



2021 SECOND QUARTER

Results & Earnings



xylem
Let's Solve Water

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," "project," "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; 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. Additionally, many of these risks and uncertainties are, and may continue to be, amplified by the coronavirus ("COVID-19") pandemic. 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: overall industry and economic conditions, including industrial, governmental and private sector spending and the strength of the residential and commercial real estate markets; geopolitical, regulatory, economic and other risks associated with international operations; continued uncertainty around the COVID-19 pandemic's magnitude, duration and impacts on our business, operations, growth, and financial condition, as well as uncertainty around approved vaccines and the pace of recovery when the pandemic subsides; actual or potential other epidemics, pandemics or global health crises; manufacturing and operating cost increases due to inflation, prevailing price changes, tariffs and other factors; fluctuations in foreign currency exchange rates; disruption, competition and 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; availability of products, parts, electronic components and raw materials from our supply chain; availability, regulation and interference with radio spectrum used by some of our products; our ability to retain and attract senior management and other key talent; uncertainty related to restructuring and realignment actions and related charges and savings; our ability to continue strategic investments for growth; our ability to successfully identify, execute and integrate acquisitions; risks relating to products, including defects, security, warranty and liability claims, and recalls; difficulty predicting our financial results, including uncertainties due to the nature of our short- and long-cycle businesses; volatility in our results due to weather conditions; our ability to borrow or refinance our existing indebtedness and 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, 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, 2020 ("2020 Annual Report") and in subsequent filings we make with the Securities and Exchange Commission ("SEC").

All forward-looking statements made herein are based on information currently available to us as of the date of this presentation. 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.



Patrick Decker

CEO & President

“Our team capitalized on robust global demand for our offering, driving revenues above expectations, as well as exceptional growth in new orders and backlog. That commercial momentum puts us in a strong position for the second half and beyond, as we continue to invest in sustainable growth. We expect the team to build on continuing market recovery, giving us confidence in lifting full-year guidance ... We partner with customers to provide more resilient infrastructure, drive affordability, and create a more sustainable water sector. That’s our purpose and our business. As climate change drives water challenges in communities around the world, we intend to be part of the solution.”

Q2 2021 Highlights



Organic* Revenue

+11%



Organic* Orders

+29%



Adj. EBITDA*
Margin

17.3%

+200 basis points vs. 2Q 2020



Adj. EPS*

\$0.66

+65% vs. 2Q 2020



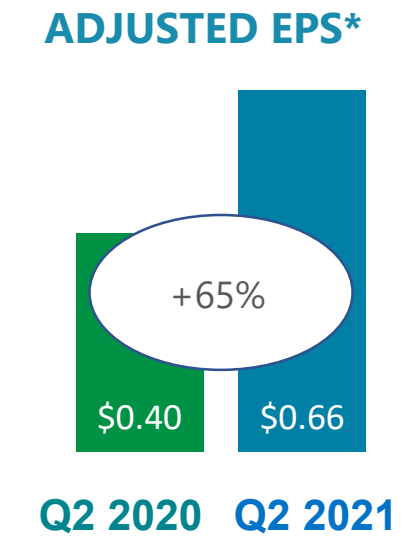
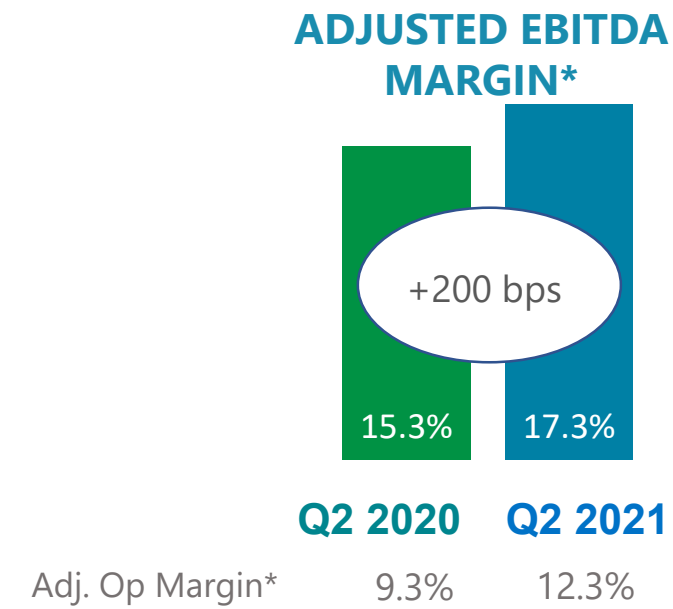
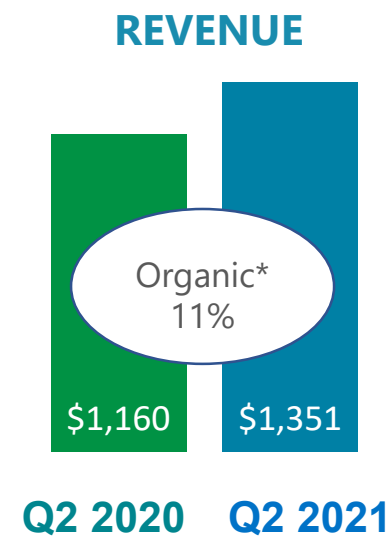
Sustainability

>1 Trillion

Gallons of water enabled for reuse through treatment solutions

- ✓ New Sustainable Fleet Strategy to move our global fleet to electric and hybrid vehicles

Q2 2021 XYLEM PERFORMANCE



KEY PERFORMANCE DRIVERS

Organic Growth* by End Market

Utilities 6%
Industrial 17%
Commercial 12%
Residential 29%

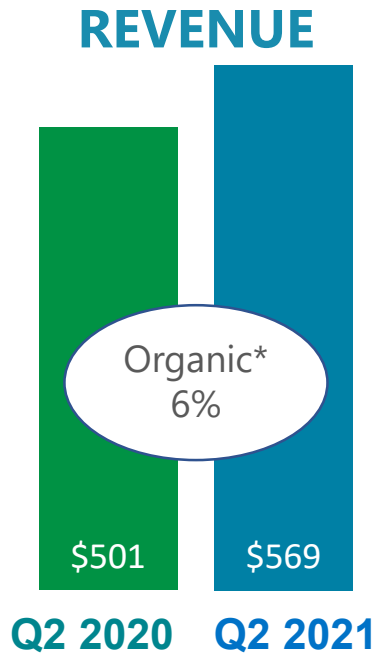
Organic Growth* by Region

Emerging Markets 18%
Western Europe 17%
United States 5%

- **Organic* Orders** up 29% with strong underlying demand across segments; **Backlog** up 35%
- **Organic* Revenue** growth 11%; double digit growth across Industrial, Commercial and Residential end markets, while Utilities growth improves sequentially driven by Clean Water applications
- **Emerging Markets** tops revenue growth (+18%) led by strength in **China** (+15%); **Western Europe** with continued robust demand (+17%); **U.S.** returns to growth (+5%) with orders up double-digits
- **Adj. EBITDA Margin* and Adj. EPS*** drivers:
 - Productivity drives 390 bps EBITDA Margin expansion (EPS +\$0.24)
 - Volume/Mix/Price/Other improves EBITDA Margin by 330 bps (EPS +\$0.31)
 - Cost Inflation reduces EBITDA Margin by 370 bps (EPS -\$0.22)
 - Strategic investments reduces EBITDA Margin by 150 bps (EPS -\$0.07)

Tax Rate*: 17.9% Interest/Other Expense: \$21M Share Count: 181.3M

Q2 2021 Water Infrastructure Performance



Organic Growth* by End Market

| | |
|------------|-----|
| Utilities | 3% |
| Industrial | 13% |

Organic Growth* by Region

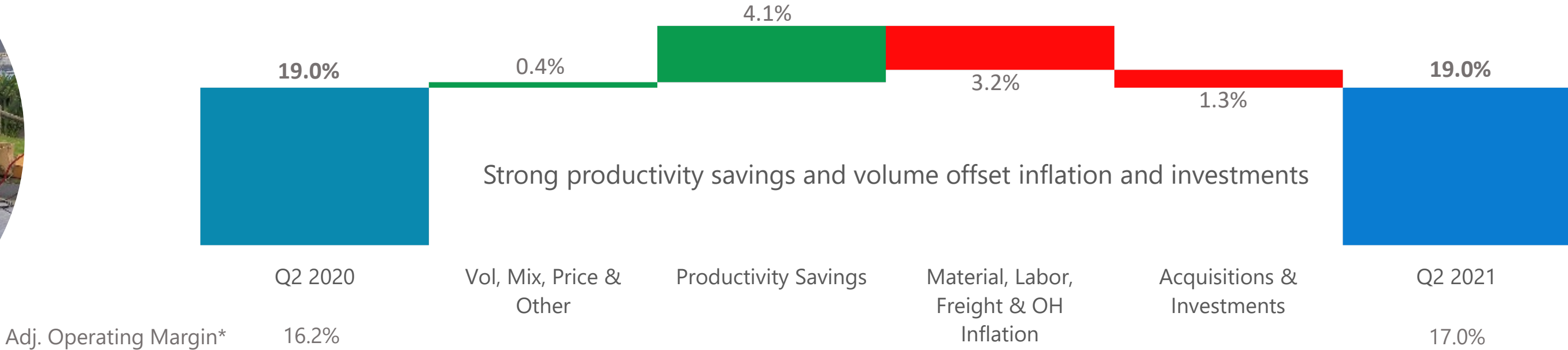
| | |
|------------------|------|
| United States | (1%) |
| Emerging Markets | 15% |
| Western Europe | 10% |

Highlights

- Organic* Orders flat, but up 22% excluding large prior year India deal. Strength in Treatment applications and Dewatering business
- Mid-teens growth in Emerging Markets from Industrial recovery driven by mining demand in Latin America and Africa
- Double-digit growth in Western Europe driven by strong Utility Opex activity
- U.S. down slightly. Strong Utility Opex demand (up mid-single digits) offset by lapping of prior year Treatment project deliveries and lagging Industrial recovery



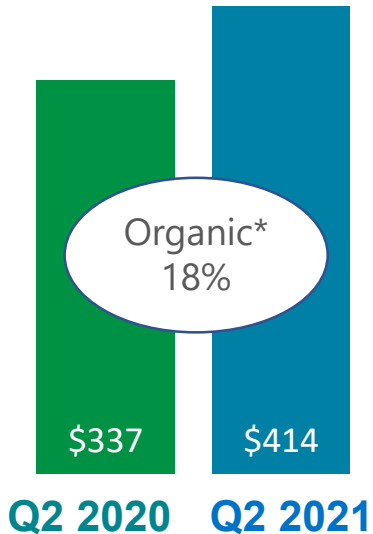
ADJUSTED EBITDA MARGIN*



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

Q2 2021 Applied Water Performance

REVENUE



Organic Growth* by End Market

| | |
|-------------|-----|
| Industrial | 18% |
| Commercial | 12% |
| Residential | 29% |

Organic Growth* by Region

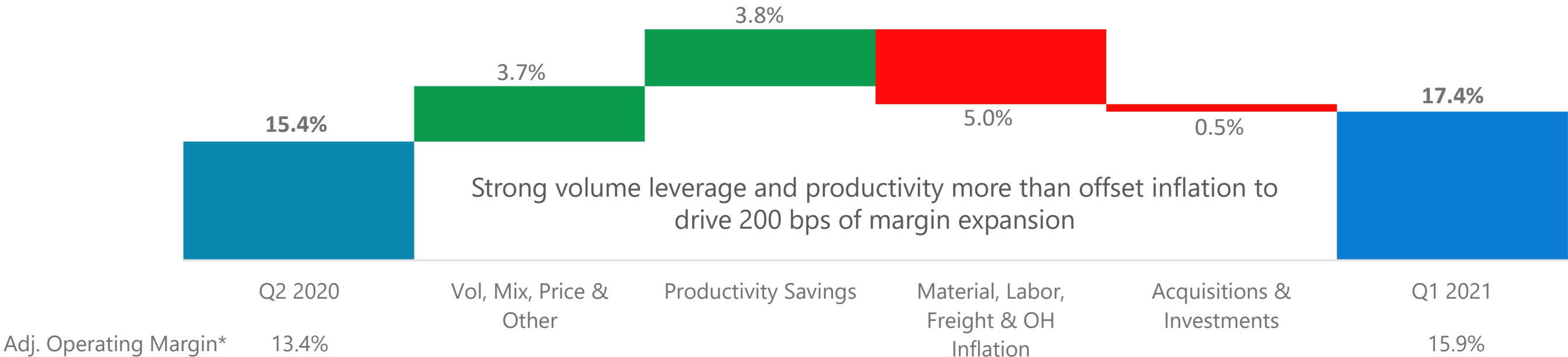
| | |
|------------------|-----|
| United States | 11% |
| Emerging Markets | 24% |
| Western Europe | 27% |

Highlights

- Organic* Orders increase 43% driven by a broad market recovery across all regions and end markets led by Industrial and Commercial. Residential strength continues
- Double-digit Industrial demand across all regions driven by reopening activity in general industrial sector and particular strength in specialty flow control applications (Marine and Food & Beverage)
- Robust Residential growth across most regions from continued strong market demand
- Commercial market recovery led by the U.S. and Europe

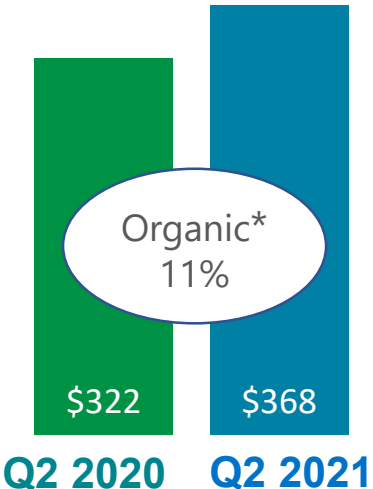


ADJUSTED EBITDA MARGIN*



Q2 2021 Measurement & Control Solutions Performance

REVENUE



Organic Growth* by Application

| | |
|--------|------|
| Water | 17% |
| Energy | (3%) |

Organic Growth* by Region

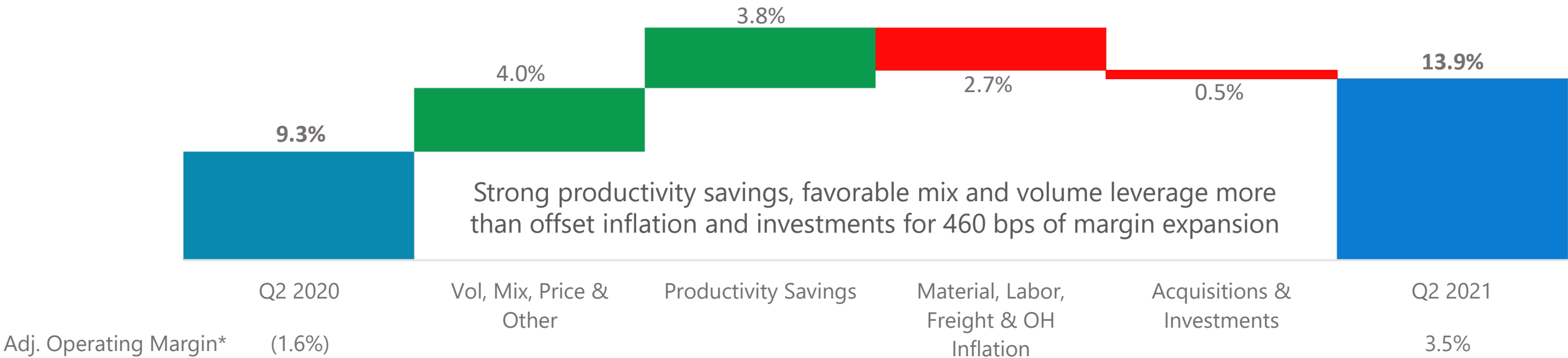
| | |
|------------------|-----|
| United States | 6% |
| Emerging Markets | 20% |
| Western Europe | 25% |

Highlights

- Strong Organic* Orders growth of 70% led by large water metrology contracts following the easing of site access restrictions, further aided by global demand for water quality testing products
- Strong water revenue growth of 17% driven by large water metrology contracts in the UK and double-digit growth in water quality applications in North America, Europe and Emerging Markets
- Modest decline in Energy due to timing of project deployments
- Total backlog of \$1.5B up ~50% organically vs PY fueled by large contract wins and demand for digital solutions



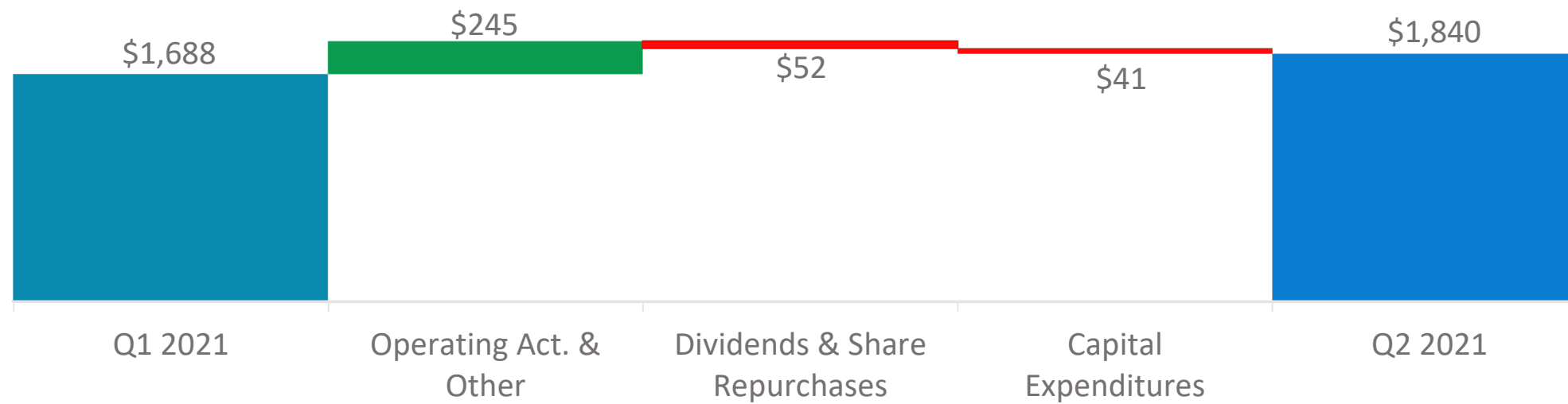
ADJUSTED EBITDA MARGIN*



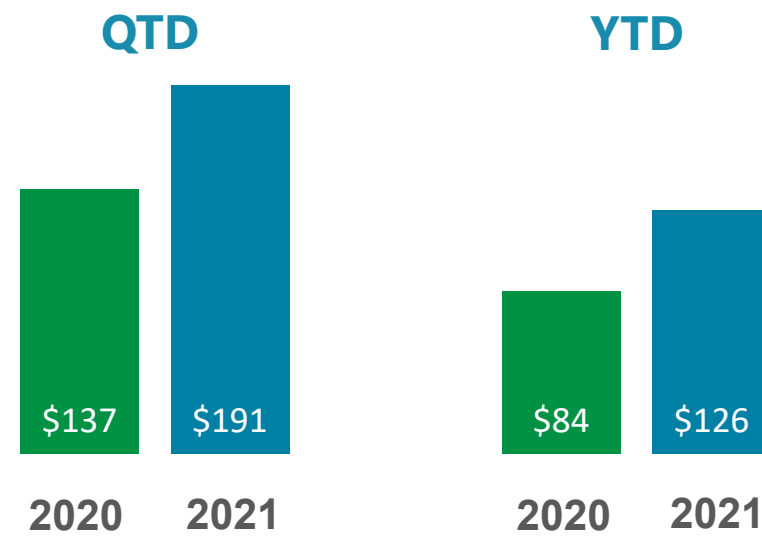
*See appendix for definitions of non-GAAP measures and non-GAAP reconciliations

Xylem Financial Position

CASH & CASH EQUIVALENTS DRIVERS



Free Cash Flow*



Working Capital**



FCF Conversion*



Working Capital %



Capital Summary

June 30, 2021

| | |
|-------------------------|----------|
| Cash & Cash Equivalents | \$ 1,840 |
| Debt | \$ 3,066 |
| Net Debt | \$ 1,226 |
| Shareholder's Equity | \$ 3,040 |
| Net Capital | \$ 4,266 |
| Net Debt to Net Capital | 29% |

Financial Highlights

- **Strong financial position**
 - Available liquidity of ~\$2.6B including Cash & Cash Equivalents and available credit facilities
 - Committed to BBB/Baa2 investment grade credit rating
 - Net Debt / Adjusted EBITDA* (TTM) as of 6/30: **1.3x**
- **Continue to expect FY 2021 FCF conversion* in-line with our guidance of 80-90%**
- **\$600M Senior Note Maturity in 3Q 2021**

Progress on Our Top Priorities for 2021



1. MAINTAIN OPERATIONAL DISCIPLINE AND EXECUTION

- Working Capital & Free Cash Flow
- Margin expansion

2. CAPITALIZE ON SUSTAINABLE GROWTH PLATFORMS

- Advanced digital solutions for network transformation
- High-growth geographies
- Capital deployment to support organic and inorganic growth

3. EXTEND LEADERSHIP IN SUSTAINABILITY AND IN ESG

- Healthy progress on 2025 signature sustainability goals across company, customers and communities
- 2020 Sustainability Report and Green Bond Report published in June

FY 2021 END MARKET OUTLOOK COMMENTARY

See appendix for end market key facts



Wastewater Utilities ~28% of Revenue

- Focus on Opex needs and mission-critical applications in developed markets of Europe and North America (operation and maintenance of Wastewater networks and Treatment sites). Expect modest growth generally in-line with Opex budgets
- Long-term capital project spending outlook and bid activity remains robust in Emerging Markets, especially China and India. Very strong post-COVID China recovery. Expect uneven India growth with large projects and uncertainty given heightened COVID impact
- U.S. Utilities: No indication of pause from customers based on preliminary Infrastructure plans. Opex activity continues to be steady and resilient. Capex bidding pipeline on projects and orders very healthy



Clean Water Utilities ~27% of Revenue

- Large metrology project deployment timing impacted by global shortage of electronic components. Very strong backlog position and orders momentum for when supply constraint expected to ease in mid-2022
- Healthy momentum in test business for water quality products in outdoor water and process (Treatment) markets globally
- Increased demand for smart water solutions and digital offerings reinforces continued desire to push up technology curve and drive resilience and affordability for Utilities customers

FY 2021 END MARKET OUTLOOK COMMENTARY

See appendix for end market key facts



Industrial ~30% of Revenue

- Strong rebound in “light” Industrial activity from Applied Water businesses globally (especially specialty flow control businesses for Marine and Food & Bev)
- Industrial Dewatering business recovery especially in Emerging Markets from mining demand. Strong orders and backlog combined with easing site access restrictions yields activity
- Strong growth in Emerging Markets and Western Europe in the first half while North America positive, but slightly lagged. Expect a flip of these markets in the second half primarily based on comparisons



Commercial ~10% of Revenue

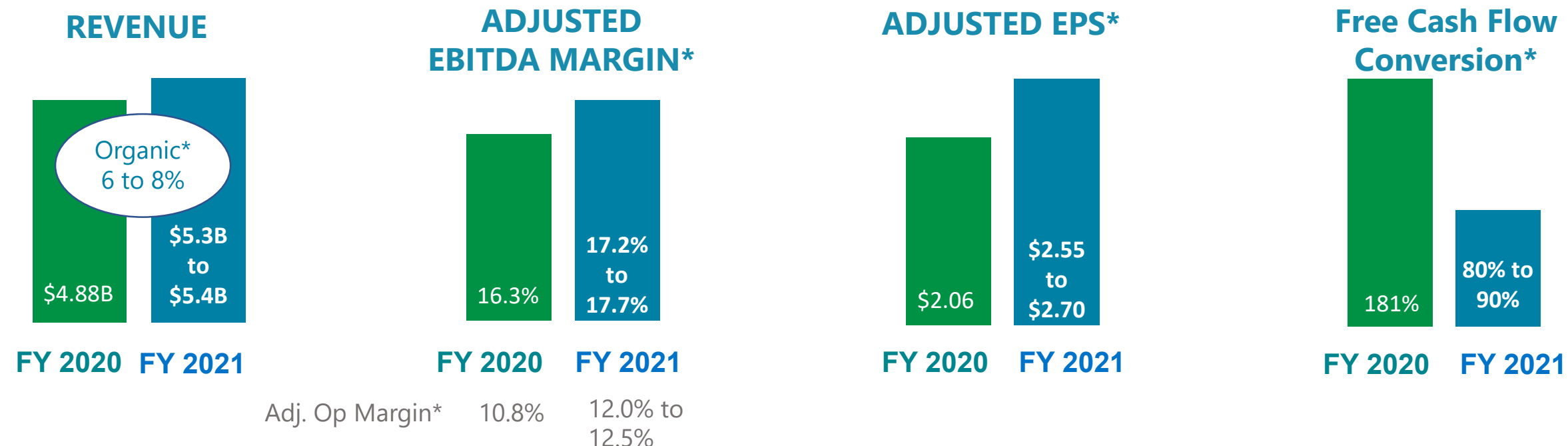
- U.S. replacement business (book and ship) solid. New Commercial building expected to be soft most of 2021. ABI and Dodge leading indicators reflect optimism for late 2021 recovery in new construction / institutional sector
- Healthy activity in Europe (double-digit growth in 1H) from modest share gains, supply chain resiliency (vs. peers). Smart and eco-friendly products launched ahead of impending regulations



Residential ~5% of Revenue

- Demand and activity from increased Residential users / work-from-home in U.S. & Europe
- Primarily replacement revenue serviced through long-standing distributor / dealer network
- Strong demand for secondary water supply products in China

UPDATED FY 2021 AND 3Q 2021 GUIDANCE & KEY ASSUMPTIONS



Key Assumptions

Organic* Revenue up 6 to 8% (from 5 to 7%)

- Water Infrastructure up mid single digits
- Applied Water up low double digits
- Measurement & Control Solutions up mid single digits

2H FX Euro Rate 1.18 (from 1.22). \$0.04 impact to 2H/FY included in updated guidance

Adjusted EBITDA* of 17.2% to 17.7%

- Cost savings benefits with favorable volume/price/mix balanced with rising inflation, component shortages and prioritized growth investments

Free Cash Flow: Conversion* of 80% to 90%

- 2021 reflects working capital increase and timing of payments
- No structural change: expect 100% conversion long-term
- 2019 – 2021 Projected FCF conversion of ~130%

| FY 2021 Planning Assumptions | |
|------------------------------------|-----------------------|
| Corporate Expense | ~\$50M |
| Restructuring & Realignment Costs* | ~\$30M to \$40M |
| Dividends | ~\$200M |
| Capex | ~\$220M |
| Interest / Other Expense | ~\$83M |
| Estimated Tax Rate* | ~18% |
| Share Count | ~181M |
| Q3 2021 Planning Assumptions | |
| Organic* Revenue | +5% to +7% |
| WI | Up Mid Single Digits |
| AWS | Up High Single Digits |
| M&CS | Up Low Single Digits |
| Adjusted EBITDA* | 16.7% to 17.2% |



SAVE THE DATE!

INVESTOR DAY SEPTEMBER 30TH 2021

Takeaways

- **Strong first half with robust demand and recovery across the business**
- **Operational execution yields healthy margin expansion – navigating inflation, component challenges**
- **Raised full-year revenue and midpoint of EPS guidance**
- **Reinforced investment thesis – creating economic and social value**
- **Excited to share strategic update during September Investor Day**

Appendix

Q2 2021 PERFORMANCE SUMMARY

(\$ in millions, unless otherwise noted)

| 2021 | Reported Q2 | Adj* Q2 | Reported YTD | Adj* YTD |
|---------------------------|-------------|---------|--------------|----------|
| Xylem Consolidated | | | | |
| Revenue | \$1,351 | \$1,351 | \$2,607 | \$2,607 |
| Overall Growth | 16% | 16% | 14% | 14% |
| Constant Currency* Growth | | 11% | | 9% |
| Organic Growth* | | 11% | | 10% |
| Operating Income | \$160 | \$166 | \$293 | \$309 |
| Operating Margin | 11.8% | 12.3% | 11.2% | 11.9% |
| EBITDA* | \$219 | \$234 | \$414 | \$449 |
| EBITDA Margin* | 16.2% | 17.3% | 15.9% | 17.2% |
| Earnings Per Share | \$0.62 | \$0.66 | \$1.10 | \$1.23 |

| 2021 | Reported Q2 | Adj* Q2 | Reported YTD | Adj* YTD |
|---------------------------|-------------|---------|--------------|----------|
| Applied Water | | | | |
| Revenue | \$414 | \$414 | \$807 | \$807 |
| Overall Growth | 23% | 23% | 20% | 20% |
| Constant Currency* Growth | | 18% | | 15% |
| Organic Growth* | | 18% | | 15% |
| Operating Income | \$64 | \$66 | \$130 | \$134 |
| Operating Margin | 15.5% | 15.9% | 16.1% | 16.6% |
| EBITDA* | \$71 | \$72 | \$143 | \$147 |
| EBITDA Margin* | 17.1% | 17.4% | 17.7% | 18.2% |

| 2021 | Reported Q2 | Adj* Q2 | Reported YTD | Adj* YTD |
|-----------------------------|-------------|---------|--------------|----------|
| Water Infrastructure | | | | |
| Revenue | \$569 | \$569 | \$1,078 | \$1,078 |
| Overall Growth | 14% | 14% | 15% | 15% |
| Constant Currency* Growth | | 6% | | 8% |
| Organic Growth* | | 6% | | 8% |
| Operating Income | \$93 | \$97 | \$164 | \$173 |
| Operating Margin | 16.3% | 17.0% | 15.2% | 16.0% |
| EBITDA* | \$104 | \$108 | \$186 | \$196 |
| EBITDA Margin* | 18.3% | 19.0% | 17.3% | 18.2% |

| 2021 | Reported Q2 | Adj* Q2 | Reported YTD | Adj* YTD |
|--|-------------|---------|--------------|----------|
| Measurement & Control Solutions | | | | |
| Revenue | \$368 | \$368 | \$722 | \$722 |
| Overall Growth | 14% | 14% | 8% | 8% |
| Constant Currency* Growth | | 11% | | 5% |
| Organic Growth* | | 11% | | 6% |
| Operating Income | \$13 | \$13 | \$22 | \$24 |
| Operating Margin | 3.5% | 3.5% | 3.0% | 3.3% |
| EBITDA* | \$49 | \$51 | \$101 | \$106 |
| EBITDA Margin* | 13.3% | 13.9% | 14.0% | 14.7% |

END MARKET KEY FACTS

UTILITIES ~55% REVENUE

WASTEWATER UTILITIES

- Revenue: ~50% of Xylem Utilities Revenue
- Opex/Capex Split: ~65% / ~35%
- XYL Businesses: Primarily Water Infrastructure segment
- Geographic Split: US ~35% / W. Europe ~35% / Em. Mkts & Other ~30%
- U.S. Utility Wastewater Capex: ~4% of total Xylem Revenue
- US & W. Europe leading installed base & strong recurring revenue through Opex
- Emerging Markets mostly greenfield & currently skewed to Capex

CLEAN WATER UTILITIES

- Revenue: ~50% of Xylem Utilities Revenue
- Opex/Capex Split: ~70% / ~30%
- XYL Businesses: Primarily MCS segment
- Geographic Split: US ~70% / W. Europe ~15% / Em. Mkts & Other ~15%
- U.S. Utility Clean Water Capex: ~4% of total Xylem Revenue
- Adoption of AMI & digital technologies to address non-revenue water & remote capabilities expected to be long-term secular trend globally
- Under-penetrated international presence, but opportunities increasing

INDUSTRIAL

(~30% Revenue)

- Oil & Gas Revenue: <2% of total Xylem
- Mining Revenue: ~4% 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% Revenue)

- XYL Businesses: Applied Water
- New build / Replacement (aftermarket): 30% / 70%
- Geographic Split: N. America ~60% / Europe ~20% / Em Mkts & Other ~20%
- Energy efficiency, reliability and "connectivity" critical to customers; exposure to institutional sector

RESIDENTIAL

(~5% Revenue)

- XYL Businesses: Applied Water
- New build / Replacement: 10% / 90%
- Geographic Split: N. America ~70% / W. Europe ~10% / Em Mkts & Other ~20%
- 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 | 2021 FY Guidance Rate | Revenue Impact on FY 2021 of 5% Decrease in Rate | EPS Impact on FY 2021 of 5% Decrease in Rate |
|--------------|-----------------------|--|--|
| Euro | 1.19 | (\$48M) | (\$0.11) |
| GBP | 1.38 | (\$15M) | \$0.00 |
| SEK | 0.12 | (\$6M) | \$0.02 |
| RMB | 0.15 | (\$18M) | (\$0.02) |
| CAD | 0.81 | (\$10M) | (\$0.00) |
| All Other | | (\$42M) | (\$0.01) |
| Total | | (\$139M) | (\$0.12) |

* Increase in rate would have inverse impact on results

**RULE OF THUMB: 1 PENNY MOVEMENT IN EUR/USD RATE,
EQUATES TO MORE THAN ONE 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"** reflects 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, 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 pension costs.

"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) | (C) | (D) | (E) = B+C+D | (F) = E/A | (G) = (E - C) / A | | |
| | Revenue | Change | Acquisitions / | FX impact | Change | % Change | | | |
| 2021 | 2020 | 2021 v. 2020 | 2021 v. 2020 | Divestitures | Adj. 2021 v. 2020 | Adj. 2021 v. 2020 | | | |
| Six Months Ended June 30 | | | | | | | | | |
| Xylem Inc. | 2,607 | 2,283 | 324 | 14% | 5 | (110) | 219 | 10% | 9% |
| Water Infrastructure | 1,078 | 939 | 139 | 15% | - | (60) | 79 | 8% | 8% |
| Applied Water | 807 | 675 | 132 | 20% | - | (29) | 103 | 15% | 15% |
| Measurement & Control Solutions | 722 | 669 | 53 | 8% | 5 | (21) | 37 | 6% | 5% |
| Quarter Ended June 30 | | | | | | | | | |
| Xylem Inc. | 1,351 | 1,160 | 191 | 16% | 3 | (66) | 128 | 11% | 11% |
| Water Infrastructure | 569 | 501 | 68 | 14% | - | (36) | 32 | 6% | 6% |
| Applied Water | 414 | 337 | 77 | 23% | - | (18) | 59 | 18% | 18% |
| Measurement & Control Solutions | 368 | 322 | 46 | 14% | 3 | (12) | 37 | 11% | 11% |
| Quarter Ended March 31 | | | | | | | | | |
| Xylem Inc. | 1,256 | 1,123 | 133 | 12% | 2 | (44) | 91 | 8% | 8% |
| Water Infrastructure | 509 | 438 | 71 | 16% | - | (24) | 47 | 11% | 11% |
| Applied Water | 393 | 338 | 55 | 16% | - | (11) | 44 | 13% | 13% |
| Measurement & Control Solutions | 354 | 347 | 7 | 2% | 2 | (9) | - | 0% | (1%) |

Appendix

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

| | (As Reported - GAAP) | | | | (As Adjusted - Organic) | | | | Constant Currency |
|---------------------------------|----------------------|--------------|--------------|----------------|-------------------------|-------------------|-----------|-------------------|-------------------|
| | (A) | (B) | (B) | (C) | (D) | (E) = B+C+D | (F) = E/A | (G) = (E - C) / A | |
| | Orders | Orders | Change | Acquisitions / | FX impact | Change | % Change | | |
| 2021 | 2020 | 2021 v. 2020 | Divestitures | | Adj. 2021 v. 2020 | Adj. 2021 v. 2020 | | | |
| | | % Change | | | | | | | |
| | | 2021 v. 2020 | | | | | | | |
| | | 2021 v. 2020 | | | | | | | |
| Six Months Ended June 30 | | | | | | | | | |
| Xylem Inc. | 3,198 | 2,493 | 705 | 28% | 8 | (123) | 590 | 24% | 23% |
| Water Infrastructure | 1,250 | 1,112 | 138 | 12% | - | (68) | 70 | 6% | 6% |
| Applied Water | 963 | 698 | 265 | 38% | - | (33) | 232 | 33% | 33% |
| Measurement & Control Solutions | 985 | 683 | 302 | 44% | 8 | (22) | 288 | 42% | 41% |
| Quarter Ended June 30 | | | | | | | | | |
| Xylem Inc. | 1,660 | 1,232 | 428 | 35% | 1 | (74) | 355 | 29% | 29% |
| Water Infrastructure | 639 | 598 | 41 | 7% | - | (41) | - | 0% | 0% |
| Applied Water | 486 | 326 | 160 | 49% | - | (20) | 140 | 43% | 43% |
| Measurement & Control Solutions | 535 | 308 | 227 | 74% | 1 | (13) | 215 | 70% | 69% |
| Quarter Ended March 31 | | | | | | | | | |
| Xylem Inc. | 1,538 | 1,261 | 277 | 22% | 7 | (49) | 235 | 19% | 18% |
| Water Infrastructure | 611 | 514 | 97 | 19% | - | (27) | 70 | 14% | 14% |
| Applied Water | 477 | 372 | 105 | 28% | - | (13) | 92 | 25% | 25% |
| Measurement & Control Solutions | 450 | 375 | 75 | 20% | 7 | (9) | 73 | 19% | 18% |

Appendix

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

| | Q1 | | Q2 | | YTD | |
|-----------------------------------|-------|--------|-------|---------|-------|--------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Total Revenue | | | | | | |
| • Total Xylem | 1,256 | 1,123 | 1,351 | 1,160 | 2,607 | 2,283 |
| • Water Infrastructure | 509 | 438 | 569 | 501 | 1,078 | 939 |
| • Applied Water | 393 | 338 | 414 | 337 | 807 | 675 |
| • Measurement & Control Solutions | 354 | 347 | 368 | 322 | 722 | 669 |
| Operating Income (Loss) | | | | | | |
| • Total Xylem | 133 | 61 | 160 | 54 | 293 | 115 |
| • Water Infrastructure | 71 | 39 | 93 | 73 | 164 | 112 |
| • Applied Water | 66 | 47 | 64 | 41 | 130 | 88 |
| • Measurement & Control Solutions | 9 | (12) | 13 | (46) | 22 | (58) |
| • Total Segments | 146 | 74 | 170 | 68 | 316 | 142 |
| Operating Margin | | | | | | |
| • Total Xylem | 10.6% | 5.4% | 11.8% | 4.7% | 11.2% | 5.0% |
| • Water Infrastructure | 13.9% | 8.9% | 16.3% | 14.6% | 15.2% | 11.9% |
| • Applied Water | 16.8% | 13.9% | 15.5% | 12.2% | 16.1% | 13.0% |
| • Measurement & Control Solutions | 2.5% | (3.5%) | 3.5% | (14.3%) | 3.0% | (8.7%) |
| • Total Segments | 11.6% | 6.6% | 12.6% | 5.9% | 12.1% | 6.2% |

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

| | Q1 | | Q2 | | YTD | |
|--|-------|--------|-------|--------|-------|--------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Special Charges | | | | | | |
| • Total Xylem | 2 | - | - | 11 | 2 | 11 |
| • Water Infrastructure | - | - | - | - | - | - |
| • Applied Water | 1 | - | - | - | 1 | - |
| • Measurement & Control Solutions | - | - | - | 10 | - | 10 |
| • Total Segments | 1 | - | - | 10 | 1 | 10 |
| Restructuring & Realignment Costs | | | | | | |
| • Total Xylem | 8 | 9 | 6 | 43 | 14 | 52 |
| • Water Infrastructure | 5 | 5 | 4 | 8 | 9 | 13 |
| • Applied Water | 1 | 2 | 2 | 4 | 3 | 6 |
| • Measurement & Control Solutions | 2 | 2 | - | 31 | 2 | 33 |
| • Total Segments | 8 | 9 | 6 | 43 | 14 | 52 |
| Adjusted Operating Income (Loss) | | | | | | |
| • Total Xylem | 143 | 70 | 166 | 108 | 309 | 178 |
| • Water Infrastructure | 76 | 44 | 97 | 81 | 173 | 125 |
| • Applied Water | 68 | 49 | 66 | 45 | 134 | 94 |
| • Measurement & Control Solutions | 11 | (10) | 13 | (5) | 24 | (15) |
| • Total Segments | 155 | 83 | 176 | 121 | 331 | 204 |
| Adjusted Operating Margin | | | | | | |
| • Total Xylem | 11.4% | 6.2% | 12.3% | 9.3% | 11.9% | 7.8% |
| • Water Infrastructure | 14.9% | 10.0% | 17.0% | 16.2% | 16.0% | 13.3% |
| • Applied Water | 17.3% | 14.5% | 15.9% | 13.4% | 16.6% | 13.9% |
| • Measurement & Control Solutions | 3.1% | (2.9%) | 3.5% | (1.6%) | 3.3% | (2.2%) |
| • Total Segments | 12.3% | 7.4% | 13.0% | 10.4% | 12.7% | 8.9% |

Appendix

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

| | Q2 2021 | | | Q2 2020 | | |
|--|----------------|----------------|----------------|----------------|----------------|----------------|
| | As Reported | Adjustments | Adjusted | As Reported | Adjustments | Adjusted |
| Total Revenue | 1,351 | - | 1,351 | 1,160 | - | 1,160 |
| Operating Income | 160 | 6 a | 166 | 54 | 54 a | 108 |
| Operating Margin | 11.8% | | 12.3% | 4.7% | | 9.3% |
| Interest Expense | (21) | - | (21) | (18) | - | (18) |
| Other Non-Operating Income (Expense) | (3) | 3 b | - | (1) | 2 b | 1 |
| Gain/(Loss) From Sale of Business | 2 | (2) | - | - | - | - |
| Income before Taxes | 138 | 7 | 145 | 35 | 56 | 91 |
| Provision for Income Taxes | (25) | (1) c | (26) | (4) | (14) c | (18) |
| Net Income Attributable to Xylem | 113 | 6 | 119 | 31 | 42 | 73 |
| Diluted Shares | 181.3 | | 181.3 | 180.6 | | 180.6 |
| Diluted EPS | \$ 0.62 | \$ 0.04 | \$ 0.66 | \$ 0.17 | \$ 0.23 | \$ 0.40 |
| Year-over-year currency translation impact on current year diluted EPS | \$ 0.05 | \$ - | \$ 0.05 | | | |
| Diluted EPS at Constant Currency | \$ 0.57 | \$ 0.04 | \$ 0.61 | | | |

- a) Quarter-to-date: Restructuring & realignment costs of \$6 million in 2021 and \$43 million in 2020, as well as special charges of \$11m (\$10 million of intangible asset impairment and \$1 million of other charges) in 2020.
- b) Quarter-to-date: Special non-operating charges consist of \$3 million in 2021 and \$2 million in 2020, of pension costs related to the UK pension plan that is going to be part of a buyout.
- c) Quarter-to-date: Net tax impact on restructuring & realignment costs of \$1 million in 2021 and \$10 million in 2020; and \$1 million of tax on special tax items in 2021 and \$3 million of tax on special tax items in 2020; \$1m positive adjustment in 2021 from tax related special charges and \$1 million of negative adjustment from tax related special benefits in 2020, respectively.

Appendix

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

| | Q2 YTD 2021 | | | Q2 YTD 2020 | | |
|--|----------------|----------------|----------------|----------------|----------------|----------------|
| | As Reported | Adjustments | Adjusted | As Reported | Adjustments | Adjusted |
| Total Revenue | 2,607 | - | 2,607 | 2,283 | - | 2,283 |
| Operating Income | 293 | 16 a | 309 | 115 | 63 a | 178 |
| Operating Margin | 11.2% | | 11.9% | 5.0% | | 7.8% |
| Interest Expense | (42) | - | (42) | (34) | - | (34) |
| Other Non-Operating Income (Expense) | (1) | 4 b | 3 | (4) | 3 b | (1) |
| Gain/(Loss) From Sales of Business | 2 | (2) | - | - | - | - |
| Income before Taxes | 252 | 18 | 270 | 77 | 66 | 143 |
| Provision for Income Taxes | (52) | 3 c | (49) | (8) | (20) c | (28) |
| Net Income Attributable to Xylem | 200 | 21 | 221 | 69 | 46 | 115 |
| Diluted Shares | 181.4 | | 181.4 | 181.0 | | 181.0 |
| Diluted EPS | \$ 1.10 | \$ 0.13 | \$ 1.23 | \$ 0.38 | \$ 0.25 | \$ 0.63 |
| Year-over-year currency translation impact on current year diluted EPS | \$ 0.09 | \$ 0.02 | \$ 0.11 | | | |
| Diluted EPS at Constant Currency | \$ 1.01 | \$ 0.11 | \$ 1.12 | | | |

- a) Year-to-date: Restructuring & realignment costs of \$14 million and \$52 million in 2021 and 2020, respectively; special charges of \$2 million (\$1 million of intangible asset impairment charges and \$1 million of other charges) and \$11 million of special charges in 2020 (\$10 million of intangible asset impairment charges and \$1 million of other charges).
- b) Year-to-date: Special non-operating charges consist of \$4 million in 2021 and \$3 million in 2020, of pension costs related to the UK pension plan that is going to be part of a buyout.
- c) Year-to-date: Net tax impact on restructuring & realignment costs of \$3 million and \$12 million in 2021 and 2020, respectively; \$1 million and \$3 million of tax impact on special charges in 2021 and 2020, respectively; and \$7 million of positive adjustment from tax related special charges in 2021 and \$5 million of negative adjustment from tax related special benefits in 2020, respectively.

Appendix

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

| 2021 | | | | | |
|-----------------------------------|--------------|--------------|--------------|--------------|--------------|
| | Q1 | Q2 | Q3 | Q4 | Total |
| Net Income | 87 | 113 | | | 200 |
| Income Tax Expense | 27 | 25 | | | 52 |
| Interest Expense (Income), net | 19 | 19 | | | 38 |
| Depreciation | 30 | 29 | | | 59 |
| Amortization | 32 | 33 | | | 65 |
| EBITDA | 195 | 219 | | | 414 |
| Share-based Compensation | 9 | 8 | | | 17 |
| Restructuring & Realignment | 8 | 6 | | | 14 |
| Loss/(Gain) from sale of business | - | (2) | | | (2) |
| Special Charges | 3 | 3 | | | 6 |
| Adjusted EBITDA | 215 | 234 | | | 449 |
| Revenue | 1,256 | 1,351 | | | 2,607 |
| Adjusted EBITDA Margin | 17.1% | 17.3% | | | 17.2% |
| 2020 | | | | | |
| | Q1 | Q2 | Q3 | Q4 | Total |
| Net Income | 38 | 31 | 37 | 148 | 254 |
| Income Tax Expense (Benefit) | 4 | 4 | 13 | 10 | 31 |
| Interest Expense (Income), net | 14 | 16 | 20 | 20 | 70 |
| Depreciation | 29 | 29 | 30 | 29 | 117 |
| Amortization | 35 | 33 | 33 | 33 | 134 |
| EBITDA | 120 | 113 | 133 | 240 | 606 |
| Share-based Compensation | 8 | 8 | 3 | 7 | 26 |
| Restructuring & Realignment | 9 | 43 | 15 | 10 | 77 |
| Special Charges | 1 | 13 | 71 | 1 | 86 |
| Adjusted EBITDA | 138 | 177 | 222 | 258 | 795 |
| Revenue | 1,123 | 1,160 | 1,220 | 1,373 | 4,876 |
| Adjusted EBITDA Margin | 12.3% | 15.3% | 18.2% | 18.8% | 16.3% |

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

| 2021 | | | | | |
|--------------------------------|--------------|--------------|--------------|--------------|--------------|
| | Q1 | Q2 | Q3 | Q4 | Total |
| Pre-Tax Income | 70 | 92 | | | 162 |
| Interest Expense (Income), net | (1) | (1) | | | (2) |
| Depreciation | 11 | 11 | | | 22 |
| Amortization | 2 | 2 | | | 4 |
| EBITDA | 82 | 104 | | | 186 |
| Share-based Compensation | 1 | - | | | 1 |
| Restructuring & Realignment | 5 | 4 | | | 9 |
| Adjusted EBITDA | 88 | 108 | | | 196 |
| Revenue | 509 | 569 | | | 1,078 |
| Adjusted EBITDA Margin | 17.3% | 19.0% | | | 18.2% |
| 2020 | | | | | |
| | Q1 | Q2 | Q3 | Q4 | Total |
| Pre-Tax Income | 37 | 71 | 85 | 116 | 309 |
| Interest Expense (Income), net | - | (1) | - | - | (1) |
| Depreciation | 11 | 11 | 11 | 11 | 44 |
| Amortization | 4 | 5 | 2 | 2 | 13 |
| EBITDA | 52 | 86 | 98 | 129 | 365 |
| Share-based Compensation | - | 1 | - | 1 | 2 |
| Restructuring & Realignment | 5 | 8 | 8 | 7 | 28 |
| Adjusted EBITDA | 57 | 95 | 106 | 137 | 395 |
| Revenue | 438 | 501 | 524 | 616 | 2,079 |
| Adjusted EBITDA Margin | 13.0% | 19.0% | 20.2% | 22.2% | 19.0% |

Appendix

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

| 2021 | | | | | |
|-----------------------------------|--------------|--------------|----|----|--------------|
| | Q1 | Q2 | Q3 | Q4 | Total |
| Pre-Tax Income | 66 | 65 | | | 131 |
| Interest Expense (Income), net | - | - | | | - |
| Depreciation | 5 | 5 | | | 10 |
| Amortization | 1 | 1 | | | 2 |
| EBITDA | 72 | 71 | | | 143 |
| Share-based Compensation | 1 | 1 | | | 2 |
| Restructuring & Realignment | 1 | 2 | | | 3 |
| Loss/(Gain) from sale of business | - | (2) | | | (2) |
| Special Charges | 1 | - | | | 1 |
| Adjusted EBITDA | 75 | 72 | | | 147 |
| Revenue | 393 | 414 | | | 807 |
| Adjusted EBITDA Margin | 19.1% | 17.4% | | | 18.2% |

| 2020 | | | | | |
|--------------------------------|--------------|--------------|--------------|--------------|--------------|
| | Q1 | Q2 | Q3 | Q4 | Total |
| Pre-Tax Income | 47 | 42 | 55 | 60 | 204 |
| Interest Expense (Income), net | - | - | - | - | - |
| Depreciation | 5 | 5 | 6 | 5 | 21 |
| Amortization | 1 | - | 1 | 1 | 3 |
| EBITDA | 53 | 47 | 62 | 66 | 228 |
| Share-based Compensation | 1 | 1 | - | 1 | 3 |
| Restructuring & Realignment | 2 | 4 | 2 | 1 | 9 |
| Adjusted EBITDA | 56 | 52 | 64 | 68 | 240 |
| Revenue | 338 | 337 | 364 | 395 | 1,434 |
| Adjusted EBITDA Margin | 16.6% | 15.4% | 17.6% | 17.2% | 16.7% |

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

| 2021 | | | | | |
|--------------------------------|--------------|--------------|----|----|--------------|
| | Q1 | Q2 | Q3 | Q4 | Total |
| Pre-Tax Income | 16 | 12 | | | 28 |
| Interest Expense (Income), net | - | - | | | - |
| Depreciation | 9 | 10 | | | 19 |
| Amortization | 27 | 27 | | | 54 |
| EBITDA | 52 | 49 | | | 101 |
| Share-based Compensation | 1 | 2 | | | 3 |
| Restructuring & Realignment | 2 | - | | | 2 |
| Special Charges | - | - | | | - |
| Adjusted EBITDA | 55 | 51 | | | 106 |
| Revenue | 354 | 368 | | | 722 |
| Adjusted EBITDA Margin | 15.5% | 13.9% | | | 14.7% |

| 2020 | | | | | |
|--------------------------------|-------------|-------------|--------------|--------------|--------------|
| | Q1 | Q2 | Q3 | Q4 | Total |
| Pre-Tax (Loss) Income | (13) | (46) | (62) | 14 | (107) |
| Interest Expense (Income), net | - | - | - | -- | - |
| Depreciation | 9 | 8 | 9 | 9 | 35 |
| Amortization | 27 | 26 | 27 | 27 | 107 |
| EBITDA | 23 | (12) | (26) | 50 | 35 |
| Share-based Compensation | 2 | 1 | 1 | 1 | 5 |
| Restructuring & Realignment | 2 | 31 | 5 | 2 | 40 |
| Special Charges | - | 10 | 69 | - | 79 |
| Adjusted EBITDA | 27 | 30 | 49 | 53 | 159 |
| Revenue | 347 | 322 | 332 | 362 | 1,363 |
| Adjusted EBITDA Margin | 7.8% | 9.3% | 14.8% | 14.6% | 11.7% |

Appendix

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

| | Q1 | | Q2 | | Year-to-Date | |
|---|--------------|---------|---------------|--------|---------------|--------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Net Cash – Operating Activities | \$ (26) | \$ (2) | \$ 232 | \$ 181 | \$ 206 | \$ 179 |
| Capital Expenditures – PP&E | (22) | (32) | (25) | (24) | (47) | (56) |
| Capital Expenditures - Software | (17) | (19) | (16) | (20) | (33) | (39) |
| Capital Expenditures | (39) | (51) | (41) | (44) | (80) | (95) |
| Free Cash Flow | \$ (65) | \$ (53) | \$ 191 | \$ 137 | \$ 126 | \$ 84 |
| Net Income | 87 | 38 | 113 | 31 | 200 | 69 |
| Gain / (Loss) from sale of business | - | - | 2 | - | 2 | - |
| Restructuring & Realignment Charges – non-cash impairment | (1) | - | - | (17) | (1) | (17) |
| Special Charges - non-cash impairment | (1) | - | - | (10) | (1) | (10) |
| Net Income, excluding gain on sale of businesses, non-cash impairment charges and significant deferred tax | \$ 89 | \$ 38 | \$ 111 | \$ 58 | \$ 200 | \$ 96 |
| Operating Cash Flow Conversion | (30%) | (5%) | 205% | 584% | 103% | 259% |
| Free Cash Flow Conversion | (73%) | (139%) | 172% | 236% | 63% | 88% |

THANK YOU

Q2 2021 Results & Earnings

Matt Latino, VP, Investor Relations
Graham Hackett, Sr. Manager, Investor Relations
Mike Pilla, IR Associate, Finance Leadership Development Program

NYSE: XYL

[Xylem Investor Relations Website](#)

[LinkedIn](#) | [Twitter](#) | [Facebook](#) | [YouTube](#) | [Instagram](#)

xylem
Let's Solve Water

xylem
Let's Solve Water