

Pentair: Growth after the Pool reset

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A portfolio reset meets a new acquisition

On October 1, 2026, Pentair completed its acquisition of Taco Group Holdings for approximately \$1.4 billion, subject to customary adjustments. The deal expands Pentair's Water Solutions segment with a business focused on hydronic and water-based HVAC products, including pumps, tanks, heat exchangers and controls. Taco sells into commercial, industrial and residential markets; its own product materials describe thermal-storage tanks used for backup in data-center chilled-water systems.

The acquisition closed as Pentair faced a very different problem in its Pool segment. In the second quarter, Pentair's sales fell 17% overall, while Pool sales fell 42%. Management attributed much of the Pool decline to channel inventory reductions, but also cited higher interest rates, inflation and weakening business conditions. Pentair's Water Solutions and Flow segments performed better than Pool on margin, though Water Solutions' core sales were down in the first half.

As an outside investor, you are assessing whether Pentair's post-close portfolio can turn Taco's adjacent products and channels into durable, profitable growth while the Pool business works through its inventory reset. The evidence is incomplete: Taco has just closed, Pentair reports no standalone Taco financials, and distributor inventory or retail sell-through data are not disclosed.

What changed in Pool

For the quarter ended June 30, 2026, Pentair's Pool sales were \$246.6 million, down 42.3% from the year-earlier quarter. The company's reported volume was down 46.3%, while price was up 3.9%. Pool segment income was \$57.6 million, down 62.3%, and segment return on sales fell 12.3 percentage points to 23.4%.

In the first half, Pool sales were \$633.7 million, down 21.9%; volume was down 27.2%, while price was up 5.1%. Segment income was \$185.7 million, down 33.4%, and return on sales fell 5.1 points to 29.3%.

Pentair estimated that channel inventory destocking would reduce Pool net sales by about \$250 million for 2026. Its July preliminary release estimated an approximately \$155 million effect on Pool segment income. These are management estimates, not direct measures of consumer demand. Pentair also reported that an \$11.2 million Q2 tariff refund partially mitigated Pool's cost inflation; that one-time refund is not recurring operating improvement.

The company's filings explain that pool equipment demand follows warm-weather seasonality, with sales highs generally between April and September. Pentair has historically used advance-sale "early buy" programs, which may include extended payment terms or discounts. The public record does not provide distributor inventory quantities, dealer sell-through, or Pentair's product-level market share.

The rest of the portfolio

Pentair reorganized segment reporting effective January 1, 2026. It moved its legacy residential and irrigation flow products from Flow to Water Solutions, retrospectively reclassifying prior periods. This changed segment composition but did not change consolidated results. Before Taco, Flow, Water Solutions and Pool represented 27%, 41% and 32% of first-half sales, respectively.

In Q2, Water Solutions sales were down 5.1% as reported and 2.6% on a core basis. Segment income rose 16.5%, and return on sales increased 5.6 points to 30.0%. In the first half, reported sales were down 3.0% and core sales down 1.0%, while segment income rose 11.7% and return on sales increased 3.6 points to 27.8%. Pentair attributed margin improvement to price, productivity and tariff refunds, including \$18.3 million of Q2 IEEPA refunds in Water Solutions.

Flow's Q2 sales rose 5% as reported, while core sales declined 1%; its segment income rose 27%. Pentair says it is pursuing a transformation program involving pricing, sourcing, operational excellence and organizational effectiveness. The company expects restructuring and transformation costs to continue beyond 2026. The reported segment-income measure excludes certain acquisition, amortization, restructuring, transformation and other items; it is not equivalent to consolidated operating income.

What Taco adds-and what remains unproven

Pentair's July acquisition announcement described Taco as a provider of hydronic and water-based HVAC and data-center solutions. The company cited approximately \$540 million in expected FY2026 revenue and adjusted EBITDA margins above 20% including expected run-rate cost synergies. Pentair described the approximately \$1.4 billion purchase price as about 10.5 times 2026E adjusted EBITDA, including roughly \$165 million in tax benefits and \$30 million in expected cost synergies. It forecast \$0.10-\$0.15 of adjusted EPS accretion in FY2027.

Pentair also forecast net leverage of about 2.4 times at close and below 1.5 times within two years, including expected run-rate synergies. These are management projections, not reported outcomes. The Q2 financial statements and 2026 guidance predate the closing and exclude Taco. The public materials reviewed here do not show Taco's standalone audited performance, customer overlap with Pentair, final financing mix, realized synergies, or cross-selling results.

The deal announcement stated that Pentair's distribution network and Taco's manufacturer-representative network could expand customer access. Taco's February product announcement describes a data-center cooling application, but neither source quantifies Taco's data-center exposure or customer adoption. A product-market adjacency does not establish a customer win, cross-sell or return.

A directional pool-industry comparison

Hayward Holdings, a focused pool-equipment supplier, reported Q2 fiscal 2026 sales up 6%, with stable volume and positive price; management described its channel inventory as balanced. Its quarter ended June 27, compared with Pentair's June 30 quarter. Hayward has a different mix and channel exposure. The comparison may inform hypotheses about the Pool market, but cannot establish Pentair's market-share change or retail sell-through.

Organization and leadership context

Pentair announced in April that Jerome Pedretti, then EVP and CEO of Pentair Pool, would leave effective July 1 and that the Pool CEO role would be eliminated. De'Mon Wiggins took responsibility for Flow, Water Solutions and Pool on April 28. CFO transitions were also underway: after Nick Brazis's July departure, Bob Fishman served as interim CFO; Pentair announced Bob Hau in September to become CFO effective November 1, with Fishman remaining through the transition. These dates establish leadership context; they do not explain the Pool decline or predict Taco's integration.

What research suggests

Teerikangas and Thanos studied eight growth acquisitions by four Finnish multinational companies using grounded-theory analysis and 166 interviews with 141 managers from acquiring and target firms. They describe how integration-related process, behavior and culture can influence outcomes through functions such as sales, R&D, manufacturing and support teams. Their cases show why cross-selling depends on functional cooperation and how employee response, diligence surprises and integration choices can affect value capture. The qualitative sample suggests questions to ask about Taco's sales channels and employee/customer retention; it does not estimate Pentair's likely synergies or financial return.

King and coauthors' meta-analysis of post-acquisition performance reports in its publisher abstract that acquirer performance does not improve on average and is modestly negative across commonly studied variables, while important moderators remain unidentified. This is a broad base-rate caution. It does not predict Taco's performance or resolve the fit of this specific acquisition.

Assignment

Using information available by October 3, 2026:

1. State your confidence that Pentair's post-close portfolio can produce durable, profitable growth. Define what your confidence covers: Pool recovery, Taco's strategic fit, integration, financial returns, or some combination.
2. Assess how much of the Pool decline the evidence supports attributing to channel destocking, and identify other plausible explanations.
3. Evaluate the evidence for and against Taco's strategic fit with Pentair. Distinguish product adjacency, management projections, and observed outcomes.
4. Identify at least four indicators that would raise or lower your confidence over the next two years. For each, state what it would show and what it would not prove by itself.
5. Explain how the academic research informs your assessment and where its results cannot be transferred to Pentair.

Do not treat Pentair shipments as retail sell-through, treat management forecasts as realized results, or count acquired revenue as cross-selling. Separate tariff refunds from recurring margin performance. No stock valuation or project-return model is requested.

Sources

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