Volume	(9.5%)	(6.8%)
Price	4.4	4.1
Organic growth	(5.1)	(2.7)
Currency	(1.4)	(1.8)
Total	(6.5%)	(4.5%)

The 6.5 and 4.5 percentage point decreases in Thermal Management net sales in the second quarter and first half of 2023 from 2022, respectively, were primarily the result of:

- organic sales decline of approximately 4.0% and 2.0% from our industrial business in the second quarter and first half of 2023 from 2022, respectively, and approximately 3.0% from our commercial & residential business in both the second quarter and first half of 2023 from 2022, partially offset by selective increases in selling prices; and
- unfavorable foreign currency effects.

These decreases were partially offset by:

- organic sales growth contribution of approximately 1.0% from our infrastructure business in the second quarter of 2023 from 2022, and approximately 1.5% from our energy business in the first half of 2023 from 2022, respectively, which includes selective increases in selling prices.

Segment income

The components of the change in Thermal Management segment income as a percentage of net sales from the prior period were as follows:

	Three months ended June 30, 2023 over the prior year period	Six months ended June 30, 2023 over the prior year period
Growth	(2.9 pts)	(2.2 pts)
Price	3.4	3.1
Net productivity	1.1	(0.4)
Total	1.6 pts	0.5 pts

The 1.6 and 0.5 percentage point increases in segment income for Thermal Management as a percentage of net sales in the second quarter and first half of 2023 from 2022, respectively, were primarily the result of:

- increases in selling prices to mitigate inflationary cost increases.

These increases were partially offset by:

- lower sales volume resulting in decreased leverage on fixed expenses; and
- inflationary increases, primarily related to labor costs, compared to 2022.

LIQUIDITY AND CAPITAL RESOURCES

The primary source of liquidity for our business is cash flows provided by operations. We expect to continue to have cash requirements to support working capital needs and capital expenditures, to pay interest and service debt and to pay dividends to shareholders quarterly. We believe we have the ability and sufficient capacity to meet these cash requirements by using available cash, internally generated funds and borrowing under committed credit facilities. We are focused on increasing our cash flow, while continuing to fund our research and development, sales and marketing and capital investment initiatives. Our intent is to maintain investment grade metrics and a solid liquidity position. As of June 30, 2023, we had \$138.5 million of cash on hand, of which \$34.8 million is held in certain countries in which the ability to repatriate is limited due to local regulations or significant potential tax consequences.

We experience seasonal cash flows primarily due to increased demand for Electrical & Fastening Solutions products during the spring and summer months in the Northern Hemisphere and increased demand for Thermal Management products and services during the fall and winter months in the Northern Hemisphere.

Operating activities

Net cash provided by operating activities was \$146.6 million in the first six months of 2023, compared to net cash provided by operating activities of \$63.9 million in the first six months of 2022. Net cash provided by operating activities in the first six months of 2023 primarily reflects net income of \$264.8 million, net of non-cash depreciation, amortization and changes in deferred taxes, partially offset by a \$117.2 million increase in working capital.

Investing activities

Net cash used for investing activities of \$1,120.8 million in the first six months of 2023 relates primarily to cash paid for the ECM Industries acquisition of \$1,091.8 million, net of cash acquired and capital expenditures of \$32.3 million.

Net cash used for investing activities of \$27.4 million in the first six months of 2022 relates primarily to capital expenditures of \$20.8 million.

Financing activities

Net cash provided by financing activities of \$811.2 million in the first six months of 2023 relates primarily to receipts from long-term debt of \$800.0 million and net receipts from the revolving long-term credit facility of \$100.0 million, offset by dividends paid of \$58.5 million and share repurchases of \$15.2 million.

Net cash used for financing activities of \$19.7 million in the first six months of 2022 primarily relates to dividends paid of \$58.4 million and share repurchases of \$8.5 million, partially offset by net receipts of the revolving credit facility of \$51.2 million.

Senior notes

In March 2018, nVent Finance S.à r.l. ("nVent Finance" or "Subsidiary Issuer"), a 100-percent owned subsidiary of nVent, issued \$500.0 million aggregate principal amount of 4.550% senior notes due 2028 (the "2028 Notes").

In November 2021, nVent Finance issued \$300.0 million aggregate principal amount of 2.750% senior notes due 2031 (the "2031 Notes").

On May 3, 2023, to finance the acquisition of ECM Industries, nVent Finance issued \$500.0 million aggregate principal amount of 5.650% Senior Notes due 2033 (the "2033 Notes" and, collectively with the 2028 Notes and the 2031 Notes, the "Notes").

Interest on the 2028 Notes is payable semi-annually in arrears on April 15 and October 15 of each year, and interest on the 2031 Notes and 2033 Notes is payable semi-annually in arrears on May 15 and November 15 of each year.

The Notes are fully and unconditionally guaranteed as to payment by nVent (the "Parent Company Guarantor"). There are no subsidiaries that guarantee the Notes. The Parent Company Guarantor is a holding company that has no independent assets or operations unrelated to its investments in consolidated subsidiaries. The Subsidiary Issuer is a holding company that has no independent assets or operations unrelated to its investments in consolidated subsidiaries and the issuance of the Notes and other external debt. The Parent Company Guarantor's principal source of cash flow, including cash flow to make payments on the Notes pursuant to the guarantees, is dividends from its subsidiaries. The Subsidiary Issuer's principal source of cash flow is interest income from its subsidiaries. None of the subsidiaries of the Parent Company Guarantor or the Subsidiary Issuer is under any direct obligation to pay or otherwise fund amounts due on the Notes or the guarantees, whether in the form of dividends, distributions, loans or other payments. In addition, there may be statutory and regulatory limitations on the payment of dividends from certain subsidiaries of the Parent Company Guarantor or the Subsidiary Issuer. If such subsidiaries are unable to transfer funds to the Parent Company Guarantor or the Subsidiary Issuer and sufficient cash or liquidity is not otherwise available, the Parent Company Guarantor or the Subsidiary Issuer may not be able to make principal and interest payments on their outstanding debt, including the Notes or the guarantees.

The Notes constitute general unsecured senior obligations of the Subsidiary Issuer and rank equally in right of payment with all existing and future unsubordinated and unsecured indebtedness and liabilities of the Subsidiary Issuer. The guarantees of the Notes by the Parent Company Guarantor constitute general unsecured obligations of the Parent Company Guarantor and rank equally in right of payment with all existing and future unsubordinated and unsecured indebtedness and liabilities of the Subsidiary Issuer. Subject to certain qualifications and exceptions, the indenture pursuant to which the Notes were issued contains covenants that, among other things, restrict nVent's, nVent Finance's and certain subsidiaries' ability to merge or consolidate with another person, create liens or engage in sale and lease-back transactions.

There are no significant restrictions on the ability of nVent to obtain funds from its subsidiaries by dividend or loan. None of the assets of nVent or its subsidiaries represents restricted net assets pursuant to the guidelines established by the SEC.

Senior credit facilities

In September 2021, the Company and its subsidiaries nVent Finance and Hoffman Schroff Holdings, Inc. entered into an amended and restated credit agreement (the "Credit Agreement") with a syndicate of banks providing for a five-year \$300.0 million senior unsecured term loan facility (the "2021 Term Loan Facility") and a five-year \$600.0 million senior unsecured revolving credit facility (the "Revolving Credit Facility" and, together with the 2021 Term Loan Facility, the "Senior Credit Facilities"). Borrowings under the 2021 Term Loan Facility were permitted on a delayed draw basis during the first year of the five-year term of the 2021 Term Loan Facility, and borrowings under the Revolving Credit Facility are permitted from time to time during the full five-year term of the Revolving Credit Facility. In September 2022, nVent exercised the delayed draw provision of the 2021 Term Loan Facility, increasing the total borrowings under the 2021 Term Loan Facility by \$200.0 million to \$300.0 million. nVent Finance has the option to request to increase the Revolving Credit Facility in an aggregate amount of up to \$300.0 million, subject to customary conditions, including the commitment of the participating lenders. As of June 30, 2023, the borrowing capacity under the Revolving Credit Facility was \$500.0 million.

Borrowings under the Senior Credit Facilities bear interest at a rate equal to an adjusted base rate, the Secured Overnight Financing Rate ("SOFR"), Euro Interbank Offer Rate ("EURIBOR") or Sterling Overnight Index Average ("SONIA"), plus, in each case, an applicable margin. The applicable margin will be based on, at nVent Finance's election, the Company's leverage level or public credit rating.

On April 26, 2023, nVent and nVent Finance entered into a loan agreement providing for another unsecured term loan facility of \$300.0 million for five years (the "2023 Term Loan Facility"), which was used to fund the acquisition of ECM Industries. The 2023 Term Loan Facility bears interest at a rate equal to an adjusted base rate or adjusted term SOFR plus an applicable margin. The applicable margin will be based on, at nVent Finance's election, the Company's leverage level or public credit rating.

Our debt agreements contain certain financial covenants, the most restrictive of which are in the Senior Credit Facilities and the 2023 Term Loan Facility, including that we may not permit (i) the ratio of our consolidated debt (net of our consolidated unrestricted cash in excess of \$5.0 million but not to exceed \$250.0 million) to our consolidated net income (excluding, among other things, non-cash gains and losses) before interest, taxes, depreciation, amortization and non-cash share-based compensation expense ("EBITDA") on the last day of any period of four consecutive fiscal quarters (each a "testing period") to exceed 3.75 to 1.00 (or, at nVent Finance's election and subject to certain conditions, 4.25 to 1.00 for four testing periods in connection with certain material acquisitions, which we elected in connection with the acquisition of ECM Industries in May 2023 for each of the next four fiscal quarters beginning in the second quarter of 2023) and (ii) the ratio of our EBITDA to our consolidated interest expense for the same period to be less than 3.00 to 1.00. In addition, subject to certain qualifications and exceptions, the Senior Credit Facilities and the 2023 Term Loan Facility also contain covenants that, among other things, restrict our ability to create liens, merge or consolidate with another person, make acquisitions and incur subsidiary debt. As of June 30, 2023, we were in compliance with all financial covenants in our debt agreements, and there is no material uncertainty about our ongoing ability to meet those covenants.

Share repurchases

On May 14, 2021, the Board of Directors authorized the repurchase of our ordinary shares up to a maximum dollar limit of \$300.0 million (the "2021 Authorization"). The 2021 Authorization began on July 23, 2021 and expires on July 22, 2024.

During the six months ended June 30, 2023, we repurchased 0.3 million of our ordinary shares for \$13.2 million under the 2021 Authorization. During the six months ended June 30, 2022, we repurchased 0.1 million of our ordinary shares for \$3.9 million under the 2021 Authorization. As of June 30, 2023 and December 31, 2022, outstanding share repurchases recorded in *Other current liabilities* were zero and \$2.0 million, respectively.

As of June 30, 2023, we had \$127.3 million available for share repurchases under the 2021 Authorization.

Dividends

During the six months ended June 30, 2023, we paid dividends of \$58.5 million, or \$0.35 per ordinary share. During the six months ended June 30, 2022, we paid dividends of \$58.4 million, or \$0.35 per ordinary share.

On May 12, 2023, the Board of Directors declared a quarterly cash dividend of \$0.175 per ordinary share payable on August 4, 2023, to shareholders of record at the close of business on July 21, 2023. The balance of dividends payable included in *Other current liabilities* on our Condensed Consolidated Balance Sheets was \$29.9 million and \$30.4 million at June 30, 2023 and December 31, 2022, respectively.

Other financial measures

In addition to measuring our cash flow generation or usage based upon operating, investing and financing classifications included in the Condensed Consolidated Statements of Cash Flows, we also measure our free cash flow. Free cash flow is a non-GAAP financial measure that we use to assess our cash flow performance. We believe free cash flow is an important measure of liquidity because it provides us and our investors a measurement of cash generated from operations that is available to pay dividends, make acquisitions, repay debt and repurchase shares. In addition, free cash flow is used as a criterion to measure and pay annual incentive compensation. Our measure of free cash flow may not be comparable to similarly titled measures reported by other companies. The following table is a reconciliation of free cash flow:

<i>In millions</i>	Six months ended	
	June 30, 2023	June 30, 2022
Net cash provided by (used for) operating activities	\$ 146.6	\$ 63.9
Capital expenditures	(32.3)	(20.8)
Proceeds from sale of property and equipment	0.2	2.0
Free cash flow	\$ 114.5	\$ 45.1

CRITICAL ACCOUNTING ESTIMATES

We have adopted various accounting policies to prepare the consolidated financial statements in accordance with GAAP. Certain of our accounting policies require the application of significant judgment by management in selecting the appropriate assumptions for calculating financial estimates. In our 2022 Annual Report on Form 10-K, we identified the critical accounting policies which affect our more significant estimates and assumptions used in preparing our consolidated financial statements.

There have been no material changes to our critical accounting policies and estimates from those previously disclosed in our 2022 Annual Report on Form 10-K for the year ended December 31, 2022, except for the additional critical accounting policy related to business combinations as set forth below.

Business Combinations

Assets and liabilities acquired in a business combination are recorded at their estimated fair values at the acquisition date. Goodwill is recorded when the purchase price exceeds the estimated fair value of the net identifiable tangible and intangible assets acquired. Estimates of intangible asset fair value represent management's best estimate of assumptions and about future events and uncertainties, including significant judgments related to future cash flows, discount rates, margin and revenue growth assumptions including royalty rates and customer attrition rates, and others. Inputs used are generally obtained from historical data supplemented by current and anticipated market conditions and growth rates. If the actual results differ from the estimates and judgments used in these fair values, the amounts recorded in the consolidated financial statements could result in a possible impairment of the intangible assets and goodwill or require acceleration of the amortization expense of finite-lived intangible assets.

Allocations of the purchase price for acquisitions are based on estimates of the fair value of the net assets acquired and are subject to adjustment upon finalization of the purchase price allocation. During this measurement period, we will adjust assets or liabilities if new information is obtained about facts and circumstances that existed as of the acquisition date that, if known, would have resulted in the recognition of those assets and liabilities as of that date. All changes that do not qualify as measurement period adjustments are included in current period earnings.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes in our market risk during the quarter ended June 30, 2023. For additional information, refer to our 2022 Annual Report on Form 10-K for the year ended December 31, 2022.

ITEM 4. CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures

We maintain a system of disclosure controls and procedures designed to provide reasonable assurance as to the reliability of our published financial statements and other disclosures included in this report. Our management evaluated, with the participation of our Chief Executive Officer and our Chief Financial Officer, the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the quarter ended June 30, 2023 pursuant to Rule 13a-15(b) of the Securities Exchange Act of 1934 (the "Exchange Act"). Based upon their evaluation, our Chief Executive Officer and our Chief Financial Officer concluded that our disclosure controls and procedures were effective, at the reasonable assurance level, as of the end of the quarter ended June 30, 2023 to ensure that information required to be disclosed by us in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms, and to ensure that information required to be disclosed by us in the reports we file or submit under the Exchange Act is accumulated and communicated to our management, including our principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosures.

(b) Changes in Internal Control over Financial Reporting

During the quarter ended June 30, 2023, we completed the acquisition of ECM Industries. As part of our ongoing integration activities associated with the ECM Industries acquisition, we are reviewing the internal controls and procedures of ECM Industries and working to augment our company-wide controls to reflect the risks inherent in the acquisition. There were no other changes in our internal control over financial reporting that occurred during the quarter ended June 30, 2023 that have materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

There have been no material developments with respect to the legal proceedings previously disclosed in Item 3 of our 2022 Annual Report on Form 10-K for the year ended December 31, 2022.

ITEM 1A. RISK FACTORS

There have been no material changes from the risk factors previously disclosed in our 2022 Annual Report on Form 10-K for the year ended December 31, 2022, except for the additional risk factors relating to the ECM Industries acquisition set forth below.

We may not realize the anticipated benefits of the ECM Industries acquisition and any benefit may take longer to realize than we expect.

The ECM Industries acquisition will involve the integration of ECM Industries' operations with our existing operations, and there are uncertainties inherent in such an integration. We will be required to devote significant management attention and resources to integrating ECM Industries' operations. Delays or unexpected difficulties in the integration process could adversely affect our business, financial results and financial condition. Even if we are able to integrate ECM Industries' operations successfully, this integration may not result in the realization of the full benefits of revenue synergies, cost savings and operational efficiencies that we expect, or the achievement of these benefits within a reasonable period of time or at all.

We could be subject to new risks, known and unknown, relating to the ECM Industries acquisition.

We may experience risks, losses and damages associated with the ECM Industries acquisition. The risks we could face include the following:

- the ECM Industries acquisition may lead to the incurrence of costs to review, upgrade and integrate ECM Industries' systems with our compliance and reporting systems, including our systems of internal control over financial reporting. The process of integrating ECM Industries into our internal control over financial reporting could require significant time and effort from our management and other personnel and could increase our compliance costs; and
- the ECM Industries acquisition involves the inherent risk of liabilities, and these liabilities may prove more costly or produce more adverse effects than we anticipate, such as actual or potential litigation and regulatory matters. In addition, in the course of the due diligence review of ECM Industries, we may not have discovered, or may have been unable to quantify, undisclosed liabilities of ECM Industries, and we may not be indemnified or have insurance for any of these liabilities. Any such liabilities could have an adverse effect on our business, results of operations, financial condition and cash flows following the completion of the ECM Industries acquisition.

Any of these risks associated with the ECM Industries acquisition could have a material adverse impact on our business, results of operations and financial condition.

Increased leverage may harm our financial condition and results of operations.

As of June 30, 2023, we had \$2.0 billion of total debt on a consolidated basis. Our indebtedness increased materially in connection with the ECM Industries acquisition. We funded the ECM Industries acquisition with borrowings under the 2023 Term Loan Facility and net proceeds from the issuance of the 2033 Notes, together with cash on hand and borrowings under our revolving credit facility, for an aggregate amount of approximately \$900.0 million of new indebtedness in connection with the ECM Industries acquisition. We and our subsidiaries may incur additional indebtedness in the future and, subject to limitations on the amount of secured indebtedness we may incur without securing the notes and other outstanding debt securities, the indenture that will govern the notes will not restrict us from incurring indebtedness in the future. This increase and any future increases in our level of indebtedness will have several important effects on our future operations, including, without limitation:

- we will have additional cash requirements to support the payment of interest on our outstanding indebtedness;
- increases in our outstanding indebtedness and leverage may increase our vulnerability to adverse changes in general economic and industry conditions, as well as to competitive pressure;
- our ability to obtain additional financing for working capital, capital expenditures, general corporate and other purposes may be reduced;
- our flexibility in planning for, or reacting to, changes in our business and our industry may be reduced; and

- our flexibility to make acquisitions and develop technology may be limited.

Our ability to make payments of principal and interest on our indebtedness, including the notes, depends upon our future performance, which will be subject to general economic conditions and financial, business and other factors affecting our consolidated operations, many of which are beyond our control. If we are unable to generate sufficient cash flow from operations in the future to service our debt and meet our other cash requirements, we may be required, among other things:

- to seek additional financing in the debt or equity markets;
- to refinance or restructure all or a portion of our indebtedness, including the notes;
- to sell selected assets or businesses; or
- to reduce or delay planned capital or operating expenditures.

Such measures might not be sufficient to enable us to service our debt and meet our other cash requirements, including the notes. In addition, any such financing, refinancing or sale of assets might not be available at all or on economically favorable terms.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The following table provides information with respect to purchases we made of our ordinary shares during the second quarter of 2023:

Period	(a) Total number of shares purchased	(b) Average price paid per share	(c) Total number of shares purchased as part of publicly announced plans or programs	(d) Dollar value of shares that may yet be purchased under the plans or programs
April 1 - April 29, 2023	1,812	\$ 42.92	—	\$ 127,333,026
April 30 - May 27, 2023	13,879	41.29	—	127,333,026
May 28 - June 30, 2023	718	48.30	—	127,333,026
Total	16,409		—	

- (a) The purchases in this column include shares repurchased as part of our publicly announced plans and shares deemed surrendered to us by participants in the nVent Electric plc 2018 Omnibus Incentive Plan (the "2018 Plan") and earlier Pentair stock incentive plans that are now outstanding under the 2018 Plan (collectively the "Plans") to satisfy the exercise price or withholding of tax obligations related to the exercise of stock options, vesting of restricted shares and vesting of performance shares.
- (b) The average price paid in this column includes shares repurchased as part of our publicly announced plans and shares deemed surrendered to us by participants in the Plans to satisfy the exercise price of stock options and withholding tax obligations due upon stock option exercises and vesting of restricted and performance shares.
- (c) The number of shares in this column represents the number of shares repurchased as part of our publicly announced plans to repurchase our ordinary shares up to a maximum dollar limit authorized by the Board of Directors, discussed below.
- (d) On May 14, 2021, the Board of Directors authorized the repurchase of our ordinary shares up to a maximum dollar limit of \$300.0 million (the "2021 Authorization"). The 2021 Authorization began on July 23, 2021 and expires on July 22, 2024. As of June 30, 2023, we had \$127.3 million available for share repurchases under the 2021 Authorization.

ITEM 5. OTHER INFORMATION

(c)

During the second quarter of 2023, none of our directors or executive officers adopted or terminated any “Rule 10b5-1 trading arrangement” or “non-Rule 10b5-1 trading arrangement” (as each term is defined in Item 408(a) of Regulation S-K).

ITEM 6. EXHIBITS

The exhibits listed in the following Exhibit Index are filed as part of this Quarterly Report on Form 10-Q.

Exhibit Index to Form 10-Q for the Period Ended June 30, 2023

- [**2.1**](#) Merger Agreement, dated April 1, 2023, by and among ECM Investors, LLC, Sentinel ECM Blocker, Inc., Lionel Acquisition Co., Everest Blocker Holding, Inc., Everest Acquisition Merger Sub, LLC, Everest Blocker Merger Sub, Inc., nVent Electric plc and Sentinel Capital Partners, L.L.C. (incorporated by reference to Exhibit 10.1 in the Current Report on Form 8-K of nVent Electric plc filed with the Commission on April 4, 2023 (File No. 001-38265)).
- [**10.1**](#) Loan Agreement, dated as of April 26, 2023, among nVent Electric plc, nVent Finance S.à r.l., and the lenders and agents party thereto (incorporated by reference to Exhibit 4.1 in the Current Report on Form 8-K of nVent Electric plc filed with the Commission on April 27, 2023 (File No. 001-38265)).
- [**10.2**](#) Fifth Supplemental Indenture, dated as of May 3, 2023, among nVent Finance S.à r.l, nVent Electric plc, and U.S. Bank Trust Company, National Association (incorporated by reference to Exhibit 4.3 in the Current Report on Form 8-K of nVent Electric plc filed with the Commission on May 3, 2023 (File No. 001-38265)).
- [**22**](#) Guarantors and Subsidiary Issuers of Guaranteed Securities.
- [**31.1**](#) Certification of Chief Executive Officer.
- [**31.2**](#) Certification of Chief Financial Officer.
- [**32.1**](#) Certification of Chief Executive Officer, Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- [**32.2**](#) Certification of Chief Financial Officer, Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 101** The following materials from nVent Electric plc's Quarterly Report on Form 10-Q for the quarter ended June 30, 2023 are filed herewith, formatted in iXBRL (Inline Extensible Business Reporting Language): (i) the Condensed Consolidated Statements of Income and Comprehensive Income for the three and six months ended June 30, 2023 and 2022, (ii) the Condensed Consolidated Balance Sheets as of June 30, 2023 and December 31, 2022, (iii) the Condensed Consolidated Statements of Cash Flows for the six months ended June 30, 2023 and 2022, (iv) the Condensed Consolidated Statements of Changes in Equity for the three and six months ended June 30, 2023 and 2022, and (v) Notes to Condensed Consolidated Financial Statements. The instance document does not appear in the interactive data file because its XBRL tags are embedded within the Inline XBRL document.
- 104** Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on July 28, 2023.

nVent Electric plc

Registrant

By /s/ Sara E. Zawoyski

Sara E. Zawoyski

Executive Vice President and Chief Financial
Officer

By /s/ Randolph A. Wacker

Randolph A. Wacker

Senior Vice President, Chief Accounting Officer
and Treasurer