



# Q2 2019 EARNINGS RELEASE

JULY 23, 2019

# Forward-Looking Statements

## CAUTION CONCERNING FORWARD-LOOKING STATEMENTS

*THIS PRESENTATION CONTAINS STATEMENTS THAT WE BELIEVE TO BE "FORWARD-LOOKING STATEMENTS" WITHIN THE MEANING OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995. ALL STATEMENTS, OTHER THAN STATEMENTS OF HISTORICAL FACT ARE FORWARD-LOOKING STATEMENTS. WITHOUT LIMITATION, ANY STATEMENTS PRECEDED OR FOLLOWED BY OR THAT INCLUDE THE WORDS "TARGETS," "PLANS," "BELIEVES," "EXPECTS," "INTENDS," "WILL," "LIKELY," "MAY," "ANTICIPATES," "ESTIMATES," "PROJECTS," "SHOULD," "WOULD," "POSITIONED," "STRATEGY," "FUTURE" OR WORDS, PHRASES OR TERMS OF SIMILAR SUBSTANCE OR THE NEGATIVE THEREOF, ARE FORWARD-LOOKING STATEMENTS. THESE FORWARD-LOOKING STATEMENTS ARE NOT GUARANTEES OF FUTURE PERFORMANCE AND ARE SUBJECT TO RISKS, UNCERTAINTIES, ASSUMPTIONS AND OTHER FACTORS, SOME OF WHICH ARE BEYOND OUR CONTROL, WHICH COULD CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY FROM THOSE EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THESE FACTORS INCLUDE OVERALL GLOBAL ECONOMIC AND BUSINESS CONDITIONS IMPACTING OUR BUSINESS, INCLUDING THE STRENGTH OF HOUSING AND RELATED MARKETS; DEMAND, COMPETITION AND PRICING PRESSURES IN THE MARKETS WE SERVE; VOLATILITY IN CURRENCY EXCHANGE RATES; FAILURE OF MARKETS TO ACCEPT NEW PRODUCT INTRODUCTIONS AND ENHANCEMENTS; THE ABILITY TO SUCCESSFULLY IDENTIFY, FINANCE, COMPLETE AND INTEGRATE ACQUISITIONS; THE ABILITY TO SUCCESSFULLY INTEGRATE THE AQUION AND PELICAN WATER SYSTEMS ACQUISITIONS; THE ABILITY TO ACHIEVE THE BENEFITS OF OUR RESTRUCTURING PLANS AND COST REDUCTION INITIATIVES; RISKS ASSOCIATED WITH OPERATING FOREIGN BUSINESSES; THE IMPACT OF MATERIAL COST AND OTHER INFLATION; THE IMPACT OF SEASONALITY OF SALES AND WEATHER CONDITIONS; OUR ABILITY TO COMPLY WITH LAWS AND REGULATIONS; THE IMPACT OF CHANGES IN LAWS, REGULATIONS AND ADMINISTRATIVE POLICY, INCLUDING THOSE THAT LIMIT U.S. TAX BENEFITS OR IMPACT TRADE AGREEMENTS AND TARIFFS; THE OUTCOME OF LITIGATION AND GOVERNMENTAL PROCEEDINGS; THE ABILITY TO REALIZE THE ANTICIPATED BENEFITS FROM THE SEPARATION OF NVENT ELECTRIC PLC FROM PENTAIR; AND THE ABILITY TO ACHIEVE OUR LONG-TERM STRATEGIC OPERATING GOALS. ADDITIONAL INFORMATION CONCERNING THESE AND OTHER FACTORS IS CONTAINED IN OUR FILINGS WITH THE SECURITIES AND EXCHANGE COMMISSION, INCLUDING OUR ANNUAL REPORT ON FORM 10-K FOR THE YEAR ENDED DECEMBER 31, 2018. ALL FORWARD-LOOKING STATEMENTS SPEAK ONLY AS OF THE DATE OF THIS PRESENTATION. PENTAIR PLC ASSUMES NO OBLIGATION, AND DISCLAIMS ANY OBLIGATION, TO UPDATE THE INFORMATION CONTAINED IN THIS PRESENTATION.*

# Key Definitions

- Except as Otherwise Noted All References to 2018 and 2019 Represent Our Results from Continuing Operations for the Period Indicated, Presented on an Adjusted Basis
- "Core Sales" Refers to GAAP Revenue from Continuing Operations Excluding (1) the Impact of Currency Translation and (2) the Impact of Revenue from Acquired Businesses Recorded Prior to the First Anniversary of the Acquisition Less the Amount of Sales Attributable to Divested Product Lines Not Considered Discontinued Operations
- Segment Income Represents Equity Income of Unconsolidated Subsidiaries and Operating Income from Continuing Operations Exclusive of Non-Cash Intangible Amortization, Certain Acquisition Related Expenses, Costs of Restructuring Activities, Impairments, and Other Unusual Non-Operating Items
- Return on Sales ("ROS") Equals Segment Income Divided by Sales
- See Appendix for GAAP to Non-GAAP Reconciliations

# Executive Summary

**Delivered Second Quarter Results as Weather Issues Lingered**

**Recent Acquisitions on Track and Performing Well**

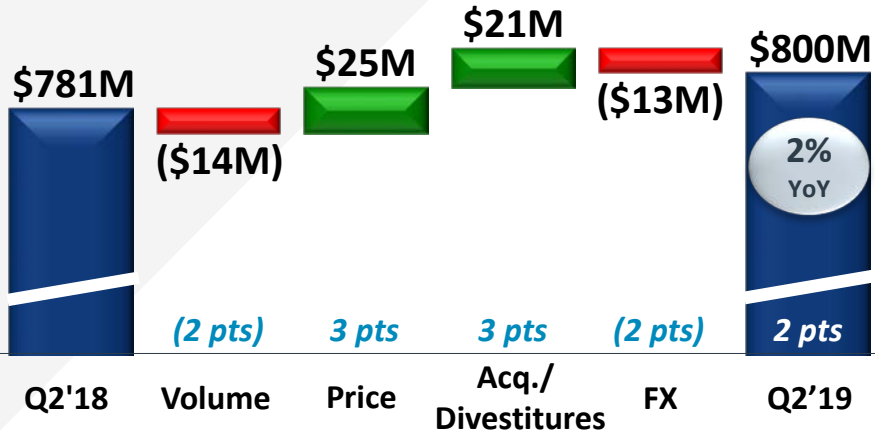
**Second Half Expected to Benefit from Price, Moderating Inflation Comps, and Improved Tax Rate**

**Positioning to Return to “Normalized” Performance in 2020**

**We Believe Our Long-Term Strategy Remains On Track**

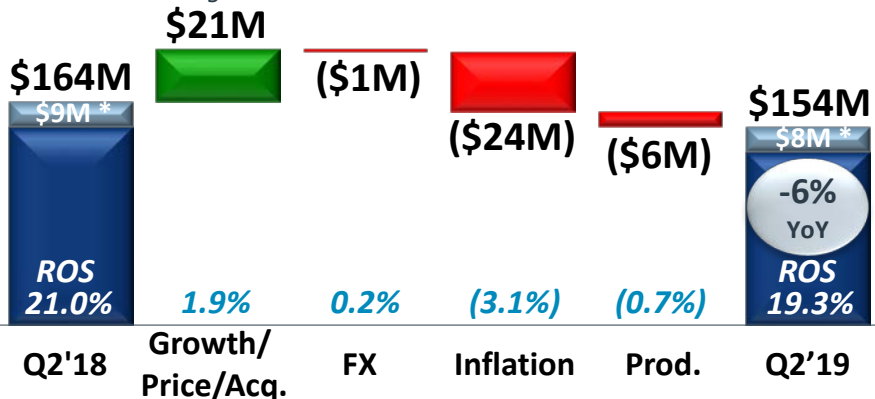
# Q2'19 Pentair Performance

## Sales



## Segment Income

\*Non-Cash Intangible Amortization



## Financial Highlights (YoY)

### Core Sales Up 1%

- Aquatic Systems Down 2%
- Filtration Solutions Up 1%
- Flow Technologies Up 5%

### Segment Income Down 6%

### ROS 19.3% ... Down 170 bps

### Adj. EPS \$0.69 ... Down 3%

- Adjusted Tax Rate of 18.0%
- Net Interest/Other of \$10.6M; Shares 170.5M

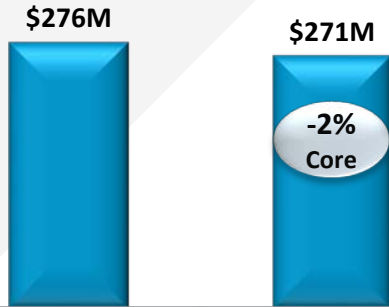
### Free Cash Flow of \$343M... In Line with Normal Seasonal Patterns

**Operational Results In Line with Expectations**

# Q2'19 Pentair Segment Performance

## Aquatic Systems

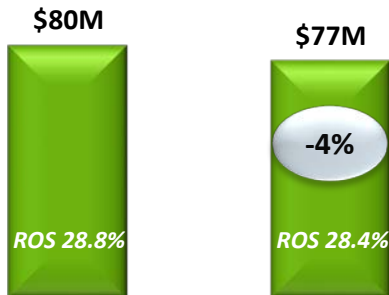
Sales



Q2'18

Q2'19

Segment Income

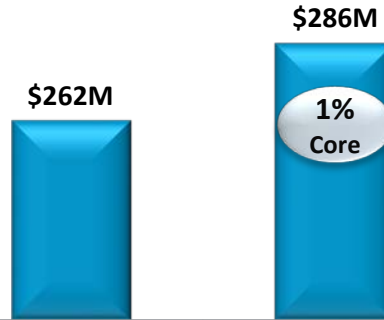


Q2'18

Q2'19

## Filtration Solutions

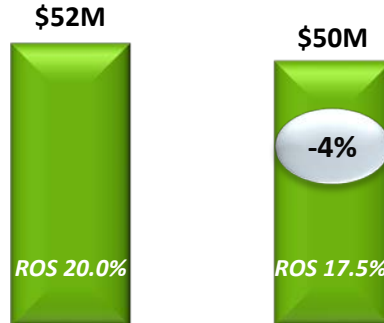
Sales



Q2'18

Q2'19

Segment Income

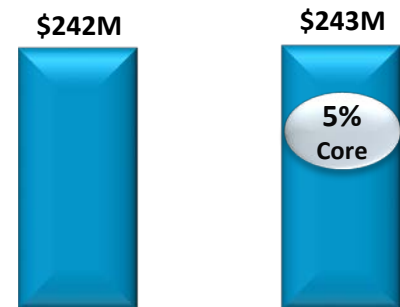


Q2'18

Q2'19

## Flow Technologies

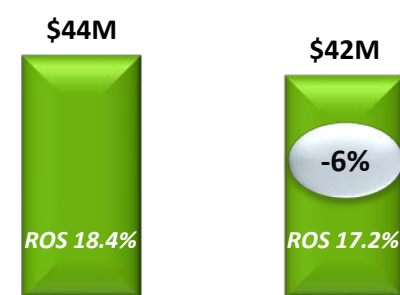
Sales



Q2'18

Q2'19

Segment Income



Q2'18

Q2'19

**Core Sales Growth in Two of Three Segments**

# Balance Sheet and Cash Flow

## CASH FLOW (\$M)

	Q2 2019	YTD 2019
<b>Net Income - Continuing Ops</b>	\$ 115	\$ 168
Amortization	8	16
<b>Subtotal</b>	\$ 123	\$ 184
Depreciation	12	24
Capital Expenditures	(13)	(30)
Working Capital	206	(88)
Other Accruals/Other	12	(23)
<b>Free Cash Flow – Total</b>	\$ 340	\$ 67
Free Cash Flow – Discontinued Ops	(3)	(3)
<b>Free Cash Flow – Continuing Ops</b>	\$ 343	\$ 70

## DEBT ROLL-FORWARD (\$M)

Use of Cash:	Q2 2019	YTD 2019
<b>Beginning Debt</b>	\$ 1,371	\$ 788
Used (Generated) Cash	(340)	(67)
Share Repurchase	150	150
Dividends	31	62
Acquisitions/Other	3	282
<b>Ending Debt</b>	\$ 1,215	\$ 1,215

- **Fixed/Variable Rate: 89%/11%**
- **Average Rate 3.2%**
- **ROIC 14.7%**

**Seasonal Cash Flow Improvement ... Balance Sheet Remains Strong**

# Q3'19 Pentair Outlook

## Sales

- Total PNR ~Flat to up 2% (Core Sales Down ~1 to 3%)
  - Aquatic Systems Core Sales Down ~8 to 10%
  - Filtration Solutions Core Sales Up ~1 to 3%
  - Flow Technologies Core Sales ~Flat to Up 2%
  - FX ~Flat; Acq./Div. Up ~3%

## Income and EPS

- Segment Income ~Flat to Up 2%
- Adjusted EPS ~\$0.54 to \$0.56

## Other Items

- Corp. Expense ~\$14M to \$15M
- Tax Rate ~18%
- Net Interest/Other ~\$9M
- Shares ~169M

**Expect Price and Productivity to Help Partially Offset Lower Volumes**



# Full Year 2019 Pentair Outlook

## Sales

- Total PNR ~Flat to Up 1% (Core Sales ~Flat to Down 1%)
  - Aquatic Systems Core Sales Down ~4 to 6%
  - Filtration Solutions Core Sales ~Flat to Up 1%
  - Flow Technologies Core Sales Up ~1 to 3%
  - FX Down ~1%; Acq./Div. Up ~2%

## Income and EPS

- Segment Income Down ~2%
- Adjusted EPS ~\$2.35

## Other Items

- Corp. Expense ~\$60M to \$65M
- Tax Rate of ~18%
- Net Interest/Other ~\$37M
- Shares ~171M

## Balance Sheet & Cash Flow

- Targeting FCF to Approximate Adjusted Net Income
- Capital Expenditures ~\$60M
- D&A of ~\$90M + ~\$20M of Non-Cash Stock Compensation

**Positioning for Growth in 2020**

# Focused Strategies

## Advance Pool Growth

- Increase New Pool Average Content (~75,000 New Pools) Through:
  - Consumer Awareness
  - Automation and Connected Pools
  - New Product Introductions
- Increase Content and Penetration in Installed Pools (~5M) Through:
  - Automation and Connected Pools
  - Energy Efficiency, New Products, Dealer & Consumer Support

## Accelerate Residential & Commercial Water Treatment

- End-to-End Residential Consumer Filtration:
  - Brand, Lead Generation and Dealer Coverage
  - Connected (IoT) Solutions for Dealers and Consumers
  - New Filtration Technologies and Products
- Commercial Filtration:
  - Foodservice
  - Commercial Office Water

**Significant and Focused Growth Opportunities**

# Pentair Summary

**We Believe We Will Exit 2019 Repositioned for More Normalized Performance**

**Accelerating PIMS and Sourcing – Building on Productivity Culture**

**Funding Key Strategies Around Advancing Pool Growth and Accelerating Residential & Commercial Water Treatment**

**We Have a Strong Capital Structure, Solid FCF Generation, and Will Be Disciplined with Our Capital**

**Strengthening the Foundation for Consistent Long-Term Performance**

A background image featuring a dynamic splash of water with numerous bubbles and ripples, set against a dark blue gradient. The water splash is positioned in the upper right quadrant, extending towards the center.

# APPENDIX

## GAAP TO NON-GAAP MEASUREMENTS & RECONCILIATIONS

# Reported To Adjusted 2019 Reconciliation

**Pentair plc and Subsidiaries**  
**Reconciliation of the GAAP year ended December 31, 2019 to the non-GAAP**  
**excluding the effect of 2019 adjustments (Unaudited)**

<i>In millions, except per-share data</i>	Actual		Forecast			
	First Quarter	Second Quarter	Third Quarter	Full Year		Full Year
Net sales	\$ 688.9	\$ 799.5	approx	Flat - Up 2 %	approx	Flat - Up 1 %
Operating income	67.6	133.8	approx	Up 4 - 6 %	approx	Up 4 %
<i>% of net sales</i>	9.8%	16.7%				
Adjustments:						
Restructuring and other	1.1	6.7	approx	\$ —	approx \$	8
Intangible amortization	8.2	8.3	approx	8	approx	32
Asset impairment	15.3	2.9	approx	—	approx	18
Inventory step-up	1.7	0.5	approx	—	approx	3
Deal related costs and expenses	4.2	—	approx	—	approx	4
Equity income of unconsolidated subsidiaries	0.6	1.9	approx	1	approx	5
Segment income	98.7	154.1	approx	Flat - Up 2 %	approx	Down 2 %
<i>Return on sales</i>	14.3%	19.3%				
Net income from continuing operations—as reported	52.4	115.1	approx	\$84 - \$88	approx \$	365
(Gain) loss on sale of business	(3.5)	0.1	approx	—	approx	(4)
Pension settlement gain	—	(12.2)	approx	—	approx	(12)
Adjustments to operating income	30.5	18.4	approx	8	approx	65
Income tax adjustments	(5.4)	(3.8)	approx	(1)	approx	(12)
Net income from continuing operations—as adjusted	\$ 74.0	\$ 117.6	approx	\$91 - \$95	approx \$	402
<b>Continuing earnings per ordinary share—diluted</b>						
Diluted earnings per ordinary share—as reported	\$ 0.30	\$ 0.68	approx	\$0.50 - \$0.52	approx \$	2.13
Adjustments	0.13	0.01	approx	0.04	approx	0.22
Diluted earnings per ordinary share—as adjusted	\$ 0.43	\$ 0.69	approx	\$0.54 - \$0.56	approx \$	2.35

# Reported To Adjusted 2018 Reconciliation

**Pentair plc and Subsidiaries**  
**Reconciliation of the GAAP year ended December 31, 2018 to the non-GAAP**  
**excluding the effect of 2018 adjustments (Unaudited)**

<i>In millions, except per-share data</i>	<b>First Quarter</b>	<b>Second Quarter</b>	<b>Third Quarter</b>	<b>Fourth Quarter</b>	<b>Full Year</b>
Net sales	\$ 732.6	\$ 780.6	\$ 711.4	\$ 740.5	\$ 2,965.1
Operating income	92.7	122.6	108.4	113.0	436.7
<i>% of net sales</i>	12.7%	15.7%	15.2%	15.3%	14.7%
<b>Adjustments:</b>					
Restructuring and other	5.6	19.0	3.5	3.7	31.8
Intangible amortization	9.3	9.1	8.6	7.9	34.9
Trade name and other impairment	—	6.0	—	6.0	12.0
Corporate allocations	8.8	2.2	—	—	11.0
Deal related costs and expenses	—	—	—	2.0	2.0
Equity income of unconsolidated subsidiaries	0.6	5.2	1.3	1.3	8.4
Segment income	117.0	164.1	121.8	133.9	536.8
<i>Return on sales</i>	16.0%	21.0%	17.1%	18.1%	18.1%
Net income from continuing operations—as reported	58.4	77.9	91.2	94.2	321.7
Loss on sale of business	5.3	0.9	0.2	0.9	7.3
Loss on early extinguishment of debt	—	17.1	—	—	17.1
Interest expense adjustment	6.0	2.4	—	—	8.4
Pension and other post-retirement market-to-market loss	—	—	2.2	1.4	3.6
Adjustments to operating income	23.7	36.3	12.1	19.6	91.7
Income tax adjustments	(4.5)	(7.1)	(10.3)	(11.5)	(33.4)
Net income from continuing operations—as adjusted	\$ 88.9	\$ 127.5	\$ 95.4	\$ 104.6	\$ 416.4
<b>Continuing earnings per ordinary share—diluted</b>					
Diluted earnings per ordinary share—as reported	\$ 0.32	\$ 0.44	\$ 0.52	\$ 0.54	\$ 1.81
Adjustments	0.17	0.27	0.02	0.06	0.54
Diluted earnings per ordinary share—as adjusted	\$ 0.49	\$ 0.71	\$ 0.54	\$ 0.60	\$ 2.35

# Core Sales Growth Reconciliation

**Pentair plc and Subsidiaries**  
**Reconciliation of Net Sales Growth to Core Net Sales Growth by Segment**  
**For the Quarter Ending June 30, 2019 (Unaudited)**

	Actual			
	Q2 Net Sales Growth			
	Core	Currency	Acq. / Div.	Total
<b>Total Pentair</b>	<b>1.3%</b>	<b>(1.6)%</b>	<b>2.7%</b>	<b>2.4%</b>
Aquatic Systems	(1.5)%	(0.4)%	(0.1)%	(2.0)%
Filtration Solutions	1.4%	(2.7)%	10.3%	9.0%
Flow Technologies	4.6%	(1.7)%	(2.4)%	0.5%

**Pentair plc and Subsidiaries**  
**Reconciliation of Net Sales Growth to Core Net Sales Growth by Segment**  
**For the Quarter Ending September 30, 2019 and Year Ending December 31, 2019 (Unaudited)**

		Forecast							
		Q3 Net Sales Growth				Full Year Net Sales Growth			
		Core	Currency	Acq. / Div.	Total	Core	Currency	Acq. / Div.	Total
<b>Total Pentair</b>	<b>approx</b>	<b>(3) - (1) %</b>	<b>—%</b>	<b>3 %</b>	<b>0 - 2 %</b>	<b>(1) - 0 %</b>	<b>(1) %</b>	<b>2 %</b>	<b>0 - 1 %</b>
Aquatic Systems	approx	(10) - (8) %	—%	(1) %	(11) - (9) %	(6) - (4) %	—%	(1) %	(7) - (5) %
Filtration Solutions	approx	1 - 3 %	(1) %	12 %	12 - 14 %	0 - 1 %	(2) %	10 %	8 - 9 %
Flow Technologies	approx	0 - 2 %	(1) %	(1) %	(2) - 0 %	1 - 3 %	(1) %	(2) %	(2) - 0 %

# ROIC Reconciliation

	Second Quarter 2018	Third Quarter 2018	Fourth Quarter 2018	First Quarter 2019	Second Quarter 2019
<i>Dollars in millions</i>					
<b>Return on Invested Capital (ROIC)</b>					
Segment Income	\$ 164.1	\$ 121.8	\$ 133.9	\$ 98.7	\$ 154.1
Reported Effective Tax Rate	21.1%	10.4%	11.0%	17.1%	16.1%
Adjusted Effective Tax Rate	18.0%	18.0%	18.0%	18.0%	18.0%
NOPAT	\$ 134.5	\$ 99.9	\$ 109.8	\$ 80.9	\$ 126.4
Depreciation	12.3	12.0	12.8	12.0	12.4
Capital Expenditures ("Cap Ex")	(8.8)	(13.5)	(14.4)	(16.8)	(13.0)
Total NOPAT, Depreciation, and Cap Ex	\$ 138.0	\$ 98.4	\$ 108.2	\$ 76.1	\$ 125.8
Trailing Four Quarter NOPAT, Depreciation, and Cap Ex	\$ 438.5	\$ 434.4	\$ 441.7	\$ 420.7	\$ 408.5
Ending Invested Capital	\$ 2,590.3	\$ 2,613.2	\$ 2,548.6	\$ 3,161.4	\$ 2,940.5
Trailing Five Quarter Average Invested Capital	\$ 2,668.1	\$ 2,664.3	\$ 2,641.8	\$ 2,755.2	\$ 2,770.8
After Tax Return on Invested Capital	16.4%	16.3%	16.7%	15.3%	14.7%

*NOPAT (Net Operating Profit After Tax) is Defined as [(Segment Income) X (1 - Adjusted Effective Tax Rate)]*

*Ending Invested Capital is Defined as [Total Shareholders' Equity + Long-term Debt + Current Maturities of Long-term Debt and Short-term Borrowings - Cash and Cash Equivalents - Net Assets Held for Sale]*



# Free Cash Flow Reconciliation

## Pentair plc and Subsidiaries

### Reconciliation of the GAAP operating activities cash flow to the non-GAAP free cash flow (Unaudited)

<i>In millions</i>	Three months ended	Three months ended	Six months ended	Six months ended
	March 31, 2019	June 30, 2019	June 30, 2019	June 30, 2018
Net cash provided by operating activities of continuing operations	\$ (257.1)	\$ 356.3	\$ 99.2	\$ 177.8
Capital expenditures	(16.8)	(13.0)	(29.8)	(20.3)
Proceeds from sale of property and equipment	0.3	0.1	0.4	(0.5)
<b>Free cash flow from continuing operations</b>	<b>\$ (273.6)</b>	<b>\$ 343.4</b>	<b>\$ 69.8</b>	<b>\$ 157.0</b>
Net cash used for operating activities of discontinued operations	0.8	(3.3)	(2.5)	(5.9)
Capital expenditures of discontinued operations	—	—	—	(7.4)
Proceeds from sale of property and equipment of discontinued operations	—	—	—	2.3
<b>Free cash flow</b>	<b>\$ (272.8)</b>	<b>\$ 340.1</b>	<b>\$ 67.3</b>	<b>\$ 146.0</b>