



xylem

# 2023 Second Quarter

Results & Earnings

# Forward-Looking Statements

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

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

Forward-looking and other statements in this presentation regarding our environmental and other sustainability plans and goals are not an indication that these statements are necessarily material to investors or are required to be disclosed in our filings with the SEC. In addition, historical, current, and forward-looking social, environmental and sustainability-related statements may be based on standards for measuring progress that are still developing, internal controls and processes that continue to evolve, and assumptions that are subject to change in the future. All forward-looking statements made herein are based on information currently available to us as of the date of this 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.

## Q2 2023 Performance Summary

(\$ in millions, unless otherwise noted)

2023	Reported Q2	Adj* Q2	Reported Q2	Adj* Q2	Reported Q2	Adj* Q2	Reported Q2	Adj* Q2	Reported Q2	Adj* Q2
	Xylem Consolidated		Measurement & Control Solutions		Water Infrastructure <sup>(1)</sup>		Applied Water		Integrated Solutions & Services <sup>(2)</sup>	
Revenue	\$1,722	\$1,722	\$415	\$415	\$704	\$704	\$478	\$478	\$125	\$125
Overall Growth	26%	26%	20%	20%	20%	20%	11%	11%		N/A
Constant Currency* Growth		28%		21%		22%		12%		N/A
Organic Growth*		15%		21%		13%		12%		N/A
Operating Income	\$119	\$259	\$26	\$46	\$106	\$129	\$84	\$86	(\$7)	\$18
Operating Margin	6.9%	15%	6.3%	11.1%	15.1%	18.3%	17.6%	18.0%	(5.6%)	14.4%
EBITDA*	\$211	\$329	\$61	\$65	\$131	\$151	\$89	\$91	\$13	\$30
EBITDA Margin*	12.3%	19.1%	14.7%	15.7%	18.6%	21.4%	18.6%	19.0%	10.4%	24.0%
Earnings Per Share	\$0.45	\$0.98								

\*See appendix for definitions of non-GAAP measures, non-GAAP reconciliations, and recast 2022 amounts for purchase accounting intangible amortization

(1) Now includes Evoqua Applied Product Technologies, reflecting transaction close on May 24, 2023

(2) Reported results for Evoqua Integrated Solutions & Services, reflecting transaction close on May 24, 2023



# Patrick Decker

CEO & President

“ This past quarter, we took another transformative step as a leading water solutions company to help our communities and customers solve the greatest water challenges facing our society and economies: water scarcity, resilience of our infrastructure to climate change, and the need to address these challenges affordably with the power of technology and innovation. These challenges are intensifying every day and our powerful portfolio is now even more strongly positioned to deliver solutions at scale.

We are already seeing the momentum created by integrating two strong companies. On the strength of the market’s continuing underlying demand and our team’s disciplined execution, we are further raising our full-year guidance on revenues, margins and earnings per share.

”

## Q2 2023 Highlights



Organic\* Revenue

**+15%**

YOY growth

vs. guidance 10% – 11%



Organic\* Orders

**(2%)**

YOY growth

book-to-bill >1



Adj. EBITDA\*  
Margin

**19.1%**

+250 bps YoY margin expansion

(18.6% excluding Acquisitions vs. guidance of 17.5% – 18.0%)



Adj. EPS\*

**\$0.98**

32% YoY growth

(\$0.95 excluding Acquisitions<sup>(1)</sup>)



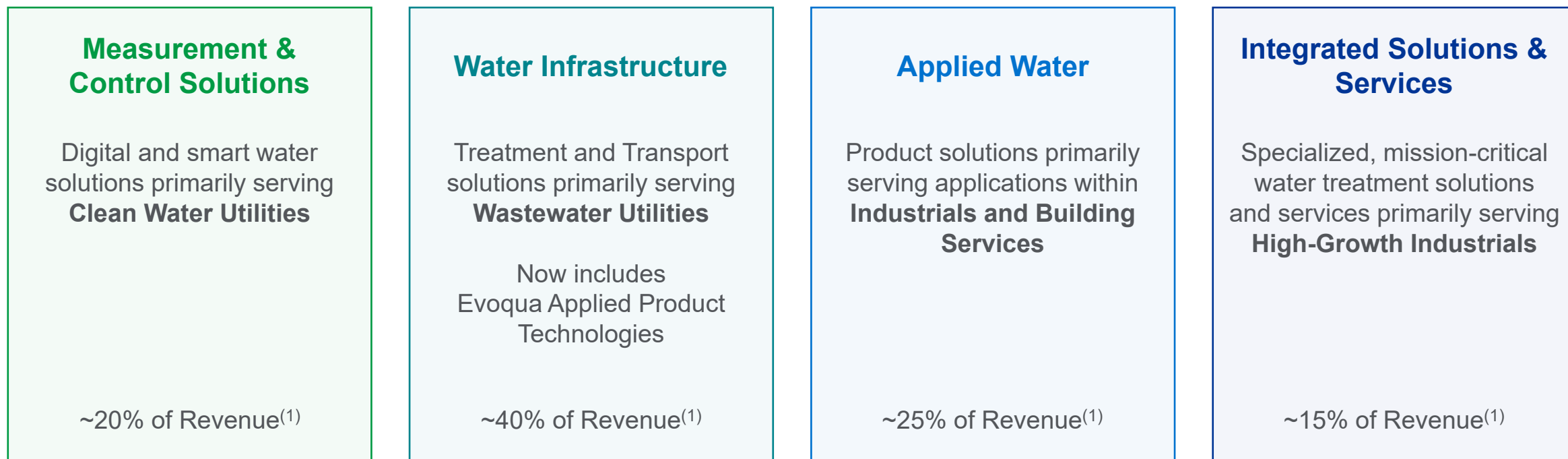
Sustainability

**26%**

Reduction in Xylem’s total water use since 2019 (excludes Evoqua)

\*See appendix for definitions of non-GAAP measures, non-GAAP reconciliations, and recast 2022 amounts for purchase accounting intangible amortization (1) Excludes Evoqua Q2 operational performance \$0.10, change in share count (\$0.14), and Xylem legacy purchase accounting intangible amortization \$0.07

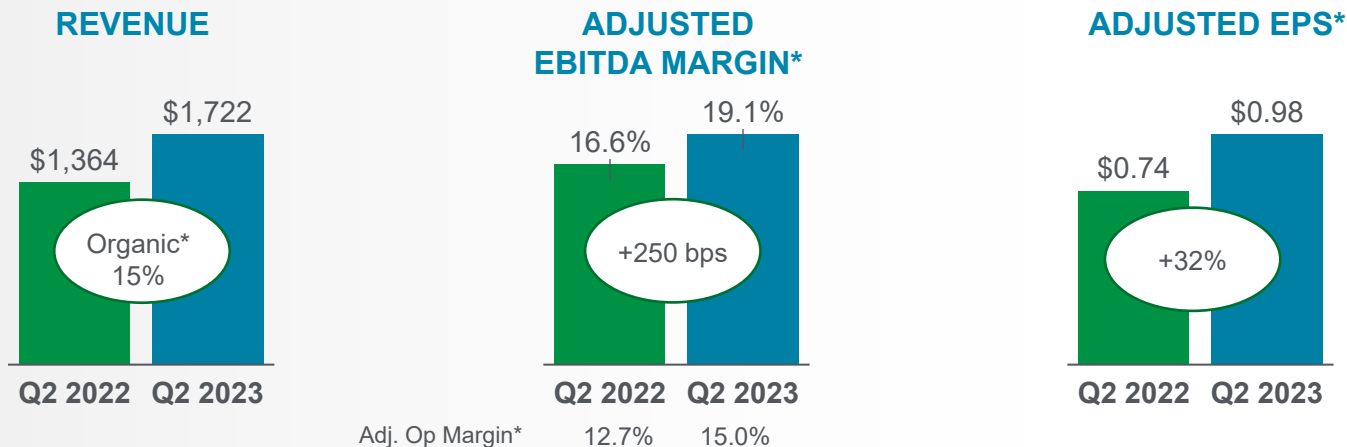
## Combined Company Structure With Four Reporting Segments



**Segment Structure Supports Global Solutions' Strategies and Local Customer Execution**

(1) Pro forma revenue; FY 2022 for Xylem and FY 2022 ending Sep 30, 2022 for Evoqua

## Q2 2023 XYLEM PERFORMANCE



## KEY PERFORMANCE DRIVERS

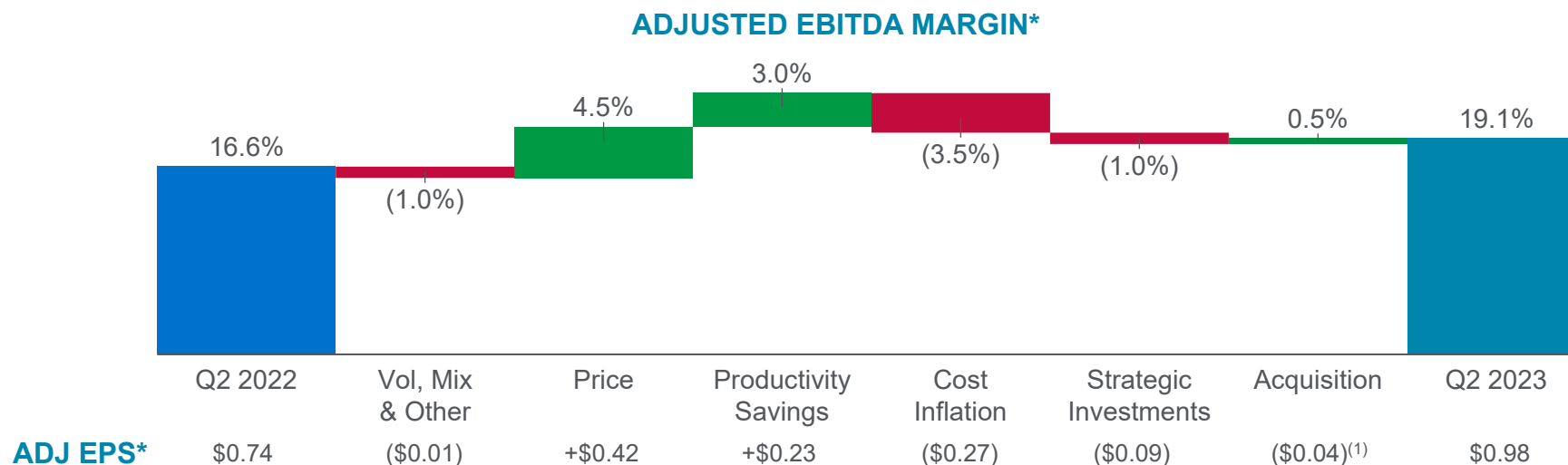
### Organic Growth\* by End Market

- Utilities 17%
- Industrial 11%
- Building Solutions 15%
  - Commercial 31%
  - Residential (15%)

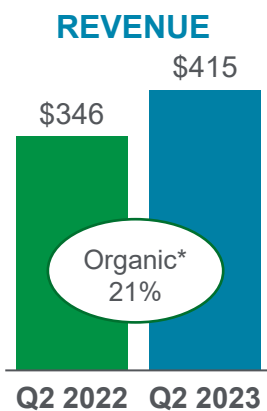
- **Organic\* revenue** growth of 15% mainly driven by strong demand, price realization, and backlog execution
- **Organic\* orders** down 2%; resilient demand with backlog of \$5.3B, up 7% organically, and \$1.3B contribution from Evoqua

### Organic Growth\* by Region

- United States 19%
- Western Europe 11%
- Emerging Markets 8%



# Q2 2023 Measurement & Control Solutions Performance



## Organic Growth\* by Application

Water	17%
Energy	38%

## Organic Growth\* by Region

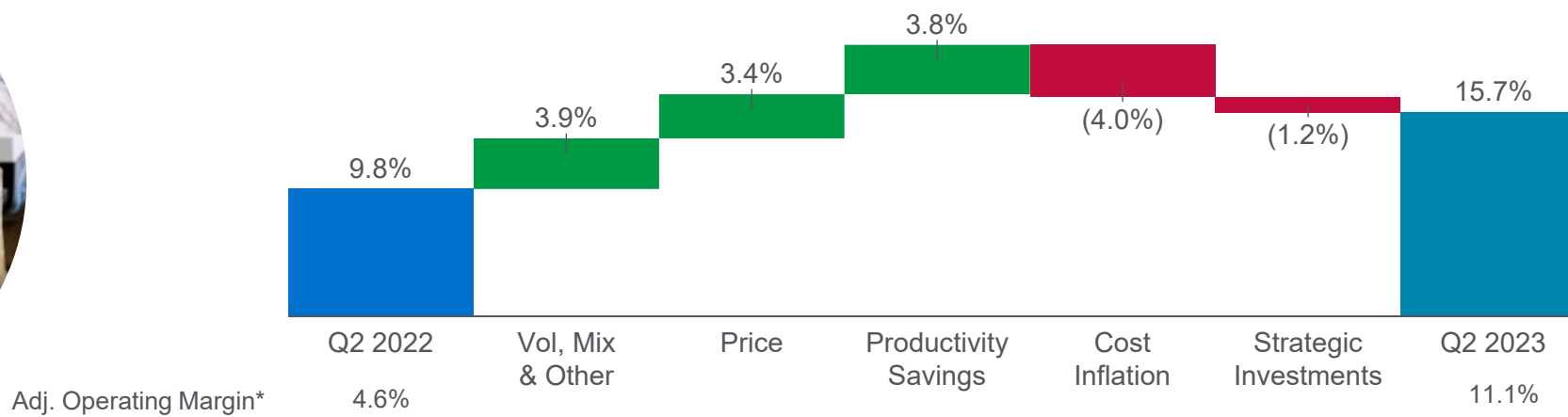
United States	27%
Western Europe	20%
Emerging Markets	5%

## Highlights

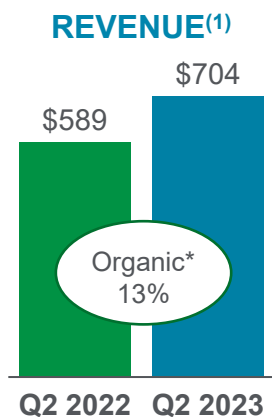
- Organic\* orders up 6% with strength across the portfolio. Continued strong demand for Advanced Metering Infrastructure (AMI), with book-to-bill of 1.2
- Robust \$2.4B backlog provides long-term growth and margin momentum
- Strong organic\* revenue growth broadly across the portfolio, led primarily by backlog execution in smart metering
- Strong incremental margins driven by volume conversion



## ADJUSTED EBITDA MARGIN\*



# Q2 2023 Water Infrastructure Performance



## Organic Growth\* by End Market

Utilities	12%
Industrial	14%

## Organic Growth\* by Region

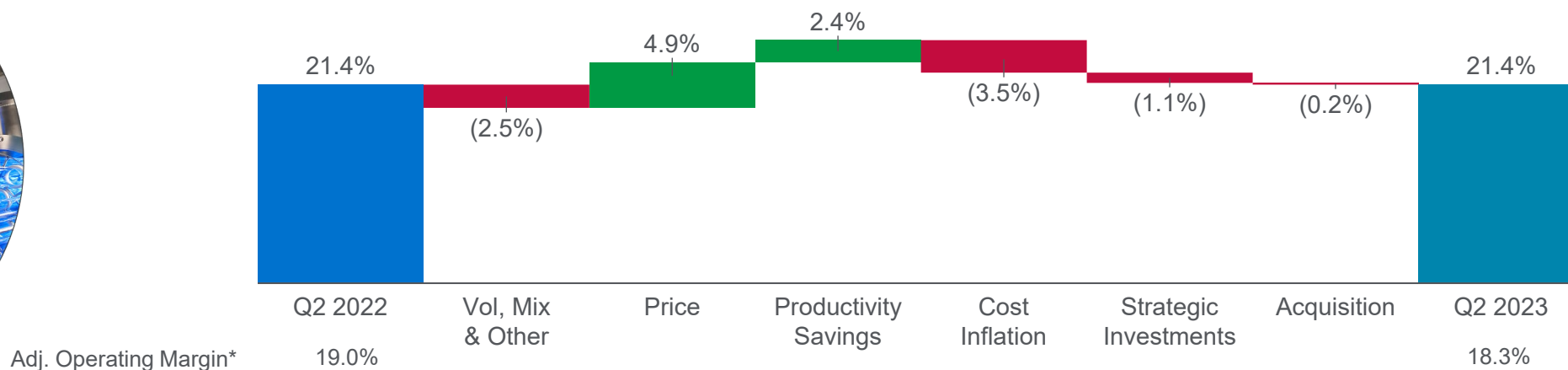
United States	20%
Western Europe	12%
Emerging Markets	7%

## Highlights

- Organic\* orders down 4%, lapping 21% growth, with book-to-bill ratio of 1.1
- Utilities growth driven by price and strong demand, particularly in US and Western Europe
- Industrial growth driven by price and robust opex demand in Developed Markets



## ADJUSTED EBITDA MARGIN\*<sup>(1)</sup>



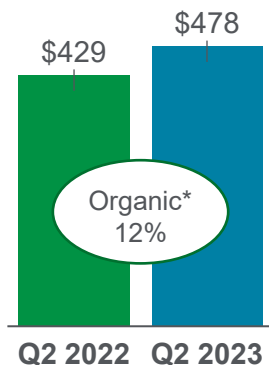
\*See appendix for definitions of non-GAAP measures, non-GAAP reconciliations, and recasted 2022 amounts for purchase accounting intangible amortization

(1) Now includes Evoqua Applied Product Technologies, reflecting transaction close on May 24, 2023



# Q2 2023 Applied Water Performance

## REVENUE



## Organic Growth\* by End Market

Industrial	10%
Building Solutions	15%
Commercial	31%
Residential	(15%)

## Organic Growth\* by Region

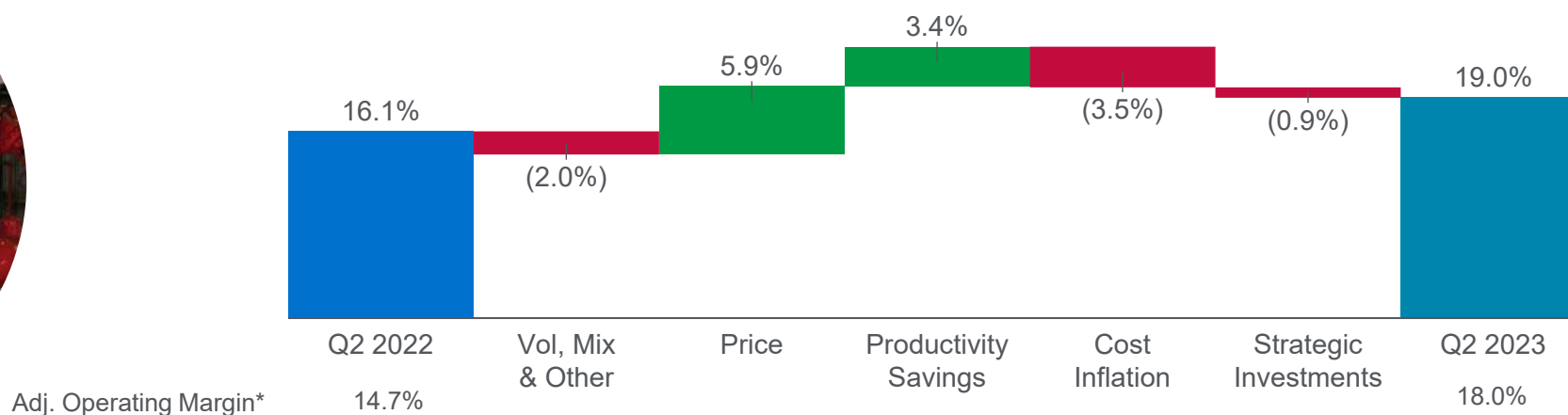
United States	13%
Western Europe	5%
Emerging Markets	12%

## Highlights

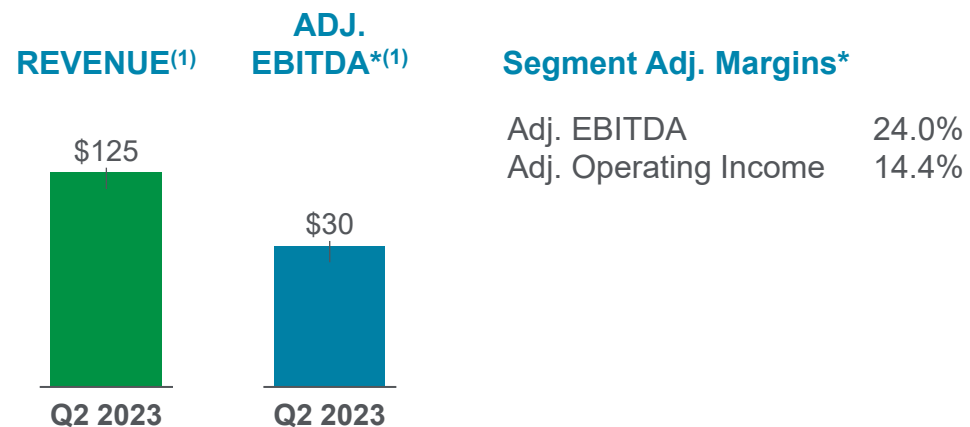
- Organic\* orders down 6%, with continued strength in Emerging Markets, offset by moderation in US and Western Europe
- Industrial growth led by price realization and project execution on healthy demand in Western Europe and Emerging Markets
- Building Solutions growth driven by strength in US Commercial, offset by continued Residential softness



## ADJUSTED EBITDA MARGIN\*



# Q2 2023 Integrated Solutions & Services Performance



## Highlights

- Healthy demand with pro forma<sup>(2)</sup> orders growth of 4%, strength across industrial verticals, particularly Life Sciences
- Backlog of ~\$1B, up ~15% vs June 30, 2022, with order strength from resilient recurring revenue; Q2 book-to-bill ratio above 1
- Pro forma<sup>(2)</sup> revenue growth of 12% driven by price realization and backlog execution
- Strong margin performance driven by price-cost discipline and productivity

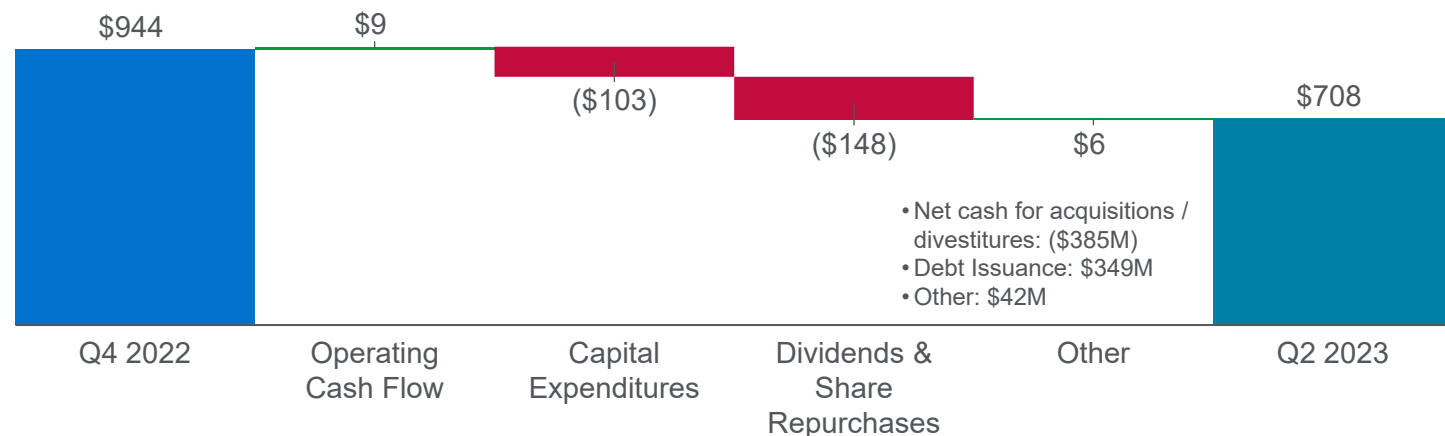


## Serving our customers through a durable business model

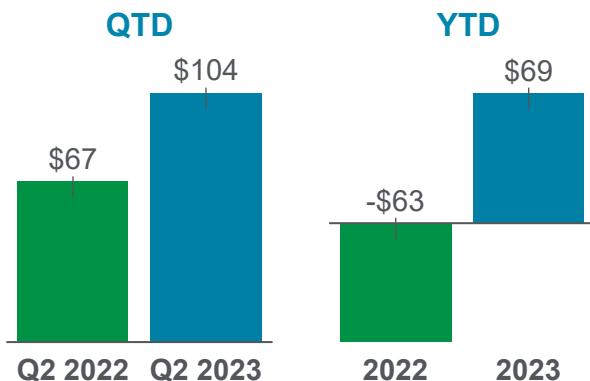
- Providing mission-critical treatment solutions and services primarily to attractive industrial verticals
- ~75% of ISS revenue is recurring service and aftermarket
- Outsourced Water is ~1/3 of ISS revenue, of which ~50% is digitally connected

# Xylem Financial Position

## CASH DRIVERS



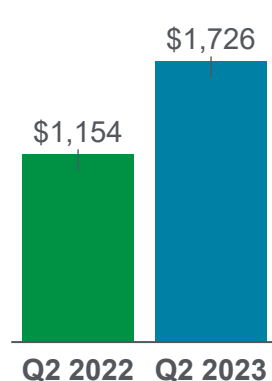
## ADJ FREE CASH FLOW\*



## FCF CONVERSION\*

59%    86%    (32%)    31%

## WORKING CAPITAL\*\*



## WORKING CAPITAL %

22.1%    22.2%

## Capital Summary

### June 30, 2023

Cash & Cash Equivalents	\$ 708
Debt	\$ 2,507
Net Debt	\$ 1,799
Shareholder's Equity	\$ 9,899
Net Capital	\$ 11,698
Net Debt to Net Capital	15%

## Financial Highlights

- **Strong financial position**
  - Repaid ~\$600M of debt in conjunction with Evoqua close
  - Available liquidity of ~\$1.6B including cash, cash equivalents, and available credit facilities
  - Remain committed to BBB/Baa2 investment grade credit rating
  - Net debt / adjusted EBITDA\* (TTM) as of 6/30: 1.6x

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

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

# Staying Focused on Serving Our Customers and Delivering our 2023 Commitments



## 1. SERVING OUR CUSTOMERS WITH DIFFERENTIATED PORTFOLIO

- World's most advanced water platform
- Meeting customer challenges with our unparalleled digital offerings

## 2. RELENTLESS COMMITMENT TO DELIVER MARGIN EXPANSION

- Continued focus on commercial and operational execution
- Improved supply chain accelerating backlog conversion

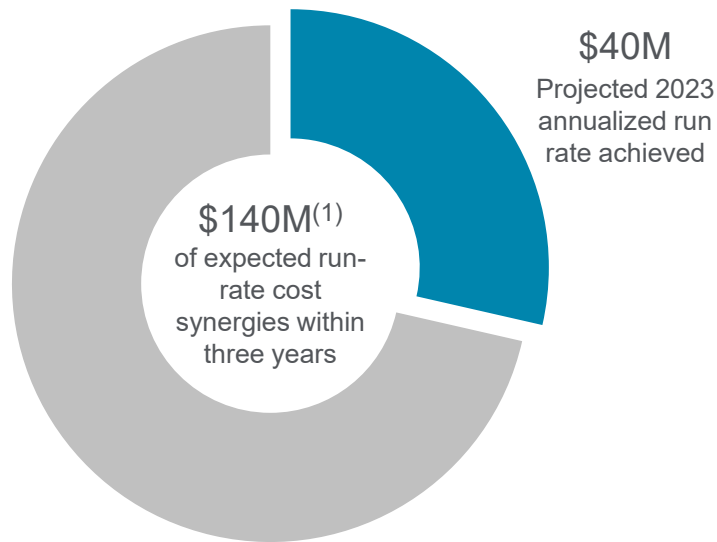
## 3. EXECUTING ON EVOQUA INTEGRATION

- Early momentum on synergies
- Focused on serving our customers with complementary portfolio

**Performance Momentum Provides Confidence to Increase Full-Year Guidance**

## Early Progress on Integration

### Cost Synergies



Across Procurement, Footprint & Network Optimization, Enabling Functions

### Revenue Growth Opportunities

#### 1. DEEPEN UTILITY PENETRATION

- Expand Evoqua service expertise to utilities
- “One-stop-shop” across utility treatment train

#### 2. SCALE INDUSTRIAL OFFERING

- Complementary treatment, transport, and services
- Greater access to high-quality verticals

#### 3. EXPAND INTERNATIONALLY

- Leverage global channels for product sales
- Service expansion planning underway

**Well-Positioned to Capture Value Through Complementary Growth Platform**

# FY 2023 End Market Commentary

See appendix for end market key facts



## Utilities

~45% Pro Forma Revenue<sup>(1)</sup>

Primarily M&CS and WI



## Industrial

~45% Pro Forma Revenue<sup>(1)</sup>

Primarily ISS and Applied Water



## Building Solutions

~10% Pro Forma Revenue<sup>(1)</sup>

Primarily Applied Water

### Clean Water

- Growth expected from conversion of resilient backlog on continued chip supply improvement
- Strong order momentum from smart water demand; ~1/3 N. America utilities have adopted AMI

### Wastewater

- Opex strength from mission-critical applications
- Strong long-term capex outlook due to aging infrastructure and Emerging Markets' development

Resilient demand across most industrials including:

### Light & General

- Sustained demand globally; across Applied Water and ISS through resilient, recurring service revenue
- Healthy dewatering demand

### Life Sciences

- Driven by mission-critical applications

### Microelectronics

- Essential input for microelectronics production

### Commercial

- Resilient demand for energy efficiency related projects, particularly in Europe
- Monitoring new construction; ~1/3 of exposure

### Residential

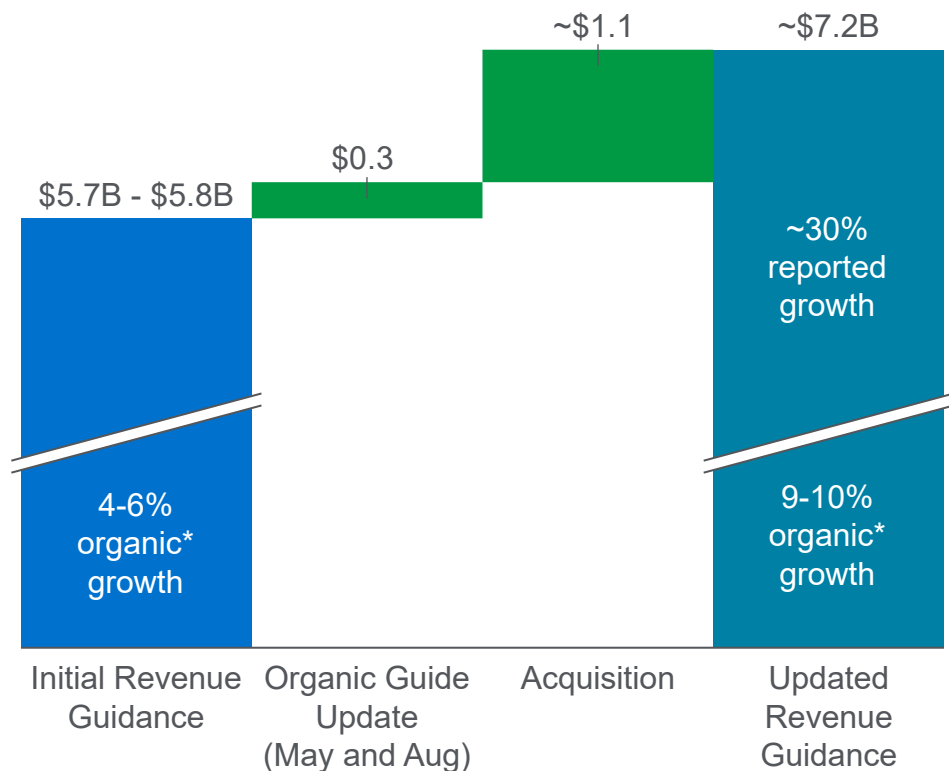
- Market softness continues, particularly in the US

**Resilient Demand, Further Supported by Evoqua's Durable Industrial Water Treatment Service Model**

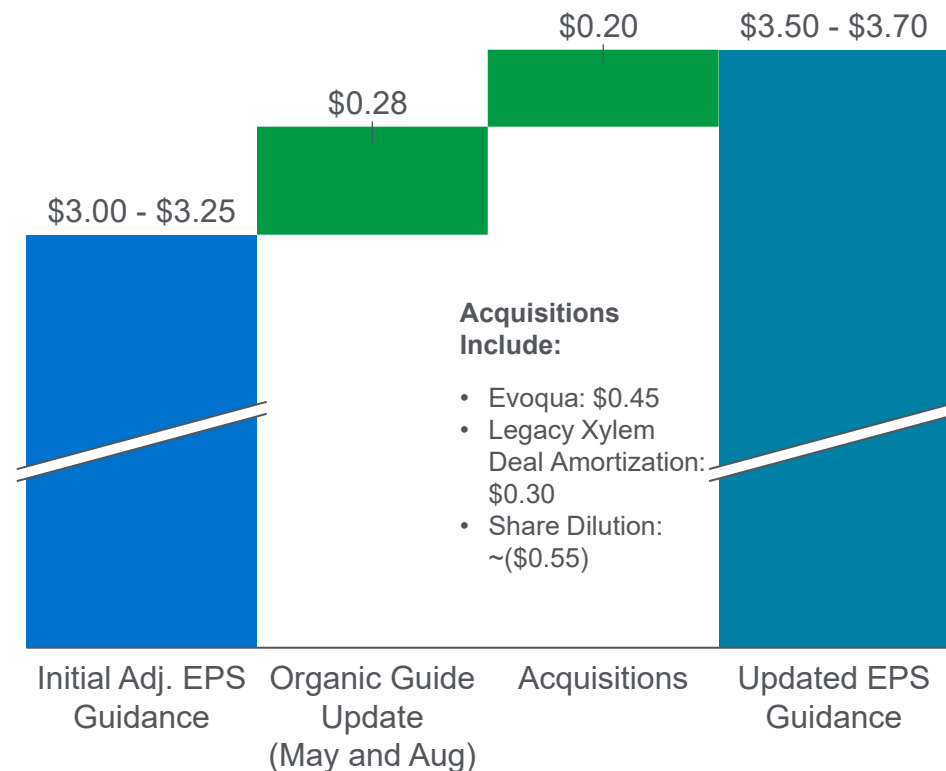
(1) Pro forma revenue; FY 2022 for Xylem and FY 2022 ending Sep 30, 2022 for Evoqua; Utilities and Industrial include revenues from Evoqua

# Raising FY 2023 Organic Guidance and Incorporating Evoqua

## Raising Revenue Guidance to ~\$7.2B



## Lifting Adj EPS\* Guidance to \$3.50 – \$3.70



## FY 2023 and Q3 2023 Guidance

### Updating full year guide to include Evoqua

- Organic\* raise driven by backlog execution, price realization and productivity savings, partially offset by inflation
- Evoqua expected to contribute ~\$1.1B to revenue

### Free Cash Flow Conversion\* at least ~100%

- Driving working capital\*\* productivity with supply chain improvements

	Prior FY 2023 Guide	Updated FY 2023 Guide	Q3 2023 Guide
Revenue	\$5.9 – \$6.0B	~\$7.2B	\$1.9 – \$2.0B
• Organic* Growth	8% – 9%	9% – 10%	4% – 6%
• Reported Growth	8% – 9%	~30%	40% – 45%
Adjusted EBITDA Margin*	17.5% – 18.0%	~18%	~18%
Adjusted EPS*	\$3.15 – \$3.35	\$3.50 – \$3.70	\$0.85 – \$0.90
<b>Organic* Revenue By Segment:</b>			
Measurement & Control Solutions	Up high-teens	Up ~20%	Up high-teens
Water Infrastructure <sup>(1)</sup>	Up high-single digits	Up high-single digits	Up mid-single digits
Applied Water	Up mid-single digits	Up mid-single digits	Flat
Integrated Solutions & Services	N/A	N/A	N/A

\*See appendix for definitions of non-GAAP measures

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

(1) Water Infrastructure segment now includes Applied Water Technologies, but does not impact organic\* revenue guide



# Key Takeaways

- 1** Outperformed Q2 with **double digit growth** and strong margin **expansion**
- 2** **Raising** full-year organic guidance for 2023, including **Evoqua**
- 3** Focused on delivering 2023 and gaining early momentum on Evoqua **integration**
- 4** Xylem investment thesis is strong: creating **economic** and **social** value

The background features a dynamic splash of water in shades of blue, with a large, light blue stylized 'X' logo overlaid on the left side. The water splash is captured in a high-speed shot, showing intricate droplets and ripples. The overall color palette is monochromatic, ranging from light sky blue to deep navy blue.

xylem

Appendix

# End Market Key Facts

## Utilities ~45% Revenue<sup>(1)</sup>

### Wastewater Utilities

- Revenue: ~55% of Xylem utilities revenue
- Opex/Capex Split: ~80% / ~20%
- XYL Segments: primarily Water Infrastructure
- Geographic Split: US ~50% / W. Europe ~25% / Em. Mkts & other ~25%
- US Utility wastewater Capex: ~3% of total Xylem revenue
- US & W. Europe leading installed base and strong recurring revenue through Opex
- Emerging Markets mostly greenfield and currently skewed to Capex

### Clean Water Utilities

- Revenue: ~45% of Xylem Utilities revenue
- Opex/Capex Split: ~75% / ~25%
- XYL Segments: Primarily MCS
- Geographic Split: US ~75% / W. Europe ~10% / Em. Mkts & Other ~15%
- Adoption of AMI and digital technologies to address non-revenue water and remote capabilities expected to be long-term secular trend globally
- Under-penetrated international presence, but opportunities increasing

## Industrials ~45% Revenue<sup>(1)</sup>

- XYL Segments: Primarily ISS and Applied Water
- Geographic Split: US ~60% / W. Europe ~20% / Em. Mkts & Other ~20%
- Revenue by notable verticals:
  - “Light” & General: ~50% of Industrials
  - Life Sciences: ~10% of Industrials
  - Microelectronics: MSD% of Industrials
- Equipment is generally not tied to output; keeps facilities ‘up-and-running’
- Labor shortages creating opportunities for service
- Trend towards wastewater treatment applications to meet sustainability goals and regulatory compliance

## Building Solutions ~10% Revenue<sup>(1)</sup>

- XYL Segments: Applied Water
- By vertical: ~70% Commercial / ~30% Residential
- New build / replacement (aftermarket): ~25% / ~75%
- Geographic Split: US ~55% / W. Europe ~15% / Em. Mkts & Other ~30%

## Segment Key Facts

### Measurement & Control Solutions ~20% Revenue<sup>(1)</sup>

Advanced technology solutions that enable intelligent use and conservation of critical water and energy resources; includes Metrology, Test & Measurement, and Pipeline Assessment Services

- Key Brands: Sensus, Smith-Blair, Pure, WTW, YSI
- Geographic Split: US ~60% / W. Europe ~20% / Em. Mkts & Other ~20%
- End Market Split: Clean Water Utilities 80% / Industrials 20%
- Channels: Primarily indirect, with some direct for large utilities and government programs
- Market Drivers: AMI adoption acceleration, connected solutions, non-revenue water, affordability, labor shortages
- Competitive Advantage: deep application expertise and technology leadership, long-standing customer relationships

### Water Infrastructure ~40% Revenue<sup>(1)</sup>

Products and solutions for the transportation and treatment of water, including water and wastewater pumps, filtration and treatment equipment, dewatering, and controls; now including Evoqua's treatment business (formerly Applied Product Technologies)

- Key Brands: Flygt, Godwin, Wedeco, Sanitaire, IonPure CEDI, Defender
- Geographic Split: US ~45% / W. Europe ~30% / Em. Mkts & Other ~25%
- End Market Split: Wastewater Utilities 65% / Industrials 35%
- Channels: Primarily direct, with some indirect channels and service capabilities
- Market Drivers: water scarcity, affordability, aging infrastructure, regulations, sustainability
- Competitive Advantage: innovation leadership, 2M+ installed base, global presence

### Applied Water ~25% Revenue<sup>(1)</sup>

Water applications for industrial, commercial, residential, and agricultural markets including pumps, valves, heat exchangers, controls, and dispensing equipment

- Key Brands: Bell & Gossett, Standard Xchange, Flojet, Gould's Water Technology, Lowara
- Geographic Split: US ~50% / W. Europe ~20% / Em. Mkts & Other ~30%
- End Market Split: Industrials 45% / Building Solutions 55%
- Channels: Primarily indirect
- Market Drivers: urbanization, climate, regulation, labor shortage
- Competitive Advantage: established footprint, strong channel partnerships, quality & reliability

### Integrated Solutions & Services ~15% Revenue<sup>(1)</sup>

Water treatment systems and solutions with an extensive service branch network and fleet of mobile assets; highly recurring service and aftermarket revenue

- Key Brands: MarCor, Neptune Benson, Frontier, ADI, Delta UV, Magneto
- Geographic Split: Primarily US
- End Market Split: Industrials 80% / Utilities 20%
- Channels: Primarily direct
- Market Drivers: outsourced service, water scarcity, regulation, emerging contaminants
- Competitive Advantage: Service network, mobile fleet, SOPHIS digital solutions, technology agnostic business model

## Diversified Portfolio Addressing the Full Lifecycle of Water

(1) Pro forma revenue; FY 2022 for Xylem and FY 2022 ending Sep 30, 2022 for Evoqua

## FY 2023 Guidance Key Assumptions

	Prior Assumptions	Updated Assumptions
Corporate Expense <sup>*(1)</sup>	~\$60M	~\$90M
Restructuring & Realignment Costs*	~\$25 - \$35M	~\$90M
Dividends	~\$240M	~\$300M
Capex	~\$235M	~\$300M
Interest / Other Expense	~\$30M	~\$30M
Estimated Tax Rate*	~20%	~22%
Share Count	~182M	~217M
Purchase Accounting Intangible Amortization	N/A	~\$200M

\*See appendix for definitions of non-GAAP measures

(1) Assumes an incremental ~\$10M of corporate cost allocation to adjusted operating income for both Applied Product Technologies within Water Infrastructure and Integrated Solutions & Services, on a full quarter basis

## Foreign Exchange Translation Sensitivity

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

Currency	FY 2023 Guidance Rate	Revenue Impact* on FY 2023 of 5% Decrease in Rate	EPS Impact* on FY 2023 of 5% Decrease in Rate
Euro	1.09	(\$51M)	(\$0.10)
GBP	1.26	(\$18M)	(\$0.00)
SEK	0.09	(\$5M)	\$0.01
CNY	0.14	(\$15M)	(\$0.01)
CAD	0.75	(\$12M)	(\$0.00)
INR	0.01	(\$2M)	(\$0.00)
All Other	-	(\$48M)	(\$0.02)
<b>Total</b>		<b>(\$151M)**</b>	<b>(\$0.12)**</b>

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

\* Increase in rate would have inverse impact on results  
 \*\*Note that the totals presented may not add up exactly due to rounding

## Appendix

### Xylem Inc. Non-GAAP Measures

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

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

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

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

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

**"Adjusted Operating Income"**, **"Adjusted Segment Operating Income"**, **"Adjusted Net Income"** and **"Adjusted EPS"** defined as operating income, segment operating income, net income and earnings per share, adjusted to exclude restructuring and realignment costs, amortization of acquired intangible assets, 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,

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

**"Adjusted Free Cash Flow"** defined as free cash flow adjusted for significant cash items for which the corresponding income statement impact does not occur within the same fiscal year.

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

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

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



# 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			
	2023	2022	2023 v. 2022	% Change	2023 v. 2022	2023 v. 2022	2023 v. 2022		
<b>Six Months Ended June 30</b>									
<b>Xylem Inc.</b>	3,170	2,636	534	20%	(178)	64	420	16%	23%
Water Infrastructure	1,293	1,122	171	15%	(53)	37	155	14%	19%
Applied Water	931	854	77	9%	-	17	94	11%	11%
Measurement & Control Solutions	821	660	161	24%	-	10	171	26%	26%
Integrated Solutions and Services	125		125	n/a	(125)	-	-	n/a	n/a
<b>Quarter Ended June 30</b>									
<b>Xylem Inc.</b>	1,722	1,364	358	26%	(178)	19	199	15%	28%
Water Infrastructure	704	589	115	20%	(53)	12	74	13%	22%
Applied Water	478	429	49	11%	-	4	53	12%	12%
Measurement & Control Solutions	415	346	69	20%	-	3	72	21%	21%
Integrated Solutions and Services	125		125	n/a	(125)	-	-	n/a	n/a
<b>Quarter Ended March 31</b>									
<b>Xylem Inc.</b>	1,448	1,272	176	14%	-	45	221	17%	17%
Water Infrastructure	589	533	56	11%	-	25	81	15%	15%
Applied Water	453	425	28	7%	-	13	41	10%	10%
Measurement & Control Solutions	406	314	92	29%	-	7	99	32%	32%



# Appendix

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

	(As Reported - GAAP)				(As Adjusted - Organic)				Constant Currency
	(A)	(B)	(C)	(D)	(E) = B+C+D	(F) = E/A	(G) = (E - C) / A		
	Orders	Change	Acquisitions /	FX Impact	Change	% Change			
2023	2022	2023 v. 2022	Divestitures	Adj. 2023 v. 2022	Adj. 2023 v. 2022				
<b>Six Months Ended June 30</b>									
<b>Xylem Inc.</b>	3,426	3,399	27	1%	(222)	76	(119)	(4%)	3%
Water Infrastructure	1,390	1,391	(1)	(0%)	(59)	42	(18)	(1%)	3%
Applied Water	928	985	(57)	(6%)	-	24	(33)	(3%)	(3%)
Measurement & Control Solutions	945	1,023	(78)	(8%)	-	10	(68)	(7%)	(7%)
Integrated Solutions and Services	163		163	n/a	(163)	-	-	n/a	n/a
<b>Quarter Ended June 30</b>									
<b>Xylem Inc.</b>	1,856	1,684	172	10%	(222)	23	(27)	(2%)	12%
Water Infrastructure	751	731	20	3%	(59)	13	(26)	(4%)	5%
Applied Water	445	480	(35)	(7%)	-	6	(29)	(6%)	(6%)
Measurement & Control Solutions	497	473	24	5%	-	4	28	6%	6%
Integrated Solutions and Services	163		163	n/a	(163)	-	-	n/a	n/a
<b>Quarter Ended March 31</b>									
<b>Xylem Inc.</b>	1,570	1,715	(145)	(8%)	-	53	(92)	(5%)	(5%)
Water Infrastructure	639	660	(21)	(3%)	-	29	8	1%	1%
Applied Water	483	505	(22)	(4%)	-	18	(4)	(1%)	(1%)
Measurement & Control Solutions	448	550	(102)	(19%)	-	6	(96)	(17%)	(17%)

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

	Q1		Q2		YTD	
	2023	2022 <sup>(1)</sup>	2023	2022 <sup>(1)</sup>	2023	2022 <sup>(1)</sup>
<b>Total Revenue</b>						
• Total Xylem	1,448	1,272	1,722	1,364	3,170	2,636
• Water Infrastructure	589	533	704	589	1,293	1,122
• Applied Water	453	425	478	429	931	854
• Measurement & Control Solutions	406	314	415	346	821	660
• Integrated Solutions and Services	-	-	125	-	125	-
<b>Operating Income (Loss)</b>						
• Total Xylem	131	111	119	146	250	257
• Water Infrastructure	70	74	106	108	176	182
• Applied Water	83	59	84	61	167	120
• Measurement & Control Solutions	20	(10)	26	(5)	46	(15)
• Integrated Solutions and Services	-	-	(7)	-	(7)	-
• Total Segments	173	123	209	164	382	287
<b>Operating Margin</b>						
• Total Xylem	9.0%	8.7%	6.9%	10.7%	7.9%	9.7%
• Water Infrastructure	11.9%	13.9%	15.1%	18.3%	13.6%	16.2%
• Applied Water	18.3%	13.9%	17.6%	14.2%	17.9%	14.1%
• Measurement & Control Solutions	4.9%	(3.2%)	6.3%	(1.4%)	5.6%	(2.3%)
• Integrated Solutions and Services	N/A	N/A	(5.6%)	N/A	(5.6%)	N/A
• Total Segments	11.9%	9.7%	12.1%	12.0%	12.1%	10.9%

(1) 2022 amounts have been recast to adjust for historical purchase accounting intangible amortization

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

	Q1		Q2		YTD	
	2023	2022 <sup>(1)</sup>	2023	2022 <sup>(1)</sup>	2023	2022 <sup>(1)</sup>
<b>Special Charges</b>						
• Total Xylem	25	1	67	1	92	2
• Water Infrastructure	-	-	12	-	12	-
• Applied Water	-	-	-	-	-	-
• Measurement & Control Solutions	2	-	-	1	2	1
• Integrated Solutions and Services	-	-	7	-	7	-
• Total Segments	2	-	19	1	21	1
<b>Restructuring &amp; Realignment Costs</b>						
• Total Xylem	11	4	37	8	48	12
• Water Infrastructure	3	1	3	3	6	4
• Applied Water	3	1	2	2	5	3
• Measurement & Control Solutions	5	2	3	3	8	5
• Integrated Solutions and Services	-	-	7	-	7	-
• Total Segments	11	4	15	8	26	12
<b>Purchase Accounting Intangible Amortization Adjustment</b>						
• Total Xylem	18	18	36	18	54	36
• Water Infrastructure	1	1	8	1	9	2
• Applied Water	-	-	-	-	-	0
• Measurement & Control Solutions	17	17	17	17	34	34
• Integrated Solutions and Services	-	-	11	-	11	-
• Total Segments	18	18	36	18	54	36
<b>Adjusted Operating Income (Loss)</b>						
• Total Xylem	185	134	259	173	444	307
• Water Infrastructure	74	76	129	112	203	188
• Applied Water	86	60	86	63	172	123
• Measurement & Control Solutions	44	9	46	16	90	25
• Integrated Solutions and Services	-	-	18	-	18	-
• Total Segments	204	145	279	191	483	336
<b>Adjusted Operating Margin</b>						
• Total Xylem	12.8%	10.5%	15.0%	12.7%	14.0%	11.6%
• Water Infrastructure	12.6%	14.3%	18.3%	19.0%	15.7%	16.8%
• Applied Water	19.0%	14.1%	18.0%	14.7%	18.5%	14.4%
• Measurement & Control Solutions	10.8%	2.9%	11.1%	4.6%	11.0%	3.8%
• Integrated Solutions and Services	N/A	N/A	14.4%	N/A	14.4%	N/A
• Total Segments	14.1%	11.4%	16.2%	14.0%	15.2%	12.7%

(1) 2022 amounts have been recast to adjust for historical purchase accounting intangible amortization

# Appendix

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

	Q2 2023			Q2 2022 <sup>(1)</sup>		
	As Reported	Adjustments	Adjusted	As Reported	Adjustments	Adjusted
Total Revenue	1,722	-	1,722	1,364	-	1,364
Operating Income	119	140 a	259	146	27 a	173
Operating Margin	6.9%		15.0%	10.7%		9.1%
Interest Expense	(12)	-	(12)	(12)	-	(12)
Other Non-Operating Income (Expense)	7	-	7	2	2 b	4
Income before Taxes	114	140	254	136	29	165
Provision for Income Taxes	(22)	(30) c	(52)	(24)	(7) c	(31)
Net Income	92	110	202	112	22	134
Diluted Shares	206.7		206.7	180.6		180.6
<b>Diluted EPS</b>	<b>\$0.45</b>	<b>\$0.53</b>	<b>\$0.98</b>	<b>\$0.62</b>	<b>\$0.12</b>	<b>\$0.74</b>
Year-over-year currency translation impact on current year diluted EPS	\$0.00	\$0.00	\$0.00			
<b>Diluted EPS at Constant Currency</b>	<b>\$0.45</b>	<b>\$0.53</b>	<b>\$0.98</b>			

### a Quarter-to-date:

Restructuring & realignment costs: \$37 million in 2023 and \$8 million in 2022

Special charges: 2023 - \$61 million of acquisition & integration related costs and \$6 million of other special charges; 2022 - \$1 million of intangible asset impairment charges

Purchase accounting intangible amortization: \$36 million in 2023 and \$18 million in 2022

**b Quarter-to-date and Year-to-date:** 2022 - Special non-operating charges consist of charges related to the UK pension plan exited as part of a buy-out of \$2 million and \$3 million, respectively

**c Quarter-to-date:** 2023 - Net tax impact on pre-tax adjustments (note a and b) of \$30 million; 2022 - Net tax impact on pre-tax adjustments (note a and b) of \$6 million and other tax special items of \$1 million

(1) 2022 amounts have been recast to adjust for historical purchase accounting intangible amortization

# Appendix

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

	Q2 YTD 2023			Q2 YTD 2022 <sup>(1)</sup>		
	As Reported	Adjustments	Adjusted	As Reported	Adjustments	Adjusted
Total Revenue	3,170		3,170	2,636	-	2,636
Operating Income	250	194 a	444	257	50 a	307
Operating Margin	7.9%		14.0%	9.7%		9.1%
Interest Expense	(21)	-	(21)	(25)	-	(25)
Other Non-Operating Income (Expense)	11	-	11	1	3 b	4
Gain/(Loss) From Sale of Business	-	-	-	1	(1)	-
Income before Taxes	240	194	434	234	52	286
Provision for Income Taxes	(49)	(39) c	(88)	(40)	(15) c	(55)
Net Income Attributable to Xylem	191	155	346	194	37	231
Diluted Shares	194.0		194.0	180.8		180.8
<b>Diluted EPS</b>	<b>\$0.98</b>	<b>\$0.80</b>	<b>\$1.78</b>	<b>\$1.07</b>	<b>\$0.21</b>	<b>\$1.28</b>
Year-over-year currency translation impact on current year diluted EPS	(\$0.04)	\$0.00	(\$0.04)			
<b>Diluted EPS at Constant Currency</b>	<b>\$1.02</b>	<b>\$0.80</b>	<b>\$1.82</b>			

### a Year-to-date:

Restructuring & realignment costs: \$48 million in 2023 and \$12 million in 2022

Special charges: 2023 - \$84 million of acquisition & integration related costs, \$6 million of other special charges and \$2 million of intangible asset impairment charges; 2022 - \$1 million of intangible asset impairment charges and

Purchase accounting intangible amortization: \$54 million in 2023 and \$36 million in 2022

**b Quarter-to-date and Year-to-date:** 2022 - Special non-operating charges consist of charges related to the UK pension plan exited as part of a buy-out of \$2 million and \$3 million, respectively

**c Year-to-date:** 2023 - Net tax impact on pre-tax adjustments (note a and b) of \$39 million; 2022 - Net tax impact on pre-tax adjustments (note a and b) of \$13 million and other tax special items of \$2 million

(1) 2022 amounts have been recast to adjust for historical purchase accounting intangible amortization

# Appendix

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

2023					
	Q1	Q2	Q3	Q4	Total
Net Income	99	92			191
Net Income margin	6.8%	5.3%			6.0%
Depreciation	28	41			69
Amortization	32	51			83
Interest Expense (Income), net	2	5			7
Income Tax Expense	27	22			49
EBITDA	188	211			399
Share-based Compensation	12	15			27
Restructuring & Realignment	11	36			47
Special Charges	25	67			92
Adjusted EBITDA	236	329	-	-	565
Revenue	1,448	1,722			3,170
Adjusted EBITDA Margin	16.3%	19.1%			17.8%
2022					
	Q1	Q2	Q3	Q4	Total
Net Income	82	112	12	149	355
Net Income margin	6.4%	8.2%	0.9%	9.9%	6.4%
Depreciation	28	28	27	28	111
Amortization	30	32	31	32	125
Interest Expense (Income), net	11	10	7	6	34
Income Tax Expense	16	24	5	40	85
EBITDA	167	206	82	255	710
Share-based Compensation	9	9	10	9	37
Restructuring & Realignment	4	8	6	16	34
U.K. Pension Settlement	-	-	140	-	140
Special Charges	2	3	14	1	20
Loss/(Gain) from sale of business	(1)	-	-	-	(1)
Adjusted EBITDA	181	226	252	281	940
Revenue	1,272	1,364	1,380	1,506	5,522
Adjusted EBITDA Margin	14.2%	16.6%	18.3%	18.7%	17.0%

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

2023					
	Q1	Q2	Q3	Q4	Total
Operating Income	70	106			176
Depreciation	12	14			26
Amortization	2	10			12
Other non-operating expense, excluding interest income	-	1			1
EBITDA	84	131	-	-	215
Share-based Compensation	2	5			7
Restructuring & Realignment	3	3			6
Special Charges	-	12			12
Adjusted EBITDA	89	151	-	-	240
Revenue	589	704			1,293
Adjusted EBITDA Margin	15.1%	21.4%			18.6%
2022					
	Q1	Q2	Q3	Q4	Total
Operating Income	74	108	104	132	418
Depreciation	11	11	11	11	44
Amortization	2	3	1	3	9
Other non-operating expense, excluding interest income	(4)	1	-	(1)	(4)
EBITDA	83	123	116	145	467
Share-based Compensation	1	-	-	1	2
Restructuring & Realignment	1	3	3	4	11
Adjusted EBITDA	85	126	119	150	480
Revenue	533	589	574	668	2,364
Adjusted EBITDA Margin	15.9%	21.4%	20.7%	22.5%	20.3%

## Appendix

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

2023					
	Q1	Q2	Q3	Q4	Total
Operating Income	83	84			167
Depreciation	5	4			9
Amortization	-	1			1
Other non-operating expense, excluding interest income	(1)	-			(1)
EBITDA	87	89	-	-	176
Share-based Compensation	1	-			1
Restructuring & Realignment	3	2			5
Special Charges	-	-			-
Adjusted EBITDA	91	91	-	-	182
Revenue	453	478			931
Adjusted EBITDA Margin	20.1%	19.0%			19.5%

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

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

2023					
	Q1	Q2	Q3	Q4	Total
Operating Income	20	26			46
Depreciation	7	9			16
Amortization	27	26			53
EBITDA	54	61	-	-	115
Share-based Compensation	2	2			4
Restructuring & Realignment	5	2			7
Special Charges	2	-			2
Adjusted EBITDA	63	65	-	-	128
Revenue	406	415			821
Adjusted EBITDA Margin	15.5%	15.7%			15.6%

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

## Appendix

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

	2023				
	Q1	Q2	Q3	Q4	Total
Operating Income	-	(7)			(7)
Depreciation	-	8			8
Amortization	-	12			12
EBITDA	-	13	-	-	13
Share-based Compensation	-	3			3
Restructuring & Realignment	-	7			7
Special Charges	-	7			7
Adjusted EBITDA	-	30	-	-	30
Revenue	-	125			125
Adjusted EBITDA Margin		24.0%			24.0%



# Appendix

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

	Q1		Q2		Year-to-Date	
	2023	2022	2023	2022	2023	2022
<b>Net Cash - Operating Activities</b>	<b>(\$19)</b>	<b>(\$81)</b>	<b>\$28</b>	<b>\$113</b>	<b>\$9</b>	<b>\$32</b>
Capital Expenditures - PP&E	(33)	(31)	(42)	(30)	(75)	(61)
Capital Expenditures - Software	(16)	(18)	(12)	(16)	(28)	(34)
<b>Capital Expenditures</b>	<b>(49)</b>	<b>(49)</b>	<b>(54)</b>	<b>(46)</b>	<b>(103)</b>	<b>(95)</b>
Cash paid in excess of tax provision for R&D law change adoption	33	-	-	-	33	-
<b>Free Cash Flow</b>	<b>(\$35)</b>	<b>(\$130)</b>	<b>(\$26)</b>	<b>\$67</b>	<b>(\$61)</b>	<b>(\$63)</b>
Cash paid by Xylem for Evoqua's pre-close transaction costs	-	-	70	-	70	-
Cash paid for Idrica distribution agreement	-	-	60	-	60	-
<b>Adjusted Free Cash Flow</b>	<b>(\$35)</b>	<b>(\$130)</b>	<b>\$104</b>	<b>\$67</b>	<b>\$69</b>	<b>(\$63)</b>
Net Income	\$99	\$82	\$92	\$112	\$191	\$194
Gain/(Loss) from sale of business	-	1	-	-	-	1
Restructuring Charges - non-cash stock acceleration	-	-	(14)	-	(14)	-
Special Charges - Inventory step-up	-	-	(15)	-	(15)	-
Special Charges - non-cash impairment	(2)	-	-	(1)	(2)	(1)
<b>Net Income, excluding gain on sale of businesses and non-cash restructuring and special charges</b>	<b>\$101</b>	<b>\$81</b>	<b>\$121</b>	<b>\$113</b>	<b>\$222</b>	<b>\$194</b>
Operating Cash Flow Conversion	-19%	-99%	30%	101%	5%	16%
Free Cash Flow Conversion	-35%	-160%	86%	59%	31%	-32%



Thank you.

## Q2 2023 Earnings & Results

Andrea van der Berg, VP, Investor Relations  
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