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Q4 2021 Earnings Release

February 1, 2022

Caution Concerning Forward-Looking Statements

This release 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," "could," "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 the overall impact of the COVID-19 pandemic on our business; the duration and severity of the COVID-19 pandemic, the impact of virus variants and the effectiveness of vaccinations; actions that may be taken by us, other businesses and governments to address or otherwise mitigate the impact of the COVID-19 pandemic, including those that may impact our ability to operate our facilities, meet production demands, and deliver products to our customers; the impacts of the COVID-19 pandemic on the global economy, our workforce, customers and suppliers, and customer demand; overall global economic and business conditions impacting our business, including the strength of housing and related markets; supply, demand, logistics, competition and pricing pressures related to and 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 achieve the benefits of our restructuring plans, cost reduction initiatives and transformation program; risks associated with operating foreign businesses; the impact of raw material, logistics and labor costs 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; and the ability to achieve our long-term strategic operating and ESG goals. Additional information concerning these and other factors is contained in our filings with the Securities and Exchange Commission (the "SEC"), including our Annual Report on Form 10-K for the year ended December 31, 2020 and our quarterly reports on Form 10-Q. All forward-looking statements, including all financial forecasts, speak only as of the date of this release. Pentair assumes no obligation, and disclaims any obligation, to update the information contained in this release.

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Key Definitions

- Except as otherwise noted all references to 2022, 2021 and 2020 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 transformation and 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

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Executive Summary

- ✓ **Strong financial results for FY'21**
  - Sales growth of 25%
  - Segment Income grew 33%
  - Return on Sales expanded 100 bps
  - Adjusted EPS increased 36%
- ✓ **Furthered our journey on creating a track record of consistent growth**
- ✓ **Balance sheet well positioned**
- ✓ **Introducing Q1 and full year 2022 guidance**

	FY'20 Results	FY'21 Results
Sales	$3.0B	$3.8B
Segment Income	$0.5B (ROS 17.2%)	$0.7B (ROS 18.2%)
Adjusted EPS	$2.50	$3.40
Free Cash Flow	$0.5B (143% of Net Income)	$0.6B (100% of Net Income)

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ESG Priorities are Integrated with Business Strategy

Environmental

- Focused on designing and commercializing products and services for environmental sustainability
- Engaged with stakeholders on focus areas
- Established goals to reduce Pentair's Scope 1 & 2 GHG emissions and water withdrawals

Social

- Driving an inclusive and diverse workforce and leadership team
- CEO Action for Diversity and Inclusion™ coalition member
- Working to build a more sustainable supply chain
- Pentair Foundation doing well by doing good since 1998

Governance

- Board management and oversight of ESG
- Strong board diversity
- Non-Financial ESG reporting aligned to established frameworks
- Mature governance and risk oversight

SILVER 2022 ecovadis Sustainability Rating

Top 7% of companies in our industry

SUSTAINALYTICS a Morningstar company

Reduced to medium risk (29/100)

MSCI

AA Rating

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Building a Track Record of Consistent Growth

Expected Growth Drivers

Grow the core to drive consistent value creation

Strategic growth initiatives to accelerate the top line

Transformation to **unlock value and fund growth**

Balance sheet to provide flexibility and upside acceleration

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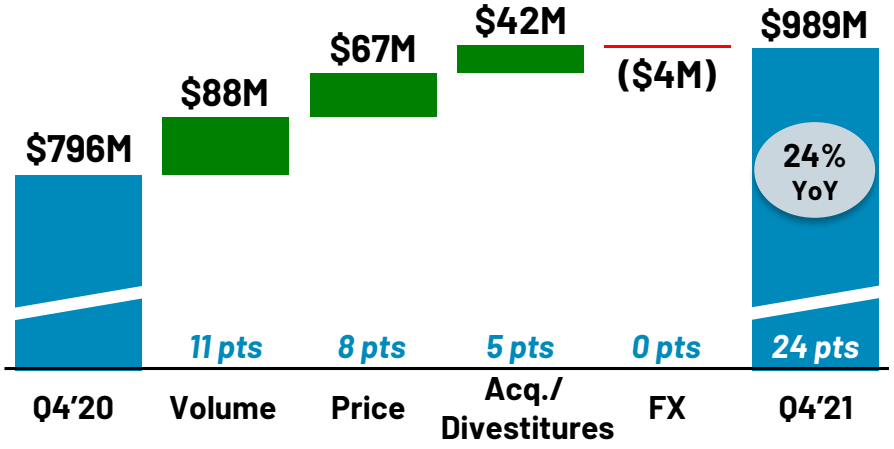
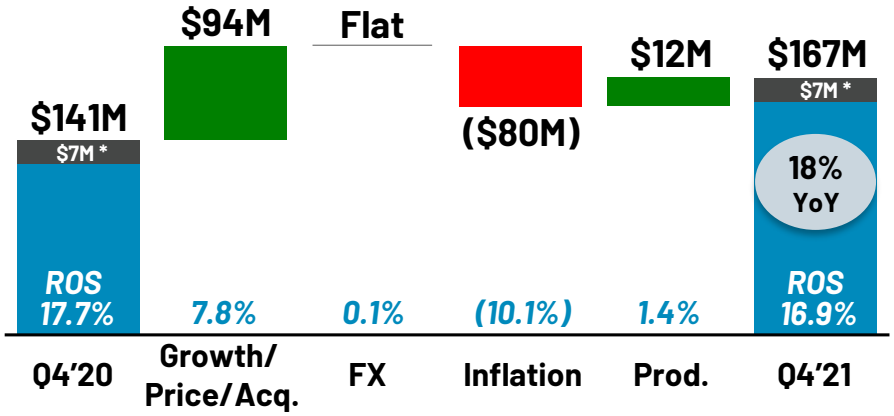
Q4'21 Pentair Performance

Sales



Segment Income



*Non-Cash Intangible Amortization

Core Sales up 19%

- Consumer Solutions up 23%
- Industrial & Flow Technologies up 13%

Segment Income up 18%

ROS 16.9% ... down 80 bps

Adj. EPS $0.87 ... up 24%

- Adjusted Tax Rate of 12%
- Net Interest/Other of $1.5M; Shares 167.0M

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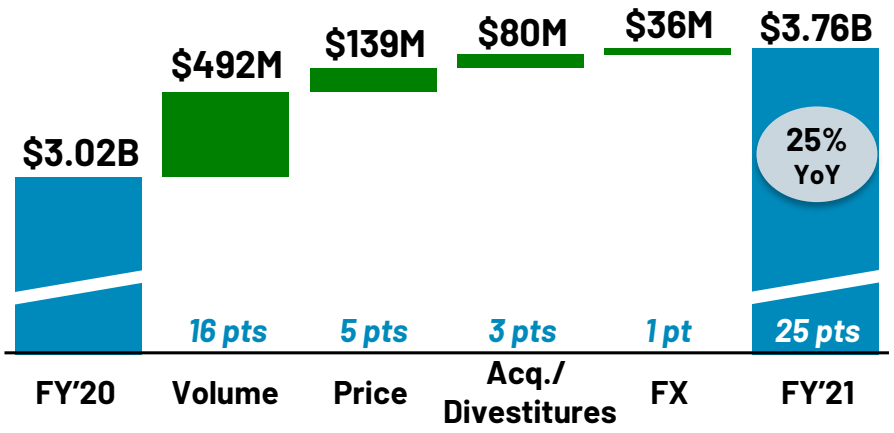
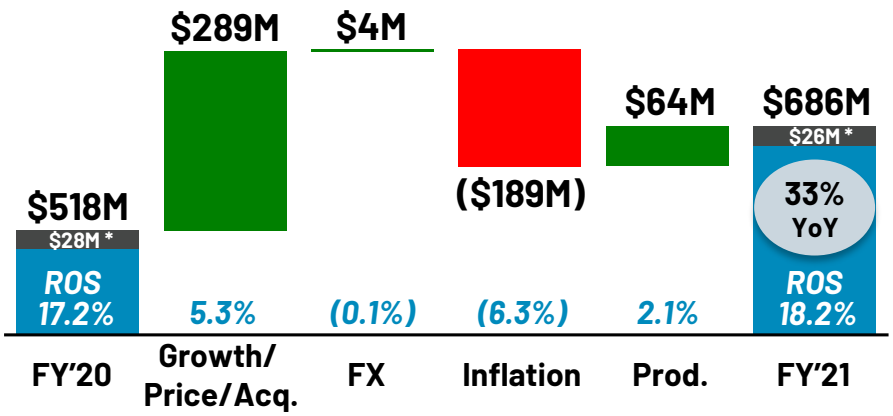
FY'21 Pentair Performance

Sales



Segment Income



*Non-Cash Intangible Amortization

Core Sales up 21%

- Consumer Solutions up 30%
- Industrial & Flow Technologies up 9%

Segment Income up 33%

ROS 18.2% ... up 100 bps

Adj. EPS $3.40 ... up 36%

- Adjusted Tax Rate of 15%
- Net Interest/Other of $14.5M; Shares 167.5M

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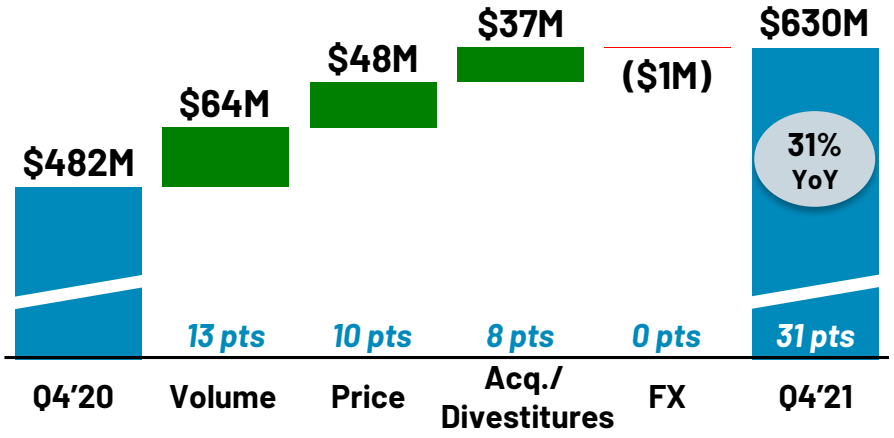
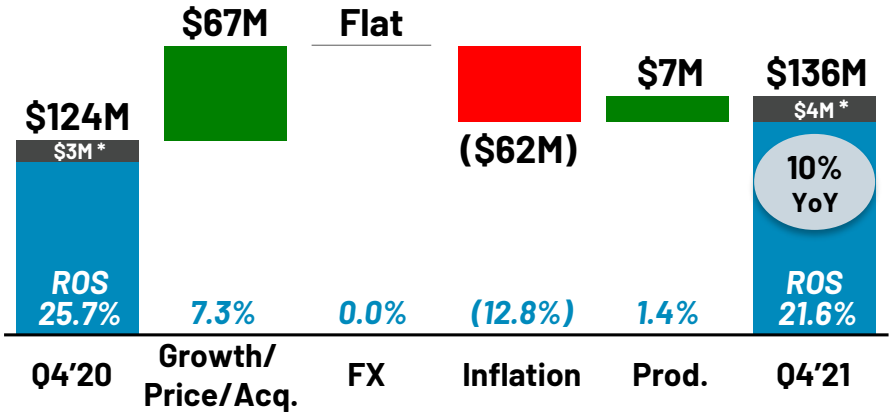
Q4'21 Consumer Solutions Performance

Sales



Segment Income



*Non-Cash Intangible Amortization

Pool

- Sales up 35%

Water Treatment

- Sales up 23%

Segment Income up 10%

ROS 21.6% ... down 410 bps

- Lower margin contribution of recent acquisitions
- Higher inflation and ongoing supply chain inefficiencies

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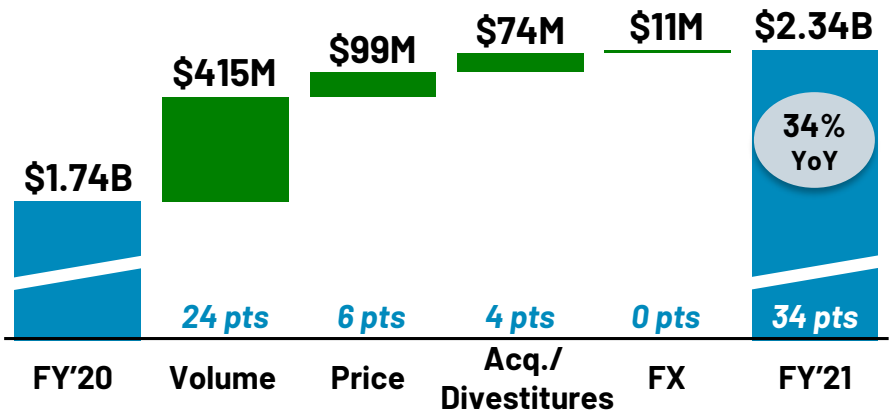
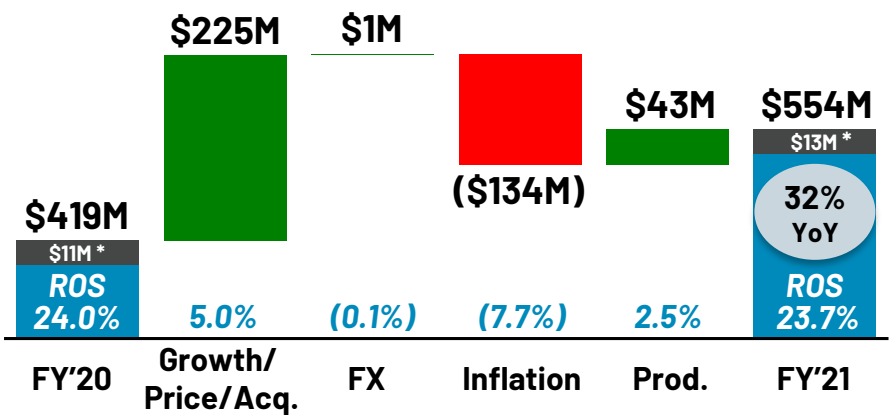
FY'21 Consumer Solutions Performance

Sales



Segment Income



*Non-Cash Intangible Amortization

Pool

- Sales up 40%

Water Treatment

- Sales up 24%

Segment Income up 32%

ROS 23.7% … down 30 bps

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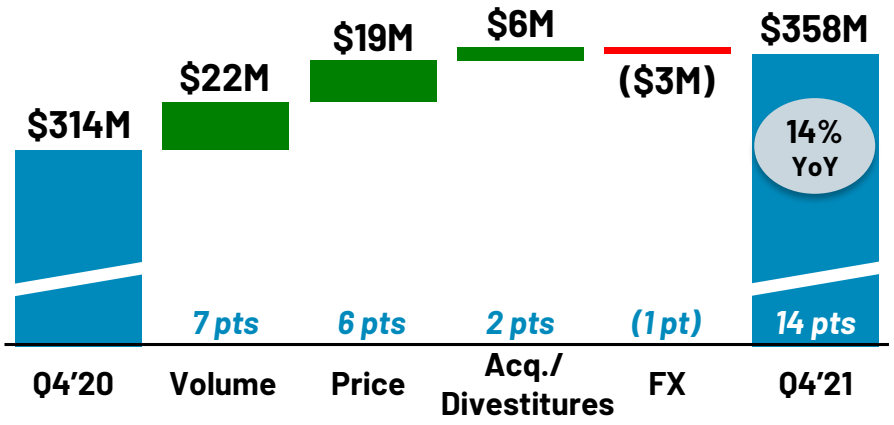
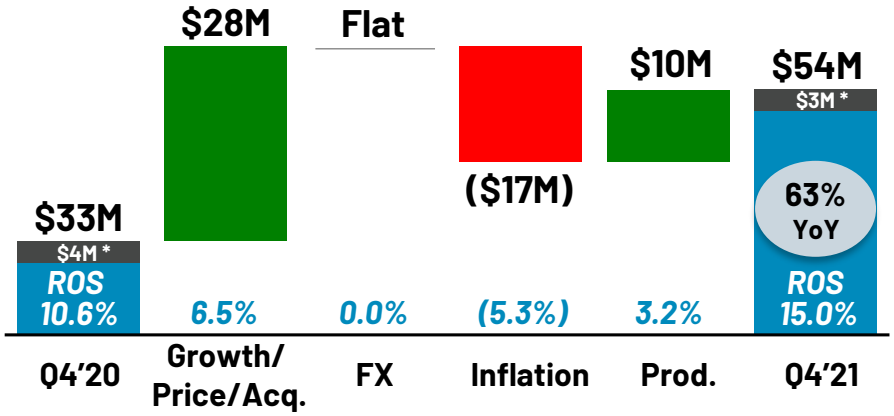
Q4'21 Industrial & Flow Technologies Performance

Sales



Segment Income



*Non-Cash Intangible Amortization

Flow

- Residential sales up 14%
- Commercial sales up 4%

Industrial Filtration

- Sales up 24%

Segment Income up 63%

ROS 15.0% ... up 440 bps

- Positive mix
- Complexity reduction

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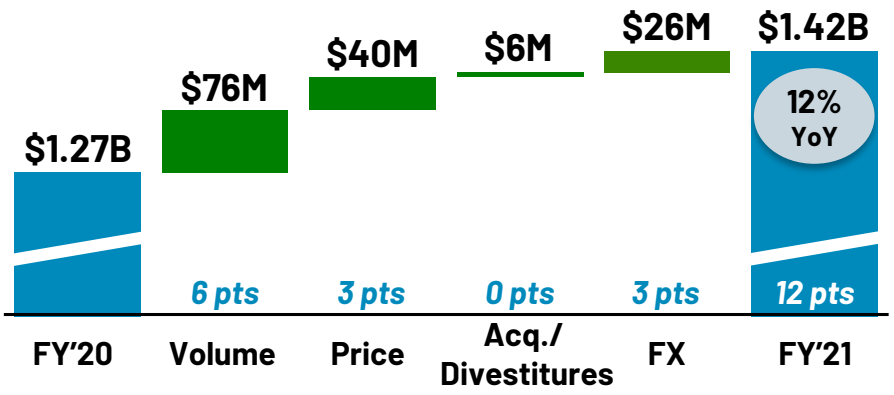
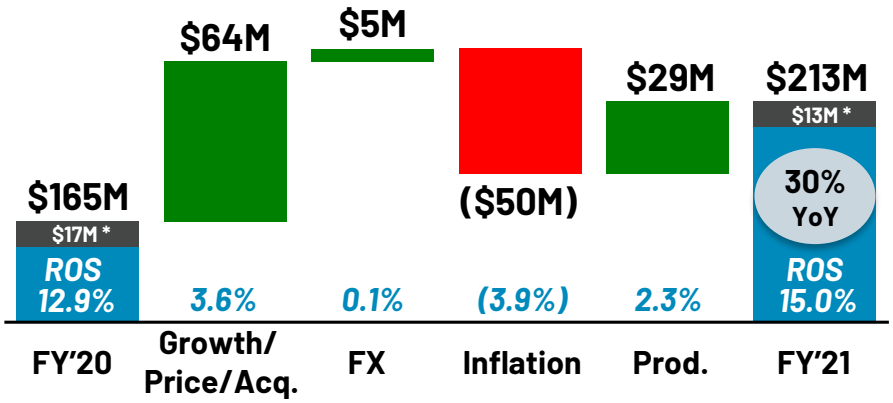
FY'21 Industrial & Flow Technologies Performance

Sales



Segment Income



*Non-Cash Intangible Amortization

Flow

- Residential sales up 15%
- Commercial sales up 6%

Industrial Filtration

- Sales up 12%

Segment Income up 30%

ROS 15.0% … up 210 bps

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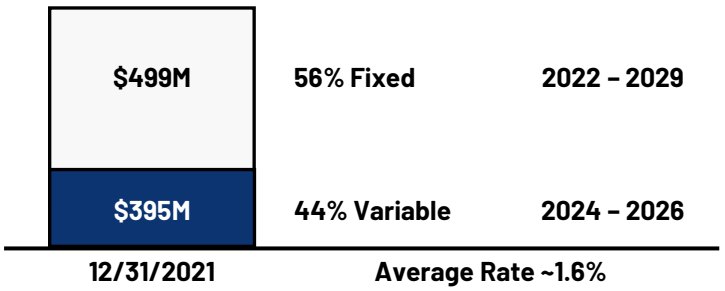
Balance Sheet and Cash Flow

Debt Summary



Does Not Include $95M of Cash on Hand

Cash Flow ($M)

	FY 2020	FY 2021
Net Income - Continuing Ops	**$357**	**$556**
Amortization	28	26
Subtotal	**$385**	**$582**
Depreciation	47	51
Capital Expenditures	(62)	(60)
Asset Sales	-	4
Working Capital	37	(149)
Other Accruals/Other	105	129
Free Cash Flow – Total	**$512**	**$557**
Free Cash Flow - Discontinued Ops	-	-
Free Cash Flow - Continuing Ops	**$512**	**$557**

Debt Roll-Forward ($M)

	12/31/2020	12/31/2021
Beginning Debt	**$1,029**	**$840**
Used (Generated) Cash	(512)	(557)
Share Repurchase	150	150
Dividends	127	133
Acquisitions/Other	46	328
Ending Debt	**$840**	**$894**

Other Items

- **Net Debt/Adjusted EBITDA at Quarter End 1.0x**
- **ROIC at Quarter End 19.3%**

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Q1 and Full Year 2022 Pentair Outlook

- **Residential** (~60% of sales) **expected to see new construction** (~20% of Resi) **moderate and replacement** (~80% of Resi) **accelerate**
- **Commercial** (~20% of sales) **not yet back to pre-2019 levels but expected to see continued improvement**
- **Industrial** (~20% of sales) **gaining momentum**
- **Price expected to read out and offset significantly higher anticipated inflation for the full year**
- **Disciplined capital allocation**

	Q1'22	FY'22
Sales	• Total Sales up ~7% to 11%	• Total Sales up ~6% to 9%
Income	• Segment Income ~Flat	• Segment Income up ~10% to 13%
EPS	• Adjusted EPS ~$0.80 (~Flat)	• Adjusted EPS ~$3.70 to $3.80 (Up ~9% to 12%)
Other Items	• Corp. Expense ~$20M • Net Interest/Other ~$5M • Adjusted Tax Rate of ~16% • Shares ~167M to 168M	• Corp. Expense ~$80M • Net Interest/Other ~$16M to $18M • Adjusted Tax Rate of ~16% • Shares ~167M to 168M
Cash Flow		• Expecting FCF ~100% of Net Income • Capital Expenditures ~$70M to $80M • D&A of ~$80M and ~$30M of Non-Cash Stock Comp

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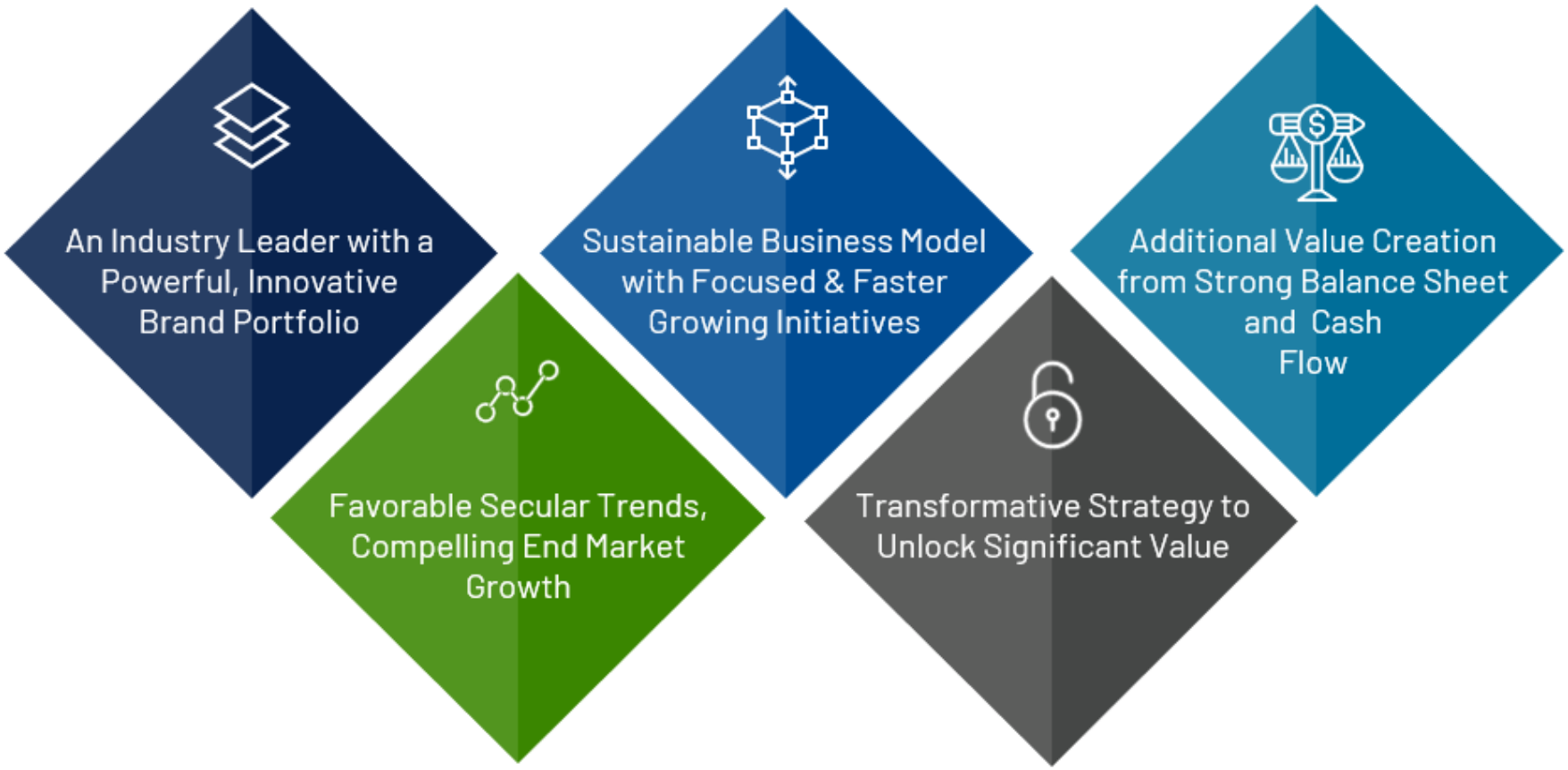
We Believe PNR is a Compelling Investment Opportunity

Our Long-Term Expectations



A Strong Foundation and the Opportunity to Create Substantial Value

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Appendix

GAAP TO NON-GAAP MEASUREMENTS & RECONCILIATIONS

Reported To Adjusted 2021 Reconciliation

Pentair plc and Subsidiaries
Reconciliation of the GAAP Year Ended December 31, 2021 to the Non-GAAP
Excluding the Effect of 2021 Adjustments (Unaudited)

In millions, except per-share data	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year
Net sales	$ 865.9	$ 941.1	$ 969.2	$ 988.6	$ 3,764.8
Operating income	157.1	161.8	167.3	150.7	636.9
% of net sales	*18.1 %*	*17.2 %*	*17.3 %*	*15.2 %*	*16.9 %*
Adjustments:					
Restructuring and other	1.5	3.9	0.1	2.0	7.5
Transformation costs	—	1.9	4.0	5.8	11.7
Intangible amortization	7.1	6.3	6.0	6.9	26.3
COVID-19 related costs and expenses	0.2	0.1	0.1	0.2	0.6
Legal accrual adjustments and settlements	(2.4)	—	—	(5.2)	(7.6)
Inventory step-up	—	—	—	2.3	2.3
Deal-related costs and expenses	0.7	1.0	2.1	4.1	7.9
Equity income (loss) of unconsolidated subsidiaries	0.2	(0.1)	0.1	0.1	0.3
Segment income	164.4	174.9	179.7	166.9	685.9
Return on sales	*19.0 %*	*18.6 %*	*18.5 %*	*16.9 %*	*18.2 %*
Net income from continuing operations—as reported	131.1	132.6	143.7	148.6	556.0
Gain on sale of businesses	—	—	(1.4)	—	(1.4)
Pension and other post-retirement mark-to-market gain	—	—	—	(2.4)	(2.4)
Other income	—	(0.3)	—	—	(0.3)
Adjustments to operating income	7.1	13.2	12.3	16.1	48.7
Income tax adjustments	(2.4)	(4.6)	(6.2)	(17.0)	(30.2)
Net income from continuing operations—as adjusted	$ 135.8	$ 140.9	$ 148.4	$ 145.3	$ 570.4
Continuing earnings per ordinary share—diluted					
Diluted earnings per ordinary share—as reported	$ 0.78	$ 0.79	$ 0.86	$ 0.89	$ 3.32
Adjustments	0.03	0.05	0.03	(0.02)	0.08
Diluted earnings per ordinary share—as adjusted	$ 0.81	$ 0.84	$ 0.89	$ 0.87	$ 3.40

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Reported To Adjusted 2020 Reconciliation

Pentair plc and Subsidiaries
Reconciliation of the GAAP Year Ended December 31, 2020 to the Non-GAAP
Excluding the Effect of 2020 Adjustments (Unaudited)

In millions, except per-share data	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year
Net sales	$ 710.0	$ 713.3	$ 798.5	$ 796.0	$ 3,017.8
Operating income	100.7	111.1	128.1	121.5	461.4
% of net sales	*14.2 %*	*15.6 %*	*16.0 %*	*15.3 %*	*15.3 %*
Adjustments:					
Restructuring and other	2.4	1.1	2.1	9.8	15.4
Intangible amortization	7.6	7.0	6.9	6.9	28.4
COVID-19 related costs and expenses	0.9	4.8	2.6	2.1	10.4
Deal related costs and expenses	0.4	—	—	0.2	0.6
Equity (loss) income of unconsolidated subsidiaries	(0.5)	0.7	0.8	0.4	1.4
Segment income	111.5	124.7	140.5	140.9	517.6
Return on sales	*15.7 %*	*17.5 %*	*17.6 %*	*17.7 %*	*17.2 %*
Net income from continuing operations—as reported	72.7	73.8	110.8	99.8	357.1
Loss on sale of businesses	—	0.1	—	—	0.1
Pension and other post-retirement mark-to-market loss	—	—	—	6.7	6.7
Other income	—	—	(2.2)	—	(2.2)
Adjustments to operating income	11.3	12.9	11.6	19.0	54.8
Income tax adjustments	3.3	11.1	(3.6)	(8.1)	2.7
Net income from continuing operations—as adjusted	$ 87.3	$ 97.9	$ 116.6	$ 117.4	$ 419.2
Continuing earnings per ordinary share—diluted					
Diluted earnings per ordinary share—as reported	$ 0.43	$ 0.44	$ 0.66	$ 0.60	$ 2.13
Adjustments	0.09	0.15	0.04	0.10	0.37
Diluted earnings per ordinary share—as adjusted	$ 0.52	$ 0.59	$ 0.70	$ 0.70	$ 2.50

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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 Ended December 31, 2021 (Unaudited)

	Q4 Net Sales Growth				Full Year Net Sales Growth			
	Core	Currency	Acq. / Div.	Total	Core	Currency	Acq. / Div.	Total
Total Pentair	**19.4 %**	**(0.5)%**	**5.3 %**	**24.2 %**	**20.9 %**	**1.3 %**	**2.6 %**	**24.8 %**
Consumer Solutions	23.2 %	(0.1) %	7.6 %	30.7 %	29.5 %	0.6 %	4.3 %	34.4 %
Industrial & Flow Technologies	13.4 %	(0.9) %	1.8 %	14.3 %	9.1 %	2.1 %	0.4 %	11.6 %

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ROIC Reconciliation

Dollars in millions	Fourth Quarter 2020	First Quarter 2021	Second Quarter 2021	Third Quarter 2021	Fourth Quarter 2021
Return on Invested Capital (ROIC)					
Segment income	$ 140.9	$ 164.4	$ 174.9	$ 179.7	$ 166.9
Reported effective tax rate	9.8 %	13.5 %	15.9 %	13.3 %	2.0 %
Adjusted effective tax rate	13.9 %	14.5 %	17.4 %	16.0 %	12.1 %
NOPAT	$ 121.3	$ 140.6	$ 144.5	$ 150.9	$ 146.7
Depreciation	12.3	12.7	12.8	12.8	12.9
Capital expenditures ("Cap Ex")	(17.8)	(13.2)	(11.1)	(14.3)	(21.6)
Total NOPAT, Depreciation, and Cap Ex	$ 115.8	$ 140.1	$ 146.2	$ 149.4	$ 138.0
Trailing fourth quarter NOPAT, Depreciation, and Cap Ex	$ 425.9	$ 479.4	$ 521.5	$ 551.5	$ 573.7
Ending Invested Capital	2,863.8	3,031.2	2,892.3	2,865.8	3,222.0
Trailing five quarter average invested capital	2,916.5	2,942.7	2,886.4	2,885.1	2,975.0
After-tax Return on Invested Capital	14.6 %	16.3 %	18.1 %	19.1 %	19.3 %

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]

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Free Cash Flow Reconciliation

Pentair plc and Subsidiaries
Reconciliation of the GAAP Operating Activities Cash Flow to the Non-GAAP Free Cash flow (Unaudited)

	Years ended December 31	
In millions	**2021**	**2020**
Net cash provided by operating activities of continuing operations	$ 613.6	$ 574.2
Capital expenditures	(60.2)	(62.2)
Proceeds from sale of property and equipment	3.9	0.1
Free cash flow from continuing operations	$ 557.3	$ 512.1
Net cash used for operating activities of discontinued operations	(0.4)	(0.6)
Free cash flow	$ 556.9	$ 511.5

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Last Twelve Months Adjusted EBITDA Reconciliation

Pentair plc and Subsidiaries
Reconciliation of Net Income from Continuing Operations to Adjusted EBITDA
For the Fiscal Year Ended December 31, 2021 (Unaudited)

In millions		**FY 2021**
Net income from continuing operations	$	556.0
Adjustments:		
Deal-related costs and expenses		7.9
Restructuring and other		7.5
Transformation costs		11.7
Inventory step-up		2.3
Intangible amortization		26.3
COVID-19 related costs and expenses		0.6
Legal accrual adjustments and settlements		(7.6)
Pension and other post-retirement mark-to-market gain		(2.4)
Gain on sale of businesses		(1.4)
Net interest expense		12.5
Other expense		1.7
Provision for income taxes		70.8
Segment income	$	685.9
Adjustments:		
Depreciation		51.2
Adjusted EBITDA	$	737.1

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Reported To Adjusted 2022 Reconciliation

Pentair plc and Subsidiaries
Reconciliation of the GAAP Year Ending December 31, 2022 to the Non-GAAP
Excluding the Effect of 2022 Adjustments (Unaudited)

	Forecast			
	First Quarter		Full Year	
In millions, except per-share data				
Net sales	approx	Up 7% - 11%	approx	Up 6% - 9%
Operating income	approx	Flat	approx	Up 14% - 17%
Adjustments:				
Intangible amortization	approx	$6	approx	$23
Equity income of unconsolidated subsidiaries	approx	1	approx	4
Segment income	approx	Flat	approx	Up 10% - 13%
Net income from continuing operations—as reported	approx	$127	approx	$593 - $610
Adjustments to operating income	approx	6	approx	23
Income tax adjustments	approx	1	approx	4
Net income from continuing operations—as adjusted	approx	$134	approx	$620 - $637
Continuing earnings per ordinary share—diluted				
Diluted earnings per ordinary share—as reported	approx	$0.76	approx	$3.54 - $3.64
Adjustments	approx	0.04	approx	0.16
Diluted earnings per ordinary share—as adjusted	approx	$0.80	approx	$3.70 - $3.80

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Essential Resources

For Life