



# Q4 2018 EARNINGS RELEASE

JANUARY 29, 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; 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, INCLUDING 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; 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, 2017. 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 2019, 2018, and 2017 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

**Successfully Completed nVent Separation in 2018**

**Delivered on 2018 Commitments**

**Returned Nearly \$700M to Shareholders Through Buybacks and Dividends**

**Recently Announced Agreements for Two Strategic Acquisitions to Further Our Residential & Commercial Water Treatment Strategy**

**A Successful First Year**

# Financial Highlights

## Q4'18

- Core Sales Grew 6%; ROS of 18.1% (Up 40 bps)
- Adjusted EPS Grew 15% to \$0.60
- Free Cash Flow of \$145M
- Purchased \$100M of Shares

## Full Year 2018

- Core Sales Grew 5%; ROS of 18.1% (Up 60 bps)
- Adjusted EPS Grew 21% to \$2.35
- Free Cash Flow of \$410M
- Purchased \$500M of Shares

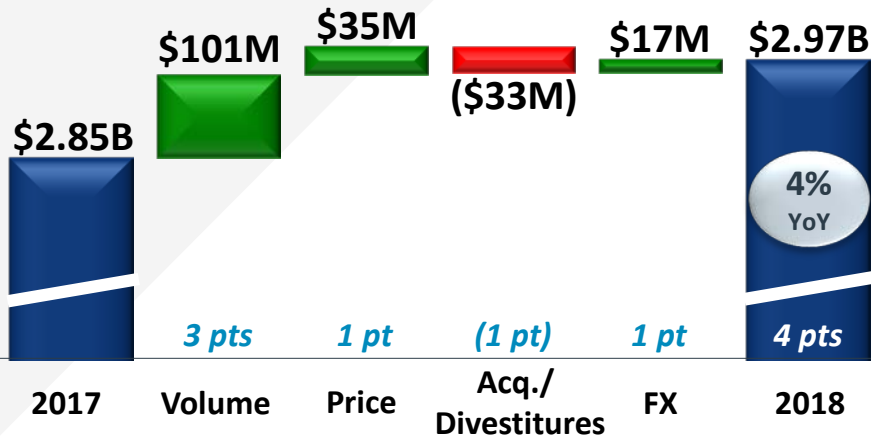
## Outlook 2019

- Expect Core Sales to Grow ~4-5%
- Announced Agreements for Two Strategic Acquisitions
- Expect Segment Income to Increase ~8-12%
- Adjusted EPS Expected to be ~\$2.50 to \$2.60 ... Targeting Free Cash Flow to Approximate Adjusted Net Income

**Delivered Strong Results in 2018 ... Expect More to Come in 2019**

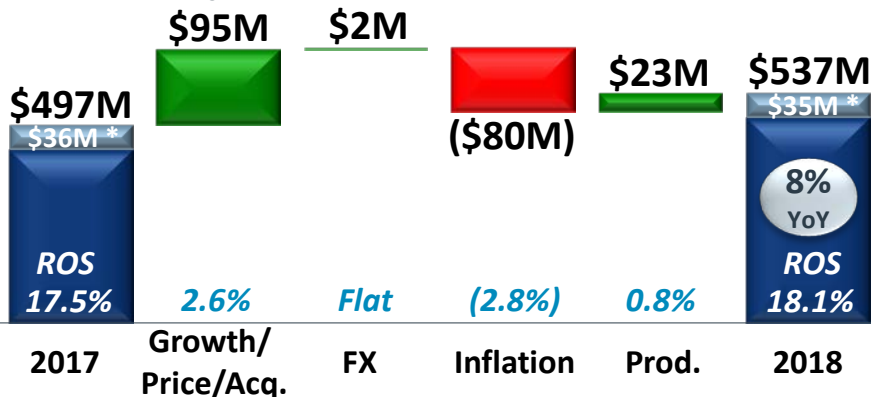
# Full Year 2018 Pentair Performance

## Sales



## Segment Income

\*Non-Cash Intangible Amortization



## Financial Highlights (YoY)

### Core Sales Up 5%

- Aquatic Systems Up 11%
- Filtration Solutions Up 1%
- Flow Technologies Up 3%

### Segment Income Up 8%

### ROS 18.1% ... Up 60 bps

### Adj. EPS \$2.35 ... Up 21%

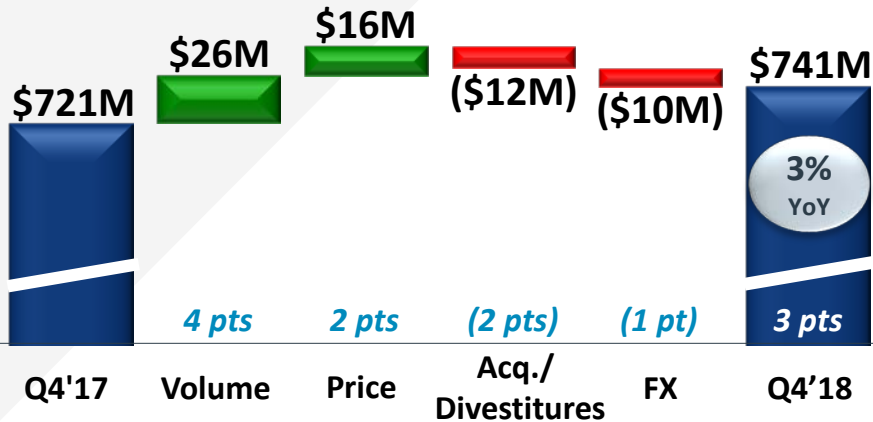
- Adjusted Tax Rate of 18.0%
- Adjusted Net Interest/Other of \$29M; Shares 177M

### Free Cash Flow of \$410M

**Strong Core Growth, ROS Expansion, and Adjusted EPS Growth**

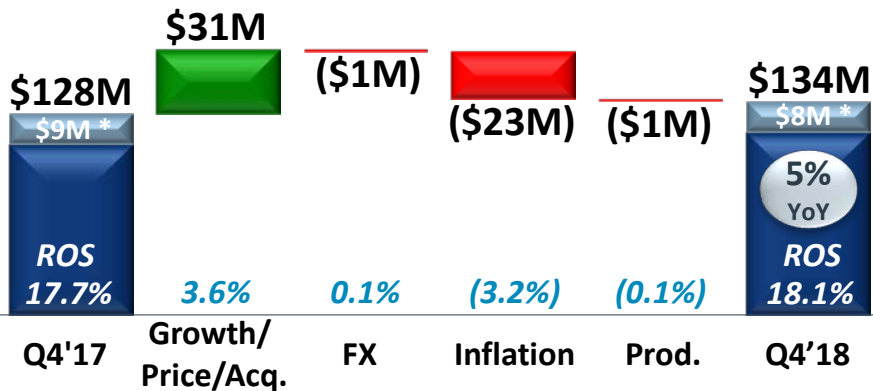
# Q4'18 Pentair Performance

## Sales



## Segment Income

\*Non-Cash Intangible Amortization



## Financial Highlights (YoY)

### Core Sales Up 6%

- Aquatic Systems Up 13%
- Filtration Solutions Flat
- Flow Technologies Up 4%

### Segment Income Up 5%

### ROS 18.1% ... Up 40 bps

### Adj. EPS \$0.60 ... Up 15%

- Adjusted Tax Rate of 18.0%
- Net Interest/Other of \$6M; Shares 174M

### Free Cash Flow of \$145M

Another Solid Quarter

# Q4'18 Pentair Segment Performance

## Aquatic Systems

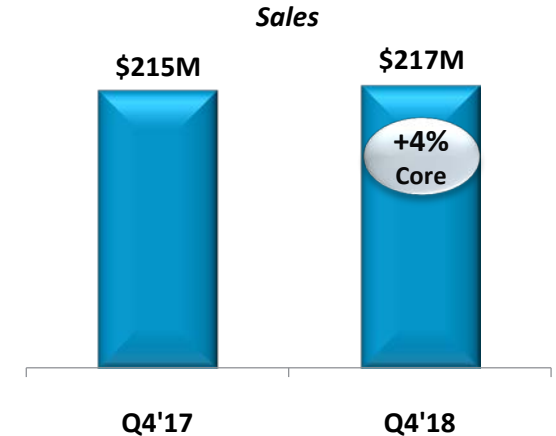
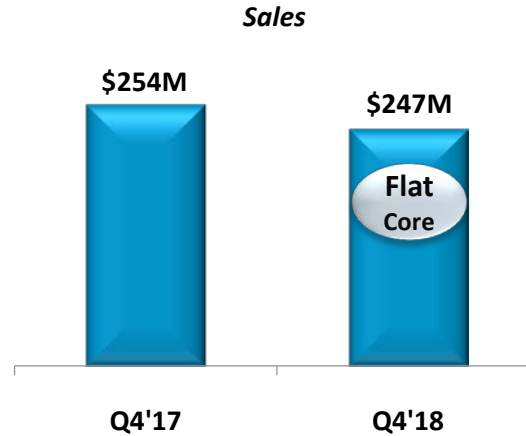
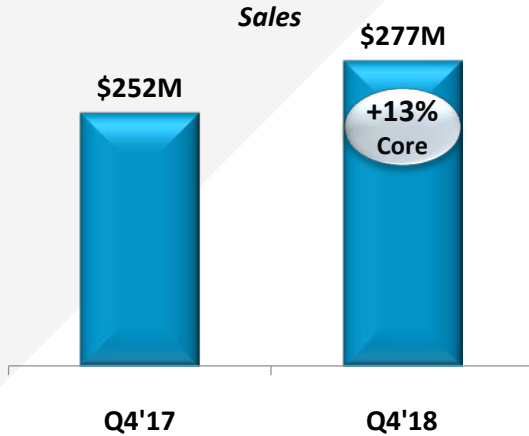
## Filtration Solutions

## Flow Technologies

Sales

Sales

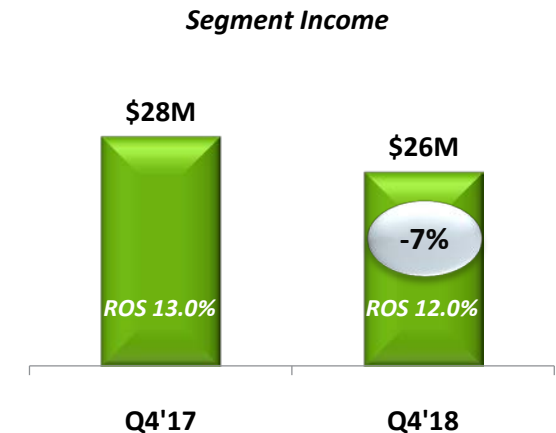
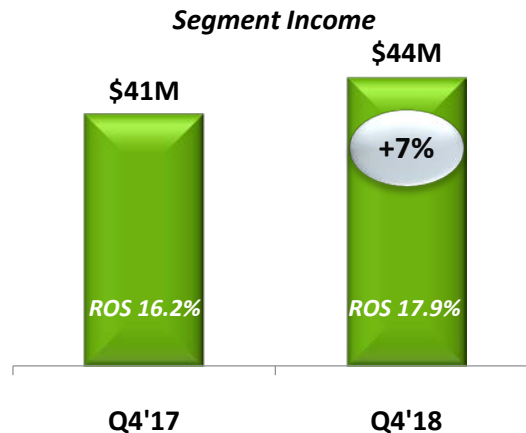
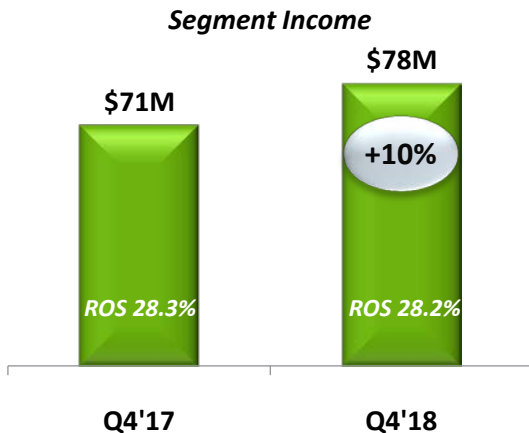
Sales



Segment Income

Segment Income

Segment Income



**Continued Focus on Driving Business Performance**

# Balance Sheet and Cash Flow

## CASH FLOW (\$M)

	Q4 2018	FY 2018
<b>Net Income - Continuing Ops</b>	\$ 94	\$ 322
Amortization	8	35
<b>Subtotal</b>	\$ 102	\$ 357
Depreciation	13	50
Capital Expenditures	(14)	(48)
Working Capital	26	3
Other Accruals/Other	14	24
<b>Free Cash Flow – Total</b>	\$ 141	\$ 386
Free Cash Flow – Discontinued Ops	(4)	(24)
<b>Free Cash Flow – Continuing Ops</b>	\$ 145	\$ 410

## DEBT ROLL-FORWARD (\$M)

Use of Cash:	Q4 2018	FY 2018
<b>Beginning Debt</b>	\$ 799	\$ 1,441
Used (Generated) Cash	(141)	(386)
Share Repurchase	100	500
Dividends	30	187
Cash from nVent	-	(919)
Other	-	(35)
<b>Ending Debt</b>	\$ 788	\$ 788

- **Fixed/Variable Rate: 87%/13%**
- **Average Rate ~3.9%**
- **ROIC 16.7%**

## Balance Sheet Remains Strong

# Full Year 2019 Pentair Outlook

## Sales

- Total PNR Up ~5-6% (Core Sales Up ~4-5%)
  - Aquatic Systems Core Sales Up ~5-7%
  - Filtration Solutions Core Sales Up ~1-4%
  - Flow Technologies Core Sales Up ~4-6%
  - FX Down ~1%; Acq./Div. Up ~2%

## Income and EPS

- Segment Income Up ~8-12%
- Adjusted EPS ~\$2.50-\$2.60

## Other Items

- Corp. Expense ~\$60-65M
- Tax Rate of ~20.5%
- Net Interest/Other ~\$37M
- Shares ~172M

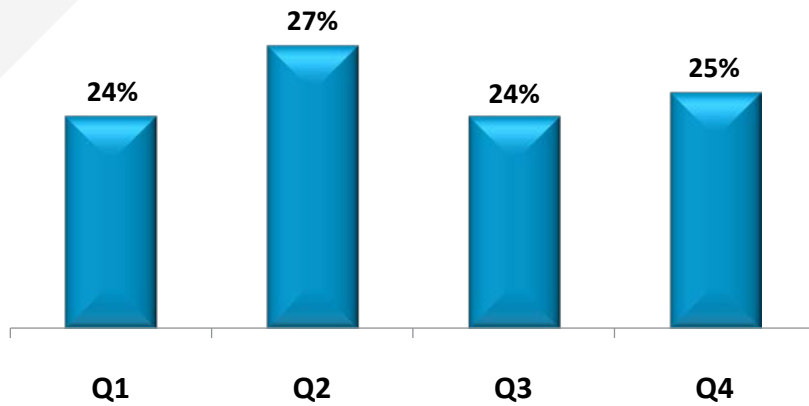
## Balance Sheet & Cash Flow

- Targeting FCF to Approximate Adjusted Net Income
- Capital Expenditures ~\$50M
- D&A of ~\$90M + ~\$20M of Non-Cash Stock Compensation

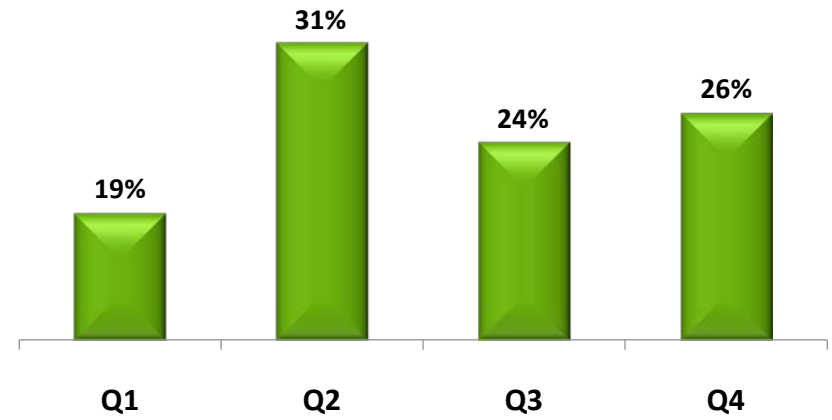
**Building on a Strong Foundation**

# Seasonality\* Expected to Continue

Sales (% of FY)



Adjusted EPS (% of FY)



\*Historical 2 year average

**Seasonality Consistent Last Two Years**

# Q1'19 Pentair Outlook

## Sales

- Total PNR Up ~0-1% (Core Sales Up ~4-5%)
  - Aquatic Systems Core Sales Up ~4-6%
  - Filtration Solutions Core Sales Up ~0-1%
  - Flow Technologies Core Sales Up ~3-6%
  - FX Down ~2%; Acq./Div. Down ~2%

## Income and EPS

- Segment Income Up ~2-5%
- Adjusted EPS ~\$0.52-\$0.55

## Other Items

- Tax Rate ~18%
- Net Interest/Other ~\$7M
- Shares ~172.5M

Seasonally Light First Quarter

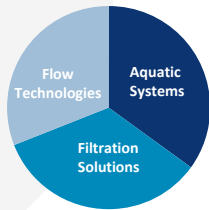
# Pentair Strategy Summary

**Our Vision: To be the Leading Residential & Commercial Water Treatment Company**

**A Pure Play Water Company**

**Value Creation Through:**

Sales by Segment\*



- ✓ **\$3B of Revenue\***
- ✓ **18.1% ROS\***
- ✓ **Targeting Free Cash Flow = Adjusted Net Income**

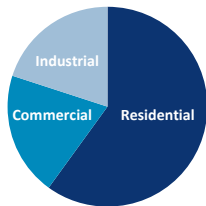
\*Represents 2018A results



## Revenue Growth

- Base Core Growth
- Differentiated Growth
- Tuck-in and Bolt-on M&A

Sales by Vertical\*



## Focused Strategies

- Advance Pool Growth
- Accelerate Residential & Commercial Treatment

## Accelerated by:

- Differentiation and Innovation
- Digital Transformation

## Grounded in:

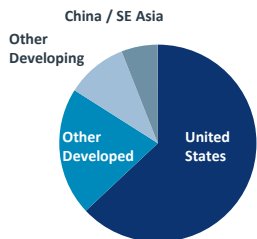
**Win Right Values and Utilizing PIMS for Sustained & Consistent Performance**



## Sustained Performance

- Sustained Operating Margin Expansion
- Free Cash Flow = Adjusted Net Income
- ROIC Acceleration

Sales by Geography\*



## Smart Capital Allocation

- Remain Investment Grade
- Fuel Core Growth Investments
- Competitive Dividend Yield
- M&A / Intelligent Buy Backs

**Focused Residential & Commercial Water Treatment Company**

# Two Strategic Acquisitions

## Core Competencies



- Strong, Profitable Core in Premium Components for Whole-Home Water Treatment Systems and in POE/POU Commercial Systems
- Solid, Long-Term Relationships with Distributors, OEMs, Independent Dealers, and Key Accounts
- Recognized Leader in Water Treatment Technologies: Carbon Filtration, Valves, Membranes

- National, Affiliated Dealer Network
- Diverse Line of Premium Whole-Home Water Treatment Systems
- Ozone and Ultraviolet Disinfection Systems, and IoT-Enabled Solutions
- 2018 Revenue of \$72M

- Direct-to-Consumer Model through Proprietary E-Commerce Platform
- Innovative, Water Treatment Systems and Services
- 2018 Revenue of \$38M

**Advancing Residential & Commercial Water Treatment Strategy**

# Pentair Summary

**Solid Performance in 2018**

**Announced Agreements for Two Strategic Acquisitions**

**We Have a Large and Installed Base to Serve**

**We Continue to Invest in Our Prioritized Growth Initiatives**

**We Have a Strong Capital Structure, Robust FCF Generation, and Will be Disciplined with Our Capital**

**Strong Fundamentals and Attractive Opportunities Ahead**

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 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 mark-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

# Reported To Adjusted 2017 Reconciliation

**Pentair plc and Subsidiaries**  
**Reconciliation of the GAAP year ended December 31, 2017 to the non-GAAP**  
**excluding the effect of 2017 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	\$ 683.3	\$ 754.0	\$ 687.6	\$ 720.8	\$ 2,845.7
Operating income—as reported	61.9	129.2	101.8	85.4	378.3
<i>% of net sales</i>	9.1%	17.1%	14.8%	11.8%	13.3%
<b>Adjustments:</b>					
Restructuring and other	11.6	5.9	1.4	9.3	28.2
Intangible amortization	8.7	9.3	9.2	9.2	36.4
Trade name and other impairment	—	—	—	15.6	15.6
Corporate allocations	14.6	6.8	7.5	7.8	36.7
Equity income of unconsolidated subsidiaries	0.2	0.4	0.3	0.4	1.3
Segment income	97.0	151.6	120.2	127.7	496.5
<i>Return on sales</i>	14.2%	20.1%	17.5%	17.7%	17.5%
Net income (loss) from continuing operations	12.7	(3.4)	49.0	55.8	114.1
Loss on sale of business	—	—	3.8	0.4	4.2
Pension and other post-retirement mark-to-market loss	—	—	—	8.5	8.5
Loss on early extinguishment of debt	—	101.4	—	—	101.4
Interest expense adjustment	16.5	11.9	6.8	6.5	41.7
Adjustments to operating income	34.9	22.0	18.1	41.9	116.9
Income tax adjustments	(2.5)	(22.5)	11.7	(17.2)	(30.5)
Net income from continuing operations—as adjusted	\$ 61.6	\$ 109.4	\$ 89.4	\$ 95.9	\$ 356.3
<b>Continuing earnings per ordinary share—diluted</b>					
Diluted earnings (loss) per ordinary share—as reported	\$ 0.07	\$ (0.02)	\$ 0.27	\$ 0.30	\$ 0.62
Adjustments	\$ 0.26	\$ 0.62	\$ 0.22	\$ 0.22	\$ 1.32
Diluted earnings per ordinary share—as adjusted	\$ 0.33	\$ 0.60	\$ 0.49	\$ 0.52	\$ 1.94

# Core Sales Growth Reconciliation

**Pentair plc and Subsidiaries**  
**Reconciliation of Net Sales Growth to Core Net Sales Growth by Segment**  
**For the Quarter and Year Ending December 31, 2018 (Unaudited)**

	Q4 Net Sales Growth				Full Year Net Sales Growth			
	Core	Currency	Acq. / Div.	Total	Core	Currency	Acq. / Div.	Total
<b>Total Pentair</b>	<b>5.7%</b>	<b>(1.2)%</b>	<b>(1.7)%</b>	<b>2.8%</b>	<b>4.8%</b>	<b>0.6%</b>	<b>(1.2)%</b>	<b>4.2%</b>
Aquatic Systems	12.6%	(0.6)%	(2.0)%	10.0%	10.5%	(0.1)%	(1.2)%	9.2%
Filtration Solutions	0.4%	(2.2)%	(0.9)%	(2.7)%	0.8%	1.1%	(0.9)%	1.0%
Flow Technologies	4.0%	(1.3)%	(2.1)%	0.6%	3.2%	0.6%	(1.3)%	2.5%

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

		Forecast							
		Q1 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>4 - 5 %</b>	<b>(2) %</b>	<b>(2) %</b>	<b>0 - 1 %</b>	<b>4 - 5 %</b>	<b>(1) %</b>	<b>2 %</b>	<b>5 - 6 %</b>
Aquatic Systems	approx	4 - 6 %	—	(1) %	3 - 5 %	5 - 7 %	(1) %	—	4 - 6 %
Filtration Solutions	approx	0 - 1 %	(4) %	(1) %	(5) - (4) %	1 - 4 %	(1) %	6 %	6 - 9 %
Flow Technologies	approx	3 - 6 %	(2) %	(3) %	(2) - 1 %	4 - 6 %	(1) %	(2) %	1 - 3 %

# Other Reconciliations

<i>Dollars in millions</i>	Fourth Quarter 2017	First Quarter 2018	Second Quarter 2018	Third Quarter 2018	Fourth Quarter 2018
<b>Return on Invested Capital (ROIC)</b>					
Segment Income	\$ 127.7	\$ 117.0	\$ 164.1	\$ 121.8	\$ 133.9
Reported Effective Tax rate	10.6%	20.5%	21.1%	10.4%	11.0%
Adjusted Effective Tax rate	20.0%	18.0%	18.0%	18.0%	18.0%
NOPAT	\$ 102.2	\$ 96.0	\$ 134.5	\$ 99.9	\$ 109.8
Depreciation	12.5	12.6	12.3	12.0	12.8
Capital expenditures ("Cap Ex")	(13.8)	(11.5)	(8.8)	(13.5)	(14.4)
Total NOPAT, Depreciation, and Cap Ex	\$ 100.9	\$ 97.1	\$ 138.0	\$ 98.4	\$ 108.2
Trailing fourth quarter NOPAT, Depreciation, and Cap Ex	\$ 409.0	\$ 427.5	\$ 438.5	\$ 434.4	\$ 441.7
Ending Invested Capital	\$ 2,594.2	\$ 2,862.6	\$ 2,590.3	\$ 2,613.2	\$ 2,548.6
Trailing five quarter average invested capital	\$ 2,637.6	\$ 2,710.7	\$ 2,668.1	\$ 2,664.3	\$ 2,641.8
After Tax Return on Invested Capital	15.5%	15.8%	16.4%	16.3%	16.7%

*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]*

## Pentair plc and Subsidiaries

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

<i>In millions</i>	Fourth Quarter 2017	Full Year 2017	Fourth Quarter 2018	Full Year 2018
Net cash provided by (used for) operating activities of continuing operations	\$ 131.0	\$ 278.6	\$ 158.9	\$ 458.1
Capital expenditures	(13.7)	(39.1)	(14.4)	(48.2)
Proceeds from sale of property and equipment	0.5	3.7	0.6	0.2
<b>Free cash flow from continuing operations</b>	\$ 117.8	\$ 243.2	\$ 145.1	\$ 410.1
Net cash provided by (used for) operating activities of discontinued operations	127.4	341.6	(4.4)	(19.0)
Capital expenditures of discontinued operations	(6.7)	(38.6)	—	(7.4)
Proceeds from sale of property and equipment of discontinued operations	0.3	4.5	—	2.3
<b>Free cash flow</b>	\$ 238.8	\$ 550.7	\$ 140.7	\$ 386.0

# 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>	<b>Forecast</b>			
		<b>First Quarter</b>		<b>Full Year</b>
Net sales	approx	Up 0 - 1 %	approx	Up 5 - 6 %
Operating income	approx	Up 12 - 20 %	approx	Up 22 - 26 %
Adjustments:				
Intangible amortization	approx \$	10	approx \$	45
Equity income of unconsolidated subsidiaries	approx \$	1	approx \$	4
Segment income	approx	Up 2 - 5 %	approx	Up 8 - 12 %
Net income from continuing operations—as reported	approx	\$82 - \$87	approx	\$394 - \$411
Adjustments to operating income	approx	10	approx	45
Income tax adjustments	approx	(2)	approx	(9)
Net income from continuing operations—as adjusted	approx	\$90 - \$95	approx	\$430 - \$447
<b>Continuing earnings per ordinary share—diluted</b>				
Diluted earnings per ordinary share—as reported	approx	\$0.47 - \$0.50	approx	\$2.29 - \$2.39
Adjustments	approx	0.05	approx	0.21
Diluted earnings per ordinary share—as adjusted	approx	\$0.52 - \$0.55	approx	\$2.50 - \$2.60