



**xylem**  
Let's Solve Water

# Xylem Second Quarter 2020 Results

July 30, 2020

This presentation contains information that may constitute “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements by their nature address matters that are, to different degrees, uncertain. Generally, the words “anticipate,” “estimate,” “expect,” “project,” “intend,” “plan,” “contemplate,” “predict,” “forecast,” “believe,” “target,” “will,” “could,” “would,” “should,” “potential,” “may” 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. Many of these risks and uncertainties are currently amplified by and may continue to be amplified by, or in the future may be amplified by, the novel coronavirus (“COVID-19”) pandemic.

Factors that could cause results to differ materially from those anticipated include: overall economic and business conditions; uncertainty of the magnitude, duration, geographic reach and impact on the global economy of the COVID-19 pandemic; the current, and uncertain future, impact of the COVID-19 pandemic on our business, growth, projections, financial condition, operations, cash flows, and liquidity, including the impact of adverse economic conditions caused by the COVID-19 pandemic on our performance or customer markets; actual or potential other epidemics, pandemics or global health crises; geopolitical and other risks associated with our international operations, including military actions, protectionism, economic sanctions or trade barriers including tariffs and embargoes that could affect customer markets and our business, and non-compliance with laws, including foreign corrupt practice laws, data privacy, 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; disruption, competition and pricing pressures in the markets we serve; industrial, governmental and private sector spending; the strength of housing and related markets; weather conditions; ability to retain and attract talent and key members of management; our relationship with and the performance of our supply chain including 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; uncertainty from the expected discontinuance of LIBOR and transition to any other interest rate benchmark; changes in the value of goodwill or intangible assets; the preliminary nature of our cost and savings estimates related to restructuring, realignment and related charges, including the timing of such charges and savings, which are subject to change as the Company makes decisions and refines estimates over time; timing delays in implementing restructuring, realignment and strategic initiatives; our ability to realize all of the cost savings anticipated in connection with restructuring and realignment; management and employee distraction resulting from restructuring actions; our ability to continue making strategic investments for growth; risks relating to product defects, product security, product liability and recalls; claims or investigations by governmental or regulatory bodies; cybersecurity attacks, breaches or other disruptions of information technology systems on which we rely; our sustainability initiatives; the anticipated use of proceeds from our green bond offering, including any failure to allocate the net proceeds to eligible green projects, or to meet or continue to meet the investment requirements of certain environmentally focused investors; litigation and 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, 2019, “Item 1A. Risk Factors” in the Company’s Quarterly Report on Form 10-Q for the quarter ended March 31, 2020 and in subsequent filings we have made or may make with the Securities and Exchange Commission. All forward-looking statements made herein are based on information currently available to the Company as of the date of this presentation. 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.

# Q2 2020 Performance Summary

(\$ in millions, unless otherwise noted)

Q2 2020	GAAP	Adjusted*
<b>Xylem Consolidated</b>		
Revenue	\$1,160	\$1,160
Overall Growth	(14%)	(14%)
Constant Currency Growth		(12%)
Organic Growth		(12%)
Operating Income	54	108
Operating Margin	4.7%	9.3%
Earnings per Share	\$0.17	\$0.40

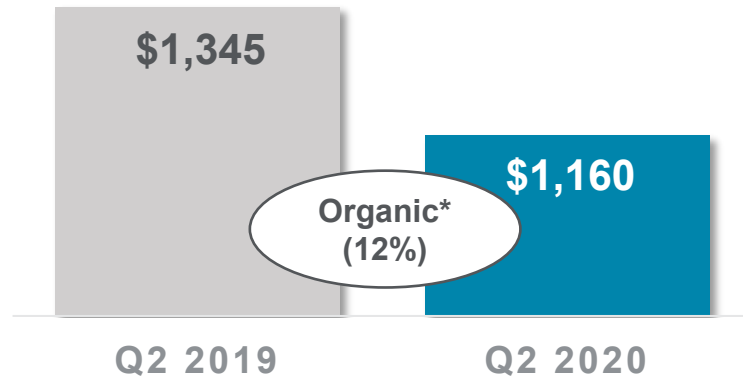
#### Earnings Call Notes:

- All references today will be on an adjusted basis unless otherwise indicated.
- Non-GAAP financials are reconciled in the appendix section of the presentation.

Q2 2020	GAAP	Adjusted*
<b>Water Infrastructure</b>		
Revenue	\$501	\$501
Overall Growth	(11%)	(11%)
Constant Currency Growth		(8%)
Organic Growth		(8%)
Operating Income	73	81
Operating Margin	14.6%	16.2%
<b>Applied Water</b>		
Revenue	\$337	\$337
Overall Growth	(14%)	(14%)
Constant Currency Growth		(13%)
Organic Growth		(13%)
Operating Income	41	45
Operating Margin	12.2%	13.4%
<b>Measurement &amp; Control Solutions</b>		
Revenue	\$322	\$322
Overall Growth	(17%)	(17%)
Constant Currency Growth		(17%)
Organic Growth		(17%)
Operating Income	(46)	(5)
Operating Margin	(14.3%)	(1.6%)

- Our teams demonstrated impressive **operational and commercial resilience** in a challenging time, **remaining focused on serving our customers**
- **Operational execution** ... Cost actions taken in first half of 2020 will position us to mitigate the near-term market challenges and **capitalize on the recovery**
- **Durable business with vital products and differentiated technology** ... key contract wins in 2<sup>nd</sup> quarter reinforce multi-year runway and strong investment thesis
- **Strong financial position** ... Operational discipline drove healthy free cash flow performance and we further bolstered liquidity and direct link to sustainability with issuance of \$1B green bond at attractive financing rates

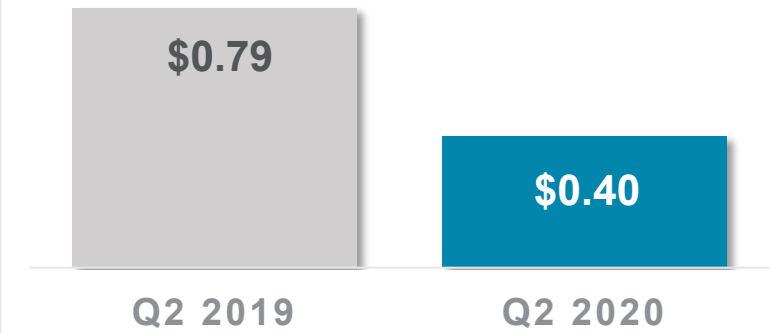
## REVENUE



## ADJUSTED OPERATING MARGIN\*



## ADJUSTED EPS\*



### Organic Growth\* by End Market

Utilities	(9%)
Industrial	(16%)
Commercial	(10%)
Residential	(15%)

### Organic Growth\* by Region

United States	(15%)
Emerging Markets	(15%)
Western Europe	(4%)

### Key Performance Drivers:

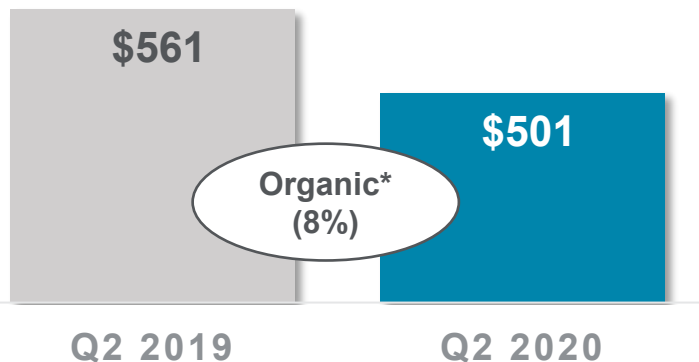
- Organic\* Revenue decline 12% as Utilities end market proved to be most resilient; sequential revenue improvement by month through the quarter as COVID-19 restrictions eased across the globe
- China quickly returned to growth (+6%) and Europe only down modestly; most severe impact seen in U.S.
- Organic Orders\* down 9% indicate near-term headwinds remain; Backlog up 10% with strong momentum heading into 2021 and beyond from large key contract wins
- Operating Margin drivers:
  - Volume/Mix/Other reduces Op Margin by 660 bps (EPS -\$0.48)
  - Productivity drives 410 bps Op Margin expansion (EPS +\$0.21)
  - Cost Inflation reduces Op Margin by 270 bps (EPS -\$0.14)
  - Price expands Op Margin 80 bps (EPS +\$0.05)
  - Strategic investments reduces Op Margin by 60 bps (EPS -\$0.03)

Other: Tax Rate\* 19.8%

Interest/Other Expense \$17M

Share Count 180.6M

## REVENUE



### Organic Growth\*

#### by End Market

Utilities	(4%)
Industrial	(15%)

### Organic Growth\*

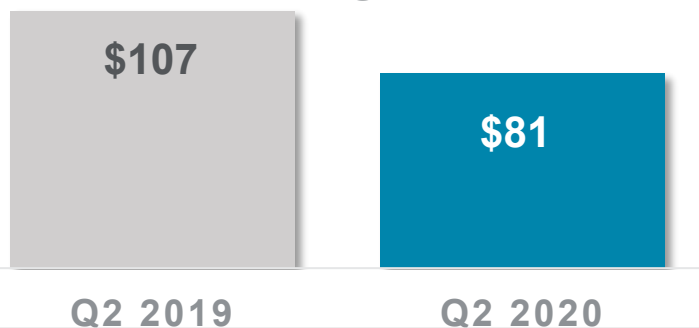
#### by Region

United States	(15%)
Emerging Markets	(9%)
Western Europe	Flat

### Highlights

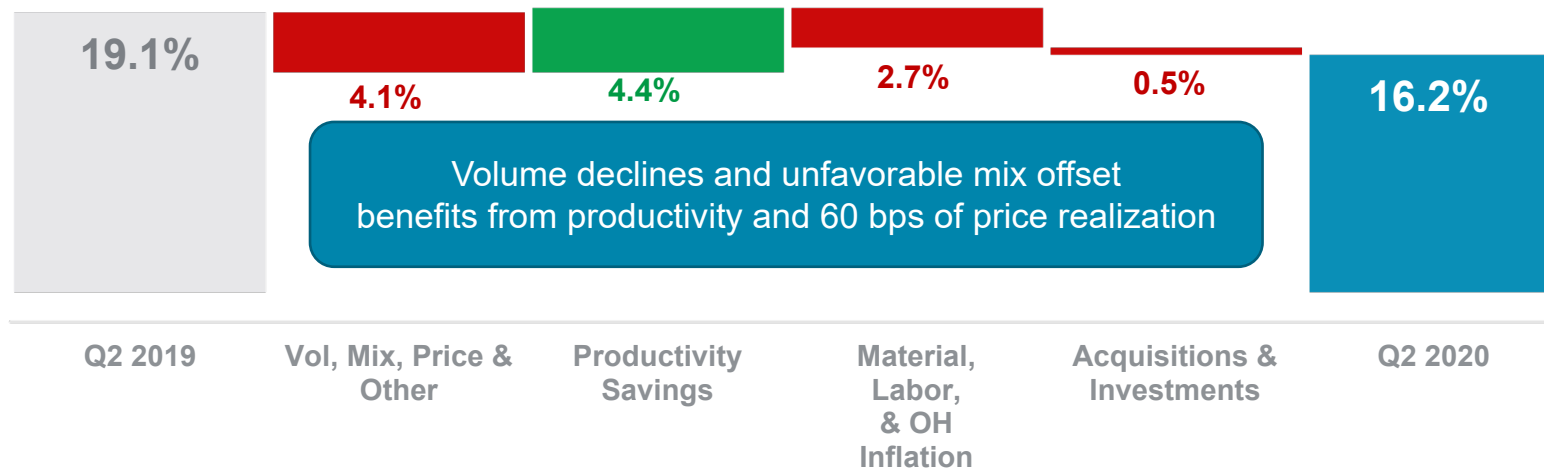
- Organic orders\* growth of 7% primarily driven by large \$115M India Transport order; softness in Dewatering and Treatment
- Wastewater opex activity remained relatively resilient as utilities ensure critical infrastructure continues to operate
- Industrial declines impacted significantly by North America Dewatering business, down 26%, primarily from soft rental activity in construction and industrial markets
- Treatment revenue grew 7% from wastewater capex project deliveries

## ADJUSTED OPERATING MARGIN\*

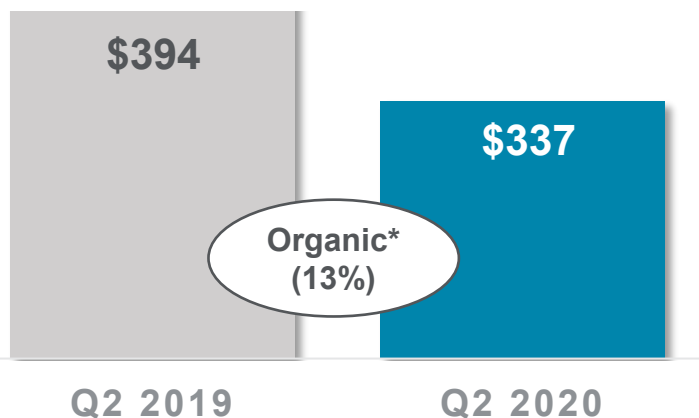


Adjusted EBITDA Margin\*  
**21.7%**      **19.0%**

## ADJUSTED OPERATING MARGIN\*



## REVENUE



### Organic Growth\*

#### by End Market

Industrial	(15%)
Commercial	(10%)
Residential	(15%)

### Organic Growth\*

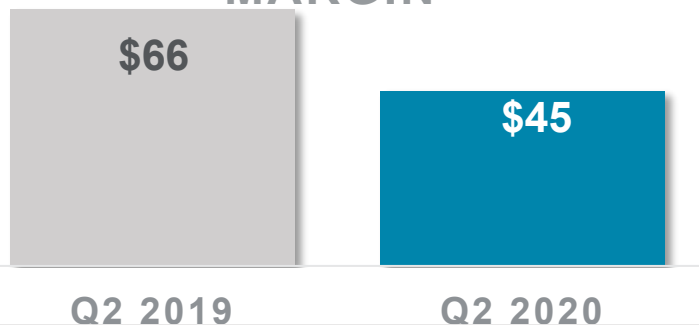
#### by Region

United States	(14%)
Emerging Markets	(14%)
Western Europe	(12%)

### Highlights

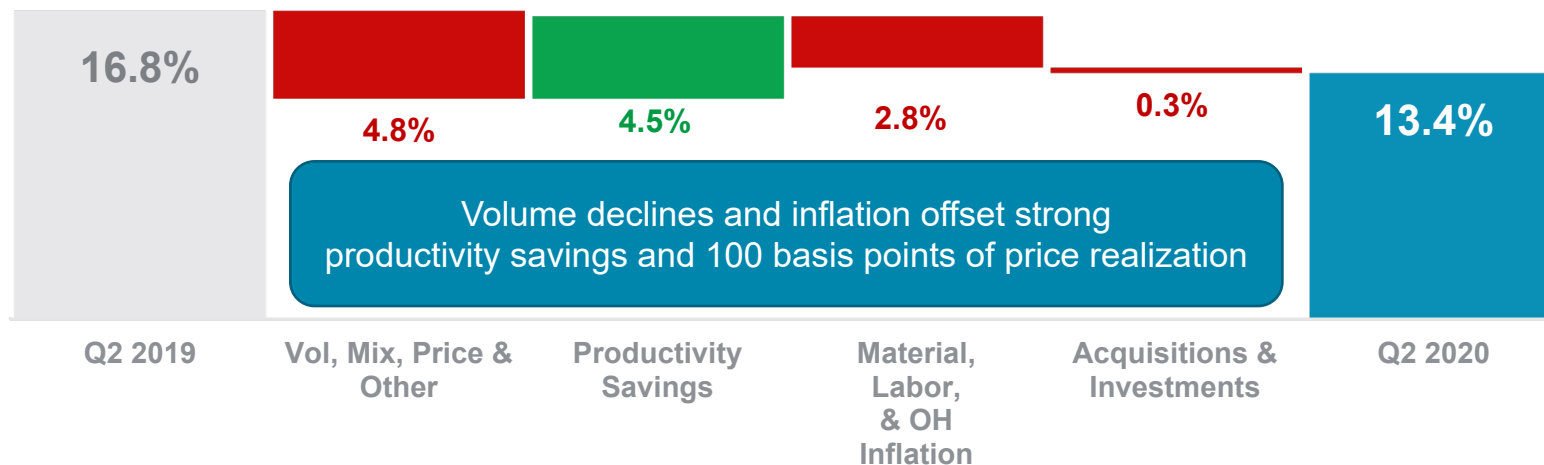
- Organic orders\* decline of 17%, primarily book & ship business impacted by COVID-19 inactivity in most regions ... beginning to see modest recovery as activity returns
- Commercial and Industrial markets in the U.S. decline double digits as sites shut-down early in 2Q
- Modest recovery in China (+2% organic revenue\*); COVID-19 impacts across rest of Emerging Markets driving double-digit declines
- Favorable dry weather conditions in North America driving strong demand in agriculture business

## ADJUSTED OPERATING MARGIN\*

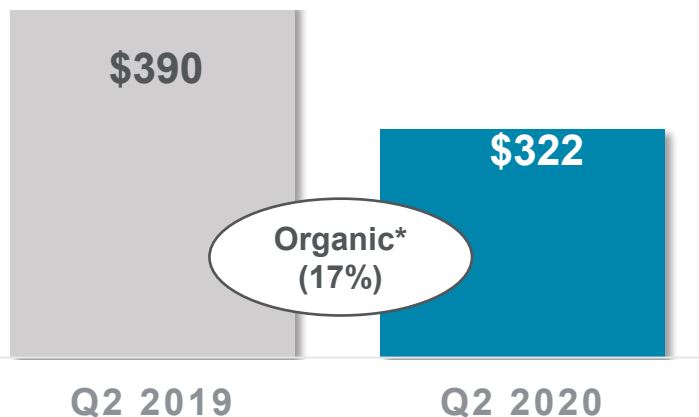


Adjusted EBITDA Margin\*  
**18.3%**      **15.4%**

## ADJUSTED OPERATING MARGIN\*



## REVENUE



## Organic Growth\* by Application<sup>^</sup>

Water	(16%)
Energy	(17%)
Test	(18%)
SaaS/Other	(9%)

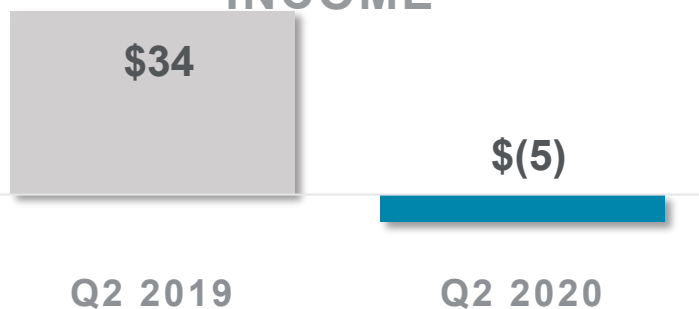
## Organic Growth\* by Region

United States	(16%)
Emerging Markets	(29%)
Western Europe	(5%)

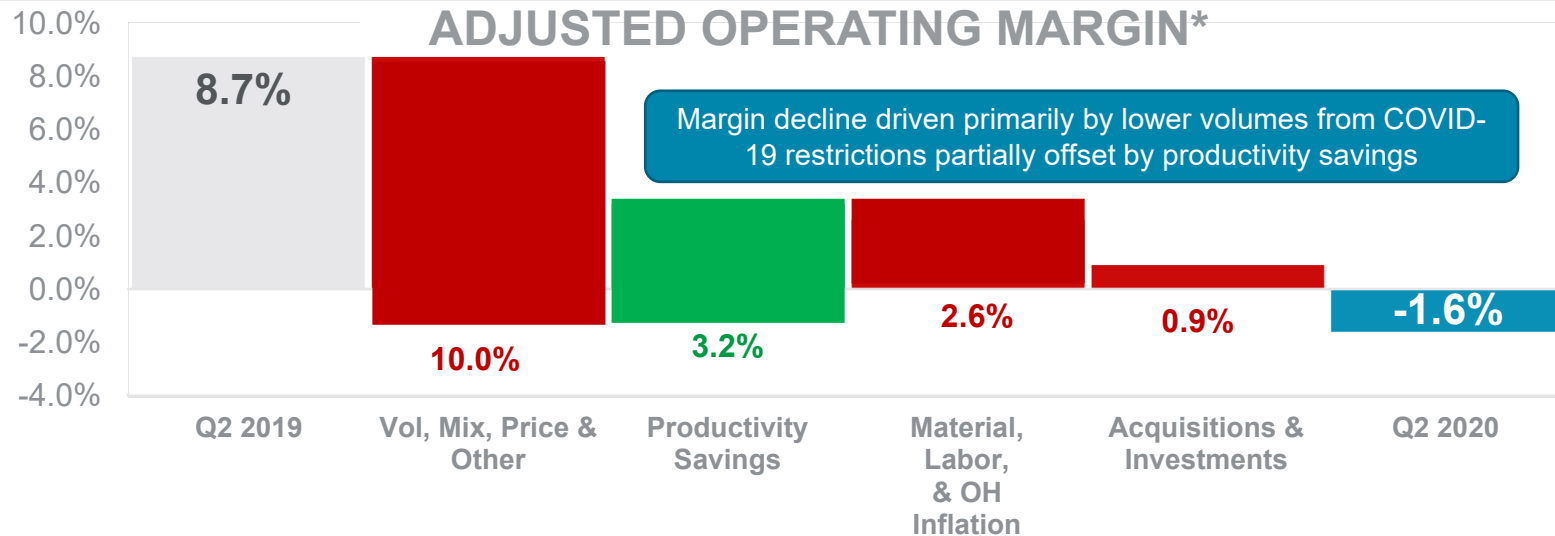
## Highlights

- Organic orders\* decline 24% as COVID-19 delays for large project deployments and metrology replacement business
- 2021 & beyond M&CS shippable backlog up 12%
- Weakness across all applications driven primarily by restrictions in North America limiting the deployment of large projects and metrology replacement ... expect recovery as restrictions ease
- Large signature Sensus win with Anglian Water (~\$90M) serves as proof point of differentiation & long-term growth

## ADJUSTED OPERATING INCOME\*

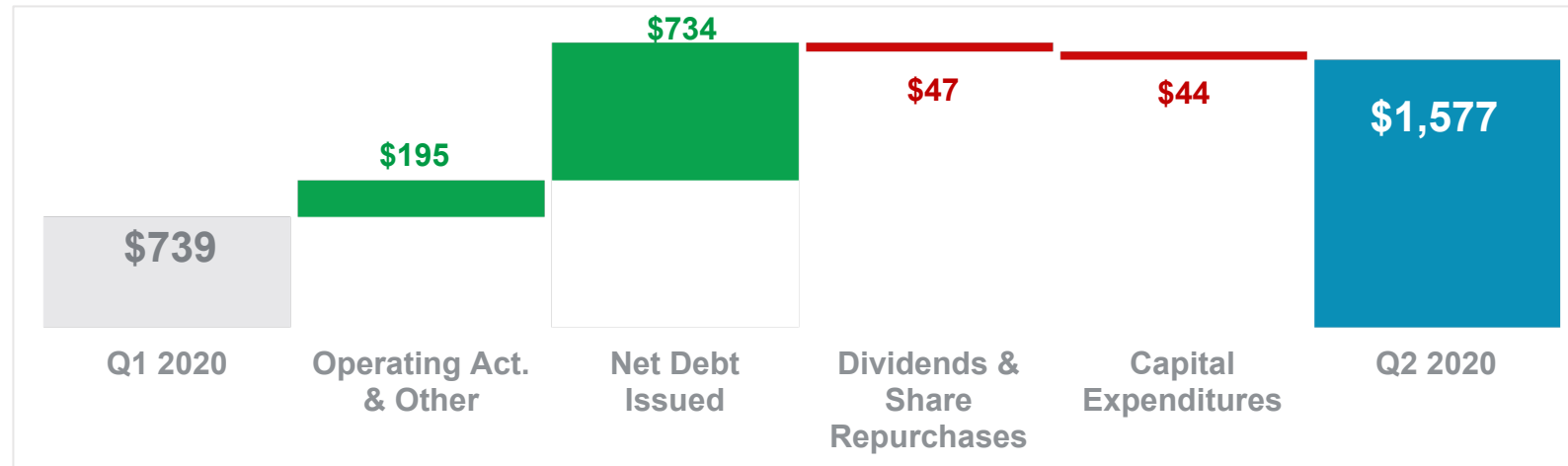


Adjusted EBITDA Margin\*  
18.2%      9.3%





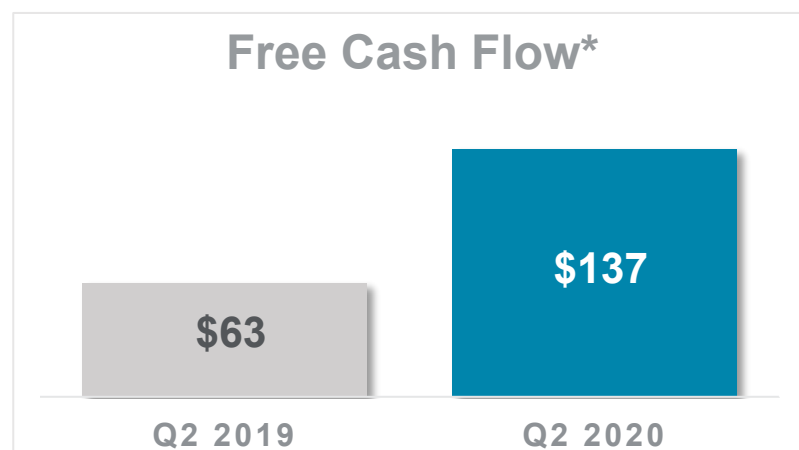
## Cash Drivers



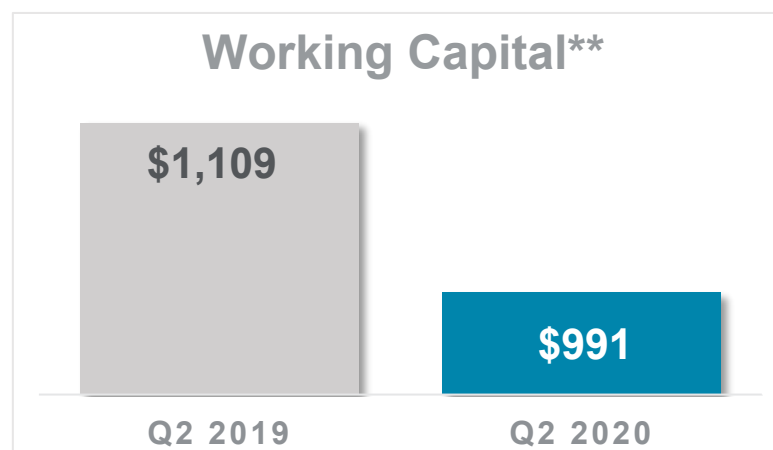
## Capital Summary

June 30, 2020	
Cash	\$1,577
Debt	\$3,243
Net Debt	\$1,666
Shareholders' Equity	\$2,856
Net Capital	\$4,522
Net Debt to Net Capital	37%

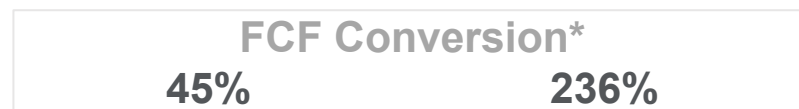
## Free Cash Flow\*



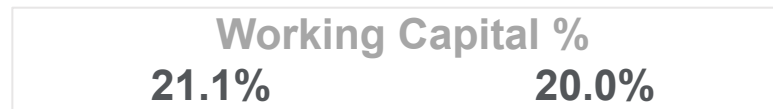
## Working Capital\*\*



## FCF Conversion\*



## Working Capital %



## Financial Highlights

- Strong financial position
  - Available liquidity of ~\$2.4B including Cash and available committed credit facilities
  - Committed to BBB/Baa2 investment grade credit rating
- Executed historic \$1B Green Bond financing at attractive rates of 1.95% and 2.25% ... further linking Sustainability and Financing strategy
- Strong Free Cash Flow\* driven by working capital improvement of 110 bps & lower capex spend; Expect at least 100% conversion in '20

## Wastewater Utilities

### Key Facts\*\*:

- **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%
- **US & W. Europe** leading installed base & strong recurring revenue through Opex
- **Emerging Markets** mostly greenfield & currently skewed to Capex

### Current Trends:

- **Focus on daily opex needs and mission-critical applications (operation & maint. of wastewater networks and treatment sites)**
- **Increased emergency clogs from disposable wipes & more household waste ... opportunity for our technologies & services**
- **Capital project execution continues near-term as projects with secured funding move forward**
- **Long-term China and India capital project spending outlook remains positive**
- **US Utility Capex (~8% of Xylem Revenue) uncertainty; Expect potential impact on capex budgets over medium-term while also creating new opportunities for partnership**

## Clean Water Utilities

### Key Facts\*\*:

- **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%
- **Adoption of AMI and remote monitoring networks** expected to continue to be long-term secular trend globally
- **Under-penetrated international presence, but opportunities increasing**

### Current Trends:

- **Large project deployments postponed as expected; Expect growth to recover as physical distancing requirements ease**
- **Standard meter replacements (Opex) soft as utilities limited by social distancing constraints and some utilities classifying meter replacement as “non-essential”**
- **Continue to gain momentum behind key multi-year wins (Ex: Anglian Water); setting up for healthy growth in 2021 and beyond**
- **No cancellation of awards or projects in bid process; Expect timing of decisions/announcements to be delayed**



## Industrial (~35% Revenue)

### Key Facts:

- **Oil & Gas Revenue:** <2% of total Xylem
- **Mining Revenue:** ~4% of total Xylem
- **“Light” Industrial Revenue:** ~30% of total Xylem
- **XYL Businesses:** All 3 segments (~35% of WI, ~45% of AWS, 15% of MCS)
- **Equipment is generally not tied to output; keeps facilities ‘up-and-running’**

### Current Trends:

- Industrial facilities limiting access to visitors (sales teams & channel partners) causing slower orders and activity; non-essential work deferred
- O&G market downturn continues to impact upstream Dewatering business and slowing project business midstream in Applied Water
- Modest recovery in growth trajectory as countries and regions begin to re-open & activity resumes

## Commercial (~10% Revenue)

### Key Facts:

- **XYL Businesses:** Applied Water Systems
- **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**

### Current Trends:

- Replacement (book and ship) business impacted by COVID-19 especially in US ‘hotspots’ (Northeast and West regions)
- Mixed performance by end customer in institutional building sector (hospitals and multi-family buildings performing better than hotels and office buildings)
- Backlog remains robust; working to “restock” distributors that delayed orders early in pandemic

## Residential (~5% Revenue)

### Key Facts:

- **XYL Businesses:** Applied Water Systems
- **New build / Replacement:** 10% New / 90% Replacement
- **Geographic Split:** N. America ~60% / Europe ~25% / Em Mkts & Other ~15%
- **Sales almost exclusively via channel partners**

### Current Trends:

- Primarily replacement revenue serviced through long-standing distributor / dealer network
- Focus on emergency / breakdown replacement activity currently w/social distancing requirements in heavily impacted areas
- Channels managing inventory / cash flow

## Fundamentals accelerated by the crisis

- ✓ Need for essential water services & sector-wide safety
- ✓ Interest in digital adoption
- ✓ A shift in the way we work



Xylem Treatment President H. Bala continuing to serve our customers as he travels for a customer visit in Mumbai, India

## Prioritizing Investments

Remote  
Monitoring



Connectivity &  
Interoperability



High Growth  
Markets



... Innovation Reinforces Competitive Position in Near and Long-Term

- **Expect 3Q Organic\* Revenue declines of -8% to -12% (Reported -10% to -14%)**
  - WI down mid-to-high single digits; AWS down low teens; M&CS down mid-to-high teens
- **Expect 3Q Adjusted\* Operating Income in the range of 11.0% to 11.5%**
  - Reflects ~200 basis points of sequential margin improvement versus Q2
  - Decremental Margins of ~45% driven by challenging mix (Dewatering and North America Sensus businesses) and strong prior year compare (~90% incremental)
- **Operational execution and discipline to protect profitability and cash flow**

## FY 2020 PLANNING ASSUMPTIONS

FCF Conversion	100%+
Corporate Expense	~\$55M
Restructuring and Realignment Costs**	~\$80 to \$100M
Structural Cost Savings	~\$70M
Dividends	~\$185M
Capex	~\$200M
Interest/Other Expense	~\$75M (\$20M in 3Q & 4Q)
Estimated Tax Rate	~19.5%
Share Count	~181M

Structural Cost Savings		
	2020	2021
Prior Restructuring & Realignment Actions	~\$30	~\$10
June 2020 8K Announcement – Restructuring, Realign. & Other Actions	~\$40	~\$70
<b>Total Structural Cost Savings</b>	<b>~\$70</b>	<b>~\$80</b>

Note that above table reflects amount of incremental cost savings to be realized in 2020 and 2021; 2020 includes \$17M realized in 1H and anticipate ~\$53M in 2H

- ***Commercial momentum with large signature deal wins and resilience of portfolio through COVID-19 and beyond***
- ***Executing actions to optimize cost structure and profitability***
- ***Enhanced financial strength through strong cash conversion & strategic sustainable financing structure***
- ***Opportunities to deploy capital and prioritize investments to further strengthen portfolio and drive sustainable, differentiated growth***
- ***Sustainability at the core of everything we do***



## Appendix

## Foreign Exchange Translation

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

Currency	3Q 2020 Guidance Rate	Revenue Impact on 3Q 2020 of 5% Decrease in Rate	EPS Impact on 3Q 2020 of 5% Decrease in Rate
Euro	1.16	(\$12M)	(\$0.02)
GBP	1.27	(\$2M)	\$0.00
SEK	0.11	(\$2M)	\$0.00
RMB	0.14	(\$2M)	\$0.00
CAD	0.75	(\$2M)	\$0.00
All Other		(\$8M)	\$0.00
<b>Total</b>		<b>(\$27M)</b>	<b>(\$0.02)</b>

\* 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**



## 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 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"** reflects the adjustment to EBITDA to exclude share-based compensation charges, restructuring and realignment costs, gain or loss from sale of businesses and special charges.

**"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 Flow, less capital expenditures, and **"Free Cash Flow Conversion"** defined as Free Cash Flow divided by net income, excluding the gain on sale of businesses and non-cash impairment charges. Our definitions of "free cash flow" and "free cash flow conversion" does 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 other special non-operating items, such as pension adjustments.

**"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.

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

	<b>(As Reported - GAAP)</b>				<b>(As Adjusted - Organic)</b>				<b>Constant Currency</b>
	(A)	(B)	(C)	(D)	(E) = B+C+D	(F) = E/A	(G) = (E - C) / A		
	Orders	Orders	Change	% Change	Acquisitions /	FX Impact	Change	% Change	
	2020	2019	2020 v. 2019	2020 v. 2019	Divestitures		Adj. 2020 v. 2019	Adj. 2020 v. 2019	
<b><u>Six Months Ended June 30</u></b>									
<b>Xylem Inc.</b>	2,493	2,707	(214)	(8%)	-	59	(155)	(6%)	(6%)
Water Infrastructure	1,112	1,118	(6)	(1%)	-	42	36	3%	3%
Applied Water	698	793	(95)	(12%)	-	10	(85)	(11%)	(11%)
Measurement & Control Solutions	683	796	(113)	(14%)	-	7	(106)	(13%)	(13%)
<b><u>Quarter Ended June 30</u></b>									
<b>Xylem Inc.</b>	1,232	1,392	(160)	(11%)	-	36	(124)	(9%)	(9%)
Water Infrastructure	598	586	12	2%	-	27	39	7%	7%
Applied Water	326	399	(73)	(18%)	-	6	(67)	(17%)	(17%)
Measurement & Control Solutions	308	407	(99)	(24%)	-	3	(96)	(24%)	(24%)
<b><u>Quarter Ended March 31</u></b>									
<b>Xylem Inc.</b>	1,261	1,315	(54)	(4%)	-	23	(31)	(2%)	(2%)
Water Infrastructure	514	532	(18)	(3%)	-	15	(3)	(1%)	(1%)
Applied Water	372	394	(22)	(6%)	-	4	(18)	(5%)	(5%)
Measurement & Control Solutions	375	389	(14)	(4%)	-	4	(10)	(3%)	(3%)

**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		
		Change	% Change			Change	% Change		
	Revenue	Revenue	2020 v. 2019	2020 v. 2019	Acquisitions / Divestitures	FX Impact	Adj. 2020 v. 2019	Adj. 2020 v. 2019	
	2020	2019							
<b>Six Months Ended June 30</b>									
<b>Xylem Inc.</b>	2,283	2,582	(299)	(12%)	-	44	(255)	(10%)	(10%)
Water Infrastructure	939	1,043	(104)	(10%)	-	28	(76)	(7%)	(7%)
Applied Water	675	773	(98)	(13%)	-	9	(89)	(12%)	(12%)
Measurement & Control Solutions	669	766	(97)	(13%)	-	7	(90)	(12%)	(12%)
<b>Quarter Ended June 30</b>									
<b>Xylem Inc.</b>	1,160	1,345	(185)	(14%)	-	25	(160)	(12%)	(12%)
Water Infrastructure	501	561	(60)	(11%)	-	16	(44)	(8%)	(8%)
Applied Water	337	394	(57)	(14%)	-	6	(51)	(13%)	(13%)
Measurement & Control Solutions	322	390	(68)	(17%)	-	3	(65)	(17%)	(17%)
<b>Quarter Ended March 31</b>									
<b>Xylem Inc.</b>	1,123	1,237	(114)	(9%)	-	19	(95)	(8%)	(8%)
Water Infrastructure	438	482	(44)	(9%)	-	12	(32)	(7%)	(7%)
Applied Water	338	379	(41)	(11%)	-	3	(38)	(10%)	(10%)
Measurement & Control Solutions	347	376	(29)	(8%)	-	4	(25)	(7%)	(7%)

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

	Q1		Q2		YTD	
	2020	2019	2020	2019	2020	2019
Total Revenue						
• Total Xylem	1,123	1,237	1,160	1,345	2,283	2,582
• Water Infrastructure	438	482	501	561	939	1,043
• Applied Water	338	379	337	394	675	773
• Measurement & Control Solutions	347	376	322	390	669	766
Operating Income						
• Total Xylem	61	109	54	171	115	280
• Water Infrastructure	39	51	73	98	112	149
• Applied Water	47	56	41	62	88	118
• Measurement & Control Solutions	(12)	16	(46)	26	(58)	42
• Total Segments	74	123	68	186	142	309
Operating Margin						
• Total Xylem	5.4%	8.8%	4.7%	12.7%	5.0%	10.8%
• Water Infrastructure	8.9%	10.6%	14.6%	17.5%	11.9%	14.3%
• Applied Water	13.9%	14.8%	12.2%	15.7%	13.0%	15.3%
• Measurement & Control Solutions	(3.5%)	4.3%	(14.3%)	6.7%	(8.7%)	5.5%
• Total Segments	6.6%	9.9%	5.9%	13.8%	6.2%	12.0%
Special Charges						
• Total Xylem	-	4	11	-	11	4
• Water Infrastructure	-	-	-	-	-	-
• Applied Water	-	-	-	-	-	-
• Measurement & Control Solutions	-	4	10	-	10	4
• Total Segments	-	4	10	-	10	4
Restructuring & Realignment Costs						
• Total Xylem	9	20	43	21	52	41
• Water Infrastructure	5	9	8	9	13	18
• Applied Water	2	3	4	4	6	7
• Measurement & Control Solutions	2	8	31	8	33	16
• Total Segments	9	20	43	21	52	41
Adjusted Operating Income						
• Total Xylem	70	133	108	192	178	325
• Water Infrastructure	44	60	81	107	125	167
• Applied Water	49	59	45	66	94	125
• Measurement & Control Solutions	(10)	28	(5)	34	(15)	62
• Total Segments	83	147	121	207	204	354
Adjusted Operating Margin						
• Total Xylem	6.2%	10.8%	9.3%	14.3%	7.8%	12.6%
• Water Infrastructure	10.0%	12.4%	16.2%	19.1%	13.3%	16.0%
• Applied Water	14.5%	15.6%	13.4%	16.8%	13.9%	16.2%
• Measurement & Control Solutions	(2.9%)	7.4%	(1.6%)	8.7%	(2.2%)	8.1%
• Total Segments	7.4%	11.9%	10.4%	15.4%	8.9%	13.7%

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

	Q2 2020			Q2 2019		
	As Reported	Adjustments	Adjusted	As Reported	Adjustments	Adjusted
Total Revenue	1,160	-	1,160	1,345	-	1,345
Operating Income	54	54	108	171	21	192
Operating Margin	4.7%		9.3%	12.7%		14.3%
Interest Expense	(18)	-	(18)	(18)	-	(18)
Other Non-Operating Income (Expense)	(1)	2	1	3	-	3
Income before Taxes	35	56	91	156	21	177
Provision for Income Taxes	(4)	(14)	(18)	(17)	(17)	(34)
Net Income Attributable to Xylem	31	42	73	139	4	143
Diluted Shares	180.6		180.6	181.2		181.2
<b>Diluted EPS</b>	<b>\$ 0.17</b>	<b>\$ 0.23</b>	<b>\$ 0.40</b>	<b>\$ 0.77</b>	<b>\$ 0.02</b>	<b>\$ 0.79</b>

Year-over-year currency translation impact on current year diluted EPS \$ (0.01) \$ - \$ (0.01)

**Diluted EPS at Constant Currency** \$ **0.18** \$ **0.23** \$ **0.41**

	Q2 YTD 2020			Q2 YTD 2019		
	As Reported	Adjustments	Adjusted	As Reported	Adjustments	Adjusted
Total Revenue	2,283	-	2,283	2,582	-	2,582
Operating Income	115	63	178	280	45	325
Operating Margin	5.0%		7.8%	10.8%		12.6%
Interest Expense	(34)	-	(34)	(36)	-	(36)
Other Non-Operating Income (Expense)	(4)	3	(1)	5	-	5
Gain/(Loss) From Sale of Businesses	-	-	-	1	(1)	-
Income before Taxes	77	66	143	250	44	294
Provision for Income Taxes	(8)	(20)	(28)	(32)	(25)	(57)
Net Income Attributable to Xylem	69	46	115	218	19	237
Diluted Shares	181.0		181.0	181.1		181.1
<b>Diluted EPS</b>	<b>\$ 0.38</b>	<b>\$ 0.25</b>	<b>\$ 0.63</b>	<b>\$ 1.20</b>	<b>\$ 0.11</b>	<b>\$ 1.31</b>

Year-over-year currency translation impact on current year diluted EPS \$ (0.02) \$ (0.01) \$ (0.03)

**Diluted EPS at Constant Currency** \$ **0.40** \$ **0.26** \$ **0.66**

a Quarter-to-date: Restructuring & realignment costs of \$43 million in 2020 and \$21 million in 2019.; special charges of \$11 million (\$10 million of intangible asset impairment charges and \$1 million of other charges) in 2020.

Year-to-date: Restructuring & realignment costs of \$52 million and \$41 million in 2020 and 2019, respectively; special charges of \$11 million (\$10 million of intangible asset impairment charges and \$1 million of other charges) and \$4 million of special charges in 2019 (\$1 million of acquisition related costs and \$3 million of asset impairment).

b Special charges consist of pension costs related to the UK pension plan that has been transferred to an annuity in 2020 as part of the planned buyout activities.

c Quarter-to-date: Net tax impact on restructuring & realignment costs of \$10 million and \$4 million in 2020 and 2019, respectively; \$3 million of tax on special charges in 2020; and \$1 million and \$13 million of negative impact from tax related special benefit adjustments in 2020 and 2019, respectively.

Year-to-date: Net tax impact on restructuring & realignment costs of \$12 million and \$8 million in 2020 and 2019, respectively; \$3 million of tax impact on special charges in 2020; and \$5 million and \$17 million of negative impact from tax related special benefit adjustments in 2020 and 2019, respectively.

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

	Q1		Q2		Year-to-Date	
	2020	2019	2020	2019	2020	2019
<b>Net Cash - Operating Activities</b>	\$ (2)	\$ 83	\$ 181	\$ 123	\$ 179	\$ 206
Capital Expenditures - PP&E	(32)	(53)	(24)	(40)	(56)	(93)
Capital Expenditures - Software	(19)	(16)	(20)	(20)	(39)	(36)
<b>Capital Expenditures</b>	<b>(51)</b>	<b>(69)</b>	<b>(44)</b>	<b>(60)</b>	<b>(95)</b>	<b>(129)</b>
<b>Free Cash Flow</b>	<b>\$ (53)</b>	<b>\$ 14</b>	<b>\$ 137</b>	<b>\$ 63</b>	<b>\$ 84</b>	<b>\$ 77</b>
<b>Net Income</b>	<b>38</b>	<b>79</b>	<b>31</b>	<b>139</b>	<b>69</b>	<b>218</b>
<b>Gain/(Loss) from sale of businesses</b>	<b>-</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1</b>
<b>Restructuring Charges - non-cash impairment</b>	<b>-</b>	<b>-</b>	<b>(17)</b>	<b>-</b>	<b>(17)</b>	<b>-</b>
<b>Special Charges - non-cash impairment</b>	<b>-</b>	<b>(3)</b>	<b>(10)</b>	<b>-</b>	<b>(10)</b>	<b>(3)</b>
<b>Net Income, excluding gain on sale of businesses and non-cash impairment charges</b>	<b>\$ 38</b>	<b>\$ 81</b>	<b>\$ 58</b>	<b>\$ 139</b>	<b>\$ 96</b>	<b>\$ 220</b>
<b>Operating Cash Flow Conversion</b>	<b>(5%)</b>	<b>105%</b>	<b>584%</b>	<b>88%</b>	<b>259%</b>	<b>94%</b>
<b>Free Cash Flow Conversion</b>	<b>(139%)</b>	<b>17%</b>	<b>236%</b>	<b>45%</b>	<b>88%</b>	<b>35%</b>

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

	<b>2020</b>				
	Q1	Q2	Q3	Q4	Total
Net Income	38	31			69
Income Tax Expense	4	4			8
Interest Expense (Income), net	14	16			30
Depreciation	29	29			58
Amortization	<u>35</u>	<u>33</u>			<u>68</u>
EBITDA	120	113	-	-	233
Share-based Compensation	8	8			16
Restructuring & Realignment	9	43			52
Special Charges	<u>1</u>	<u>13</u>			<u>14</u>
Adjusted EBITDA	<u>138</u>	<u>177</u>	<u>-</u>	<u>-</u>	<u>315</u>
Revenue	<u>1,123</u>	<u>1,160</u>			<u>2,283</u>
Adjusted EBITDA Margin	<u>12.3%</u>	<u>15.3%</u>			<u>13.8%</u>

	<b>2019</b>				
	Q1	Q2	Q3	Q4	Total
Net Income	79	139	65	118	401
Income Tax Expense	15	17	(77)	60	15
Interest Expense (Income), net	17	18	14	13	62
Depreciation	29	29	30	29	117
Amortization	<u>35</u>	<u>34</u>	<u>35</u>	<u>36</u>	<u>140</u>
EBITDA	175	237	67	256	735
Share-based Compensation	9	7	7	6	29
Restructuring & Realignment	20	21	30	11	82
Loss/(Gain) from sale of business	(1)	-	-	-	(1)
Special Charges	<u>4</u>	<u>-</u>	<u>166</u>	<u>8</u>	<u>178</u>
Adjusted EBITDA	<u>207</u>	<u>265</u>	<u>270</u>	<u>281</u>	<u>1,023</u>
Revenue	<u>1,237</u>	<u>1,345</u>	<u>1,296</u>	<u>1,371</u>	<u>5,249</u>
Adjusted EBITDA Margin	<u>16.7%</u>	<u>19.7%</u>	<u>20.8%</u>	<u>20.5%</u>	<u>19.5%</u>

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

	<b>2020</b>				
	Q1	Q2	Q3	Q4	Total
Pre-Tax Income	37	71			108
Interest Expense (Income), net	-	(1)			(1)
Depreciation	11	11			22
Amortization	<u>4</u>	<u>5</u>			<u>9</u>
EBITDA	52	86	-	-	138
Share-based Compensation	-	1			1
Restructuring & Realignment	<u>5</u>	<u>8</u>			<u>13</u>
Adjusted EBITDA	<u>57</u>	<u>95</u>	<u>-</u>	<u>-</u>	<u>152</u>
Revenue	<u>438</u>	<u>501</u>			<u>939</u>
Adjusted EBITDA Margin	<u>13.0%</u>	<u>19.0%</u>			<u>16.2%</u>

	<b>2019</b>				
	Q1	Q2	Q3	Q4	Total
Pre-Tax Income	50	96	97	117	360
Interest Expense (Income), net	(1)	1	(1)	-	(1)
Depreciation	11	12	11	10	44
Amortization	<u>4</u>	<u>4</u>	<u>4</u>	<u>5</u>	<u>17</u>
EBITDA	64	113	111	132	420
Share-based Compensation	1	-	-	1	2
Restructuring & Realignment	<u>9</u>	<u>9</u>	<u>7</u>	<u>5</u>	<u>30</u>
Adjusted EBITDA	<u>74</u>	<u>122</u>	<u>118</u>	<u>138</u>	<u>452</u>
Revenue	<u>482</u>	<u>561</u>	<u>531</u>	<u>603</u>	<u>2,177</u>
Adjusted EBITDA Margin	<u>15.4%</u>	<u>21.7%</u>	<u>22.2%</u>	<u>22.9%</u>	<u>20.8%</u>

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

	<b>2020</b>				
	Q1	Q2	Q3	Q4	Total
Pre-Tax Income	47	42			89
Interest Expense (Income), net	-	-			-
Depreciation	5	5			10
Amortization	1	-			1
EBITDA	53	47	-	-	100
Share-based Compensation	1	1			2
Restructuring & Realignment	2	4			6
Adjusted EBITDA	56	52	-	-	108
Revenue	338	337			675
Adjusted EBITDA Margin	16.6%	15.4%			16.0%
	<b>2019</b>				
	Q1	Q2	Q3	Q4	Total
Pre-Tax Income	57	62	62	63	244
Interest Expense (Income), net	-	-	-	(1)	(1)
Depreciation	5	5	5	6	21
Amortization	1	1	-	1	3
EBITDA	63	68	67	69	267
Share-based Compensation	1	-	1	1	3
Restructuring & Realignment	3	4	3	4	14
Adjusted EBITDA	67	72	71	74	284
Revenue	379	394	376	392	1,541
Adjusted EBITDA Margin	17.7%	18.3%	18.9%	18.9%	18.4%

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

	<b>2020</b>				
	Q1	Q2	Q3	Q4	Total
Pre-Tax Income	(13)	(46)			(59)
Interest Expense (Income), net	-	-			-
Depreciation	9	8			17
Amortization	27	26			53
EBITDA	23	(12)	-	-	11
Share-based Compensation	2	1			3
Restructuring & Realignment	2	31			33
Special Charges	-	10			10
Adjusted EBITDA	27	30	-	-	57
Revenue	347	322			669
Adjusted EBITDA Margin	7.8%	9.3%			8.5%
	<b>2019</b>				
	Q1	Q2	Q3	Q4	Total
Pre-Tax Income	16	26	(137)	28	(67)
Interest Expense (Income), net	-	-	-	-	-
Depreciation	9	9	9	10	37
Amortization	27	26	27	27	107
EBITDA	52	61	(101)	65	77
Share-based Compensation	1	2	1	1	5
Restructuring & Realignment	8	8	20	2	38
Loss/(Gain) from sale of business	(1)	-	-	-	(1)
Special Charges	4	-	155	-	159
Adjusted EBITDA	64	71	75	68	278
Revenue	376	390	389	376	1,531
Adjusted EBITDA Margin	17.0%	18.2%	19.3%	18.1%	18.2%





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