



# 2021 Third Quarter

## Results & Earnings

**xylem**  
Let's Solve Water



# Forward-Looking Statements

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

Although we believe that the expectations reflected in any of our forward-looking statements are reasonable, actual results could differ materially from those projected or assumed in any of our forward-looking statements. Our future financial condition and results of operations, as well as any forward-looking statements, are subject to change and to inherent risks and uncertainties, many of which are beyond our control. Additionally, many of these risks and uncertainties are, and may continue to be, amplified by the ongoing coronavirus (“COVID-19”) pandemic. Important factors that could cause our actual results, performance and achievements, or industry results to differ materially from estimates or projections contained in or implied by our forward-looking statements include, among others, the following: overall industry and economic conditions, including industrial, governmental and private sector spending and the strength of the residential and commercial real estate markets; geopolitical, regulatory, economic and other risks associated with international operations; continued uncertainty around the COVID-19 pandemic’s magnitude, duration and impacts on our business, operations, growth, and financial condition, as well as uncertainty around approved vaccines and the pace of recovery when the pandemic subsides; actual or potential other epidemics, pandemics or global health crises; availability, shortage or delays in receiving products, parts, electronic components and raw materials from our supply chain; manufacturing and operating cost increases due to inflation, prevailing price changes, tariffs and other factors; fluctuations in foreign currency exchange rates; disruption, competition and pricing pressures in the markets we serve; cybersecurity incidents or other disruptions of information technology systems on which we rely, or involving our products; disruptions in operations at our facilities or that of third parties upon which we rely; availability, regulation and interference with radio spectrum used by some of our products; our ability to retain and attract senior management and other key talent; uncertainty related to restructuring and realignment actions and related charges and savings; our ability to continue strategic investments for growth; our ability to successfully identify, execute and integrate acquisitions; risks relating to products, including defects, security, warranty and liability claims, and recalls; difficulty predicting our financial results, including uncertainties due to the nature of our short- and long-cycle businesses; volatility in our results due to weather conditions, including the effects of climate change; our ability to borrow or refinance our existing indebtedness and the availability of liquidity sufficient to meet our needs; risk of future impairments to goodwill and other intangible assets; failure to comply with, or changes in, laws or regulations, including those pertaining to anti-corruption, data privacy and security, export and import, competition, and the environment and climate change; changes in our effective tax rates or tax expenses; legal, governmental or regulatory claims, investigations or proceedings and associated contingent liabilities; and other factors set forth under “Item 1A. Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2020 (“2020 Annual Report”) and in subsequent filings we make with the Securities and Exchange Commission (“SEC”).

All forward-looking statements made herein are based on information currently available to us as of the date of this presentation. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law..



# Patrick Decker

CEO & President

“ Global demand for water solutions continues to be robust, across our business. The team capitalized on that broad-based underlying demand, delivering strong growth in new orders and backlog in all segments. This positions us well to achieve our 2025 growth and strategic milestones, which we outlined at our investor day, last month. The team has done an outstanding job managing inflationary effects with productivity and cost discipline, delivering solid margin and earnings performance. Nevertheless, we foresee the global supply challenges continuing – particularly the chip shortages being experienced across the technology sector. While we expect strong demand to continue, nearer term supply constraints have slowed order-to-revenue conversion more than expected, leading us to moderate our view of full-year revenues and, therefore, earnings. ”

## Q3 2021 Highlights



Organic\* Revenue

**+2%**



Organic\* Orders

**+20%**



Adj. EBITDA\*  
Margin

**17.9%**



Adj. EPS\*

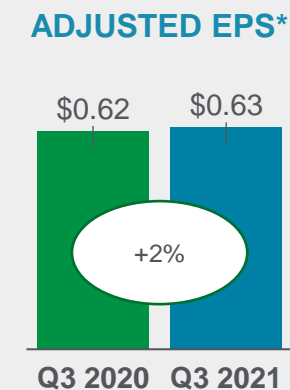
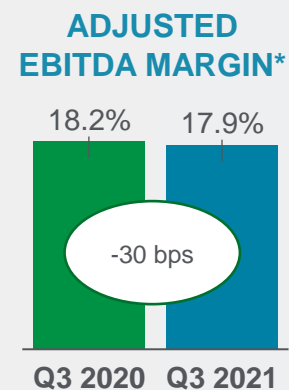
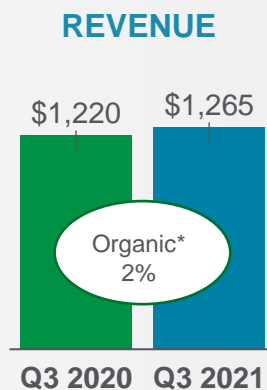
**\$0.63**



Sustainability

**Net Zero GHG  
Commitment**

## Q3 2021 XYLEM PERFORMANCE



Adj. Op Margin\*    13.0%    12.3%

### Organic Growth\* by End Market

Utilities (5%)

Industrial 11%

Commercial 10%

Residential 4%

### Organic Growth\* by Region

Emerging Markets 8%

Western Europe 4%

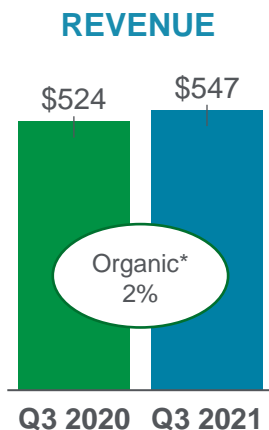
United States (1%)

## KEY PERFORMANCE DRIVERS

- **Organic\* Orders** up 20% with continued strong underlying demand across segments; **Backlog** up 34%
- **Organic\* Revenue** growth 2%; double digit growth across Industrial and Commercial; Utilities down mid-single digits due to delays caused by supply chain; Residential up mid-single digits
- **Emerging Markets** leads revenue growth (+8%); **Western Europe** solid (+4%); **U.S.** down slightly (-1%)
- **Adj. EBITDA Margin\* and Adj. EPS\*** drivers:
  - Productivity drives 340 bps EBITDA Margin expansion (EPS +\$0.20)
  - Volume/Mix/Price/Other improves EBITDA Margin by 220 bps (EPS +\$0.18)
  - Cost inflation reduces EBITDA Margin by 450 bps (EPS -\$0.27)
  - Strategic investments and divestitures reduce EBITDA Margin by 140 bps (EPS -\$0.10)

Tax Rate\*: 15.3%    Interest/Other Expense: \$18M    Share Count: 181.6M

# Q3 2021 Water Infrastructure Performance



### Organic Growth\* by End Market

Utilities	(4%)
Industrial	17%

### Organic Growth\* by Region

United States	(4%)
Emerging Markets	7%
Western Europe	5%

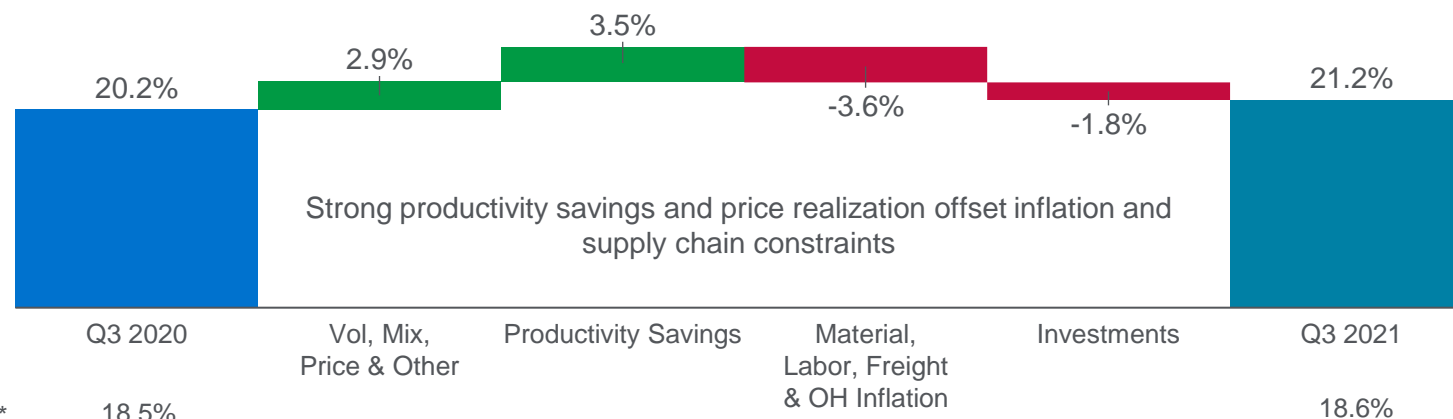
### Highlights

- Organic\* Orders up 9% on increasing demand in the US and Western Europe for wastewater utility Transport applications; Dewatering up from strength in Emerging Markets
- Strength in Industrial primarily driven by Dewatering business from healthy mining demand in Emerging Markets, as well as broader Industrial recovery, particularly in Western Europe
- Utilities soft globally driven by supply chain challenges including shipping delays as well as lapping prior year project deliveries in Emerging Markets



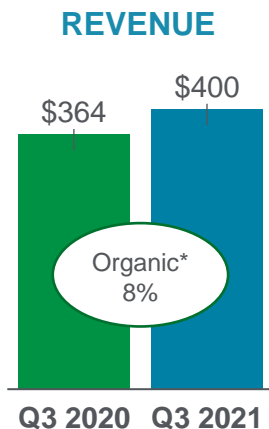
Adj. Operating Margin\* 18.5%

### ADJUSTED EBITDA MARGIN\*





# Q3 2021 Applied Water Performance



### Organic Growth\* by End Market

Industrial	8%
Commercial	10%
Residential	4%

### Organic Growth\* by Region

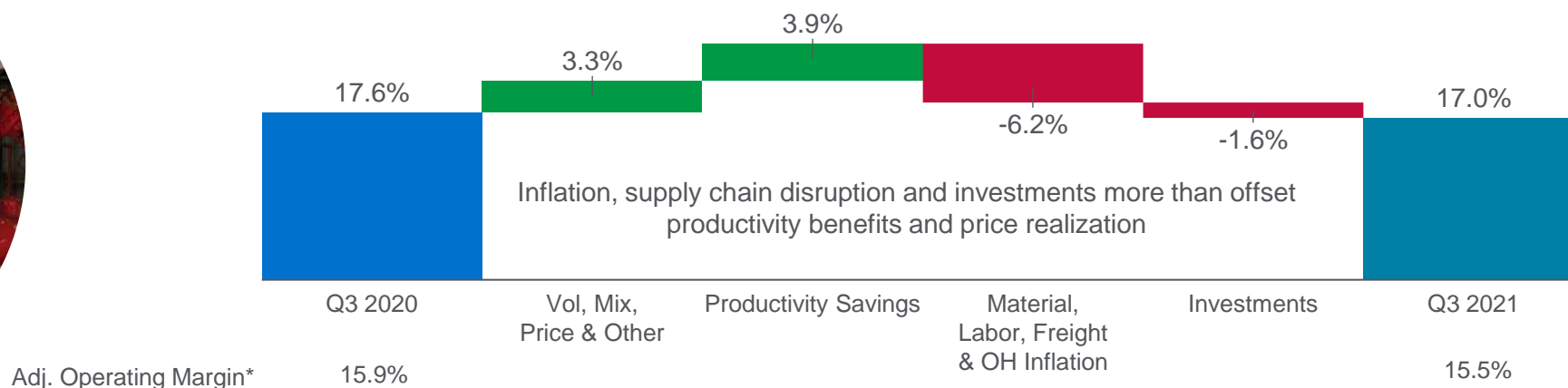
United States	6%
Emerging Markets	13%
Western Europe	6%

### Highlights

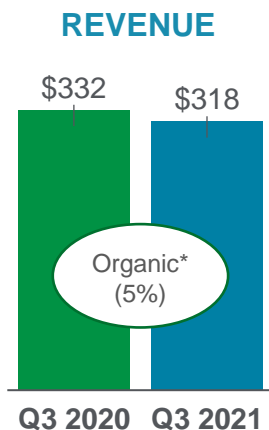
- Organic\* Orders increase 17% on broad global recovery in Industrial and Commercial end-markets as well as accelerated orders due to longer lead-times and price increases
- Healthy Commercial activity across most markets, led by backlog execution in US
- Continued Industrial momentum across most regions led by continued reopening activity in general Industrial sector and continued strength in specialty flow control business (Food & Beverage and Marine)



### ADJUSTED EBITDA MARGIN\*



# Q3 2021 Measurement & Control Solutions Performance



## Organic Growth\* by Application

Water	(2%)
Energy	(13%)

## Organic Growth\* by Region

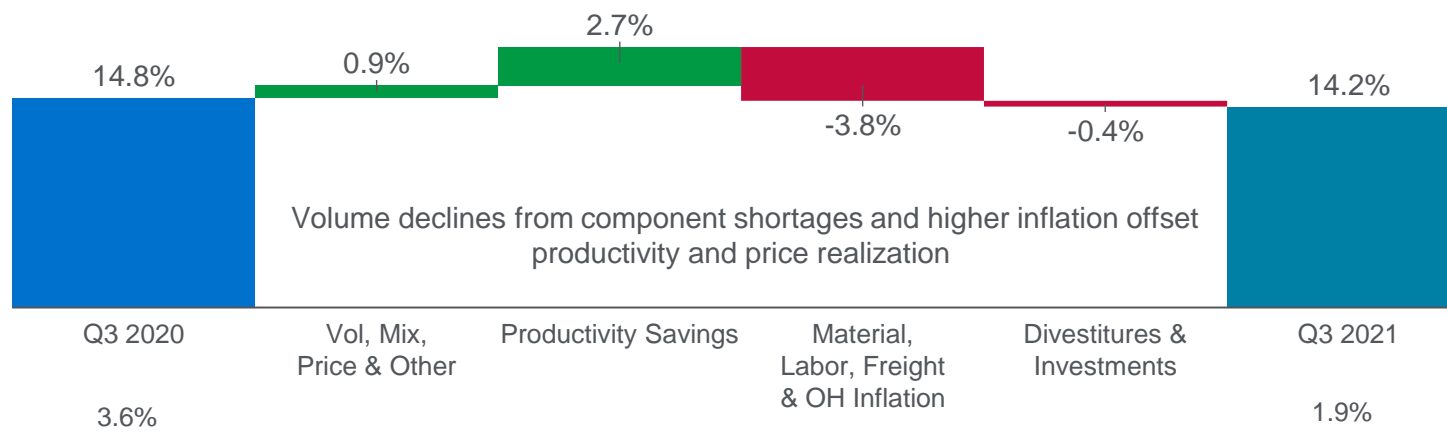
United States	(6%)
Emerging Markets	Flat
Western Europe	1%

## Highlights

- Continued healthy Organic\* Orders growth of 42% driven by large smart metering contracts and accelerated distributor orders due to electronic shortages
- Slight decline in water revenue driven by chip shortages in North America smart metering business was partially offset by growth in test and pipe assessment and refurbishment businesses
- Energy decline driven by chip shortages impacting smart electric metering business in North America
- Backlog at record \$1.6B up ~40% organically reinforcing strong long-term growth outlook and enhanced margin profile from digital mix of solutions



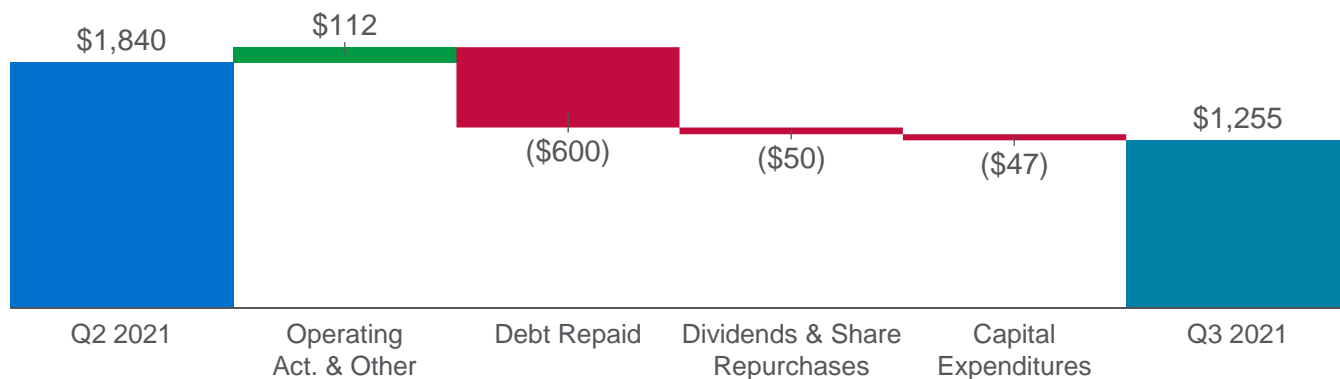
## ADJUSTED EBITDA MARGIN\*



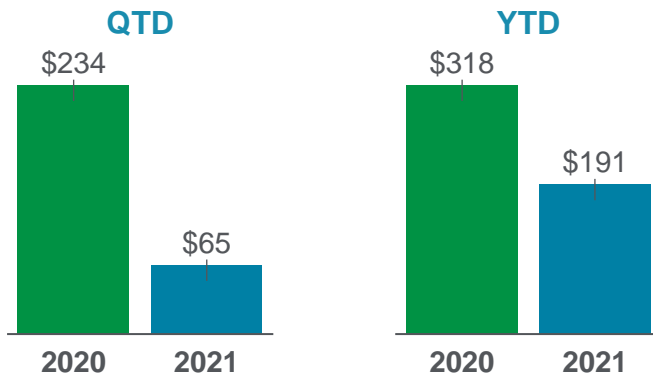
Adj. Operating Margin\* 3.6%

# Xylem Financial Position

## CASH DRIVERS



## FREE CASH FLOW\*



## WORKING CAPITAL\*\*



## FCF CONVERSION\*



## WORKING CAPITAL %



## Capital Summary

### September 30, 2021

Cash & Cash Equivalents	\$ 1,255
Debt	\$ 2,455
Net Debt	\$ 1,200
Shareholder's Equity	\$ 3,093
Net Capital	\$ 4,293
Net Debt to Net Capital	28%

## Financial Highlights

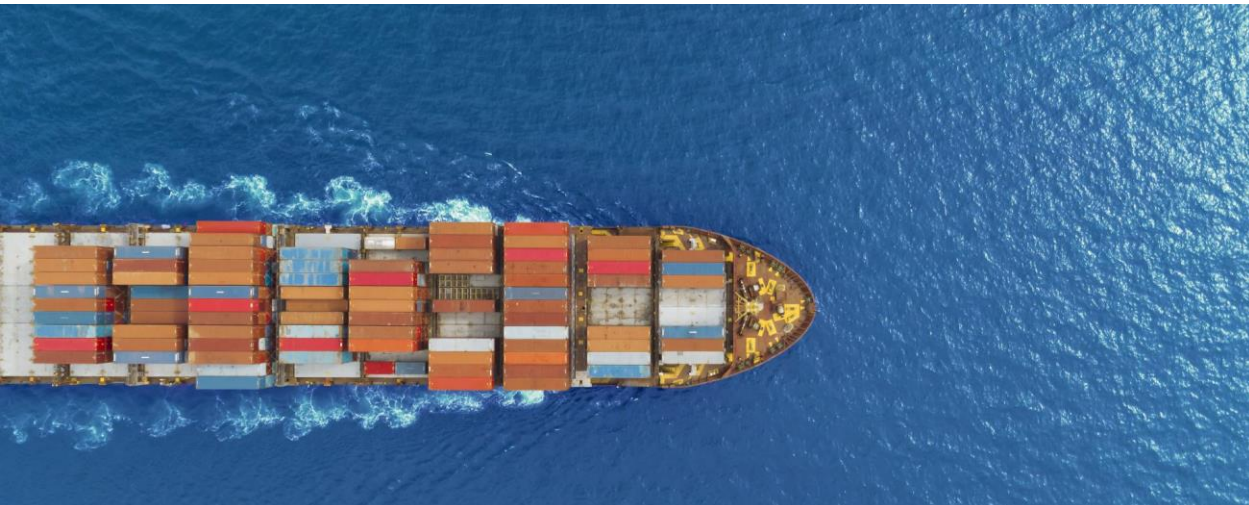
- **Strong financial position**
  - Available liquidity of ~\$2B including Cash & Cash Equivalents and available credit facilities
  - Committed to BBB/Baa2 investment grade credit rating
  - Net Debt / Adjusted EBITDA\* (TTM) as of 9/30: **1.3x**
- **Continue to expect FY 2021 FCF conversion\* in-line with our guidance of 80-90%**
- **\$600M Senior Note paid in 3Q; next maturity in 2023**



# Managing Supply Chain Constraints

## Challenges

1. **Material supply shortages:** primarily chips and electronic components
2. **Transportation logistics:** port congestion and driver shortages affecting inbound/outbound shipments
3. **Inflation:** historic highs for materials and freight; increasing wage inflation



## Near-Term Mitigation

- Proactive **price actions** by commercial teams
- **Value engineering** for workarounds; dual sourcing on components
- Advanced **logistics planning** with suppliers and partners
- Increased **manufacturing capacity** in plants and with key suppliers

## Long-Term Plans

- **Redesigning products** to mitigate future component challenges
- Working **directly with OEMs** on supply allocation
- Further **localization** of manufacturing, supply chain

# Progress on Our Top Priorities for 2021



## 1. Maintain Operational Discipline and Execution

- Working Capital & Free Cash Flow
- Margin expansion
- Mitigate supply chain and inflation headwinds

## 2. Capitalize on Sustainable Growth Platforms

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

## 3. Extend Leadership in Sustainability and in ESG

- Net Zero GHG Emission commitment before 2050 at September Investor Day
- Science-based targets by 2030

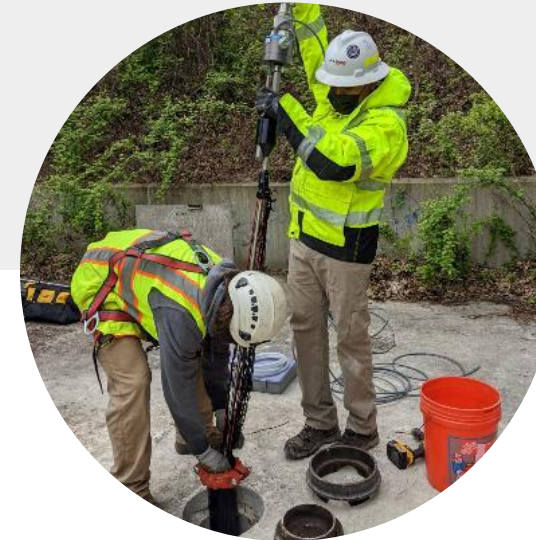
## FY 2021 End Market Outlook Commentary

See appendix for end market key facts



### Wastewater Utilities ~28% of Revenue

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



### Clean Water Utilities ~27% of Revenue

- Large smart metering project deployment timing impacted by global shortage of chips. Very strong backlog position and orders momentum for when supply constraint expected to ease in the 2<sup>nd</sup> half of 2022
- Healthy momentum in test business for water quality products in outdoor water and process (Treatment) markets globally
- Increased demand for smart water solutions and digital offerings reinforces continued desire to push up technology curve and drive resilience and affordability for Utilities customers



# FY 2021 End Market Outlook Commentary

See appendix for end market key facts



## Industrial ~30% of Revenue

- Strong rebound in “light” Industrial activity from Applied Water businesses globally (especially specialty flow control businesses for Marine and Food & Bev)
- Industrial Dewatering business recovery especially in Emerging Markets from mining demand. Strong orders and backlog combined with easing site access restrictions yields activity
- Strong growth especially in Emerging Markets and Western Europe; solid, but modestly lagging growth in North America



## Commercial ~10% of Revenue

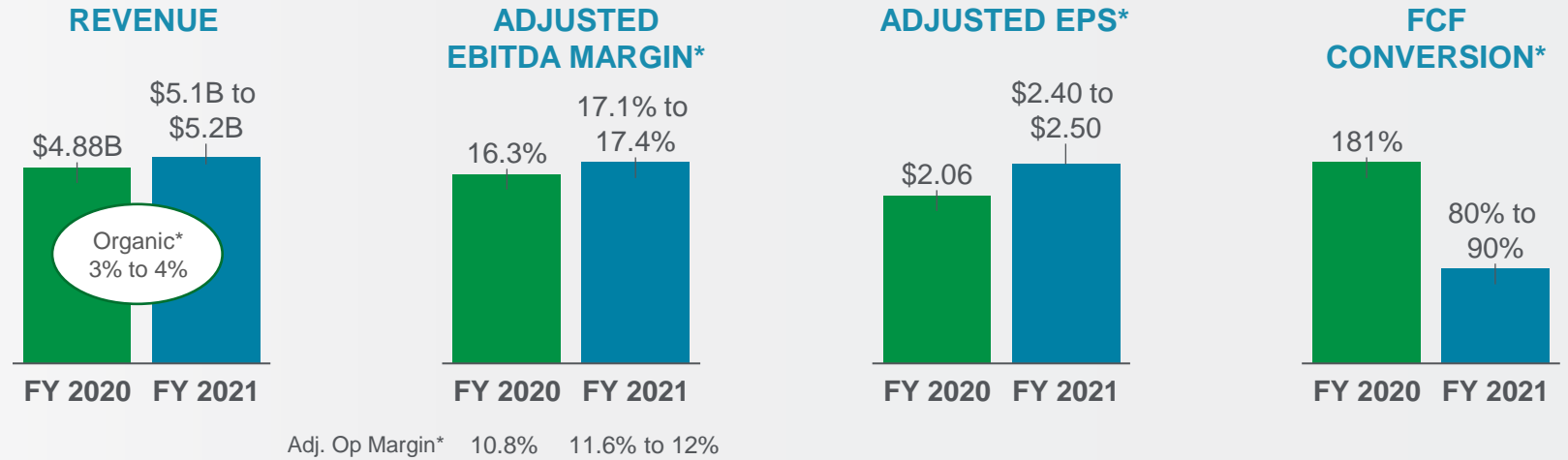
- U.S. replacement business (book and ship) solid. New Commercial building and institutional sector picking up in late 2021 supported by ABI and Dodge leading indicators
- Healthy activity in Europe from modest share gains, supply chain resiliency (vs. peers). Smart and eco-friendly products launched ahead of impending regulations



## Residential ~5% of Revenue

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

## Updated FY 2021 and Q4 2021 Guidance & Key Assumptions



## Key Assumptions

### Organic\* Revenue up 3 to 4%

- Water Infrastructure up mid single digits
- Applied Water up high single digits
- Measurement & Control Solutions down mid single digits

### Q4 FX Euro Rate 1.16 (from 1.18)

### Adjusted EBITDA\* of 17.1% to 17.4%

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

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

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

### FY 2021 Planning Assumptions

Corporate Expense	~\$50M
Restructuring & Realignment Costs*	~\$20M
Dividends	~\$200M
Capex	~\$200M
Interest / Other Expense	~\$75M
Estimated Tax Rate*	~17%
Share Count	~181M

### Q4 2021 Planning Assumptions

<b>Organic* Revenue</b>	<b>-4% to -6%</b>
WI	Flattish
AWS	Flattish
M&CS	Down High Teens
<b>Adjusted EBITDA*</b>	<b>16% to 17%</b>
<b>Adjusted EPS*</b>	<b>\$0.55 to \$0.65</b>

# Key Takeaways

- 1 Strong underlying **demand** across the business reflected in Orders and Backlog set us up well for future growth
- 2 Navigating inflation and supply chain challenges through **operational execution**
- 3 Lower guidance for 2021 reflects **shift in expected revenue timing**
- 4 Xylem investment thesis is strong: focused on creating **economic** and **social** value

▶ Watch a replay of our 2021 Investor Day here: <https://www.xylem.com/en-us/investors/events/>



# Appendix

## Q3 2021 Performance Summary

(\$ in millions, unless otherwise noted)

2021	Reported Q3	Adj* Q3	Reported YTD	Adj* YTD
<b>Xylem Consolidated</b>				
Revenue	\$1,265	\$1,265	\$3,872	\$3,872
Overall Growth	4%	4%	11%	11%
Constant Currency* Growth		2%		7%
Organic Growth*		2%		7%
Operating Income	\$152	\$155	\$445	\$464
Operating Margin	12.0%	12.3%	11.5%	12.0%
EBITDA*	\$215	\$227	\$629	\$676
EBITDA Margin*	17.0%	17.9%	16.2%	17.5%
Earnings Per Share	\$0.63	\$0.63	\$1.73	\$1.86

2021	Reported Q3	Adj* Q3	Reported YTD	Adj* YTD
<b>Applied Water</b>				
Revenue	\$400	\$400	\$1,207	\$1,207
Overall Growth	10%	10%	16%	16%
Constant Currency* Growth		8%		13%
Organic Growth*		8%		13%
Operating Income	\$60	\$62	\$190	\$196
Operating Margin	15.0%	15.5%	15.7%	16.2%
EBITDA*	\$65	\$68	\$208	\$215
EBITDA Margin*	16.3%	17.0%	17.2%	17.8%

2021	Reported Q3	Adj* Q3	Reported YTD	Adj* YTD
<b>Water Infrastructure</b>				
Revenue	\$547	\$547	\$1,625	\$1,625
Overall Growth	4%	4%	11%	11%
Constant Currency* Growth		2%		6%
Organic Growth*		2%		6%
Operating Income	\$101	\$102	\$265	\$275
Operating Margin	18.5%	18.6%	16.3%	16.9%
EBITDA*	\$114	\$116	\$300	\$312
EBITDA Margin*	20.8%	21.2%	18.5%	19.2%

2021	Reported Q3	Adj* Q3	Reported YTD	Adj* YTD
<b>Measurement &amp; Control Solutions</b>				
Revenue	\$318	\$318	\$1,040	\$1,040
Overall Growth	(4%)	(4%)	4%	4%
Constant Currency* Growth		(5%)		1%
Organic Growth*		(5%)		2%
Operating Income	\$7	\$6	\$29	\$30
Operating Margin	2.2%	1.9%	2.8%	2.9%
EBITDA*	\$45	\$45	\$146	\$151
EBITDA Margin*	14.2%	14.2%	14.0%	14.5%

## End Market Key Facts

### Utilities ~55% Revenue

#### Wastewater Utilities

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

#### Clean Water Utilities

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

## Industrial

### (~30% Revenue)

- Oil & Gas Revenue: <2% of total Xylem
- Mining Revenue: ~4% of total Xylem
- “Light” Industrial Revenue: ~25% of total Xylem
- XYL Businesses: All 3 segments (~40% of WI, ~45% of AWS, 15% of MCS)
- Equipment is generally not tied to output; keeps facilities ‘up-and-running’

## Commercial

### (~10% Revenue)

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

## Residential

### (~5% Revenue)

- XYL Businesses: Applied Water
- New build / Replacement: 10% / 90%
- Geographic Split: N. America ~70% / W. Europe ~10% / Em Mkts & Other ~20%
- Sales almost exclusively via channel partners

## Foreign Exchange Translation Sensitivity

### Foreign Exchange Translation

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

Currency	2021 4Q Guidance Rate	Revenue Impact on 4Q 2021 of 5% Decrease in Rate	EPS Impact on 4Q 2021 of 5% Decrease in Rate
Euro	1.16	(\$12M)	(\$0.03)
GBP	1.34	(\$4M)	\$0.00
SEK	0.12	(\$2M)	(\$0.01)
RMB	0.16	(\$4M)	(\$0.00)
CAD	0.78	(\$2M)	(\$0.00)
All Other		(\$11M)	(\$0.0)
<b>Total</b>		<b>(\$37M)</b>	<b>(\$0.04)</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**

## Appendix

### Xylem Inc. Non-GAAP Measures

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

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

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

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

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

**"Adjusted Operating Income"**, **"Adjusted Segment Operating Income"**, **"Adjusted Net Income"** and **"Adjusted EPS"** defined as operating income, segment operating income, net income and earnings per share, adjusted to exclude restructuring and realignment costs, gain or loss from sale of businesses, special charges and tax-related special items, as applicable.

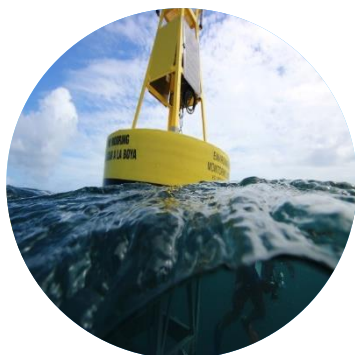
**"Adjusted Operating Margin"** and **"Adjusted Segment Operating Margin"** defined as adjusted operating income and adjusted segment operating income divided by total revenue and segment revenue, respectively.

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

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

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

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



# Appendix

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

	(As Reported - GAAP)				(As Adjusted - Organic)				Constant Currency
	(A)		(B)		(C)	(D)	(E) = B+C+D	(F) = E/A	(G) = (E - C) / A
	Revenue	Revenue	Change	% Change	Acquisitions /		Change	% Change	
2021	2020	2021 v. 2020	2021 v. 2020	Divestitures	FX impact	Adj. 2021 v. 2020	Adj. 2021 v 2020		
<b>Nine Months Ended September 30</b>									
<b>Xylem Inc.</b>	3,872	3,503	369	11%	7	(130)	246	7%	7%
Water Infrastructure	1,625	1,463	162	11%	-	(70)	92	6%	6%
Applied Water	1,207	1,039	168	16%	-	(36)	132	13%	13%
Measurement & Control Solutions	1,040	1,001	39	4%	7	(24)	22	2%	1%
<b>Quarter Ended September 30</b>									
<b>Xylem Inc.</b>	1,265	1,220	45	4%	2	(20)	27	2%	2%
Water Infrastructure	547	524	23	4%	-	(10)	13	2%	2%
Applied Water	400	364	36	10%	-	(7)	29	8%	8%
Measurement & Control Solutions	318	332	(14)	(4%)	2	(3)	(15)	(5%)	(5%)
<b>Quarter Ended June 30</b>									
<b>Xylem Inc.</b>	1,351	1,160	191	16%	3	(66)	128	11%	11%
Water Infrastructure	569	501	68	14%	-	(36)	32	6%	6%
Applied Water	414	337	77	23%	-	(18)	59	18%	18%
Measurement & Control Solutions	368	322	46	14%	3	(12)	37	11%	11%
<b>Quarter Ended March 31</b>									
<b>Xylem Inc.</b>	1,256	1,123	133	12%	2	(44)	91	8%	8%
Water Infrastructure	509	438	71	16%	-	(24)	47	11%	11%
Applied Water	393	338	55	16%	-	(11)	44	13%	13%
Measurement & Control Solutions	354	347	7	2%	2	(9)	-	0%	(1%)



# Appendix

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

	(As Reported - GAAP)				(As Adjusted - Organic)				Constant Currency
	(A)	(B)	(C)	(D)	(E) = B+C+D	(F) = E/A	(G) = (E - C) / A		
	Orders	Change	Acquisitions /	FX impact	Change	% Change			
	2021	2020	2021 v. 2020	2021 v. 2020	Divestitures	Adj. 2021 v. 2020	Adj. 2021 v. 2020		
<b>Nine Months Ended September 30</b>									
<b>Xylem Inc.</b>	4,716	3,739	977	26%	10	(147)	840	22%	22%
Water Infrastructure	1,873	1,670	203	12%	-	(80)	123	7%	7%
Applied Water	1,409	1,073	336	31%	-	(40)	296	28%	28%
Measurement & Control Solutions	1,434	996	438	44%	10	(27)	421	42%	41%
<b>Quarter Ended September 30</b>									
<b>Xylem Inc.</b>	1,518	1,246	272	22%	2	(24)	250	20%	20%
Water Infrastructure	623	558	65	12%	-	(12)	53	9%	9%
Applied Water	446	375	71	19%	-	(7)	64	17%	17%
Measurement & Control Solutions	449	313	136	43%	2	(5)	133	42%	42%
<b>Quarter Ended June 30</b>									
<b>Xylem Inc.</b>	1,660	1,232	428	35%	1	(74)	355	29%	29%
Water Infrastructure	639	598	41	7%	-	(41)	-	0%	0%
Applied Water	486	326	160	49%	-	(20)	140	43%	43%
Measurement & Control Solutions	535	308	227	74%	1	(13)	215	70%	69%
<b>Quarter Ended March 31</b>									
<b>Xylem Inc.</b>	1,538	1,261	277	22%	7	(49)	235	19%	18%
Water Infrastructure	611	514	97	19%	-	(27)	70	14%	14%
Applied Water	477	372	105	28%	-	(13)	92	25%	25%
Measurement & Control Solutions	450	375	75	20%	7	(9)	73	19%	18%

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

	Q1		Q2		Q3		YTD	
	2021	2020	2021	2020	2021	2020	2021	2020
<b>Total Revenue</b>								
• Total Xylem	1,256	1,123	1,351	1,160	1,265	1,220	3,872	3,503
• Water Infrastructure	509	438	569	501	547	524	1,625	1,463
• Applied Water	393	338	414	337	400	364	1,207	1,039
• Measurement & Control Solutions	354	347	368	322	318	332	1,040	1,001
<b>Operating Income (Loss)</b>								
• Total Xylem	133	61	160	54	152	73	445	188
• Water Infrastructure	71	39	93	73	101	89	265	201
• Applied Water	66	47	64	41	60	56	190	144
• Measurement & Control Solutions	9	(12)	13	(46)	7	(62)	29	(120)
• Total Segments	146	74	170	68	168	83	484	225
<b>Operating Margin</b>								
• Total Xylem	10.6%	5.4%	11.8%	4.7%	12.0%	6.0%	11.5%	5.4%
• Water Infrastructure	13.9%	8.9%	16.3%	14.6%	18.5%	17.0%	16.3%	13.7%
• Applied Water	16.8%	13.9%	15.5%	12.2%	15.0%	15.4%	15.7%	13.9%
• Measurement & Control Solutions	2.5%	(3.5%)	3.5%	(14.3%)	2.2%	(18.7%)	2.8%	(12.0%)
• Total Segments	11.6%	6.6%	12.6%	5.9%	13.3%	6.8%	12.5%	6.4%

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

	Q1		Q2		Q3		YTD	
	2021	2020	2021	2020	2021	2020	2021	2020
<b>Special Charges</b>								
• Total Xylem	2	-	-	11	1	70	3	81
• Water Infrastructure	-	-	-	-	-	-	-	-
• Applied Water	1	-	-	-	-	-	1	-
• Measurement & Control Solutions	-	-	-	10	-	69	-	79
• Total Segments	1	-	-	10	-	69	1	79
<b>Restructuring &amp; Realignment Costs</b>								
• Total Xylem	8	9	6	43	2	15	16	67
• Water Infrastructure	5	5	4	8	1	8	10	21
• Applied Water	1	2	2	4	2	2	5	8
• Measurement & Control Solutions	2	2	-	31	(1)	5	1	38
• Total Segments	8	9	6	43	2	15	16	67
<b>Adjusted Operating Income (Loss)</b>								
• Total Xylem	143	70	166	108	155	158	464	336
• Water Infrastructure	76	44	97	81	102	97	275	222
• Applied Water	68	49	66	45	62	58	196	152
• Measurement & Control Solutions	11	(10)	13	(5)	6	12	30	(3)
• Total Segments	155	83	176	121	170	167	501	371
<b>Adjusted Operating Margin</b>								
• Total Xylem	11.4%	6.2%	12.3%	9.3%	12.3%	13.0%	12.0%	9.6%
• Water Infrastructure	14.9%	10.0%	17.0%	16.2%	18.6%	18.5%	16.9%	15.2%
• Applied Water	17.3%	14.5%	15.9%	13.4%	15.5%	15.9%	16.2%	14.6%
• Measurement & Control Solutions	3.1%	(2.9%)	3.5%	(1.6%)	1.9%	3.6%	2.9%	(0.3%)
• Total Segments	12.3%	7.4%	13.0%	10.4%	13.4%	13.7%	12.9%	10.6%

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

	Q3 2021			Q3 2020		
	As Reported	Adjustments	Adjusted	As Reported	Adjustments	Adjusted
Total Revenue	1,265	-	1,265	1,220	-	1,220
Operating Income	152	3 a	155	73	85 a	158
Operating Margin	12.0%		12.3%	6.0%		13.0%
Interest Expense	(21)	-	(21)	(22)	-	(22)
Other Non-Operating Income (Expense)	2	1 b	3	(1)	1 b	-
Gain/(Loss) From Sale of Business	-	-	-	-	-	-
Income before Taxes	133	4	137	50	86	136
Provision for Income Taxes	(19)	(2) c	(21)	(13)	(9) c	(22)
Net Income Attributable to Xylem	114	2	116	37	77	114
Diluted Shares	181.6		181.6	181.0		181.0
<b>Diluted EPS</b>	<b>\$ 0.63</b>	<b>\$ -</b>	<b>\$ 0.63</b>	<b>\$ 0.20</b>	<b>\$ 0.42</b>	<b>\$ 0.62</b>
Year-over-year currency translation impact on current year diluted EPS	\$ 0.01	\$ (0.01)	\$ -			
<b>Diluted EPS at Constant Currency</b>	<b>\$ 0.62</b>	<b>\$ 0.01</b>	<b>\$ 0.63</b>			

- a) Quarter-to-date: Restructuring & realignment costs of \$2 million in 2021 and \$15 million in 2020, as well as special charges of \$1 million in 2021 and \$70 million (\$69 million of intangible asset and goodwill impairment and \$1 million of other charges) in 2020.
- b) Quarter-to-date: Special non-operating charges consist of \$1 million, in each of 2021 and 2020, for pension costs related to the UK pension plan that is going to be part of a buyout.
- c) Quarter-to-date: Net tax impact on restructuring & realignment costs of \$1 million in 2021 and \$3 million in 2020; and \$1 million of negative adjustment from tax related special benefits in 2021 and \$6 million net tax impact on special charges in 2020.

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

	Q3 YTD 2021			Q3 YTD 2020		
	As Reported	Adjustments	Adjusted	As Reported	Adjustments	Adjusted
Total Revenue	3,872	-	3,872	3,503	-	3,503
Operating Income	445	19 <sup>a</sup>	464	188	148 <sup>a</sup>	336
Operating Margin	11.5%		12.0%	5.4%		9.6%
Interest Expense	(63)	-	(63)	(56)	-	(56)
Other Non-Operating Income (Expense)	1	5	6	(5)	4	(1)
Gain/(Loss) From Sales of Business	2	(2)	-	-	-	-
Income before Taxes	385	22	407	127	152	279
Provision for Income Taxes	(71)	1 <sup>c</sup>	(70)	(21)	(29) <sup>c</sup>	(50)
Net Income Attributable to Xylem	314	23	337	106	123	229
Diluted Shares	181.5		181.5	181.0		181.0
<b>Diluted EPS</b>	<b>\$ 1.73</b>	<b>\$ 0.13</b>	<b>\$ 1.86</b>	<b>\$ 0.58</b>	<b>\$ 0.67</b>	<b>\$ 1.25</b>
Year-over-year currency translation impact on current year diluted EPS	\$ 0.10	\$ 0.01	\$ 0.11			
<b>Diluted EPS at Constant Currency</b>	<b>\$ 1.63</b>	<b>\$ 0.12</b>	<b>\$ 1.75</b>			

- a) Year-to-date: Restructuring & realignment costs of \$16 million and \$67 million in 2021 and 2020, respectively; special charges of \$3 million (\$1 million of intangible asset impairment charges and \$2 million of other charges) and \$81 million of special charges in 2020 (\$79 million of intangible asset and goodwill impairment charges and \$2 million of other charges).
- b) Year-to-date: Special non-operating charges consist of \$5 million in 2021 and \$4 million in 2020, for pension costs related to the UK pension plan that is going to be part of a buyout.
- c) Year-to-date: Net tax impact on restructuring & realignment costs of \$4 million and \$15 million in 2021 and 2020, respectively; \$1 million and \$9 million of net tax impact on special charges in 2021 and 2020, respectively; and \$6 million of positive adjustment from tax related special charges in 2021 and \$5 million of negative adjustment from tax related special benefits in 2020.

## Appendix

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

2021					
	Q1	Q2	Q3	Q4	Total
Net Income	87	113	114		314
Income Tax Expense	27	25	19		71
Interest Expense (Income), net	19	19	20		58
Depreciation	30	29	31		90
Amortization	32	33	31		96
<b>EBITDA</b>	<b>195</b>	<b>219</b>	<b>215</b>		<b>629</b>
Share-based Compensation	9	8	8		25
Restructuring & Realignment	8	6	2		16
Loss/(Gain) from sale of business	-	(2)	-		(2)
Special Charges	3	3	2		8
<b>Adjusted EBITDA</b>	<b>215</b>	<b>234</b>	<b>227</b>		<b>676</b>
<b>Revenue</b>	<b>1,256</b>	<b>1,351</b>	<b>1,265</b>		<b>3,872</b>
<b>Adjusted EBITDA Margin</b>	<b>17.1%</b>	<b>17.3%</b>	<b>17.9%</b>		<b>17.5%</b>

2020					
	Q1	Q2	Q3	Q4	Total
Net Income	38	31	37	148	254
Income Tax Expense (Benefit)	4	4	13	10	31
Interest Expense (Income), net	14	16	20	20	70
Depreciation	29	29	30	29	117
Amortization	35	33	33	33	134
<b>EBITDA</b>	<b>120</b>	<b>113</b>	<b>133</b>	<b>240</b>	<b>606</b>
Share-based Compensation	8	8	3	7	26
Restructuring & Realignment	9	43	15	10	77
Special Charges	1	13	71	1	86
<b>Adjusted EBITDA</b>	<b>138</b>	<b>177</b>	<b>222</b>	<b>258</b>	<b>795</b>
<b>Revenue</b>	<b>1,123</b>	<b>1,160</b>	<b>1,220</b>	<b>1,373</b>	<b>4,876</b>
<b>Adjusted EBITDA Margin</b>	<b>12.3%</b>	<b>15.3%</b>	<b>18.2%</b>	<b>18.8%</b>	<b>16.3%</b>

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

2021					
	Q1	Q2	Q3	Q4	Total
Pre-Tax Income	70	92	102		264
Interest Expense (Income), net	(1)	(1)	-		(2)
Depreciation	11	11	11		33
Amortization	2	2	1		5
<b>EBITDA</b>	<b>82</b>	<b>104</b>	<b>114</b>		<b>300</b>
Share-based Compensation	1	-	1		2
Restructuring & Realignment	5	4	1		10
<b>Adjusted EBITDA</b>	<b>88</b>	<b>108</b>	<b>116</b>		<b>312</b>
<b>Revenue</b>	<b>509</b>	<b>569</b>	<b>547</b>		<b>1,625</b>
<b>Adjusted EBITDA Margin</b>	<b>17.3%</b>	<b>19.0%</b>	<b>21.2%</b>		<b>19.2%</b>

2020					
	Q1	Q2	Q3	Q4	Total
Pre-Tax Income	37	71	85	116	309
Interest Expense (Income), net	-	(1)	-	-	(1)
Depreciation	11	11	11	11	44
Amortization	4	5	2	2	13
<b>EBITDA</b>	<b>52</b>	<b>86</b>	<b>98</b>	<b>129</b>	<b>365</b>
Share-based Compensation	-	1	-	1	2
Restructuring & Realignment	5	8	8	7	28
<b>Adjusted EBITDA</b>	<b>57</b>	<b>95</b>	<b>106</b>	<b>137</b>	<b>395</b>
<b>Revenue</b>	<b>438</b>	<b>501</b>	<b>524</b>	<b>616</b>	<b>2,079</b>
<b>Adjusted EBITDA Margin</b>	<b>13.0%</b>	<b>19.0%</b>	<b>20.2%</b>	<b>22.2%</b>	<b>19.0%</b>



## Appendix

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

2021					
	Q1	Q2	Q3	Q4	Total
Pre-Tax Income	66	65	60		191
Interest Expense (Income), net	-	-	-		-
Depreciation	5	5	5		15
Amortization	1	1	-		2
<b>EBITDA</b>	<b>72</b>	<b>71</b>	<b>65</b>		<b>208</b>
Share-based Compensation	1	1	1		3
Restructuring & Realignment	1	2	2		5
Loss/(Gain) from sale of business	-	(2)	-		(2)
Special Charges	1	-	-		1
<b>Adjusted EBITDA</b>	<b>75</b>	<b>72</b>	<b>68</b>		<b>215</b>
<b>Revenue</b>	<b>393</b>	<b>414</b>	<b>400</b>		<b>1,207</b>
<b>Adjusted EBITDA Margin</b>	<b>19.1%</b>	<b>17.4%</b>	<b>17.0%</b>		<b>17.8%</b>

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

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

2021					
	Q1	Q2	Q3	Q4	Total
Pre-Tax Income	16	12	7		35
Interest Expense (Income), net	-	-	-		-
Depreciation	9	10	11		30
Amortization	27	27	27		81
<b>EBITDA</b>	<b>52</b>	<b>49</b>	<b>45</b>		<b>146</b>
Share-based Compensation	1	2	1		4
Restructuring & Realignment	2	-	(1)		1
<b>Adjusted EBITDA</b>	<b>55</b>	<b>51</b>	<b>45</b>		<b>151</b>
<b>Revenue</b>	<b>354</b>	<b>368</b>	<b>318</b>		<b>1,040</b>
<b>Adjusted EBITDA Margin</b>	<b>15.5%</b>	<b>13.9%</b>	<b>14.2%</b>		<b>14.5%</b>

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

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

	Q1		Q2		Q3		Year-to-Date	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
<b>Net Cash – Operating Activities</b>	\$ (26)	\$ (2)	\$ 232	\$ 181	\$ 112	\$ 275	\$ 318	\$ 454
Capital Expenditures – PP&E	(22)	(32)	(25)	(24)	(33)	(24)	(80)	(80)
Capital Expenditures - Software	(17)	(19)	(16)	(20)	(14)	(17)	(47)	(56)
<b>Capital Expenditures</b>	(39)	(51)	(41)	(44)	(47)	(41)	(127)	(136)
<b>Free Cash Flow</b>	\$ (65)	\$ (53)	\$ 191	\$ 137	\$ 65	\$ 234	\$ 191	\$ 318
<b>Net Income</b>	87	38	113	31	114	37	314	106
Gain / (Loss) from sale of business	-	-	2	-	-	-	2	-
Restructuring & Realignment Charges – non-cash impairment	(1)	-	-	(17)	-	(3)	(1)	(20)
Special Charges - non-cash impairment	(1)	-	-	(10)	-	(69)	(1)	(79)
<b>Net Income, excluding gain on sale of businesses, non-cash impairment charges and significant deferred tax</b>	\$ 89	\$ 38	\$ 111	\$ 58	\$ 114	\$ 109	\$ 314	\$ 205
<b>Operating Cash Flow Conversion</b>	(30%)	(5%)	205%	584%	98%	743%	101%	428%
<b>Free Cash Flow Conversion</b>	(73%)	(139%)	172%	236%	57%	215%	61%	155%

# THANK YOU

## Q3 2021 Results & Earnings

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

**NYSE: XYL**

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