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PRESENTATION

Operator

Welcome to the Xylem fourth-quarter and full-year 2015 earnings conference call.

(Operator Instructions)

I would now like to turn the call over to Phil De Sousa, Vice President of Investor Relations.

Phil De Sousa - *Xylem Inc - VP of IR*

Thanks, Jackie. Good morning, everyone. Welcome to Xylem's fourth-quarter 2015 earnings conference call. With me today are Chief Executive Officer, Patrick Decker and Interim Chief Financial Officer, Shashank Patel. They will provide their prospective on Xylem's fourth-quarter and full-year 2015 results and discuss the full-year outlook for 2016.

Following our prepared remarks, we will address questions related to the information covered on the call. So that we will have enough time to address everyone on the call, we'll ask that you please keep to one question and follow-up and then return to the queue. We anticipate that today's call will last approximately one hour. As a reminder, this call and our webcast are accompanied by a slide presentation available in the Investor section of our website at www.xyleminc.com. A replay of today's call will be available until midnight on March 6. Please note, the replay number is 800-585-8367 and the confirmation ID number is 195-308-50. Additionally, the call will be available for playback via the Investor section of our website, under the heading Presentations.

Please turn to slide 2. We will make some forward-looking statements on today's call, including references to future events or developments that we anticipate will or may occur. These statements are subject to future risks and uncertainties, such as those factors described in Xylem's most recent annual report on Form 10-K and subsequent reports filed with the SEC. Please note, the Company undertakes no obligation to update any forward-looking statements publicly to reflect subsequent events or circumstances. Actual events or results could differ materially from those anticipated.

Please turn to slide 3. Just a few keynotes for today's presentation. All references today will be on an adjusted basis unless otherwise indicated. Non-GAAP financials are reconciled for you in the appendix section of the presentation. Additionally, please note that references to 2016 metrics include the financial impact attributable to previously closed acquisitions and have been adjusted to exclude non-recurring transaction costs. Now please turn to slide 4. I'll turn the call over to our CEO, Patrick Decker.

Patrick Decker - *Xylem Inc - CEO*

Thanks, Phil. Good morning, everyone. Over the course of 2015, we faced a dynamic economic environment on a macro level and in key end markets. I'm quite pleased with our team's performance as we remain focused on executing against our long-term objectives. We responded effectively to changing conditions and ultimately closed out the year with another quarter of solid results. We delivered at or above our guidance on several key metrics.

Organic revenue grew 2% in the quarter, resulting in 2% organic revenue growth the full year as well. Adjusted earnings per share increased 3% to $0.60 in the quarter, excluding foreign exchange translation. This brought our full-year adjusted earnings to $1.85 per share, a 5% increase year-over-year excluding foreign exchange translation. We delivered free cash flow conversion of 105%, driven by working capital improvement.

Importantly, I am encouraged by the fundamentals and underlying trends impacting our business today and in the years ahead. External factors such as steadily increasing spend on water infrastructure, growing demand for intelligent monitoring and control systems and climate related initiatives that require our water expertise and ingenuity, all bode well for sustained profitable growth at Xylem.

As we continue to advance the key growth initiatives we laid out during our Investor Day last year, namely stepping up our commercial leadership, driving accelerated growth in emerging markets and increasing our investment in R&D and innovation, I am confident that we are well-positioned to deliver that growth. That work will be complemented by our ongoing focus on continuous improvement and business simplification, which will be significant levers for long-term value creation.

Xylem has a balanced global portfolio that we expect will further benefit from a number of current and emerging trends. Here are a couple of examples. The perennial battle to increase spending on water infrastructure is gaining some traction here in the US. A number of efforts are underway to produce actionable plans to break through the historical barriers of financing, political risk and competing priorities. The urgency of the need is further punctuated by flashpoints such as the tragic situation in Flint, Michigan and the flooding events that continue to occur in various parts of the country.

Xylem is actively engaged in several of these efforts, including those that are focused on unlocking private capital for infrastructure investment. In addition, on the heels of the Paris climate talks, governments around the world are developing action plans to achieve the carbon emission reductions they signed onto in that historic agreement. Given that the management of water is a notable contributor to global carbon emissions, the water industry has substantial opportunity to contribute to emission reduction goals.

In light of that, last quarter we issued a report titled, Powering the Wastewater Renaissance. This study outlines how the adoption of readily available wastewater management technologies can cut related emissions by nearly half. The analysis further concludes that 95% of the electricity-related emissions abatement can be achieved at negative or neutral cost, resulting in a win-win scenario for our customers, as well as the governing bodies that are seeking viable solutions to implement in the near-term.

We believe these activities are positive indicators for the continued recovery we see in the public utility market, which constitutes roughly one-third of our global business. Improving market conditions and our strong execution enabled us to gain market share in this end market, as we generated 8% organic growth in the fourth quarter. This follows a solid performance in the third quarter, when we delivered 5% year-over-year growth. The industrial end market is also significant for Xylem. Similar to other companies in this space, we continue to experience the impact of some negative underlying market trends.

For the full year, overall industrial was down 1% organically. This however was largely driven by the steep declines in oil and gas, which was down 40% in 2015, with most of the impact felt in the second half of the year. To be clear, despite the fact that oil and gas represented a relatively small portion of our business, the combination of such a severe drop and its high profit margin resulted in a significant impact on our 2015 results. Specifically, oil and gas reduced our revenues by approximately 1%, compressed our operating margin by 40 basis points and reduced our earnings per share by $0.12.

Looking ahead, we expect those headwinds to continue at least until we begin to lap the initial declines we first experienced in the second quarter of last year. Then we anticipate the headwinds to moderate somewhat in the second half of the year. Overall, we anticipate challenging conditions in oil and gas to continue, but the impact should not be as severe as it was last year. In addition, we expect ongoing headwinds in the mining sector. Collectively, these two sectors now represent about 8% of our total revenue.

We will continue to manage and ultimately optimize efficiency and performance through the inevitable economic cycles that occur within this end market. Fortunately, Xylem is better positioned than many. Our industrial market exposure is more heavily weighted to the light industrial sector. In fact, that represents roughly 36% of our total revenue. The benefits of this sector mix are evident in our 2015 results. Excluding the severe impact of the oil and glass declines, the remainder of our industrial-related business grew 2% for the full year.

Driving this growth was the continued demand for industrial water applications, such as pressure boosting, equipment cooling and fire suppression. The critical nature of these products and services in maintaining operations creates more resilience in the light industrial sector, providing a counterweight to the cyclical volatility seen in heavy industrials. One final point, the leading position we have in certain consumer demand driven applications, such as beverage dispensing and marine and RV pump applications helped us deliver solid growth.

With combined revenue of more than $120 million, these businesses grew 4% in 2015 and are well-positioned to continue growing in 2016. From a regional perspective, we remain optimistic about the US markets, particularly the public utility and commercial building sectors, which we'll address in more detail later on the call. Europe is stabilizing. We expect a more favorable outlook there. We have a strong presence in the public utility market in Europe. We're already seeing early signs of success with key product launches in the residential and commercial building sectors.

The emerging markets present a more complex story. As all of you know, many of these markets are already showing signs of slower growth. After posting 9% organic growth during the first nine months of the year, our businesses in emerging markets grew 2% in the fourth quarter. There are a few dynamics at play here. First, the 2% organic growth compares with 14% organic growth in the prior-year period. Underlying this delta is a pattern of choppy project deliveries that can easily cause distortions in quarterly year-over-year growth.

Second, our applied water segment declined 4% in the emerging markets in the quarter, driven in part by the slowdown in China's industrial and commercial markets. However, given that our business in China is more heavily weighted to the public utility end market, we do expect continued growth ahead, albeit at a slower pace than in most recent years.

Shifting gears now, as I've mentioned previously, we are still in the early chapters of a multi-year self-help story that will enable us to drive margin expansion. Our continuous improvement initiatives, which include lean and global procurement, along with a sharper focus on driving business simplification will result in significant operating margin improvement. Today, G&A costs sit at 8.5% of revenue, down 120 basis points over the past two years but still an opportunity.

We will continue to attack these costs in 2016 and beyond, as we execute the business simplification plan we laid out at Investor Day, targeting $60 million to $75 million of structural cost reductions over the next few years. Our expectation is to invest approximately $25 million in 2016 from which we anticipate realizing $8 million in savings in the second half of the year and $15 million on an annualized basis. We will touch on this in more detail later in the call.

We are driving productivity within the business so we can fund the necessary investments to achieve our longer term objectives. This includes increasing our R&D investment for future growth, the targeted investments in the Middle East, China and India, we highlighted at our Investor Day and accelerating capital deployment on two fronts: returning capital to shareholders and acquisitions. Today, we announced a 10% increase in dividend and the acquisition of Tideland Corporation, our second acquisition in as many quarters.

Let's turn to slide 5, I'll cover capital deployment and the Tideland acquisition in more detail. With our strong cash flow generation and capital structure, we are well-positioned to create more value for our shareholders. During the fourth quarter, we repurchased 1.4 million shares for $50 million. For the full year, we repurchased 5.1 million shares for $175 million. We have about $430 million available under our authorized programs. We also paid $25 million in dividends to shareholders in the quarter, bringing our full-year total to $102 million, reflecting a 10% increase per share year-over-year. Combined, this represents a 24% increase in return of capital to shareholders in 2015.

Earlier this week, we completed our acquisition of Tideland, a leading producer of smart analytics solutions in the coastal and ocean management sectors. More specifically, the Company integrates systems intelligence technologies with tools to enable a wide variety of marine and environmental monitoring capabilities to an array of customers. These offerings fit well with our existing analytics portfolio. We intend to further integrate analytics tools from our current portfolio into their systems, including a direct tie-in with our recent fourth-quarter acquisition, HYPACK.

The result will be a broader range of systems intelligence solutions that we can provide to the coastal and ocean water sector. Growth in this area will continue to be driven by the customers need to comply with increasing regulations for a variety of operations in this space. The acquisitions of Tideland and HYPACK illustrate how we plan to bring together distinct products and services to build intelligent full-systems capability and significantly expand the market we currently serve. With that, let me turn the call over to our interim CFO, Shashank Patel, to walk you through the results and the Company's financial position in more detail. Shashank?

Shashank Patel - *Xylem Inc - Interim CFO*

Thanks, Patrick. Since you already covered some of these full-year highlights, I'll make some specific points and then dive further into our fourth-quarter results. For the full year, revenue increased 2% on an organic basis, consistent with the mid-point of our guidance at the beginning of last year. We saw solid growth in the public utility, commercial and residential markets, all up 4% organically. Industrial was down 1%, primarily due to the significant declines we saw in oil and gas over the second half of the year.

Agriculture was down 8%, as unfavorable weather, namely the severe flooding conditions in the southern US, wiped out this year's season. As a reminder, agriculture represents 2% of our revenues. Regionally, we generated the strongest growth in the emerging markets, where we posted a 7% increase over the course of the year. China led the way here growing 14%. Worth noting is that our water infrastructure segment grew 17%, driving 80% of the overall growth, as the local trend to invest in and improve water quality and wastewater treatment continued.

The US and Western Europe markets grew -- each grew 1%. In the US, growth accelerated over the course of the year and hit a high for the year in the fourth quarter; whereas, Europe was relatively stable throughout the year. Canada rounds out our geographic performance. There significant declines in oil and gas resulted in a 13% decline in revenue.

As for margins, productivity actions and volume leverage more than offset material, labor and over-inflation in unfavorable mix. Excluding FX translation, gross margin expanded 40 basis points and led to a 30 basis point improvement in operating margins. Embedded in this operating margin performance is an investment in selling capabilities in key growth markets, partially offset by a reduction in G&A costs.

We reported earnings per share this year of $1.85, an increase of 5% excluding the unfavorable $0.22 impact from foreign exchange translation. Just a reminder that this 5% increase is on top of the 18% growth and record EPS in 2014, a solid indicator that we have set Xylem on the right path to improve financial returns. Another similar indicator is our free cash flow performance. This year, we generated $347 million, an increase of 17%. We also achieved 105% conversion of net income.

We continued to make progress on reducing our working capital across the business. Strong, focused execution improved working capital as a percentage of revenue by 80 basis points, excluding the impact of foreign exchange translation. This improvement, coupled with our commitment to accelerate capital deployment, allowed us to increase the return of capital to shareholders by 24% in 2015. That includes our fourth consecutive dividend increase in as many years and a record $175 million of share repurchases.

Turning to slide 7, I'll cover our fourth-quarter performance. During the fourth quarter, we booked orders of $913 million, up 1% organically. I'll cover our performance by segment in a few minutes. For now, I'll focus my commentary on our ending backlog. We enter 2016 with total backlog of $716 million. Excluding foreign exchange translation impacts, backlog up about 4%. Of the total, roughly $575 million is due to ship in 2016 and about $335 million is due to ship in the first quarter. Excluding the impact of FX translation, our current-year backlog is down 2%.

Jumping back to the fourth-quarter results, we generated revenue of $994 million, down 5% versus the prior year, including a $70 million headwind from foreign exchange translation. On an organic basis, revenue was up 2%. From an end-market perspective, we saw significant strength in both public utility and residential. Revenue from the public utility end market was up 8%, with double-digit growth in the US, Asia and the Middle East. Project deliveries and an improved US market coupled with share gains drove our performance across these regions.

Residential was up 10%, primarily driven by market strength and share gains in the US, where we have about 50% of our customer base. Commercial was flat for the quarter but against a tough prior-year comparison of 8% growth. The story within commercial remains the same; we continue to benefit from a steady recovery in growth within the US institutional building sector. The industrial end market was down 2%, due to the aforementioned oil and gas headwinds. Agriculture was down 12%.

Operating margin was flat at 14.7% but up 20 basis points, excluding the headwind from foreign exchange translation. Cost reductions including Lean Six Sigma, global procurement and business simplification savings offset inflation, driving a 140 basis point improvement in segment margins. Volume leverage on the 2% organic growth was more than offset by unfavorable mix. Wrapping up on the consolidated results, solid organic revenue growth and execution against our cost reduction initiatives resulted in EPS of $0.60, an increase of 3% before the unfavorable impact of foreign exchange translation.

Now, let me provide more detail for each of our reporting segments, please turn to slide 8. Water infrastructure recorded orders of $559 million, up 2% organically. A couple mix dynamics worth highlighting. First, treatment orders grew more than 20% including a large $13 million project order in Saudi Arabia, as well as an increase in both North America project activity and win rates. Nearly offsetting all the growth was the overall declining in our dewatering business, again, reflecting the oil and gas weakness. Our book-to-bill ratio was 0.89 in the quarter, the same as last year.

Overall, we exited the quarter with backlog of $544 million, up 8% on an organic basis. Of this amount, approximately $430 million is due to ship in 2016, with $230 million shipping in the first quarter. This leaves us with longer-term project backlog shippable in 2017 and beyond of $115 million. This is a 48% increase over what we have seen last year on an organic basis. While this is a relatively small portion of our revenue, it is a leading indicator of market health and trend stability and provides some confidence in our generally short-cycle business.

We reported revenue of $629 million, up 1% on an organic basis. Regionally, we saw growth led by the US and emerging markets, up 4% and 5% respectively. Western Europe grew a modest 1%. Canada declined 21%, due to the impact of oil and gas weakness. I will further summarize our revenue performance as follows. Transport application, which include our water and wastewater pump and dewatering business, were up 2% overall.

Public utility water and wastewater pump sales and services grew 11% during the quarter, demonstrating both healthy market conditions and the strength of our Flygt brand which continues to increase its share position. We also saw a double-digit growth in the public utility sector for our dewatering business, driven by a relatively large product delivery and to a lesser extent disaster recovery services in the US and UK. As we've addressed, the unfavorable impact of oil and gas dewatering applications were down nearly 40% in the quarter.

Test applications finished the year with a strong up 4%, with particular strength in Europe, up 9% with growth driven by industrial lab applications and several wastewater facility projects in the Nordic countries. Additionally, our delivery of critical analytical instrumentation use in China's river cleanup project drove local revenue growth up by 24%. Finally, treatment revenue was down 3% as we lapped a few large water project deliveries in Latin America, partially offsetting these headwinds were growth in the Middle East.

We are reporting operating income for our water infrastructure segment of $110 million and a record quarterly operating margin of 17.5%. Performance was driven by the increase in cost reductions of $19 million, driven by sourcing and lean initiatives, as well as $2 million in restructuring savings. This increase was able to more than offset labor and material and over-inflation, as well as the unfavorable mix driven by lower dewatering rental volumes.

Let's turn to slide 9, applied water recorded orders of $354 million, down 1% organically. As a reminder, this compares with 9% growth in the fourth quarter of 2014. Our book-to-bill ratio was 0.97 in the quarter, which is in the range we have seen over the last four years. Overall, we exited the quarter with backlog of $172 million. Of this amount, about $105 million, is due to ship in the first quarter of 2016, down approximately 14% on a constant currency basis, which we expect will mute growth in the first quarter.

Applied water reported revenue of $365 million, up 3% on an organic basis. Regionally, we saw strong growth in the developed markets with the US and Western Europe up 5% and 4% respectively. Emerging markets declined 4%. As expected, our biggest headwind came from China, which was down 18% after posting 16% growth over the first nine months of the year. I'll further summarize our revenue performance as follows. Building services grew 3%, as we continued to benefit from the US institutional building market on the commercial side and market share gains in residential.

Growth in the commercial building market was muted overall by weakness in China. Industrial water grew 5%, largely driven by project strength in the US and modestly improving conditions in project shipments in Europe. Lastly, irrigation, which represents less than 10% of applied water revenue, declined 12%, driven by unfavorable weather conditions and the lapping of a strong quarter in 2014 when we delivered 25% growth. Operating margin declined 10 basis points year-over-year to 13.4%, including 20 basis points of headwind from foreign exchange translation.

Material, labor and over-inflation and unfavorable mix were notable headwinds this quarter, partially offset by cost reductions. Despite volume leverage on 3% organic growth, unfavorable mix associated with a single industrial project significantly impacted our margin performance this quarter. The applied water portion of this project was sold at a negative margin; however, the project margin for Xylem overall was positive and reflected in the water infrastructure segment.

Now let's turn to slide 10, to cover the Company's full-year performance by segment. Let me start first with the water infrastructure segment. Revenue was $2.2 billion, up 1% organically, driven primarily by growing strength in the public utility end market in the US and the continued build-out of water and wastewater infrastructure in emerging markets. We grew 1% in industrial, excluding the significant oil and gas headwind. Operating margin declined 10 basis points year-over-year to 14.2%.

While cost reductions more than offset inflation in the year, volume leverage on the 1% organic growth did not compensate for the unfavorable mix impact attributable to the significant decline in rental services to the oil and gas market. Moving on to the applied water segment, revenue was $1.4 billion, up 3% organically due to strength in the US commercial and residential markets, as well as growth in industrial water applications despite facing significant oil and gas headwinds. In commercial, 4% growth was driven by an improved US institutional building market.

Residential also grew 4%. A strong performance came from improvement in the home construction market and market share gains. Partially offsetting this growth was weakness in the agriculture end market, which was down 8%, due to unfavorable weather conditions and the lapping of a strong prior year. Operating margin decreased 10 basis points year-over-year to 13.9%, due to unfavorable foreign exchange translation impact. Excluding this impact, adjusted operating margin increased 20 basis points, as cost reductions and volume leverage more than offset inflation and unfavorable mix.

Please turn to slide 11, I will cover the Company's financial position. Xylem maintains a strong cash position with the balance of $680 million at the end of December. We remain committed to our balanced capital deployment strategy, which is to maintain and grow the business, while enhancing shareholder returns through dividends and share repurchases. During the fourth quarter, we paid $25 million in dividends and purchased $50 million in shares.

We generated $165 million of free cash flow in the fourth quarter, largely reflecting improved working capital performance. Relative to the prior year, our free cash flow performance improved by $44 million. Lastly, our return on investment -- invested capital decreased by 30 basis points to

10.6%, which was primarily due to unfavorable foreign exchange translation. Now, please turn to slide 12, I'll turn it back over to Patrick to cover our 2016 expectations.

Patrick Decker - *Xylem Inc - CEO*

Thanks, Shashank. As I said earlier, we believe we are well-positioned to make significant progress against our top priorities in 2016 in order to drive long-term profitable growth at Xylem. We're driving substantial change at Xylem to strengthen commercial capabilities, taking specific actions to improve customers' experience at each touch point we have with them. This includes driving more expertise through industry vertical selling and simplifying our commercial processes.

We have focused plans to accelerate growth in emerging markets, targeting increased investment of about $30 million in the Middle East, China and India. We plan to increase our R&D investment in 2016 by 30 to 50 basis points to advance innovation. As we drive our continuous improvement work deeper into the organization, we expect our lean and global procurement initiatives to generate gross savings of $120 million, an increase of roughly 20% year-over-year.

The growth rates I referred to on this slide, all exclude the anticipated negative foreign exchange impacts. Looking at the year ahead, we expect to generate faster than market growth, delivering 2016 organic revenue growth of 2% to 4%. The recently completed acquisitions are expected to add an additional 1% of revenue growth. Given that we expect stable conditions across roughly 90% of our portfolio, including growth across all geographic regions, we believe we are positioned to exceed market growth despite the ongoing headwinds from oil and gas and mining.

Our adjusted operating margin is expected to grow in the range of 50 to 80 basis points overall, despite roughly 20 basis points of margin dilution from the acquisitions of HYPACK and Tideland. This dilution is driven by purchase price accounting impacts, such as non-cash intangible amortization. Excluding the dilutive impact of acquisitions, our operating margin is expected to expand by 70 to 100 basis points. We anticipate generating earnings per share of $1.95 to $2.05, which excludes restructuring and realignment costs of about $25 million. But this projection does include $0.04 of negative foreign currency translation impact.

Excluding foreign exchange impact, EPS growth is expected to be in the range of 8% to 13%. Finally, we will continue to execute a disciplined approach to capital deployment, which is expected to result in free cash flow conversion greater than 100%. This also contemplates expected CapEx in the range of $120 million to $125 million.

Please turn to slide 13. This slide outlines our expectations for 2016 organic revenue by end market. Industrial, which represents 44% of total revenue, is expected to be flat to up low single-digits. This projection assumes low single-digit growth in light industrial applications and double-digit declines in oil and gas and mining applications. The public utility sector, which constitutes 33% of our total revenue, is expected to grow at a mid single-digit rate.

Here, we anticipate growth led by the US and continued investment across emerging markets. We also expect market conditions in Europe to remain stable. That the UK's multi-year AMP 6 cycle of infrastructure investment accelerates late in the second half of the year. For the commercial market, we see growth in the mid single-digit range. Our expectation is that growth in the US institutional building market continues through the year and that conditions in Europe modestly improve.

Lastly, while we expect urbanization to drive growth in emerging markets, such as the Middle East, we also anticipate weaker conditions in China. Residential should grow in the low to mid single-digit range, driven by strength in the US; albeit, at lower levels than seen in 2015. We also expect continued low single-digit growth in Europe. Finally, agriculture will likely see a modest recovery from the significant weather events in 2015. Please turn to slide 14, Shashank will provide some calendarization insight for the year.

Shashank Patel - *Xylem Inc - Interim CFO*

Thanks, Patrick. As we have done in prior years, I'd like to highlight the seasonal profile of our business, which you can see on the left side of the slide and our perspective on 2016 on the right. As for the first quarter of 2016, we expect 2% organic growth coupled with approximately 1% growth from acquisitions. Foreign exchange translation is anticipated to be a 4% headwind. As for operating margin, we anticipate it to be flat year-over-year, as the oil and gas and mining headwinds will continue to offset volume leverage and cost savings.

Our expectations also assume a modest level of increased investment for our growth initiatives. We are assuming that both global procurement and lean savings accelerate through the year, whereby, we realize about $20 million on gross savings in the first quarter and expect to deliver about $120 million for the full year. Now, I'll turn the call back over to Patrick for closing comments. Please turn to slide 15.

Patrick Decker - *Xylem Inc - CEO*

Thanks, Shashank. So we had a strong finish in 2015 as we faced some challenging conditions. Again, I want to thank our team for their performance as their focused execution against our strategic priorities helped us to deliver on the commitments we set forth at the beginning of 2015. I am confident in their ability and commitment to deliver against our organic growth targets and margin expansion opportunities. Xylem is in a very strong financial position. We will continue to drive our balanced and accelerated capital deployment plans.

I am very encouraged as I look ahead to 2016 and beyond. No doubt there are challenges in the near-term. But I am confident that our team will continue to execute with operational discipline to drive our success. That commitment and focus will provide the foundation for future growth for Xylem and our shareholders.

With that, operator, we are ready to open the line for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Deane Dray, RBC Capital Markets.

Deane Dray - *RBC Capital Markets - Analyst*

So you really checked all the boxes this quarter. If I look at it, you've got in-line EPS. You've got free cash flow. You do a dividend boost. You do buybacks. You get a deal done. So hopefully, you've still got some feel-goods left for the rest of the quarters in 2016. So anyway, the question I wanted to focus on first is, I'm interested in hearing a bit more about this large shipment that you disclosed in the applied water business.

Because it sounds as though the order spanned both applied and water infrastructure, which is good to see. That suggest you're doing cross-selling. But the way the P&L gets tallied, applied ended up showing a negative margin. So kind of put this project into context, is this solution selling? Do you have other business like this? How do you -- if you net the two out, how does that project look?

Patrick Decker - *Xylem Inc - CEO*

Sure. Thanks for the comments opening there, Deane, as well, we appreciate it. On this project -- this is a project actually that has been in backlog for multiple years. There have been some delays in the customer job site in terms of ultimately delivering it. So it's been in backlog for more than a couple of years. The margin was net positive and attractive for us. I wouldn't say we have other projects like this that are out there. It was fine. It was an element of some solution sell. It was a bundled offering for an LNG application. But again, it's a bit of a one-off. It was a large project. It's kind of spanned over a few quarters here in terms of shipping it out.

Deane Dray - *RBC Capital Markets - Analyst*

Got it. Then the follow-up question is not so much Xylem specific, but I'm really struck by and interested in hearing your comments on the ramifications for this water crisis unfolding in Flint, Michigan. Again, it's on the front page of the Journal today. So, How do you feel? What's your sense of what happens and the response within the municipal water community? There's going to be further Congressional pressure here. What went wrong? What does this mean for the need for smart water networks? I know that's been a big focus for you. How do you think this plays out? What are the ramifications for spending on this backlog in US water infrastructure?

Patrick Decker - *Xylem Inc - CEO*

Sure. It's a great question, Deane. As I had mentioned in my opening comments, it's obviously a tragic situation there in Flint. As you'll recall, we had similar situations -- although it may be different causes in Toledo, not long before that. You've got a number of these floods -- flooding conditions that we see from a resilient standpoint. There's infrastructure that needs to be invested in. As you've been following the water space for a long time, it's always difficult for any of us to predict the timing of when this will unlock some of the pent-up demand that's out there.

But I do believe that there will likely be increased regulatory scrutiny. I think that will also lead to some increase in backlog movement in various communities across the US. It always seems to happen slower than any of us think it should occur. So it's difficult to predict over what time frame we think it will begin to free up. But I do think this will be a collection of flashpoints that begins to move things forward.

Deane Dray - *RBC Capital Markets - Analyst*

That's real helpful. Just sneak one last question in. The deal is another focus in the water analytic side, hydrology. What's the pipeline look for M&A?

Patrick Decker - *Xylem Inc - CEO*

Yes. So we are excited by both the HYPACK and the Tideland acquisitions. They are very nice additions to our portfolio and really tie-in nicely with the capabilities we already have in the analytics space in that area of hydrology. The pipeline overall -- that's only one vertical obviously that we are focusing in on. If I go back to Investor Day, we talked about smart water infrastructure or systems intelligence. We talked about advanced treatment in industrial.

We talked about making sure that we defended and protected some of our unassailable core franchises. So the pipeline continues to build. It's very attractive. It's pretty broad and deep. As you know, it's always difficult to predict the timing of when things come forward. It always takes two to tango. But I'm very encouraged by the work the team is done to further build-out that pipeline. It lines up really nicely with the value mapping work that we shared at Investor Day.

Deane Dray - *RBC Capital Markets - Analyst*

Thank you.

Patrick Decker - *Xylem Inc - CEO*

Thank you, Deane.

Operator

David Rose, Wedbush Securities.

David Rose - *Wedbush Securities - Analyst*

Just a couple of follow-up on the restructuring actions, the $25 million, can you break this down? Is this incremental to 2017 and 2018? How should we think about it? Then second question is, your mention of private capital and your role in it, I was hoping maybe you can elaborate on that?

Shashank Patel - *Xylem Inc - Interim CFO*

This is Shashank, I'll take the first question. As far as the $25 million, it's incremental. It generates about $8 million savings in 2016, primarily back-end loaded towards the second half. As far as where those actions are, that is restructuring and realignment. It's in the areas of footprint. It's in the areas of the G&A and business simplification initiatives, we had outlined during Investor Day.

David Rose - *Wedbush Securities - Analyst*

I'm sorry, how much is in applied water? How much is in water infrastructure?

Shashank Patel - *Xylem Inc - Interim CFO*

Yes. We don't actually -- we don't disclose how much of that is broken out by segment. But the total is $25 million.

Patrick Decker - *Xylem Inc - CEO*

Part of the reason for that, David, is some of these are shared locations where it applies -- it will impact both businesses.

David Rose - *Wedbush Securities - Analyst*

Okay, great. That's helpful.

Patrick Decker - *Xylem Inc - CEO*

On your second question around unlocking private capital, our role there is not necessarily being actively involved in financing and those types of activities. What I'm really alluding to there is, we're involved in -- as our role as a thought leader in the water space, we are involved in a couple of efforts with other organizations in helping further this movement around things like public-private partnerships, other models that exist in other parts of the world that are not quite as commonplace here in the US. We believe that there is a large role for the private sector to play in driving attractive investments there. So helping in some of the education effort in that area is really the role that I'm referring to.

David Rose - *Wedbush Securities - Analyst*

Okay, that's helpful. Thank you.

Patrick Decker - *Xylem Inc - CEO*

Okay. Thank you.

Operator

Nathan Jones, Stifel.

Nathan Jones - *Stifel Nicolaus - Analyst*

I think, Patrick, in your prepared remarks, you talked about the public utility market. I think you commented that US, Middle East and Asia were up double-digits and did not make any reference to Europe. Given Europe's the biggest end market there, could you give us some color on what you are seeing in the public utility market in Europe? What your expectations are for 2016 there?

Patrick Decker - *Xylem Inc - CEO*

Sure. Yes, so we saw Europe really stabilize over the back half of the year. I would describe it as stable at this point. It's still a mixed bag. I would say, we have not seen the continued deterioration in the southern part of Europe that we had experienced in the first three quarters of the year. That stabilized as well, so I think we're on fairly solid footing. One of the things that will benefit us in 2016 of course is the impact in the UK of the AMP 6 infrastructure investment cycle there, that you're all probably quite familiar with.

That cycle was launched I think April 1 of this past year. It takes about 15 months or so for all the engineering and design and spec work to happen on the part of our customers. Then we really begin to see the revenue come our way late 2016 through 2018 or so. But I'd say net-net, it's stable in Europe, low single-digit growth for 2016.

Nathan Jones - *Stifel Nicolaus - Analyst*

Okay, thanks. If we just look at the light industrial part of industrial, I think we're all fairly comfortable that oil and gas and mining are not doing very good in 2016. You're talking about low single-digit growth there, which you'll need to get to flat or maybe up slightly. Can you talk about the different dynamics that are going on within that market, that have you able to grow in what's probably a flat to maybe slightly down global industrial market?

Patrick Decker - *Xylem Inc - CEO*

Sure. That's a great question. I'd say first of all, when you think about the nature of what the light industrial sector is, customers in that area are quite diverse. But across the board, they are very much focused in on energy efficiency to reduce their operating cost. Our volume there is not really like it would be in heavy industry. It's not really tied to factory output. But it's rather more of an ongoing minimal operating cost.

These are not large capital outlays that are required on the part of our customers, so it doesn't tend to be big on their radar screen. Other than, again, they play a role -- these products play a role in helping them reduce their operating costs through energy efficiency. So we think we're pretty resilient. I think that was demonstrated through 2015, when that part of the business again was up 2% organically. We've seen really nothing here in the latter part of 2015 or early 2016 that would change our view on that.

Nathan Jones - *Stifel Nicolaus - Analyst*

How much of that light industrial market is driven by the regulatory environment rather than the operating environment?

THOMSON REUTERS

Patrick Decker - *Xylem Inc - CEO*

I wouldn't say it's a large driver in that area. I would say that, as some of the energy efficiency regulations that have already been put in place in the EU, come to the US over the course of the next few years, then certainly there will be somewhat of a driver there. But I wouldn't say it's a big driver today. It's really more just again, them managing your operating costs.

Nathan Jones - *Stifel Nicolaus - Analyst*

Okay. Thanks very much for the help.

Patrick Decker - *Xylem Inc - CEO*

Thank you.

Operator

Ryan Connors, Boenning & Scattergood.

Ryan Connors - *Boenning & Scattergood Inc. - Analyst*

I wanted to talk a little bit about the price cost situation in this environment, if you might expand on that for us? Obviously, some of the raw material prices have come down. If you could talk about that impact on your P& L vis-a-vis what you are seeing on the pricing side? That would be helpful.

Shashank Patel - *Xylem Inc - Interim CFO*

Yes. This is Shashank, from a pricing perspective, we expect fairly neutral conditions, so flattish pricing 2015 going into 2016. Clearly, we'd like to see more price in 2016, but it will be challenge based on our current commodity environment. So as I said, it's flattish but from a savings perspective, that does help because we do buy a lot of raw material. The current environment helps drive more out of global procurement. Our target in 2016 is for higher cost out from a global procurement perspective, as well as business simplification.

Patrick Decker - *Xylem Inc - CEO*

I would just add, Ryan, I think that as we've talked a little bit in the past, there's probably less than 10% of our revenue that is in end markets that are more challenged from a pricing standpoint. That really being in the ag and resi part of the market. We continue to manage through that and maintain, I think, a very good discipline from a pricing standpoint. The area that we would suggest over time, you would suspect the supply/demand favorability to work in our direction would be on the public utility sector. But we're still so early in the recovery there, that we're not really counting on that kind of price dynamic in 2016.

Ryan Connors - *Boenning & Scattergood Inc. - Analyst*

Okay. So might you -- would it be -- would you hazard a guesstimate at -- what kind of a basis point tailwind raw materials could be to the margins if you are able to say hold your price flat in aggregate?

Shashank Patel - *Xylem Inc - Interim CFO*

I would suspect, it's probably about 20 to 30 basis points.

Ryan Connors - *Boenning & Scattergood Inc. - Analyst*

Okay, that's helpful. Then my question, just real big picture, Patrick. You issued your 2016 guidance today and talked a lot about some of the puts and takes and some of the positives. But what do you view as the biggest risk factor that could cause things to not play out the way you have laid out today, as you look out over the next 11 months here?

Patrick Decker - *Xylem Inc - CEO*

Sure. I would say that the area that we called out in our prepared comments as -- clearly going to be -- we've already built some of this into our outlook. That is continued downward pressure in both oil and gas and mining. Again those are now only 8% of our total revenue. So it's not large portion of our business. But certainly if we saw mining drop off dramatically, then that would put pressure on our top line. But we feel that we've reflected that in the bottom end of the organic growth range.

In terms of profitability, again, as we mentioned in our comments, these businesses are very high profit margin. For us, again, we feel that we've taken it into consideration in our guidance. But obviously, there are other cost out actions that we would take in the event that we saw that. That's certainly something we've learned in this past year in our dewatering business.

Ryan Connors - *Boenning & Scattergood Inc. - Analyst*

That's great. Thanks so much.

Patrick Decker - *Xylem Inc - CEO*

Thank you.

Operator

Chip Moore, Canaccord.

Chip Moore - *Canaccord Genuity - Analyst*

So we touched on [muni] trends in the US and Europe. Maybe we could move to emerging markets a bit. What gives you the confidence I guess that infrastructure spending holds up over there? Then maybe the follow-up to talk about some of the softness you're seeing on the commercial side?

Patrick Decker - *Xylem Inc - CEO*

Sure. So on the public utility side for emerging markets, the real key drivers there -- certainly at the moment. We're still seeing this in our quoting activity and bidding activity is the, again, the fact that in our largest emerging markets the whole issue of access to water and sustainability there are top policy issues and concerns, whether it be in China, whether be in the Middle East, whether it be in India. So we're certainly not seeing any significant downward pressure there or slowing down of those large projects.

But that certainly is something we're keeping a very close mindful eye on. As we did indicated in our guidance around emerging markets and we saw it in the fourth quarter, certainly a significant headwind in pressure on the commercial building side, especially in China, as well as some of the impact of lower commodity prices on the industrial business there in China as well as in Latin America. So again in our guide for 2016, we feel that we've taken a pretty balanced approach in that area. But again, we will keep a close eye on that and modulate our cost base accordingly across the rest of the portfolio.

Shashank Patel - *Xylem Inc - Interim CFO*

Just to add a little bit of color to that. For emerging markets in 2015, we delivered about 7% growth. It did slowdown in Q4, primarily due to China. As we look towards 2016, we kind of moderated that to mid single-digit growth. Certainly, we've factored in the slowness in China, especially on the commercial building side. But then we've got investments going in, in Middle East, North Africa as we've talked about, as well as we have some loss project deliveries in India that helped the overall emerging market picture.

Chip Moore - *Canaccord Genuity - Analyst*

That's great. That's helpful. Maybe just a follow-up on oil and gas. Dewatering comps get better in the second half, 40% decline this year. I think you called out double-digits decline next year. Maybe you could just talk about sensitivities? What you are baking in there for declines on oil and gas? Thanks, folks

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Patrick Decker - *Xylem Inc - CEO*

Sure. So we've built in about a 30% impact in a decline in the first half. Then obviously that stabilizes over the course of the full year. So it blends out in that kind of low teen decline for all of 2016. We've also factored in about a 10% decline in mining in that outlook.

Chip Moore - *Canaccord Genuity - Analyst*

Great, thanks

Patrick Decker - *Xylem Inc - CEO*

Thank you.

Operator

Brent Thielman, DA Davidson.

Brent Thielman - *D.A. Davidson & Co. - Analyst*

I think most of my questions have been answered, but a question on Canada, showing some pretty sharp declines for a couple quarters now. How large is Canada for you? When do we start to see those comparisons ease?

Phil De Sousa - *Xylem Inc - VP of IR*

This is Tom. I'm going to just jump in here real quick. So just to put it into perspective, the declines that we've seen in Canada both fourth quarter, full year are completely -- are almost entirely tied to that oil and gas decline that we've got there. So for the year, off the top of my head, I want to say, it's down 13% -- 15% or so for the year. In terms of size, it's about $150 million in revenue.

Brent Thielman - *D.A. Davidson & Co. - Analyst*

Okay, great.

Phil De Sousa - *Xylem Inc - VP of IR*

That's Canada overall, not the oil and gas within Canada, just to be clear.

Brent Thielman - *D.A. Davidson & Co. - Analyst*

Got it. Thanks, Phil.

Operator

Brian Konigsberg, Vertical Research.

Brian Konigsberg - *Vertical Research Partners - Analyst*

This might sound like a little bit of a crazy question considering the backdrop, but under the scenario where the oil prices do, say, improve just modestly and you do get a supply response out of the US, I'm just curious, maybe two things. Where do you think that oil prices actually need to go to actually initiate a supply response? How quickly would you guys benefit if that was to happen?

Patrick Decker - *Xylem Inc - CEO*

Yes. Brian, I would say -- I wouldn't want to put a dollar amount out there in terms of an oil price to go there. But the key is, it needs to be substantial enough that there is a meaningful increase in oil rigs. That's really the high correlator for us. I think also, given our heavy exposure on the fracking side, again, I think that we would need to see a pretty notable move upwards in oil prices for us to be able to see a meaningful recovery there.

So, I don't want to sound too dour or sour on that, because I do believe that once we get a lift and there will be a lift at some point down the road, the teams in that part of our business have done a fantastic job at managing the cost base. So we will certainly see a very healthy incremental leverage when we see any growth there. But we're not counting on any of that here in 2016.

Brian Konigsberg - *Vertical Research Partners - Analyst*

Sure, understood. Next, can you maybe touch a little bit more on the free cash flow? You were looking for 100% plus conversion, maybe you just give us the outlook as far as what are the meaningful contributors? Obviously, you've got D&A. Are you counting on working capital coming through or are there other items we should be thinking about?

Shashank Patel - *Xylem Inc - Interim CFO*

Yes, I can take that one. It is over 100%. The drivers there are the normal generation of cash plus on the working capital side, we showed good progress in the second half. That momentum continues. That momentum will continue for the full year, so we expect -- that's why we expect over 100%, is all the working capital areas such as, we had good progress on inventory and accounts payable. On the AR side, we actually got hurt a little bit with the heavy shipment in December. But that's an area we continue to attack as far as pricing the receivables. We saw good progress there in the fourth quarter as well.

Brian Konigsberg - *Vertical Research Partners - Analyst*

Great. If I could slip one last in, what's the updated status on the CFO search?

Patrick Decker - *Xylem Inc - CEO*

Sure. So we've had a lot of interest in the role, interviewed a large number of experienced public company CFO candidates. We're down now to the short strokes. So I'm confident we're going to be announcing something here in the very near future here.

Brian Konigsberg - *Vertical Research Partners - Analyst*

Great. Thank you very much.

Patrick Decker - *Xylem Inc - CEO*

Okay. Thank you.

Operator

Nick Prendergast, BB&T.

Nick Prendergast - *BB&T Capital Markets - Analyst*

I just had a quick question about your emerging markets. I know you touched on this in the prepared remarks, but I'm not sure I entirely got it. You noted that growth was 7% in the year. It slowed down to, I believe around, 2% in Q4. What exactly drove that again?

Patrick Decker - *Xylem Inc - CEO*

That was predominately the sharp decline that we had in commercial building and industrial in China in the quarter. We also had a tough prior-year comp as well. We had quite a large growth in the fourth quarter last year in emerging markets.

Nick Prendergast - *BB&T Capital Markets - Analyst*

Okay. Then if I heard correctly in the Q&A, I think you said you've kind of moderated your view in emerging markets from the 7% in 2015 to somewhere around mid single-digits in 2016. Is that correct? Then, I guess, what gives you confidence that will continue if you don't continue to suffer from this China slowdown or whatever?

Patrick Decker - *Xylem Inc - CEO*

Sure. No, that is correct in terms of what we laid out. I think -- again, what we see there is confidence. I mean, first of all, I would say, I wouldn't focus too much on any one quarter because, again, the large part of our business in emerging markets is still projects, given this new greenfield, things that are being invested in. Those can be choppy in terms of quarter-to-quarter movement or year-over-year comparisons.

But again, we think that it's continued strength in public utility in China over the course of the full year. It's the benefits that we are seeing from the investments we are making in the Middle East. Then lastly, you may recall that last year, we announced a $40 million project win in India. A large piece of that ships out in 2016.

Nick Prendergast - *BB&T Capital Markets - Analyst*

Got it. Okay, thank you very much.

Patrick Decker - *Xylem Inc - CEO*

Thank you.

Operator

Joe Giordano, Cowen.

Joe Giordano - *Cowen and Company - Analyst*

I actually can't believe I'm asking this question. But can you kind of refresh everyone on weak dollar implications for your business, as expectations seem to be shifting a little bit here?

Shashank Patel - *Xylem Inc - Interim CFO*

Yes, I will take that one. As far as from a euro perspective, which was the big headline about a year ago, the euro today is staying roughly what it was on the average to last year. Where we see the foreign exchange impact in 2016, it's primarily the British pound, the Aussie dollar, the Canadian dollar impacting us. As well as emerging market currencies, there's some softness there, which kind of blends through in the fourth quarter, still is there. We've baked all that in. But that's where we see the challenge. We do not -- as long as the euro holds, we don't see the headwind from the euro like we did a year ago.

Joe Giordano - *Cowen and Company - Analyst*

No. I mean if we're getting into a situation where people think the dollars going to weaken going forward -- then weaken versus the euro. How is that going to benefit you guys?

Phil De Sousa - *Xylem Inc - VP of IR*

Joe, let me just jump in here. Last year we gave a bit of a rule of thumb schedule, if you would. If you want to kind of do it based on the outlook or based on where we are here in terms of the calendar, you basically think about it net-net about -- for every set move in the euro, you've got about $0.01, if you would benefit to us or if you would headwind to us at the bottom line. So it's about $0.01 for $0.01 --

Patrick Decker - *Xylem Inc - CEO*

That's for the full year.

Phil De Sousa - *Xylem Inc - VP of IR*

For the full year.

Patrick Decker - *Xylem Inc - CEO*

Obviously, as you well know, Joe, and everybody on the call knows, it's such an uncertain environment right now from a currency standpoint. That we've simply snapped the rates here based on where we are today. We'll continue to be transparent on moves either direction on EPS impact.

Joe Giordano - *Cowen and Company - Analyst*

Perfect. On the utility side, can you talk about what you are seeing in larger CapEx type projects versus what you are seeing in repair and placement? I guess more on the order side by more on the forward look?

Patrick Decker - *Xylem Inc - CEO*

Sure. We continue to see a very attractive increase in quoting and bidding activity. We've seen some increase in our win rates in that area as well. We aren't seeing a major shift in the mix of our business just yet in terms of project versus more of the repair and maintenance. Part of that is the reason is that the fact as we still see some customers kicking the can down the road, we've seen a nice uptick in our break-and-fix part of the market as well.

So that piece continues to grow quite nicely. I would again reiterate although I'll it's a small portion of our revenue in a given year, our backlog that's shippable in 2017 and beyond is up 48%. So again, small portion of revenue, but it's historically been a leading indicator as to what the growth should look like in terms of momentum two or three years out. I would be concerned if I saw that trend going the other direction, it's just continued to build over the course of the last year, as we've given you those numbers.

Shashank Patel - *Xylem Inc - Interim CFO*

On the treatment side of our business in the fourth quarter, we did see plus 20% on the order side, granted that's longer lead time. That's also bleeding into the 2017 backlog. But we did see strength in treatment.

Joe Giordano - *Cowen and Company - Analyst*

Yes, okay. If I can just sneak one more. On the deals that you've done on the analytic side. Outside of near-term dilution from purchase price and allocation and things like that, how do you see margins of those businesses at scale kind of comparing to the segment average before this?

Patrick Decker - *Xylem Inc - CEO*

Yes, sure. So, without giving specifics on any one deal, I would say that, to your point, after we get to the noise of the non-cash items that go through EPS, these deals we've done will be in line with our operating margins as a Company. Once we factor in synergies and other benefits and those margins become even more accretive quite frankly as we do further deals in the space because of the knock on synergies and blended margins that we see.

Joe Giordano - *Cowen and Company - Analyst*

Great, thanks guys

Patrick Decker - *Xylem Inc - CEO*

Okay. Thank you.

Operator

Ryan Castle, Seaport Global Securities.

Ryan Cassil - *Seaport Global Securities - Analyst*

Most of my questions have been answered, but maybe you could talk about the book and ship business. It looks like you are anticipating that being a higher percentage of sales in 2016, or at least in the first quarter. It's at a time when customers are being cautious on inventories and visibility is low. What gives you the confidence there on the short lead time stuff?

Shashank Patel - *Xylem Inc - Interim CFO*

You are right, we're counting on a high level book and ship business. That's tied to the 2% to 4% growth we expect, specifically the areas that we have a high book and ship, for example, the applied water segment. That's driven by new products that we've actually launched and introduced over the last couple of years. Those affect both the European market and the US market. So that's going to drive that higher level of book and ship activity in the year.

Ryan Cassil - *Seaport Global Securities - Analyst*

Okay, thanks guys

Patrick Decker - *Xylem Inc - CEO*

Thank you.

Operator

Robert Barry, Susquehanna.

Robert Barry - *Susquehanna Financial Group / SIG - Analyst*

Just a couple of things, one on the tax rate. I think at the Analyst Day, you guided that it should be 21% through 2020. I saw it was 18% in the quarter and you are guiding it to 20% for 2016. Just anything to comment there? Is there more progress being made on tax initiatives? Or how should we think about that? Then the context of the long-term guide tip?

Shashank Patel - *Xylem Inc - Interim CFO*

The overall tax rate, we are guiding to the 20% range, realizing that in any quarter, it's impacted by the mix of where the profit is on a -- from a global perspective, because the tax rates do move around. Based on the tax structure we have and based on the mix that we projected in 2016, we're basically guiding to the same roughly 20%. It's an average 20%. As I said, it does move slightly quarter to quarter.

Robert Barry - *Susquehanna Financial Group / SIG - Analyst*

Right. Is the driver just based on the planned mix of business this year? O should we now be thinking based on initiatives that the tax rate is tracking a little better?

Shashank Patel - *Xylem Inc - Interim CFO*

It's the mix of the regional mix of the businesses is the driver.

Robert Barry - *Susquehanna Financial Group / SIG - Analyst*

Got you. Then just finally, maybe if you could unpack the mid single-digit growth that you see in the public utility. How that shakes out between the transport treatment versus test verticals?

Patrick Decker - *Xylem Inc - CEO*

Sure. I would say that on a relative basis to that mid single-digit, we would expect that there would be a slightly higher growth rate than that in transport and treatment. I would say that the thinking about the test of the business, that would be in-line with what we guided to there. Obviously, what kind of pulls it down a bit would be the dewatering piece of the business, which is still going to be dealing with the oil and gas and mining lab.

Robert Barry - *Susquehanna Financial Group / SIG - Analyst*

Got you. Okay, great. Thank you.

Patrick Decker - *Xylem Inc - CEO*

Thank you.

Operator

That was our final question. I'd now like to turn the floor back over to Patrick Decker for any additional or closing remarks.

Patrick Decker - *Xylem Inc - CEO*

Great, thank you. We appreciate the continued interest by everybody. Thanks for joining the call today. Safe travels between now and the next time we see you all. We look forward to updating you on the next earnings call. Thank you all.

Operator

Thank you. This does conclude today's Xylem fourth-quarter and full-year 2015 earnings conference call. Please disconnect your lines at this time. Have a wonderful day.