**UNITED STATES**
**SECURITIES AND EXCHANGE COMMISSION**
**Washington, D.C. 20549**

**FORM 10-Q**

☑ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

**For the Quarterly Period Ended June 30, 2022**

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission file number: **001-11625**

PENTAIR

**Pentair plc**

**(Exact name of Registrant as specified in its charter)**

| **Ireland** | **98-1141328** |
|---|---|
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |

**Regal House, 70 London Road, Twickenham, London, TW13QS United Kingdom**

(Address of principal executive offices)

Registrant's telephone number, including area code: **44-74-9421-6154**

Securities registered pursuant to Section 12(b) of the Act:

| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
|---|---|---|
| Ordinary Shares, nominal value $0.01 per share | PNR | New York Stock Exchange |

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically, every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☑ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Large accelerated filer | ☑ | Accelerated filer | ☐ | Non-accelerated filer | ☐ | Smaller reporting company | ☐ | Emerging growth company | ☐ |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☑

On June 30, 2022, 164,459,912 shares of Registrant's common stock were outstanding.

**Pentair plc and Subsidiaries**

## PART I FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

### Pentair plc and Subsidiaries
### Condensed Consolidated Statements of Operations and Comprehensive Income (Unaudited)

| *In millions, except per-share data* | Three months ended June 30, 2022 | Three months ended June 30, 2021 | Six months ended June 30, 2022 | Six months ended June 30, 2021 |
|---|---|---|---|---|
| Net sales | $ 1,064.2 | $ 941.1 | $ 2,063.8 | $ 1,807.0 |
| Cost of goods sold | 704.7 | 600.1 | 1,372.1 | 1,150.8 |
| Gross profit | 359.5 | 341.0 | 691.7 | 656.2 |
| Selling, general and administrative expenses | 145.6 | 158.2 | 309.7 | 294.8 |
| Research and development expenses | 23.1 | 21.0 | 45.4 | 42.5 |
| Operating income | 190.8 | 161.8 | 336.6 | 318.9 |
| **Other expense:** | | | | |
| Net interest expense | 9.2 | 3.8 | 14.9 | 8.9 |
| Other expense | 0.1 | 0.3 | 0.2 | 0.7 |
| Income from continuing operations before income taxes | 181.5 | 157.7 | 321.5 | 309.3 |
| Provision for income taxes | 28.5 | 25.1 | 50.0 | 45.6 |
| **Net income from continuing operations** | 153.0 | 132.6 | 271.5 | 263.7 |
| Loss from discontinued operations, net of tax | (0.1) | (0.5) | (1.0) | (3.0) |
| **Net income** | $ 152.9 | $ 132.1 | $ 270.5 | $ 260.7 |
| **Comprehensive income, net of tax** | | | | |
| Net income | $ 152.9 | $ 132.1 | $ 270.5 | $ 260.7 |
| Changes in cumulative translation adjustment | (46.8) | 8.4 | (54.2) | (12.3) |
| Changes in market value of derivative financial instruments, net of tax | 31.4 | (4.1) | 38.0 | 12.9 |
| **Comprehensive income** | $ 137.5 | $ 136.4 | $ 254.3 | $ 261.3 |
| **Earnings (loss) per ordinary share** | | | | |
| ***Basic*** | | | | |
| Continuing operations | $ 0.93 | $ 0.80 | $ 1.65 | $ 1.59 |
| Discontinued operations | — | — | (0.01) | (0.02) |
| Basic earnings per ordinary share | $ 0.93 | $ 0.80 | $ 1.64 | $ 1.57 |
| ***Diluted*** | | | | |
| Continuing operations | $ 0.92 | $ 0.79 | $ 1.64 | $ 1.57 |
| Discontinued operations | — | — | (0.01) | (0.02) |
| Diluted earnings per ordinary share | $ 0.92 | $ 0.79 | $ 1.63 | $ 1.55 |
| **Weighted average ordinary shares outstanding** | | | | |
| Basic | 164.8 | 166.0 | 165.0 | 166.1 |
| Diluted | 165.5 | 167.8 | 166.0 | 167.7 |

*See accompanying notes to condensed consolidated financial statements.*

**Pentair plc and Subsidiaries**
**Condensed Consolidated Balance Sheets (Unaudited)**

| *In millions, except per-share data* | June 30, 2022 | December 31, 2021 |
|---|---|---|
| **Assets** | | |
| **Current assets** | | |
| Cash and cash equivalents | $ 135.1 | $ 94.5 |
| Accounts receivable, net of allowances of $12.3 and $9.1, respectively | 493.2 | 534.3 |
| Inventories | 695.0 | 562.9 |
| Other current assets | 139.3 | 112.3 |
| Total current assets | 1,462.6 | 1,304.0 |
| **Property, plant and equipment, net** | 318.4 | 310.0 |
| **Other assets** | | |
| Goodwill | 2,454.8 | 2,504.5 |
| Intangibles, net | 407.8 | 428.0 |
| Other non-current assets | 228.6 | 207.1 |
| Total other assets | 3,091.2 | 3,139.6 |
| **Total assets** | $ 4,872.2 | $ 4,753.6 |
| **Liabilities and Equity** | | |
| **Current liabilities** | | |
| Accounts payable | $ 372.5 | $ 385.7 |
| Employee compensation and benefits | 101.5 | 140.1 |
| Other current liabilities | 582.1 | 525.9 |
| Total current liabilities | 1,056.1 | 1,051.7 |
| **Other liabilities** | | |
| Long-term debt | 911.5 | 894.1 |
| Pension and other post-retirement compensation and benefits | 90.3 | 93.2 |
| Deferred tax liabilities | 69.9 | 89.8 |
| Other non-current liabilities | 181.4 | 202.9 |
| Total liabilities | 2,309.2 | 2,331.7 |
| Commitments and contingencies (Note 16) | | |
| **Equity** | | |
| Ordinary shares $0.01 par value, 426.0 authorized, 164.5 and 165.1 issued at June 30, 2022 and December 31, 2021, respectively | 1.7 | 1.7 |
| Additional paid-in capital | 1,540.5 | 1,582.7 |
| Retained earnings | 1,250.9 | 1,051.4 |
| Accumulated other comprehensive loss | (230.1) | (213.9) |
| **Total equity** | 2,563.0 | 2,421.9 |
| **Total liabilities and equity** | $ 4,872.2 | $ 4,753.6 |

*See accompanying notes to condensed consolidated financial statements.*

**Pentair plc and Subsidiaries**
**Condensed Consolidated Statements of Cash Flows (Unaudited)**

| | Six months ended | |
|---|---|---|
| *In millions* | June 30, 2022 | June 30, 2021 |
| **Operating activities** | | |
| Net income | $ 270.5 | $ 260.7 |
| Loss from discontinued operations, net of tax | 1.0 | 3.0 |
| **Adjustments to reconcile net income from continuing operations to net cash provided by (used for) operating activities of continuing operations** | | |
| Equity income of unconsolidated subsidiaries | (0.9) | (0.1) |
| Depreciation | 26.5 | 25.5 |
| Amortization | 12.9 | 13.4 |
| Deferred income taxes | (16.9) | (4.3) |
| Share-based compensation | 13.2 | 16.6 |
| Amortization of bridge financing fees | 7.7 | — |
| (Gain) loss on sale of assets | (2.3) | 0.5 |
| **Changes in assets and liabilities, net of effects of business acquisitions** | | |
| Accounts receivable | 31.4 | (49.8) |
| Inventories | (144.1) | (31.9) |
| Other current assets | (31.7) | (10.5) |
| Accounts payable | (10.0) | 51.3 |
| Employee compensation and benefits | (35.7) | 9.4 |
| Other current liabilities | 60.4 | 78.7 |
| Other non-current assets and liabilities | (5.7) | (1.5) |
| Net cash provided by operating activities of continuing operations | 176.3 | 361.0 |
| Net cash used for operating activities of discontinued operations | (1.0) | (0.2) |
| Net cash provided by operating activities | 175.3 | 360.8 |
| **Investing activities** | | |
| Capital expenditures | (40.1) | (24.3) |
| Proceeds from sale of property and equipment | 2.9 | 3.5 |
| Acquisitions, net of cash acquired | (1.4) | (82.8) |
| Settlement of net investment hedges | 8.8 | — |
| Other | — | 2.7 |
| Net cash used for investing activities | (29.8) | (100.9) |
| **Financing activities** | | |
| Net borrowings of revolving long-term debt | 19.8 | (20.0) |
| Repayments of long-term debt | — | (103.8) |
| Debt issuance costs | (8.9) | — |
| Shares issued to employees, net of shares withheld | (5.4) | 4.0 |
| Repurchases of ordinary shares | (50.0) | (50.0) |
| Dividends paid | (69.5) | (66.7) |
| Receipts (payments) upon the maturity of cross currency swaps | 0.2 | (14.7) |
| Net cash used for financing activities | (113.8) | (251.2) |
| **Effect of exchange rate changes on cash and cash equivalents** | 8.9 | 5.1 |
| **Change in cash and cash equivalents** | 40.6 | 13.8 |
| Cash and cash equivalents, beginning of period | 94.5 | 82.1 |
| **Cash and cash equivalents, end of period** | $ 135.1 | $ 95.9 |

*See accompanying notes to condensed consolidated financial statements.*

**Pentair plc and Subsidiaries**
**Condensed Consolidated Statements of Changes in Equity (Unaudited)**

| *In millions* | Ordinary shares Number | Ordinary shares Amount | Additional paid-in capital | Retained earnings | Accumulated other comprehensive loss | Total |
|---|---|---|---|---|---|---|
| **Balance - December 31, 2021** | 165.1 | $ 1.7 | $ 1,582.7 | $ 1,051.4 | $ (213.9) | $ 2,421.9 |
| Net income | — | — | — | 117.6 | — | 117.6 |
| Other comprehensive loss, net of tax | — | — | — | — | (0.8) | (0.8) |
| Dividends declared, $0.21 per share | — | — | — | (36.4) | — | (36.4) |
| Exercise of options, net of shares tendered for payment | — | — | 0.5 | — | — | 0.5 |
| Issuance of restricted shares, net of cancellations | 0.4 | — | (2.2) | — | — | (2.2) |
| Shares surrendered by employees to pay taxes | (0.1) | — | (3.6) | — | — | (3.6) |
| Share-based compensation | — | — | 6.9 | — | — | 6.9 |
| **Balance - March 31, 2022** | 165.4 | $ 1.7 | $ 1,584.3 | $ 1,132.6 | $ (214.7) | $ 2,503.9 |
| Net income | — | — | — | 152.9 | — | 152.9 |
| Other comprehensive loss, net of tax | — | — | — | — | (15.4) | (15.4) |
| Dividends declared, $0.21 per share | — | — | — | (34.6) | — | (34.6) |
| Share repurchases | (0.9) | — | (50.0) | — | — | (50.0) |
| Exercise of options, net of shares tendered for payment | — | — | 0.2 | — | — | 0.2 |
| Shares surrendered by employees to pay taxes | — | — | (0.3) | — | — | (0.3) |
| Share-based compensation | — | — | 6.3 | — | — | 6.3 |
| **Balance - June 30, 2022** | 164.5 | $ 1.7 | $ 1,540.5 | $ 1,250.9 | $ (230.1) | $ 2,563.0 |

| In millions | Ordinary shares Number | Ordinary shares Amount | Additional paid-in capital | Retained earnings | Accumulated other comprehensive loss | Total |
|---|---|---|---|---|---|---|
| **Balance - December 31, 2020** | 166.1 | $ 1.7 | $ 1,680.7 | $ 631.2 | $ (207.3) | $ 2,106.3 |
| Net income | — | — | — | 128.6 | — | 128.6 |
| Other comprehensive loss, net of tax | — | — | — | — | (3.7) | (3.7) |
| Dividends declared, $0.20 per share | — | — | — | (33.3) | — | (33.3) |
| Share repurchases | (0.2) | — | (9.6) | — | — | (9.6) |
| Exercise of options, net of shares tendered for payment | 0.1 | — | 5.2 | — | — | 5.2 |
| Issuance of restricted shares, net of cancellations | 0.2 | — | — | — | — | — |
| Shares surrendered by employees to pay taxes | — | — | (5.3) | — | — | (5.3) |
| Share-based compensation | — | — | 5.6 | — | — | 5.6 |
| **Balance - March 31, 2021** | 166.2 | $ 1.7 | $ 1,676.6 | $ 726.5 | $ (211.0) | $ 2,193.8 |
| Net income | — | — | — | 132.1 | — | 132.1 |
| Other comprehensive income, net of tax | — | — | — | — | 4.3 | 4.3 |
| Dividends declared, $0.20 per share | — | — | — | (33.3) | — | (33.3) |
| Share repurchases | (0.6) | — | (40.4) | — | — | (40.4) |
| Exercise of options, net of shares tendered for payment | 0.3 | — | 5.6 | — | — | 5.6 |
| Issuance of restricted shares, net of cancellations | 0.1 | — | — | — | — | — |
| Shares surrendered by employees to pay taxes | (0.1) | — | (1.5) | — | — | (1.5) |
| Share-based compensation | — | — | 11.0 | — | — | 11.0 |
| **Balance - June 30, 2021** | 165.9 | $ 1.7 | $ 1,651.3 | $ 825.3 | $ (206.7) | $ 2,271.6 |

*See accompanying notes to condensed consolidated financial statements.*

**1. Basis of Presentation and Responsibility for Interim Financial Statements**

The accompanying unaudited condensed consolidated financial statements of Pentair plc and its subsidiaries (“we,” “us,” “our,” “Pentair,” or the “Company”) have been prepared following the requirements of the U.S. Securities and Exchange Commission (“SEC”) for interim reporting. As permitted under those rules, certain footnotes or other financial information that are normally required by accounting principles generally accepted in the United States of America (“GAAP”) can be condensed or omitted.

We are responsible for the unaudited condensed consolidated financial statements included in this document. The financial statements include all normal recurring adjustments that are considered necessary for the fair presentation of our financial position and operating results. As these are condensed financial statements, one should also read our consolidated financial statements and notes thereto, which are included in our Annual Report on Form 10-K for the year ended December 31, 2021.

Revenues, expenses, cash flows, assets and liabilities can and do vary during each quarter of the year. Therefore, the results and trends in these interim financial statements may not be indicative of those for a full year.

In 2020, the World Health Organization declared the novel coronavirus 2019 (“COVID-19”) a global pandemic. The COVID-19 pandemic has had and may continue to have an unfavorable impact on certain parts of our business. The broader implications of the COVID-19 pandemic on our business, financial condition and results of operations remain uncertain and will depend on certain developments, including the duration and severity of the COVID-19 pandemic, the impact of virus variants, the effectiveness of vaccinations, the COVID-19 pandemic’s impact on our customers and suppliers and the range of governmental and community reactions to the pandemic. We may continue to experience reduced customer demand in certain parts of our business, impacts to our operations, or constrained labor and/or supply that could materially and adversely impact our business, financial condition, results of operations, liquidity and cash flows in future periods.

Our fiscal year ends on December 31. We report our interim quarterly periods on a calendar quarter basis.

**2. Revenue**

We disaggregate our revenue from contracts with customers by segment, geographic location and vertical, as we believe these best depict how the nature, amount, timing and uncertainty of our revenue and cash flows are affected by economic factors. Refer to Note 15 for revenue disaggregated by segment.

Geographic net sales information, based on geographic destination of the sale, was as follows:

| | Three months ended | | Six months ended | |
|---|---|---|---|---|
| *In millions* | **June 30, 2022** | **June 30, 2021** | **June 30, 2022** | **June 30, 2021** |
| U.S. | $ 757.0 | $ 639.1 | $ 1,463.0 | $ 1,225.7 |
| Western Europe | 115.9 | 120.7 | 233.8 | 236.0 |
| Developing [(1)] | 127.4 | 120.5 | 238.0 | 225.9 |
| Other Developed [(2)] | 63.9 | 60.8 | 129.0 | 119.4 |
| Consolidated net sales | $ 1,064.2 | $ 941.1 | $ 2,063.8 | $ 1,807.0 |

[(1)] Developing includes China, Eastern Europe, Latin America, the Middle East and Southeast Asia.
[(2)] Other Developed includes Australia, Canada and Japan.

Vertical net sales information was as follows:

| | Three months ended | | Six months ended | |
|---|---|---|---|---|
| *In millions* | **June 30, 2022** | **June 30, 2021** | **June 30, 2022** | **June 30, 2021** |
| Residential | $ 730.3 | $ 599.5 | $ 1,413.1 | $ 1,171.2 |
| Commercial | 161.9 | 173.2 | 311.6 | 310.8 |
| Industrial | 172.0 | 168.4 | 339.1 | 325.0 |
| Consolidated net sales | $ 1,064.2 | $ 941.1 | $ 2,063.8 | $ 1,807.0 |

*Performance obligations*
On June 30, 2022, we had $92.2 million of remaining performance obligations on contracts with an original expected duration of one year or more. We expect to recognize the majority of our remaining performance obligations on these contracts within the next 12 to 18 months.

*Contract assets and liabilities*
Contract assets and liabilities consisted of the following:

| *In millions* | June 30, 2022 | December 31, 2021 | $ Change | % Change |
|---|---|---|---|---|
| Contract assets | $ 43.0 | $ 48.8 | $ (5.8) | (11.9)% |
| Contract liabilities | 47.4 | 39.4 | 8.0 | 20.3 % |
| Net contract (liabilities) assets | $ (4.4) | $ 9.4 | $ (13.8) | (146.8)% |

The $13.8 million change in net contract liabilities from December 31, 2021 to June 30, 2022 was primarily the result of timing of milestone payments and the recognition of $1.1 million of impairment losses on our contract assets in the first quarter of 2022 related to our exit of business activity in Russia. Approximately 80% of our contract liabilities at December 31, 2021 were recognized in revenue in the first half of 2022.

## 3. Acquisitions

On March 2, 2022, as part of our Consumer Solutions reporting segment, we entered into a definitive agreement with Welbilt, Inc. ("Welbilt") to acquire the issued and outstanding equity securities of certain subsidiaries of Welbilt and certain other assets, rights, and properties, and assume certain liabilities, comprising Welbilt's Manitowoc Ice business ("Manitowoc Ice"), for an aggregate purchase price of $1.6 billion, subject to customary adjustments contemplated by the definitive agreement. We expect to fund the purchase price for the acquisition with borrowings under our term loan facility and net proceeds from the issuance of our 2032 senior notes, together with cash on hand and/or borrowings under our revolving credit facility. We expect to close our Manitowoc Ice acquisition on or around July 28, 2022, subject to customary closing conditions set forth in the definitive agreement.

In October 2021, as part of both of our Consumer Solutions and Industrial & Flow Technologies reporting segments, we completed the acquisition of Pleatco Holdings, LLC and related entities for $256.9 million in cash, net of cash acquired and working capital true-ups. The excess of purchase price over tangible net assets acquired has been preliminarily allocated to goodwill in the amount of $140.1 million, $136.5 million of which is expected to be deductible for income tax purposes. Identifiable intangible assets acquired consisted of $97.9 million of definite-lived customer relationships with an estimated useful life of 17 years.

In May 2021, as part of our Consumer Solutions reporting segment, we completed the acquisition of Ken's Beverage, Inc. for $82.2 million in cash, net of cash acquired and working capital true-ups. The excess of purchase price over tangible net assets acquired has been allocated to goodwill in the amount of $28.3 million, all of which is expected to be deductible for income tax purposes. Identifiable intangible assets acquired consisted of $38.0 million of definite-lived customer relationships with an estimated useful life of 22 years.

The pro forma impact of these acquisitions is not material.

## 4. Share Plans

Total share-based compensation expense for the three and six months ended June 30, 2022 and 2021 was as follows:

| | Three months ended | | Six months ended | |
|---|---|---|---|---|
| *In millions* | June 30, 2022 | June 30, 2021 | June 30, 2022 | June 30, 2021 |
| Restricted stock units | $ 3.3 | $ 3.6 | $ 6.9 | $ 7.0 |
| Stock options | 0.9 | 0.9 | 1.9 | 1.8 |
| Performance share units | 2.1 | 6.5 | 4.4 | 7.8 |
| Total share-based compensation expense | $ 6.3 | $ 11.0 | $ 13.2 | $ 16.6 |

In the first quarter of 2022, we issued our annual share-based compensation grants under the Pentair plc 2020 Share and Incentive Plan to eligible employees. The total number of awards issued was approximately 0.6 million, of which 0.3 million were restricted stock units (“RSUs”), 0.2 million were stock options and 0.1 million were performance share units (“PSUs”). The weighted-average grant date fair value of the RSUs, stock options and PSUs issued was $60.78, $17.92, and $68.28, respectively.

We estimated the fair value of each stock option award issued in the annual share-based compensation grant using a Black-Scholes option pricing model, modified for dividends and using the following assumptions:

| | 2022 Annual Grant |
|---|---|
| Risk-free interest rate | 1.18 % |
| Expected dividend yield | 1.14 % |
| Expected share price volatility | 29.60 % |
| Expected term (years) | 6.4 |

These estimates require us to make assumptions based on historical results, observance of trends in our share price, changes in option exercise behavior, future expectations and other relevant factors. If other assumptions had been used, share-based compensation expense, as calculated and recorded under the accounting guidance, could have been affected. We based the expected life assumption on historical experience as well as the terms and vesting periods of the options granted. For purposes of determining expected share price volatility, we considered a rolling average of historical volatility measured over a period approximately equal to the expected option term. The risk-free interest rate for periods that coincide with the expected life of the options is based on the United States (“U.S.”) Treasury Department yield curve in effect at the time of grant.

## 5. Restructuring and Transformation Program

In 2021, we launched and committed resources to a program designed to accelerate growth and drive margin expansion through transformation of our business model to drive operational excellence, reduce complexity and streamline our processes (the “Transformation Program”). The Transformation Program is structured in multiple phases and is expected to empower us to work more efficiently and optimize our business to better serve our customers while meeting our financial objectives.

During the six months ended June 30, 2022, we initiated and continued execution of actions aimed at reducing our fixed cost structure and realigning our business associated with restructuring and the Transformation Program.

Restructuring and transformation-related costs within *Selling, general and administrative expenses* in the Condensed Consolidated Statements of Operations and Comprehensive Income included the following:

| | Three months ended | | Six months ended | |
|---|---|---|---|---|
| *In millions* | June 30, 2022 | June 30, 2021 | June 30, 2022 | June 30, 2021 |
| **Restructuring Initiatives** | | | | |
| Severance and related costs | $ 0.8 | $ 4.2 | $ 2.7 | $ 5.1 |
| Other restructuring costs (1) | 0.2 | — | 0.2 | 0.2 |
| Total restructuring costs | 1.0 | 4.2 | 2.9 | 5.3 |
| **Transformation Program** | | | | |
| Transformation costs (2) | 5.2 | 1.9 | 10.7 | 1.9 |
| Total restructuring and transformation costs | $ 6.2 | $ 6.1 | $ 13.6 | $ 7.2 |

(1) Other restructuring costs primarily consist of asset impairment and various contract termination costs.

(2) Transformation costs primarily consist of professional services and project management and related costs.

Restructuring and transformation costs by reportable segment were as follows:

| | Three months ended | | Six months ended | |
|---|---|---|---|---|
| *In millions* | **June 30, 2022** | **June 30, 2021** | **June 30, 2022** | **June 30, 2021** |
| Consumer Solutions | $ 0.5 | $ 0.2 | $ 1.8 | $ 0.7 |
| Industrial & Flow Technologies | 0.6 | — | 1.2 | 0.5 |
| Other | 5.1 | 5.9 | 10.6 | 6.0 |
| Consolidated | $ 6.2 | $ 6.1 | $ 13.6 | $ 7.2 |

Activity related to accrued severance and related costs recorded in *Other current liabilities* in the Condensed Consolidated Balance Sheets is summarized as follows for the six months ended June 30, 2022:

| *In millions* | **June 30, 2022** |
|---|---|
| Beginning balance | $ 10.7 |
| Costs incurred | 2.7 |
| Cash payments and other | (4.8) |
| Ending balance | $ 8.6 |

## 6. Earnings Per Share

Basic and diluted earnings per share were calculated as follows:

| | Three months ended | | Six months ended | |
|---|---|---|---|---|
| *In millions, except per-share data* | **June 30, 2022** | **June 30, 2021** | **June 30, 2022** | **June 30, 2021** |
| **Net income** | $ 152.9 | $ 132.1 | $ 270.5 | $ 260.7 |
| **Net income from continuing operations** | $ 153.0 | $ 132.6 | $ 271.5 | $ 263.7 |
| **Weighted average ordinary shares outstanding** | | | | |
| Basic | 164.8 | 166.0 | 165.0 | 166.1 |
| Dilutive impact of stock options, restricted stock units and performance share units | 0.7 | 1.8 | 1.0 | 1.6 |
| Diluted | 165.5 | 167.8 | 166.0 | 167.7 |
| **Earnings (loss) per ordinary share** | | | | |
| ***Basic*** | | | | |
| Continuing operations | $ 0.93 | $ 0.80 | $ 1.65 | $ 1.59 |
| Discontinued operations | — | — | (0.01) | (0.02) |
| Basic earnings per ordinary share | $ 0.93 | $ 0.80 | $ 1.64 | $ 1.57 |
| ***Diluted*** | | | | |
| Continuing operations | $ 0.92 | $ 0.79 | $ 1.64 | $ 1.57 |
| Discontinued operations | — | — | (0.01) | (0.02) |
| Diluted earnings per ordinary share | $ 0.92 | $ 0.79 | $ 1.63 | $ 1.55 |
| **Anti-dilutive stock options excluded from the calculation of diluted earnings per share** | 0.9 | 0.1 | 0.7 | 0.3 |

## 7. Accounts Receivable

All trade receivables are reported on our Condensed Consolidated Balance Sheets at the outstanding principal amount adjusted for any allowance for credit losses and write-offs, net of recoveries. We record an allowance for credit losses, reducing our receivables balance to an amount we estimate is collectible from our customers. Estimates used in determining the allowance for credit losses are based on current trends, aging of accounts receivable, periodic credit evaluations of our customers’ financial condition, and historical collection experience as well as reasonable and supportable forecasts of future economic conditions. Write-offs are recorded at the time all collection efforts have been exhausted. We generally do not require collateral. We review our allowance for credit losses on a quarterly basis.

Activity related to our allowance for credit losses is summarized as follows for the six months ended June 30, 2022:

| *In millions* | | June 30, 2022 |
|---|---|---|
| Beginning balance | $ | 9.1 |
| Bad debt expense | | 4.2 |
| Write-offs, net of recoveries | | (1.0) |
| Ending balance | $ | 12.3 |

## 8. Supplemental Balance Sheet Information

| *In millions* | June 30, 2022 | December 31, 2021 |
|---|---|---|
| **Inventories** | | |
| Raw materials and supplies | $ 380.6 | $ 290.3 |
| Work-in-process | 93.3 | 77.4 |
| Finished goods | 221.1 | 195.2 |
| Total inventories | $ 695.0 | $ 562.9 |
| **Other current assets** | | |
| Cost in excess of billings | $ 43.0 | $ 48.8 |
| Prepaid expenses | 90.1 | 57.1 |
| Other current assets | 6.2 | 6.4 |
| Total other current assets | $ 139.3 | $ 112.3 |
| **Property, plant and equipment, net** | | |
| Land and land improvements | $ 33.3 | $ 34.8 |
| Buildings and leasehold improvements | 189.4 | 194.5 |
| Machinery and equipment | 610.2 | 607.3 |
| Capitalized software | 68.8 | 66.5 |
| Construction in progress | 78.3 | 62.8 |
| Total property, plant and equipment | 980.0 | 965.9 |
| Accumulated depreciation and amortization | 661.6 | 655.9 |
| Total property, plant and equipment, net | $ 318.4 | $ 310.0 |
| **Other non-current assets** | | |
| Right-of-use lease assets | $ 79.1 | $ 84.5 |
| Deferred income taxes | 22.9 | 23.1 |
| Deferred compensation plan assets | 20.7 | 25.6 |
| Foreign currency contract assets | 39.0 | 7.2 |
| Other non-current assets | 66.9 | 66.7 |
| Total other non-current assets | $ 228.6 | $ 207.1 |
| **Other current liabilities** | | |
| Dividends payable | $ 34.5 | $ 33.0 |
| Accrued warranty | 43.2 | 40.5 |
| Accrued rebates and incentives | 234.3 | 198.7 |
| Accrued freight | 44.0 | 36.5 |
| Billings in excess of cost | 35.4 | 31.2 |
| Current lease liability | 26.7 | 25.6 |
| Income taxes payable | 21.7 | 32.0 |
| Accrued restructuring | 8.6 | 10.7 |
| Other current liabilities | 133.7 | 117.7 |
| Total other current liabilities | $ 582.1 | $ 525.9 |
| **Other non-current liabilities** | | |
| Long-term lease liability | $ 54.2 | $ 62.6 |
| Income taxes payable | 34.1 | 34.1 |
| Self-insurance liabilities | 44.3 | 42.6 |
| Deferred compensation plan liabilities | 20.7 | 25.6 |
| Foreign currency contract liabilities | — | 9.5 |
| Other non-current liabilities | 28.1 | 28.5 |
| Total other non-current liabilities | $ 181.4 | $ 202.9 |

## 9. Goodwill and Other Identifiable Intangible Assets

The changes in the carrying amount of goodwill by reportable segment were as follows:

| *In millions* | December 31, 2021 | Purchase Accounting Adjustments | Foreign currency translation | June 30, 2022 |
|---|---|---|---|---|
| Consumer Solutions | $ 1,722.5 | $ 1.4 | $ (10.8) | $ 1,713.1 |
| Industrial & Flow Technologies | 782.0 | 0.5 | (40.8) | 741.7 |
| Total goodwill | $ 2,504.5 | $ 1.9 | $ (51.6) | $ 2,454.8 |

Identifiable intangible assets consisted of the following:

| | June 30, 2022 | | | December 31, 2021 | | |
|---|---|---|---|---|---|---|
| *In millions* | Cost | Accumulated amortization | Net | Cost | Accumulated amortization | Net |
| **Definite-life intangibles** | | | | | | |
| Customer relationships | $ 546.4 | $ (320.8) | $ 225.6 | $ 558.8 | $ (320.1) | $ 238.7 |
| Proprietary technology and patents | 45.4 | (32.9) | 12.5 | 46.3 | (32.1) | 14.2 |
| Total definite-life intangibles | 591.8 | (353.7) | 238.1 | 605.1 | (352.2) | 252.9 |
| **Indefinite-life intangibles** | | | | | | |
| Trade names | 169.7 | — | 169.7 | 175.1 | — | 175.1 |
| Total intangibles | $ 761.5 | $ (353.7) | $ 407.8 | $ 780.2 | $ (352.2) | $ 428.0 |

Identifiable intangible asset amortization expense was $6.3 million for both the three months ended June 30, 2022 and 2021 and $12.9 million and $13.4 million for the six months ended June 30, 2022 and 2021, respectively.

Estimated future amortization expense for identifiable intangible assets during the remainder of 2022 and the next five years is as follows:

| | Q3-Q4 2022 | 2023 | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|---|---|
| Estimated amortization expense | $ 10.5 | $ 20.7 | $ 20.3 | $ 20.3 | $ 19.0 | $ 17.7 |

## 10. Debt

Debt and the average interest rates on debt outstanding were as follows:

| *In millions* | Average interest rate as of June 30, 2022 | Maturity Year | June 30, 2022 | December 31, 2021 |
|---|---|---|---|---|
| Revolving credit facilities | 2.300% | 2026 | $ 215.0 | $ 195.0 |
| Term loans | 3.030% | 2024 | 200.0 | 200.0 |
| Senior notes - fixed rate [1] | 3.150% | 2022 | 88.3 | 88.3 |
| Senior notes - fixed rate [1] | 4.650% | 2025 | 19.3 | 19.3 |
| Senior notes - fixed rate [1] | 4.500% | 2029 | 400.0 | 400.0 |
| Unamortized debt issuance costs and discounts | N/A | N/A | (11.1) | (8.5) |
| Total debt | | | $ 911.5 | $ 894.1 |

[1] Senior notes are guaranteed as to payment by Pentair plc.

Pentair, Pentair Finance S.à r.l ("PFSA") and Pentair, Inc. are parties to a credit agreement (the "Senior Credit Facility"), with Pentair as guarantor and PFSA and Pentair, Inc. as borrowers, which was amended and restated in December 2021, providing for a $900.0 million senior unsecured revolving credit facility and a $200.0 million senior unsecured term loan facility. The revolving credit facility has a maturity date of December 16, 2026 and the term loan facility has a maturity date of December 16, 2024. Borrowings under the Senior Credit Facility bear interest at a rate equal to an adjusted base rate, the London interbank offered rate, the euro interbank offered rate or the central bank rate, plus, in each case, an applicable margin. The applicable margin is based on, at PFSA's election, Pentair's leverage level or PFSA's public credit rating.

As of June 30, 2022, total availability under the Senior Credit Facility was $685.0 million. In addition, PFSA has the option to request to increase the revolving credit facility and/or enter into one or more additional tranches of term loans in an aggregate amount of up to $300.0 million, subject to customary conditions, including the commitment of the participating lenders.

In connection with entering into the definitive agreement to acquire Manitowoc Ice, Pentair and PFSA entered into a commitment letter, dated March 2, 2022 (the "Commitment Letter"), pursuant to which, among other things, the lenders have committed to provide debt financing for the acquisition of Manitowoc Ice, consisting of a senior unsecured bridge facility of $1.6 billion (the "Bridge Facility"), on the terms and subject to the conditions set forth in the Commitment Letter. The Bridge Facility will be subject to mandatory reduction and prepayment for 100% of the net cash proceeds from the issuance of any debt and other of our securities, other specified events and the Term Loan Facility (as defined below), subject to certain exceptions.

In March 2022, in contemplation of the acquisition of Manitowoc Ice, Pentair and PFSA entered into a Loan Agreement among PFSA, as borrower, Pentair, as guarantor, and the lenders and agents party thereto, providing for a five-year $600.0 million senior unsecured term loan facility (the "Term Loan Facility"). On June 30, 2022, the Term Loan Facility was amended to increase the facility by $400.0 million to an aggregate principal amount of $1.0 billion. PFSA and Pentair intend to borrow the full $1.0 billion aggregate principal amount available under the Term Loan Facility to finance a portion of the purchase price in the Manitowoc Ice acquisition and to pay related fees and expenses.

The aggregate principal amount of the commitments under the Term Loan Facility have replaced a corresponding amount of the commitments in respect of the Bridge Facility in accordance with the terms of the Commitment Letter. As a result, the remaining commitment under the Bridge Facility was $600.0 million as of June 30, 2022. No borrowings or loans were outstanding under the Bridge Facility or the Term Loan Facility as of June 30, 2022.

On July 8, 2022, in contemplation of the acquisition of Manitowoc Ice, Pentair, as guarantor, and PFSA, as issuer, completed a public offering of $400.0 million aggregate principal amount of 5.900% Senior Notes due 2032 ("2032 Senior Notes"). PFSA and Pentair intend to use the net proceeds from the issuance of the 2032 Senior Notes to finance a portion of the purchase price in the Manitowoc Ice acquisition and to pay related fees and expenses.

The net proceeds from the issuance of the 2032 Senior Notes have replaced a corresponding amount of the commitments in respect of the Bridge Facility in accordance with the terms of the Commitment Letter. On July 8, 2022, Pentair and PFSA voluntarily eliminated the remaining $200.0 million of commitments under the Bridge Facility. As a result, there are no remaining commitments under the Bridge Facility.

Our debt agreements contain various financial covenants, but the most restrictive covenants are contained in the Senior Credit Facility and the Term Loan Facility. The Senior Credit Facility and the Term Loan Facility contain covenants requiring us not to permit (i) the ratio of our consolidated debt (net of our consolidated unrestricted cash in excess of $5.0 million but not to exceed $250.0 million) to our consolidated net income (excluding, among other things, non-cash gains and losses) before interest, taxes, depreciation, amortization and non-cash share-based compensation expense ("EBITDA") on the last day of any period of four consecutive fiscal quarters (each, a "testing period") to exceed 3.75 to 1.00 (or, at PFSA's election and subject to certain conditions, 4.25 to 1.00 for four testing periods in connection with certain material acquisitions) (the "Leverage Ratio") and (ii) the ratio of our EBITDA to our consolidated interest expense, for the same period to be less than 3.00 to 1.00 as of the end of each fiscal quarter. For purposes of the Leverage Ratio, the Senior Credit Facility and the Term Loan Facility provide for the calculation of EBITDA giving pro forma effect to certain acquisitions, divestitures and liquidations during the period to which such calculation relates.

In addition to the Senior Credit Facility and the Term Loan Facility, we have various other credit facilities with an aggregate availability of $21.5 million, of which there were no outstanding borrowings at June 30, 2022. Borrowings under these credit facilities bear interest at variable rates.

We have $88.3 million of fixed rate senior notes maturing in the next twelve months. We classified this debt as long-term as of June 30, 2022 as we have the intent and ability to refinance such obligation on a long-term basis under the Senior Credit Facility.

Debt outstanding, excluding unamortized issuance costs and discounts, at June 30, 2022 matures on a calendar year basis as follows:

| *In millions* | Q3-Q4 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | Thereafter | Total |
|---|---|---|---|---|---|---|---|---|
| Contractual debt obligation maturities | $ 88.3 | $ — | $ 200.0 | $ 19.3 | $ 215.0 | $ — | $ 400.0 | $ 922.6 |

## 11. Derivatives and Financial Instruments

***Derivative financial instruments***

We are exposed to market risk related to changes in foreign currency exchange rates. To manage the volatility related to this exposure, we periodically enter into a variety of derivative financial instruments. Our objective is to reduce, where it is deemed appropriate to do so, fluctuations in earnings and cash flows associated with changes in foreign currency exchange rates. The derivative contracts contain credit risk to the extent that our bank counterparties may be unable to meet the terms of the agreements. The amount of such credit risk is generally limited to the unrealized gains, if any, in such contracts. Such risk is minimized by limiting those counterparties to major financial institutions of high credit quality.

*Foreign currency contracts*

We conduct business in various locations throughout the world and are subject to market risk due to changes in the value of foreign currencies in relation to our reporting currency, the U.S. dollar. We manage our economic and transaction exposure to certain market-based risks through the use of foreign currency derivative financial instruments. Our objective in holding these derivatives is to reduce the volatility of net earnings and cash flows associated with changes in foreign currency exchange rates. The majority of our foreign currency contracts have an original maturity date of less than one year.

At June 30, 2022 and December 31, 2021, we had outstanding foreign currency derivative contracts with gross notional U.S. dollar equivalent amounts of $8.4 million and $14.7 million, respectively. The impact of these contracts on the Condensed Consolidated Statements of Operations and Comprehensive Income was not material for any period presented.

*Cross Currency Swaps*

At June 30, 2022 and December 31, 2021, we had outstanding cross currency swap agreements with a combined notional amount of $736.3 million and $794.4 million, respectively. The agreements are accounted for as either cash flow hedges, to hedge foreign currency fluctuations on certain intercompany debt, or as net investment hedges to manage our exposure to fluctuations in the Euro-U.S. Dollar exchange rate. We had deferred foreign currency gains of $36.5 million and $7.3 million at June 30, 2022 and December 31, 2021, respectively, in *Accumulated other comprehensive loss* associated with our cross currency swap activity. The periodic interest settlements related to our cross currency swap agreements are classified as operating activities. The cash flows that relate to principal balances are classified as financing activities for the cash flow hedges on intercompany debt and investing activities for the net investment hedges.

In June 2022, we terminated two of our cross currency swap agreements, resulting in total net cash received of $9.0 million, of which $8.8 million is included within investing activities and $0.2 million is included within financing activities on the Consolidated Statement of Cash Flows. We entered new cross currency swaps with a combined notional amount of $320.0 million to replace the terminated cross currency swap agreements.

In January 2021, one of our cross currency swap agreements which was accounted for as a cash flow hedge matured, resulting in a net cash payment of $14.7 million. The net cash payment is included within financing activities on the Condensed Consolidated Statements of Cash Flows.

***Fair value measurements***

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Assets and liabilities measured at fair value are classified using the following hierarchy, which is based upon the transparency of inputs to the valuation as of the measurement date:

*Level 1:* Valuation is based on observable inputs such as quoted market prices (unadjusted) for identical assets or liabilities in active markets.

*Level 2:* Valuation is based on inputs such as quoted market prices for similar assets or liabilities in active markets or other inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

*Level 3:* Valuation is based upon other unobservable inputs that are significant to the fair value measurement.

In making fair value measurements, observable market data must be used when available. When inputs used to measure fair value fall within different levels of the hierarchy, the level within which the fair value measurement is categorized is based on the lowest level input that is significant to the fair value measurement.

***Fair value of financial instruments***
The following methods were used to estimate the fair values of each class of financial instruments:

- *short-term financial instruments (cash and cash equivalents, accounts and notes receivable, accounts and notes payable and variable-rate debt)* — recorded amount approximates fair value because of the short maturity period;
- *long-term fixed-rate debt, including current maturities* — fair value is based on market quotes available for issuance of debt with similar terms, which are inputs that are classified as Level 2 in the valuation hierarchy defined by the accounting guidance;
- *foreign currency contract agreements* — fair values are determined through the use of models that consider various assumptions, including time value, yield curves, as well as other relevant economic measures, which are inputs that are classified as Level 2 in the valuation hierarchy defined by the accounting guidance; and
- *deferred compensation plan assets (mutual funds, common/collective trusts and cash equivalents for payment of certain non-qualified benefits for retired, terminated and active employees)* — fair value of mutual funds and cash equivalents are based on quoted market prices in active markets that are classified as Level 1 in the valuation hierarchy defined by the accounting guidance; fair value of common/collective trusts are valued at net asset value ("NAV"), which is based on the fair value of the underlying securities owned by the fund and divided by the number of shares outstanding.

The recorded amounts and estimated fair values of total debt, excluding unamortized issuance costs and discounts, were as follows:

| | June 30, 2022 | | December 31, 2021 | |
|---|---|---|---|---|
| *In millions* | Recorded Amount | Fair Value | Recorded Amount | Fair Value |
| Variable rate debt | $ 415.0 | $ 415.0 | $ 395.0 | $ 395.0 |
| Fixed rate debt | 507.6 | 490.2 | 507.6 | 564.3 |
| Total debt | $ 922.6 | $ 905.2 | $ 902.6 | $ 959.3 |

Financial assets and liabilities measured at fair value on a recurring and nonrecurring basis were as follows:

| | June 30, 2022 | | | | |
|---|---|---|---|---|---|
| *In millions* | Level 1 | Level 2 | Level 3 | NAV | Total |
| **Recurring fair value measurements** | | | | | |
| Foreign currency contract assets | $ — | $ 39.0 | $ — | $ — | $ 39.0 |
| Deferred compensation plan assets | 9.8 | — | — | 10.9 | 20.7 |
| Total recurring fair value measurements | $ 9.8 | $ 39.0 | $ — | $ 10.9 | $ 59.7 |

| | December 31, 2021 | | | | |
|---|---|---|---|---|---|
| *In millions* | Level 1 | Level 2 | Level 3 | NAV | Total |
| **Recurring fair value measurements** | | | | | |
| Foreign currency contract assets | $ — | $ 7.2 | $ — | $ — | $ 7.2 |
| Foreign currency contract liabilities | — | (9.5) | — | — | (9.5) |
| Deferred compensation plan assets | 13.6 | — | — | 12.0 | 25.6 |
| Total recurring fair value measurements | $ 13.6 | $ (2.3) | $ — | $ 12.0 | $ 23.3 |

## 12. Income Taxes

We manage our affairs so that we are centrally managed and controlled in the United Kingdom ("U.K.") and therefore have our tax residency in the U.K. The provision for income taxes consists of provisions for the U.K. and international income taxes. We operate in an international environment with operations in various locations outside the U.K. Accordingly, the consolidated income tax rate is a composite rate reflecting the earnings in the various locations and the applicable rates.

The effective income tax rate for the six months ended June 30, 2022 was 15.6%, compared to 14.7% for the six months ended June 30, 2021. We continue to actively pursue initiatives to reduce our effective tax rate. The tax rate in any quarter can be affected positively or negatively by the mix of global earnings or adjustments that are required to be reported in the specific quarter of resolution.

The total gross liability for uncertain tax positions was $36.4 million and $37.3 million at June 30, 2022 and December 31, 2021, respectively. We record penalties and interest related to unrecognized tax benefits in *Provision for income taxes* and *Net interest expense*, respectively, on the Condensed Consolidated Statements of Operations and Comprehensive Income, which is consistent with our past practices.

## 13. Benefit Plans

Components of net periodic benefit expense for our pension plans for the three and six months ended June 30, 2022 and 2021 were as follows:

| | Three months ended | | Six months ended | |
|---|---|---|---|---|
| *In millions* | June 30, 2022 | June 30, 2021 | June 30, 2022 | June 30, 2021 |
| Service cost | $ 0.6 | $ 0.7 | $ 1.2 | $ 1.4 |
| Interest cost | 0.6 | 0.5 | 1.2 | 1.0 |
| Expected return on plan assets | (0.1) | (0.1) | (0.2) | (0.2) |
| Net periodic benefit expense | $ 1.1 | $ 1.1 | $ 2.2 | $ 2.2 |

Components of net periodic benefit expense for our other post-retirement plans for the three and six months ended June 30, 2022 and 2021 were not material.

## 14. Shareholders' Equity

***Share repurchases***

In December 2020, the Board of Directors authorized the repurchase of our ordinary shares up to a maximum dollar limit of $750.0 million. The authorization expires on December 31, 2025. During the three and six months ended June 30, 2022, we repurchased 0.9 million of our ordinary shares for $50.0 million. As of June 30, 2022, we had $600.0 million available for share repurchases under this authorization.

***Dividends payable***

On May 16, 2022, the Board of Directors declared a quarterly cash dividend of $0.21, payable on August 5, 2022 to shareholders of record at the close of business on July 22, 2022. As a result, the balance of dividends payable included in *Other current liabilities* on our Condensed Consolidated Balance Sheets was $34.5 million at June 30, 2022, compared to $33.0 million at December 31, 2021.

## 15. Segment Information

We evaluate performance based on net sales and segment income (loss) and use a variety of ratios to measure performance of our reporting segments. These results are not necessarily indicative of the results of operations that would have occurred had each segment been an independent, stand-alone entity during the periods presented. Segment income (loss) represents equity income of unconsolidated subsidiaries and operating income exclusive of intangible amortization, certain acquisition related expenses, costs of restructuring and transformation activities, impairments and other unusual non-operating items.

Financial information by reportable segment is as follows:

| | Three months ended | | Six months ended | |
|---|---|---|---|---|
| *In millions* | **June 30, 2022** | **June 30, 2021** | **June 30, 2022** | **June 30, 2021** |
| **Net sales** | | | | |
| Consumer Solutions | $ 686.2 | $ 576.9 | $ 1,327.4 | $ 1,098.3 |
| Industrial & Flow Technologies | 377.4 | 363.9 | 735.5 | 708.0 |
| Other | 0.6 | 0.3 | 0.9 | 0.7 |
| Consolidated | $ 1,064.2 | $ 941.1 | $ 2,063.8 | $ 1,807.0 |
| **Segment income (loss)** | | | | |
| Consumer Solutions | $ 169.2 | $ 143.4 | $ 307.7 | $ 274.4 |
| Industrial & Flow Technologies | 59.1 | 57.1 | 111.3 | 107.1 |
| Other | (22.4) | (25.6) | (41.0) | (42.2) |
| Consolidated | $ 205.9 | $ 174.9 | $ 378.0 | $ 339.3 |

The following table presents a reconciliation of consolidated segment income to consolidated income from continuing operations before income taxes:

| | Three months ended | | Six months ended | |
|---|---|---|---|---|
| *In millions* | **June 30, 2022** | **June 30, 2021** | **June 30, 2022** | **June 30, 2021** |
| Segment income | $ 205.9 | $ 174.9 | $ 378.0 | $ 339.3 |
| Deal-related costs and expenses | (1.6) | (1.0) | (8.0) | (1.7) |
| Restructuring and other | (1.1) | (4.0) | (3.2) | (5.7) |
| Transformation costs | (5.2) | (1.9) | (10.7) | (1.9) |
| Intangible amortization | (6.3) | (6.3) | (12.9) | (13.4) |
| Russia business exit costs | — | — | (5.9) | — |
| Legal accrual adjustments and settlements | (0.5) | — | 0.2 | 2.4 |
| Net interest expense | (9.2) | (3.8) | (14.9) | (8.9) |
| Other expense | (0.5) | (0.2) | (1.1) | (0.8) |
| Income from continuing operations before income taxes | $ 181.5 | $ 157.7 | $ 321.5 | $ 309.3 |

## 16. Commitments and Contingencies

***Legal proceedings***

We have been, and in the future may be, made parties to a number of actions filed or have been, and in the future may be, given notice of potential claims relating to the conduct of our business, including those relating to commercial, regulatory or contractual disputes with suppliers, authorities, customers or parties to acquisitions and divestitures; intellectual property matters; environmental, asbestos, safety and health matters; product liability matters, including those relating to the use or installation of our products; consumer matters and employment and labor matters.

While we believe that a material impact on our consolidated financial position, results of operations or cash flows from any such future claims or potential claims is unlikely, given the inherent uncertainty of litigation, a remote possibility exists that a future adverse ruling or unfavorable development could result in future charges that could have a material adverse impact. We do and will continue to periodically reexamine our estimates of probable liabilities and any associated expenses and receivables and make appropriate adjustments to such estimates based on experience and developments in litigation. As a result, the current estimates of the potential impact on our consolidated financial position, results of operations and cash flows for the proceedings and claims described in the notes to our consolidated financial statements could change in the future.

***Environmental matters***

We have been named as defendant, target or a potentially responsible party in a number of environmental clean-ups relating to our current or former business units. Accruals for environmental matters are recorded on a site-by-site basis when it is probable that a liability has been incurred and the amount of the liability can be reasonably estimated, based on current law and existing technologies. It can be difficult to estimate reliably the final costs of investigation and remediation due to various factors. In our opinion, the amounts accrued are appropriate based on facts and circumstances as currently known. As of June 30, 2022 and December 31, 2021, our recorded reserves for environmental matters were not material.

***Product liability claims***

We are subject to various product liability lawsuits and personal injury claims. A substantial number of these lawsuits and claims are insured and accrued for by Penwald, our captive insurance subsidiary. Penwald records a liability for these claims based on actuarial projections of ultimate losses. For all other claims, accruals covering the claims are recorded, on an undiscounted basis, when it is probable that a liability has been incurred and the amount of the liability can be reasonably estimated based on existing information. The accruals are adjusted periodically as additional information becomes available. We have not experienced significant unfavorable trends in either the severity or frequency of product liability lawsuits or personal injury claims.

***Warranties and guarantees***

In connection with our disposition of businesses or product lines, we may agree to indemnify purchasers for various potential liabilities relating to the sold business, such as pre-closing tax, product liability, warranty, environmental, or other obligations. The subject matter, amounts and duration of any such indemnification obligations vary for each type of liability indemnified and may vary widely from transaction to transaction.

Generally, the maximum obligations under such indemnifications are not explicitly stated and as a result, the overall amount of these obligations cannot be reasonably estimated. Historically, we have not made significant payments for these indemnifications. We believe that if we were to incur a loss in any of these matters, the loss would not have a material adverse effect on our financial position, results of operations or cash flows.

We recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. In connection with the disposition of the Valves & Controls business, we agreed to indemnify Emerson Electric Co. for certain pre-closing tax liabilities. We have recorded a liability representing the fair value of our expected future obligation for this matter.

We provide service and warranty policies on our products. Liability under service and warranty policies is based upon a review of historical warranty and service claim experience. Adjustments are made to accruals as claim data and historical experience warrant.

The changes in the carrying amount of service and product warranties of continuing operations for the six months ended June 30, 2022 were as follows:

| *In millions* | June 30, 2022 |
|---|---|
| Beginning balance | $ 40.5 |
| Service and product warranty provision | 32.6 |
| Payments | (29.4) |
| Foreign currency translation | (0.5) |
| Ending balance | $ 43.2 |

***Stand-by letters of credit, bank guarantees and bonds***

In certain situations, Tyco International Ltd., Pentair Ltd.'s former parent company ("Tyco"), guaranteed performance by the flow control business of Pentair Ltd. ("Flow Control") to third parties or provided financial guarantees for financial commitments of Flow Control. In situations where Flow Control and Tyco were unable to obtain a release from these guarantees in connection with the spin-off of Flow Control from Tyco, we will indemnify Tyco for any losses it suffers as a result of such guarantees.

In the ordinary course of business, we are required to commit to bonds, letters of credit and bank guarantees that require payments to our customers for any non-performance. The outstanding face value of these instruments fluctuates with the value of our projects in process and in our backlog. In addition, we issue financial stand-by letters of credit primarily to secure our performance to third parties under self-insurance programs.

As of June 30, 2022 and December 31, 2021, the outstanding value of bonds, letters of credit and bank guarantees totaled $106.1 million and $104.5 million, respectively.

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

***Forward-looking Statements***

This report 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. All statements made about the Manitowoc Ice acquisition, including the anticipated time for completing the acquisition, and the anticipated benefits of the acquisition 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 our ability to close the Manitowoc Ice acquisition on the expected terms and time schedule, including satisfying closing conditions; our ability to integrate the Manitowoc Ice acquisition successfully; our ability to retain customers and employees of Manitowoc Ice; the overall impact of the COVID-19 pandemic on our and the Manitowoc Ice 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 and conditions relating to the conflict between Russia and Ukraine and related sanctions; 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 and foreign supply chains; the impact of raw material costs, 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 ability to trade, 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 U.S. Securities and Exchange Commission (the "SEC"), including this Form 10-Q and our Annual Report on Form 10-K for the year ended December 31, 2021. All forward-looking statements speak only as of the date of this report. Pentair assumes no obligation, and disclaims any obligation, to update the information contained in this report.

***Overview***

The terms "us," "we," "our" or "Pentair" refer to Pentair plc and its consolidated subsidiaries. At Pentair, we believe the health of our world depends on reliable access to clean water. We deliver a comprehensive range of smart, sustainable water solutions to homes, businesses and industries around the world. Our industry-leading and proven portfolio of solutions enables our customers to access clean, safe water; reduce water consumption; and recover and reuse water. Whether it's improving, moving or helping people enjoy water, we help manage the world's most precious resource. We are comprised of two reporting segments: Consumer Solutions and Industrial & Flow Technologies. For the first six months of 2022, the Consumer Solutions and Industrial & Flow Technologies segments represented approximately 64% and 36% of total revenues, respectively. We classify our operations into business segments based primarily on types of products offered and markets served:

- ***Consumer Solutions*** — This segment designs, manufactures and sells energy-efficient residential and commercial pool equipment and accessories, and commercial and residential water treatment products and systems. Residential and commercial pool equipment and accessories include pumps, filters, heaters, lights, automatic controls, automatic cleaners, maintenance equipment and pool accessories. Water treatment products and systems include pressure tanks, control valves, activated carbon products, conventional filtration products, and point-of-entry and point-of-use systems. Applications for our pool business's products include residential and commercial pool maintenance, repair, renovation, service and construction. Our water treatment products and systems are used in residential whole home water filtration, drinking water filtration and water softening solutions in addition to commercial total water management and filtration in foodservice operations. The primary focus of this segment is business-to-consumer.

- ***Industrial & Flow Technologies*** — This segment manufactures and sells a variety of fluid treatment and pump products and systems, including pressure vessels, gas recovery solutions, membrane bioreactors, wastewater reuse systems and advanced membrane filtration, separation systems, water disposal pumps, water supply pumps, fluid transfer pumps, turbine pumps, solid handling pumps, and agricultural spray nozzles, while serving the global residential, commercial and industrial markets. These products and systems are used in a range of applications, including fluid delivery, ion exchange, desalination, food and beverage, separation technologies for the oil and gas industry, residential and municipal wells, water treatment, wastewater solids handling, pressure boosting, circulation and transfer, fire suppression, flood control, agricultural irrigation and crop spray. The primary focus of this segment is business-to-business.

On March 2, 2022, as part of our Consumer Solutions reporting segment, we entered into a definitive agreement with Welbilt, Inc. ("Welbilt"), to acquire the issued and outstanding equity securities of certain subsidiaries of Welbilt and certain other assets, rights, and properties, and assume certain liabilities, comprising Welbilt's Manitowoc Ice business ("Manitowoc Ice"), for an aggregate purchase price of $1.6 billion, subject to customary adjustments contemplated by the definitive agreement. We expect to fund the purchase price for the acquisition with borrowings under our term loan facility and net proceeds from the issuance of our 2032 senior notes, together with cash on hand and/or borrowings under our revolving credit facility. We expect to close our Manitowoc Ice acquisition on or around July 28, 2022, subject to customary closing conditions set forth in the definitive agreement.

Effective January 1, 2023, Pentair will move to three reporting segments to reflect how we expect to manage our business beginning in 2023. As a result of this segment change, the Consumer Solutions segment will be divided into a Pool segment and a Water Solutions segment. Our new Water Solutions segment will include Manitowoc Ice, assuming the successful completion of the acquisition on or around July 28, 2022. The Industrial & Flow Technologies segment will remain the same.

***COVID-19 Pandemic Update***

In 2020, the World Health Organization declared the COVID-19 outbreak a pandemic. The ongoing effects of the COVID-19 pandemic continue to impact global economic conditions. During the first six months of 2022, we have continued to experience various degrees of supply chain challenges, including increased lead times for raw materials due to availability constraints and high demand. While we have elevated our engagement with our suppliers and used secondary suppliers and new methods of procurement where available to mitigate the supply chain pressures, we expect supply chain challenges to continue throughout 2022.

In connection with the supply chain disruptions described above, we have experienced inflationary increases of certain raw materials, such as metals, resins and electronics (including drives and motors), as well as logistics, transportation and labor costs. While we have taken pricing actions and we strive for productivity improvements that could help offset these inflationary cost increases, we expect inflationary cost increases to continue throughout 2022.

The extent of the COVID-19 pandemic's effect on our operational and financial performance in the future will depend on future developments, including the duration, geographic location and intensity of the pandemic, the impact of virus variants, the effectiveness of vaccinations, our continued ability to manufacture and distribute our products, as well as any future actions that may be taken by governmental authorities or by us relating to the pandemic. For more information regarding factors and events that may impact our business, results of operations and financial condition as a result of the COVID-19 pandemic, see "Risk Factors - Risks Relating to our Business: The COVID-19 pandemic may have a material negative impact on our business, financial condition, results of operations and cash flows" included in Item 1A. "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2021.

***Key Trends and Uncertainties Regarding Our Existing Business***

The following trends and uncertainties affected our financial performance in the first six months of 2022 and/or may impact our results in the future:

- There are many uncertainties regarding the COVID-19 pandemic, including the anticipated duration and severity of the pandemic, the spread of an increasing number of virus variants, the extent of worldwide social, political and economic disruption it may continue to cause and the distribution and effectiveness of vaccines to address the COVID-19 virus. The broader implications of the COVID-19 pandemic that are reasonably likely to impact our business, financial condition, results of operations and cash flows cannot be determined at this time, and ultimately will be affected by a number of evolving factors including the length of time that the pandemic continues and the impact of vaccines on it, the impact of virus variants, the effectiveness of vaccinations, the pandemic's effect on the demand for our products and services, our supply chain, and our manufacturing capacity, as well as the impact of governmental regulations imposed in response to the pandemic. See further discussion above under "*COVID-19 Pandemic Update"* for key trends and uncertainties with regard to the COVID-19 pandemic.

- During 2021 and the first six months of 2022, we executed certain business restructuring initiatives aimed at reducing our fixed cost structure and realigning our business. We expect these actions to continue throughout the remainder of 2022 and to drive margin growth.
- In 2021, we created a transformation office and launched and committed resources to the Transformation Program designed to accelerate growth and drive margin expansion by driving operational excellence, reducing complexity and streamlining our processes. We expect to implement Transformation Program initiatives and incur transformation costs throughout the remainder of 2022 and beyond.
- During the first six months of 2022, we continued to experience supply chain challenges, including increased lead times for raw materials due to availability constraints and high demand. While we have elevated our engagement with our suppliers and used secondary suppliers and new methods of procurement where available to mitigate the supply chain pressures, we expect supply chain challenges to continue throughout the remainder of 2022, which may continue thereafter and could negatively impact our results of operations.
- During the first six months of 2022, we continued to experience inflationary increases in costs of raw materials such as metals, resins and electronics (including drives and motors), as well as increases in logistics, transportation and labor costs. While we have taken pricing actions and we strive for productivity improvements that could help offset these inflationary cost increases, we expect inflationary cost increases to continue throughout the remainder of 2022, which may continue thereafter and could negatively impact our results of operations.
- At the end of the second quarter of 2022, our backlog, primarily in our Consumer Solutions segment, decreased compared to the backlog at the end of 2021 as shipments outpaced new orders during the period as customers balanced the need to place new orders with market demand and channel inventory levels. This downward trend may continue throughout the remainder of 2022 as we expect backlog to return to more historical levels.
- We have identified specific product and geographic market opportunities that we find attractive and continue to pursue, both within and outside the U.S. We are reinforcing that our businesses more effectively address these opportunities through research and development and additional sales and marketing resources. Unless we successfully penetrate these markets, our core sales growth will likely be limited or may decline.

In 2022, our operating objectives remain to focus on delivering our core while continuing to build out our future. We expect to execute these objectives by:

- Delivering revenue growth in our core businesses;
- Delivering income and cash by managing price/cost inflation, prioritizing growth investments and addressing the cost structures as necessary;
- Continued focus on capital allocation through:
    - Commitment to maintain our investment grade rating;
    - Return of cash to shareholders through dividends and share repurchases; and
    - Supplement our business with strategically-aligned mergers and acquisitions;
- Focused growth initiatives that accelerate our investments in digital, technology and services expansion;
- Implementation of Transformation Program initiatives that will drive operational excellence, reduce complexity and improve our organizational structure;
- Integration of Manitowoc Ice’s operations with our existing operations; and
- Building a high performance growth culture and delivering on our commitments while living our Win Right values.

**CONSOLIDATED RESULTS OF OPERATIONS**

The consolidated results of operations for the three months ended June 30, 2022 and 2021 were as follows:

| | Three months ended | | | |
|---|---|---|---|---|
| *In millions* | June 30, 2022 | June 30, 2021 | $ Change | % / Point Change |
| Net sales | $ 1,064.2 | $ 941.1 | $ 123.1 | 13.1 % |
| Cost of goods sold | 704.7 | 600.1 | 104.6 | 17.4 % |
| Gross profit | 359.5 | 341.0 | 18.5 | 5.4 % |
| *% of net sales* | *33.8 %* | *36.2 %* | | *(2.4) pts* |
| | | | | |
| Selling, general and administrative | 145.6 | 158.2 | (12.6) | (8.0) % |
| *% of net sales* | *13.7 %* | *16.8 %* | | *(3.1) pts* |
| Research and development | 23.1 | 21.0 | 2.1 | 10.0 % |
| *% of net sales* | *2.2 %* | *2.2 %* | | *— pts* |
| | | | | |
| Operating income | 190.8 | 161.8 | 29.0 | 17.9 % |
| *% of net sales* | *17.9 %* | *17.2 %* | | *0.7 pts* |
| | | | | |
| Other expense | 0.1 | 0.3 | (0.2) | N.M. |
| Net interest expense | 9.2 | 3.8 | 5.4 | 142.1 % |
| | | | | |
| Income from continuing operations before income taxes | 181.5 | 157.7 | 23.8 | 15.1 % |
| Provision for income taxes | 28.5 | 25.1 | 3.4 | 13.5 % |
| *Effective tax rate* | *15.7 %* | *15.9 %* | | *(0.2) pts* |

N.M. Not Meaningful

The consolidated results of operations for the six months ended June 30, 2022 and June 30, 2021 were as follows:

| | Six months ended | | | |
|---|---|---|---|---|
| *In millions* | June 30, 2022 | June 30, 2021 | $ Change | % / Point Change |
| Net sales | $ 2,063.8 | $ 1,807.0 | $ 256.8 | 14.2 % |
| Cost of goods sold | 1,372.1 | 1,150.8 | 221.3 | 19.2 % |
| Gross profit | 691.7 | 656.2 | 35.5 | 5.4 % |
| *% of net sales* | *33.5 %* | *36.3 %* | | *(2.8) pts* |
| | | | | |
| Selling, general and administrative expenses | 309.7 | 294.8 | 14.9 | 5.1 % |
| *% of net sales* | *15.0 %* | *16.3 %* | | *(1.3) pts* |
| Research and development expenses | 45.4 | 42.5 | 2.9 | 6.8 % |
| *% of net sales* | *2.2 %* | *2.4 %* | | *(0.2) pts* |
| | | | | |
| Operating income | 336.6 | 318.9 | 17.7 | 5.6 % |
| *% of net sales* | *16.3 %* | *17.6 %* | | *(1.3) pts* |
| | | | | |
| Other expense | 0.2 | 0.7 | (0.5) | N.M. |
| Net interest expense | 14.9 | 8.9 | 6.0 | 67.4 % |
| | | | | |
| Income from continuing operations before income taxes | 321.5 | 309.3 | 12.2 | 3.9 % |
| Provision for income taxes | 50.0 | 45.6 | 4.4 | 9.6 % |
| *Effective tax rate* | *15.6 %* | *14.7 %* | | *0.9 pts* |

N.M. Not Meaningful

***Net sales***
The components of the consolidated net sales change from the prior period were as follows:

| | Three months ended June 30, 2022 over the prior year period | Six months ended June 30, 2022 over the prior year period |
|---|---|---|
| Volume | (2.2)% | — % |
| Price | 14.5 | 12.4 |
| Core growth | 12.3 | 12.4 |
| Acquisition | 3.0 | 3.7 |
| Currency | (2.2) | (1.9) |
| Total | 13.1 % | 14.2 % |

*The 13.1 and 14.2 percent increases in net sales in the second quarter and first half, respectively, of 2022 from 2021 were primarily driven by:*

- increases in selling prices to mitigate a rise in inflationary cost;
- volume increase in our Consumer Solutions segment mainly driven by our pool business in the first half of 2022;
- volume increase in our industrial solutions business within our Industrial & Flow Technologies segment in the second quarter and first half of 2022; and
- increased sales in the second quarter and first half of 2022 from the acquisitions of Pleatco Holdings, LLC ("Pleatco") and Ken's Beverage, Inc ("KBI") in 2021.

*These increases were partially offset by:*

- volume decrease in our residential and irrigation flow and commercial and infrastructure flow businesses within our Industrial & Flow Technologies segment in the second quarter and first half of 2022; and
- unfavorable foreign currency effects compared to the second quarter and first half of the prior year.

***Gross profit***
*The 2.4 and 2.8 percentage point decreases in gross profit as a percentage of net sales in the second quarter and first half, respectively, of 2022 from 2021 were primarily driven by:*

- inflationary cost increases due to tight supply of raw materials such as metals, resins and electronics;
- higher logistics and labor costs due to increased demand, additional headcount and factory labor wage increases; and
- a charge of $1.7 million recorded in the first quarter of 2022 for the write-off of inventory and costs related to contracts and orders that we will no longer fulfill in light of our exiting of business activity and sales in Russia.

*These decreases were partially offset by:*

- increases in selling prices to mitigate impacts of inflation.

***Selling, general and administrative expenses ("SG&A")***
*The 3.1 and 1.3 percentage point decreases in SG&A as a percentage of net sales in the second quarter and first half, respectively, of 2022 from 2021 were primarily driven by:*

- higher employee incentive and stock compensation expense in 2021 compared to 2022 as the result of stronger financial performance in 2021 than initially forecasted;
- insurance proceeds received in the second quarter of 2022 as recovery of previously incurred expenses; and
- a gain on sale of fixed assets completed in the second quarter of 2022.

*These decreases were partially offset by:*

- transformation costs of $5.2 million in the second quarter of 2022, compared to $1.9 million in the second quarter of 2021, and $10.7 million in the first half of 2022, compared to $1.9 million in the first half of 2021;
- deal-related costs and expenses of $1.6 million in the second quarter of 2022, compared to $1.0 million in the same period of the prior year, and $8.0 million in the first half of 2022, compared to $1.7 million in the first half of 2021; and
- a charge of $4.2 million recorded in the first quarter of 2022 for the write-off of uncollectible accounts receivable and other costs incurred in light of our exiting of business activity and sales in Russia.

***Net interest expense***
*The 142.1 and 67.4 percent increases in net interest expense in the second quarter and first half, respectively, of 2022 from 2021 were primarily driven by:*

- the amortization of debt issuance costs of $5.1 million during the second quarter of 2022 and $7.7 million during the first half of 2022 related to financing commitments for a bridge loan facility established in connection with the definitive agreement to purchase Manitowoc Ice; and
- increased variable rate lending compared to the same periods of the prior year.

*These increases were partially offset by:*

- the weakening of the Euro compared to the same period of the prior year resulting in less interest expense on the outstanding cross currency swaps in the second quarter and first half of 2022.

***Provision for income taxes***
*The 0.2% percentage point decrease in the effective tax rate in the second quarter of 2022 from 2021 was primarily driven by*:

- the favorable mix of global earnings.

*The 0.9 percentage point increase in the effective tax rate in the first half of 2022 from 2021 was primarily driven by*:

- the favorable impact of discrete items that occurred during the first half of 2021 that did not occur in 2022.

*This increase was partially offset by:*

- the favorable mix of global earnings.

**SEGMENT RESULTS OF OPERATIONS**

The summary that follows provides a discussion of the results of operations of our two reportable segments (Consumer Solutions and Industrial & Flow Technologies). Each of these segments is comprised of various product offerings that serve multiple end users.

We evaluate performance based on net sales and segment income and use a variety of ratios to measure performance of our reporting segments. Segment income represents equity income of unconsolidated subsidiaries and operating income exclusive of intangible amortization, certain acquisition-related expenses, costs of restructuring and transformation activities, impairments and other unusual non-operating items.

**Consumer Solutions**

The net sales and segment income for Consumer Solutions were as follows:

| | Three months ended | | | Six months ended | | |
|---|---|---|---|---|---|---|
| *In millions* | June 30, 2022 | June 30, 2021 | % / Point Change | June 30, 2022 | June 30, 2021 | % / Point Change |
| Net sales | $ 686.2 | $ 576.9 | 18.9 % | $ 1,327.4 | $ 1,098.3 | 20.9 % |
| Segment income | 169.2 | 143.4 | 18.0 % | 307.7 | 274.4 | 12.1 % |
| *% of net sales* | *24.7 %* | *24.9 %* | *(0.2) pts* | *23.2 %* | *25.0 %* | *(1.8) pts* |

***Net sales***
The components of the change in Consumer Solutions net sales from the prior period were as follows:

| | Three months ended June 30, 2022 over the prior year period | Six months ended June 30, 2022 over the prior year period |
|---|---|---|
| Volume | (1.8)% | 1.4 % |
| Price | 17.2 | 14.6 |
| Core growth | 15.4 | 16.0 |
| Acquisition | 4.7 | 5.8 |
| Currency | (1.2) | (0.9) |
| Total | 18.9 % | 20.9 % |

*The 18.9 and 20.9 percent increases in net sales for Consumer Solutions in the second quarter and first half, respectively, of 2022 from 2021 were primarily driven by:*

- increases in selling prices to mitigate impacts of inflation;
- increased sales due to the Pleatco and KBI acquisitions that occurred in 2021; and
- increased sales volume in the first half of 2022 in our pool business as a result of an increase in available capacity.

*These increases were partially offset by:*

- decreased sales volume in our residential businesses in the second quarter and first half of 2022 compared to the prior year; and
- unfavorable foreign currency effects compared to the second quarter and first half of the prior year.

***Segment income***

The components of the change in Consumer Solutions segment income as a percentage of net sales from the prior period were as follows:

| | Three months ended June 30, 2022 over the prior year period | Six months ended June 30, 2022 over the prior year period |
|---|---|---|
| Growth/Price/Acquisition | 12.8 pts | 10.5 pts |
| Inflation | (11.5) | (11.8) |
| Productivity | (1.5) | (0.5) |
| Total | (0.2) pts | (1.8) pts |

*The 0.2 and 1.8 percentage point decreases in segment income for Consumer Solutions as a percentage of net sales in the second quarter and first half, respectively, of 2022 from 2021 were primarily driven by:*

- inflationary cost increases due to high demand and limited supply of raw materials such as metals, resins and electronics along with increased logistics and labor costs; and
- decreased productivity in our residential water treatment business due to decreased sales volume in the second quarter and first half of 2022 compared to the prior year.

*These decreases were partially offset by:*

- increases in selling prices to mitigate the impacts of inflation.

**Industrial & Flow Technologies**

The net sales and segment income for Industrial & Flow Technologies were as follows:

| | Three months ended | | | Six months ended | | |
|---|---|---|---|---|---|---|
| *In millions* | June 30, 2022 | June 30, 2021 | % / Point Change | June 30, 2022 | June 30, 2021 | % / Point Change |
| Net sales | $ 377.4 | $ 363.9 | 3.7 % | $ 735.5 | $ 708.0 | 3.9 % |
| Segment income | 59.1 | 57.1 | 3.5 % | 111.3 | 107.1 | 3.9 % |
| *% of net sales* | *15.7 %* | *15.7 %* | *— pts* | *15.1 %* | *15.1 %* | *— pts* |

***Net sales***

The components of the change in Industrial & Flow Technologies net sales from the prior period were as follows:

| | Three months ended June 30, 2022 over the prior year period | Six months ended June 30, 2022 over the prior year period |
|---|---|---|
| Volume | (2.7)% | (2.2)% |
| Price | 10.1 | 8.9 |
| Core growth | 7.4 | 6.7 |
| Acquisition | 0.4 | 0.4 |
| Currency | (4.1) | (3.2) |
| Total | 3.7 % | 3.9 % |

*The 3.7 and 3.9 percent increases in net sales for Industrial & Flow Technologies in the second quarter and first half, respectively, of 2022 from 2021 were primarily driven by:*

- increases in selling prices to mitigate inflationary cost increases;
- increased sales volume in our industrial solutions business due to continued recovery in our project sales; and
- increased sales due to the acquisition of Pleatco in 2021.

*These increases were partially offset by:*

- decreased sales volume in our residential and irrigation flow and commercial and infrastructure flow businesses in the second quarter and first half of 2022; and
- unfavorable foreign currency effects compared to the second quarter and first half of the prior year.

***Segment income***

The components of the change in Industrial & Flow Technologies segment income as a percentage of net sales from the prior period were as follows:

| | Three months ended June 30, 2022 over the prior year period | Six months ended June 30, 2022 over the prior year period |
|---|---|---|
| Growth/Price/Acquisition | 8.9 pts | 8.2 pts |
| Currency | (0.1) | (0.1) |
| Inflation | (7.7) | (7.3) |
| Productivity | (1.1) | (0.8) |
| Total | — pts | — pts |

*Segment income for Industrial & Flow Technologies as a percentage of net sales was flat in both the second quarter and first half of 2022 from 2021, primarily driven by:*

- increases in selling prices to mitigate inflationary cost increases;
- inflationary cost increases due to high demand and tight supply of metals and resins along with increased logistics costs due to supply chain constraints and labor costs due to workforce shortages; and
- decreased productivity due to supply chain and plant inefficiencies, partially offset by insurance proceeds and gain on sale of fixed assets.

## BACKLOG OF ORDERS BY SEGMENT

| *In millions* | June 30, 2022 | December 31, 2021 | $ Change | % Change |
|---|---|---|---|---|
| Consumer Solutions | $ 752.1 | $ 1,073.7 | $ (321.6) | (30.0)% |
| Industrial & Flow Technologies | 509.5 | 446.3 | 63.2 | 14.2 % |
| Total | $ 1,261.6 | $ 1,520.0 | $ (258.4) | (17.0)% |

The majority of our backlog is short cycle in nature with shipments within one year from when a customer places an order and a substantial portion of our revenues has historically resulted from orders received and products delivered in the same month. A portion of our backlog, particularly from orders for major capital projects, can take more than one year depending on the size and type of order. We record, as part of our backlog, all orders from external customers, which represent firm commitments, and are supported by a purchase order or other legitimate contract. Our backlog of orders is dependent upon when customers place orders and is not necessarily an indicator of our expected results for our 2022 net sales.

The decrease in backlog in our Consumer Solutions segment from December 31, 2021 to June 30, 2022 was primarily due to shipments outpacing new orders during the period as customers balanced the need to place new orders with market demand and channel inventory levels.

## LIQUIDITY AND CAPITAL RESOURCES

We generally fund cash requirements for working capital, capital expenditures, equity investments, acquisitions, debt repayments, dividend payments and share repurchases from cash generated from operations, availability under existing committed revolving credit facilities and in certain instances, public and private debt and equity offerings. Our primary revolving credit facility has generally been adequate for these purposes, although we have negotiated additional credit facilities or completed debt and equity offerings as needed to allow us to complete acquisitions.

We experience seasonal cash flows primarily due to seasonal demand in a number of markets. Consistent with historical trends, we experienced seasonal cash usage in the first quarter of 2022 and drew on our revolving credit facility to fund our operations.

This cash usage reversed in the second quarter as the seasonality of our businesses peaked and generated significant cash to fund our operations.

End-user demand for pool and certain pumping equipment follows warm weather trends and historically has been at seasonal highs from April to August. The magnitude of the sales spike has historically been partially mitigated by employing some advance sale “early buy” programs (generally including extended payment terms and/or additional discounts). Demand for residential and agricultural water systems is also impacted by weather patterns, particularly by heavy flooding and droughts.

We expect to continue to have sufficient cash and borrowing capacity to support working capital needs and capital expenditures, to pay interest and service debt and to pay dividends to shareholders quarterly. We believe our existing liquidity position, coupled with our currently anticipated operating cash flows, will be sufficient to meet our cash needs arising in the ordinary course of business for the next twelve months.

***Summary of Cash Flows***

| | Six months ended | |
|---|---|---|
| *In millions* | **June 30, 2022** | **June 30, 2021** |
| Net cash provided by (used for): | | |
| Operating activities of continuing operations | $ 176.3 | $ 361.0 |
| Investing activities | (29.8) | (100.9) |
| Financing activities | (113.8) | (251.2) |

*Operating activities*
The $176.3 million in net cash provided by operating activities of continuing operations in the first six months of 2022 primarily reflects $310.9 million of net income from continuing operations, net of non-cash depreciation and definite-lived intangible amortization. Additionally, we had a cash outflow of $129.7 million as a result of changes in net working capital, primarily due to increased inventory balances and lower employee compensation and benefits accruals compared to December 31, 2021. The inventory balance is higher due to inflationary impacts and continued supply chain inefficiencies. The lower employee compensation and benefits accruals are attributable to the payment of employee incentive compensation in the first quarter.

The $361.0 million in net cash provided by operating activities of continuing operations in the first six months of 2021 primarily reflects $302.6 million of net income from continuing operations, net of non-cash depreciation and definite-lived intangible amortization. Additionally, we had a cash inflow of $47.2 million as a result of changes in net working capital, primarily due to increased accounts receivables on higher sales, increased accounts payables resulting from inventory purchases to meet demand and increased sales leading to higher accrued rebates and incentives.

*Investing activities*
Net cash used for investing activities in the first six months of 2022 primarily reflects capital expenditures of $40.1 million, partially offset by cash received upon the settlement of net investment hedges of $8.8 million.

Net cash used for investing activities in the first six months of 2021 reflects the net cash paid of $82.8 million for the Ken’s Beverage, Inc. acquisition prior to working capital true-ups and capital expenditures of $24.3 million.

*Financing activities*
Net cash used for financing activities in the first six months of 2022 primarily relates to dividend payments of $69.5 million, share repurchases of $50.0 million and payments of debt issuance costs of $8.9 million, partially offset by net borrowings of revolving long-term debt of $19.8 million,

Net cash used for financing activities in the first six months of 2021 primarily relates to the repayment of $103.8 million of senior fixed notes, net borrowings of revolving long-term debt of $20.0 million, share repurchases of $50.0 million, dividend payments of $66.7 million and payments upon the maturity of cross currency swaps of $14.7 million.

***Free Cash Flow***

In addition to measuring our cash flow generation or usage based upon operating, investing and financing classifications included in the Condensed Consolidated Statements of Cash Flows, we also measure our free cash flow. We have a long-term goal to consistently generate free cash flow greater than 100 percent conversion of net income. Free cash flow is a non-GAAP financial measure that we use to assess our cash flow performance. We believe free cash flow is an important measure of liquidity because it provides us and our investors a measurement of cash generated from operations that is available to pay dividends, repurchase shares and repay debt. In addition, free cash flow is used as a criterion to measure and pay compensation-based incentives. Our measure of free cash flow may not be comparable to similarly titled measures reported by other companies.

The following table is a reconciliation of free cash flow:

| | Six months ended | |
|---|---|---|
| *In millions* | **June 30, 2022** | **June 30, 2021** |
| Net cash provided by operating activities of continuing operations | $ 176.3 | $ 361.0 |
| Capital expenditures of continuing operations | (40.1) | (24.3) |
| Proceeds from sale of property and equipment of continuing operations | 2.9 | 3.5 |
| **Free cash flow from continuing operations** | 139.1 | 340.2 |
| Net cash used for operating activities of discontinued operations | (1.0) | (0.2) |
| **Free cash flow** | $ 138.1 | $ 340.0 |

***Debt and Capital***

Pentair, Pentair Finance S.à r.l ("PFSA") and Pentair, Inc. are parties to a credit agreement (the "Senior Credit Facility"), with Pentair as guarantor and PFSA and Pentair, Inc. as borrowers, which was amended and restated in December 2021, providing for a $900.0 million senior unsecured revolving credit facility and a $200.0 million senior unsecured term loan facility. The revolving credit facility has a maturity date of December 16, 2026 and the term loan facility has a maturity date of December 16, 2024. Borrowings under the Senior Credit Facility bear interest at a rate equal to an adjusted base rate, the London interbank offered rate or the central bank rate, plus, in each case, an applicable margin. The applicable margin is based on, at PFSA's election, Pentair's leverage level or PFSA's public credit rating.

As of June 30, 2022, total availability under the Senior Credit Facility was $685.0 million. In addition, PFSA has the option to request to increase the revolving credit facility and/or enter into one or more additional tranches of term loans in an aggregate amount of up to $300.0 million, subject to customary conditions, including the commitment of the participating lenders.

In connection with entering into the definitive agreement to acquire Manitowoc Ice, Pentair and PFSA entered into a commitment letter, dated March 2, 2022 (the "Commitment Letter"), pursuant to which, among other things, the lenders have committed to provide debt financing for the acquisition of Manitowoc Ice, consisting of a senior unsecured bridge facility of $1.6 billion (the "Bridge Facility"), on the terms and subject to the conditions set forth in the Commitment Letter. The Bridge Facility will be subject to mandatory reduction and prepayment for 100% of the net cash proceeds from the issuance of any debt and other of our securities, other specified events and the Term Loan Facility (as defined below), subject to certain exceptions.

In March 2022, in contemplation of the acquisition of Manitowoc Ice, Pentair and PFSA entered into a Loan Agreement among PFSA, as borrower, Pentair, as guarantor, and the lenders and agents party thereto, providing for a five-year $600.0 million senior unsecured term loan facility (the "Term Loan Facility"). On June 30, 2022, the Term Loan Facility was amended to increase the facility by $400.0 million to an aggregate principal amount of $1.0 billion. PFSA and Pentair intend to borrow the full $1.0 billion aggregate principal amount available under the Term Loan Facility to finance a portion of the purchase price in the Manitowoc Ice acquisition and to pay related fees and expenses.

The aggregate principal amount of the commitments under the Term Loan Facility have replaced a corresponding amount of the commitments in respect of the Bridge Facility in accordance with the terms of the Commitment Letter. As a result, the remaining commitment under the Bridge Facility was $600.0 million as of June 30, 2022. No borrowings or loans were outstanding under the Bridge Facility or the Term Loan Facility as of June 30, 2022.

On July 8, 2022, in contemplation of the acquisition of Manitowoc Ice, Pentair, as guarantor, and PFSA, as issuer, completed a public offering of $400.0 million aggregate principal amount of 5.900% Senior Notes due 2032 ("2032 Senior Notes"). PFSA and Pentair intend to use the net proceeds from the issuance of the 2032 Senior Notes to finance a portion of the purchase price in the Manitowoc Ice acquisition and to pay related fees and expenses.

The net proceeds from the issuance of the 2032 Senior Notes have replaced a corresponding amount of the commitments in respect of the Bridge Facility in accordance with the terms of the Commitment Letter. On July 8, 2022, Pentair and PFSA voluntarily eliminated the remaining $200.0 million of commitments under the Bridge Facility. As a result, there are no remaining commitments under the Bridge Facility.

Our debt agreements contain various financial covenants, but the most restrictive covenants are contained in the Senior Credit Facility and the Term Loan Facility. The Senior Credit Facility and the Term Loan Facility contain covenants requiring us not to permit (i) the ratio of our consolidated debt (net of our consolidated unrestricted cash in excess of $5.0 million but not to exceed $250.0 million) to our consolidated net income (excluding, among other things, non-cash gains and losses) before interest, taxes, depreciation, amortization and non-cash share-based compensation expense (“EBITDA”) on the last day of any period of four consecutive fiscal quarters (each a “testing period”) to exceed 3.75 to 1.00 (or, at PFSA’s election and subject to certain conditions 4.25 to 1.00 for four testing periods in connection with certain material acquisitions) (the “Leverage Ratio”) and (ii) the ratio of our EBITDA to our consolidated interest expense, for the same period to be less than 3.00 to 1.00 as of the end of each fiscal quarter. For purposes of the Leverage Ratio, the Senior Credit Facility and the Term Loan Facility provide for the calculation of EBITDA giving pro forma effect to certain acquisitions, divestitures and liquidations during the period to which such calculation relates.

In addition to the Senior Credit Facility and the Term Loan Facility, we have various other credit facilities with an aggregate availability of $21.5 million, of which there were no outstanding borrowings at June 30, 2022. Borrowings under these credit facilities bear interest at variable rates.

We have $88.3 million fixed rate senior notes maturing in the next twelve months. We classified this debt as long-term as of June 30, 2022 as we have the intent and ability to refinance such obligation on a long-term basis under the Senior Credit Facility.

As of June 30, 2022, we had $65.0 million of cash held in certain countries in which the ability to repatriate is limited due to local regulations or significant potential tax consequences.

*Share repurchases*
In December 2020, the Board of Directors authorized the repurchase of our ordinary shares up to a maximum dollar limit of $750.0 million. The authorization expires on December 31, 2025. During the three and six months ended June 30, 2022, we repurchased 0.9 million of our ordinary shares for $50.0 million. As of June 30, 2022, we had $600.0 million available for share repurchases under this authorization.

*Dividends payable*
On May 16, 2022, the Board of Directors declared a quarterly cash dividend of $0.21, payable on August 5, 2022 to shareholders of record at the close of business on July 22, 2022. As a result, the balance of dividends payable included in *Other current liabilities* on our Condensed Consolidated Balance Sheets was $34.5 million at June 30, 2022, compared to $33.0 million at December 31, 2021.

We paid dividends in the first six months of 2022 of $69.5 million, or $0.42 per ordinary share compared with $66.7 million, or $0.40 per ordinary share, in the prior year period.

Under Irish law, the payment of future cash dividends and repurchases of shares may be paid only out of Pentair plc’s “distributable reserves” on its statutory balance sheet. Pentair plc is not permitted to pay dividends out of share capital, which includes share premiums. Distributable reserves may be created through the earnings of the Irish parent company and through a reduction in share capital approved by the Irish High Court. Distributable reserves are not linked to a U.S. generally accepted accounting principles (“GAAP”) reported amount (e.g., retained earnings). Our distributable reserve balance was $8.4 billion as of December 31, 2021.

*Supplemental guarantor information*
Pentair plc (the “Parent Company Guarantor”), fully and unconditionally, guarantees the senior notes of PFSA (the “Subsidiary Issuer”). The Subsidiary Issuer is a Luxembourg private limited liability company and 100 percent-owned subsidiary of the Parent Company Guarantor.

The Parent Company Guarantor is a holding company established to own directly and indirectly substantially all of its operating and other subsidiaries. The Subsidiary Issuer is a holding company formed to own directly and indirectly substantially all of its operating and other subsidiaries and to issue debt securities, including the senior notes. The Parent Company Guarantor's principal source of cash flow, including cash flow to make payments on the senior notes pursuant to the guarantees, is dividends from its subsidiaries. The Subsidiary Issuer's principal source of cash flow is interest income from its subsidiaries. Neither the subsidiaries of the Parent Company Guarantor nor the Subsidiary Issuer is under any direct obligation to pay or otherwise fund amounts due on the senior notes or the guarantees, whether in the form of dividends, distributions, loans or other payments. In addition, there may be statutory and regulatory limitations on the payment of dividends from certain subsidiaries of the Parent Company Guarantor or the Subsidiary Issuer. If such subsidiaries are unable to transfer funds to the Parent Company Guarantor or the Subsidiary Issuer and sufficient cash or liquidity is not otherwise available, the Parent Company Guarantor or the Subsidiary Issuer may not be able to make principal and interest payments on their outstanding debt, including the senior notes or the guarantees.

The following table presents summarized financial information as of June 30, 2022 and December 31, 2021 for the Parent Company Guarantor and Subsidiary Issuer on a combined basis after elimination of (i) intercompany transactions and balances among the guarantors and issuer and (ii) equity in earnings from and investments in any subsidiary that is a non-Guarantor or issuer.

| *In millions* | **June 30, 2022** | **December 31, 2021** |
|---|---|---|
| Current assets [1] | $ 2.2 | $ 3.4 |
| Noncurrent assets [2] | 1,214.3 | 1,222.3 |
| Current liabilities [3] | 960.0 | 843.4 |
| Noncurrent liabilities [4] | 1,192.0 | 1,193.6 |

(1) No assets due from non-guarantor subsidiaries were included as of June 30, 2022 and December 31, 2021, respectively.
(2) Includes assets due from non-guarantor subsidiaries of $1,183.4 million and $1,202.5 million as of June 30, 2022 and December 31, 2021, respectively.
(3) Includes liabilities due to non-guarantor subsidiaries of $904.2 million and $792.1 million as of June 30, 2022 and December 31, 2021, respectively.
(4) Includes liabilities due to non-guarantor subsidiaries of $257.7 million and $276.8 million as of June 30, 2022 and December 31, 2021, respectively.

The Parent Company Guarantor and Subsidiary Issuer do not have material results of operations on a combined basis.

## CRITICAL ACCOUNTING POLICIES

We have adopted various accounting policies to prepare the consolidated financial statements in accordance with GAAP. Certain of our accounting policies require the application of significant judgment by management in selecting the appropriate assumptions for calculating financial estimates. In our Annual Report on Form 10-K for the year ended December 31, 2021, we identified the critical accounting policies that affect our more significant estimates and assumptions used in preparing our consolidated financial statements. There have been no material changes to our critical accounting policies and estimates from those disclosed in our Annual Report on Form 10-K for the year ended December 31, 2021.

## ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes in our market risk during the quarter ended June 30, 2022. For additional information refer to Item 7A of our Annual Report on Form 10-K for the year ended December 31, 2021.

## ITEM 4. CONTROLS AND PROCEDURES

**(a) Evaluation of Disclosure Controls and Procedures**

We maintain a system of disclosure controls and procedures designed to provide reasonable assurance as to the reliability of our published financial statements and other disclosures included in this report. Our management evaluated, with the participation of our Chief Executive Officer and our Chief Financial Officer, the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the quarter ended June 30, 2022 pursuant to Rule 13a-15(b) of the Securities Exchange Act of 1934 (the "Exchange Act"). Based upon their evaluation, our Chief Executive Officer and our Chief Financial Officer concluded that our disclosure controls and procedures were effective, at the reasonable assurance level, as of the end of the quarter ended June 30, 2022 to ensure that information required to be disclosed by us in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms, and to ensure that information required to be disclosed by us in the reports we file or submit under the Exchange Act is accumulated and communicated to our management, including our principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosures.

**(b) Changes in Internal Control over Financial Reporting**

There was no change in our internal control over financial reporting that occurred during the quarter ended June 30, 2022 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

# PART II OTHER INFORMATION

## ITEM 1. LEGAL PROCEEDINGS

We have been, and in the future may be, made parties to a number of actions filed or have been, and in the future may be, given notice of potential claims relating to the conduct of our business, including those relating to commercial, contractual or regulatory disputes with suppliers, customers, authorities or parties to acquisitions and divestitures; intellectual property matters; environmental, asbestos, safety and health matters; product liability claims; claims relating to the use or installation of our products; consumer and consumer protection matters; and employment and labor matters. Refer to "Legal Proceedings" and "Environmental Matters" within Note 16 "Commitments and Contingencies" of the condensed consolidated financial statements included within ITEM 1 of Part I of this Form 10-Q for information regarding legal and regulatory proceedings we are involved in.

## ITEM 1A. RISK FACTORS

There have been no material changes from the risk factors previously disclosed in Item 1A. of our Annual Report on Form 10-K for the year ended December 31, 2021, except for the additional risk factors relating to the Manitowoc Ice acquisition set forth below.

***We may not realize the anticipated benefits of the Manitowoc Ice acquisition and any benefit may take longer to realize than we expect.***

The Manitowoc Ice acquisition will involve the integration of Manitowoc Ice's operations with our existing operations, and there are uncertainties inherent in such an integration. We will be required to devote significant management attention and resources to integrating Manitowoc Ice's operations. Delays or unexpected difficulties in the integration process could adversely affect our business, financial results and financial condition. Even if we are able to integrate Manitowoc Ice's operations successfully, this integration may not result in the realization of the full benefits of revenue synergies, cost savings and operational efficiencies that we expect or the achievement of these benefits within a reasonable period of time or at all.

***We could be subject to new risks, known and unknown, relating to the Manitowoc Ice acquisition.***
We may experience risks, losses and damages associated with the Manitowoc Ice acquisition. The risks we could face include the following:

- the Manitowoc Ice acquisition may lead to the incurrence of costs to review, upgrade and integrate Manitowoc Ice's systems with our compliance and reporting systems, including our systems of internal control over financial reporting. The process of integrating Manitowoc Ice into our internal control over financial reporting could require significant time and effort from our management and other personnel and could increase our compliance costs; and

- the Manitowoc Ice acquisition involves the inherent risk of liabilities, and these liabilities may prove more costly or produce more adverse effects than we anticipate, such as actual or potential litigation and regulatory matters. In addition, in the course of the due diligence review of Manitowoc Ice, we may not have discovered, or may have been unable to quantify, undisclosed liabilities of Manitowoc Ice, and we may not be indemnified or have insurance for any of these liabilities. Any such liabilities could have an adverse effect on our business, results of operations, financial condition and cash flows following the completion of the Manitowoc Ice acquisition.

Any of these risks associated with the Manitowoc Ice acquisition could have a material adverse impact on our business, results of operations and financial condition.

***Increased leverage may harm our financial condition and results of operations.***
As of June 30, 2022, we had $911.5 million of total debt on a consolidated basis. We expect our indebtedness to increase materially in connection with our acquisition of Manitowoc Ice. We intend to fund the Manitowoc Ice acquisition with borrowings of $1.0 billion under our Term Loan Facility and the net proceeds from the issuance of our $400.0 million of 2032 Senior Notes, together with cash on hand and/or borrowings under our revolving credit facility, for an aggregate amount of approximately $1.6 billion of new indebtedness in connection with the Manitowoc Ice acquisition. We and our subsidiaries may incur additional indebtedness in the future and, subject to limitations on the amount of secured indebtedness we may incur without securing the notes and other outstanding debt securities, the indenture that will govern the notes will not restrict us from incurring indebtedness in the future. Future increases in our level of indebtedness will have several important effects on our future operations, including, without limitation:

- we will have additional cash requirements in order to support the payment of interest on our outstanding indebtedness;

- increases in our outstanding indebtedness and leverage may increase our vulnerability to adverse changes in general economic and industry conditions, as well as to competitive pressure;

- our ability to obtain additional financing for working capital, capital expenditures, general corporate and other purposes may be reduced;

- our flexibility in planning for, or reacting to, changes in our business and our industry may be reduced; and

- our flexibility to make acquisitions and develop technology may be limited.

Our ability to make payments of principal and interest on our indebtedness, including the notes, depends upon our future performance, which will be subject to general economic conditions and financial, business and other factors affecting our consolidated operations, many of which are beyond our control. If we are unable to generate sufficient cash flow from operations in the future to service our debt and meet our other cash requirements, we may be required, among other things:

- to seek additional financing in the debt or equity markets;

- to refinance or restructure all or a portion of our indebtedness, including the notes;

- to sell selected assets or businesses; or

- to reduce or delay planned capital or operating expenditures.

Such measures might not be sufficient to enable us to service our debt and meet our other cash requirements, including the notes. In addition, any such financing, refinancing or sale of assets might not be available at all or on economically favorable terms.

## ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The following table provides information with respect to purchases we made of our ordinary shares during the second quarter of 2022:

| Period | (a) Total number of shares purchased | (b) Average price paid per share | (c) Total number of shares purchased as part of publicly announced plans or programs | (d) Dollar value of shares that may yet be purchased under the plans or programs |
|---|---|---|---|---|
| April 1 - April 30 | 255,036 | $ 52.27 | 250,000 | $ 636,942,721 |
| May 1 - May 28 | 707,272 | 52.24 | 706,857 | 600,002,203 |
| May 29 - June 30 | 841 | 48.45 | — | 600,002,203 |
| Total | 963,149 | | 956,857 | |

(a) The purchases in this column include 5,036 shares for the period April 1 - April 30, 415 shares for the period May 1 - May 28 and 841 shares for the period May 29 - June 30 deemed surrendered to us by participants in our equity incentive plans to satisfy the exercise price or withholding of tax obligations related to the exercise of stock options and vesting of restricted and performance shares.

(b) The average price paid in this column includes shares deemed surrendered to us by participants in our equity incentive plans to satisfy the exercise price for the exercise price of stock options and withholding tax obligations due upon stock option exercises and vesting of restricted and performance shares.

(c) The number of shares in this column represents the number of shares repurchased as part of our publicly announced plans to repurchase our ordinary shares up to the maximum dollar limit authorized by the Board of Directors, discussed below.

(d) In December 2020, the Board of Directors authorized the repurchase of our ordinary shares up to a maximum dollar limit of $750.0 million. The authorization expires on December 31, 2025. As of June 30, 2022, we had $600.0 million available for share repurchases under this authorization. From time to time, we may enter into a Rule 10b5-1 trading plan for the purpose of repurchasing shares under this authorization.

## ITEM 6. EXHIBITS

The exhibits listed in the following Exhibit Index are filed as part of this Quarterly Report on Form 10-Q.

**Exhibit Index to Form 10-Q for the Period Ended June 30, 2022**

| | |
|---|---|
| 4.1 | Amendment No. 1, dated as of June 30, 2022, among Pentair plc, Pentair Finance S.à r.l., and the lenders and agents party thereto (Incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K of Pentair plc filed with the Commission on June 30, 2022 (File No. 001-11625)). |
| 4.2 | Eighth Supplemental Indenture, dated as of July 8, 2022, among Pentair Finance S.à r.l., Pentair plc and U.S. Bank Trust Company, National Association, as trustee (Incorporated by reference to Exhibit 4.3 to the Current Report on Form 8-K of Pentair plc filed with the Commission on July 8, 2022 (File No. 001-11625)). |
| 22 | List of Guarantors and Subsidiary Issuers of Guaranteed Securities. |
| 31.1 | Certification of Chief Executive Officer. |
| 31.2 | Certification of Chief Financial Officer. |
| 32.1 | Certification of Chief Executive Officer, Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 32.2 | Certification of Chief Financial Officer, Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 101 | The following materials from Pentair plc's Quarterly Report on Form 10-Q for the quarter ended June 30, 2022 are filed herewith, formatted in iXBRL (Inline Extensible Business Reporting Language): (i) the Condensed Consolidated Statements of Operations and Comprehensive Income for the three and six months ended June 30, 2022 and 2021, (ii) the Condensed Consolidated Balance Sheets as of June 30, 2022 and December 31, 2021, (iii) the Condensed Consolidated Statements of Cash Flows for the six months ended June 30, 2022 and 2021, (iv) the Condensed Consolidated Statements of Changes in Equity for the three and six months ended June 30, 2022 and 2021, and (v) Notes to Condensed Consolidated Financial Statements. The instance document does not appear in the interactive data file because its XBRL tags are embedded within the Inline XBRL document. |
| 104 | Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101). |

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on July 26, 2022.

Pentair plc
Registrant

By /s/ Robert P. Fishman
Robert P. Fishman
Executive Vice President, Chief Financial Officer and Chief Accounting Officer

**Exhibit 22**

**List of Guarantors and Subsidiary Issuers of Guaranteed Securities**
**as of June 30, 2022**

The following is a list of guarantors of the 3.150% Senior Notes due 2022, 4.650% Senior Notes due 2025, 4.500% Senior Notes due 2029 and 5.900% Senior Notes due 2032 issued by Pentair Finance S.à r.l., which is a wholly-owned subsidiary of Pentair plc:

| Name of Guarantor | Jurisdiction of Incorporation |
|---|---|
| Pentair plc | Ireland |

**Exhibit 31.1**

**Certification**

I, John L. Stauch, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Pentair plc;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 26, 2022

/s/ John L. Stauch
John L. Stauch
President and Chief Executive Officer

**Exhibit 31.2**

**Certification**

I, Robert P. Fishman, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Pentair plc;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 26, 2022

/s/ Robert P. Fishman
Robert P. Fishman
Executive Vice President, Chief Financial Officer and Chief Accounting Officer

**Exhibit 32.1**

**Certification of CEO Pursuant To
18 U.S.C. Section 1350,
As Adopted Pursuant To
Section 906 Of The Sarbanes-Oxley Act Of 2002**

In connection with the Quarterly Report of Pentair plc (the “Company”) on Form 10-Q for the period ended June 30, 2022 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, John L. Stauch, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that based on my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

| | |
|---|---|
| Date: July 26, 2022 | /s/ John L. Stauch |
| | John L. Stauch |
| | President and Chief Executive Officer |

**Exhibit 32.2**

**Certification of CFO Pursuant To**
**18 U.S.C. Section 1350,**
**As Adopted Pursuant To**
**Section 906 Of The Sarbanes-Oxley Act Of 2002**

In connection with the Quarterly Report of Pentair plc (the "Company") on Form 10-Q for the period ended June 30, 2022 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Robert P. Fishman, Executive Vice President, Chief Financial Officer and Chief Accounting Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that based on my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: July 26, 2022

/s/ Robert P. Fishman

Robert P. Fishman
Executive Vice President, Chief Financial Officer and Chief Accounting Officer