

# Q1 2017 EARNINGS RELEASE

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*April 25, 2017*

# FORWARD-LOOKING STATEMENTS

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## CAUTION CONCERNING FORWARD-LOOKING STATEMENTS

*This communication 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 the company's ability to complete the sale of the Valves & Controls business on anticipated terms and timetable; overall global economic and business conditions, including worldwide demand for oil and gas; the ability to achieve the benefits of our restructuring plans; the ability to successfully identify, finance, complete and integrate acquisitions; competition and pricing pressures in the markets we serve; the strength of housing and related markets; volatility in currency exchange rates and commodity prices; inability to generate savings from excellence in operations initiatives consisting of lean enterprise, supply management and cash flow practices; increased risks associated with operating foreign businesses; the ability to deliver backlog and win future project work; failure of markets to accept new product introductions and enhancements; the impact of changes in laws and regulations, including those that limit U.S. tax benefits; the outcome of litigation and governmental proceedings; 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 U.S. Securities and Exchange Commission, including in our 2016 Annual Report on Form 10-K. All forward-looking statements speak only as of the date of this report. We assume no obligation, and disclaim any obligation, to update the information contained in this report.*

# KEY DEFINITIONS

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- **Except as Otherwise Noted All References to 2017 and 2016 Represent Our Results from Continuing Operations for the Period Indicated, Presented on an Adjusted Basis**
- **"Core Sales" Refers to GAAP Revenue from Continuing Operations Excluding (1) the Impact of Currency Translation and (2) the Impact of Revenue from Acquired Businesses Recorded Prior to the First Anniversary of the Acquisition Less the Amount of Sales Attributable to Divested Product Lines Not Considered Discontinued Operations**
- **"Adjusted Core Sales" Represents "Core Sales" Excluding the Impact of 3 Large Canadian Oil Sands Jobs in Electrical and 1 Large Dairy Job in Water**
- **Segment Income Represents Equity Income of Unconsolidated Subsidiaries and Operating Income from Continuing Operations Exclusive of Non-Cash Intangible Amortization, Certain Acquisition Related Expenses, Costs of Restructuring Activities, "Mark-to-Market" Gain (Loss) for Pension and Other Post-Retirement Plans, Impairments, and Other Unusual Non-Operating Items**
- **Return on Sales ("ROS") Equals Segment Income Divided by Sales**
- **See Appendix for GAAP to Non-GAAP Reconciliations**

# EXECUTIVE SUMMARY

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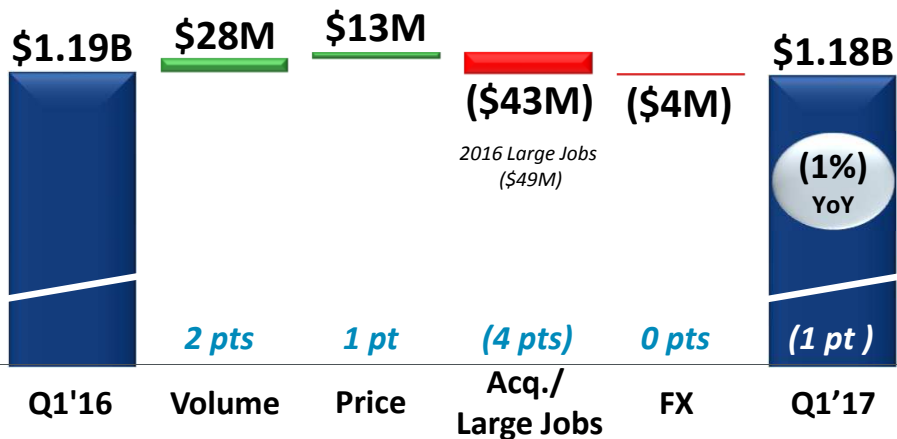
- **Solid Start to 2017 as Both Segments Delivered Ahead of Their Commitments**
- **Adjusted Core Sales Increased 3%; Operating Margins Expanded 50 Basis Points to 15.5%; Adjusted EPS Grew 7% and Exceeded High End of Guidance**
- **Sale of Valves & Controls Expected to Close Soon ... Balance Sheet Optionality to Return**
- **Cost Actions Taking Place ... Anticipating Price Actions to Offset Inflation**
- **Maintaining Full Year Adjusted EPS Guidance of \$3.45 to \$3.55**

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**Solid Q1, but Monitoring Important Q2 to See if Sales Momentum Continues**

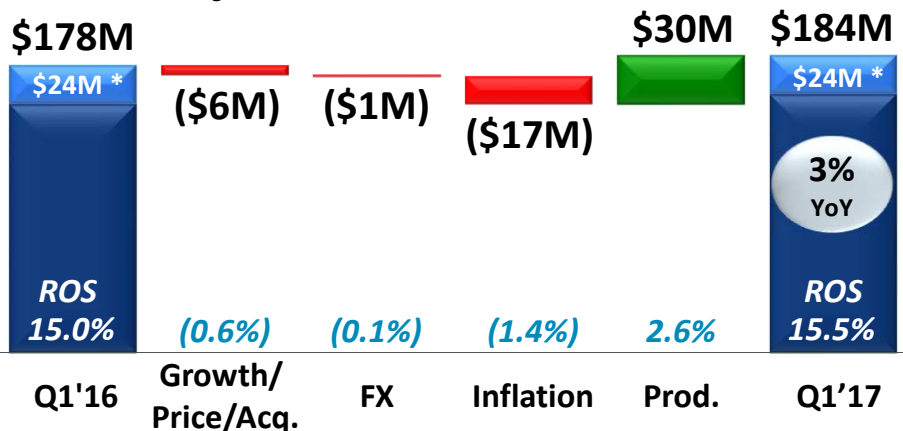
# Q1'17 PENTAIR PERFORMANCE

## SALES



## SEGMENT INCOME

\*Non-Cash Intangible Amortization



## FINANCIAL HIGHLIGHTS (YoY)

Adjusted Core Sales Up 3%

- Water Up 4%
- Electrical Up 3%

Segment Income Up 3%

ROS 15.5% ... Up 50 bps

Adj. EPS \$0.65 ... Up 7%

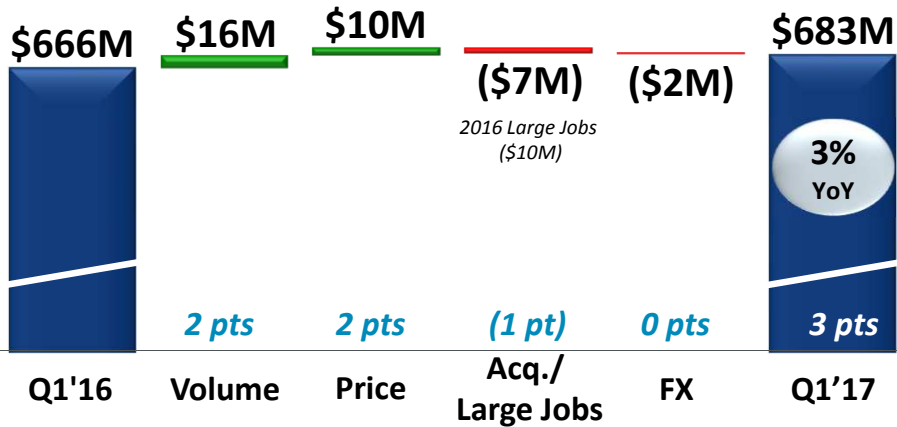
- Adjusted Tax Rate of 20.0%
- Net Interest of \$35M; Shares 184M

Q1 Free Cash Flow Usage of \$112M;  
Consistent with Seasonality

Good Start to the Year

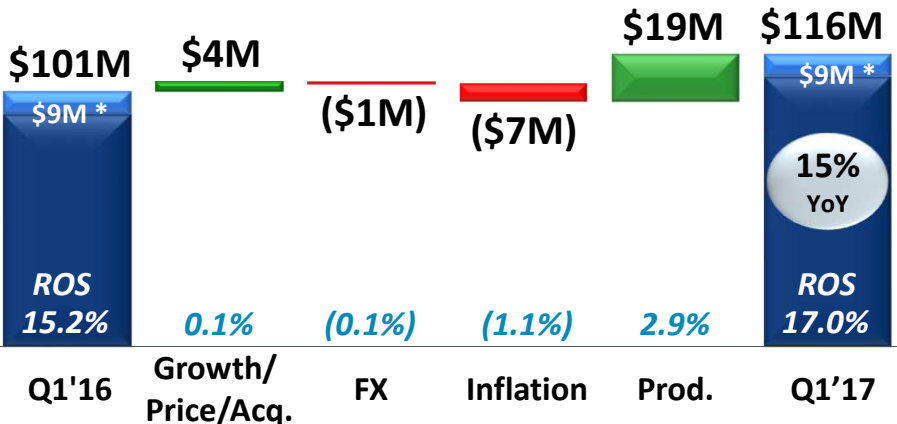
# Q1'17 WATER SEGMENT PERFORMANCE

## SALES



## SEGMENT INCOME

\*Non-Cash Intangible Amortization



## CORE SALES AND HIGHLIGHTS (YoY)

### Filtration & Process Flat

- Strength in Residential & Commercial
- Union Engineering Integration Progressing

### Flow Technologies Down 3%

- Focus on Cost Out Continued
- Signs of Agriculture Finding a Bottom

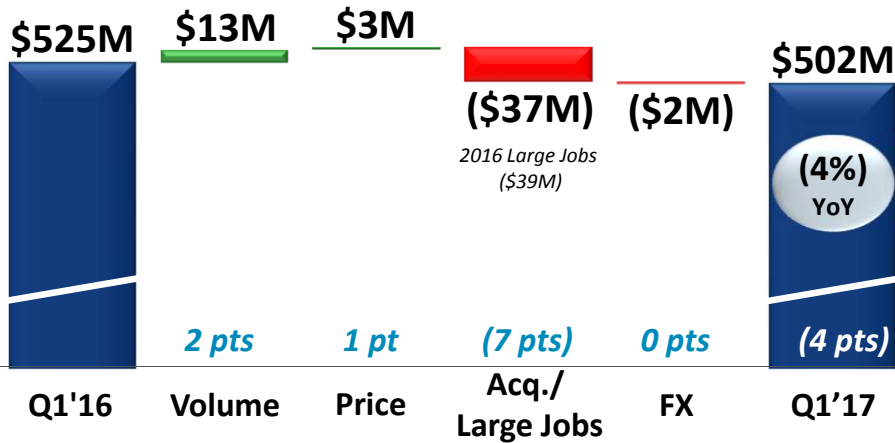
### Aquatic & Environmental Systems Up 13%

- Strong Start to the North America Pool Season
- New Product Pipeline Continued to Grow

## Strong Core Sales Growth and Margin Expansion

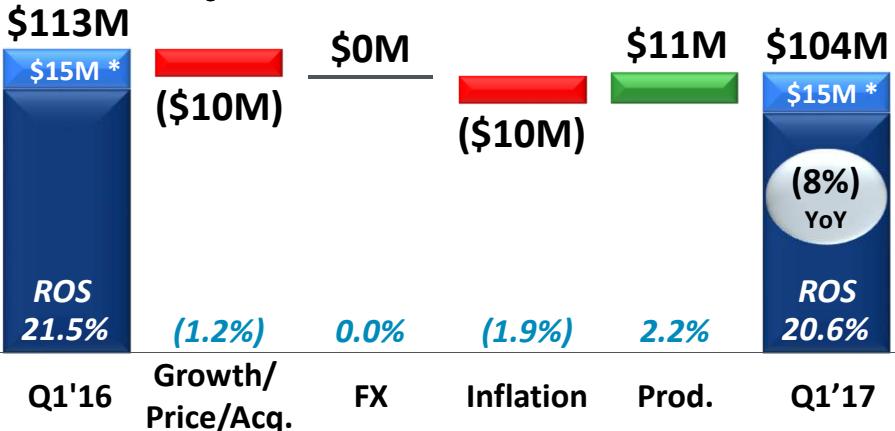
# Q1'17 ELECTRICAL SEGMENT PERFORMANCE

## SALES



## SEGMENT INCOME

\*Non-Cash Intangible Amortization



## CORE SALES AND HIGHLIGHTS (YoY)

### Enclosures Up 1%

- Hoffman Sales Grew First Time in 9 Quarters
- Telecom Headwinds Persisted

### Thermal Management Down 17%

- MRO Sales Grew First Time in 2 Years
- Large Job Headwinds Persisted

### Electrical & Fastening Solutions Up 7%

- Strong Sales Growth at CADDY and ERICO
- Price Increase Helped Offset Inflation

**Saw Signs of Improvement Across the Segment**

- **Expect Closing of Valves & Controls Sale in Coming Days\***
- **Upon Closing of Transaction, Remain on Track to Strengthen Balance Sheet Through Debt Retirement**
- **Balance Sheet Optionality Returning ... We Remain Focused on Our Disciplined Capital Allocation Strategy**

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*\* Subject to Customary Regulatory Approvals and Closing Conditions*

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**The Closing is Near and Balance Sheet Optionality Expected to Return**

# BALANCE SHEET AND CASH FLOW

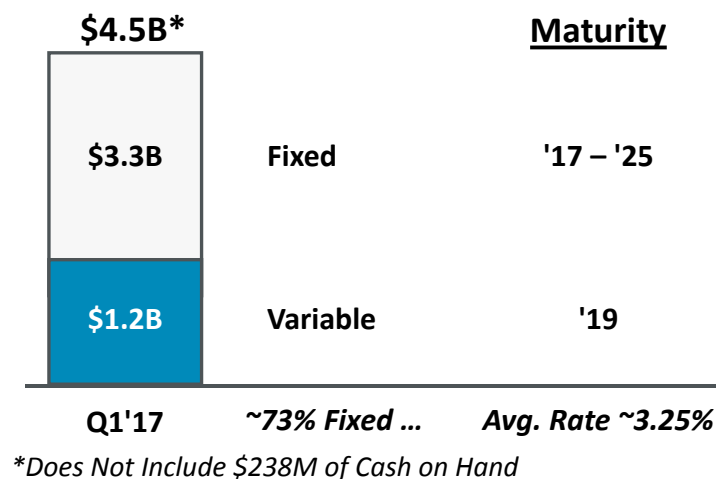
## CASH FLOW

(\$M)	Q1 2017	Q1 2016
<b>Net Income - Continuing Ops</b>	\$ 81	\$ 92
Amortization	24	24
<b>Subtotal</b>	\$ 105	\$ 116
Depreciation	21	21
Capital Expenditures	(24)	(33)
Asset Sales	-	5
Working Capital	(195)	(108)
Other Accruals/Other	(40)	(48)
<b>Free Cash Flow – Total</b>	\$ (133)	\$ (47)
Free Cash Flow – Discontinued Ops	(21)	(2)
<b>Free Cash Flow – Continuing Ops</b>	\$ (112)	\$ (45)

## Forecasted FY Key Financial Metrics:

- **Capital Expenditures ~\$100M**
- **Total D&A of ~\$190M + ~\$36M of Non-Cash Stock Compensation**
- **ROIC at Quarter End 10.6%**

## DEBT SUMMARY



## DEBT ROLLFORWARD

Use of Cash: (\$M)	Q1 2017	Q1 2016
<b>Beginning Debt</b>	\$ 4,279	\$ 4,687
Used Cash	133	47
Dividends	63	60
Other	55	44
<b>Ending Debt</b>	\$ 4,530	\$ 4,838

**Seasonal Cash Flow Pattern ... Balance Sheet Expected to Improve**

# EXPECTED IMPACT OF V&C DELAY

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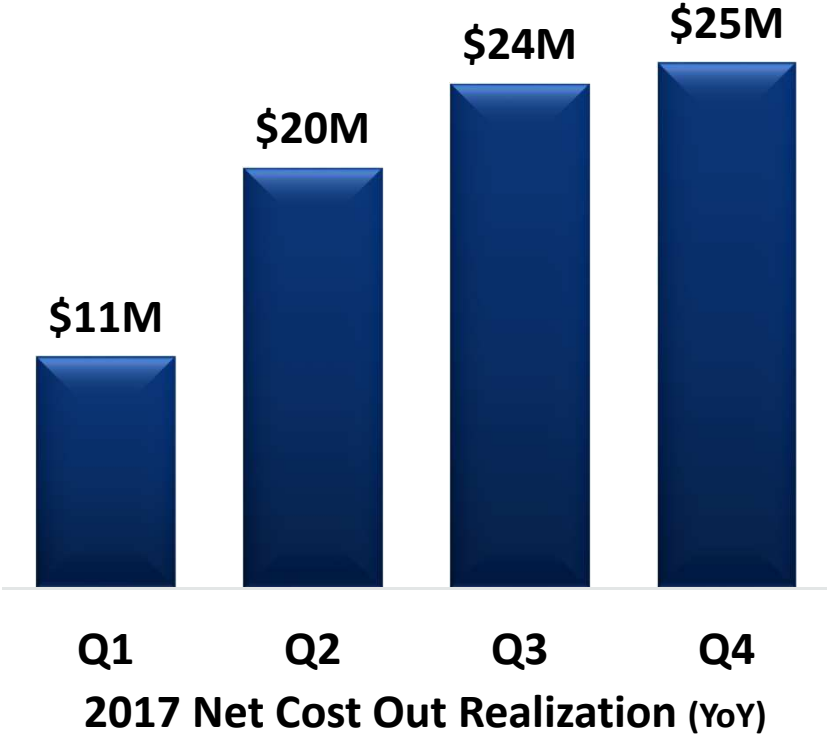
	FY'17	FY'18
<b>Previous Guidance</b> (at mid-point)	<b>\$3.50</b>	--
<b>Q1 Performance</b>	<b>\$0.04</b>	--
<b>Q2 Timing of V&amp;C Close</b>	<b>(\$0.04)</b>	<b>~\$0.15</b>
<b>Current Guidance</b> (at mid-point)	<b>\$3.50</b>	--

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**Q1 Upside Offsets V&C Delay ... Will Assess Guidance After Q2**

# 2017 COST OUT UPDATE

- All Actions Expected by End of Q2
- Forecast >\$75M Net Cost Out in 2017
- Expect \$100M Net Cost Removed Entering 2018



**Cost Actions On Target to Prior Commitment**

# Q2'17 PENTAIR OUTLOOK

	<u>Q2'17</u>	<u>Q2'16</u>
Sales	~\$1.24B	\$1.30B
Op. Income	~\$227M	\$203M
Seg. Income	~\$250M	\$241M
ROS	~20%	18.5%
EPS <i>(Rpt.)</i>	\$0.87 - \$0.89	\$0.73
EPS <i>(Adj.)</i>	\$0.97 - \$0.99	\$0.88

## SUMMARY

- Seasonally Important Quarter for our Residential & Commercial Water Businesses
- Watching Short Cycle Industrial Closely to See if Q1 Trends are Sustainable
- Productivity and Cost Out Actions Accelerating ... Material Inflation Remains Headwind to Monitor

## Q2'17 FINANCIAL OUTLOOK (YoY)

### Adjusted Core Sales Down ~1%

- Water ~Flat
- Electrical Down ~1%

### Segment Income Up ~4%

### ROS ~20% ... Up $\geq$ 150 bps

- Water ~21%
- Electrical ~23%

### Adj. EPS Up ~11%

- Tax Rate of ~20%
- Net Interest ~\$24M; Shares ~183M

**Q2 Free Cash Flow Expected to Be Strong Consistent With Historical Seasonality**

**Expecting Seasonal Q2 EPS Strength Consistent with Historical Trends**

# FULL YEAR 2017 PENTAIR OUTLOOK

	<u>FY'17</u>	<u>FY'16</u>
Sales	~\$4.8B	\$4.9B
Op. Income	~\$765M	\$701M
Seg. Income	~\$880M	\$840M
ROS	~18%	17.2%
EPS <i>(Rpt.)</i>	\$2.95 - \$3.05	\$2.47
EPS <i>(Adj.)</i>	\$3.45 - \$3.55	\$3.05

## SUMMARY

- Impact of 2016 Large Jobs Creates Top Line Headwind
- Strong Margin Expansion Expected Driven by Strong Productivity, Cost Out Actions, and Improved Mix
- EPS Growth Expected from Base Business and Lower Interest Expense

## FY'17 FINANCIAL OUTLOOK (YoY)

### Adjusted Core Sales ~Flat

- Water Up ~1%
- Electrical ~Flat

### Segment Income Up ~5%

### ROS ~18% ... Up $\geq$ 100 bps

- Water ~19%
- Electrical ~23%

### Adj. EPS Up ~15%

- Tax Rate of ~20%
- Net Interest ~\$85M; Shares ~183M

### Free Cash Flow ~100% of Adjusted Net Income

**Maintaining Full Year Forecast ... Will Assess Following Q2**



# **APPENDIX**

## ***GAAP to Non-GAAP Measurements & Reconciliations***

# REPORTED TO ADJUSTED 2017 RECONCILIATION

**Pentair plc and Subsidiaries**  
**Reconciliation of the GAAP year ended December 31, 2017 to the non-GAAP**  
**excluding the effect of 2017 adjustments (Unaudited)**

	Actual		Forecast	
	First Quarter	Second Quarter	Full Year	
<i>In millions, except per-share data</i>				
<b>Total Pentair</b>				
Net sales	\$ 1,183.5	approx \$ 1,240	approx \$	4,800
Operating income	138.4	approx 227	approx	765
% of net sales	11.7%	approx 18%	approx	16%
Adjustments:				
Restructuring and other	20.9	approx —	approx	21
Intangible amortization	24.0	approx 23	approx	93
Equity income of unconsolidated subsidiaries	0.2	approx —	approx	1
Segment income	183.5	approx 250	approx	880
% of net sales	15.5%	approx 20%	approx	18%
Net income from continuing operations—as reported	80.7	approx 165	approx	548
Adjustments to operating income	44.9	approx 23	approx	114
Income tax adjustments	(6.9)	approx (5)	approx	(23)
Net income from continuing operations—as adjusted	\$ 118.7	approx \$ 183	approx	\$ 639
<b>Continuing earnings per ordinary share—diluted</b>				
Diluted earnings per ordinary share—as reported	\$ 0.44	approx \$0.87 - \$0.89	approx	\$2.95 - \$3.05
Adjustments	0.21	approx 0.10	approx	0.50
Diluted earnings per ordinary share—as adjusted	\$ 0.65	approx \$0.97 - \$0.99	approx	\$3.45 - \$3.55

# Q1 2017 CORE SALES GROWTH RECONCILIATION

**Pentair plc and Subsidiaries**  
**Reconciliation of Net Sales Growth to Core Net Sales Growth by Strategic Business Group**  
**for the quarter ended March 31, 2017 (Unaudited)**

	Q1 Net Sales Growth					Total
	Adjusted Core	Large Jobs	Core	Currency	Acq./ Div	
<b>Water</b>	<b>3.9%</b>	<b>(1.5%)</b>	<b>2.4%</b>	<b>(0.3%)</b>	<b>0.5%</b>	<b>2.6%</b>
Filtration & Process			0.4%	(0.8%)	1.9%	1.5%
Flow Technologies			(2.7%)	(0.3%)	—%	(3.0%)
Aquatic & Environmental Systems			13.1%	0.3%	(0.6%)	12.8%
<b>Electrical</b>	<b>3.1%</b>	<b>(7.6%)</b>	<b>(4.5%)</b>	<b>(0.4%)</b>	<b>0.6%</b>	<b>(4.3%)</b>
Enclosures			1.3%	(0.8%)	—%	0.5%
Thermal Management			(16.8%)	0.6%	—%	(16.2%)
Electrical & Fastening Solutions			7.0%	(0.8%)	2.6%	8.8%
<b>Total Pentair</b>	<b>3.4%</b>	<b>(4.2%)</b>	<b>(0.8%)</b>	<b>(0.3%)</b>	<b>0.5%</b>	<b>(0.6%)</b>

# OTHER RECONCILIATIONS

	First Quarter 2016	Second Quarter 2016	Third Quarter 2016	Fourth Quarter 2016	First Quarter 2017
<i>Dollars in millions</i>					
<b>Return on Invested Capital (ROIC)</b>					
Segment Income	\$ 177.9	\$ 241.0	\$ 216.2	\$ 204.4	\$ 183.5
Reported Effective Tax Rate	21.5%	21.5%	21.5%	12.5%	22.1%
Adjusted Effective Tax Rate	21.5%	21.5%	21.5%	15.7%	20.0%
NOPAT	\$ 139.7	\$ 189.3	\$ 169.7	\$ 172.4	\$ 146.8
Depreciation	20.9	22.6	20.8	20.3	21.4
Capital expenditures ("Cap Ex")	(32.8)	(31.2)	(30.5)	(23.3)	(23.6)
Total NOPAT, Depreciation and Cap Ex	\$ 127.8	\$ 180.7	\$ 160.0	\$ 169.4	\$ 144.6
Trailing four quarter NOPAT, Depreciation and Cap Ex	\$ 606.0	\$ 632.2	\$ 653.7	\$ 637.9	\$ 654.6
Ending Invested Capital	\$ 6,251.6	\$ 6,071.3	\$ 6,169.0	\$ 5,972.4	\$ 6,286.4
Trailing five quarter average invested capital	\$ 5,515.5	\$ 5,820.9	\$ 6,155.6	\$ 6,110.4	\$ 6,150.1
After Tax Return on Invested Capital	11.0%	10.9%	10.6%	10.4%	10.6%

*NOPAT (Net Operating Profit After Tax) is Defined as [(Segment Income) X (1 - Adjusted Effective Tax Rate)]*

*Ending Invested Capital is Defined as [Total Shareholders' Equity + Long-term Debt + Current Maturities of Long-term Debt and Short-term Borrowings - Cash and Cash Equivalents - Net Assets Held for Sale]*

	First Quarter 2016	Second Quarter 2016	Third Quarter 2016	Fourth Quarter 2016	First Quarter 2017
<b>Free Cash Flow</b>					
Net cash provided by (used for) operating activities	\$ (17.7)	\$ 338.6	\$ 138.8	\$ 242.7	\$ (88.7)
Capital expenditures	(32.8)	(31.2)	(30.5)	(23.3)	(23.6)
Proceeds from sale of property and equipment	5.4	2.2	16.5	0.6	—
<b>Free cash flow from continuing operations</b>	<b>\$ (45.1)</b>	<b>\$ 309.6</b>	<b>\$ 124.8</b>	<b>\$ 220.0</b>	<b>\$ (112.3)</b>
Net cash provided by (used for) operating activities of discontinued operations	2.7	45.9	48.5	61.9	(17.3)
Capital expenditures of discontinued operations	(5.4)	(5.2)	(4.8)	(5.0)	(3.9)
Proceeds from sale of property and equipment of discontinued operations	0.9	2.0	8.4	10.6	0.2
<b>Free cash flow</b>	<b>\$ (46.9)</b>	<b>\$ 352.3</b>	<b>\$ 176.9</b>	<b>\$ 287.5</b>	<b>\$ (133.3)</b>

# REPORTED TO ADJUSTED 2016 RECONCILIATION

**Pentair plc and Subsidiaries**  
**Reconciliation of the GAAP year ended December 31, 2016 to the non-GAAP**  
**excluding the effect of 2016 adjustments (Unaudited)**

<i>In millions, except per-share data</i>	Actual				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year
<b>Total Pentair</b>					
Net sales	\$ 1,190.0	\$ 1,301.2	\$ 1,210.7	\$ 1,188.1	\$ 4,890.0
Operating income	152.7	203.4	182.8	161.8	700.7
<i>% of net sales</i>	12.8%	15.6%	15.1%	13.6%	14.3%
<b>Adjustments:</b>					
Restructuring and other	0.6	12.2	8.1	(0.3)	20.6
Pension and other post-retirement mark-to-market loss	—	—	—	4.2	4.2
Intangible amortization	24.2	24.3	24.1	23.8	96.4
Trade name impairment	—	—	—	13.3	13.3
Equity income of unconsolidated subsidiaries	0.4	1.1	1.2	1.6	4.3
<b>Segment income</b>	177.9	241.0	216.2	204.4	839.5
<i>% of net sales</i>	15.0%	18.5%	17.9%	17.2%	17.2%
<b>Net income from continuing operations—as reported</b>	91.8	132.7	117.5	109.6	451.6
Loss on sale of businesses	—	—	—	3.9	3.9
Adjustments to operating income	24.8	36.5	32.2	41.0	134.5
Income tax adjustments	(5.4)	(7.9)	(7.0)	(10.7)	(31.0)
<b>Net income from continuing operations—as adjusted</b>	\$ 111.2	\$ 161.3	\$ 142.7	\$ 143.8	\$ 559.0
<b>Continuing earnings per ordinary share—diluted</b>					
Diluted earnings per ordinary share—as reported	\$ 0.50	\$ 0.73	\$ 0.64	\$ 0.60	\$ 2.47
Adjustments	0.11	0.15	0.14	0.18	0.58
<b>Diluted earnings per ordinary share—as adjusted</b>	\$ 0.61	\$ 0.88	\$ 0.78	\$ 0.78	\$ 3.05