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# Pentair plc (PNR)

Q1 2022 Earnings Call

## CORPORATE PARTICIPANTS

**Jim C. Lucas**

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**John L. Stauch**

*President, Chief Executive Officer & Director, Pentair plc*

**Robert P. Fishman**

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## OTHER PARTICIPANTS

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**Michael Halloran**

*Analyst, Robert W. Baird & Co., Inc.*

**Deane Dray**

*Analyst, RBC Capital Markets LLC*

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## MANAGEMENT DISCUSSION SECTION

**Operator:** Ladies and gentlemen, thank you for standing by. And welcome to the Pentair's Q1 2022 Earnings Conference Call. At this time, all participants are in a listen-only mode. At the end of the presentation, there will be a question-and-answer session. [Operator Instructions]

I'll now like to hand the conference over to Jim Lucas. Please go ahead.

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### Jim C. Lucas

*Senior Vice President, Treasurer, Financial Planning and Analysis & Investor Relations, Pentair plc*

Thanks, Jay, and welcome to Pentair's First Quarter 2022 earnings conference call. We're glad you could join us today. I'm Jim Lucas, Senior VP, Treasurer, FP&A and Investor Relations. And with me today is John Stauch, our President and Chief Executive Officer; and Bob Fishman, our Chief Financial Officer.

On today's call, we will provide details on our first quarter performance as outlined in this morning's press release. Before we begin, let me remind you that during our presentation today, we will make forward-looking statements. Listeners are cautioned that these statements are subject to certain risks and uncertainties, many of which are difficult to predict and generally beyond the control of Pentair.

These risks and uncertainties can cause actual results to differ materially from our current expectations. We advise listeners to carefully review the risk factors in our most recent Form 10-Q and Form 10-K and today's release. We will also reference certain non-GAAP measures. Reconciliations of these non-GAAP measures to the most directly comparable GAAP measures can be found in the Investor Relations section of Pentair's website.

We will be sure to reserve time for questions and answers after our prepared remarks. I would like to request that you limit your questions to one and a follow-up to ensure everyone an opportunity to ask their questions. I will now turn the call over to John.

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### John L. Stauch

*President, Chief Executive Officer & Director, Pentair plc*

Thank you, Jim, and good morning, everyone. Please turn to slide number 4, titled Executive Summary. We were pleased to deliver a solid first quarter that exceeded our previously communicated expectations. Sales expanded 15% in the first quarter, and we were encouraged to see price continue to read out positively. Inflation is unfortunately not showing any signs of moderating, which is why we expect to increase price even further to cover the incremental inflation headwinds.

During the first quarter, we announced the agreement to acquire Manitowoc Ice which I will discuss in a little bit more detail shortly. We believe this is a great complementary acquisition that will help enhance our strong commercial water solutions business.

Bob will give more details on our guidance later in the call, but we are updating our full-year guidance to reflect a little more top line growth and our full-year adjusted EPS range remains unchanged at \$3.70 to \$3.80. We are entering our seasonally strongest quarter with continued momentum, and we believe that Pentair is well positioned for 2022 and beyond.

Please turn to slide 5 labeled Building a Track Record of Consistent Growth. We believe in our strategy and we are building a track record of consistent growth, despite the many external global supply chain and inflation challenges that most companies are facing. Growing the core is our number one priority, whether it is sales, income growth or margin expansion. We must deliver in all areas. We are leader in pool and continue to be well positioned to serve a large growing installed base.

Water treatment is benefiting from consumers focusing on water quality, which benefits both our residential and commercial businesses. We have a sizable flow business with several strong positions in areas such as water supply, water disposal, fire suppression and flood control. Our Industrial Solutions business continues to focus around its two biggest opportunities, beer membrane filtration and sustainable gas.

I will touch on transformation in a moment, but we believe this is one of the biggest long-term opportunities for Pentair. This is not just about unlocking value, improving margins. Rather, it is about doing things better and more optimally, and positioning Pentair for the best possible future. Our balance sheet has been one of our biggest strengths, and we are currently in the process of using it with the announced agreement to acquire Manitowoc Ice. While we have built an improved track record of growth in the past couple of years, we believe there's still a long runway ahead for Pentair.

Please turn to slide 6, labeled Transformation to Enhance Value Creation. Transformation is a word we chose carefully because we are not just focused on taking out costs. Transformation is about improving the way we do business. I remind the team consistently that we need to celebrate the successes of what we have been doing and the way we have done it, but that does not mean these are the right processes going forward.

Transformation comes from our lean methodology. It is about identifying the current state, recognizing that you can be much better, and therefore, creating the future state vision and then building your transformation plan to achieve it. We are focused on four transformational areas: pricing, sourcing, operations and distribution, and organizational effectiveness. While 2021 was about planning, we are now moving to the execution phase. Our two biggest opportunities are in pricing and sourcing, where we brought in outside partners to help us transform these key processes. We continue to build funnels and we are seeing momentum build as our outside partners help train us on how to unlock additional value within our four targeted areas. We are bringing greater focus and prioritization, and we are using data analytics to drive our decision making. We are seeing many of our more complex businesses, such as Flow, make great strides in improving margins and they are now turning to focus on targeted growth opportunities. Transformation is a key value creator for Pentair longer-term, and we look forward to updating you in more detail and sharing our targets and expectations for 2023 and beyond later in the year.

Please turn to slide 7 labeled Advancing Total Water Management and Building a Stronger Commercial Water Solutions Platform. In early March, we announced our agreement to acquire Manitowoc Ice. We believe this is a great business that will allow us the opportunity to bring to our customers a total water management solution through our commercial water solutions business and expand our offerings. On a pro forma basis, we expect our commercial water solutions business to be a nearly \$700 million business, made up of three different growing categories.

Everpure is a projected \$225 million, very high margin, respected industry brand that allows us to provide our foodservice customers with high quality water for their specialty needs. Manitowoc is a projected \$325 million, high margin brand that has a proven track record of creating and delivering dependable ice machines. And KBI is a projected \$125 million, lower margin, but significantly important and well-known service leader with a reputation for providing one-of-a-kind service, preventative maintenance and infrastructure for commercial customers.

Combined, these three businesses can offer end-to-end water filtration and ice solutions for foodservice customers, along with predictive services that identify and address customer issues before they arise.

Together, we anticipate that we can deliver sustained commercial water solutions, double-digit revenue growth at mid-20s margins by providing ice and better, cleaner water to people all around the world. We expect the closing of the Manitowoc transaction to occur in the second or third quarter, subject to regulatory approvals.

I would now like to turn the call over to Bob to discuss our performance and our financial results in more detail. Bob?

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## Robert P. Fishman

*Executive Vice President, Chief Financial Officer & Chief Accounting Officer, Pentair plc*

Thank you, John. Please turn to slide 8, labeled Q1 2022 Pentair Performance. We delivered first quarter sales growth of 15%, with core sales increasing 12% with strong price contribution. While inflation continues to accelerate, we were pleased to see price offset inflation for the first time in almost a year. Consumer Solutions delivered core sales growth of 17%, and Industrial & Flow Technologies grew core revenue 6%.

Segment income increased 5%, while return on sales declined 180 basis points to 17.2%. The principal contributors to the margin decline were the lower margin impact of recent acquisitions, supply chain inefficiencies and elevated inflation. We were encouraged to see return on sales improve sequentially with strong price contribution. While inflation is showing no signs of moderating and supply chain disruptions remain, we expect return on sales to show strong sequential improvement into the second quarter.

Below the line, net interest and expense was just under \$4 million; our share count was 166.5 million; and the adjusted tax rate was 16%. Adjusted EPS grew 5% to \$0.85 and exceeded our guidance for the quarter.

We made the decision to exit what has been a very small business in Russia. Exiting the business resulted in a \$6 million charge relating to the write-off of receivables, inventories and other costs related to contracts that we will no longer fulfill. This was the right thing to do, and we note that both our sales before and this cost related to our exit were immaterial amounts.

Please turn to slide 9 labeled Q1 2022 Consumer Solutions Performance. Consumer Solutions delivered another strong quarter, with sales growing 23% and core sales increasing 17%. The acquisitions of KBI and Pleatco were positive contributors to the top line. However, they do operate today at lower margins, and this resulted in pressure on return on sales. Segment income grew 6% and price nearly offset inflation in the quarter, as we continued to see strong readout in both businesses within Consumer Solutions.

Pool sales grew 23% in the quarter, and we continued to see strong momentum entering the beginning of the pool season. We commented last quarter that we were seeing channel inventories more in line with historical levels. And while some categories are still catching up, the channel is in much better shape entering the season this year than last.

Within pool, we have a relentless focus on creating an even more effortless experience for our customers. We have recently launched a new order status portal that allows customers to have greater visibility on order status information without making calls. We have also enhanced our phone system for easier navigation to ensure that dealers and consumers alike receive the proper and advanced resource support when needed.

One of our key differentiators in pool's long-term success is the loyalty from our dealers. We have long focused on industry-leading sales and technical training to enable our dealers to learn the benefits of our products and help facilitate an easier installation process. We have invested in experienced training centers to allow dealers as well as builders and service companies to have a more intimate learning of our products. One of our key areas of focus is to enable our customers, both distributors and dealers, to advance their businesses.

We continue to focus on building our innovation pipeline. We are launching our new IntelliFlo 3 pump to create a more efficient flow management experience. We're also launching a higher-end version of this pump with a mini automation system on board to provide the consumer with enhanced control and functionality of their pool.

Overall, pool is seeing strong demand from dealers and builders with good visibility through the 2022 season. We continue to carry a healthy backlog in pool, although this has historically been a short cycle business with low lead times. As we continue to increase capacity and hopefully see signs of supply chain inefficiencies easing, we expect backlogs to come down through the course of the year.

Water treatment grew sales 24% which included some contribution from KBI. Residential water treatment continue to be focused on complexity reduction and improving margins. Sales were up mid-single digits for the residential business with positive contribution from both affiliated dealers and components.

Commercial water solutions continued to see a healthy recovery in its end markets, resulting in a healthy, double-digit growth once again. The addition of KBI has improved and broadened many of our customer relationships. The core Everpure business has enjoyed a strong rebound in quick service restaurants and convenience stores with improvements starting to come in the hospitality sectors as consumers once again start traveling more. We have been most encouraged with the global nature of the recovery in commercial water solutions. In addition to our total water management efforts, this continues to be an important growth vector for us and is contributing a healthy funnel of new opportunities with current and new distributors, dealers, and customers. We are also seeing the foodservice industry, particularly quick served restaurants adapting to new standards in restaurant design and equipment that is generating opportunities for new installations and reconfiguration of existing restaurants.

Please turn to slide 10, labeled Q1 2022 Industrial & Flow Technologies performance. Industrial & Flow Technologies grew sales 4% in the quarter, with core revenue increasing 6%. Segment income grew 4% and return on sales increased as all businesses within IFP are making progress on complexity reduction. Residential flow grew sales 1%, but this included a headwind from a small product line divestiture in the quarter. Overall, residential flow continues to see strong demand as it enters a seasonally strongest quarter. The business is being impacted by supply chain inefficiencies and labor shortages which, along with strong demand, has resulted in strong backlog for this historically shorter cycle business.

Overall, we expect residential flow to have a solid year with price reading out nicely and backlog being worked out as supply chain inefficiencies hopefully begin to ease as the year progresses. Commercial flow grew sales 1% as the focus continues to be on complexity reduction and improving margins. The business has made good progress in steel reduction, driving productivity and beginning to move to more of a configure to order instead of engineer to order business model. This is resulting in greater efficiency in the plants, and we have seen several quarters in a row of margin improvement as a result.

Industrial Solutions saw sales increased 11% as larger global beer manufacturers are increasing their CapEx budget, and we continue to see strong demand in orders and sales for our sustainable gas business. The business also benefited from the addition of Pleatco. Overall, the longer cycle Industrial Solutions business has

seen solid improvement in orders and backlog, and we expect the top line momentum to continue as the year progresses.

Please turn to slide 11 labeled Balance Sheet and Cash Flow. The balance sheet ended the first quarter in very strong shape. Our leverage ended the quarter at just over 1 times, and our return on invested capital remained in the high teens. Free cash flow usage in the quarter was more in line with historical trends than what we experienced at the start of last year when sales were more linear through that quarter.

To start 2022, we saw a slow start in January due in part to omicron-related absenteeism in many of our factories. We had a particularly strong last month of the quarter that resulted in higher receivables that we should collect in the second quarter.

In addition, we have been advantageously buying higher than usual levels of key components as we manage through today's supply chain inefficiencies. For the year, we continued to expect free cash flow to approximate net income and the second quarter should see traditional strength and free cash flow generation in line with historical trends.

Please turn to slide 12 labeled Q2 and Full-Year 2022 Pentair Outlook. For the second quarter, we're introducing adjusted EPS guidance of \$0.98 to \$1.01 which represents a year-over-year increase of 17% to 20%. We expect total sales to grow 11% to 13% which we believe is a strong showing given the particularly difficult comparison to the same period last year. We expect segment income to increase 14% to 17% with corporate expense coming in around \$20 million, net interest expense of \$5 million to \$6 million, an adjusted tax rate of 16%, and a share count of 166.5 million to 167.5 million.

For the full year, we are modestly increasing our top line guidance to a range of 9% to 11%, reflecting a slightly better showing in the first quarter in addition to further price actions anticipated to offset continued higher inflation. We continue to expect segment income to increase 10% to 13%, an adjusted EPS in the range of \$3.70 to \$3.80 or an increase of 9% to 12% for the year.

Below the line, we expect corporate expense to be around \$80 million. Net interest expense of \$18 million to \$20 million, an adjusted tax rate of approximately 16%, and shares to be around 167 million to 168 million. Finally, as we stated previously, we expect free cash flow to approximate net income.

I'd now like to turn the call over to Jay for Q&A. After which, John will have a few closing remarks. Jay, please open the line for questions. Thank you.

## QUESTION AND ANSWER SECTION

**Operator:** Thank you. [Operator Instructions] Our first question comes from the line of Joe Giordano of Cowen. Your line is open.

**Joseph Giordano**

*Analyst, Cowen and Company LLC*

Q

Hey. Good morning, guys.

**John L. Stauch**

*President, Chief Executive Officer & Director, Pentair plc*

A

Good morning.

**Robert P. Fishman**

*Executive Vice President, Chief Financial Officer & Chief Accounting Officer, Pentair plc*

A

Good morning.

**Joseph Giordano**

*Analyst, Cowen and Company LLC*

Q

I wanted to just start on IFT actually. The volume number there was negative, which was maybe a little bit surprising. So, just any color there. Obviously, prices are going to read through and it's offsetting that. But did that kind of like accelerate to the downside at the end of the quarter? How did that kind of look, and what's the view on volumes there for – as you go forward?

**John L. Stauch**

*President, Chief Executive Officer & Director, Pentair plc*

A

Yeah, Bob.

**Robert P. Fishman**

*Executive Vice President, Chief Financial Officer & Chief Accounting Officer, Pentair plc*

A

From a volume perspective, it was really within our residential, our flow business. And what we saw there was just some of the challenges associated with labor shortages and supply chain challenges that got us off to a slow start in the quarter. What we like within the flow business is the backlog remains strong, the demand is there. So, from our perspective, it was more a matter of battling through some of those challenges, and then starting to grow more significantly throughout the year.

**Joseph Giordano**

*Analyst, Cowen and Company LLC*

Q

Okay, great. And then, a follow-up just on the inventory build. Is that like finished product ready to go out or is this like stuff that's still waiting for components that are still hard to get, like semi-finished inventory that you have?

**Robert P. Fishman**

*Executive Vice President, Chief Financial Officer & Chief Accounting Officer, Pentair plc*

A

Yeah, really the latter. It's raw material that advantageously buying products, so that we can meet demand for its product that's waiting to be built into finished goods. So, it is a headwind for us in the first quarter, and we're actively setting targets in managing that. But it is a reflection of the supply chain challenges that we face.

Joseph Giordano

*Analyst, Cowen and Company LLC*

Okay. Thanks, guys.

Q

John L. Stauch

*President, Chief Executive Officer & Director, Pentair plc*

Thank you.

A

**Operator:** Thank you. Next question comes from the line of Mike Halloran of Baird. Your line is open.

Michael Halloran

*Analyst, Robert W. Baird & Co., Inc.*

Hey, good morning, gentlemen.

Q

John L. Stauch

*President, Chief Executive Officer & Director, Pentair plc*

Good morning.

A

Michael Halloran

*Analyst, Robert W. Baird & Co., Inc.*

On the price cost side, obviously, good to see you catching up and being towards even in the quarter. How are you thinking about that going forward from here, obviously put another price increase in to manage the current inflation or incremental inflation? Is the first quarter peak paying? And is that how you're thinking about it in the guidance? And any thoughts on how that cadences through the year?

Q

Robert P. Fishman

*Executive Vice President, Chief Financial Officer & Chief Accounting Officer, Pentair plc*

Yeah, from our perspective, inflation will continue to stay high. I look at the inflation amount that was in Q1 of roughly \$89 million, and we're not assuming that gets any better the balance of the year. The, the good news is that price is reading out, and so we should see price cost difference increase throughout the year, which will help our margin expansion story. We're, we're positive around your margins improving from the – in the second half versus the first half. Margins will improve significantly in the second quarter, both sequentially and on a year-on-year basis. So, we start winning the price cost battle rather than just offsetting it like we did in the first quarter. So, we're encouraged there. From our perspective, Q1 was very much of an inflection point. We improved margins versus Q4. We had had a number of quarters previous to that where we were showing margins declining. So from our perspective, margin expansion continues from here, with Q1 having been the biggest challenge.

A

Michael Halloran

*Analyst, Robert W. Baird & Co., Inc.*

Thanks for that. And then, on Manitowoc Ice, you mentioned in the prepared remarks double-digit growth expectations. Just with the mid-20% margins, maybe you can help on the growth side, just parse out how you're thinking about that from a market versus some of these revenue synergy targets that you laid out on the

Q

acquisition conference call. And then, kind of a second part to the question is just thoughts on the timing of close and if anything's changed on that side?

John L. Stauch

*President, Chief Executive Officer & Director, Pentair plc*

A

Yeah. So, I mean, if you take the three categories that we talked about, I mean, obviously we have two of them in our portfolio today. We're still waiting to bring the third one in. But with Everpure itself, it's always been a mid to high-single digit performer, Mike, just volume alone. And we still don't have the full recognition of the global hospitality markets recovering anywhere near where they were pre-COVID, and we're still waiting for that to occur. And when that occurs, we're really confident that we're going to continue to see that expansion on our filtration lines.

Our KBI business has been growing double digits and continues to see that type of opportunity, primarily around installation, service plan, maintenance, for key partners domestically. And then, when we took a look at the Manitowoc acquisition and due diligence, it has a similar growth profile to Everpure. So absent any synergies at all, we think these are mid-single digit growers. And then, when you add some of the perspective synergies that we hope to deliver on, then that's how you get to the double digit. And then, the margins are blend, as I said, of very high margin products businesses between Ice and Everpure, being offset by a low margin KBI service offering.

Michael Halloran

*Analyst, Robert W. Baird & Co., Inc.*

Q

And then, just timing of close, any change there?

John L. Stauch

*President, Chief Executive Officer & Director, Pentair plc*

A

Yeah. I mean, we were targeting Q2. We've clearly said Q2 or Q3. We continue to work through the regulatory processes. It's taken longer than we would've expected. And there's a big deal between two partners on the larger side that they've got to get through, and then we've got to get through ours. So, yeah, we do think that this is more of a early Q3; Q2 being the best case.

Michael Halloran

*Analyst, Robert W. Baird & Co., Inc.*

Q

Awesome. Appreciate it. Thank you, guys.

**Operator:** Thank you. Next question comes from the line of Deane Dray of RBC Capital Markets. Your line is open.

Deane Dray

*Analyst, RBC Capital Markets LLC*

Q

Thank you. Good morning, everyone.

John L. Stauch

*President, Chief Executive Officer & Director, Pentair plc*

A

Good morning, Deane.

**Robert P. Fishman***Executive Vice President, Chief Financial Officer & Chief Accounting Officer, Pentair plc*

A

Good morning.

**Deane Dray***Analyst, RBC Capital Markets LLC*

Q

Hey, can we start in pool? Very impressive growth. And you commented that you've seen normal channel inventory. How about product availability? Remember, a year ago, that was an issue. Any issues there with products? How does the channel look and just degree of confidence about a strong start to the year without an early buy, I know. And then, your degree of confidence of being able to grow in 2022 despite tough comps?

**Robert P. Fishman***Executive Vice President, Chief Financial Officer & Chief Accounting Officer, Pentair plc*

A

I can start with that one. We are seeing channel inventories more in line with historical level. Some of the categories within that, though, are still catching up. So continuing to be focused, really, across the product line. But, overall, in very, very good shape there as we enter what should be a very robust pool season in 2022.

Our view is that we're in very good shape with the backlog and with the demand to continue to grow the pool business. Previously, we had guidance of mid to high-single digits for Consumer Solutions. We raised our revenue guide. So Consumer Solutions is really trending more towards high-single digits, with obviously pool leading the way. So we're confident that this will be another strong year of growth for the pool business.

The underlying factors driving the growth, more of a larger installed base due to new pool builds over the last couple of years, our focus on the replacement side of the business, more people buying second homes, more people putting in pool. That underlying demand is there, which is why we're optimistic.

I would say our guide for the year is realistic. We expect growth to continue. We don't want to get ourselves ahead of – we won't get ahead of ourselves for Q4. We want to set ourselves up for a good start to the 2023 season as well. So I think we've got a very balanced forecast and remain very optimistic about the pool business.

**John L. Stauch***President, Chief Executive Officer & Director, Pentair plc*

A

Deane, if I could just add, I mean, you've followed us for some time. I think the products that we're most excited by are the automation products, and they are the ones that are hardest to get through the supply chain. And so, we're encouraged by the desires of the consumers to add more automation to their pool pads, and we're doing the best we can. But we're fighting for chips and drives like everybody. And we want to make sure we got those products to the consumers and satisfying their long-term pool automation needs.

**Deane Dray***Analyst, RBC Capital Markets LLC*

Q

Yeah. That's great to hear. I'll take the specifics on the IntelliFlo automation systems that you've added. I'll take that offline with Jim. Really interested in hearing about the features and functionality. And then just as a follow-up question, really impressive work on price costs. I just want to – I was – I'm intrigued by your comment that you're getting additional outside consultants on pricing. And we've seen other companies do this and do it successfully, value-based pricing and so forth. But on the expectation for 2022, will you start to benefit from that additional, like, data analytics on pricing? And is that baked into your guide? Thanks.

**John L. Stauch***President, Chief Executive Officer & Director, Pentair plc*

A

Yeah. We're working like crazy, Deane. And let me give you an inside view here. I mean, we price primarily to distribution and distribution prices to dealers. And we've done that historically more blind to what the actual consumer and the market is paying. And so, getting that understanding of what the value to the end customer is regarding our products, obviously, versus competitor alternatives in the market space is very important for us to price effectively and thoughtfully. And that's what we're spending time doing, Deane, so that we can think of the end-to-end value proposition of our core products and get our fair share of that.

So most of the pricing we've done to-date has just been trying to catch up with inflation. What we want to do, going forward, is to really think of the value that that product provides, then price it effectively. We're only working on three categories right now. We have about 20 product lines that we're focused on. So our goal is to accelerate that as quickly as possible this year. So, to make sure that we utilize that analytics into next year's pricing season.

**Deane Dray***Analyst, RBC Capital Markets LLC*

Q

Very helpful. Thank you.

**John L. Stauch***President, Chief Executive Officer & Director, Pentair plc*

A

Thank you.

**Operator:** Thank you. Next question comes from the line of Brian Lee of Goldman Sachs. Your line is open.

**Miguel de Jesus***Analyst, Goldman Sachs & Co. LLC*

Q

Hi, good morning, everyone. Thank you. I just wanted to go back to just the guidance real quick. Sorry, this is Miguel on for Brian Lee. The segment income – the revenue growth guidance increased, but the segment income growth was unchanged. Based on the commentary, it seems like price cost is reading out well and seeing a nice inflection from the first quarter. But I think the guiding suggests a bit more pressure on margins just for the full year than what was anticipated prior. Is that fair? And is all of that a result of inflation? Or is there anything else that is kind of become more – incrementally more challenging on the cost or the pricing side? Thanks.

**John L. Stauch***President, Chief Executive Officer & Director, Pentair plc*

A

Yeah. I think that's a fair assumption. I think we had a pessimistic view of inflation heading into our early guide, and it's even worse than that which is where the incremental price comes into play. If we took a look at where that inflation is coming from, it's primarily oil-based freight. And the response is necessary to catching up the global supply chain because COVID is not over. And you are familiar with what's going on in China right now. And that means that to get that product in ahead of the season, there's going to be some incremental freight cost associated with it. And that's what we're working through. And obviously, we're working with all kinds of supply chain partners to optimize the availability of product. But we have a season and that season is Q2 and Q3, and we're going to do what's necessary to deliver the product within that season. And it is going to cost us a little bit more to get that product in. And given the demand that we feel is there in the end markets, I think we'll be able to recover that, but yes, your observation is correct.

Miguel de Jesus

*Analyst, Goldman Sachs & Co. LLC*

Q

Thanks. I had just a quick follow-up, if I may. Just wanted to go back on the inventory build. Are the materials and the related products there, are they related more to, I guess, one segment or another like for IFT just based on the commentary around chips? Just any color there would be great.

John L. Stauch

*President, Chief Executive Officer & Director, Pentair plc*

A

The increase in inventory is really for broad-based and really touch across both Consumer Solutions and IFT, so from our perspective it's no one category, it's really across our businesses.

Robert P. Fishman

*Executive Vice President, Chief Financial Officer & Chief Accounting Officer, Pentair plc*

A

And its motors drives – motors drives, and drives our chips, right semiconductors. It's the same products that we've been chasing for the last five quarters. And it's the same product that the whole entire global supply chain is trying to get their hands on.

John L. Stauch

*President, Chief Executive Officer & Director, Pentair plc*

A

Yeah. If you look at our supply chain challenges, it's resins, motors, drives, electronics. On the inflation side, it's grades, metals, electronics, motors, castings and molding. So, across the board, nothing is getting easier. A big thank you to our supply and ops teams that did an incredible job, especially in the month of March after we got off to a slower start because of COVID.

Miguel de Jesus

*Analyst, Goldman Sachs & Co. LLC*

Q

Thanks. Helpful color. I'll pass it on.

John L. Stauch

*President, Chief Executive Officer & Director, Pentair plc*

A

Thank you.

**Operator:** Thank you. Next question comes from the line of Jeff Hammond of KeyBanc Capital Markets. Your line is open.

Jeffrey D. Hammond

*Analyst, KeyBanc Capital Markets, Inc.*

Q

Hey, good morning, guys.

John L. Stauch

*President, Chief Executive Officer & Director, Pentair plc*

A

Good morning.

Robert P. Fishman

*Executive Vice President, Chief Financial Officer & Chief Accounting Officer, Pentair plc*

A

Good morning.

Jeffrey D. Hammond

*Analyst, KeyBanc Capital Markets, Inc.*

Q

Hey. In pool, Pool Corp's released they talked about kind of five-point benefit from an extra day and early buy, which I assume means contractors are taking product earlier. Now, I'm just wondering if you're seeing that as well and kind of how that informs kind of the 2Q ramp if that is indeed taking place.

Robert P. Fishman

*Executive Vice President, Chief Financial Officer & Chief Accounting Officer, Pentair plc*

A

We're really not seeing that – no significant or early buy, and it's really nothing outside of what we've done historically. So, nothing really bad there unless we could get some more color.

John L. Stauch

*President, Chief Executive Officer & Director, Pentair plc*

A

Yeah. Hi, Jeff, I mean, our Q2 forecast assumes that we do better in April than January because we got off that slow start and then we continue to meet that Q2 seasonal ramp. And at the moment, we're very confident about that and that's where the growth is coming from. And then to remind you, most of our dealers are on a pool season that ends at the end of Q3. Pool Corp is on a fiscal year-end like we are, and so that we start to identify and fulfill those pool obligations in Q3. And then, we take a look at next year's inventory needs and we partner with our channel to figure out what's needed for 2023. So, that's the way we're working through it. And as a reminder, we didn't do much early buy at all because of the demand in the backlog. And so, what we're doing right now is fulfilling sell-through demand.

Jeffrey D. Hammond

*Analyst, KeyBanc Capital Markets, Inc.*

Q

Okay, great. And then just on – we've kind of did our own checks and haven't really been able to find cracks. But we've seen kind of the consumers step back in some areas. Obviously, you're seeing tons of inflation rates higher. People seem to be shifting from kind of stay at home to services. And I'm just wondering as you pull your channel, if you're seeing any kind of early cracks around the consumer, I understand the backlog is abnormally high. But just looking for any evidence that the tone is changing. Thanks.

John L. Stauch

*President, Chief Executive Officer & Director, Pentair plc*

A

Yeah, I won't use the word cracks because I think right now dealing with the channel, they're doing everything they can to fulfill their obligations to their customers within this year's pool season. I think if you look at the historical data points, interest rates, housing starts, et cetera, et cetera, I think you're seeing the signs of what could be a tightening and a desired tightening from the Fed that's going to have a slowdown to the overall residential impacts. Jeff and I'm anticipating that, and I think that'll play out in 2023. I don't think it's going to be a steep decline though, because we didn't – we don't have these housing starts like we did in 2006 and 2007. I mean, housing starts are still at historical levels right now, and they're trying to work through their supply constraints to deliver that. And it's not, in my view, a bubble. It's just ultimately the fulfillment of what's needed to satisfy the movement to the warm weather state.

So, I think we're – in pool and in residential water treatment, we're skewed towards the aftermarket and the replacement industry significantly. And the new housing starts are moderated in the sense that they're about

where they were historically. So, pools up a little bit as a percentage of those houses but they're not up significantly.

Jeffrey D. Hammond

*Analyst, KeyBanc Capital Markets, Inc.*

Yeah. Okay. Thanks, John.

Q

John L. Stauch

*President, Chief Executive Officer & Director, Pentair plc*

Thank you.

A

**Operator:** Thank you. Next question comes from the line of Andy Kaplowitz of Citigroup. Your line is open.

Andrew Kaplowitz

*Analyst, Citigroup Global Markets, Inc.*

Hey, good morning, guys.

Q

Robert P. Fishman

*Executive Vice President, Chief Financial Officer & Chief Accounting Officer, Pentair plc*

Hi, Andy.

A

Andrew Kaplowitz

*Analyst, Citigroup Global Markets, Inc.*

So, I think one of the reasons why you guys state that pool demand would hold up to sort of responding to last question is that you have this sort of pent-up demand for a renovation and then eventually sort of more aftermarket demand. Any more color into how you see that evolving, given some of the signs that are out there, interest rates as you talked about John, and any more color there would be helpful.

Q

John L. Stauch

*President, Chief Executive Officer & Director, Pentair plc*

Yeah, I think I'm going to take the first part, and I'll have Bob take the second. I mean, as a reminder, the reason we started disposing the backlog and across the Make to Stock in Pentair is because of the percentage that they became of the overall revenue and the need to do that under the SEC guidelines.0020

A

This is a business historically in a pool that candidly started every quarter with no backlog, right. So, everything has historically been our ability to ship in five days to the end customer through our distribution channel partners. And we would book and fulfill those orders within the same quarter. That's the nature of most of our residential make stock businesses because you have a distributor there that's also holding inventory.

We think we're going to get back there at some point. Right now, we do have more demand than we can fulfill because of supply chain constraints. But we're looking every single day and every single quarter at the sell-through rates and then working with our channel partners to get the right product into the right states because state by state all those needs and all those requirements are different for the product sets. I know it's a lot of work when you get that pent-up demand. And so, we expect that to moderate, meaning that backlog will eventually get to nothing in this area and that we'll be continuing to meet the day-to-day requirements of our channel. And Bob, I don't know if you want to add anything.

**Robert P. Fishman***Executive Vice President, Chief Financial Officer & Chief Accounting Officer, Pentair plc*

A

Other than we look forward to that day, we think, because there are in efficiencies. Some of the orders in the backlog were put in in July and August, and it creates confusion not only for the distributors and dealers but for ourselves in terms of managing an efficient process, so those days are – we're looking forward to as backlog comes down and becomes more current. And we drive the business based on orders and shorter lead times.

**John L. Stauch***President, Chief Executive Officer & Director, Pentair plc*

A

And then, the other component we look at is actually product volume and unit sales. And when you take a look at unit sales over the last two to three years, you see a more normal trend than you do when you reflect on the pricing side in the dollars because we're trying to capture all that inflation. So, ultimately, I think that we feel like the heater categories, we've said often, has caught up and now we have more heaters on the pool pad. Everything else is generally acting as a more normal sell-through level based upon the pool demand that's out there.

**Andrew Kaplowitz***Analyst, Citigroup Global Markets, Inc.*

Q

Thanks for that, John. And then maybe you can update us and give some more color on your transformation. I noticed in the quarter productivity tailwind was a little bit low. Maybe that's just the inefficiencies in the quarter itself. But obviously, you're in the execution phase now in 2022 on your transformation. So, what are you seeing in terms of your ability to improve sort of the major areas you've talked about? We've already talked about pricing a lot, but sourcing, operations, organizational effectiveness, an update on any of this stuff.

**John L. Stauch***President, Chief Executive Officer & Director, Pentair plc*

A

Yeah, I appreciate the question. I mean, I'm excited by transformation. Obviously, I'm the CEO who's driving the initiative, so you would expect me to be excited. But I think we've got two things going on. We've got a supply chain and an office in-sourcing and business unit teams that are working every single day just to meet the current demand. And so, everything you're generally seeing in 2022 is just reflective of trying to offset inflation. That's not strategic, right?

Ultimately, what we're doing with transformation is saying how do each of our business units become world class in their spaces and what's needed to become world class and then how do we attack those opportunities? So, think of the fact that we source out of China and that's become very challenging from a landed cost perspective, but also a supply chain issue. Think about where we need to put our distribution centers to meet daily demand. Think about our supply base being a supply base that was probably perfect for 15 years ago, but doesn't reflect what we need today as far as region-by-region shipments.

So, there's a lot of opportunity in supply and price, as I mentioned, but also our geographical complexity has been quite challenged by where we do business and where strategically we should do business. And then we also have the opportunity to enable all that through what I'd call digital interfaces as Bob mentioned in his remarks, how do we give more self-service to customers? How do we solve consumer needs? How do we make it easier for you to do business with Pentair? So, transformation is really about transforming. And as I said, it's a lean-based methodology, what is our current state, what's our future state vision? And then, how do we build the appropriate transformation plan by business unit to really be world class in the customers' eyes, not ours, but the customers'

eyes. And all of that we think add shareholder value, significant shareholder value, which we'll be excited to share with you later this year as it relates to 2023 and beyond targets.

**Andrew Kaplowitz**

*Analyst, Citigroup Global Markets, Inc.*

Q

Appreciate it, John.

**John L. Stauch**

*President, Chief Executive Officer & Director, Pentair plc*

A

Thank you.

**Operator:** Thank you. Next question comes from the line of Bryan Blair of Oppenheimer. Your line is open.

**Bryan F. Blair**

*Analyst, Oppenheimer & Co., Inc.*

Q

Thanks. Good morning, guys.

**John L. Stauch**

*President, Chief Executive Officer & Director, Pentair plc*

A

Good morning.

**Robert P. Fishman**

*Executive Vice President, Chief Financial Officer & Chief Accounting Officer, Pentair plc*

A

Hi, Bryan.

**Bryan F. Blair**

*Analyst, Oppenheimer & Co., Inc.*

Q

Hi. You mentioned your revised sales guide is based on 1Q performance and incremental price. If we think about the 9% to 11% range for the full year, is the right way to think about that now high-single digit, maybe pushing 10% price, modest deal contribution, and flattish volume? Or is there more nuance to that framework?

**Robert P. Fishman**

*Executive Vice President, Chief Financial Officer & Chief Accounting Officer, Pentair plc*

A

That is about it. We're seeing the majority of that growth coming from price, with a small contribution from volume.

**Bryan F. Blair**

*Analyst, Oppenheimer & Co., Inc.*

Q

Okay, that's fair. And just to confirm, is the outlook still for ROS expansion in both segments for the full year? Or is there a little more potential variance in the outlook now?

**Robert P. Fishman**

*Executive Vice President, Chief Financial Officer & Chief Accounting Officer, Pentair plc*

A

No, it would be margin contribution from both segments. Again, COS doing better as the year progresses, and then driving through some of these inefficiencies that are in the supply chain. So both segments will benefit with those actions and improve their margins.

**Bryan F. Blair**

*Analyst, Oppenheimer & Co., Inc.*

Q

Understood. Thanks again.

**Operator:** Thank you. Next question comes from the line of Nathan Jones of Stifel. Your line is open.

**Adam M. Farley**

*Analyst, Stifel, Nicolaus & Co., Inc.*

Q

Yeah. Good morning. This is Adam Farley on for Nathan.

**John L. Stauch**

*President, Chief Executive Officer & Director, Pentair plc*

A

Hi, Adam.

**Adam M. Farley**

*Analyst, Stifel, Nicolaus & Co., Inc.*

Q

I wanted to follow-up on the supply chain questions. Could you just give some color on if the supply chain got better, worse, or stayed about the same through the quarter?

**John L. Stauch**

*President, Chief Executive Officer & Director, Pentair plc*

A

I think you'd have to break that into two categories. One is if you took January and the Omicron out, I would say, it got better. I think just like we're increasing our capacity on a linear basis, linearity, Q2 versus Q1, Q1 versus Q4, we're seeing our supply chain accelerate there as well. So that's the encouraging part.

The discouraging part in Q1 was we got hit by COVID. And I think we're starting off Q2 here with the challenges in China and COVID and what impacts that could have on the port. So every quarter, there's a new challenge. But I think if you took those challenges out, it's fair to say that the supply chain is definitely getting better.

**Robert P. Fishman**

*Executive Vice President, Chief Financial Officer & Chief Accounting Officer, Pentair plc*

A

I just had a little bit of color. We're off to a nice start here in April.

**Adam M. Farley**

*Analyst, Stifel, Nicolaus & Co., Inc.*

Q

Thanks for taking my question.

**Operator:** Thank you. Next question comes from the line of Scott Graham of Loop Capital Markets. Your line is open.

**Scott Graham**

*Analyst, Loop Capital Markets*

Q

Yeah, hi. Good morning. Thanks for taking the question. John, in answering a earlier question with things tightening and clouds maybe starting to emerge a little bit on resi, some of the indicators are certainly maybe

moving the other direction. I'm just wondering if your comment about resi potentially being down in 2023, if you were just talking about the market or if you were talking about Pentair?

---

**John L. Stauch**

*President, Chief Executive Officer & Director, Pentair plc*

A

No, I wasn't talking about either. I mean, 2023 is too far to predict. I mean, I think we were very clear in our full-year guidance that we gave in the February timeframe that we expect a little bit of channel correction and an inventory correction in the channel towards the end of the year as distributors reset their needs when the supply chain catches up. So that's been in our guide, it's still in our guide, and we're expecting that to happen.

If you focus just on the sell-through, there's no slowing of the sell-through right now that we see. And I want to be clear, if you go back historically, we're not at high levels of new homebuilds. There's been capacity constraints even within that space. But higher interest rates are designed to slow down consumer spending and consumer house purchases. And I think it would be foolish not to expect that we'll see some more flattish or some slight slowdown.

That being said, that is in a very small part of the overall market, which is North American new housing starts. The overall aftermarket demand, which comes globally across the entire installed base, continues to be the opportunity for our residential business. And within there, we've got growing enthusiasm for water treatment, which is helping us on the install base itself. And we also have the growing enthusiasm for more automated and connected solutions, which has been constrained because we don't have the availability of the electronics to fulfill that.

So I think there's enough growth legs to continue to go. I mean, we're going to get through Q2 and the rest of the year, Scott, before we talk about 2023. But I in no way, shape or form are signaling anything related to Pentair or the industry. I'm just saying that I don't think it's going to continue to be mid-20% growth in residential in the perpetuity. That will settle down.

---

**Scott Graham**

*Analyst, Loop Capital Markets*

Q

Yes. I think we'll agree with that. Thank you for that. Let me just ask one other question. This was a big year for Pentair automation product launches in pool. Sounds like the rollout is maybe being slowed by the chain a little bit. I'm just wondering if you could shed some light on what the reception of the products are with distributors out there, is it really positive or you're really excited and just disappointed that supply chain is slowing you down? Maybe just give us a little color on that. Thanks.

---

**John L. Stauch**

*President, Chief Executive Officer & Director, Pentair plc*

A

Yeah. I mean I think, first of all, in Q2, we got a launch coming on our IF3, our new variable speed pump. And we're excited by that because it uses more modern technology; and then, some of that more modern technology is much easier to get than some of older base technology we had.

You're right. I think when your end dealers are busy, they're not always out there trying to sell new technology. And as that starts to become more normal, we'll get people upgrading and selling more of the newer technology. But right now, we're moving to all cloud-based solutions. We're moving to better platforms and ease of use for customers. And the only thing that's constraining that longer-term growth is the supply chain, Scott.

Scott Graham

*Analyst, Loop Capital Markets*

Got it. Thank you.

Q

John L. Stauch

*President, Chief Executive Officer & Director, Pentair plc*

Thank you.

A

**Operator:** Thank you. Next question comes from the line of Steve Tusa of JPMorgan. Your line is open.

C. Stephen Tusa

*Analyst, JPMorgan Securities LLC*

Hi, guys. Good morning.

Q

John L. Stauch

*President, Chief Executive Officer & Director, Pentair plc*

Hey, Steve.

A

Robert P. Fishman

*Executive Vice President, Chief Financial Officer & Chief Accounting Officer, Pentair plc*

Hi, Steve.

A

C. Stephen Tusa

*Analyst, JPMorgan Securities LLC*

Hey, can you help me a little bit with the bridge, and just what you do expect on that inflation number for the year, the one that was \$89 million this quarter?

Q

Robert P. Fishman

*Executive Vice President, Chief Financial Officer & Chief Accounting Officer, Pentair plc*

Yeah. Steve, we think that's a pretty good proxy for the rest of the quarter. So we don't see inflation really moderating. So you could take that \$90 million, multiply it by 4, and that's a pretty good indication.

A

C. Stephen Tusa

*Analyst, JPMorgan Securities LLC*

Okay, great.

Q

John L. Stauch

*President, Chief Executive Officer & Director, Pentair plc*

Not great. That's a wow, Steve. I know it solves your question, but it's a stunning number again.

A

C. Stephen Tusa

*Analyst, JPMorgan Securities LLC*

Yeah. Sorry, sorry, I was saying, great. Thanks. Thanks for the detail. That's I'm patting you guys on the back. So, thanks for the details. Obviously, not great for you guys. But the – and then, when it comes to kind of reconciling Pool's performance, I mean, their inventories year-over-year were up like 60% or something like that. How do I

Q

reconcile that with your – I know their sales performance is about in line with yours, but how do I kind of reconcile the inventory move with your sales performance? Is that a – what could be the differences there?

John L. Stauch

*President, Chief Executive Officer & Director, Pentair plc*

A

Let me start the first part. There's always a lag, Steve. You know that.

C. Stephen Tusa

*Analyst, JPMorgan Securities LLC*

Q

Yeah.

John L. Stauch

*President, Chief Executive Officer & Director, Pentair plc*

A

I have to say build inventory ahead and we're then fulfilling their sell-through in a lag position. And I think that lag is even more exasperated now because as I said earlier, five-day lead times have moved in the 90 and 120 lead times. So – and that's a result of the overall supply chain. So, we feel right now on a dollar basis on the sell-through versus where the inventory levels are, we're about back to historical levels. I think that'll always vary in a season like Q2 where nobody can be caught without the appropriate demand or the inventory to meet the demand. And then, they'll start to moderate or start to get fixed in Q3 and Q4, Steve.

C. Stephen Tusa

*Analyst, JPMorgan Securities LLC*

Q

Okay. And then, just one more question for you. What is the price you expect in the second half? Or just if you could tell us what you expect in the second quarter and then we can obviously back into the second half.

John L. Stauch

*President, Chief Executive Officer & Director, Pentair plc*

A

I mean, we think price will be higher in Q2 than Q1, primarily because we're still working through some of the backlog issues in Q1. So, that's just on the natural pricing go higher and then we've raised prices even higher than we anticipated this year. And so, you could expect the price contribution sequentially in Q3 and Q4 to be higher than it will be in Q2.

C. Stephen Tusa

*Analyst, JPMorgan Securities LLC*

Q

Got it. Okay. Thanks a lot. Appreciate it.

**Operator:** Thank you. Next question comes from the line of Julian Mitchell of Barclays. Your line is open.

Matthew Shaffer

*Analyst, Barclays Capital, Inc.*

Q

Hi. How's it going, guys? This is Matthew Shaffer for Julian Mitchell's. Curious, so the stocks been under pressure, any reason management has not set up buybacks? Is that just due to the deal or will management not [indiscernible] (00:53:50) next two quarters, should prices remain at similar levels?

**John L. Stauch**

*President, Chief Executive Officer & Director, Pentair plc*

A

You should assume we were not allowed to be in the market at all due to the – working on the deal and the quiet periods associated with that.

**Matthew Shaffer**

*Analyst, Barclays Capital, Inc.*

Q

Okay, great. And then, so the Q2 guide implies that over 50% sequential, incremental. I'm curious how confident you are in that guide and how should we think about future guide by division.

**Robert P. Fishman**

*Executive Vice President, Chief Financial Officer & Chief Accounting Officer, Pentair plc*

A

Yeah, Q2 is typically our biggest quarter. We're confident in the guide.

**Matthew Shaffer**

*Analyst, Barclays Capital, Inc.*

Q

Okay, great, guys.

**Operator:** Thank you. Next question comes from the line of Rob Wertheimer of Melius Research. Your line is open.

**Rob Wertheimer**

*Analyst, Melius Research LLC*

Q

Yes, hi. Thanks for all the answers. John, just to return to a subject you talked about before, obviously new housing is severely under built and maybe not that big within the mix. How do you – normal volatility as consumer on the repair and replacement upgrade side. There's a lot more options you mentioned on automation. There's a lot more attractive offerings. But how do you think about volatility as consumers cycle up and down within that space? And then, I'll just ask my second one right now. Any indications from your restaurant customers on their propensity to spend, given the same overriding concerns for the consumer? Thank you.

**John L. Stauch**

*President, Chief Executive Officer & Director, Pentair plc*

A

Yeah. I mean, I think I believe that the desires of existing homeowners are to improve their overall experiences within their home. And as new and newer opportunities come along to do that, they do. The reason the replacement cycle works is once you have a pool, for instance, you want to keep it running, you don't want to turn into a pond and you're going to keep the overall non-discretionary maintenance cycle going. I mean, I think your more discretionary purchase is do I need automation, do I need an automated pool or not. And I think that always varies depending on the abilities of those consumers to spend or to have discretionary income to spend.

One of the things associated with the pool market is it tends to be higher economic wealth individuals, and they tend to be in communities that a neighbor has something and then that becomes the awareness. And then, you generally go off and do the same thing. For water treatment, I do think that that one cycles more up and down based upon need and ability to spend because that is a more varied economic group purchasing with water treatment. So, we tend to see the remodeling replacement of whole home water treatment turn into be more of a break and fix and/or to get it working good enough for the time being and then figure it out later. So, I think if we're

going to see an impact, we'll see it a little bit more on the water treatment side. Now, that being said, that's more of a 90% to 95% aftermarket replacement business today than it is what we see in pool.

**Rob Wertheimer**

*Analyst, Melius Research LLC*

Q

Okay. That's helpful. And just any thoughts on restaurant spend?

**John L. Stauch**

*President, Chief Executive Officer & Director, Pentair plc*

A

Yeah. I mean, I think we continue to see with the traffic and the demand in that space, we continue to see things pick up. I think where I was making my comments earlier is I don't think I could give you a global answer on that at the moment that's been consistent because all three regions have faced COVID at different times. So, when we see North America pick up as we as we have in the US domestically right now, there is a little bit of slowing in Europe and a little bit of slowing in China relative to where they are on that COVID journey.

**Rob Wertheimer**

*Analyst, Melius Research LLC*

Q

All right. Thanks.

**John L. Stauch**

*President, Chief Executive Officer & Director, Pentair plc*

A

Thank you.

**Jim C. Lucas**

*Senior Vice President, Treasurer, Financial Planning and Analysis & Investor Relations, Pentair plc*

A

All right, everybody, thank...

**John L. Stauch**

*President, Chief Executive Officer & Director, Pentair plc*

A

Go ahead, Jay.

**Operator:** There are no further question at this time. And I would like to turn the call over to John Stauch for closing comments.

**John L. Stauch**

*President, Chief Executive Officer & Director, Pentair plc*

Thank you. And thank you for joining us today. We continue to be inspired about how we are in the business in helping to solve some of the biggest environmental challenges of today, and we are focused on engaging our employees and stakeholders while we do it. Whether through our sustainable GAAP solutions and helping to turn waste into value or working to reduce the consumption of single-use plastic bottles or increasing energy efficiency through the products we offer, our products and solutions are helping to make the world a better place.

Our work on ESG and social responsibility continues to be on the forefront of how we operate and how we work to make the planet better. We're excited to share more about this in our 2021 Corporate Responsibility Report which we plan to issue by the end of the month. I'm extremely proud of what we have accomplished in this past year,

which is a testament to the commitment and dedication of our Pentair employees, contributions for our various stakeholders and guidance from our board of directors.

I look forward to continue our great momentum on ESG as we continue through 2022. We are pleased with the first quarter start, and I'm grateful to all of the Pentair employees who help deliver it. The first quarter gives us confidence in delivering further growth in 2022. We are building momentum in our transformation processes and combined with our intended closing of Manitowoc Ice, this gives us great confidence in our future. Jay, you can conclude the call.

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**Operator:** Thank you. And thank you for joining us today. This concludes today's conference call. You may now disconnect. Have a great day.

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