



# Q1 2019 EARNINGS RELEASE

APRIL 17, 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 RELEASE. PENTAIR PLC ASSUMES NO OBLIGATION, AND DISCLAIMS ANY OBLIGATION, TO UPDATE THE INFORMATION CONTAINED IN THIS RELEASE.*

# 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

**First Quarter of 2019 Impacted by Cold, Wet Weather**

**Cautious Outlook as Inventory is Worked Down in Key Distribution Channels**

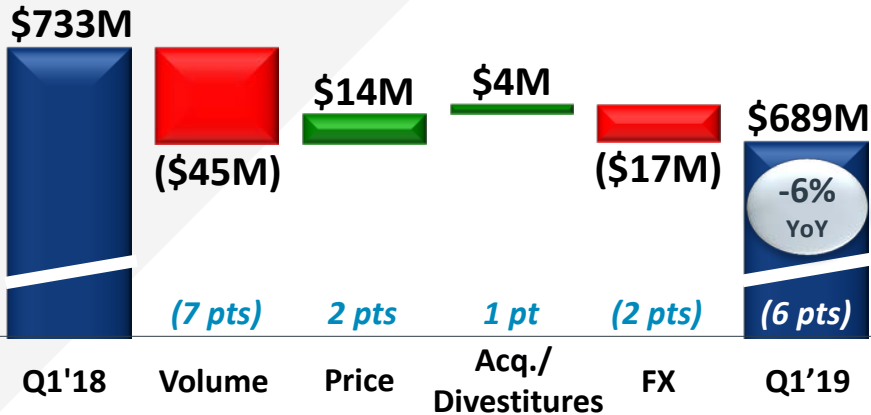
**Recent Acquisitions on Track and Performing Well**

**Continue to Believe in Long-Term Strategy**

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

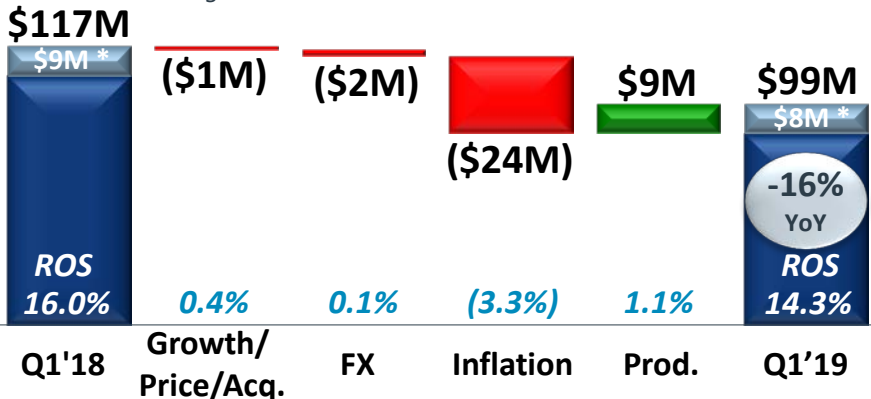
# Q1'19 Pentair Performance

## Sales



## Segment Income

\*Non-Cash Intangible Amortization



## Financial Highlights (YoY)

### Core Sales Down 4%

- Aquatic Systems Down 6%
- Filtration Solutions Down 6%
- Flow Technologies Flat

### Segment Income Down 16%

### ROS 14.3% ... Down 170 bps

### Adj. EPS \$0.43 ... Down 12%

- Adjusted Tax Rate of 18.0%
- Net Interest/Other of \$8.5M; Shares 172.5M

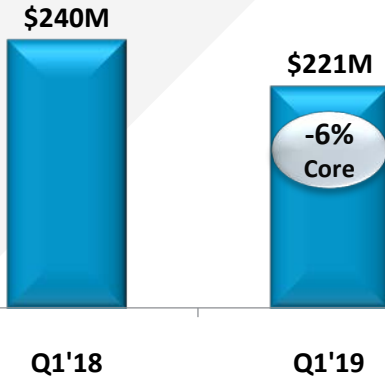
### Seasonal Cash Flow Usage Consistent with Historical Patterns

**Cold, Wet Weather Created Headwinds**

# Q1'19 Pentair Segment Performance

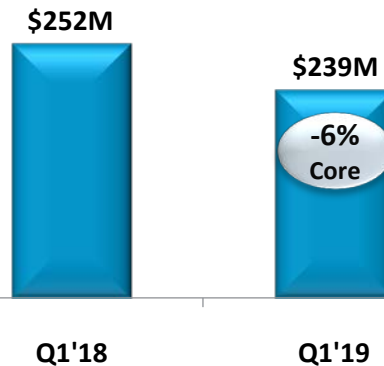
## Aquatic Systems

Sales



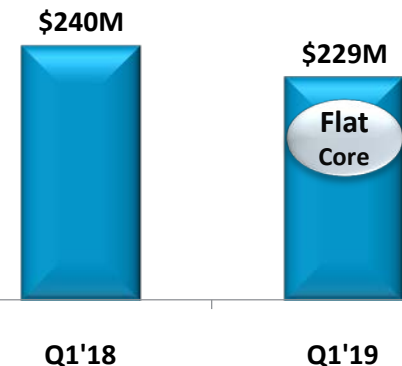
## Filtration Solutions

Sales

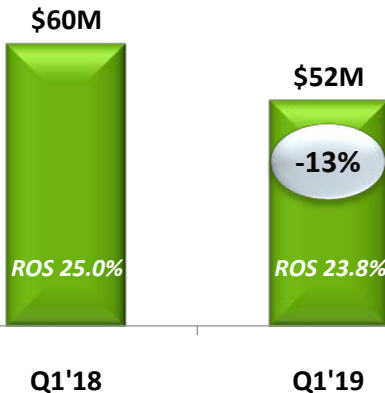


## Flow Technologies

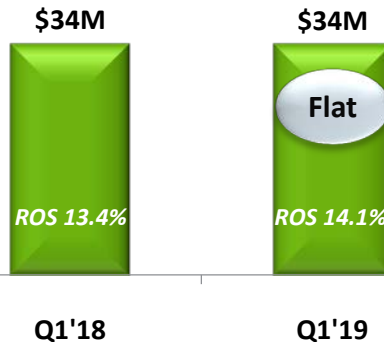
Sales



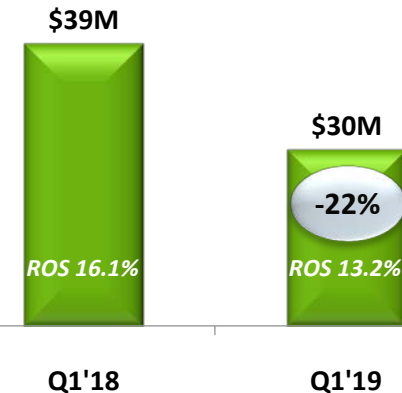
Segment Income



Segment Income



Segment Income



Most Profitable Businesses Impacted

# Balance Sheet and Cash Flow

## CASH FLOW (\$M)

	Q1 2019	Q1 2018
<b>Net Income - Continuing Ops</b>	\$ 52	\$ 58
Amortization	8	9
<b>Subtotal</b>	\$ 60	\$ 67
Depreciation	12	13
Capital Expenditures	(17)	(12)
Working Capital	(294)	(215)
Other Accruals/Other	(34)	(35)
<b>Free Cash Flow – Total</b>	\$ (273)	\$ (182)
Free Cash Flow – Discontinued Ops	1	23
<b>Free Cash Flow – Continuing Ops</b>	\$ (274)	\$ (205)

## DEBT ROLL-FORWARD (\$M)

Use of Cash:	Q1 2019	Q1 2018
<b>Beginning Debt</b>	\$ 788	\$ 1,441
Used (Generated) Cash	273	182
Share Repurchase	-	150
Dividends	31	63
Acquisitions/Other	279	44
<b>Ending Debt</b>	\$ 1,371	\$ 1,880

- *Fixed/Variable Rate: 50%/50%*
- *Average Rate ~3.6%*
- *ROIC 15.3%*

**Seasonal Cash Flow Usage ... Balance Sheet Remains Solid**

# Q2'19 Pentair Outlook

## Sales

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

## Income and EPS

- Segment Income Down ~5 to 7%
- Adjusted EPS ~\$0.63 to \$0.66

## Other Items

- Corp. Expense ~\$14M to \$16M
- Tax Rate ~22%
- Net Interest/Other ~\$11M
- Shares ~171M

**Weather-Related Channel Inventory Being Worked Down**

# Full Year 2019 Pentair Outlook

## Sales

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

## Income and EPS

- Segment Income ~Flat to Up ~2%
- Adjusted EPS ~\$2.30 to \$2.35

## Other Items

- Corp. Expense ~\$60M to \$65M
- Tax Rate of ~20.5%
- Net Interest/Other ~\$38M
- 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

**Continue to Position for Long-Term**

# 2019 Full Year Guidance Update

	<b>2018 Actual</b>	<b>1/29/19 Guidance</b>	<b>4/17/19 Guidance</b>
<b>Sales</b>	Up 4%	Up ~5 to 6%	Up ~1 to 2%
<b>Core Sales Growth Total PNR</b>	Up 5%	Up ~4 to 5%	~Flat to Up ~1%
Aquatic Systems	Up 11%	Up ~5 to 7%	~Flat to Down ~2%
Filtration Solutions	Up 1%	Up ~1 to 4%	~Flat to Down ~1%
Flow Technologies	Up 3%	Up ~4 to 6%	Up ~2 to 4%
<b>Segment Income</b>	Up 8%	Up ~8 to 12%	~Flat to Up ~2%
<b>Adjusted EPS</b>	\$2.35	~\$2.50 to \$2.60	~\$2.30 to \$2.35

**Guidance Reflects Weather & Expected Channel Inventory Impact**

# Segment Positioning

## Aquatic Systems

- A Leading Franchise
- 2019 Impacted by Weather and Inventory ... We Believe Long Term Demand Remains Intact
- Continuing to Invest in Dealer Engagement and Consumer Pull
- Expanding Aftermarket Products and Faster Growing Automation

## Filtration Solutions

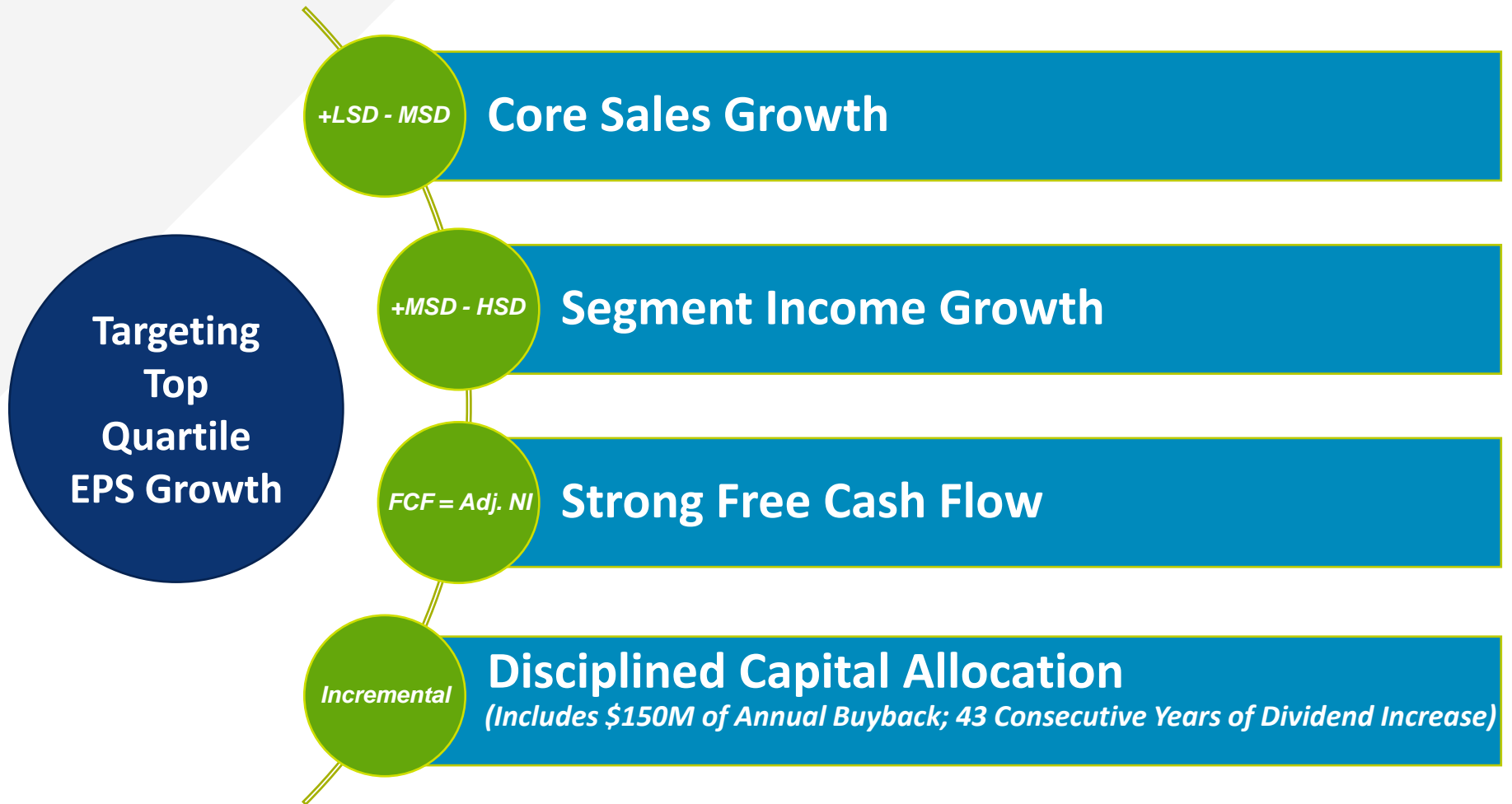
- Strengthened Residential & Commercial Business with Two Recent Acquisitions
- Component Sales Impacted Short-Term as Acquisitions are Integrated (Intercompany Sales)
- Expect to Continue to Focus on Digital Marketing to Engage Consumers and Build Brand
- Food & Beverage and Industrial Showing Signs of Stabilization

## Flow Technologies

- Residential Small Pumps Impacted by Channel Inventory
- Right Sizing Cost Structure in Agriculture (Precision Spray)
- Focusing on Margins - Leveraging Core PIMS Competencies

**We Believe We Are Well-Positioned for the Long-Term**

# Long-Term Value Creation Goals



LSD – Low Single Digit; MSD – Mid-Single Digit; HSD – High Single Digit

**Pulling All Levers to Deliver Shareholder Value**

# Pentair Summary

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

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

**Optimizing Cost Structure and Operational Footprint**

**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		Full Year	
Net sales	\$ 688.9	approx	Up 1 - 2 %	approx	Up 1 - 2 %
Operating income	67.6	approx	Up 16 - 18 %	approx	Up 9 - 11 %
<i>% of net sales</i>	9.8%				
<b>Adjustments:</b>					
Restructuring and other	1.1	approx	—	approx	1
Intangible amortization	8.2	approx	9	approx	35
Asset impairment	15.3	approx	—	approx	15
Inventory step-up	1.7	approx	1	approx	3
Deal related costs and expenses	4.2	approx	—	approx	4
Equity income of unconsolidated subsidiaries	\$ 0.6	approx	1	approx	4
Segment income	98.7	approx	Down 5 - 7 %	approx	Flat - Up 2 %
<i>Return on sales</i>	14.3%				
Net income from continuing operations—as reported	52.4	approx	\$100 - \$105	approx	\$351 - \$360
Gain on sale of business	(3.5)	approx	—	approx	(4)
Adjustments to operating income	30.5	approx	10	approx	58
Income tax adjustments	(5.4)	approx	(2)	approx	(12)
Net income from continuing operations—as adjusted	\$ 74.0	approx	\$108 - \$113	approx	\$393 - \$402
<b>Continuing earnings per ordinary share—diluted</b>					
Diluted earnings per ordinary share—as reported	\$ 0.30	approx	\$0.58 - \$0.61	approx	\$2.04 - \$2.09
Adjustments	0.13	approx	0.05	approx	0.26
Diluted earnings per ordinary share—as adjusted	\$ 0.43	approx	\$0.63 - \$0.66	approx	\$2.30 - \$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 March 31, 2019 (Unaudited)**

	Actual			
	Q1 Net Sales Growth			
	Core	Currency	Acq. / Div.	Total
<b>Total Pentair</b>	(4.2)%	(2.4)%	0.6%	(6.0)%
Aquatic Systems	(6.4)%	(0.8)%	(1.1)%	(8.3)%
Filtration Solutions	(6.0)%	(3.7)%	4.8%	(4.9)%
Flow Technologies	(0.3)%	(2.4)%	(2.1)%	(4.8)%

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

		Forecast							
		Q2 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>0 - 1 %</b>	<b>(2) %</b>	<b>3 %</b>	<b>1 - 2 %</b>	<b>0 - 1 %</b>	<b>(2) %</b>	<b>3 %</b>	<b>1 - 2 %</b>
Aquatic Systems	approx	(1) - 0 %	0 %	0 %	(1) - 0 %	(2) - 0 %	0 %	0 %	(2) - 0 %
Filtration Solutions	approx	(2) - 0 %	(3) %	10 %	5 - 7 %	(1) - 0 %	(2) %	10 %	7 - 8 %
Flow Technologies	approx	2 - 4 %	(2) %	(2) %	(2) - 0 %	2 - 4 %	(1) %	(2) %	(1) - 1 %

# Other Reconciliations

<i>Dollars in millions</i>	First Quarter 2018	Second Quarter 2018	Third Quarter 2018	Fourth Quarter 2018	First Quarter 2019
<b>Return on Invested Capital (ROIC)</b>					
Segment Income	\$ 117.0	\$ 164.1	\$ 121.8	\$ 133.9	\$ 98.7
Reported Effective Tax Rate	20.5%	21.1%	10.4%	11.0%	17.1%
Adjusted Effective Tax Rate	18.0%	18.0%	18.0%	18.0%	18.0%
NOPAT	\$ 96.0	\$ 134.5	\$ 99.9	\$ 109.8	\$ 80.9
Depreciation	12.6	12.3	12.0	12.8	12.0
Capital Expenditures ("Cap Ex")	(11.5)	(8.8)	(13.5)	(14.4)	(16.8)
Total NOPAT, Depreciation, and Cap Ex	\$ 97.1	\$ 138.0	\$ 98.4	\$ 108.2	\$ 76.1
Trailing Four Quarter NOPAT, Depreciation, and Cap Ex	\$ 427.5	\$ 438.5	\$ 434.4	\$ 441.7	\$ 420.7
Ending Invested Capital	\$ 2,862.6	\$ 2,590.3	\$ 2,613.2	\$ 2,548.6	\$ 3,161.4
Trailing Five Quarter Average Invested Capital	\$ 2,710.7	\$ 2,668.1	\$ 2,664.3	\$ 2,641.8	\$ 2,755.2
After Tax Return on Invested Capital	15.8%	16.4%	16.3%	16.7%	15.3%

*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>	Three months ended	
	March 31, 2019	March 31, 2018
Net cash provided by (used for) operating activities of continuing operations	\$ (257.1)	\$ (194.0)
Capital expenditures	(16.8)	(11.5)
Proceeds from sale of property and equipment	0.3	—
<b>Free cash flow from continuing operations</b>	<b>\$ (273.6)</b>	<b>\$ (205.5)</b>
Net cash provided by (used for) operating activities of discontinued operations	0.8	26.4
Capital expenditures of discontinued operations	—	(5.3)
Proceeds from sale of property and equipment of discontinued operations	—	2.3
<b>Free cash flow</b>	<b>\$ (272.8)</b>	<b>\$ (182.1)</b>