



xylem

# 2023 First Quarter

Results & Earnings

# Forward-Looking Statements

This presentation contains “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Generally, the words “anticipate,” “estimate,” “expect,” “project,” “intend,” “plan,” “contemplate,” “predict,” “forecast,” “likely,” “believe,” “target,” “will,” “could,” “would,” “should,” “potential,” “may” and similar expressions or their negative, may, but are not necessary to, identify forward-looking statements. By their nature, forward-looking statements address uncertain matters and include any statements that are not historical, such as statements about our strategy, financial plans, outlook, objectives, plans, intentions or goals (including those related to our social, environmental and other sustainability goals); or address possible or future results of operations or financial performance, including statements relating to orders, revenues, operating margins and earnings per share growth.

Although we believe that the expectations reflected in any of our forward-looking statements are reasonable, actual results could differ materially from those projected or assumed in any of our forward-looking statements. Our future financial condition and results of operations, as well as any forward-looking statements, are subject to change and to inherent risks and uncertainties, many of which are beyond our control. Important factors that could cause our actual results, performance and achievements, or industry results to differ materially from estimates or projections contained in or implied by our forward-looking statements include, among others, the following: the impact of overall industry and general economic conditions, including industrial, governmental, and public and private sector spending, inflation, interest rates and related monetary policy by governments in response to inflation, and the strength of the residential and commercial real estate markets, on economic activity and our operations; geopolitical events, including the war between Russia and Ukraine, and regulatory, economic and other risks associated with our global sales and operations, including with respect to domestic content requirements applicable to projects with governmental funding; the global impact of the COVID-19 pandemic on the macroeconomy and our business, operations, growth, and financial condition; actual or potential other epidemics, pandemics or global health crises; availability, shortage or delays in receiving electronic components (in particular, semiconductors), parts and raw materials from our supply chain; manufacturing and operating cost increases due to macroeconomic conditions, including inflation, energy supply, supply chain shortages, logistics challenges, tight labor markets, prevailing price changes, tariffs and other factors; demand for our products, disruption, competition, or pricing pressures in the markets we serve; cybersecurity incidents or other disruptions of information technology systems on which we rely, or involving our products; disruptions in operations at our facilities or that of third parties upon which we rely; our ability to retain and attract senior management and other diverse and key talent, as well as competition for overall talent and labor; difficulty predicting our financial results; defects, security, warranty and liability claims, and recalls with respect to products; availability, regulation or interference with radio spectrum used by certain of our products; uncertainty related to restructuring and realignment actions and related costs and savings; our ability to continue strategic investments for growth; our ability to successfully identify, execute and integrate acquisitions; volatility in served markets or impacts on our business and operations due to weather conditions, including the effects of climate change; fluctuations in foreign currency exchange rates; our ability to borrow or refinance our existing indebtedness, and uncertainty around the availability of liquidity sufficient to meet our needs; risk of future impairments to goodwill and other intangible assets; failure to comply with, or changes in, laws or regulations, including those pertaining to anti-corruption, data privacy and security, export and import, our products, competition, and the environment and climate change; changes in our effective tax rates or tax expenses; legal, governmental or regulatory claims, investigations or proceedings and associated contingent liabilities; and other factors set forth under “Item 1A. Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2022 (“2022 Annual Report”) and in subsequent filings we make with the Securities and Exchange Commission (“SEC”).

Additionally, risks and uncertainties relating to our plans to acquire Evoqua could cause our actual results to differ, perhaps materially, from those indicated by these forward-looking statements, including: the risk that the conditions to the closing of the transaction are not satisfied, including the risk that required approvals of the transaction from the shareholders of Xylem, stockholders of Evoqua or from regulators are not obtained; litigation relating to the transaction; uncertainties as to the timing of the consummation of the transaction and the ability of each party to consummate the transaction; risks that the proposed transaction disrupts the current plans or operations of Xylem or Evoqua; the ability of Xylem and Evoqua to retain and hire key personnel; competitive responses to the proposed transaction; the need to incur additional or unexpected costs, charges or expenses related to the transaction or integration of the combined companies; potential adverse reactions or changes to relationships with customers, suppliers, distributors and other business partners resulting from the announcement or completion of the transaction; impacts to our share price and dilution of shareholders’ ownership; the combined company’s ability to achieve the synergies expected from the transaction, as well as delays, challenges and expenses associated with integrating the combined company’s existing businesses.

Forward-looking and other statements in this presentation regarding our environmental and other sustainability plans and goals are not an indication that these statements are necessarily material to investors or are required to be disclosed in our filings with the SEC. In addition, historical, current, and forward-looking social, environmental and sustainability related statements may be based on standards for measuring progress that are still developing, internal controls and processes that continue to evolve, and assumptions that are subject to change in the future. All forward-looking statements made herein are based on information currently available to us as of the date of this Report. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

# Q1 2023 Performance Summary

(\$ in millions, unless otherwise noted)

2023	Reported Q1	Adj* Q1
<b>Xylem Consolidated</b>		
Revenue	\$1,448	\$1,448
Overall Growth	14%	14%
Constant Currency* Growth		17%
Organic Growth*		17%
Operating Income	\$131	\$167
Operating Margin	9.0%	11.5%
EBITDA*	\$188	\$236
EBITDA Margin*	13.0%	16.3%
Earnings Per Share	\$0.54	\$0.72

2023	Reported Q1	Adj* Q1
<b>Water Infrastructure</b>		
Revenue	\$589	\$589
Overall Growth	11%	11%
Constant Currency* Growth		15%
Organic Growth*		15%
Operating Income	\$70	\$73
Operating Margin	11.9%	12.4%
EBITDA*	\$84	\$89
EBITDA Margin*	14.3%	15.1%

2023	Reported Q1	Adj* Q1
<b>Measurement &amp; Control Solutions</b>		
Revenue	\$406	\$406
Overall Growth	29%	29%
Constant Currency* Growth		32%
Organic Growth*		32%
Operating Income	\$20	\$27
Operating Margin	4.9%	6.7%
EBITDA*	\$54	\$63
EBITDA Margin*	13.3%	15.5%

2023	Reported Q1	Adj* Q1
<b>Applied Water</b>		
Revenue	\$453	\$453
Overall Growth	7%	7%
Constant Currency* Growth		10%
Organic Growth*		10%
Operating Income	\$83	\$86
Operating Margin	18.3%	19.0%
EBITDA*	\$87	\$91
EBITDA Margin*	19.2%	20.1%



# Patrick Decker

CEO & President

“ The team delivered very strong first quarter performance, well ahead of expectations. Market demand remains robust, reflected in strong backlog growth and book-to-bill greater than one across all segments. We continue to see solid results on revenue and margin due to commercial momentum, price realization, and supply chain improvements.

Looking ahead, we're confident in raising our 2023 guidance despite a dynamic macro-economic environment and are excited about the opportunity for value creation from our pending combination with Evoqua. We have made significant progress with regulatory approvals and integration planning, and expect the transaction to close by mid-year. From day one, we will build on the combined strengths of Xylem and Evoqua to create a transformative platform for solving our customers' and communities' essential water challenges.

”

## Q1 2023 Highlights



Organic\* Revenue

**+17%**

vs guidance 7% - 9%



Organic\* Orders

**(5%)**

book-to-bill >1 in all segments



Adj. EBITDA\*  
Margin

**16.3%**

+210 bps YoY margin expansion  
vs guidance ~16.0%



Adj. EPS\*

**\$0.72**

53% YoY growth



Sustainability

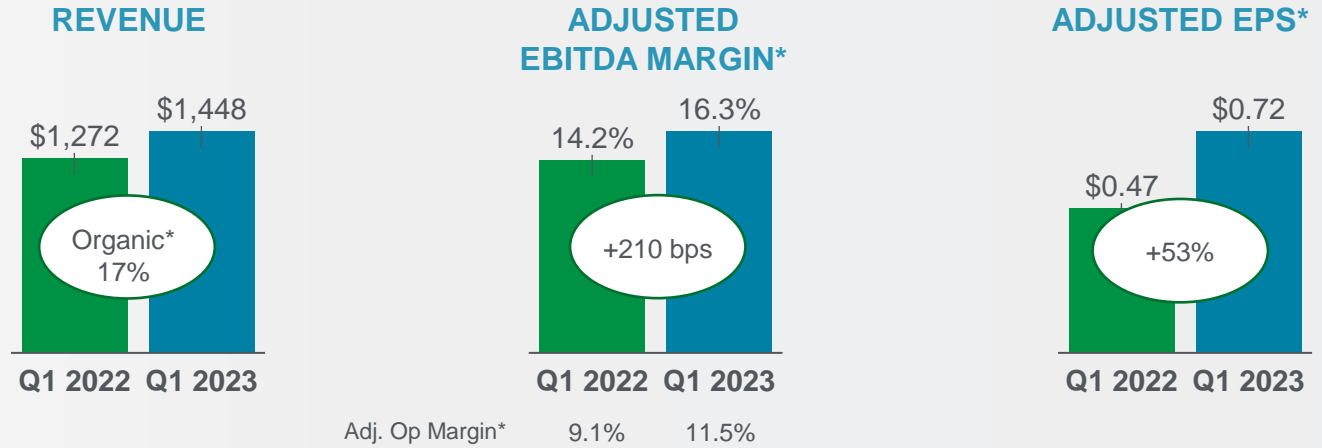
**Achieved 2025  
sustainability goal by  
enabling reduction of  
customer CO<sub>2</sub>e footprint by  
2.8M metric tons**

~equivalent to 7.1 billion miles  
driven by a gas-powered vehicle<sup>1</sup>

<sup>1</sup> Source: EPA Greenhouse Gas Equivalencies Calculator  
\*See appendix for definitions of non-GAAP measures and non-GAAP reconciliations



# Q1 2023 XYLEM PERFORMANCE



## KEY PERFORMANCE DRIVERS

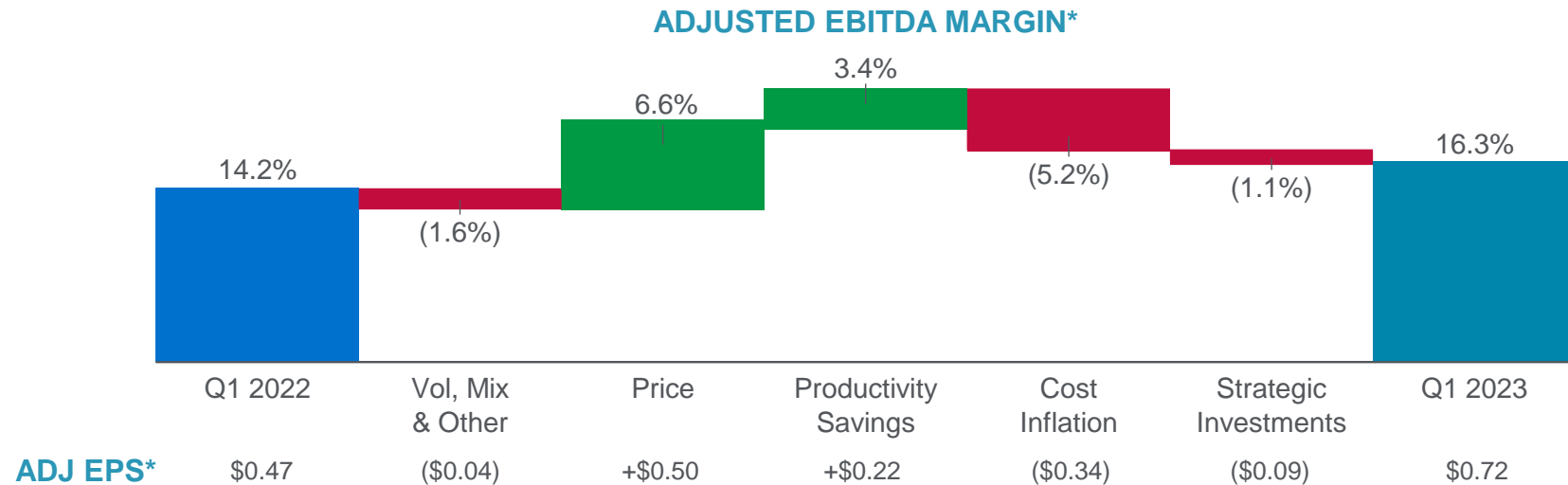
### Organic Growth\* by End Market

- Utilities 23%
- Industrial 13%
- Commercial 16%
- Residential (2%)

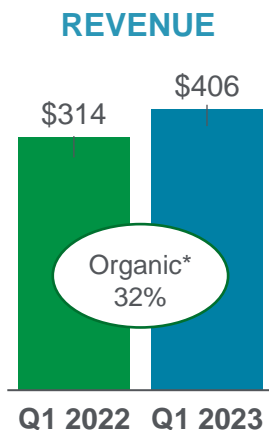
### Organic Growth\* by Region

- United States 24%
- Western Europe 14%
- Emerging Markets 8%

- **Organic\* revenue** growth of 17% mainly driven by strong demand, price realization, and continued supply chain improvements
- **Organic\* orders** down 5% lapping prior year 14% growth; all segments grew sequentially with **backlog** of \$3.7B, up 8% organically



# Q1 2023 Measurement & Control Solutions Performance



### Organic Growth\* by Application

Water	29%
Energy	46%

### Organic Growth\* by Region

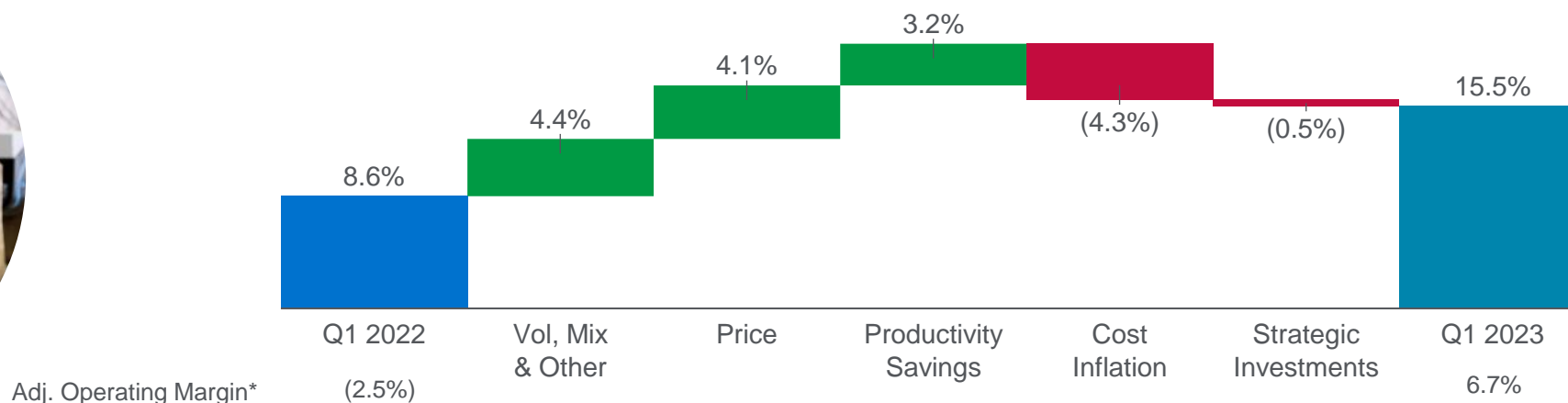
United States	42%
Western Europe	18%
Emerging Markets	13%

### Highlights

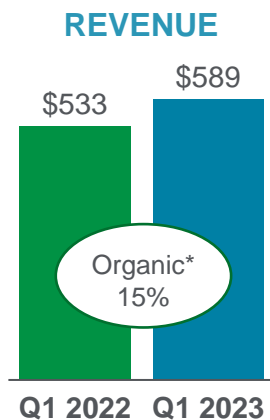
- Organic\* orders down 17% lapping prior year compare of 25% growth. Strong Advanced Metering Infrastructure (AMI) demand continues with a book-to-bill ratio of 1.1
- Resilient backlog at \$2.1B, provides long-term growth and margin momentum
- Strong organic\* revenue growth driven by backlog execution on chip supply improvement in smart metering and double-digit growth in all businesses



### ADJUSTED EBITDA MARGIN\*



# Q1 2023 Water Infrastructure Performance



## Organic Growth\* by End Market

Utilities	14%
Industrial	18%

## Organic Growth\* by Region

United States	22%
Western Europe	10%
Emerging Markets	13%

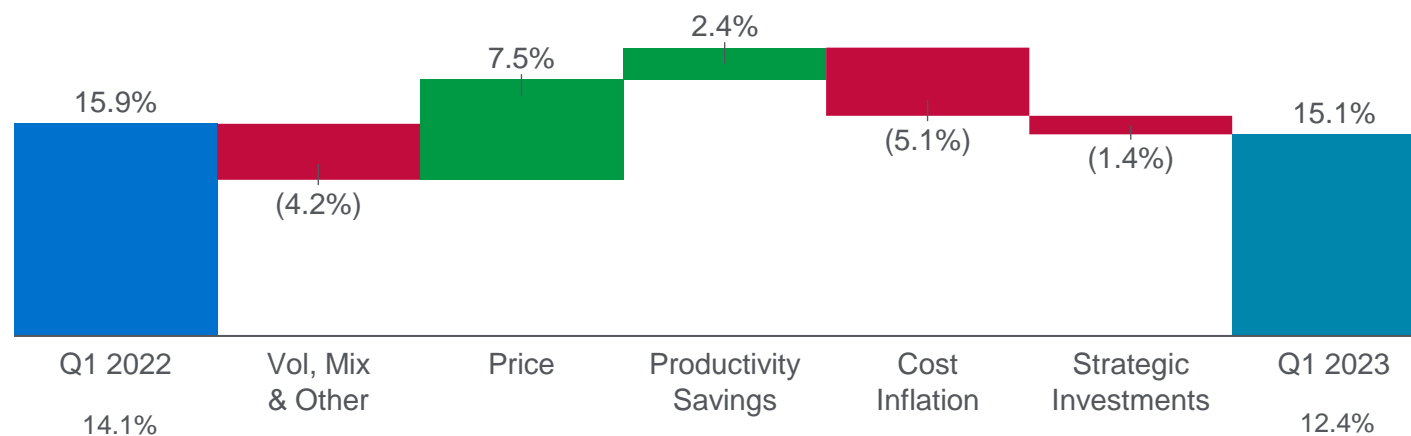
## Highlights

- Organic\* orders up 1%, lapping 12% growth last year, with book-to-bill ratio of 1.1
- Utilities growth driven by price and strong opex demand particularly in the US and Western Europe
- Industrial growth driven by price, robust demand across all regions

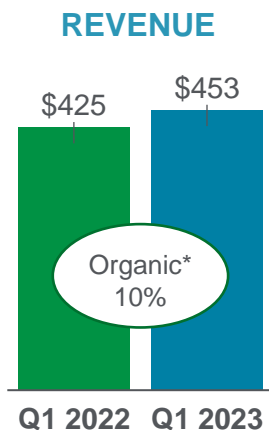


Adj. Operating Margin\*

## ADJUSTED EBITDA MARGIN\*



# Q1 2023 Applied Water Performance



### Organic Growth\* by End Market

Industrial	8%
Commercial	16%
Residential	(2%)

### Organic Growth\* by Region

United States	10%
Western Europe	17%
Emerging Markets	(3%)

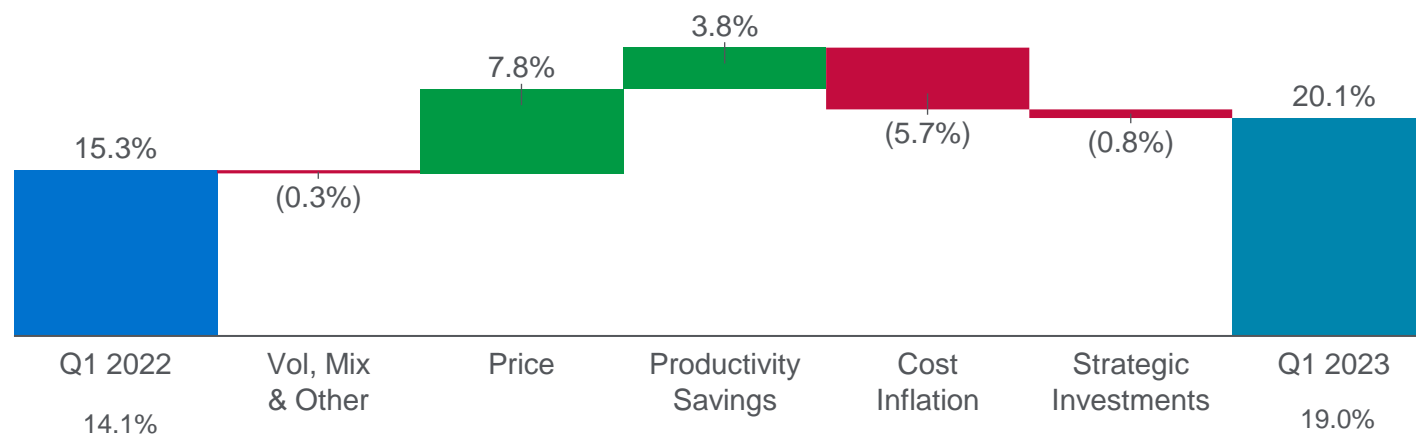
### Highlights

- Organic\* orders down 1%; demand is resilient with book-to-bill ratio of 1.1
- Industrial growth led by price realization and project execution on healthy demand, primarily in Western Europe
- Commercial growth driven by backlog execution and price realization in the US and Western Europe



Adj. Operating Margin\*

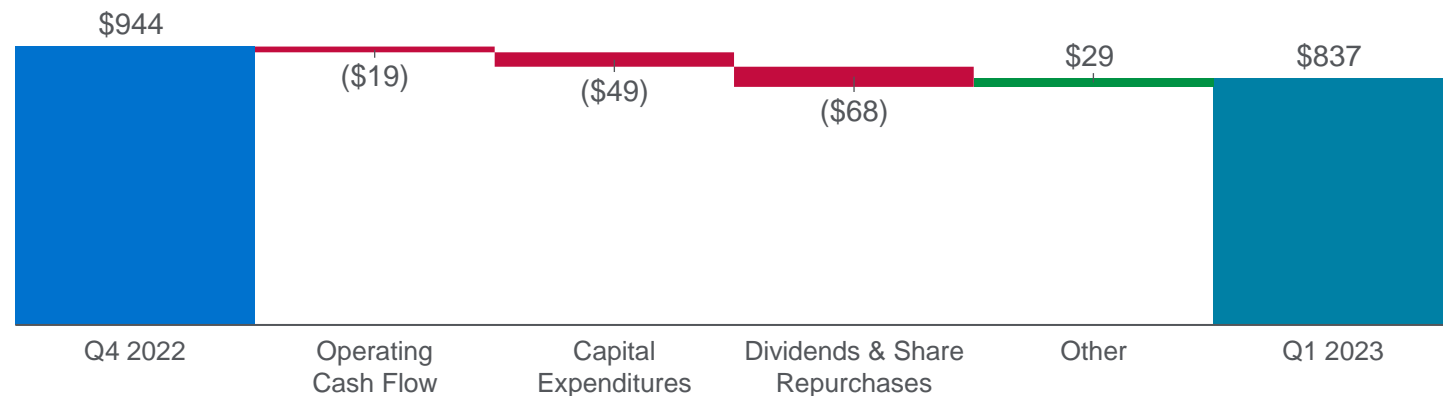
### ADJUSTED EBITDA MARGIN\*



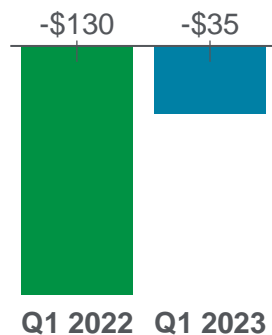


# Xylem Financial Position

## CASH DRIVERS



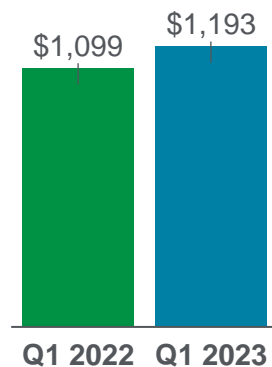
## FREE CASH FLOW\*



## FCF CONVERSION\*

(160%) (35%)

## WORKING CAPITAL\*\*



## WORKING CAPITAL %

21.1% 20.9%

## Capital Summary

### March 31, 2023

Cash & Cash Equivalents	\$ 837
Debt	\$ 1,881
Net Debt	\$ 1,044
Shareholder's Equity	\$ 3,578
Net Capital	\$ 4,622
Net Debt to Net Capital	23%

## Financial Highlights

- **Strong financial position**
  - Available liquidity of ~\$1.8B including cash, cash equivalents, and available credit facilities
  - Remain committed to BBB/Baa2 investment grade credit rating
  - Net debt / adjusted EBITDA\* (TTM) as of 3/31: 1.0x
- **Q1 free cash flow\* favorable to normal seasonality; full year guidance of 100% FCF conversion\***

\*See appendix for definitions of non-GAAP measures and non-GAAP reconciliations

\*\* The Company calculates Working Capital as follows: net accounts receivable + inventories - accounts payable - customer advances. WC as a % of revenue is based on a trailing 12 months of revenue

# Continued Commercial and Operational Momentum to Deliver our 2023 Commitments



## 1. SERVING OUR CUSTOMERS WITH DIFFERENTIATED OFFERINGS

- Strong value proposition for driving digital adoption
- Simplifying our business to drive speed to customer

## 2. RELENTLESS COMMITMENT TO DELIVER MARGIN EXPANSION

- Accelerated traction on price and productivity initiatives
- Improved supply chain accelerating backlog execution

## 3. PLANNING FOR EVOQUA INTEGRATION

- On track to close by mid-year
- Focused on integration and talent retention

**2022 Sustainability Report to be Published in May**

# FY 2023 End Market Commentary

See appendix for end market key facts



**Wastewater Utilities**  
~25% of Revenue

- Continued Opex strength due to mission critical applications and large install base in North America and Western Europe
- Long-term capex outlook remains strong due to aging infrastructure and Emerging Markets' continued advancement
- US Utilities: Limited near-term benefit from the bipartisan infrastructure act



**Clean Water Utilities**  
~25% of Revenue

- Continued improvement in chip supply throughout 2023 leading to backlog execution, including large deal deployments. Resilient backlog and continued orders momentum provides strong growth fundamentals
- Healthy momentum for water quality products and increased demand for pipeline assessment services due to aging infrastructure and climate challenges
- Increasing demand for smart water solutions and digital offerings to drive positive economic and environmental impact for utilities



**Industrial**  
~35% of Revenue

- Industrial dewatering demand is healthy, driven by mining demand in Latin America and strategic growth investments
- Sustained demand in "light" Industrial activity from Applied Water businesses globally



**Commercial**  
~10% of Revenue

- Resilient demand for energy efficiency related projects, particularly in Europe as supported by government funding starting to flow through
- Anticipating new construction demand to moderate, which represents a third of commercial exposure
- Continued development in Emerging Markets

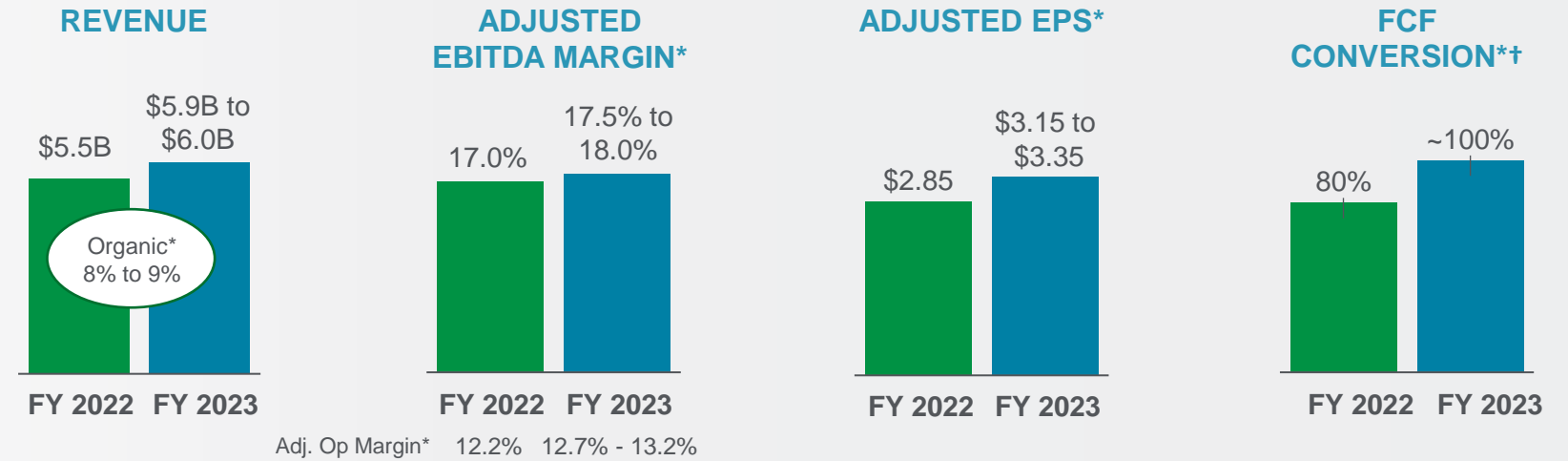


**Residential**  
~5% of Revenue

- Market softness in Europe and North America continues, channel inventory elevated
- Resilient demand in Emerging Markets

## FY 2023 and Q2 2023 Guidance & Key Assumptions

Full year guidance does not reflect the planned acquisition of Evoqua, announced January 23, 2023



## Key Assumptions

### Organic\* Revenue up 8% to 9%

- Measurement & Control Solutions up high teens
- Water Infrastructure up high-single digits
- Applied Water up mid-single digits

### 2023 FX Euro Rate 1.08

### Adjusted EBITDA\* Margin of 17.5% to 18.0%

- Strong backlog execution, price realization and productivity savings partially offset by inflation

### Free Cash Flow Conversion\* of ~100%†

- Driving working capital productivity with supply chain improvements

### FY 2023 Planning Assumptions

Corporate Expense	~\$60M
Restructuring & Realignment Costs*	~\$25 - \$35M
Dividends	~\$240M
Capex	~\$235M
Interest / Other Expense	~\$30M
Estimated Tax Rate*	~20.0%
Share Count	~182M

### Q2 2023 Planning Assumptions

<b>Organic* Revenue</b>	<b>+10% to +11%</b>
M&CS	Up high-teens
WI	Up high-single digits
AWS	Up high-single digits
<b>Adjusted EBITDA Margin*</b>	<b>17.5% - 18.0%</b>
<b>Adjusted Operating Margin*</b>	<b>12.5% - 13.0%</b>

\*See appendix for definitions of non-GAAP measures and non-GAAP reconciliations

†Does not contemplate payments resulting from all Evoqua related transaction payments and incremental cash tax payments associated with U.S. R&D tax treatment changes

# Key Takeaways

- 1** Outperformed Q1 with **double digit growth** and strong margin **expansion**
- 2** **Raising** full-year organic revenue and adjusted EPS guidance for 2023
- 3** Focused on successful **integration** of Evoqua post-close
- 4** Xylem investment thesis is strong: creating **economic** and **social** value



The background features a dynamic splash of water in shades of blue, with a large, semi-transparent, light blue 'X' watermark overlaid on the left side. The water splash is captured in a high-speed shot, showing intricate droplets and ripples.

xylem

Appendix

## End Market Key Facts

### Utilities ~50% Revenue

#### Wastewater Utilities

- Revenue: ~50% of Xylem utilities revenue
- Opex/Capex Split: ~80% / ~20%
- XYL businesses: primarily Water Infrastructure segment
- Geographic Split: US ~45% / W. Europe ~30% / Em. Mkts & other ~25%
- US Utility wastewater Capex: ~2% of total Xylem revenue
- US & W. Europe leading installed base and strong recurring revenue through Opex
- Emerging Markets mostly greenfield and currently skewed to Capex

#### Clean Water Utilities

- Revenue: ~50% of Xylem Utilities revenue
- Opex/Capex split: ~75% / ~25%
- XYL businesses: primarily MCS segment
- Geographic split: US ~70% / W. Europe ~15% / Em. Mkts & Other ~15%
- US utility clean water capex: ~4% of total Xylem revenue
- Adoption of AMI and digital technologies to address non-revenue water and remote capabilities expected to be long-term secular trend globally
- Under-penetrated international presence, but opportunities increasing

### Industrial

#### (~35% of Revenue)

- Oil & Gas revenue: ~1% of total Xylem
- Mining revenue: ~5% of total Xylem
- “Light” industrial revenue: ~25% of total Xylem
- XYL businesses: all 3 segments (~40% of WI, ~45% of AWS, ~15% of MCS)
- Equipment is generally not tied to output; keeps facilities ‘up-and-running’

### Commercial

#### (~10% of Revenue)

- XYL businesses: Applied Water
- New build / replacement (aftermarket): ~30% / ~70%
- Geographic split: US ~60% / W. Europe ~20% / Em Mkts & Other ~20%
- Energy efficiency, reliability and “connectivity” critical to customers; exposure to institutional sector

### Residential

#### (~5% of Revenue)

- XYL businesses: Applied Water
- New build/replacement: 10% / 90%
- Geographic split: US ~65% / W. Europe ~10% / Em Mkts & Other ~25%
- Sales almost exclusively via channel partners

## Foreign Exchange Translation Sensitivity

### Foreign Exchange Translation

- The table below illustrates the impact of FX fluctuations on Xylem's reported results

Currency	FY 2023 Guidance Rate	Revenue Impact* on FY 2023 of 5% Decrease in Rate	EPS Impact* on FY 2023 of 5% Decrease in Rate
Euro	1.08	(\$51M)	(\$0.14)
GBP	1.24	(\$17M)	(\$0.00)
SEK	0.10	(\$5M)	\$0.01
CNY	0.15	(\$16M)	(\$0.01)
CAD	0.74	(\$11M)	(\$0.00)
INR	0.01	(\$2M)	(\$0.00)
All Other	-	(\$48M)	(\$0.01)
<b>Total</b>		<b>(\$150M)**</b>	<b>(\$0.16)**</b>

\* Increase in rate would have inverse impact on results

**RULE OF THUMB: 1 PENNY MOVEMENT IN EUR/USD RATE,  
EQUATES TO MORE THAN TWO PENNY MOVEMENT IN EPS FOR THE FULL YEAR**

## Appendix

### Xylem Inc. Non-GAAP Measures

Management reviews key performance indicators including revenue, gross margins, segment operating income and margins, orders growth, working capital and backlog, among others. In addition, we consider certain non-GAAP (or "adjusted") measures to be useful to management and investors evaluating our operating performance for the periods presented, and to provide a tool for evaluating our ongoing operations, liquidity and management of assets. This information can assist investors in assessing our financial performance and measures our ability to generate capital for deployment among competing strategic alternatives and initiatives, including but not limited to, dividends, acquisitions, share repurchases and debt repayment. Excluding revenue, Xylem provides guidance only on a non-GAAP basis due to the inherent difficulty in forecasting certain amounts that would be included in GAAP earnings, such as discrete tax items, without unreasonable effort. These adjusted metrics are consistent with how management views our business and are used to make financial, operating and planning decisions. These metrics, however, are not measures of financial performance under GAAP and should not be considered a substitute for revenue, operating income, net income, earnings per share (basic and diluted) or net cash from operating activities as determined in accordance with GAAP. We consider the following items to represent the non-GAAP measures we consider to be key performance indicators, as well as the related reconciling items to the most directly comparable measure calculated and presented in accordance with GAAP. The non-GAAP measures may not be comparable to similarly titled measures reported by other companies.

"Organic revenue" and "Organic orders" defined as revenue and orders, respectively, excluding the impact of fluctuations in foreign currency translation and contributions from acquisitions and divestitures. Divestitures include sales or discontinuance of insignificant portions of our business that did not meet the criteria for classification as a discontinued operation. The period-over-period change resulting from foreign currency translation impacts is determined by translating current period and prior period activity using the same currency conversion rate.

"Constant currency" defined as financial results adjusted for foreign currency translation impacts by translating current period and prior period activity using the same currency conversion rate. This approach is used for countries whose functional currency is not the U.S. dollar.

"EBITDA" defined as earnings before interest, taxes, depreciation and amortization expense. "Adjusted EBITDA" and "Adjusted Segment EBITDA" reflect the adjustments to EBITDA and segment EBITDA, respectively, to exclude share-based compensation charges, restructuring and realignment costs, gain or loss from sale of businesses and special charges.

"Adjusted EBITDA Margin" and "Adjusted Segment EBITDA Margin" defined as adjusted EBITDA and adjusted segment EBITDA divided by total revenue and segment revenue, respectively.

"Adjusted Operating Income", "Adjusted Segment Operating Income", "Adjusted Net Income" and "Adjusted EPS" defined as operating income, segment operating income, net income and earnings per share, adjusted to exclude restructuring and realignment costs, gain or loss from sale of businesses, special charges and tax-related special items, as applicable.

"Adjusted Operating Margin" and "Adjusted Segment Operating Margin" defined as adjusted operating income and adjusted segment operating income divided by total revenue and segment revenue, respectively.

"Free Cash Flow" defined as net cash from operating activities, as reported in the Statement of Cash Flows, less capital expenditures, and "Free Cash Flow Conversion" defined as Free Cash Flows divided by net income, excluding the gain on sale of businesses and other significant non-cash impacts, such as non-cash impairment charges and significant deferred tax items. Our definitions of "free cash flow" and "free cash flow conversion" do not consider certain non-discretionary cash payments, such as debt.

"Realignment costs" defined as costs not included in restructuring costs that are incurred as part of actions taken to reposition our business, including items such as professional fees, severance, relocation, travel, facility set-up and other costs.

"Special charges" defined as costs incurred by the Company, such as acquisition and integration related costs, non-cash impairment charges and both operating and non-operating adjustments for costs related to the UK pension plan buyout.

"Tax-related special items" defined as tax items, such as tax return versus tax provision adjustments, tax exam impacts, tax law change impacts, excess tax benefits/losses and other discrete tax adjustments.





# Appendix

## Xylem Inc. Non-GAAP Reconciliation Reported vs. Organic & Constant Currency Revenue (\$ Millions)

	(As Reported - GAAP)				(As Adjusted - Organic)				Constant Currency
	(A)	(B)	(B)	(B)	(C)	(D)	(E) = B+C+D	(F) = E/A	(G) = (E - C) / A
	Revenue	Revenue	Change	% Change	Acquisitions /	FX Impact	Change	% Change	
2023	2022	2023 v. 2022	2023 v. 2022	Divestitures		Adj. 2023 v. 2022	Adj. 2023 v. 2022		
<b>Quarter Ended March 31</b>									
<b>Xylem Inc.</b>	<b>1,448</b>	<b>1,272</b>	<b>176</b>	<b>14%</b>	<b>0</b>	<b>45</b>	<b>221</b>	<b>17%</b>	<b>17%</b>
Water Infrastructure	589	533	56	11%	0	25	81	15%	15%
Applied Water	453	425	28	7%	0	13	41	10%	10%
Measurement & Control Solutions	406	314	92	29%	0	7	99	32%	32%

## Xylem Inc. Non-GAAP Reconciliation Reported vs. Organic & Constant Currency Orders (\$ Millions)

	(As Reported - GAAP)				(As Adjusted - Organic)				Constant Currency
	(A)	(B)	(B)	(B)	(C)	(D)	(E) = B+C+D	(F) = E/A	(G) = (E - C) / A
	Orders	Orders	Change	% Change	Acquisitions /	FX Impact	Change	% Change	
2023	2022	2023 v. 2022	2023 v. 2022	Divestitures		Adj. 2023 v. 2022	Adj. 2023 v. 2022		
<b>Quarter Ended March 31</b>									
<b>Xylem Inc.</b>	<b>1,570</b>	<b>1,715</b>	<b>(145)</b>	<b>-8%</b>	<b>0</b>	<b>53</b>	<b>(92)</b>	<b>-5%</b>	<b>-5%</b>
Water Infrastructure	639	660	(21)	-3%	0	29	8	1%	1%
Applied Water	483	505	(22)	-4%	0	18	(4)	-1%	-1%
Measurement & Control Solutions	448	550	(102)	-19%	0	6	(96)	-17%	-17%



**Xylem Inc. Non-GAAP Reconciliation**  
Adjusted Operating Income (\$ Millions)

	Q1	
	<u>2023</u>	<u>2022</u>
<b>Total Revenue</b>		
• Total Xylem	1,448	1,272
• Water Infrastructure	589	533
• Applied Water	453	425
• Measurement & Control Solutions	406	314
<b>Operating Income (Loss)</b>		
• Total Xylem	131	111
• Water Infrastructure	70	74
• Applied Water	83	59
• Measurement & Control Solutions	20	(10)
• Total Segments	173	123
<b>Operating Margin</b>		
• Total Xylem	9.0%	8.7%
• Water Infrastructure	11.9%	13.9%
• Applied Water	18.3%	13.9%
• Measurement & Control Solutions	4.9%	(3.2%)
• Total Segments	11.9%	9.7%

**Xylem Inc. Non-GAAP Reconciliation**  
Adjusted Operating Income (\$ Millions)

	Q1	
	2023	2022
<b>Special Charges</b>		
• Total Xylem	25	1
• Water Infrastructure	-	-
• Applied Water	-	-
• Measurement & Control Solutions	2	-
• Total Segments	2	-
<b>Restructuring &amp; Realignment Costs</b>		
• Total Xylem	11	4
• Water Infrastructure	3	1
• Applied Water	3	1
• Measurement & Control Solutions	5	2
• Total Segments	11	4
<b>Adjusted Operating Income (Loss)</b>		
• Total Xylem	167	116
• Water Infrastructure	73	75
• Applied Water	86	60
• Measurement & Control Solutions	27	(8)
• Total Segments	186	127
<b>Adjusted Operating Margin</b>		
• Total Xylem	11.5%	9.1%
• Water Infrastructure	12.4%	14.1%
• Applied Water	19.0%	14.1%
• Measurement & Control Solutions	6.7%	(2.5%)
• Total Segments	12.8%	10.0%

## Appendix

### Xylem Inc. Non-GAAP Reconciliation Adjusted Diluted EPS (\$ Millions, except per share amounts)

	Q1 2023			Q1 2022		
	As Reported	Adjustments	Adjusted	As Reported	Adjustments	Adjusted
Total Revenue	1,448	-	1,448	1,272	-	1,272
Operating Income	131	36 a	167	111	5 a	116
Operating Margin	9.0%		11.5%	8.7%		9.1%
Interest Expense	(9)	-	(9)	(13)	-	(13)
Other Non-Operating Income (Expense)	4	- b	4	(1)	1 b	-
UK Pension Buyout Settlement	-	-	-	-	-	-
Gain/(Loss) From Sale of Business	-	-	-	1	(1)	-
Income before Taxes	126	36	162	98	5	103
Provision for Income Taxes	(27)	(5) c	(32)	(16)	(3) c	(19)
Net Income	99	31	130	82	2	84
Diluted Shares	181.3		181.3	181.0		181.0
<b>Diluted EPS</b>	<b>\$0.54</b>	<b>\$0.18</b>	<b>\$0.72</b>	<b>\$0.45</b>	<b>\$0.02</b>	<b>\$0.47</b>
Year-over-year currency translation impact on current year diluted EPS	(\$0.04)	\$0.01	(\$0.03)			
<b>Diluted EPS at Constant Currency</b>	<b>\$0.58</b>	<b>\$0.17</b>	<b>\$0.75</b>			

a) Restructuring & realignment costs of \$11 million in 2023 and \$4 million in 2022, as well as special charges of \$25 million in 2023 including \$23 million of Evoqua acquisition & integration cost and \$2 million of impairment charges. 2022 special charges of \$1 million for charges related to the UK pension plan exited as part of a buy-out.

b) Special non-operating charges consist of \$1 million in 2022 for charges related to the UK pension plan exited as part of a buy-out.

c) Net tax impact on restructuring & realignment costs of \$2 million in 2023 and \$1 million in 2022; net tax impact on special charges of \$3 million in 2023 and \$1 million in 2022; and \$1 million in 2022 of negative impact from tax related special benefits to GAAP tax.

# Appendix

## Xylem Inc. Non-GAAP Reconciliation EBITDA and Adjusted EBITDA by Quarter (\$ Millions)

2023					
	Q1	Q2	Q3	Q4	Total
Net Income	99				99
Net Income margin	6.8%				6.8%
Depreciation	28				28
Amortization	32				32
Interest Expense (Income), net	2				2
Income Tax Expense	27				27
EBITDA	188				188
Share-based Compensation	12				12
Restructuring & Realignment	11				11
U.K. Pension Settlement	-				-
Special Charges	25				25
Loss/(Gain) from sale of business	-				-
Adjusted EBITDA	236	-	-	-	236
Revenue	1,448				1,448
Adjusted EBITDA Margin	16.3%				16.3%
2022					
	Q1	Q2	Q3	Q4	Total
Net Income	82	112	12	149	355
Net Income margin	6.4%	8.2%	0.9%	9.9%	6.4%
Depreciation	28	28	27	28	111
Amortization	30	32	31	32	125
Interest Expense (Income), net	11	10	7	6	34
Income Tax Expense	16	24	5	40	85
EBITDA	167	206	82	255	710
Share-based Compensation	9	9	10	9	37
Restructuring & Realignment	4	8	6	16	34
U.K. Pension Settlement	-	-	140	-	140
Special Charges	2	3	14	1	20
Loss/(Gain) from sale of business	(1)	-	-	-	(1)
Adjusted EBITDA	181	226	252	281	940
Revenue	1,272	1,364	1,380	1,506	5,522
Adjusted EBITDA Margin	14.2%	16.6%	18.3%	18.7%	17.0%

## Xylem Inc. Non-GAAP Reconciliation EBITDA and Adjusted EBITDA by Quarter (\$ Millions) Water Infrastructure

2023					
	Q1	Q2	Q3	Q4	Total
Operating Income	70				70
Operating Margin	11.9%				11.9%
Depreciation	12				12
Amortization	2				2
EBITDA	84				84
Share-based Compensation	2				2
Restructuring & Realignment	3				3
Adjusted EBITDA	89				89
Revenue	589				589
Adjusted EBITDA Margin	15.1%				15.1%
2022					
	Q1	Q2	Q3	Q4	Total
Operating Income	74	108	104	132	418
Operating Margin	13.9%	18.3%	18.1%	19.8%	17.7%
Depreciation	11	11	11	11	44
Amortization	2	3	1	3	9
Other non-operating expense, excluding interest income	(4)	1	0	(1)	(4)
EBITDA	83	123	116	145	467
Share-based Compensation	1	0	0	1	2
Restructuring & Realignment	1	3	3	4	11
Adjusted EBITDA	85	126	119	150	480
Revenue	533	589	574	668	2,364
Adjusted EBITDA Margin	15.9%	21.4%	20.7%	22.5%	20.3%

**Appendix** Xylem Inc. Non-GAAP Reconciliation  
EBITDA and Adjusted EBITDA by Quarter (\$ Millions)  
Applied Water

2023					
	Q1	Q2	Q3	Q4	Total
Operating Income	83				83
Operating Margin	18.3%				18.3%
Depreciation	5				5
Amortization	0				0
Other non-operating expense, excluding interest income	(1)				(1)
EBITDA	87				87
Share-based Compensation	1				1
Restructuring & Realignment	3				3
Adjusted EBITDA	91				91
Revenue	453				453
Adjusted EBITDA Margin	20.1%				20.1%

2022					
	Q1	Q2	Q3	Q4	Total
Operating Income	59	61	77	61	258
Operating Margin	13.9%	14.2%	16.8%	13.4%	14.6%
Depreciation	5	4	4	4	17
Amortization	0	1	0	1	2
Other non-operating expense, excluding interest income	(1)	0	(1)	0	(2)
EBITDA	63	66	80	66	275
Share-based Compensation	1	1	2	0	4
Restructuring & Realignment	1	2	1	9	13
Adjusted EBITDA	65	69	83	75	292
Revenue	425	429	458	455	1,767
Adjusted EBITDA Margin	15.3%	16.1%	18.1%	16.5%	16.5%

Xylem Inc. Non-GAAP Reconciliation  
EBITDA and Adjusted EBITDA by Quarter (\$ Millions)  
Measurement & Control Solutions

2023					
	Q1	Q2	Q3	Q4	Total
Operating Income	20				20
Operating Margin	4.9%				4.9%
Depreciation	7				7
Amortization	27				27
EBITDA	54				54
Share-based Compensation	2				2
Restructuring & Realignment	5				5
Special Charges	2				2
Adjusted EBITDA	63				63
Revenue	406				406
Adjusted EBITDA Margin	15.5%				15.5%

2022					
	Q1	Q2	Q3	Q4	Total
Operating Income	(10)	(5)	(2)	19	2
Operating Margin	(3.2%)	(1.4%)	(0.6%)	5.0%	0.1%
(Loss)/Gain from sale of business	1	0	0	0	1
Depreciation	9	8	8	8	33
Amortization	25	26	27	26	104
Other non-operating expense, excluding interest income	0	(1)	(1)	0	(2)
EBITDA	25	28	32	53	138
Share-based Compensation	1	2	2	1	6
Restructuring & Realignment	2	3	2	3	10
Special Charges	0	1	12	1	14
Loss/(Gain) from sale of business	(1)	0	0	0	(1)
Adjusted EBITDA	27	34	48	58	167
Revenue	314	346	348	383	1,391
Adjusted EBITDA Margin	8.6%	9.8%	13.8%	15.1%	12.0%



**Xylem Inc. Non-GAAP Reconciliation**  
Net Cash - Operating Activities vs. Free Cash Flow (\$ Millions)

	Q1	
	2023	2022
<b>Net Cash - Operating Activities</b>	<b>(\$19)</b>	<b>(\$81)</b>
Capital Expenditures - PP&E	(33)	(31)
Capital Expenditures - Software	(16)	(18)
<b>Capital Expenditures</b>	<b>(49)</b>	<b>(49)</b>
Cash paid in excess of tax provision for R&D law change adoption	33	-
<b>Free Cash Flow</b>	<b>(\$35)</b>	<b>(\$130)</b>
<b>Net Income</b>	<b>\$99</b>	<b>\$82</b>
Gain/(Loss) from sale of business	-	1
Special Charges - non-cash impairment	(2)	-
<b>Net Income, excluding gain on sale of businesses, non-cash impairment charges and non-cash pension buyout settlement</b>	<b>\$101</b>	<b>\$81</b>
Operating Cash Flow Conversion	-19%	-99%
Free Cash Flow Conversion	-35%	-160%



Thank you.

## Q1 2023 Earnings & Results

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