Pentair Reports First Quarter 2019 Results

April 17, 2019

- First quarter sales of $689 million.
- First quarter GAAP EPS of $0.30 and adjusted EPS of $0.43.
- The company reiterates its 2019 GAAP EPS from continuing operations guidance of approximately $2.04 - $2.09 and on an adjusted basis of approximately $2.30 - $2.35.

Reconciliations of GAAP to Non-GAAP measures are in the attached financial tables.

LONDON--(BUSINESS WIRE)-- Pentair plc (NYSE: PNR) today announced first quarter 2019 sales of $689 million. Sales were down 6 percent compared to sales for the same period last year. Excluding currency translation, acquisitions and divestitures, core sales declined 4 percent in the first quarter. First quarter 2019 earnings per diluted share from continuing operations ("EPS") were $0.30 compared to $0.32 in the first quarter of 2018. On an adjusted basis, the company reported EPS of $0.43 compared to $0.49 in the first quarter of 2018. Segment income, adjusted net income, free cash flow, and adjusted EPS are described in the attached schedules.

First quarter 2019 operating income was $68 million, down 27 percent compared to operating income for the first quarter of 2018, and return on sales ("ROS") was 9.8 percent, a decrease of 290 basis points when compared to the first quarter of 2018. On an adjusted basis, the company reported segment income of $99 million for the first quarter, down 16 percent compared to segment income for the first quarter of 2018, and ROS was 14.3 percent, a decrease of 170 basis points when compared to the first quarter of 2018.

Net cash used for operating activities of continuing operations was $257 million and free cash flow usage from continuing operations was $274 million for the quarter.

Pentair paid a regular cash dividend of $0.18 per share in the first quarter of 2019. Pentair previously announced on December 10, 2018 that its Board of Directors approved a 3 percent increase in the company's regular annual cash dividend rate for 2019 to $0.72 from $0.70, adjusted for the spin-off of nVent Electric plc. This marks the 43rd consecutive year that Pentair has increased its dividend.

"Wet and cold weather delayed pool construction activity in several key markets," said John L. Stauch, Pentair President and Chief Executive Officer. "We have not seen any significant changes in demand trends within the important Aquatics markets. The inclement weather also impacted our higher margin Specialty Ag Spray business within Flow Technologies. As a result of slower sell-through during the first quarter, inventory levels were not reduced to the levels we originally anticipated. We expect inventory levels in the channel to come down as stronger sell-through resumes in the second and third quarters."

"We believe this is a 2019 event and we expect to be even better positioned for the season next year. We continue to invest in our prioritized growth initiatives around advancing pool growth and accelerating residential and commercial water treatment. We are accelerating our productivity initiatives across operations and material sourcing and optimizing our cost structure. We have a strong capital structure, solid free cash flow generation, and we are continuing to invest in our strategy to be the leading residential and commercial water treatment company."

OUTLOOK

The company reiterates its estimated 2019 GAAP EPS from continuing operations of approximately $2.04 - $2.09 and on an adjusted EPS basis of approximately $2.30 - $2.35. The company reiterates its full year 2019 sales guidance of up approximately 1 to 2 percent on a reported basis and approximately flat to up 1 percent on a core basis compared to full year 2018. The company expects full year free cash flow to approximate adjusted net income.

In addition, the company introduces second quarter 2019 GAAP EPS from continuing operations guidance of approximately $0.58 - $0.61 and on an adjusted EPS basis of approximately $0.63 - $0.66. The company expects second quarter sales to be up approximately 1 to 2 percent on a reported basis and approximately flat to up 1 percent on a core basis compared to second quarter 2018.

EARNINGS CONFERENCE CALL

Pentair President and Chief Executive Officer John L. Stauch and Chief Financial Officer Mark C. Borin will discuss the company's first quarter 2019 results on a two-way conference call with investors at 9:00 a.m. Eastern today. A live audio webcast of the call, along with the related presentation, can be accessed in the Investor Relations section of the company's website, www.pentair.com,

shortly before the call begins.

Reconciliations of non-GAAP financial measures are set forth in the attachments to this release and in the presentation, each of which can be found on Pentair's website. The webcast and presentation will be archived at the company's website following the conclusion of the event.

CAUTION CONCERNING FORWARD-LOOKING STATEMENTS

This release contains statements that we believe to be "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. All statements, other than statements of historical fact are forward-looking statements. Without limitation, any statements preceded or followed by or that include the words "targets," "plans," "believes," "expects," "intends," "will," "likely," "may," "anticipates," "estimates," "projects," "should," "would," "positioned," "strategy," "future" or words, phrases or terms of similar substance or the negative thereof, are forward-looking statements. These forward-looking statements are not guarantees of future performance and are subject to risks, uncertainties, assumptions and other factors, some of which are beyond our control, which could cause actual results to differ materially from those expressed or implied by such forward-looking statements. These factors include overall global economic and business conditions impacting our business, including the strength of housing and related markets; demand, competition and pricing pressures in the markets we serve; volatility in currency exchange rates; failure of markets to accept new product introductions and enhancements; the ability to successfully identify, finance, complete and integrate acquisitions; the ability to successfully integrate the Aquion and Pelican Water Systems acquisitions; the ability to achieve the benefits of our restructuring plans and cost reduction initiatives; risks associated with operating foreign businesses; the impact of material cost and other inflation; the impact of seasonality of sales and weather conditions; our ability to comply with laws and regulations; the impact of changes in laws, regulations and administrative policy, including those that limit U.S. tax benefits or impact trade agreements and tariffs; the outcome of litigation and governmental proceedings; the ability to realize the anticipated benefits from the separation of nVent Electric plc from Pentair; and the ability to achieve our long-term strategic operating goals. Additional information concerning these and other factors is contained in our filings with the Securities and Exchange Commission, including our Annual Report on Form 10-K for the year ended December 31, 2018. All forward-looking statements speak only as of the date of this release. Pentair plc assumes no obligation, and disclaims any obligation, to update the information contained in this release.

ABOUT PENTAIR PLC

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, business and industry around the world. Our industry leading and proven portfolio of solutions enables our customers to access clean, safe water. Whether it's improving, moving or enjoying water, we help manage the world's most precious resource. Smart, Sustainable, Water Solutions. For Life.

Pentair had revenue in 2018 of $3 billion, and trades under the ticker symbol PNR. With approximately 130 locations in 34 countries and 10,000 employees, we believe that the future of water depends on us. To learn more, visit www.pentair.com.

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

	Three months ended	
In millions, except per-share data	March 31, 2019	March 31, 2018
Net sales	$ 688.9	$ 732.6
Cost of goods sold	453.3	479.3
Gross profit	235.6	253.3
% of net sales	*34.2%*	*34.6%*
Selling, general and administrative	147.3	141.8
% of net sales	*21.4%*	*19.4%*
Research and development	20.7	18.8
% of net sales	*3.0%*	*2.6%*
Operating income	67.6	92.7
% of net sales	*9.8%*	*12.7%*
Other (income) expense:		
(Gain) loss on sale of business	(3.5)	5.3
Other expense	0.6	0.4
Net interest expense	7.3	13.5
% of net sales	*1.1%*	*1.8%*
Income from continuing operations before income taxes	63.2	73.5
Provision for income taxes	10.8	15.1

Effective tax rate	*17.1%*	*20.5%*
Net income from continuing operations	52.4	58.4
(Loss) income from discontinued operations, net of tax	(1.1)	44.5
Net income	$ 51.3	$ 102.9
Earnings (loss) per ordinary share		
Basic		
Continuing operations	$ 0.31	$ 0.33
Discontinued operations	(0.01)	0.24
Basic earnings per ordinary share	$ 0.30	$ 0.57
Diluted		
Continuing operations	$ 0.30	$ 0.32
Discontinued operations	—	0.25
Diluted earnings per ordinary share	$ 0.30	$ 0.57
Weighted average ordinary shares outstanding		
Basic	171.6	179.2
Diluted	172.5	181.5
Cash dividends paid per ordinary share	$ 0.18	$ 0.35

Pentair plc and Subsidiaries
Condensed Consolidated Balance Sheets (Unaudited)

In millions	March 31, 2019	December 31, 2018
Assets		
Current assets		
Cash and cash equivalents	$ 78.9	$ 74.3
Accounts and notes receivable, net	645.7	488.2
Inventories	421.8	387.5
Other current assets	105.2	89.4
Total current assets	1,251.6	1,039.4
Property, plant and equipment, net	279.1	272.6
Other assets		
Goodwill	2,283.0	2,072.7
Intangibles, net	361.5	276.3
Other non-current assets	207.0	145.5
Total other assets	2,851.5	2,494.5
Total assets	$ 4,382.2	$ 3,806.5
Liabilities and Equity		
Current liabilities		
Accounts payable	$ 265.3	$ 378.6
Employee compensation and benefits	94.2	111.7
Other current liabilities	345.8	328.4
Total current liabilities	705.3	818.7
Other liabilities		
Long-term debt	1,370.7	787.6
Pension and other post-retirement compensation and benefits	89.8	90.0
Deferred tax liabilities	124.6	105.9
Other non-current liabilities	221.4	168.2
Total liabilities	2,511.8	1,970.4
Equity	1,870.4	1,836.1
Total liabilities and equity	$ 4,382.2	$ 3,806.5

Pentair plc and Subsidiaries

Condensed Consolidated Statements of Cash Flows (Unaudited)

In millions	Three months ended March 31, 2019	March 31, 2018
Operating activities		
Net income	$ 51.3	$ 102.9
Loss (income) from discontinued operations, net of tax	1.1	(44.5)
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	(0.6)	(0.6)
Depreciation	12.0	12.6
Amortization	8.2	9.3
Deferred income taxes	(1.7)	(9.9)
(Gain) loss on sale of business	(3.5)	5.3
Share-based compensation	5.4	6.0
Trade name and other impairment	15.3	—
Changes in assets and liabilities, net of effects of business acquisitions		
Accounts and notes receivable	(154.0)	(146.2)
Inventories	(22.2)	(8.4)
Other current assets	(22.5)	5.6
Accounts payable	(118.2)	(59.7)
Employee compensation and benefits	(18.9)	(30.1)
Other current liabilities	(8.3)	(39.6)
Other non-current assets and liabilities	(0.5)	3.3
Net cash used for operating activities of continuing operations	(257.1)	(194.0)
Net cash provided by operating activities of discontinued operations	0.8	26.4
Net cash used for operating activities	(256.3)	(167.6)
Investing activities		
Capital expenditures	(16.8)	(11.5)
Proceeds from sale of property and equipment	0.3	—
Proceeds from (payments due to) the sale of businesses, net	0.7	(13.8)
Acquisitions, net of cash acquired	(287.2)	(0.9)
Other	(1.5)	—
Net cash used for investing activities of continuing operations	(304.5)	(26.2)
Net cash used for investing activities of discontinued operations	—	(5.0)
Net cash used for investing activities	(304.5)	(31.2)
Financing activities		
Net receipts of commercial paper and revolving long-term debt	584.1	417.5
Shares issued to employees, net of shares withheld	5.9	0.9
Repurchases of ordinary shares	—	(150.0)
Dividends paid	(31.0)	(63.3)
Net cash provided by financing activities of continuing operations	559.0	205.1
Net cash provided by financing activities of discontinued operations	—	792.7
Net cash provided by financing activities	559.0	997.8
Change in cash held for sale	—	(809.7)
Effect of exchange rate changes on cash and cash equivalents	6.4	(4.8)
Change in cash and cash equivalents	4.6	(15.5)
Cash and cash equivalents, beginning of period	74.3	86.3
Cash and cash equivalents, end of period	$ 78.9	$ 70.8

Pentair plc and Subsidiaries

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

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

Pentair plc and Subsidiaries
Supplemental Financial Information by Reportable Segment (Unaudited)

In millions	2019 First Quarter	2018 First Quarter
Net sales		
Aquatic Systems	$ 220.5	$ 240.4
Filtration Solutions	239.3	251.6
Flow Technologies	228.7	240.3
Other	0.4	0.3
Consolidated	$ 688.9	$ 732.6
Segment income (loss)		
Aquatic Systems	$ 52.4	$ 60.0
Filtration Solutions	33.7	33.7
Flow Technologies	30.1	38.7
Other	(17.5)	(15.4)
Consolidated	$ 98.7	$ 117.0
Return on sales		
Aquatic Systems	23.8%	25.0%
Filtration Solutions	14.1%	13.4%
Flow Technologies	13.2%	16.1%
Consolidated	14.3%	16.0%

Pentair plc and Subsidiaries
Reconciliation of the GAAP year ended December 31, 2019 to the non-GAAP excluding the effect of 2019 adjustments (Unaudited)

In millions, except per-share data	Actual First Quarter	Forecast Second Quarter		Forecast Full Year	
Net sales	$688.9	approx	Up 1 - 2 %	approx	Up 1 - 2 %
Operating income	67.6	approx	Up 16 - 18 %	approx	Up 9 - 11 %
% of net sales	*9.8%*				
Adjustments:					
Restructuring and other	1.1	approx	—	approx	1
Intangible amortization	8.2	approx	9	approx	35
Asset impairment	15.3	approx	—	approx	15
Inventory step-up	1.7	approx	1	approx	3
Deal-related costs and expenses	4.2	approx	—	approx	4
Equity income of unconsolidated subsidiaries	0.6	approx	1	approx	4

Segment income	98.7	approx	Down 5 - 7 %	approx	Flat - Up 2 %
Return on sales	*14.3%*				
Net income from continuing operations—as reported	52.4	approx	$100 - $105	approx	$351 - $360
Gain on sale of business	(3.5)	approx	—	approx	(4)
Adjustments to operating income	30.5	approx	10	approx	58
Income tax adjustments	(5.4)	approx	(2)	approx	(12)
Net income from continuing operations—as adjusted	$ 74.0	approx	$108 - $113	approx	$393 - $402
Continuing earnings per ordinary share—diluted					
Diluted earnings per ordinary share—as reported	$ 0.30	approx	$0.58 - $0.61	approx	$2.04 - $2.09
Adjustments	0.13	approx	0.05	approx	0.26
Diluted earnings per ordinary share—as adjusted	$ 0.43	approx	$0.63 - $0.66	approx	$2.30 - $2.35

Pentair plc and Subsidiaries
Reconciliation of the GAAP year ended December 31, 2018 to the non-GAAP excluding the effect of 2018 adjustments (Unaudited)

In millions, except per-share data	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year
Net sales	$732.6	$780.6	$711.4	$740.5	$2,965.1
Operating income	92.7	122.6	108.4	113.0	436.7
% of net sales	*12.7%*	*15.7%*	*15.2%*	*15.3%*	*14.7%*
Adjustments:					
Restructuring and other	5.6	19.0	3.5	3.7	31.8
Intangible amortization	9.3	9.1	8.6	7.9	34.9
Trade name and other impairment	—	6.0	—	6.0	12.0
Corporate allocations	8.8	2.2	—	—	11.0
Deal-related costs and expenses	—	—	—	2.0	2.0
Equity income of unconsolidated subsidiaries	0.6	5.2	1.3	1.3	8.4
Segment income	117.0	164.1	121.8	133.9	536.8
Return on sales	*16.0%*	*21.0%*	*17.1%*	*18.1%*	*18.1%*
Net income from continuing operations—as reported	58.4	77.9	91.2	94.2	321.7
Loss on sale of business	5.3	0.9	0.2	0.9	7.3
Loss on early extinguishment of debt	—	17.1	—	—	17.1
Interest expense adjustment	6.0	2.4	—	—	8.4
Pension and other post-retirement mark-to-market loss	—	—	2.2	1.4	3.6
Adjustments to operating income	23.7	36.3	12.1	19.6	91.7
Income tax adjustments	(4.5)	(7.1)	(10.3)	(11.5)	(33.4)
Net income from continuing operations—as adjusted	$ 88.9	$127.5	$ 95.4	$104.6	$ 416.4
Continuing earnings per ordinary share—diluted					
Diluted earnings per ordinary share—as reported	$ 0.32	$ 0.44	$ 0.52	$ 0.54	$ 1.81
Adjustments	0.17	0.27	0.02	0.06	0.54
Diluted earnings per ordinary share—as adjusted	$ 0.49	$ 0.71	$ 0.54	$ 0.60	$ 2.35

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

	Actual			
	Q1 Net Sales Growth			
	Core	Currency	Acq. / Div.	Total
Total Pentair	**(4.2)%**	**(2.4)%**	**0.6%**	**(6.0)%**
Aquatic Systems	(6.4)%	(0.8)%	(1.1)%	(8.3)%
Filtration Solutions	(6.0)%	(3.7)%	4.8%	(4.9)%

Flow Technologies	(0.3)%	(2.4)%	(2.1)%	(4.8)%

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

		Forecast							
		Q2 Net Sales Growth				Full Year Net Sales Growth			
				Acq. /				Acq. /	
		Core	Currency	Div.	Total	Core	Currency	Div.	Total
Total Pentair	**approx**	**0 - 1 %**	**(2) %**	**3 %**	**1 - 2 %**	**0 - 1 %**	**(2) %**	**3 %**	**1 - 2 %**
Aquatic Systems	approx	(1) - 0 %	0 %	0 %	(1) - 0 %	(2) - 0 %	0 %	0 %	(2) - 0 %
Filtration Solutions	approx	(2) - 0 %	(3) %	10 %	5 - 7 %	(1) - 0 %	(2) %	10 %	7 - 8 %
Flow Technologies	approx	2 - 4 %	(2) %	(2) %	(2) - 0 %	2 - 4 %	(1) %	(2) %	(1) - 1 %

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