

# XYLEM INC.

## EPG PRESENTATION

MAY 21, 2018



**xylem**  
Let's Solve Water

# Forward Looking Statements

This presentation contains information that may constitute “forward-looking statements.” Forward-looking statements by their nature address matters that are, to different degrees, uncertain. Generally, the words “anticipate,” “estimate,” “expect,” “project,” “intend,” “plan,” “forecast,” “believe,” “target,” “will,” “could,” “would,” “should” and similar expressions identify forward-looking statements. However, the absence of these words or similar expressions does not mean that a statement is not forward-looking. These forward-looking statements include any statements that are not historical in nature, including any statements about the capitalization of Xylem Inc. (the “Company”), the Company’s restructuring and realignment, future strategic plans and other statements that describe the Company’s business strategy, outlook, objectives, plans, intentions or goals. All statements that address operating or financial performance, events or developments that we expect or anticipate will occur in the future — including statements relating to orders, revenues, operating margins and earnings per share growth, and statements expressing general views about future operating results — are forward-looking statements. Forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause actual results to differ materially from those expressed or implied in, or reasonably inferred from, such forward-looking statements.

Factors that could cause results to differ materially from those anticipated include: overall economic and business conditions, political and other risks associated with our international operations, including military actions, economic sanctions or trade embargoes that could affect customer markets, and non-compliance with laws, including foreign corrupt practice laws, export and import laws and competition laws; potential for unexpected cancellations or delays of customer orders in our reported backlog; our exposure to fluctuations in foreign currency exchange rates; competition and pricing pressures in the markets we serve; the strength of housing and related markets; ability to retain and attract key members of management; our relationship with and the performance of our channel partners; our ability to successfully identify, complete and integrate acquisitions; our ability to borrow or to refinance our existing indebtedness and availability of liquidity sufficient to meet our needs; changes in the value of goodwill or intangible assets; risks relating to product defects, product liability and recalls; governmental investigations; security breaches or other disruptions of our information technology systems; litigation and contingent liabilities; and other factors set forth in Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2017, and those described from time to time in subsequent reports filed with the Securities and Exchange Commission.

All forward-looking statements made herein are based on information currently available to the Company. The Company undertakes 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.

# Xylem at a Glance

## Company Stats

<b>Founded</b>	<b>2011 (Spin)</b>
<b>Global Locations</b>	<b>~350</b>
<b>Employees</b>	<b>~16,500</b>
<b>Market Cap<sup>1</sup></b>	<b>~\$13B</b>



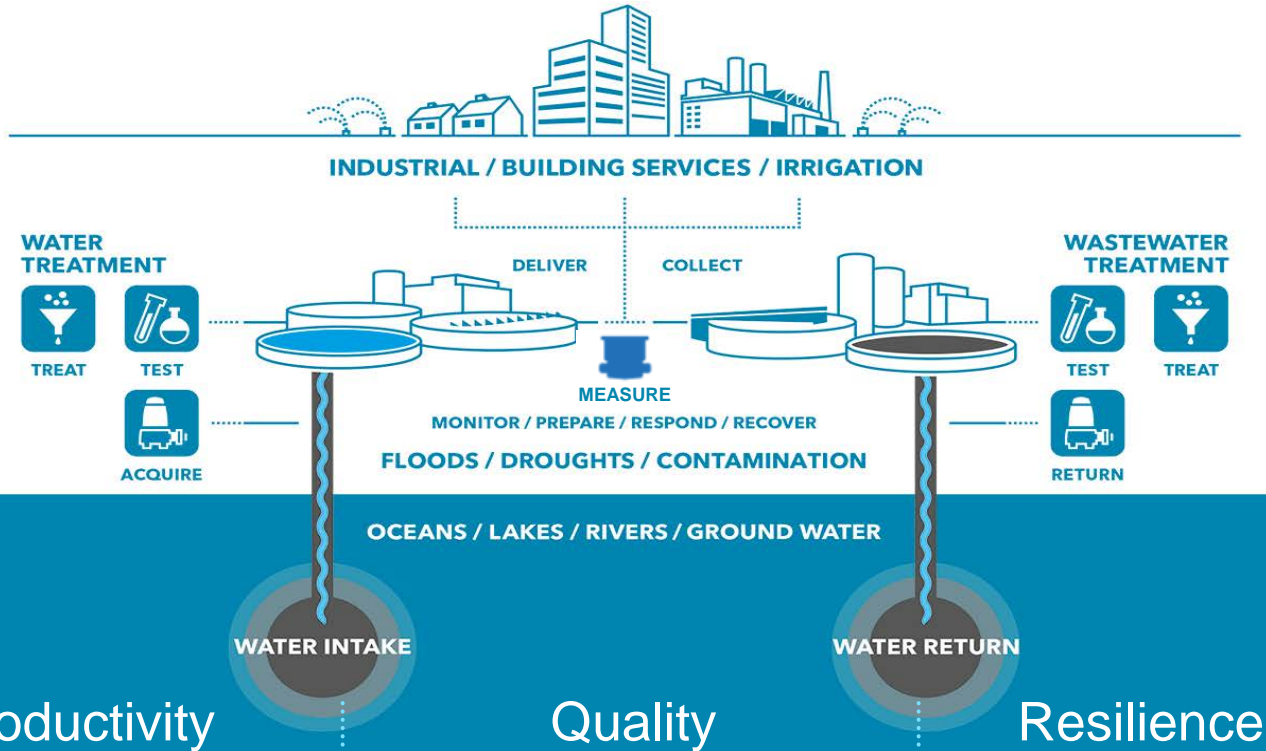
## 2017 Financial Stats<sup>2</sup>

<b>Revenue</b>	<b>\$4.7B</b>
<b>EBITDA   Margin</b>	<b>\$878M   18.7%</b>
<b>Operating Margin</b>	<b>13.3%</b>

## 2017 Segment Revenue<sup>2</sup> | (% of total)

<b>Water Infrastructure</b>	<b>\$2.0B   43%</b>
<b>Applied Water</b>	<b>\$1.4B   30%</b>
<b>Measurement &amp; Control Solutions</b>	<b>\$1.3B   27%</b>

# We Participate Across the Water Cycle



# Our Vision:

## Be the Distinctive Market Leader in the Water Sector

- Maintain industry-leading product portfolio bolstered by leading-edge technology and value-added solutions
- Achieve global scale with local expertise
- Top-quartile performance driven by faster-than-market growth and operational excellence
- Cultivate a high-performance culture
- Be recognized as a thought leader in the water sector

# End Market and Geographic Revenue Profile

End Market	2017 Revenue %
------------	----------------

Geography	2017 Revenue %
-----------	----------------



Utilities

~50%



Industrial

~35%



Commercial

~10%



Residential

~5%



U.S.

47%



Western Europe

26%



Emerging Markets

20%








Rest of World

7%



We have a diversified global portfolio

# Our Value Creation Roadmap

OPTIMIZE OUR BUSINESS	BALANCED CAPITAL DEPLOYMENT
 <p>Accelerate Profitable Growth</p>  <p>Drive Continuous Improvement</p>  <p>Leadership &amp; Talent Development</p>	 <p>Mergers &amp; Acquisitions</p>  <p>Return Capital to Shareholders</p>
FOCUS ON EXECUTION & ACCOUNTABILITY	

# Accelerate Profitable Growth



**Commercial  
Leadership**

**Emerging  
Markets**

**M&A**

**Innovation &  
Technology**

## Progress since 2017 EPG

- +4% Pro Forma Organic Growth in 2017; Growth in all end markets
- Steady growth in Utilities from share gains & Emerging Market projects and solid recovery in Industrial markets drive outlook of +4 to 6% organic growth in 2018
- Sensus and bolt-on acquisitions deliver high single digit growth
- +6% organic growth in 2017 in Emerging Markets
- +500 bps improvement in Vitality Index



# Drive Continuous Improvement



## Savings Targets

Global  
Procurement

Lean &  
Six Sigma

**\$150 to \$170M**  
Annual Rate Savings

Business  
Simplification

**\$75 to \$90M**  
1x Cost Reduction

## Progress since 2017 EPG

- Reduced annual costs by ~\$150M in 2017
- Tracking to 10% increase in 2018 (\$160M) & in-line with 2017 Investor Day targets
- Initiated actions on Business Simplification and expect to realize savings in 2019 and 2020
- Utilizing price to offset uptick in material inflation costs
- Delivering on “productivity for growth” promise

# Mergers & Acquisitions



## Advanced Infrastructure Analytics (AIA) (part of Measurement & Control Solutions Segment)



Xylem's AIA platform is an integrated portfolio of solutions that attack waste in infrastructure capital and operating budgets enabling disruptive improvements. We are looking to transform the economics and reliability of water and related civil infrastructure with software and data analytics-enabled services.

2018 Estimated Revenue: ~\$120M

Our technology addresses the following key vertical markets:

- Drinking water
- Wastewater
- Water resources
- Energy



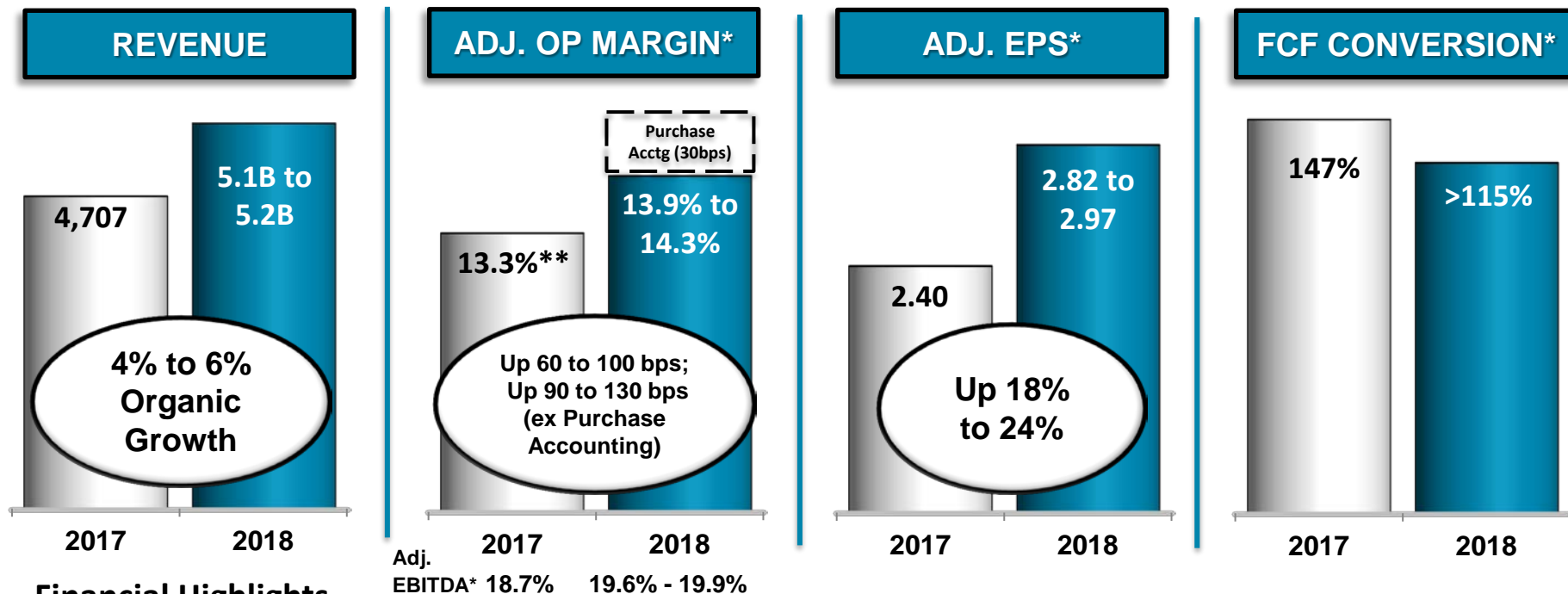
# Our 2020 Financial Targets

	Original Targets <i>(2015 Investor Day)</i>	Current Outlook <i>(2020)</i>	
<b>Organic Growth</b>	3% to 5%	4% to 6%	Sensus and synergies drive higher growth profile
<b>Operating Margin</b>	16% to 17%	17% to 18%	
<b>EBITDA Margin</b>	20% to 21%	21.5% to 22.5%	
<b>EPS<sup>1</sup> Growth</b>	8% to 12%	Mid-teens	
<b>Capital Available for Deployment</b>	3.5B	\$5B+	Capital deployment drives high-teens+ EPS growth

## Further Strengthening the Investment Thesis

# 2018 Outlook

(Dollars, In Millions, except EPS)



## Financial Highlights

- Xylem Organic growth of 4% to 6%; Pure adds approximately 2% to total revenue
- Expecting strong Operating Margin expansion; On-track to deliver on long-term targets
- Adjusted EPS expected in the range of \$2.82 to \$2.97 (increase of 18% to 24% versus 2017)
- Expecting Free Cash Flow conversion driven by execution and working capital improvement

**MARKET MOMENTUM & INVESTMENTS DRIVE INCREASED REVENUE GROWTH ...  
STRONG EXECUTION & PRODUCTIVITY GAINS ACCELERATE OP MARGIN EXPANSION**

# 2018 End Market Outlook



## Utilities (~50% of 2017 Revenue)

- **2018 Organic Growth: Up Mid Single Digits**
- Stable growth in U.S. from water and wastewater spending
- Mixed but stable low single digit growth in Europe
- High single digit growth from smart meter market and infrastructure analytics
- Healthy infrastructure investment and focus in Emerging Markets continues with projects in China, India and Asia Pacific



## Industrial (~35% of 2017 Revenue)

- **2018 Organic Growth: Up-Low-to-Mid-Single Digits**
- Solid general/light industrial conditions in U.S./Europe
- Continued recovery in O&G/mining markets in North America
- Mixed emerging market conditions with strength in China & India offset by softness in Middle East/Latin America



## Commercial (~10% of 2017 Revenue)

- **2018 Organic Growth: Up-Low-to-Mid-Single Digits**
- Strong U.S. position; Architecture Billings Index (slightly) above 50 suggests stable low-growth market
- Europe growth moderates after 2+ years of strong performance
- Em. Market strength continues with India Smart Cities initiative & China building mkts; Large project wins in ME from localization



## Residential (~5% of 2017 Revenue)

- **2018 Organic Growth: Up Mid Single Digits**
- Competitive U.S. market dynamics continue; replacement driven demand
- Market share gains from increased selling focus in Europe
- Increased demand in China and other Asia Pacific countries for secondary clean water source

# Xylem's Investment Thesis

## WE WILL BENEFIT FROM A FAVORABLE MACRO OUTLOOK

Well positioned in key end markets with sustainable growth profiles through 2020

---



## MARKET-PLUS GROWTH DRIVEN BY FOCUSED STRATEGIES

Increased investment in faster-growth regions and innovation

---



## RUNWAY FOR FURTHER MARGIN EXPANSION

Multi-year plan continues to create value → 400 to 500 bps by 2020

---



## ACCELERATING CAPITAL DEPLOYMENT TO CREATE VALUE

Strong cash flow generation and capital structure enables significant value creation

---



# xylem

## Let's Solve Water

NYSE: XYL

**Matt Latino, Senior Director, Investor Relations**  
**(914) 323-5821**

**Dawn Powell, Investor Relations Coordinator**  
**(914) 323-5931**

<http://www.xylem.com/en-us/investors/>