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Pentair plc (PNR)

Investor Day

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MANAGEMENT DISCUSSION SECTION

Unverified Participant

Please welcome to the stage, Vice President Investor Relations, Shelly Hubbard.

Shelly Hubbard

Vice President-Investor Relations, Pentair plc

Good morning, everybody, and welcome to Pentair's 2024 Investor Day. We're really happy to have you here with us today.

Before we begin our prepared remarks, I'd like to remind everyone that our presentation today will contain forward-looking statements made pursuant to the Safe Harbor provisions of federal securities laws. These statements are predictions, projections or other statements about future events. Listeners are cautioned that these statements are subject to certain risks and uncertainties, many of which are difficult to predict and generally beyond the control of Pentair. These risks and uncertainties can cause actual results to differ materially from our current expectations. We advise listeners to carefully review the risk factors in our most recent Form 10-K.

An electronic copy of today's presentation can be found on our Pentair Investor Relations website. This electronic copy is intended to supplement our remarks during today's event and provide a reconciliation of differences between GAAP and non-GAAP financial measures that we will reference. The non-GAAP financial measures provided should not be considered as a substitute for or superior to the measures of financial performance prepared in accordance with GAAP. They are included in additional clarifying items to aid investors in further understanding the company's performance, in addition to the impact these items and events have on the financial results. We are also providing key definitions for terms that we will use throughout the presentation today for your reference.

And with that, let me provide a quick overview of today's agenda. You'll be hearing from the entire executive team today with key messages from both John Stauch, our CEO; and Bob Fishman, our CFO, in addition to our segment Presidents on how we move, improve and enjoy water while learning more about innovation, transformation, sustainability and talenting culture at Pentair. We'll also have two breaks throughout our presentation and conclude with a Q&A session for those attending in person today. Following the formal presentation and Q&A, we'd like to invite those of you who are in the room with us today to join us for lunch with our leadership team.

With that, I'd like to thank you again for joining us today. And now it's my pleasure to welcome to the stage our President and CEO, John Stauch.

[Video Presentation] (00:02:28-00:04:28)

Unverified Participant

Please welcome to the stage, Pentair President and Chief Executive Officer, John Stauch.

John L. Stauch

President, Chief Executive Officer & Director, Pentair plc

Welcome and thank you for being here and thank you for.

Unverified Participant

Please welcome to the stage...

John L. Stauch

President, Chief Executive Officer & Director, Pentair plc

So, we always said there's something. It's why I love live events. It's always something that you have to be agile about. Welcome and thank you for being here and those listening on the web, thank you for joining us today. It's not lost on me that there's 499 other companies in the S&P 500 you can be following. So, I appreciate your interest in Pentair today.

We're excited to share our strategy with you. A lot of the strategy you're going to hear today are things that Bob and I have shared with you, with Shelly at various conferences. But we wanted to open the aperture today and allow you to hear from the rest of the team and hear how we're building this momentum through Pentair to continue to deliver for customers and create value for shareholders. So, let's jump in. Let's dive in. Go with the flow. We got a lot of water puns.

All right. Here's the key messages I want you to take away from today's theme. We have a balanced water portfolio and we want to share with you why that matters. Many of you ask, why is Flow fit? I think you're going to end today understanding how it fits both from a technology perspective, but also how it helps us balance our portfolio. Pool had a difficult year last year. Its markets were resetting on the inventory side, and you saw how the rest of the portfolio carried us to meet and exceed our commitments throughout 2023. We want you to also take away that we're utilizing transformation or what I call business optimization, to reduce complexity and give us an ability to drive organic growth on a more consistent and predictable basis. We have a great culture. We want you to understand that. But there's an opportunity for every culture to improve. What I think Pentair can improve upon is our obsession with the customer and really more about the customer's business model and how do we help our customers every single day improve the lives of the people that they interact and work with. We also want to have a greater sense of urgency, and we want to make sure [indiscernible] (00:06:27) better team accountability [indiscernible] (00:06:30) walk through that a little bit today. And I want you to take away that we're strong generator of cash.

Cash flow matters at Pentair. It always has. Part of that is because we've got a great track record of a dividend that we'll talk about. But also we believe that returning cash to shareholders makes sense and it allows us to build credibility to use that cash to continue to drive higher returns. So, here's what I want you to think about in the snapshot. We're going to be \$1 billion of EBITDA at midpoint this year. \$1 billion, a nice, easy number for you to put a [ph] multiple on (00:06:58), right? But ultimately, I want you to think of the value that EBITDA is we're about 60% cash flow conversion to EBITDA, even inclusive of a little bit higher interest rates than we normally would have. And the fact that we're spending money on transformation to drive long-term value.

Our profitability is okay. It's at 21% on an EBITDA basis. The way we measure it, about 22.5% at an EBITDA level at the end of last year. But you're going to see how transformation can significantly improve that over the horizon. I'm very, very proud of mid-teens ROIC that we have as a company. I'm a CEO, still believes ROIC matters.

Hopefully you do as well. I think it's the best way to measure a management team is how do they take the capital, the precious capital they have, how do they put it to use and how do they drive compounding returns on it?

And finally, just reminding you that we are a dividend aristocrat, 48 years that we've increased our annual dividend that goes back to the late 1970s. Think about a lot of financial challenges that occurred within those decades that we've been doing it and we've been able to continually improve it and raise it every single year. And I'm not going to be the CEO who takes that away.

Here's our three segments you'll hear from today, move, improve and enjoy water. I know everybody wants to jump, right, to enjoy water, poolside, but we're going to ask you to listen intently and into what we're going to do on the move and improve. And our three segments align nicely with the way that they serve their customers. Flow competes against a lot of global competition. We, like many pump companies, play in specified niches where we're specified into applications and we have 100 year legacy brands. On the improve water side, we'll talk about our Commercial Water Solutions platform that was made more substantive by our Manitowoc acquisition this year and then our Pool business to enjoy water. But you also see at the bottom and you'll see through the anthem videos that you hear today that we're building out a branding capability. So, each of these segments has their own identity within the Pentair sphere so that they can more properly compete against the competition to serve their customers more effectively.

I think our focus strategy is winning. To me, it's focusing on the core. Every company is good at something. I think when you're a water company, it's very easy to get distracted. And hopefully you've noticed over the last six or seven years that we've been very clearly focused on what we do and what we're good at as a company. By doing that allows us to pursue a few and I mean a very few larger organic, innovative opportunities that we can invest our money in. And we're going to show a few those today in Phil's presentation and throughout the segments' presentations. We're executing a transformation playbook to unlock value. We have a lot of hidden value. Think of all the acquisitions that Pentair has made in the past, and think of us finally integrating them to a standard expectation and then holding those business units accountable to get to optimal levels of return.

And finally, just continue to strengthen the balance sheet so that we have flexibility to add to the EPS generation of this company through either buybacks and/or on compounding M&A. If you look back to 2017, the last year that, this represents the split number. So, what was the water portfolio of 2017? We became a pure play water company in 2018. Our results are pretty impressive. We're not at the top of the pack, but we're certainly in the upper tier. They haven't always been consistent and predictable over the last six years, but we've grown our revenue at 6% compounded average growth rate. And you can see how we've grown our EBITDA and our EPS over that timeframe. I think I want you to take away from this slide that we're committed to shareholder value on this company, the board aligned with management has always been here understanding that while we serve some great purpose as a water company, we're here to deliver returns for shareowners.

Mind you, in 2018, we split the company. I can't take any credit for nVent and the success that Beth Wozniak has had over in the nVent side. But if you combine these two companies together, the market cap today is well over \$24 billion and the enterprise value is closer and greater than \$27 billion. So, substantial value and hopefully [ph] hung on to (00:11:03) a few of those nVent shares. We play in large, stable, and growing markets and any company can find their TAM any way they want. You'll see the TAMs and the SAMs as we approach in the segments, but we believe the spaces where we play in water are growing faster than GDP.

Water scarcity is driving the need for greater solutions, and we work with our trade partners to be the solution provider of choice in many of these industries. And you can see how we think our growth rates will stack up against these industry trends. Our purpose is what we live. I mean, this is on the walls of all of our buildings, but

it's in the hearts and souls of the 10,000 employees at Pentair. Engagement matters for employees, especially post COVID. How do we get the hearts and minds of our employees focused? And I'm proud to be CEO of a company whose purpose matters. It matters to our customers, it matters to employers, and hopefully it matters to you, our shareowners. But what I want our secret sauce to be and this is a chart we use internally, Pentair, we use this at the senior leadership meeting and as top leadership we're talking about how do we distinguish ourselves against the peer group. And I really believe it starts with our purpose defining us and inspiring us. Ultimately, we are there to provide a solution to a community or to a homeowner or to a business owner that relies on our trusted brands.

We take that seriously. I think our organization guides us. I'll share with you that you see three segments we actually go to market in 15 unique revenue streams. Think of those revenue streams being brands. Think of them having sales and marketing teams associated with them. Think of them having their own innovation paths. And that's how we compete against our competition, our business units, which [ph] sat (00:12:48) at one level above that are where we do the operating premise for those particular revenue streams. How do we drive more profitable growth? How do we choose the priorities that those categories have and how do we drive higher levels of performance for our segments?

And finally the segments, they set the stage for the future. They're coming up with the transformation plans, they're coming up with the portfolio, the strategies for how we win. And then as corporate, we're there for governance, we're there for resource allocation, we're there for talent development pipelines, and we're there for compliance purposes. That's the structure of Pentair. I think it's now working for about a couple of years in this structure and we're starting to really make progress in that category level, which is ultimately where we need to win against that competition. Our transformation propels us. It sets the way for us to be able to overdrive our performance, to allow us to reinvest in R&D innovation and sales and marketing strategies. And I believe, as I said earlier, we have a really good culture inside of Pentair, [ph] found on (00:13:47) Win Right values well before I joined.

But ultimately, we assess the leadership competencies, we help develop our teams, as Tanya will share with you. But I think if we can get this customer obsession piece right, just understanding who our customer is and making sure that we're serving them better than our competition by the little things, and you'll hear that in each of the three segment presentations. That's how we can ultimately get to the higher level of organic growth that we believe that we can achieve as a company.

You'll hear from the segment leaders today. But here's what I want you to take away in my opinion of the secret sauce of all three of them and the move water side, which again is Flow, we have well-established brands. Those brands are specified in. They are usually replacing our like brands from a 100 years ago, 50 years ago, 30 years ago, 20 years ago. Many of you asked, can this business grow faster, and the answer is yes. I just don't know if it can grow faster profitably. And what I love, what Jerome did and De'Mon is doing with this business is we're hitting an optimal level of growth rate while also expanding margins.

And we have a few more years to go on that focus and that discipline before we can allow them to go chase the larger projects that often can increase growth rates, but also lower your margin profile. In Water Solutions, we were focused on what we could do in residential. I call those learnings. Maybe a couple of those were expensive learnings and some of the acquisitions we acquired. But what we did learn is that some people value higher levels of filtration and capability and some people don't, and what we want to play is on those customers, those service providers, the hospitality users who really care about the water you drink and who want us to filter to a level of standard in which we can provide those solutions. And we think there's a plethora of those customers available for us to work with and continue to grow the commercial side and the filtration side of that business.

And finally, on the enjoy water side, reminding ourselves we are the leading brand in the United States. We used to be the leader in innovation, quality, superior dealer performance, I think we still are. But we've got to recommit to the things that make us differentiated in this space and Jerome is going to walk you through that story later today.

I wanted to address the concept of this Flow fit. And I know what you're really talking about is the separation of this technology piece of the Industrial solutions. But when you peel back the onion of the segments, here's how I look at the technology applications within Pentair. At the core, we're about \$1.5 billion of separation and filtration technologies that cut across to all three segments. We're about a \$1.5 billion in pumps. And then you can see how heating and cooling splits between the Manitowoc business primarily and also the Pool heater side of Pool. And then we have some lighting and some other applications that our customers value from us as we package those together to serve those customers more effectively.

Think of the scale we get in technology. Our global engineering center in India works on digital across the entire enterprise. We work on filtration separation technologies through that global engineering center as well, and the dedicated innovation centers we have around that separation technology. We're able to use it across all three segments because of where we play. So just a lens into the way we look at the company from a technology perspective.

You're going to hear a lot about transformation today. I want you to know that we've been at this a couple of years. So, Bob and I shared with you our vision and plan. Adrian started this [ph] on (00:17:10) executive team and Steve now leads it. And we're going to talk to you about how we partnered with outside providers looking for better playbooks and ability to use these playbooks effectively within the segments and business units. I'm very proud of the progress we made. You're going to hear about where we sit today, but I'm even more excited about the opportunities these pipelines are producing for the future.

I don't want you to think or believe that this is over 2026. As a matter of fact, this year we just committed to doing 80/20 on half of our businesses. So, [indiscernible] (00:17:39) 80/20 work with another outside provider digging into our Pool business, our water supply, water disposal business and a residential water treatment business. What I think our learnings are going to surface from that effort is that we have a lot more opportunity in the way we use our pricing and sourcing playbooks and the way we eliminate and reduce complexity with inside of Pentair that will ultimately help us with our operational footprint.

Making better essential. This is our ESG efforts inside of Pentair. It is not a program, as Karla will share with you. It is part of our embedded strategy. Imagine being and wanting to be the leading sustainability provider in an industry for water and not holding the mirror in front of you and being able to meet the metrics and expectations yourself, right? We believe, as I said, that this is good for our customers and we're starting to build momentum on how we can help our customers solve problems. We embedded this in our sourcing programs and the way we take a look at suppliers. It's embedded in the way our employees think about their impact that they can make. And so, it's good for customers. It's good for employees. It should be good for shareowners. And therefore, it's also good for the planet. And you'll hear more about this from Karla later today.

And finally, here's our targets that you're all excited to hear about today. I'm sure you jumped to the end of the Bob section. I would have done that if I was you. But ultimately, we believe that we can be a mid-single digit grower organically as a company. 2024 [ph] is going to be (00:19:04) more challenged in the sense that Pool have a good recovery year and we're a little bit up against some higher comparables in the other two segments. But long term, fundamentally, we think we get back to these established growth rates in 2025 and beyond. What's

the 24%? You'll hear us talk that we have a funnel higher than this inside of the company, and you'll see how Bob and Steve are thinking about that. But we're committing to 24% in our financial targets. We think this should create low double digit EPS CAGR over the horizon. And as I mentioned earlier, it should generate a lot of cumulative cash. You'll note in Bob's presentation that we don't put this cash to work over these financial targets. So, we'll be under levered, of course, or under our 1.0 leverage, and hopefully we'll be able to find some good compounding M&A or also commit to a buyback program to utilize that cash and drive even higher targets than what is existing here today.

Here's the team you'll hear from. First of all, I love every single one of them individually. But more importantly, I think 2023 was example of how they can work together to deliver higher expectations and I thought was possible. You can see their skills and their industry expertise. It's a blend of seasoned Pentair employees, but also some new, fresh perspectives that we've been able to bring on the team. But what I would say is not on this chart, which I think is fundamentally what makes each of them special, is they all share a trait that I value, which is humility. Without humility, you can't continuously improve. You can't commit to a better way. Because if you think you're always the smartest person in the room, you think you always had the brightest idea, the company or the team that you lead will not evolve. And we need to continue to evolve at Pentair. If the last five years taught us anything, it's that we have to expect the unexpected over this horizon that we're going to engage in. And we have to make sure that we're always looking at a better way, a better practice. And when you have that humility, as I mentioned, you listen. And listening is the core to allowing other voices to surface.

I didn't move forward 80/20 without talking to other CEOs. I have my own benchmark circles I go to. And I'm really proud of the fact that in each of the situations where we're driving transformation, the team, even though they were experts in that themselves, went out and found expert partners who had proven playbooks and proven technologies involve the leaders inside of Pentair so that we could make it their own and we could transfer the accountability deeper in the organization to get that compounding outcome move on it.

So, thank you for listening. We have a phrase in Pentair, it's called Be Here Now. I'm aware that we have a speaker speaking to Congress today and he may or may not say things about the interest rate, but I'm hopeful that you give us some of your attention today and we make it a productive Q&A. I'll be back with a couple of closing charts and then I'm looking forward to really great question-and-answer, period. Thank you.

Unverified Participant

Please welcome to the stage EVP and Chief Technology Officer, Phil Rolchigo.

Philip M. Rolchigo

Executive Vice President & Chief Technology Officer, Pentair plc

Good morning, everybody. A little bit about myself. I've had the privilege of being a technology leader in water my entire career, starting with co-leading a startup to being a Chief Technology Officer of a company that pioneered water called Osmonics, then through GE Water and now Pentair. And I have to say, I couldn't be more excited about today's current environment in the business of water, and especially incredibly inspired by the opportunities here in front of us at Pentair.

The three things I want to cover today in my presentation. One, I want to talk about water, why it's essential, the stresses in it, and how that connects to our purpose and our mission. And then two, I want to talk about the capabilities that we've been building over the last number of years and how those capabilities are helping to elevate and help the company grow. And then lastly, I want to give you a little bit of insight into the impact that

we've had over the last three years and then where we're going into the future with some really exciting and bold ideas.

So let's zoom out. If you zoom out and you look at the Earth, 71% of the Earth is covered in water. And then zoom back in, less than 1% of the Earth's surface is with water that's easily accessible for all the uses that we use it for irrigation, agriculture, industrial purposes, energy production, home drinking. The vast majority of the water, approximately 97%, is seawater, which is usable but under extreme conditions, which you have to process it to make it usable.

The other point that I want to make is that water is a very limited resource. The water that is here today is the water that's been around for a millennium past the age of dinosaurs. So, the water we have is all we have. It's not naturally created. It's not naturally destroyed. But Mother Nature does an amazing job of recycling it. The natural process of heating our oceans, the water evaporating, that evaporation purifies that seawater, condensing into clouds, precipitating back to the earth, and then eventually replenishing our groundwater and our surface waters that we try to access, that 1% we're talking about.

We talk about water being life's most essential resource. And when you think about the fact that 60% of our body is water. Our vital organs are over 80% water and you can only live for about a week without water. It's clear why water is our most essential resource. But this water and this important resource is extremely under stress. You can't open a newspaper without seeing the extensive floods in places we don't expect floods, the increasing, increasing severity of the droughts even in Phoenix now, where we have a moratorium on building because of these droughts. These are opportunities for our Flow business where we want to move water away from where we don't want it. We want to move water to where we need it and De'Mon is going to take you through some of these really exciting opportunities in a little more detail.

Our water supply is also under stress. The more and more our society grows and our economies grow, the stress from agriculture, industrialization and the need for energy and residential uses is putting a lot of stress on the ecosystem, but also contaminating our water supply with Industrial chemicals, with waste from our residences with drugs and pharmaceuticals and other endocrine inhibitors. You can't open the newspaper to see comments about PFAS and the challenges around PFAS. And we know the challenges around our aging infrastructure and the impact that's had on lead and the children in our society. These are all exciting opportunities for our Water Solutions business. Adrian is going to spend a lot of time talking about the opportunities there. And then as our economies continue to grow, we see an average of 70% agriculture use, 20% Industrial, 10% residential use. The demands are growing and the demands are shifting. More advanced economies, you see increase use in Industrial applications and at home and as you see those increases in home and the opportunities for our Pool business as we have more wealth and wealth requires and I would say gives us the luxury of building pools for health and enjoyment. That also is an opportunity for Pool. So, opportunities across all three segments driven by continuing increase and the world advancing.

So, all of these things have fed into our vision for how we're going to develop technologies. We're looking at advanced technologies and how we can look at new technologies to solve these problems in a more sustainable ways to address scarcity and quality. Also looking at a very strong pipeline of new products that are looking at sustainability for reusing water and reducing amount of chemicals at the same time reducing amount of energy. And then we're also looking at technology, as John said, across our segments, and how can we leverage technologies in each of our segments from other segments to be able to create new innovations helping us to Make Better Essential.

So, couple of really interesting stats. We have over 800 engineers now within Pentair located in seven key innovation centers. We've increased our R&D spend about \$25 million over the past four years. Those investments continue to support filtration and separation technologies. I think we have one of the strongest, most extensive brands of filtration and membrane technologies in the industry. We continue to support our Flow Technologies with advances in hydraulic design and engineering simulation, motors and controls. And we also have really strong capabilities in heating and cooling, refrigeration, combustion, and now even more and more emphasis on heat pump technology. Where we've invested, I would say incrementally more, is in electronics and IoT and making – moving our products from static to connected into smart. We now have around 150 electronic and software engineers that are leveraging this technology across all of our segments. And we'll talk about that and the impact it had in just a little bit. In addition to these capabilities, we spent a lot of time refining our processes.

So, we start with a process called Dream. This is where it's extremely customer focused. And this is one of the things that John's talked about and how we're really trying to transform our culture to be more customer focused. Here we look at the opportunities end-to-end from end user back all the way through our channel, identifying opportunities to grow and then with ideas that we feel like we can develop new products. This is where the business units in our categories take over in the process, and this is where John has talked about. This is where we actually compete and win at our category level. Now, one thing that's really exciting about this process is we've digitized it.

So, it's digital and it gives our category leaders and our business unit leaders the opportunity to look at their entire portfolio, optimize the projects they're working on, the balance between value engineering and new product development, projects which we deem are important to transformation. And the second thing that's really exciting about this project, this process, is that we've developed a sustainability scorecard, and Karla is going to talk a lot more about it. But this scorecard stays with the product from idea all the way through delivery, and it helps guide our engineers in design for sustainability as we're developing the products.

The second work stream is really focused on building the future, and this is led by our segments. This is where we're looking at technologies that are a little bit more uncertain. This is where we do all of our scoping and outsourcing and looking for and scouting for new technologies that are emerging. And the reason we've separated is to make sure we don't distract our businesses. And the fact that, quite honestly, this is where a lot of companies stand to fail. And we've had our own challenges here, where we have big, bold ideas, where we mix up the difference between what a new product is and what technology R&D is.

And so here, this process we look at developing this technology, reducing the technical uncertainty, and then eventually moving it through to a commercialization process where we're now moving through a commercialization uncertainty, and then eventually turning it into a new product. And we'll show you a couple examples of really exciting product that we've taken through this process and why we're excited about it being successful.

So, built strong technical capabilities, built really good processes and the impact I couldn't be more proud of. Over the last three years, we've launched over a 100 new products. This 100 new products have added about five points to our vitality. And when we look back through our digital process and look through our pipeline of new products, we see at least another five points added to that [ph] vitality (00:30:46) over the next three years. We also now have over 500,000 products that are connected on our IoT platform, growing to over a million new products connected onto that platform within the next three years.

And this is all supported by a very exciting expansion of our intellectual property portfolio, where we've expanded our patents and patent pendings over the last five years by almost a little bit more than 50%, actually. So, this is really exciting. Very proud of what our teams have accomplished. But we're just getting started. I couldn't be more excited about where we're going into the future. We've created three North Star bold visions for where our segments are going. In move, advanced flow and waste to value technologies where we're looking at reinventing waste processing. So this is an area where we're thinking, why – what is a waste? The waste is really just something [ph] is possibly another fee (00:31:42) source to a new process, within improved water, we're looking at the future of "whole home" water treatment, because really what we're looking at is the whole application, whether it's in your residence or whether it's a place of business. So, we're reimagining how we bring water to these markets. And then in enjoy water, we're going to continue our legacy of building sustainable solutions, but with an emphasis on how do we continue to make it even more sustainable as we envision the Pool for the Future.

And I'll take you through some of those examples in the next few slides. So, when we're rethinking Advanced Flow Technologies for waste processing, here's a really amazing example of our capabilities from connected sump pumps, really small that you would put in your basement to spray nozzles that we use, precision spray nozzles that we use in agriculture to applying our advanced flow capabilities to the market leading, energy efficient IntelliFlo flow pump for Pool, all the way through to the world's highest capacity pump that's in the Guinness World Book of Records that can pump at a million gallons a minute in that we've just recently installed in the Netherlands. And De'Mon is going to talk about that in a little bit more detail in his presentation.

But that's just a showcase example of what we can do within our Flow Technologies capabilities. Also when we start thinking about wastewater, this is a new challenge. Really what's interesting is that to solve one problem, we've created another. We have low flow toilets. We are using different kinds of materials to reduce the amount of energy we use to clean. But that's created industrial and municipal wastewater that are very, very concentrated and very difficult to pump.

So, what I'm showing you here is a typical wastewater pump that that's clogged. Well, what we've done is we've [ph] attacked (00:33:29) this problem. We've gone to places where pumps, waste pumps are failing on a monthly, weekly, even daily basis. So, imagine the amount of labor that goes into being able to take those pumps offline and get them back up online. But we've proven with this new patented X-Centric Impeller design that we can go into exactly those applications. And we've been able to prove now with over three years of operating experience, zero downtime.

So, really, really exciting and a great example of how we've been able to use our Advanced Flow Technology capability to solve this problem. De'Mon is going to talk to you a little bit more about the economic benefits of doing so. When we pivot to waste to value technologies, this is an area that we've been working on and we really haven't talked a lot about. We have leading membrane, anaerobic membrane bioreactors that are reusing water, but the next phases they are anaerobic membrane bioreactors that not only are allowing us to recycle water, but at the same time producing biogas and then refining that bio gas into biomethane and food grade CO₂, creating value, you see.

So, there's a really great example. Taking a waste stream and then converting it into something of value. A breath of membrane technologies, we're also applying to processing food, dairy and agricultural wastage to recover proteins, nutraceuticals and also minerals and precious metals [ph] from (00:34:52) other various waste sources.

So, we're really excited about applying our membrane technology across all of these applications, and we think the growth opportunities are tremendous. As we pivot to water treatment and reimagining that within the residents

and within commercial applications, we're moving past just treating water to make it smell better and taste better, right? The emerging contaminants that we've talked about are really important. Our technologies were proving and Adrian's going to go through this that are capable of removing all of those contaminants to make water pure and safer to drink. But we can go into another level. Through our technologies and through our application experience, we have got the technology and are demonstrating the technology to make perfect water composed exactly as needed with the right compositions to make perfect ice cubes, perfect tea, perfect coffee, the perfect composition of water to wash your clothes, to clean your dishes. And this is just a huge opportunity for us as we look into the future to reimagine how we treat water in our home and our places of residence, in our places of business.

Now moving to Pool, we've got a great legacy of sustainable innovations within Pool. High efficiency heating, high efficiency lights. The world's best IntelliFlo pump for Pool applications. But now we're pivoting towards thinking about the water, the quality of water, water care. How do we make the Pool more sustainable using less chemicals? So, I want you to imagine, so Jerome thinks about his Pool as it's a place to enjoy, but the technology geek in me thinks about Pool as a water reuse application because that's really, quite honestly, what it is.

So, this is an example of a pool, typical pool at the end of its hibernation, at the end of winter, we typically take multiple days, at least a week, lots of chemicals to get it cleaned up and ready to go for your family to swim in, something that would concern me to swim in all those chemicals. But I want you to imagine if Pentair could use all the technologies and our applications expertise that we have to do this from green to clean in 24 hours with zero chemicals, and then on an ongoing basis, being able to maintain that Pool in an effortless way with significantly less chemicals. This is a really exciting opportunity, so I want you to imagine what we can do when we start to apply all of our technology across all of the Pentair to applications like this.

And then lastly, let's talk a little bit more about our IoT journey. This is something I'm incredibly proud of. We've made significant investments of that \$25 million that we've incrementally invested a significant portion and have gone into this. Like I said, we have over 150 electronics and software engineers now that we've deployed to build our IoT platforms for that span across our residential, our commercial and our Industrial applications. 500,000 devices connected today, over a 1 million connected in the next three years. Each of those devices is a data point that's gathering amazing amounts of data on how our products are used, how they're performing, how our customers are using them. It's giving us amazing insights into how we can continue to evolve our products to make them better. But even more so, it's opening up the opportunity as we use today's data analytic tools and the emerging artificial intelligence tools to be able to create new service and sales platforms. So, we're just getting started here and we're really, really excited about the opportunities with these capabilities that we've built. And we think we've had a really great jumpstart on where we are today.

So lastly, I just want to take you back to the beginning. Water is essential resource. It's under stress. It's really, really vital to all of our lives through every aspect of what we do. The virtual water footprint in the clothes we wear, the food we eat. Not only just the water we drink, it is a vital resource. And our mission and our purpose is addressing those challenges. We've been making amazing advancements and significant advancements in our technical capabilities and our talent and our processes. And I hope you could see through the hundred new products that we've launched this year and the increase in our vitality that we are having an impact with those investments in that we have a really bold vision for the future and we think those opportunities are just incrementally additive to the roadmaps that we've already discussed. So, thank you for listening.

Unverified Participant

Please welcome to the stage, EVP and Chief Supply Chain Officer, Steve Pilla.

Steve Pilla

Executive Vice President, Chief Supply Chain & Transformation Officer, Pentair plc

Good morning, everybody. Very excited to be here today to talk about transformation. Let me just give a little bit of background about myself. I've been at Pentair for almost 19 years and that time has been split about 70% within supply chain and about 30% running three different businesses with full P&L responsibility. And the reason that I bring this up is I have seen a lot of change at Pentair over all of those years. And I can honestly say, I have never been more confident in the strategic vision of transformation, the processes and the teams that are going to lead to success. We started the journey a couple of years ago. I feel like we've got a great funnel, great set of opportunities ahead of us and I'm very excited to get into the detail.

A couple of key things that I want to as takeaways. The first is, as I mentioned, we started the journey two years ago, but we've still got a lot of runway ahead of us. We're going to leverage the Pentair business system, which essentially is a set of tools, processes that we can train on that are central to what we want to deploy into the business. And then, we want to take transformation not only at the enterprise level, but deep within the businesses as well, and make sure that it's sustained there to be able to drive the results.

So, as I mentioned, I had the opportunity to be here prior to the split and then where we're at on the journey now. And I can say where we were prior to the split, really consisted – transformation consisted of LEAN tools embedded in select sites, not even all the sites that we had. And if we take a look at it today, we've got four major work streams that we've deployed centered around pricing, sourcing, operations and organizational effectiveness, and I'm going to unpack all of those as we go forward in the presentation. And then where are we going? We want to continue to add more tools. John mentioned that we added 80/20. We started that this year within the businesses in January. So, that's young in its journey and then again taking it even further culturally into the organization around change of management to drive it deeper and deeper.

Three things that I want to cover on this slide. The first is why do we want to do transformation? Second is, how are we going to do it? And the third, what – what's the return? What's the results that we're looking for? The why that we want to do it is that we're a very complex organization, mostly our growth over the years has come from quite a bit of acquisition, which added to the complexity of the organization. And what we want to do with transformation is unlock the value, reduce the complexity and unlock the value. And the way that we're going to do that again is centered around the four pillars of pricing, sourcing operations and organizational effectiveness. And the reason we want to do it, you can see the transformation from an ROS perspective or a margin perspective, right? Taking it from roughly 18.5%, up to 24% over the course of the next couple of years.

So now let's start to unpack these a little bit. Let's talk about pricing. And if we look at pricing historically at Pentair, I would say we did a great job innovating products, releasing them into the marketplace under a certain pricing guidelines. And then after that, I would say it was more tactical based. Inflation would roll in. We'd adjust our pricing, we go back to the marketplace. This journey that we started a couple of years ago is really more strategic. We've got a full process developed and deployed into the businesses centered around these three pillars. First is list price optimization. I call that value based pricing. And really what that is, is the ability to take our products within the businesses at the SKU level, compare them to our competition, look for value propositions, features, benefits, and then understand where we can make adjustments to pricing in the marketplace based on value.

The next net price that's working with our channel partners within distribution to put programs together for growth. And then the third on the channel at the dealer level, going through the segmentation, again, putting programs

together that's going to allow or help them to grow profitably, which is going to pull sales through and increase our revenue at the Pentair level.

Now let's talk about sourcing. I am very proud of all the workstreams that the teams have deployed over the course of the last couple of years. Very proud of sourcing. This has been a long journey, I think, where we had the most runway and we still got a long way to go. Again, if we look back historically on this with sourcing, I would say prior to the split or shortly thereafter, we sourced opportunistically. And what I mean by that is, we negotiate one-off contracts. We wouldn't go to the marketplace as one Pentair. Commodity markets would drop. We'd take advantage of the drop there. And what we've done with this methodology is deploy a set of tools and standards centered around 11 stage gates to drive maximum margin.

And if we take a look at it and again with this journey, we started with a partner a couple of years ago. And there are two or three objectives that I had coming in and working with the partner. The one was to look and identify funnels of opportunities, not just necessarily centered around cost reduction. Took a look at our organization, our structure, our talent, right? And if we had to make some adjustments, we did. We had to look at how we trained, what was the methodology that we want to deploy.

So, we brought all of that together and we started Wave 1 and Wave 2. We brought Wave 1, which is about \$600 million of spend through the process. And then Wave 2, which was about another \$600 million of spend. And as you can see, almost 140 team members have been trained and 150,000 man hours, have gone into Wave 1 and Wave 2. And the result of that is what we are seeing on a consistent basis across both of those waves is a 10% to 12% growth savings reduction. And we believe that, that is very sustainable as we go through future waves over the course of the next few years.

Here's the process that I talked about 11 steps. There's three variables to this. A, we do not deviate from the process at all. B, we utilize cross-functional teams. It's not just sourcing, we've got engineering, operations, finance, legal, all working together to direct where we're going to buy, what suppliers that we're going to buy from. The other part of this, and it's not embedded on the slide here is, of these 11 stage gates, there's actually 84 elements that we work to negotiate. It's total cost that we're looking at. Some of that can be the cost in cash relative to inventories as we pull the supply base closer into our sites or key manufacturing sites in the US.

I was asked to put together an example or a business case of what I thought was the most impactful from the sourcing transformation and there's a lot of different ways that I could have gone, but I think the one that I want to call out here is the two shows that we had in Las Vegas. I mentioned we've gone through Wave 1, we've gone through Wave 2 and in both of these ways, we had a supplier show in Las Vegas.

In each show, about 1,000 suppliers attended the show. Senior levels, Presidents, Vice Presidents, senior level decision makers and I think there was two advantages that the suppliers had attending the show. The first was they got to hear from the ELT relative to the strategy and the growth strategies that we've got as an organization and why they want to come on this journey with us. The second is we had a ballroom full of all the Pentair product, which was represented in that wave. Suppliers could come in, touch it, feel it, understand possibly what they sold to Pool. They never had visibility into IFT or demands business.

So, they got to look at it and say I've got an opportunity to grow my revenue and I think as we look at it for Pentair, the big advantage was from this show, the suppliers could understand what we meant by bringing one Pentair to this show for them to grow their revenue, take advantage of their scale and pass that cost savings on to us. And that's where I think a lot of this 10% to 12% was really driven home was by the attendees and the success of the show.

So, where are we at, Wave 1, again, about \$600 million in spend through the process, logistics, MRO, packaging done, implemented last year, it's reading out castings, electronics, motors, direct materials. We are in the process of transitioning in some cases to new suppliers, which takes time from a qualification and testing. 90% of that is going to be done by the third quarter of this year, which will read out in the balance of the year and into 2025.

Wave 2, we're through the negotiation phase and that \$600 million. We'll start the implementation, the awarding of the business and the transitioning in some cases to new suppliers, as we get into Q2 and Q3, which is going to have a readout as we get into 2025 and 2026.

Wave 3 consists mostly of indirect material. And then Wave 4, what we're doing, here is what we want to take to market is going more focus on the make/buy centers of excellence, what we're currently making, what we're currently buying, do we want to change that mix and we're working to put together that. And then the interesting part as we get into Wave 4, some of the things in Wave 1 will come off contract, right, and we'll be able to take that out, run it through the process again.

So, it just becomes a flywheel. It just starts to build on itself. So, as we look at it and what the bar charts represent, 2024, 2025 and 2026 in the green, we've identified opportunities implemented, we've got some carryover. And where you see the blue, that's funnels of opportunities we anticipate that we're going to implement, we're going to drive forward.

So now, let's talk about operations. Three key levers within operations that we want to pull. A, [ph] is LEAN, driving LEAN (00:51:17) successfully in our key plants. Two, automation. Automation not only for productivity, but in some of our sites where we might have a difficult time hiring and retaining employees. And then the third opportunity, the third lever really centers around the footprint of what we want to do in footprint consolidation.

Just a little bit of background on our footprint. So, as we look at the number of factories, 41 located around the world, okay, 15 of those factories represent about 75% of our revenue. So, 41 factories, 15 represents 75% of our revenue. That just shows the opportunity that we've got to be able to consolidate those factories. We consolidated four facilities in 2023 successfully, I would add. And we've got a great playbook that I'm going to touch base on in just a bit. The other part, as we look at the operations side. The first is, optimization of sites. We want to make sure that we've got our manufacturing sites in the right positions to meet the needs of our customers in region/for region.

The other part of optimization is supplier localization. So, as we go down this journey of reducing the number of factories that we have, we've got to make sure that we don't have a stranded supply base. For moving something to Mexico, we don't need to strand suppliers in Ohio or the Northeast. We need to localize that in Mexico or closer to the factory to take advantage of not only cost, but delivering service standards as well.

Take a look at the top 15 sites. Again, automation and LEAN are going to be two key pillars as we drive for productivity in those areas.

Case study and one of the businesses that we moved in 2023. This was a long standing facility in the Pentair portfolio located in Wisconsin that made water softening valves, is a good plant. It was struggling to hire and retain labor. It was a bit inefficient because it was choppy. We had multiple buildings and the P&L was struggling.

So, we made the decision to move it into our campus in Mexico, and this was in 2023. The problem was we really did not have a process and methodology within Pentair because we had not moved a major factory over the

course of the last prior 10 years. So, what we had to do is develop a playbook, put a team around it, understand the different processes for sending and receiving, build inventory. And we did that. And I can say that we successfully moved the business on time and on budget. Now, we had hiccups. We did have some service issues with some of our customers. But within two to three, three to four months, those major issues were fixed and we got back to a better operating rhythm. And today, Adrian has customers that come down to our site in Mexico, and they love the fact of what we're doing and how we've improved. And they're very happy with the move.

What this should give you confidence in it was when I talk about the number of sites that we need to reduce as we move forward in the future. This process, this playbook is going to help us get there and get there successfully. Again, similar to what you saw on the sourcing side of it, the dark blue projects that have been implemented and will be having carryover on the light blue, what's in the funnel and what we're driving for based on the actions that I just mentioned. Organizational effectiveness, think of it this way around this pillar. It's really the right work at the right place at the right time. I'm not going to go deep into this. Tanya is going to get up a bit later and she's going to talk about all the great work that she and her team have done relative to this. But if you think about it just real quickly, where we have workstreams across the enterprise or into the businesses and we value stream those out. The question becomes, do we need the work? Can we eliminate the work? Can we automate? And that's what Tanya and her team are doing as we move forward.

80/20, John talked about this. I'm very excited about 80/20. This is a brand new pillar. We talked about the future and where we want to go, adding more pillars to transformation. This is one that we added in January.

Again, Pentair is a very complex business, growing over the years. What 80/20 is going to do is unlock that complexity that's going to drive value across the enterprise, but specifically within supply chain. So, we started this in January. We call it Wave 1. We're running three different businesses through the process, through the methodology that represents above 50% of Pentair's revenue.

Now, I'm sure most of you are familiar with 80/20, 80% of your revenue driven by 20% of your customers. But what the data will show, what companies have shown in the past is that you spread your costs out equally amongst all of those customers. So, you're investing as much in strategic customers as maybe non-strategic. So, as we go through this and we segment out customers and products, it's going to develop new strategies that are going to help us reduce the number of SKUs, which should help us reduce the number of suppliers that we're buying from and the number of factories that we need. So, very excited about this as we move forward.

So, how do we sum it up? What's the summation of all the opportunity, pricing and the gains that we get there are going to help us offset inflation? Sourcing and operations are going to deliver over \$260 million in benefit. And I can say taking a look at this, understanding our processes that have been in place for two, two plus years, in some cases, the funnels of opportunities that we have, the teams that we've got embedded both in the business and at the enterprise, my confidence level on this is very, very high. And the organization, what we see there and the benefits that Tanya and the team are going to drive from that is going to help us reinvest and grow the business.

And again, key takeaways on this as we look at it with what I started, the transformation has started. We've got a long way to go and we've got a lot of runway ahead of us. We're going to leverage that Pentair business system around processes, training, tools, and we're doing it across the enterprise and across the businesses as well. So, I'm very excited about transformation. We've got a lot going on, but we've done and proven that we can drive this. Now we just have to continue to execute as we move forward.

So, I appreciate your time. Thank you very much.

Unverified Participant

We will now be taking a break. Please be back in 10 minutes.

Unverified Participant

Welcome everyone. Please take your seats. The program is about to begin.

[Video Presentation] (01:08:50-01:10:42)

Unverified Participant

Please welcome to the stage EVP and President, Flow, De'Mon Wiggins.

De'Mon L. Wiggins

Executive Vice President & President-Industrial & Flow Technologies, Pentair plc

Good morning. I'm De'Mon Wiggins and I've been a part of Pentair for 13 years, begin in supply team. Thank you, Steve, for hiring me. And since then, I've had an opportunity to take on a few P&L leadership roles, starting actually in each of the segments and now leading the Flow segment as the segment leader for Pentair.

I'm excited to be here today, and one of the first reasons I'm excited to be here, when you watched that video, to see the things that Flow does, the things that we impact. I'm here to share a few more things around what our products do, where they are, why they matter, the impact that they make, and then, most importantly, why I see a bright future for Flow as we move forward.

There are a couple key messages that I want you to think about. But first, it starts with our employees. Our employees are passionate, engaged to really understand what our customers' needs, their challenges, and the areas that they need help. Once they understand that, they look for areas and opportunities to reduce complexity, make it easier to do business with. And then finally, once we understand what those major challenges are, we focus on innovative solutions and products to provide better inputs and solutions for our customers. That's why, as you think about what the future of Flow is, we will continue to deliver profitable growth.

There's a quick snapshot I want you to take a look at. On this left side around top-tier performance. It's important to see the growth that we've had since 2019. But I really want to point your attention to the growth on the bottom line. You see a ROS in 2019 of less than 15%. We moved that up to 17.8% and have expectation that that's going to grow significantly in the next few years.

How did we do it? We did it with focus, discipline, choosing and engaging in the right projects, the right mix of products that we sell, but now also transformation that Steve talked about. Transformation around pricing, strategic pricing, sourcing, and then also organizational focus on standardization and simplification.

If you think about the business as a snapshot, where we have a balanced portfolio. Portfolio balanced in markets, residential, commercial and industrial, but also from a geographical standpoint. That allows us as a business to focus on areas and opportunities with tailwinds, but when there are headwinds, to be nimble, to move to other

areas and take action to stem those issues that may be in front of us. That's why I like this business and that's why we perform so well, is being flexible and where we meet the needs of our customers, markets and industries.

So let me give you a little bit more insight on where you would see our products. First of all, small pumps. I think Phil you talk about the breath or the size of the pumps that we install and we provide to our customers, small pumps that you would see in a irrigation field or sprayer to spray water and nutrients to the food and the crops that we actually would eat. Also, we could see, well pumps or sump pumps that would be in your home. You could see very large pumps, which I'm going to show you a little bit later, that protect cities from flooding. But then we also have some kind of cool technologies that we partnered with industrial manufacturers to turn waste into value.

But let me give you a real-world example today. Today, in this building, you're protected by a Pentair Aurora fire suppression pumps. If there was a thermal event, our pump would work and it would protect this building. So a real application here where you see our product at work.

Our go to market strategy. We go to market in \$1 billion around pumps and about a \$0.5 billion in separation technologies. You see a lot of the end markets, but we point out to, we actually compete at the category-level. Those categories have different value chains. If you think about how they go to market, there's areas where we go two-step distribution, where we work with our distributors, but it's really important to work with the installer and integrator who influence the install of that product.

We also work with engineering firms, because we have technical expertise to provide solutions to those firms so that we're specked in for those long term solutions. So being connected to that engineering firm is so important, and that's what our technical capabilities really bring to the forefront. We also work with OEMs, OEMs we know are long cycle, but we partner with them and they really engage with us because they trust us from the products that we provided in the past now. So these are all ways that we use the go to market strategy to be successful and make sure that we're meeting the needs of those customers.

Flow has a long legacy of brands. I think, John, you said 100 years, in some cases 200 years, the legacy of the brand is tremendous and why that's important, it goes to a large install base. The large installed base is very important for us, because it creates recurring revenue, opportunities for aftermarket and opportunities for replacement of product. That's tremendous as we think about where those opportunities are for our future.

We get asked to quote pumps that are 40, 50, 60 years old and they only know that that pump comes from Pentair. And typically, those pumps are placed – replaced like-for-like. So that really gets to the opportunity where that install base is very important and where we seek success to be able to meet that need of that large install base that's already out in the field.

There are some large, secular, macro trends that are in our favor. You heard Phil talk about moving water to where it needs to be, but we also partnered to move water where it should not be. We have a lot of products and solutions that solve for that. You just heard me talk about the aging infrastructure. Much of that aging infrastructure is our product, so that benefits as we think about how we install replacement parts and products.

Sustainability, sustainability, we think of it, how do we partner with our customer base? There are many large, global industrials that need sustainability to increase their bottom line. So our focus to turn waste into value actually benefits them, and this is something that need to produce for their customers. So this is how we seek success in this space.

We're well positioned, a large TAM, over \$30 billion. As far as in Pumps, we're at \$20 billion and it is a low-single digit grower. In Separation Technologies, about a \$10 billion business – sector with mid-single digits. But our focus is to grow more than the market, be a plus grower. Let me tell you how we plan on doing that. There are a few strategies behind that.

The growth strategy for Flow, there are three pillars to it. The first being innovation, aftermarket and commercial acceleration. When I think about innovation, there are a couple of keys that I want to really break down and give you a little bit more details on with a few case studies also.

We have a competitive advantage with our technical expertise and generations of engineers and technical experts that we have had building pumps. What we do now is build off of those platforms, create new generation pumps that solve new problems that are coming available now today. We have two new pumps, one, the X-Centric Impeller, and a Next-Gen Submersible, that's really focused around reducing clogging, eliminating that and increasing or supporting energy use and reducing the energy used by our products and our customers. We continue to build on that as we think about where those future opportunities are.

But let me give you an example and a little bit more detail. You hear Phil talk about our X-Centric Impeller. And one of the things we constantly see is that the clogging issue is because we are making much more porous materials to be able to go through our low-flow toilets, things like wipes, baby wipes. It could be cleaning wipes. What we've found is that working with a European municipality, they were faced with clogging issues in their lift station. They had a maintenance technician interacting 322 times per year, reducing the clogging of a pump.

That's basically every day, going in and dealing with that clogging issue. Working with that customer and providing our new X-Centric Impeller that has IP design technology around the impeller and how it allows product to flow through has allowed us to reduce that from 322 interactions to zero. That's over \$150,000 per year savings, and in addition to that, a savings in energy usage over \$200,000 per year. One pump. Think of the possibilities as we think about the multiple applications, the multiple opportunities that we can install this type of pump that will solve issues and solve problems for our customers. That's what Flow brings to the table, that's what our technology brings to the table and that's the innovation type of solutions that we bring.

The next pillar, aftermarket, unlocking growth in aftermarket and this is kind of – I look at it as a door opening opportunity, utilizing our Pentair fire suppression pumps. Our fire suppression pumps are known for being high quality, reliability and we're great in our service and a lot of engineering firms spec us in. What we're doing now is using that as a door opener. Not only are there opportunities in those jobs for fire suppression pumps, but there are opportunities to have water pumps, HVAC pumps as part of the total job.

Why are we not selected before? We're working on improving our supply chain, that has improved, and cost point. So working in our transformation, we've reduced our cost and that allows us to implement not only the fire suppression pumps, but offer the other pumps as part of the combination to that same solution. Something unique about these pumps, they're used a lot more than fire suppression pumps, which is a good thing. It allows for a lot more aftermarket opportunities and interaction with those pumps and they're higher margin. What a great opportunity for future growth and future profitability in just this space.

Let me tell you how I'm going to connect that. Here's an example where we were selected for our fire suppression pumps with a large retailer in the Midwest who had an issue in many of their stores, and they needed a solution. And they selected Pentair. Over 500 locations where we've installed new fire suppression pumps and an opportunity for us to go back to that same customer and open the share of wallet and say, not only are we successful here, but we have opportunities for your HVAC, water movement pumps and such a much larger

opportunity with the same customer that we already have. There are numerous opportunities for that as we continue to move through our customer base.

We've talked about small pumps, large pumps and there's one example that I really want you to listen to. I'm only going to share a brief moment about the flood control pump that we have in the Netherlands. But I have a video that actually, I think, tells an even deeper and better story, and we're going to play it right now.

[Video Presentation] (01:23:45-01:24:56)

I hope that just sheds a little bit of light on the impact that we make. So proud of our employees who are able to, as you heard, deliver that in record time. And as you also heard, there're more opportunities for that in the future.

The third pillar is around commercial acceleration. This pillar is really, really important for us and one that we are working on to really advance in our future. This comes into application with understanding market intelligence, understanding data analytics, understanding the behavior of our customers so that we can better engage on those future opportunities for growth. This is something that we partner with the third-party to help us navigate this journey.

So as you talk about those opportunities for us to see more value in the future, this is where we will see those opportunities really open up because of the discipline that we're going to focus on driving commercial acceleration. This will help us identify the skill sets of our sales teams that we need, also identify how and where to employ those resources to the appropriate profit pools and growth pools for the future.

So we're really excited about this because this is going to be game-changing. And as John talked about, how do we see grow faster than low-single digits? This is one of the key avenues and areas of how we will go about doing it.

Transformation is extremely important for us. If you think about what we've done to be successful so far, pricing, sourcing, extremely important in some ways that we've already done. But there's a lot of work for us as we think about simplification and a lot around standardization. Over the years, this business has been really focused on servicing every individual customer, and a lot of times that was engineered to order.

Now, we've gotten smarter. We've been more focused and disciplined on creating standardization, products and opportunities that can go across numerous customers versus each individual customer. This also helps as we think about 80/20 and as we're taking that on in our future, as we do 80/20, then we're focused on implementing that across less SKUs, less solutions, and those are the areas where we get better benefit because we have less, in some cases, less footprint to address the challenges that we have. So I'm excited to continue this journey in transformation that doesn't stop, but continues to move, as Steve talked about, in the flywheel.

Our three-year vision. We definitely want to grow low-single digit plus. We see opportunities and avenues to do that. I will say we will continue to remain disciplined in what we do, though. As we open up the aperture, it'll be because we have executed well. You will see us continuously expand the profitability of the business. Therefore, we'll be comfortable seeing those, maybe those larger opportunities are things that we want to bring back into the portfolio, but it will still be around simplification and standardization.

You see this ROS expansion, that's really important. There are opportunities for us to really focus there, transformation drives it, but it's also discipline and execution. That is something we are committed to and that's going to continue to increase shareholder value.

Couple key takeaways for us. First and foremost, I'm very proud of what we've been able to do with this business. I'm excited about what the future looks like and really proud of the employees that we have and how we're executing on the things that we set for for our vision in the future. So thank you for your time. Thank you for your attention and appreciate it very much.

[Video Presentation] (01:28:52-01:30:57)

Unverified Participant

Please welcome to the stage, EVP and President, Water Solutions, Adrian Chiu.

Adrian C. Chiu

Executive Vice President & President-Water Solutions Segment, Pentair plc

Good morning. My name is Adrian Chiu. I'm the Executive Vice President and President of Pentair Water Solutions. I've been with the company for 13 years, which means I've known De'Mon for quite a while, and Jerome, who leads Pool, I consider them good friends of mine. They run great businesses. But I love my business, because my business has the best tasting water.

And so I'm excited to be here today to tell you more about Pentair Water Solutions. We help the world sustainably improve water, life's most essential resource, and I'm excited to give you more insight to who we are, what we do, and what we're doing to create long-term, consistent shareholder value.

I'll have you walk away with three key messages today. First, we are a leader in residential and commercial water treatment, and we aspire to continue that vision of being a leader, defined by above-market growth, best-in-class profitability and innovative solutions. Number two, the water industry is changing. Water treatment needs are continuing to evolve. And we've got a great span of products and a breadth and scale that differentiates us, and we're continuing to invest in innovative solutions that help us address the world's water challenges.

And third, we've got three great brands in our commercial markets, and by commercial, I mean foodservice, hospitality and convenience. We play really well there, and we're going to continue to accelerate growth in that area in order to grow our future. So these three things put together will be good for our customers, good for the planet, and also good for our shareowners.

So today, Water Solutions is nearly \$1.2 billion in revenue. We serve residential and commercial markets all around the world. And when I look at this business, I think about how much has changed in the last few years. In 2019, we were two-thirds residential, one-third commercial, and now that's been intentionally flipped upside down.

And you can see how that's reflected in our financial performance, \$626 million in revenue in 2019 at 16.8%. Today, nearly \$1.2 billion in revenue at 21% ROS. So incredible performance, driven by our intentional changes in our portfolio. And so the commercial areas is where I think we play very well and where we have a continued opportunity. At \$1.2 billion in revenue, I also think that makes us one of the largest companies in the world focused on commercial and residential water treatment products, and I think that scale does differentiate us.

So at Water solutions, we help the world sustainably improve water. Our products help address wider aesthetics like taste and smell. We help soften water for very expensive equipment, whether that's in your homes or restaurants and cafes. We help [ph] show (01:33:57) enhance water to give consistent, great tasting beverages

for restaurant owners to best serve the water they need for their customers. And we also filter out unwanted contaminants like sediment, lead and then modern manmade contaminants like PFAS, microplastics and pharmaceuticals.

So sometimes I think about our products as really solving the last mile of water treatment. So we're organized under two businesses, under Residential and Commercial Water Solutions. But I also like to look at our portfolio of products across both businesses, because I do think that's what differentiates us. Our components business with valves, tanks and filtration give water treatment experts a choice to define the solutions that they need to solve the local water problem that their customers have, whether that's for restaurant owners or for homes.

We have higher-end systems through RainSoft available through retail outlets and available through affiliated dealers that give homeowners choices for premium products. We have Pentair-branded systems available through wholesale and e-tail and retail that give DIY homeowners the choice to install products for themselves. And we also have specially designed foodservice and hospitality equipment through our other Everpure and Manitowoc brands that serve the commercial markets.

And also in commercial, we have KBI Services that's dedicated to provide the best working equipment to ensure that commercial operators can depend on their water using equipment to best serve their customers. Some of these products have been here for a long time. So Fleck, the valve, has been around for 50 years. Manitowoc is celebrating its 60th birthday this year and last year, Everpure celebrated its 90th birthday.

So when I think about the history of water treatment, I'm incredibly proud to know that our products are the history of modern water treatment. But what's even more exciting is this going to be the future of water treatment. And here's why this is important. We do have a unique scale and breadth of capabilities that make us well-positioned to continue to grow, while solving the world's water challenges.

Here's what we know. We know that there is an increased awareness of what's in your water and people are being more concerned about water quality issues. For example, what used to be focus on water aesthetics has now turned into manmade contaminants like PFAS and microplastics and traces of pharmaceuticals. And we know that municipalities are working incredibly hard to address these issues, but they can't do it alone and they especially can't manage it for people on well water. So that's where our products come in. Water treatment will continue to move towards a more decentralized solution, and we believe we have the products and scale to help address that.

Second, as a society, people are becoming more concerned and more thoughtful about how they're impacting the planet, whether it's the use of single use plastic water bottles, energy consumption, or even the discharge of salt brine back into the environment through water softening equipment. So we're taking a look at our capabilities internally to develop innovative solutions that help address these issues and I think we have an advantage in this space.

And third, we believe that this trend and the shift in consumer behavior to focus on experiences make us really well-positioned in the commercial markets to continue to grow. So these trends and our capabilities put us in a well-positioned platform in order to grow consistently long term, while delivering shareholder value.

Now, the water treatment market is pretty large. It consists of a fragmented market of water treatment component, manufacturers, systems, assemblers, distributors, dealers and service providers. But we believe that our capabilities put together put us well-positioned to grow above-market at mid-single digits. And how are we going to do that? We're going to be doing that by focusing on three things. First, to grow and expand in filtration; two,

innovate in new water treatment technologies and in digital; and third, accelerate our growth in our commercial space where we play very well in. And I'm going to spend just a couple of minutes talking about each one of these.

Filtration is at the core in every single thing that we do. While many of our water treatment companies out there outsource their R&D and manufacturing, we do most of that in-house. We've got world-class capabilities in manufacturing and R&D all around the world with state-of-the-art water treatment labs in the United States, China, Europe and India.

Our proprietary technologies are not only used within our products, but also used by many of the well-known brands and water treatment players in the industry. So we believe that that's a huge compliment to us if our peers in the industry are also using our products.

Now, modern water treatment will continue to require advancements in filtration. So that's an area that we're going to be spending time on. But they also require specific water solution needs to be solved in commercial operator kitchens or hospitality or convenience. One example of this and one of the things that differentiate us is our ability to create new solutions.

In fact, our EZ-RO system by Everpure was this year recognized by the National Restaurant Association and won a 2024 Kitchens Innovations Award and will be showcase up in the upcoming show in Maine. So that's an example of filtration used broadly and a filtration system designed to meet a specific need. And in this case, EZ-RO plays very well in coffee restaurants and also steam ovens.

Water treatment needs are continuing to evolve. And when you think about the water solutions out there, many of them are antiquated. So we're starting to reimagine and rethink how water treatment can be completed and managed in your homes and in businesses. We're taking advantage of the technologies, not only within my segment, but also De'Mon's segment and Jerome's segments and bringing these capabilities together to come up with new ideas on how to treat water more efficiently, how to reduce the discharge of salt brine in the environment, and even taking advantage of the capabilities, lessons learned in the digital space and applying that to our systems and solutions in water treatment and Water Solutions. So I look forward to sharing more about these innovations as we bring them to life. And I'm excited for what's to come.

Our third pillar is really to accelerate our growth potential in commercial. And again, when I talk about commercial, I'm talking about foodservice, hospitality and convenience. We've got three great brands with Manitowoc, Everpure and KBI. We've been working really hard on bringing these business together to better serve our customers. And I'll give you a couple of examples on how we're doing that.

But first, let's celebrate Manitowoc Ice. Last year, we celebrated our first anniversary with Manitowoc. And wow, what an amazing year. 2023 concluded with Manitowoc growing 23%. And this was following a year in 2022 when it grew 20%. So I think to say that it's meeting expectations is not really – calling it fair, it's totally exceeding our expectations and really delivering above what we imagined.

The leadership team is well integrated and we're seeing synergies continuing to accelerate. And what I'm looking forward to is better serving our customers. This year, Manitowoc is celebrating its 60th birthday, and we couldn't be happier with the acquisition and we're excited for what's to come because it's working well – it's working so well with Everpure because you need great water to make great ice.

Everpure has been in business for 90 years. It's a fantastic brand and is the reason why you enjoy consistent beverages from your favorite restaurants and coffee shops all around the world. Everpure allows us to help test the water locally, recommend solutions that meet flow and filtration requirements, and then even add back minerals for taste.

Our products are really important for restaurant owners because not only do they provide great tasting beverages, but they also protect really expensive equipment. Think about the espresso machines in a coffee shop and how important it is for those machines to continue to work. So businesses rely on us to run their businesses and then when they grow, we grow as well.

Here's an example. So this international Asian dining chain has been a long-time customer of Manitowoc, but really the waterside was a little bit of an afterthought. They thought about water mostly for soda dispense. Last year, they needed to come up with a new solution for their tea offering. They wanted to provide new teas, consistent tea all across their stores. So they reached out to one of our main distributors ask for help and we recommended an Everpure Fiberdyne technology solution that allows them to provide the consistent tea that they want as a differentiated offering for their stores. So I'm excited about the fact that we can help solve a problem for our customers, make them successful, and then as a result, that's good for us and also good for our shareowners.

Last year, I had the privilege to meet one of our biggest distributors of Ice. They cover the south and southeast region. And when I met them in person, they literally stopped me, shook my hand and said, we cannot have bought a better company with Manitowoc. And that Manitowoc and Everpure were a match made in heaven. And last year, we saw this distributor grow in Everpure sales by 14%, which is also pretty consistent with many of the other distributors in the business.

We saw a distributor that sold Everpure grow at a faster rate than the other channels that we play in, which tells us one thing, it tells us that our customers are looking forward to working with us, taking advantage of the opportunities between Manitowoc and Everpure, because they know and they understand that our businesses together will help them grow their businesses and help them meet their goals and achieve their customers' requests. So I'm excited for this as well.

And transformation, you've heard about transformation. Transformation has been an incredible part of our story. Last year, our segment grew return on sales by 590 basis points. And yes, much of that was the delivery in our commercial businesses, but it was also a result of the transformation efforts. Our momentum is carrying into 2024, and we look forward to continuing to expand margins.

So here's a couple of examples on how we're doing that. The first one is a culmination of sourcing organization excellence and operations excellence. In 2022, we recognized that our residential businesses were becoming overly complex. We had decades of noise inherited from acquisitions, geographic expansion, integrations, and it was really hard to see where we were winning and honestly, where we were losing.

So we needed to reorganize the business. And first, we started to take a look at our organization structure and where we were playing, and we made the decision to exit our direct-to-consumer businesses in residential. We executed on some large footprint optimization projects, Steve talked one of them with moving our plan for – to a better location. And then we also realign our categories and our structures to compete more effectively. And so, we saw our business and financial performance improve almost immediately. And while I think that's awesome for us and awesome for our shareholders, I think it's even better for our strategic customers, because now we can be a better partner for them.

The second example of transformation is utilizing organization excellence, using tools and the tools kit to be more effective, and turning transformation into a growth transformation story. So with the addition of Manitowoc Ice, we knew we needed to rethink our playbook for sales and marketing and product management across our commercial businesses. So this is about right work, right place, right capabilities.

We worked with an outside partner, looked at our capabilities and developed new account planning tools and develop a new operating cadence and also new integrated sales plays that can help our customers grow. And distributors loved how intentional we are being with bringing these pieces together. And once that the materials have exactly the right amount of knowledge for them to take to their dealers. So I love the fact that we're helping our distributors grow and we're helping our dealers solve problems for their customers. So I love the fact that adding tools to the toolkit is becoming a transformational growth story.

These things put together gets me really excited about the opportunity. We aspire to be the leading residential and commercial water treatment company measured by above-market growth, best-in-class profitability and innovation. And so when I look ahead at the future, I do see the opportunity to grow at mid-single digits, while continuing to expand profitability.

So, as I close my session, let me summarize. We are a leader in residential and commercial water treatment. Our products help the world sustainably improve water, life's most essential resource, improving water where it's needed, solving the last mile of water treatment. We have a huge opportunity in our commercial markets. And so I'm excited to not only deliver for our customers and our shareholders, but I'm also excited to deliver for the planet. So thank you for your time.

[Video Presentation] (01:47:00-01:48:30)

Unverified Participant

Please welcome to the stage, EVP and Chief Executive Officer, Pool, Jerome Pedretti.

Jerome O. Pedretti

Executive Vice President & Chief Executive Officer-Pool, Pentair plc

Good morning. So I agree with Adrian, but his business has got the best stage in water, but really pool is more fun, right? I think looking at people, friends and family enjoy water like you've seen in the video, that's really excitement, that's why I'm so excited to be leading our Pool business. After 18 years in Pentair, 10 years in the Pool business, I think our Pool business is not only fun, but also enables us to have a strong business with a lot of opportunities.

It has a lot of opportunities because, first, we are in an attractive industry, attractive industry with favorable tailwinds. Number two, Pentair is the leader in industry in North America and we are the leader because we have a strong moat. We have competitive advantages, which are sustainable and makes us resilient. But we have also a lot of opportunities to grow and opportunities to expand margin.

If we look at our performance over the past years, yes, we haven't been the most predictable maybe all the time, but I'm really proud of the Pool business and really proud of the Pool team, which help us really deliver both results. We've grown 8% per annum over the past four years and that includes the 2023 reset and we do that with healthy margin.

But we also have a very resilient business, a business which is 80% on the install base, new pool is only 20% and 75% of our revenue comes from the Sunbelt, which is a very attractive region for in-ground pools. And we are also very efficient. We have a go-to market within two steps and 90% plus of our sales go through distribution. So we do have a very, very strong business, a strong business in a very attractive industry, because it's got four main tailwinds.

Number one, the install base is growing 1% to 2% per year. It's large, 5.4 million pools. But that same install base is also aging. The average age of a pool is over 20 years, and that drives remodeling. Also, the taste of pool owners are changing. They want smart and sustainable products, and that drive the need for automation, but also drive the need for additional equipment on the pool pad. So the value of the pool pad is growing, and that's what makes this industry really attractive.

If we look at Pentair, we are really the leader in North American in our industry, in our industry of a pool equipment manufacturing. And we are the leader in North America in revenue and in profitability because we have a strong moat based on four things. Number one, we have the largest install base in the US. Number two, we have the largest dealer network. Our dealer network is 50% larger than our competitor and extremely loyal to us.

And number three, we are really recognized for our innovation. We brought to market in technologies that we pioneered and which changed the pool industry. And we're doing that really – we've done that really focusing on sustainability over the past 20 years. So if you put that attractive market and you put the strong position that Pentair has, we have a really strong business model in a strong industry.

We go to market two step. We sell to distributors, those distributors sell to dealers, and those dealers cater to the 5.4 million pool owners that exist. But those relationship with both dealers is really what differentiate us. We spend a lot of time and energy building those relationship because the dealers are really important in our industry and they are important and we serve them with the full equipment set, a full equipment, our pool products that go on the pool pad, which are built on our own technology.

So if you put strong relationship, but we have distributor, but especially with dealers and the full equipment pool pad that we have with our own technology, it makes our business very resilient, very difficult for a new entrant to come in and displace us. We are also very strong in the Sunbelt, like I was saying and the reason why the Sunbelt is so important, it's got – 60% of all pools are in the Sunbelt. More importantly, 67% of new pools, so the Sunbelt install base is growing and it's growing where we are stronger ourselves. So we are in the right place for growth.

Let me spend a bit of time on the dealers and why the relationship with dealers is so important. Dealers are family-owned business, smaller businesses most of the time, but the dealers are the experts for the pool owners. They're going to be the expert on what type of equipment goes into a pool, does a pool owner needs automation or needs a simple automation, they need to extend the pool season with a heater, do we need more aesthetics, more lights, more water feature? So it's going to really help a pool owner decide on the equipment. But it's also going to help decide on the brand because the pool owner doesn't really have a good understanding of a competitive landscape.

This is why it's so important for us to have a strong value proposition to the dealers. And we have one which is based on five pillars. Number one, high quality products. This is the number one key success factor for a dealer. Quality impacts his brand, impacts its productivity. So very important. The second one is rebuild on the support that we provide to those dealers. We have a larger sales team in the industry in North America, and we have a

larger service technician team as well. And all they do every day is support our dealers, just to make sure that they have what they need and that we build that strong relationship that we have with them.

Three is really about innovation. Innovation is important for our dealers because it helps them to differentiate themselves versus their competitors, and that differentiation drives more business for them, drives growth and drive productivity. Then a strong loyalty program that we have with them and strong training. We train more than 7,000 dealers face-to-face every year and we want to grow that at a faster pace, and that works.

Just in 2023 alone, we improved our relationship and improved our business with over 350 dealers just in North America alone. How do we sign them up or we increase our share of wallet and that drive growth – drove growth of over \$30 million just with the dealers. And then finally, we are recognized for being the innovation and sustainability leader. We've been recognized, I would say, for the past 20 years. The best example is IntelliFlo pump that Phil has talked about earlier.

We launched this product in 2005 with a very strong value proposition for the pool owner, enabled the pool owner to reduce its energy bill because it's very energy efficient. And so the pool owner could recoup its investment, but it also helped because it reduce the noise, very important in small backyards and also help with the longevity of the product [indiscernible] (01:56:06) much longer than the traditional pumps.

Also, a very strong value proposition for our distributors and our dealers, they just needed one product type, one SKU instead of multiple SKU that they had, to make them much more productive. And because of variable speed pump cost three times a normal pump, it really help the top and the bottom line. So the industry was skeptical at first, they weren't sure that we could sell a pump 3x the price of a normal pump. But you fast forward 15 years later to 2021 and the Department of Energy mandates in the US new pools and remodel pools have to be installed with variable speed pump. That's how we change the industry.

We're also changing industry in automation. We're the first one to control a pool with a smartphone. We also had the highest energy efficient heater in the industry and also innovated with LED lights, which reduce the power consumption by a factor of 10. That's why innovation is so important, because it really help a dealer differentiate and help us really grow our business.

But built on this foundation of success that we've had, I think that the future is even more exciting. It's even more exciting because we are really well positioned to take – to benefit from the macro trends, and I see three macro trends. First one is going to be the outdoor, the healthy living for the families. And number two is really the migration to the south. And while those are going to lift all boats, I think it's going to be – it's going to benefit Pentair even more because we are the leader.

And then the need for smart and sustainable solution and our portfolio of energy efficient and also water efficient products is really going to play well into this and that's really going to drive the growth of the industry going forward, an industry which historically has been growing mid to high-single digit, it's going to continue to grow mid to high-single digits in the future.

And we will outgrow the industry. We will outgrow the industry based on the quality of our products, the support we provide to our customers and especially the dealers, and our innovation. And we're going to apply that to four – to two pillars, sorry, for our strategies. Number one, grow in existing pools. It's a large market. It's a large opportunity. It's a large part of our business, too. But I think we have more opportunity to grow in that segment, and win more pads on the new pool. Let me bag that for a minute.

If you look at the new pool opportunity, a traditional pad is about \$3,000. That's manufacturing dollars, right. It's not a pool owner dollars. For a pool owner, it's going to be about 2x that. But if you look at a smart and sustainable pool which expands also in the patio, it's 3 to 4 times that value. Why? Because we answer the needs of the consumer or the pool owner.

First of all, how long your season do you want it to be? Just when it's hot or do you want some heating? Do you want an effortless pool that requires less maintenance and that's going to require some automation? Do you want a more sustainable pool? Also, a better pool for well-being? And that's going to drive the need for an energy efficient and for products that reduce the amount of chemicals in a pool or do you want a pool with better aesthetics, more lights, more water features? And we have all the products needed in order to deliver on that smart and sustainable pool.

We have those products and those probably going to drive growth and drive growth of the pool pad. For existing pool, it's really about supporting the services. Services are family-owned, small companies, sometimes as small as one person. And when the season kicks in, those people work 6 to 7 days a week, countless number of hours, they go from pool to pool to pool just to make sure that the equipment works and make sure that the water is balanced.

So when they have a problem, when they need us, we need to help them right there. And so what we are doing is we're dedicating more resources to get more customer service, more service technicians. We are providing them with better tools, tools that are going to help them really improve and be more productive. That is going to help and maybe also digitize the relationship we have with them. And we're going to improve really the loyalty program we have with them and make their business grow by providing some referrals.

We also have great opportunities with automation. 60% of new pools have automation, but only 30% of existing pool are more or less have some automation. So we need an automation portfolio which is pretty wide, and that's why we are launching the first connected pump in the industry. It's based on an IntelliFlo pump, the most energy efficient pump in the industry, but both can really connect two products. Think about lights or think about a chlorinator or a cleaner.

And you can do that with your smartphone. So you can do that really with the ease of a full automation system or you can think about our IntelliCenter, our flagship automation system, can automate any pools you can think of, a most elaborate pool, multiple bodies of water, multiple lights, multiple water features. And it does that with the best app in the industry, has got the highest rating. And the reason why automation is important is that it really drives customer loyalty, loyalty of a pool owner, but also loyalty of a dealer. And that opens really the door for the Pentair pool ecosystem because it drives other products, but work really well with automation system.

We want to continue to innovate, like Phil had said earlier. We want to continue to innovate in automation. We want to continue to innovate in water care, like the Green to Clean that he showed us earlier, but also digitizing the relationship that we have with the dealers and with the pool owners. And by driving that – by continue to innovate, we're going to really expand the value of the pad and it's really going to fuel our growth.

We are not only working on growth, we're also working on transformation. Like Steve has shown before, working on pricing, working on value pricing, but also working about the loyalty programs and how do they help us drive growth. Working on sourcing and how do we reinforce the relationship with our key suppliers? How also we automate our large plans that we have in Pool that's going to drive productivity, but also on org excellence that Tanya will talk about and how that's going to help us improve the customer experience.

Just as an example, we work on sales and marketing excellence. The reason we work on sales and marketing excellence is really to reinforce the loyalty that we have with our dealers. So we work on coverage. We have great coverage, like I said earlier, but I think there's always opportunity to improve on coverage. We work on a better loyalty program for our dealers, but we also improve on digitizing the relationship with our dealers to make them even more productive.

And if we look at just 2023, our Net Promoter Score, which is a measure of loyalty, has increased 18 points. So working on loyalty really works and really drive growth for us. So that gives me really confidence, confidence that for the next few years, we can grow mid-single digit plus. As a reminder, the past four years, we've been growing 8% per annum. So I think it's absolutely in our wheelhouse. And we can expand our margin, we can expand our margin by 400 basis points. The last four years, we expanded margin by 320 basis points. So we really have a playbook in order to do this.

[indiscernible] (02:04:20) really excited to be leading our Pool business. We are an industry which is very attractive because we got favorable tailwinds. We are the leader in our industry in North America. We are the leader because we have a strong moat, sustainable advantages, competitive advantages that we have. And we have opportunities to accelerate growth, but also expand margin. And I look forward to continue to update you and highlight the success we'll be having and demonstrate that Pentair Pool is really an attractive investment opportunity. Thank you for your time.

Unverified Participant

We will now be taking a break. Please be back in 10 minutes.

Unverified Participant

Welcome, everyone. Please take your seats. The program is about to begin. Please welcome to the stage EVP and Chief Human Resources Officer, Tanya Hooper.

Tanya Hooper

Chief Human Resources Officer & Executive Vice President, Pentair plc

Good morning. My name is Tanya Hooper, and I lead the HR organization for Pentair. I've just joined Pentair at the end of 2022. Prior to that, I worked for three large multinational organizations for over 25 years. I'm very excited today to tell you all about how we are building a higher performing culture. I have a few key messages today. The first one is that we are on a journey to build a higher performing, outcomes-focused organization. We will do that by focusing in on building a very strong talent bench and by continuing to evolve our culture. We know that the combination of those two things will certainly help us to win right in the marketplace. So what makes this unique culture at Pentair?

As John said earlier, it really begins with our purpose, our vision and our mission. It then is built on our foundation of our win right values. Our win right values are listed here. We win by putting the customer first, by ensuring that we hold each other accountable and that we embrace innovation because we know that is what secures our future. We do things right by bringing absolute integrity to our work, by ensuring that we work together as a team, and by bringing that positive Pentair energy to everything that we do.

The last portion of our culture is really solidified in our leadership competencies and behaviors. We heard Phil talk earlier about all the things that he does to influence the water industry and to help solve some of the biggest problems that we have in water. He is a great example of being a thought leader, which is our first leadership competency. The others are be accountable, learn and grow and make others better. Within Pentair, we expect all of our leaders to make others better, whether it's your team, your peers, or your external partners that you work directly with.

We have a really rich history within Pentair and the evolution of building a talent base and our culture goes back to 2018. When we partnered with Hogan, we realized that we needed to really identify a specific leadership profile and hire people that would help us to shape the kind of culture that we were after. We then put into place our leadership competencies, which I mentioned on the previous slide. Those are now deeply woven into all of our talent processes from the time that you're interviewed, when you set your goals, when you're given performance feedback, and then when you're developed for the next job. Those are all done through the lens of our leadership competencies.

Next, once we had our strong talent base here, we knew that we needed to develop some signature programs to help leaders transition from one place to another, from individual contributor to being a manager, and then to leading across the enterprise. In 2023, We sat back and we reflected on what was missing. And what was missing was a revamped employee engagement strategy. We know this is a really strong cultural accelerator for us. And so we put into place a new strategy and a new platform that opened up the transparent conversation and made us much more agile.

Employees now have a chance three times a year to provide feedback on their experience. Their leaders then sit down with the team and have an insight session, and they co-create an action plan together to make it better from an engagement standpoint. One example of how this worked, in our pilot, our customer service group was included. The leader there really dug in and she ensured that her team had all the opportunities to take the survey. She then held a really strong engagement and insight session where she learned that her team really wanted more training and they needed more tools to help the customer. She then embarked on putting about 2,000 hours of training in place, and the team jointly worked with her to develop over 500 knowledge articles to help the customer. At the end of that, it really resulted in seeing a decrease in the number of customer issues that were coming in and an increase in the overall Net Promoter Score.

In 2024, we began to look at our total compensation program. We shifted our incentive plan so that it's much more focused on performance. And finally, our evolution. We were recognized by Forbes in 2022 as being one of the best employers for women and then in 2023 as being one of the best large employers.

Steve talked about our transformation. He mentioned sourcing, he mentioned pricing and he mentioned operations. I'm going to dive into the organizational effectiveness pieces a bit deeper. It's really comprised of two big buckets. The first big bucket is all around sales and marketing, which is deeply embedded in our businesses and our segments. This is all about having a growth mindset and growing the overall capability. We're looking at everything from how work gets done, who we select and how we select them, and then how we develop those sales and marketing people once they're in our organization.

The second big bucket is around corporate functions. So think of HR, finance, IT, legal, communications. These functions provide a really important and high quality service for Pentair, which we want to retain. We want to do that, however, in a more efficient manner. So we've worked with each of the functional leaders to lay out a 3 to 5-year strategy on how they maintain the quality but grow in efficiency. We've also looked at things like improving governance and revising some of the policies that needed to be looked at.

So what are the focus areas for our future? They remain the same. They remain areas of improving our talent base and continuing to evolve our culture. Improving our talent base will look like employee value proposition work and ensuring we have a robust succession bench. Evolving the culture, as John mentioned earlier, we'll look at really growing the muscle around being customer obsessed, having greater speed and urgency, and also having greater accountability as well as completing the work that we have on the total compensation program so that it's much more focused on performance.

I hope this gives you a glimpse into the unique culture that we have at Pentair. We know that by overinvesting in talent and by growing our culture, it will certainly give us a competitive advantage. Thank you.

Unverified Participant

Please welcome to the stage EVP, Chief Social Responsibility Officer and General Counsel, Karla Robertson.

Karla C. Robertson

Executive Vice President, Chief Social Responsibility Officer, General Counsel & Secretary, Pentair plc

Good morning. My name is Karla Robertson and I lead sustainability at Pentair in the role of Chief Social Responsibility Officer. I'm also the General Counsel, and I've been an executive at Pentair for over six years. I am so excited to be here today to talk to you about our commitment to sustainability and social responsibility and how that is core to our strategy and our value creation. There are three key messages that I'm hoping you will take away from our discussion this morning. And the first is that we have a long history and an inspired future to deliver smart, sustainable water solutions that make life better for people and the planet. And second, core to our strategy is pursuing customer-centric innovation with a focus on sustainable product development to address the critical water global challenges of today. And third, we know that we need to be a credible leader ourselves, as John mentioned earlier, on ESG. So we have set ambitious, bold but we believe achievable ESG goals, which we are executing and reporting on that show our commitment and our ongoing environmental stewardship.

So to talk about Pentair is to talk about our purpose and our mission. And we bring our mission and our purpose together to make what we believe is a very significant impact. We live the belief at Pentair that making life better for people and the planet is, in a word, essential. We 10,500 employees strong. All of our employees throughout the organization are committed to making an impact, and that impact is our impact statement of making better essential. We bring this impact to life with our employees and in and through our businesses, through each of our segments of Flow, Water Solutions and Pool, the teams that work day in and day out to provide smart, sustainable water solutions to solve some of the biggest challenges of the day, and we call this the Pentair difference.

Big picture, you've heard Phil and our business leaders talk about the megatrends and the global challenges facing us today that all involve water, climate change, causing adverse weather effects, taking water – too much water to where it's not needed, and then water scarcity, as Phil talked about earlier, needing water where it's not substance of concern being on the rise. We've been removing chlorine and lead and other contaminants for decades, as you heard Adrian talk about. And now there are new emerging substances of concerns. And then there's a circular economy that's calling for us to clean and reuse more water. All of these megatrends involve water, and we believe that we are poised to address and solve these water challenges with our Pentair solutions. We also believe that this is a winning combination for value creation for our shareholders and for continued future growth and for us to be a leader, and that is because we have the commitment to social responsibility and the business strategy to position us well for the future.

Okay. So now, it's time in the program for some social responsibility math. Okay? I know all of you out there are pretty well versed in the math. So just – this is social responsibility math. So I'm going to take you through a math equation from the slide from the left to right. So we have megatrends being one. And we have our commitment to social responsibility being one. And we have our business strategy of being one. Easy answer would seem one plus one plus one is three, but that is not the social responsibility answer that we have. We believe one plus one plus one equals our growth and value creation potential that Bob Fishman is going to outline for you after my presentation. So please stay tuned for Bob to come to the stage and provide the answer to this social responsibility math equation.

We also believe we are well positioned for the future because we have done a lot of work to get here and well positioned us to today. We are proud of our history of being a sustainable innovator and a leader in this space and you heard Jerome talk about the IF3 pump. We've also been recognized for that, that being our sustainable innovation, receiving the ENERGY STAR Partner of the Year beginning in 2013 and each successive year since. We then decided that we wanted to accelerate our sustainability journey and our leadership. Why? Because we wanted to be well positioned to take advantage of what we saw as the need for solutions to address the significant water challenges of today.

So we set out in 2020, just a few short years ago, and we accelerated our readiness, our maturity, our governance and our social responsibility program. And we did a few things. We created the role of Chief Social Responsibility Officer. We engaged in what we call two ESG materiality assessments, the first one being in 2020. And why did we do that? We wanted to ensure that we were on the right track with our strategy and that our strategy matched with our stakeholders' value. We also used that ESG materiality assessment in 2020 to inform our strategic targets, which I'm going to talk about in just a minute.

Then we undertook another ESG materiality assessment just last year. We did that, too, again, to sort of confirm our strategy, but also because we wanted to be ready for the regulatory landscape that we see in front of us. That means the EU CSRD rules, the impending SEC climate rules which by the way we heard may be released today, maybe they have been while I'm speaking here, I don't know yet. And then we know there are other emerging rules in the states, California and others. And so we performed a readiness exercise of doing a double materiality assessment last year that also reconfirmed our strategy and our targets, and that we remain on the right track and remain to focus on what our stakeholders value.

We then have announced our targets publicly and are reporting on them annually, showing that we value and are committed to transparency. And core to us and who we are and how we operate and this is one of my key themes, is that we're committed to enhance sustainable product innovation, putting our customers' needs first while we drive product sustainability. And we're proud that one of the results of that focus is the product sustainability scorecard. Phil mentioned this earlier, and I'm going to talk about it in just a minute.

So we believe we have a great foundation that has brought us to today and that is going to continue to set us on the course for the future. The past is a great predictor of the future, and we believe just in a few short years we've shown that we can and will rise to the challenges, provide solutions and meet our customer needs to drive future growth. We plan to continue this momentum as we look to 2024 and beyond.

So I mentioned our social responsibility strategic targets. We have five of them, and I'm going to go through them because we're really excited to provide you our progress from 2023 today. The first target that we have is to reduce our greenhouse gas footprint, and that is to reduce our Scope 1 and Scope 2 emissions by 50% by 2030,

according to our 2019 baseline. I'm very excited to report today that at the end of 2023 we've achieved approximately 31% reduction towards that goal, over halfway there. Very exciting.

Then with respect to our water target, that's our second, we believe that we – it's important for us to have an internal target about conserving water if we're going to be a credible leader in the industry and lead with our customers to help them reduce their footprint. So we set off to reduce our water withdrawal for our own operations by 30% by 2030. According to our 2019 baseline, I'm also excited to report that at the end of 2023, we've already achieved a 23% reduction toward our 30% goal. We are very proud of that.

Again, one of the themes that I've been really talking about here is product design for sustainability. That is our third target where we've committed to assess and design and commercialize our products with sustainability in mind to then help our customers reduce their impact on climate change. We started off this journey by creating again the product sustainability scorecard, and I'm very proud to say that at the end of 2023, we have assessed 100% of our new products against that scorecard. And I'm going to talk a little bit more about that scorecard and its components in just a minute.

And then we have two other things that matter to us, diversity and inclusion. And you heard Tanya earlier when she talked about the awards that we've gotten, for being a best place to work and having being an employer of choice for women. We are really focused on evolving our culture and being better and being a great place to work.

And then with respect to responsible supply chain, we are committed to advancing a responsible supply chain with respect to social responsibility. We're really proud of the work that we've done so far, starting off with enhancing our supplier code of conduct. And we also have set out on an effort to assess our top suppliers with respect to their ESG maturity. Steve talked about the [indiscernible] (02:32:19) the process earlier, about how we're assessing all of our suppliers with an outside consultant, and we call that our supply – one of our four components of our transformation. In that process, we've embedded an assessment on ESG. We're planning on taking all of those assessments, looking at where our suppliers fall out, and then thinking about the future and how we can continue to drive targets looking forward. So really proud that we have now assessed over 70% of our top suppliers to ESG maturity.

So as we look to 2024, we're going to continue on this process of making progress towards our targets. And I want to highlight one other thing for you with respect to our Scope 1 and Scope 2 reductions. With our 31% reduction in 2023 towards our 50% goal by 2030, people say to me, so Karla, how do you see yourself getting there and how do you actually see yourself getting to the 50%, will it be hard, what will be your path now that you've made so much progress. Well, I want to highlight that at the end of 2023, we reduced a chemical in our operations called SF6. Why do I mention that here? I mentioned that because that was our single largest source of our greenhouse gas emissions in our footprint. That's now been eliminated. And so we're really excited about that reading out in 2024 and beyond as we look towards really achieving that goal.

We're also committing to other things in our low carbon transition plan, such as efficiency, audits and electrification. And then on the water side, some really exciting work that's continuing, including using our own technology such as our X-Flow membranes, and our hydrocarbon recovery technology is a powerful case study of how we can use our technology to solve water use and potentially bring that to customers to help our customers reduce their water footprints as well. So potentially more to come there.

Now with respect to our product design for sustainability work. We use our product design for sustainability scorecard in our 6D process. And we developed this scorecard with life cycle assessment tools in mind and in a

science-based way. Phil talked about how our processes and 6D are embedded digitally and our scorecard is also embedded in our digital platform. We think it's easy to use. It's showing up in the day-to-day work of our engineers and with our businesses, and we think it's paying real results. It's really showing that sustainability and evolving for sustainability with our product has embedded all the way through our organization.

And one really exciting example about how we're combining product sustainability to meet customer needs is the EZ-RO unit. Adrian talked about that, and you heard all about how we won an award for this. What I get to share with you is that unit, the EZ-RO that is modular to scale up and down for our customer needs is also twice as water efficient as a traditional RO system. So a great example of meeting a customer need and combining that with a sustainability component. We're really proud of that and great job to the team and Water Solutions.

So really thinking about our impact overall, here are some highlights. We are really proud of the impact that we make and really proud of how we help the environment. If you focus on the use of our residential filtration systems and the customers who have used those since 2021, by the use of those technologies, we have enabled the reduction of over 21 billion single use plastic bottles. And we think that that is significant and important. Then just since last year, we've had a 49% increase in the number of ENERGY STAR certified pool pumps and ice machine models. And speaking of ice machines, we do believe that Manitowoc Ice is a leader in sustainability in the ice industry. We are so proud of the work that they do. And when customers use Manitowoc Ice machines with the R290 refrigerant instead of the 404a refrigerant just in 2023, that has enabled the reduction of 4,664 metric tons of CO2, [indiscernible] (02:36:50) the removal of a 1,000 gasoline powered vehicles from the road in 2023. We're very proud of this impact. We're very thankful to our teams at Pentair for making this impact day in and day out.

So I want to just highlight that we are proud of our progress towards our goals. We are proud of being incredible leader in the industry, and we are going to continue to deliver smart, sustainable solutions that do address our customers' needs. We know that the world needs smart, sustainable solutions now more than ever, and we believe we are in the right place to deliver on this, which we believe is the Pentair difference. We are guided by our mission to help the world sustainably move and improve and enjoy water, life's most essential resource. Thank you.

Unverified Participant

Please welcome to the stage EVP and Chief Financial Officer, Bob Fishman.

Robert P. Fishman

Executive Vice President, Chief Financial Officer & Chief Accounting Officer, Pentair plc

All right. Good morning, everyone, and thanks for sticking with us. We're almost at the finish line. No fancy videos for Karla, Tanya or myself. We're the G&A function, so we try to be lean and mean. I've been a public company CFO at Pentair for four years now, really enjoying it. The best part is working with this great team. Not only is the team extremely knowledgeable, but they're passionate about what they do and very performance based. So hugely helpful to myself.

I'm the CFO, so I guess I get five key messages. Everybody else had three. It starts with executing at a very high level, which we've been doing and which we promise we'll continue to do. We invest in growth. You heard about the size of the addressable market that we are in, close to \$65 billion. Phil talked about the innovation. We think there's an opportunity to grow higher than the overall market. Transformation will drive the margin expansion. We generate strong free cash flow, which will continue to strengthen our balance sheet.

We do what we say we're going to do. If you go back and look at the 2021 Analyst Day, we made three commitments during that Analyst Day. We talked about our ROS expansion plans. At that time, back in June of 2021, during the middle of COVID, we were an 18% ROS business and we said we could get the 21% ROS by 2025. During the last year, we upped that ROS commitment to 23%. We acquired Manitowoc, and the transformation program [ph] was planned out (02:39:47) better than we anticipated. At 23% ROS, we're on target to do 22% this year and you heard today that we've just upped that to 24%.

We also made an EPS target at that time. And if you do the math on that EPS target, it would have said that we would be \$4.20 earnings per share by 2025. We just gave back in January a midpoint of our guidance of \$4.20. So one year ahead of schedule. And we're also doing a really nice job of tracking our free cash flow. So again, doing what we say we're going to do, hugely important, and we have a disciplined capital allocation strategy.

We have a proven formula for creating shareholder value. It starts with driving mid-single-digit growth and you should feel comfortable after hearing the presentations today that that's achievable. And we use M&A as an accelerator to that growth. Transformation continue to drive higher profitability. We have strong free cash flow. We've increased our dividend for close to half a century. There's not many companies that can say that. That's a guaranteed return of capital. Just like John said, he's not going to be the CEO that'll break that string. I don't want to be the CFO that breaks that string either.

If you look at our total shareholder return over the last five years, it's 99%. It's not a bad number. I think we can do better. When you look at our multiple of 14.8 times, it really hasn't moved very much. Historically, it's been between 14 and 15 times. But there are many of our peers in the water industry attract a multiple that's higher than that, significantly higher than that. So our belief is that if we continue to execute at a high level, that multiple will expand in line with our water peers and maybe even better. That's a huge opportunity.

If you look at the metrics over the last four years, they're pretty impressive. And again, a lot of companies can improve their top line or they can improve their margins. We've been able to do both, and we think that's quite rare within the industry today. So 9% sales growth, 330 basis of ROS expansion, a 12% EPS CAGR, \$2.2 billion of free cash flow and a mid-teens ROIC post the Manitowoc ICE acquisition.

We're proud of being able to grow the top line and to expand margins. I will say that each of the segments did just that as well. They each have a slightly different story. If you look at Flow, the story that De'Mon told, it was around being more selective, around what business he was going after and also being able to reduce complexity. The biggest transformation has probably been within Water Solutions, where Adrian talked about focusing on residential, pivoting that to the higher margin commercial business and exiting some low margin residential businesses to ensure that the transformation was successful.

And then Pool has just been a roller-coaster ride. When I interviewed for the Pentair job, I was told that Pool is a steady mid-single-digit-plus grower. When I joined the year after Pool grew close to 15%, they then grew 40%. They then were flat and they then went down 18% because of the inventory correction in the channel. I think we're now at an exciting point because the inventory challenges are behind us. We've guided to 7% growth this year for the Pool business, and the ROS expansion is a really exciting opportunity for us. For Pool again to be able to expand their margins during a down year like they saw last year is pretty impressive.

I would say that the one thing that COVID taught us was that we needed to get stronger as a company. So if I look at the supply chain, our reduction around single source suppliers, our go-to market, our transformation, we truly are a stronger company today than what we were four years ago. So let me try to pull it all together in terms of what you heard today. And again, I'll take Karla's line that the past is often a great predictor for the future.

We've seen strong growth in our three segments. We talked about Pool growing mid-single-digit plus. We talked about Water Solutions, mid-single digit, and Flow at low-single-digit plus. And that all adds up to mid-single-digit growth for the Pentair business and that creates a very balanced portfolio. We like the balance because there's scale across each of the segments,

there's technology sharing and the ability to really try to overdrive what the market sees from a total growth perspective.

From a ROS expansion story and this is the chart that gets me the most excited. You've seen significant ROS expansion over the last four years. But if you look at the numbers that the segments put up today, the 600 basis points in Flow, that gets them to around a 24% business. The Water Solutions, that would get them to about a 26% business and Pool going from a market leading 31% ROS to 35%, that's pretty impressive. All of that adds up to a 26% ROS target. So it's fair to say, Bob, why aren't you committing 26%? What we've learned over the past there to four years is that you have to prepare for the unexpected. And so we feel the right amount to commit to today is the 24%. But if we continue to execute like we've been executing, I would say there's a good chance of being able to drive upside versus the 24%.

This is another way to look at the ROS expansion. On the left hand side, you can see that over the last four years, price versus inflation was a big contributor. It wasn't the case in the early days of COVID. We were behind in terms of increasing price, but we were able to catch up. From a volume perspective, we were able to take advantage of volume growth in either residential or commercial or industrial at various times during the cycle. And transformation really started kicking in in the back half of 2023. That's what gives us the confidence going into the next three years.

So we've made the assumption that price is going to offset inflation. We've benefited from being able to increase price and we don't want to get ahead of ourselves from that perspective. We do think that pricing excellence will add 1 to 2 points a year. But starting off with the assumption that price offsets inflation we think is the right starting point. We've built in the mid-single digit volume growth and think about that coming with 30% incrementals. So that's a weighted average of incrementals, when you look at Flow, you look at Water Solutions and you look at Pool.

Steve talked about \$260 million of transformation savings. In our last earnings call, we talked about \$75 million reading through to the P&L in 2024. You could think of the remainder as being pretty linear over 2025 and 2026. So again, we're building that runway from a transformation perspective. And again, that adds up to a 26% ROS. We've hedged it back down to a 24%. But hopefully, we can over-deliver that with solid execution.

My favorite chart of all in the presentation shows that this is sustainable runway for margin expansion. Within pricing excellence, we'll continue to roll out the strategic playbook to more of our categories of revenue, strategic sourcing. We're really just in the third or fourth inning there in terms of Wave 1, Wave 2 and Wave 3. Operational excellence, 41 factories bringing [ph] four wall (02:49:08) LEAN, bringing more automation to those factories, reducing the number of factories, plenty of runway there.

And on the org effectiveness piece, Tanya talked a lot about creating an efficient destination for the different functions, driving more accountability through our cost center approach. Our goal is to reinvest those savings back into the business to invest in places like growth investments; to invest in digital; to make the lives of the dealers and distributors easier; to make our G&A functions more efficient, more productive; to invest in AI where we can have better headlights into the business so we know what's coming, we can look around corners and we can be more efficient. So again, what's the number there? Maybe \$10 million to \$20 million a year of savings in

that org effectiveness piece that gets reinvested back into the business. And the best part in 2027, it starts all over again to the point that Steve made. And continue to drive more ROS expansion in those outer years. We drive a lot of free cash flow at the company. We're a capital-light business. Our free cash flow is about 100% of our net income, \$1.4 billion in 2021 to 2023. We expect to drive over \$2 billion from 2024 to 2026. Getting back to a high teens ROIC is an important goal of ours.

If you look at our capital allocation strategy, we've returned roughly 40% from 2018 to 2023 to shareholders, either through dividends or share repurchases. Sometimes we've just done share repurchases to offset dilution. Sometimes we've done larger share repurchases. 60% of our cash flow usage, though, does go to growing the business, that's important to us. So maintaining our investment grade rating, our target leverage ratio is 2 times. When we levered up for Manitowoc, we were at 2.6 times. It took us about 12 months to get back down to 2 times as we focused on debt reduction last year. But if you look at the cash flow that will generate over the next three years, we should delever down to about half a turn by 2026. That creates \$2 billion of debt capacity, and we really haven't factored that into the numbers that you're seeing today. So a lot of optionality for the board either to do M&A, to do more share buyback, but that exists based on the free cash flow generation of the company. And again, I've mentioned that our goal is to get back to high teens, ROIC.

So these are the financial targets that you've heard about today. I would say either based on short-term incentive plans or long-term incentive plans, we're compensated on almost all of these, mid-single-digit revenue growth, driving our ROS to 24% with the potential to do better. We'll drive our EBITDA or income CAGR to around 10% based on, what, the 24% and the mid-single-digit growth. But the EPS will actually grow faster than that. We've assumed with the free cash flow that we'll do share buyback to offset dilution, to do our dividends and to use the remainder of that cash to pay down debt that allows the interest expense to come down in line with what it's come down this year. It's offset by a slightly higher tax rate because as income scales, the tax rate goes up slightly. But we do get that benefit below the line and that's what allows our EPS to grow at a faster rate than our EBITDA or income CAGR. That \$2 billion of free cash flow drives that \$2 billion of debt capacity by 2026. Again, not factored into our numbers. And again, high teens ROIC. We're very balanced in 2026. One thing I know about Adrian, he does not like to be third. He has a very competitive spirit. So I think there's plenty of opportunity for us to continue to drive the top line as well.

So I'll dismount here with the key takeaways. We've executed extremely well. Our goal is to continue to be very operationally and financially focused. We're excited that we can grow faster than the overall market. Transformation, we've proven it in the past, will be an accelerator in terms of ROS expansion, very focused on free cash flow generation and the optionality. We are committed to delivering our long-term targets. We've done that in the past and we'll continue to do it in the future. And we have a very disciplined capital allocation strategy.

Thank you very much.

Unverified Participant

Please welcome to the stage Pentair President and Chief Executive Officer, John Stauch.

John L. Stauch

President, Chief Executive Officer & Director, Pentair plc

All right. Just a quick closure and then we'll get ready for Q&A. First of all, I appreciate your attention today. I know we threw a lot at you. I feel personally that a great Investor Day and a great Investor Relations program isn't about telling a story. It's really about transparently sharing your strategy. Ultimately as a CEO and ultimately as a

leadership team, our goals are to drive shareholder value, and we believe we can do that by getting higher levels of organic growth, investing capital wisely, and driving ROIC through productivity and cash flow generation.

With us today is my Chairman, Dave Jones, who joined us, and I think he would tell you, conclude to you that ultimately this felt like a board meeting or felt like a quarterly business review. There's nothing I shared with you today that isn't understood by our employees who I'm sure are listening today to make sure that I'm consistently sharing to you what we're doing externally. By stating our goals publicly what I think it allows us to do is commit to them, and I think that commitment is where leaders should be held accountable.

We all need goalposts or rules or quarters or things to keep us there. I've always been in a public company world and people said, well, quarters are disruptive. I disagree. I was told that if we don't do what we said we can do in 90 days, why would you believe what we're going to do in three years and five years. And as Bob said, I hope you take away the fact that we're building a consistency and a track record, and I wanted you to look back at 2017 and beyond, and I want you to judge me and my leadership team by the success we've had since that day as we became a pure play water company.

Clearly, as CFO, prior to that, I was accountable for some of the things we did prior. But all that this team can be held accountable is for our performance since we became focused as a water company. So I said earlier, I think our purpose inspires and defines us. Our organization guides us. And I think we're building a lot of great progress around the [indiscernible] (02:56:37) discipline we're building to that organization. It also is a prioritization effort. Bob's team in finance has created P&Ls for these revenue streams, and as you can imagine, they're not all equal in profitability. And what I hope you heard today through the segment leadership is we're biasing our growth programs and biasing our actions to the ones that have the highest impact for our customers and shareowners, and that's how we're mixing up that ROS and driving value to you, the shareowner.

Transformation propels us. I was asked in the break, is there really this much opportunity. I have to answer, unfortunately, yes. When you acquire companies and you get distracted and you lose your energy and effort, you create a decades of opportunity of things that can be reintegrated. Right? Going back to that history, when we acquired Tyco Flow Control, we put all of our best talent in driving LEAN and integrating that acquisition. When it didn't work out and we sold it, we lost a lot of our talent, especially around the operations and sourcing angle. We had to rebuild that talent. And we had a real refocus on what we're doing as a company to build our capability going forward.

Our culture can distinguish us. I think all cultures are defined not by what you say, but what you do and about the leaders that are inside of them. There's so much I love about our culture and our people. I love the fact that they're passionate, they're committed, they're inspired by what we do. But I do believe and it's evidenced by the fact that we're not where our peer groups are in organic growth, that that's the next step that we can take is to understand our customers' business models better, make it easier for them to do business with us. I wish I could tell you that's one thing, it's not. We have over 75,000 trade partners. We work with them. But it starts with how do we make it just easier for them to do business with us, and hopefully, you heard some of those examples today.

So I believe deeply that our portfolio is the right portfolio. I know you're going to continue to ask. I think all companies have some percentage of their portfolio that's probably not ripe for taking forward. I think we'll be able to do is use 80/20 and also use the transformation progress to shake maybe a couple of product lines out that don't fit. But I want to leave you with the fact that I think that this portfolio fits tightly together. And we have opportunities to grow across the portfolio and drive value with the sets and businesses we have today.

I think transformation is here beyond a three-year program. The transformation word came from the LEAN, which as you define a current – you have your current state. You define a future state. And then transformation is the plan to get from point A to point B. That's how we came up with the word transformation. That's how we're driving it. And every time we make progress, we see how much more progress we can actually make.

I think these – the culture of excellence is there. And as I said, it's biasing it towards the growth agenda but not losing focus of the [indiscernible] (02:59:30) productivity. Right? Most companies, as Bob has said, can grow and/or drive our west. We want to be a company that can do both. And I think the Transformation Foundation gives us that capability and finally delivering strong cash flow to create that optionality that Bob mentioned. Hopefully, we've demonstrated to you over the years with our always being investment grade. Also from our ROIC that we stand with today, that we're good stewards of that capital and that's ultimately how we measure his team.

So thank you again for your attention. And with that, we'll now move to the Q&A section of the presentation for those in the room. Thank you very much.

Unverified Participant

Please welcome to the stage Vice president, Investor Relations, Shelly Hubbard.

Shelly Hubbard

Vice President-Investor Relations, Pentair plc

Thank you, John. And thank you to the entire executive leadership team for sharing those deep insights into our business over the last five years and our path going forward to the 24% ROS. Give us just a couple of minutes to set up the Q&A. We've got about 45 minutes for Q&A. Once we conclude with the Q&A, I'd like to invite you to experience our product displays as well as our water bar. We have Pentair filtered water as well as our Manitowoc Ice machine. So please grab some water and some ice. While you're out there, Interact with our segment leaders and we'll begin lunch at noon.

John L. Stauch

President, Chief Executive Officer & Director, Pentair plc

Yeah. And ask my Chairman all the tough questions. Okay?

QUESTION AND ANSWER SECTION

John L. Stauch

President, Chief Executive Officer & Director, Pentair plc

A

I do want to say before we get going that even though we just have the segment leaders, Bob and myself up here, if there is a specific question for [indiscernible] (03:01:00) team, we'll be happy to address them with the question as well. There's no hands up. Shall I think we're [indiscernible] (03:01:05)?

Shelly Hubbard

Vice President-Investor Relations, Pentair plc

A

Thank you. We've got two mic runners, so please raise your hand and they'll be over to you shortly. Thank you.

Joseph Giordano

Analyst, TD Cowen

Q

Hey, guys. Thanks. Joe Giordano from TD Cowen. Just quick on the 80/20. It's good that you guys are taking that on. But to hear that it started in January, to be fair, it's not a new concept. So what kind of took so long to get that going, and how would you kind of address that?

John L. Stauch

President, Chief Executive Officer & Director, Pentair plc

A

It's a great question. I've always been a follower of the 80/20 and the companies that used it. Generally could have thought of that being first in the transformation journey. But I want to remind you that when we started as a team focusing on transformation, we weren't in a period where there was a burning platform. Really the burning platform for us was more about the supply chain difficulties we're having and how do we meet that growth. However, when we started running through that playbook around primarily sourcing and pricing, we noticed the complexity of the portfolio that we weren't yet fixing. And you heard us mention how many SKUs we got rid of it in Flow. The reality is we keep taking all of these SKUs into the overall marketplace. And that's why I think what 80/20 is going to be and we're doing it with a real program focus and with an outside partner, most of them from the companies that you're fully aware of that have done this. And I've talked to most of the CEOs what I can expect. I really do think we're going to learn a lot more, and then I think it's about revisiting these transformation tools to make more difficult decisions. By the way, we'll get to all of those questions, I'm sure.

Shelly Hubbard

Vice President-Investor Relations, Pentair plc

A

If you can state your name and company [indiscernible] (03:02:47).

Scott Graham

Analyst, Seaport Global Securities LLC

Q

Hi. Scott Graham from Seaport. Shockingly, my first question is about Pool. Just kind of wondering what you guys are thinking or whether it's a macro or micro trend that maybe gets that market going again. I know that we're kind of locked up in a low inventory situation, existing home sales are suffering as a result. What do you see out there? And very importantly, what are your distributors saying is the catalyst for this market going forward and perhaps when we can see that manifest?

John L. Stauch

President, Chief Executive Officer & Director, Pentair plc

A

Yeah. Well, since we got Jerome here, Jerome, why don't you just – you're out talking to customers.

Jerome O. Pedretti

Executive Vice President & Chief Executive Officer-Pool, Pentair plc

A

Yeah. So we're talking to customers and I think that really I think it's more a macro trend of growth. But we can see I think installed base that the industry is going to continue to grow. I think the installed base is continue to grow because of the macro trends we talked about. The aging pools as well. I think that's going to drive [indiscernible] (03:03:43) shift from the consumer side which really wants [indiscernible] (03:03:48) the value of the pad.

So I think that those are trends which are going to make your own pool grow over the coming years. And I think that as Pentair, we are the leader in North America, I think we have really a role to play and to continue to grow in this industry and that's how we want to outgrow the industry just by product quality, serving our customers well and innovation. I think those are the things.

John L. Stauch

President, Chief Executive Officer & Director, Pentair plc

A

And Scott, I'll just follow up. I mean, in the high end of the market, most of these pools have a pool and a spa, right? And candidly, the spa is for the individuals who live there and the pool is for the grandchildren and I know that sounds funny, but that's serious. And reality is that a lot of those spa owners, they might be on the 16th or 17th hole when they go to their automation and they want the spa to be warm when they get back so that they can enjoy that body of water.

Unfortunately, when you get into the mid-market trends, you've got houses that are dependent on financing and that is part of a softer climate within the market today until interest rates start to settle out or we see indications that those interest rates could be lower. And then we're assuming in our guide, and I'm sure you're [ph] hearing it in our – (03:04:57) other people that are guiding as well is that there might be some discretionary push-outs again until interest rates can settle in. So we would clearly benefit from a trend of the lowering interest rates and a rejuvenation that would help that market again pick up back to more historical norms.

Scott Graham

Analyst, Seaport Global Securities LLC

Q

For finishing that, John, I just have a follow-up actually directly for you. When you first started on the right post-spin, one of the things that you said that was across a lot of the portfolio that your – you have great brands, but they were – have been underinvested in. You've spent a lot of money over the last five years since then. I'm just wondering if – is part of the Bob contingency that I'll call it on the margin maybe the need to up spending internally even further?

John L. Stauch

President, Chief Executive Officer & Director, Pentair plc

A

Well, if you were in our discussions, you would hear that it's never been a technology issue with Pentair. It's the commercialization side. And I think to better commercialize technology, so I'm committed to 4% or 5% R&D spend. I'll continue to say that publicly. But we need a sales and marketing organization that can define those opportunities and then partner with our commercialization capability and our innovation to give the customers the solutions they really want. I'm not going to take you through the journey. We've got a lot of really cool products

that I think are still cutting edge that are available for free if you want them, because they – nobody bought them. And then I think you've got to make sure that your innovation is really aligned with where the biggest opportunities are. And so the better we get to sales and marketing, the more we use the artificial intelligence, the digital tools that we have today, I think the better we're going to be at commercializing breakthrough technologies that are going to drive value for Pentair.

Michael Patrick Halloran

Analyst, Robert W. Baird & Co., Inc.

Q

Hey, everybody, Mike Halloran with Baird. So two questions, both related. So I'll just ask them at once. When you look at the success of the program so far, it's kind of different to what we've seen historically. So what do you think has been the biggest difference in the pre-planning phases and what you've done so far that's driven early success as well as the visibility you've laid out?

And then secondarily, could you provide some buckets to understand the four variables, pricing, strategic sourcing, operational excellence? I mean, how do I bucket those in terms of you need to make sure you get these in order to really prioritize success?

Robert P. Fishman

Executive Vice President, Chief Financial Officer & Chief Accounting Officer, Pentair plc

A

Yeah, maybe I'll go ahead and start and then, John or Steve if you want to chime in. The difference Steve alluded to was the fact that we were expanding the breadth of the transformation program to the four pillars, but also bringing in third parties that had done this before that were experts and then taken the time to train cross-functional teams across the company. So it has really – it was launched maybe two years ago, the overall transformation. And it took a while for the results to start reading out in the P&L to a significant extent, and it was really in Q3 and Q4 of 2023 that we – all of our hard work up until then was starting to pay off. So I'd say that's probably one of the biggest differentiators between what was done in the past and now.

Shelly Hubbard

Vice President-Investor Relations, Pentair plc

A

I see lots of hands up front. Maybe we can...

John L. Stauch

President, Chief Executive Officer & Director, Pentair plc

A

Yeah. I just have – to follow up, I don't think there's an opt-out today. Right? And I think the opt-outs used to come about, we're special, we're unique, we can't take this risk, we can't take the chance. And if you really think what's needed to come along is the engineering and the product line leaders need to be a part of this program because you can always design a unique SKU or a unique product that doesn't seem to fit that common opportunity for the supplier side. And I think by having the cross-functional teams, you've got the opportunity of this is worthwhile and let's pursue it versus in the past, hey, it's only worth 2% or 3% savings. But we define it the right way. When you think about the total landed cost, the end-to-end cost and I think having that visibility allows us to really focus on how to create that value.

Julian Mitchell

Analyst, Barclays Capital, Inc.

Q

Thanks a lot. Julian Mitchell at Barclays. Maybe just a question around capital deployment, because you have that sort of – it doesn't seem like it's embedded at all in the EPS guide except for offsetting share creep. So

maybe help us understand today the sort of relative appeal of buyback versus acquisitions and what are the sort of financial criteria for M&A that we should be aware of now.

Robert P. Fishman

Executive Vice President, Chief Financial Officer & Chief Accounting Officer, Pentair plc

A

I'd agree with your statement that there's basically \$2 billion of capacity that's available for accelerated buybacks or M&A. And I think there might be an opportunity to strike a balance there to be a compound or M&A for smaller bolt-ons to round out portfolios, gaps that potentially exist within the businesses, could be an opportunity, Julian. But also again returning cash to shareholders because we view that as a good investment as well.

Julian Mitchell

Analyst, Barclays Capital, Inc.

Q

Great. And just a quick second one on the sort of the footprint optimization and maybe this is for the segments as much as anything else. But you have that 41 plant counts. Seems from the outside that the Flow segment may have the most room for consolidation there. So maybe any more detail you could give us around the spread of revenue per plant across businesses or where there's some of the most scope for plant reduction and sort of what scale of footprint consolidation could we see the next three years?

John L. Stauch

President, Chief Executive Officer & Director, Pentair plc

A

Well, I think the best way to answer, first of all, we have enough plants in case you – we don't need more.

Robert P. Fishman

Executive Vice President, Chief Financial Officer & Chief Accounting Officer, Pentair plc

A

Right.

John L. Stauch

President, Chief Executive Officer & Director, Pentair plc

A

I think we're going to be informed a lot by the 80/20 work we're doing, which is probably going to have the biggest impact on the factories. I mean, today, we promise the same delivery across any SKU and part number. And what we're going to learn is how do we differentiate that. Right? How do we change on-time delivery? What is the commitment dates between next day and maybe things that maybe take 30 or 60 days? Clearly, the biggest opportunity is in Flow from an over factory side. But we've got to think through the centers of excellence there and what role those products or product lines play. On the other side, [indiscernible] (03:11:23) revenue per plant, think about Pool being on the other end of that spectrum as evidenced by there are less. And two of their factories produce about 90% of the revenue for Pool, which gives you the scale that you see on the other end.

Shelly Hubbard

Vice President-Investor Relations, Pentair plc

A

Andy, we'll take the next question from you. [indiscernible] (03:11:39)

John L. Stauch

President, Chief Executive Officer & Director, Pentair plc

A

Well, Steve, you can – we have Steve right there. Steve? We promise to get you.

Robert P. Fishman

Executive Vice President, Chief Financial Officer & Chief Accounting Officer, Pentair plc

Okay. You got it back, Andy.

A

Andrew Kaplowitz

Analyst, Citigroup Global Markets, Inc.

I'm going to take it. This one is for De'Mon and probably – this is Andy Kaplowitz from Citigroup. It's for De'Mon or for John. Like, at what point are you kind of allowed to grow mid-single digits because if I look at your peers, they tend to guide to mid-single digits. It seems like all the water opportunities that you have out there should allow you to grow mid-single digits. So like kind of what's holding you back still?

Q

De'Mon L. Wiggins

Executive Vice President & President-Industrial & Flow Technologies, Pentair plc

Yeah. So, Andy, one of the first things and I said it in the presentation is around being disciplined. Over the years, we've accepted job opportunities, size of jobs that have been significant and execution was a bit of the issue. We have now developed processes in place where we've gotten more consistent and predictable in our delivery of those projects to our customers, both from a growth but also profitable. But I need to see more of that execution consistently before I open up the full aperture of that opportunity. So we're getting there, we see the opportunities, but that's what we're continuously working on to deliver on that.

A

Steve Pilla

Executive Vice President, Chief Supply Chain & Transformation Officer, Pentair plc

I thank the team on quarterly business – quarterly earnings call all the time, because it takes discipline to maybe just grow in your swimlane. But let me give you some examples where they can exceed the growth. I think clearly when it comes to the Aurora fire pumps, as De'Mon said, having the detailed marketing plans, know wherever your new building is going to go and that's our rightful chance to win [indiscernible] (03:13:20) fire pumps, that's an opportunity we can certainly exceed.

A

Where you have to be careful is packaging products that you would have won anyway, with products that you're trying to win to get to a higher revenue level, because what happens is you lower margins on everything to overall get the things that you might have not gotten. Does that make sense? And in the past, when we were compensating on revenue, that's what we got. We got great growth, but we didn't see that product come through in a profitable way.

Keep in mind, these are machined, skilled labor that doesn't scale easily. So you got to be careful with the investments you're making to grow beyond a certain rate that you're willing to do. I think when he has a couple more quarters, a couple more years, then I think we're going to earn our opportunity here.

John L. Stauch

President, Chief Executive Officer & Director, Pentair plc

Yeah. The only thing I want to add is also the discipline behind the first tier, whether that's distribution, but clearly seeing opportunities of understanding how we're pulling that product through, where it's going as we continue to get better at that, that opportunity opens up.

A

Andrew Kaplowitz

Analyst, Citigroup Global Markets, Inc.

Q

And then Bob, is the right way to think about the contingency that to get to 24%, you really don't have to grow or – and if you do grow and you execute really well, you should really get to 26%, like how do we think about that?

Robert P. Fishman

Executive Vice President, Chief Financial Officer & Chief Accounting Officer, Pentair plc

We've built the 26% ROS, so that higher number is based on the mid-single digit growth. So then think about to get to the 24%, you can scale the revenue expectation down to achieve that, is the way I think about it.

A

Q

He took all my questions. So I'm going to have to be think fast on my feet here. Can you just – I don't – I'm not sure you answered the last couple of questions about what percentage is actually from like sourcing and procurement in the savings, maybe what percentage of the savings to start?

John L. Stauch

President, Chief Executive Officer & Director, Pentair plc

Yeah. So Bob, you might want to take that one. We're attacking the \$600 million wave 1 and we're going to get somewhere around two-thirds of that savings in 2024, to put that in perspective, right. So we've been at that a year and a half. But keep in mind, a high degree of those particular suppliers were new, we had to requalify them, we have to work through the inventory that we generally have. And so we're going to see that come through.

We're also done with the wave 2 negotiations now. Again, similar expected savings. We're expecting a little bit of that to come in in 2024, but the majority of that \$600 million at the double digit savings in 2025. That will be a little bit of a combination of incumbents and newer suppliers. So some of that has an opportunity to come in faster, Steve. And then we'll start wave 3 and that'll be mainly a 2026 and beyond. So that's about two-thirds through 2025...

A

Q

Yeah.

John L. Stauch

President, Chief Executive Officer & Director, Pentair plc

...and the savings and the remainder in 2026.

A

Robert P. Fishman

Executive Vice President, Chief Financial Officer & Chief Accounting Officer, Pentair plc

Yeah. It's sort of in that relationship of the \$160 million to \$260 million, so getting that amount from the sourcing. To John's point, we've committed about \$75 million this year. So roughly that \$45 million to \$50 million comes from primarily wave 1.

A

Q

And then can you just remind us of how you guys are positioned in the event that there is a 60% tariff on China and a 10% broad based tariff? What – how you're just currently positioned and then how that may influence your – this initiative which I'm sure your suppliers have may maybe like...

John L. Stauch

President, Chief Executive Officer & Director, Pentair plc

A

Yeah. Today, we just got this question yesterday in anticipation of you asking this question, so we got lucky. About 8%...

Q

I'm glad Andy didn't ask it. That was...

John L. Stauch

President, Chief Executive Officer & Director, Pentair plc

A

About 8% of our source spend today is related to coming out of China, to put it in perspective. There are things that we probably could accelerate and move out. And then there's some things like carbon or charcoal, which we get today out of China that would be very, very difficult to move quickly on. But it's less than 8% of our total spend today comes out of China.

Q

Less than what? Sorry.

John L. Stauch

President, Chief Executive Officer & Director, Pentair plc

A

Less than 8%.

Q

8%. Okay. Great. Thanks. Thank you.

Shelly Hubbard

Vice President-Investor Relations, Pentair plc

A

So could we get a question from over on that side of the room, please?

Jeffrey D. Hammond

Analyst, KeyBanc Capital Markets, Inc.

Q

Hi. Good morning. Jeff Hammond, KeyBanc. I just want to go back on Pool. I think one of the things that surprised me was just the dealer scores and the retention, given some of the challenges kind of through COVID with supply chain, et cetera. So just wondering if you could put in context kind of how those scores acted while you were going through your challenges and how much of that kind of retention and benefit was kind of getting back to normal? And then just maybe the two or three things that you're really doing differently to kind of make sure that that doesn't happen again?

Jerome O. Pedretti

Executive Vice President & Chief Executive Officer-Pool, Pentair plc

John, you want to take?

A

John L. Stauch

President, Chief Executive Officer & Director, Pentair plc

Go ahead.

A

Jerome O. Pedretti

Executive Vice President & Chief Executive Officer-Pool, Pentair plc

Yeah. So I think that part of a – all of the dealer and the dealer growth that we saw in 2023 was getting back to normal because our supply chain, yes, had some issues in the past. So I think that getting our supply chain in order and making sure that our products were well stocked was a key part of the value prop that we had for years. But I think that the work that I highlighted in order to make sure that we work with the dealers, getting closer to the leaders, improve the relationship we have with them, quality products, but also the innovation, I think that all are things that continue to help get back to the dealer loyalty and that's why we're seeing our NPS grow in 2023, and I think it's going to continue to grow going forward. So I think that we have a clear marching order on product quality, customer support, innovation, in order to continue have a strong loyalty we have with the dealers.

A

John L. Stauch

President, Chief Executive Officer & Director, Pentair plc

Jeff, I may just follow up. I mean, the thing that can't happen today in the service industry, especially with these trade channels, is to have a long route to a job and not drive revenue, right. I mean, that is hard to put a technician in a van, get them from point A to point B at the hourly wages being paid now and not be able to solve the problem or not make that a revenue event.

A

So, I think the things that we do well [indiscernible] (03:19:31) we have 100 field technician services that will actually go out to the job site and work with them to fix problems that are difficult to solve. And the other way we do it is to have that dealer support on the phone with all of the tools that can be downloaded in iPads, iPhones, et cetera, which make you really productive in front of your customer.

Jeffrey D. Hammond

Analyst, KeyBanc Capital Markets, Inc.

Okay. Great. And then just shifting gears on the contingency or upside, it seems like on price, you're kind of not baking anything and you're just saying, hey, kind of net neutral. It seems like as you've taken this next step, you're getting kind of more than your normal course price. And then I didn't see a number around 80/20. Is that something that would be additive or something you just haven't quantified? Thanks.

Q

Robert P. Fishman

Executive Vice President, Chief Financial Officer & Chief Accounting Officer, Pentair plc

Yeah. I would say on price, you've described it well, just being cautious there. It's nice to have that value-based pricing that Steve referred to right now offset any inflation that comes our way. And again, if we can drive more upside on the price, that would be great. But we're not counting on it right now. And then just on 80/20, we view that as an enabler to our success in sourcing or operations versus something that's specifically going to drive more dollars is the way we think about it.

A

John L. Stauch

President, Chief Executive Officer & Director, Pentair plc

A

But it does extend the runway because as we get to 2027, looking at it from an 80/20 lens, I think it'll be quite meaningful.

Nathan Jones

Analyst, Stifel, Nicolaus & Co., Inc.

Q

Thanks. Nathan Jones at Stifel. I've got one for Adrian on Manitowoc. When you guys acquired that, it was kind of a 5% organic grower that could go to 10% with revenue synergies and you've got 20% and 23% over the last couple of years. Is where we're at today the right level of revenue to grow from or are we maybe in a kind of pull situation where you pull a bunch of demand forward the market needs to reset to a more normal level and then we grow from there?

Adrian C. Chiu

Executive Vice President & President-Water Solutions Segment, Pentair plc

A

Yeah. Thank you for the question. So the way I think about it is 2024 is just a view of coming off some very difficult comps. So you'll see a modest decline in Manitowoc this year, but we expect to maintain back to that mid-single digit growth going forward.

Nathan Jones

Analyst, Stifel, Nicolaus & Co., Inc.

Q

Okay. So starting from 2025, we grow again from 2024 levels?

Adrian C. Chiu

Executive Vice President & President-Water Solutions Segment, Pentair plc

A

Absolutely. Yeah.

Nathan Jones

Analyst, Stifel, Nicolaus & Co., Inc.

Q

And then, John, for you, you talked about a selective few growth bets over the next few years. I'm wondering if you could expand on that and give us any color on what kinds of things you're talking about there?

John L. Stauch

President, Chief Executive Officer & Director, Pentair plc

A

Yeah. The three that we highlighted and Phil's are further along than we might have shared with you and there are three committed projects that I feel really deeply committed to getting them commercialized in this timeframe window. We might not get tons of revenue, but what we're looking at – if you look at that is the Pool one is utilizing industrial wastewater quality membranes that we actually make ourselves and bringing that to an industry to get a significant impact in a product line that's not been rejuvenated in some period of time.

We also believe with that, we use our IoT and digital capability to help dealers more properly assess the water quality and quickly get to a solution on site, which we didn't showcase here today, but think of the app and all of those IoT, think of knowing you have 10,000 gallons, doing the reading out in the field and then being able to quickly address what chemicals are needed to solve that problem, we see that as a huge growth opportunity.

And then the [indiscernible] (03:23:12) are happening right now. And so it's a matter of ramping those and the X-Centric Impellers matter of ramping that. The one that I think ends up in commercial instead of residential is the whole home filtration, as we called it. And what we do today is we pre-treat water for restaurants today. And then we RO that water and then we mineralize that water to their particular design that they want either for coffee, pizza dough, or the things that Adrian said.

We do believe we can put that into a system and be able to have that – be a plug and play into expensive home environment, and this would be salt-free based system. We think that price point, though, would be at the very high end of the market of residential, but likely be a mainstream product that would be into the commercial side where you could have more of an IoT [indiscernible] (03:24:00) configure that capability up and running. Again, all that technology we do today, we're trying to integrate it into a package and have the reliability and the features and a cool industrial design that would be breakthrough in the industry. Now, Adrian, you got to deliver, because I threw it out there.

Shelly Hubbard

Vice President-Investor Relations, Pentair plc

A

We take the next question from Deane.

Deane Dray

Analyst, RBC Capital Markets LLC

Q

Thank you. It's Deane Dray with RBC. Maybe we can stay on that last theme, if we could. Just sort of the premise that there's value in data with your business, with the unnamed coffee shop based in Seattle, you have zip code-specific signature water quality all around the world, down to the exact parameters. And so how do you monetize that? I think, John, you started to give some color of how you do that on the residential side. I think Phil talked about how you can do it with food producers who want New York City bagel taste using that water. But just where are you in this process of monetizing this database of zip code-specific water quality?

John L. Stauch

President, Chief Executive Officer & Director, Pentair plc

A

Yeah. I'd say we're very early on, but it's a big opportunity, right? I mean it isn't just there, is the water test that residential people do and being able to have that data in a stored database, we've always had the data, but it's been very difficult to get our water filtration specialists who are third party partners to really rally around that data to get a unique solution. They tend to come with the solutions that they feel comfortable with. I think once we start to get that data, we can turn that into an automated solution that at least dials in a range to start with and then you can tailor the end solution of what the customer wants. Adrian?

Adrian C. Chiu

Executive Vice President & President-Water Solutions Segment, Pentair plc

A

Yeah, I think you can – let me just good – it was a great question and I think John's right. We are in the earlier stages of it. I think what's even more powerful than the data just in the water quality in that particular location is how the water quality changes within the establishment itself, because that tells you then that your equipment is working or needs to be replaced or prone for some maintenance.

So, I think when we think about the digital aspects of water quality, the water that comes into the restaurant, the water that's in the restaurant. How do we experiment with understanding how that water quality changes during – while the restaurant is open, and how do we support the customers best in that? So, we are working on that. We've got a few pilots, but I think we are still in the early stages of being able to monetize it.

Deane Dray

Analyst, RBC Capital Markets LLC



Thanks. And then follow-up on the 80/20 disclosures today, which sound great, and I also like the fact you're going to phase it in. It's not so – it won't be too disruptive, too fast, but there's big opportunities. But maybe you can expand on your closing comments about what some non-core product lines, SKUs that may come out of this, because it's not always just shutting down a product or eliminating a product, but it's changing your level of service from being same day to X number of weeks, and that will change the resources that you applied to it. So, how prepared are you to either walk away from some businesses or just change your level of service and what kind of expectations do you want to set today?

John L. Stauch

President, Chief Executive Officer & Director, Pentair plc



Yeah. And so, the work we're doing is customer focused as those of you who've used the program before. So, what we're going to do is end up with a quadrant basis, right? What are our best products going to our best customers is the upper left. And in [indiscernible] (03:27:49) \$0.20, that should be around 64%, 65% of most of our products. And then you move to the lower left, which is the most disruptive. These are the good products going to customers that might be disruptive to your best customers. People buying product and maybe acting as many distributors on the Internet or et cetera.

As you move around to the bottom right, now we've got the easier stuff, right, the products you don't really want to sell to the customers you don't really want to sell to. And then you go to the upper right. And now we have products that you'd prefer not to sell, but your top customers buy it. [ph] I don't (03:28:19) have that data yet. And I want to be fact based and objective. All of the segment leaders are excited about the outcomes. We'll review that data. And we'll take it and solidify it with the board as well. And then we'll come back with strategic action plans and say, how do we get after that?

Obviously, I want to be careful. But I think it's going to be very informative to how we think about differentiating how we serve our customers. And as again, if you're going to go SKU based, what's our different delivery, what's our lead times, what's our pricing on the non-SKUs that we want to support? And then what's the journey?

The biggest impact is going to be on the factories though. Again, having to have that 100% on-time delivery on the complexity that we're bringing through the factories have been a real challenge for them. And we got to create some breakthrough performance in the factory level by walking away from SKUs that don't really matter. And then as we build it into our ERP programs, how do we make, create a new part number, the hardest thing in the company period, right? And as people understand, when you create a new part number, the lifelong support that you have to give to that part number.

Shelly Hubbard

Vice President-Investor Relations, Pentair plc



Thanks. [ph] Joe (03:29:22), can we take a question from Andrew, please?

Andrew Buscaglia

Analyst, BNP Paribas Securities Corp.



Yeah. It's Andrew Buscaglia with BNP. This question is on legislation. Just any interesting specifics that you're targeting – like specific legislation that is like you're targeting that you think will benefit you and/or some products that you could align better with over the next call it five years?

John L. Stauch

President, Chief Executive Officer & Director, Pentair plc

A

Well, Karla, I don't know if you want to answer this. I never root for legislation usually. I do believe we're really well positioned on the new refrigerants. We've always been more on the leading edge, especially as those new refrigerants hit the ice machine market. We're well positioned to benefit from that and be the provider to come up with those solutions first. And that could be one that's positive. Beyond that, I'm candidly not rooting for any legislation at this particular point of time [indiscernible] (03:30:17).

Andrew Buscaglia

Analyst, BNP Paribas Securities Corp.

Q

And maybe on the Pool side. There's always...

John L. Stauch

President, Chief Executive Officer & Director, Pentair plc

A

Apparently, Pools rooting for legislation.

Jerome O. Pedretti

Executive Vice President & Chief Executive Officer-Pool, Pentair plc

A

The Pools got to be [indiscernible] (03:30:23) legislation to be more sustainable. And I think that really drives well into our portfolio. And we are monitoring them and making sure that we have new products ahead of those legislation because it really works well with what we do.

John L. Stauch

President, Chief Executive Officer & Director, Pentair plc

A

I really think most of what's happening on the momentum and the ESG program that Karla talked about, it is people care and customers care, especially the college graduates today are really focused on how they can make a better impact on this planet, and that's driving the solutions that we generally benefit from. So, Karla and I talked about this, as we think of our ESG program all the time, let's choose the metrics that are just best for the business, right? And ultimately, we want the planet to be better. We want to utilize less water. We want to have less of an impact. And so do our customers for the most part. And the biggest opportunity is working with suppliers as well, who also partner around that.

Andrew Krill

Analyst, Deutsche Bank Securities, Inc.

Q

Hi. Andrew Krill from Deutsche Bank. Want to ask on Pool margins. So, if you're able to hit your 400 bps expansion target, you're at 35%, which would be very impressive. So just what gives you confidence, you can keep going higher from a high starting point and where you get push back from distributors, customers, et cetera? Thanks.

Jerome O. Pedretti

Executive Vice President & Chief Executive Officer-Pool, Pentair plc

A

Yeah. So, I think we have multiple levers in order to continue to expand margins. I think the one we talked about is transformation. I think transformation is going to play well to all the different transformation tool that we talked about, sourcing, operation, 80/20, [ph] org excellence (03:31:57) we're doing. And I think that the return of some volume, some growth, I think we'll have a we have a drop through. We have a solid drop through on our volume

growth. So, I think that all this gives me a really good confidence that we'll be able to hit those. We've done that in the past, and I think we can do that in the future as well.

John L. Stauch

President, Chief Executive Officer & Director, Pentair plc

A

I think it's great business. If you saw the factories and see the opportunity. I think our customers and our customers' customers would value less complexity, ease of simplicity. I don't think Pool needs to keep raising prices to drive margin. I think they have an opportunity to really work their supply chain and work the operational efficiency to get higher margins, which ultimately don't cause us any disruption between our distributors and our channel partners.

Andrew Krill

Analyst, Deutsche Bank Securities, Inc.

Q

Great. Thank you. And follow-up, just I know in the press release, guidance was reiterated for this year. Maybe just any color you could give on how the years trending to-date would be helpful? Thank you.

John L. Stauch

President, Chief Executive Officer & Director, Pentair plc

A

Yeah. Our earnings call was just on January 30, so it's really just been 30 days. So, no surprise that we're comfortable to reiterate our guidance. So, the Q1 guidance and the full year guidance we just said is still in good shape.

Shelly Hubbard

Vice President-Investor Relations, Pentair plc

A

Sabrina?

Sabrina Abrams

Analyst, BofA Securities, Inc.

Q

Hey, good morning. Sabrina Abrams from Bank of America. As you guys think about the areas where you're outgrowing the market, so within Pool, within Separation Technologies and in Water Solutions, maybe you could highlight what you view as the most important drivers of outgrowing the market between new product development, market share gains, what's really driving the outgrowth?

A

Yeah. I'll start on the separations technologies aspect. The reason we're outgrowing the market is really our technical expertise, our consulting to our customer base. They rely on us to come in and come in with ideas to their problems. And once we solve those, they're returning customers. So, what has happened is that when those problems and solutions are needed, they're actually coming back to us. And also that word of mouth is traveling to other customer base. So, that's where we're seeing a lot of success there.

Adrian C. Chiu

Executive Vice President & President-Water Solutions Segment, Pentair plc

A

Yeah. For me, when I think about improving water and thinking about what you put in your body, I think we need to take those responsibilities very seriously. And the way we win with that is making sure that we have the

products and capabilities that our customers can trust because they depend on us for their businesses to be successful, and they depend on us to ensure that they've got the water that they need and want.

So, a part of our ability to outgrow market is, first, a foundation of scale and depth and breadth of experience. That's different and unique compared to what's out there. And then second, our relationships with our channels to be able to help them understand that we are the right choice to help their businesses be successful.

A

And for me, it's really about meeting with the [ph] dealers' (03:35:02) expectations are. So, number one, high quality products. Number two is really supporting them. And so, how we can support them even better with our sales team, with our digital tools. And three is really about innovation. Continue to innovate, innovate and automation, water care and digitizing those relationship. And I think doing that we can outgrow the market. But what we've shown also in the past, where we proved that we can also grow the market at a higher pace through our innovation. So, I think we can increase our share, but also grow the market even better.

Sabrina Abrams

Analyst, BofA Securities, Inc.

Q

Thank you. And just to follow up specifically on Flow, what changes in the next couple of years that allows the business to start pursuing maybe lower margin projects again?

John L. Stauch

President, Chief Executive Officer & Director, Pentair plc

A

Trick question, De'Mon.

De'Mon L. Wiggins

Executive Vice President & President-Industrial & Flow Technologies, Pentair plc

A

This is a trick question. Like, one of the things we're going to focus on is definitely, as I say, staying disciplined. But as we move forward, one of the things I talked about was aftermarket and the evolution of us getting more aftermarket sales, which are higher margin products, allows for us to build the overall margin of the business. With that and if we see that being an opportunity for repeat reoccurring revenue, that may be an opportunity for us, as I said, open up the aperture, but we must see that business coming through on the aftermarket side of it.

John L. Stauch

President, Chief Executive Officer & Director, Pentair plc

A

Yeah, I just – there are some industries that don't always scale particularly well. And we've got to be very careful on what products that we're actually trying to grow faster than what we can support. There are demographics of the employment base that are harder to find and machinists are really hard to find. And so, what happens is you've got to bring a lot of people in when you're machining product and then you've got to have them be part of your fixed cost basis. And when you see the cycles get tougher, you're retaining a lot of people and their margins get squeezed. That's what we're really talking about is, we think we can grow in this low single digit plus. And by the way, that's the low end of mid-single digit, if you think about it. And I think we can do that profitably around the things that we really have a good value proposition on because it adds value. I mean, we joke, but you don't want to clean out one of those wastewater pumps, you don't. I mean, you didn't say it today but...

De'Mon L. Wiggins

Executive Vice President & President-Industrial & Flow Technologies, Pentair plc

I know...

A

John L. Stauch

President, Chief Executive Officer & Director, Pentair plc

...it's gross, right? And so, those types of applications, which are really, subdivisions connected to lift stations and lift stations connected to municipality are huge opportunities for Pentair because we're really good in that sweet spot.

A

De'Mon L. Wiggins

Executive Vice President & President-Industrial & Flow Technologies, Pentair plc

Yeah, good.

A

Shelly Hubbard

Vice President-Investor Relations, Pentair plc

Thank you. Any more questions.

A

John L. Stauch

President, Chief Executive Officer & Director, Pentair plc

Okay. Well, I think through a really good deck Shelly put together. Thank you for your help...

Shelly Hubbard

Vice President-Investor Relations, Pentair plc

Thank you.

John L. Stauch

President, Chief Executive Officer & Director, Pentair plc

...on the presentation. Thank you to all the Pentair employees for pulling together. Again, I think everybody who joined via the web and everybody who joined in person, I think one of the benefits we have now is [ph] under Reg FD (03:37:58), we now have a bunch of slides that we can continue to follow up conversations with all of you on. I'm sure you're going to want to go deeper on some of these topics and we can now reference slides and spend a little bit more time talking to you about how we're going to accomplish these goals we set out. So, Bob, you want to close anything?

Robert P. Fishman

Executive Vice President, Chief Financial Officer & Chief Accounting Officer, Pentair plc

No. Just thank you again for your participation here today.

John L. Stauch

President, Chief Executive Officer & Director, Pentair plc

Thank you.

Unverified Participant

Thank you.

Shelly Hubbard

Vice President-Investor Relations, Pentair plc

Great. Thank you.

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