



# Q2 2019 Earnings Release

August 1, 2019

# FORWARD-LOOKING STATEMENTS

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

Factors that could cause results to differ materially from those anticipated include: overall economic and business conditions, political and other risks associated with our international operations, including military actions, economic sanctions or trade barriers including tariffs and embargoes that could affect customer markets and our business, and non-compliance with laws, including foreign corrupt practice laws, export and import laws and competition laws; potential for unexpected cancellations or delays of customer orders in our reported backlog; our exposure to fluctuations in foreign currency exchange rates; competition and pricing pressures in the markets we serve; the strength of housing and related markets; weather conditions; ability to retain and attract talent and key members of management; our relationship with and the performance of our channel partners; our ability to successfully identify, complete and integrate acquisitions; our ability to borrow or to refinance our existing indebtedness and availability of liquidity sufficient to meet our needs; uncertainty from the expected discontinuance of LIBOR and transition to any other interest rate benchmark; changes in the value of goodwill or intangible assets; risks relating to product defects, product liability and recalls; claims or investigations by governmental or regulatory bodies; security breaches or other disruptions of our information technology systems; 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, 2018 (“2018 Annual Report”) and with subsequent filings we make with the Securities and Exchange Commission (“SEC”).

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

# Q2 2019 Performance Summary

	GAAP Q2 2019	Adjusted* Q2 2019	GAAP YTD 2019	Adjusted* YTD 2019
<b>Xylem Consolidated</b>				
Revenue	1,345	1,345	2,582	2,582
Overall Growth	2%	2%	2%	2%
Constant Currency Growth		5%		5%
Organic Growth		5%		6%
Operating Income	171	192	280	325
Operating Margin	12.7%	14.3%	10.8%	12.6%
Earnings per Share	\$0.77	\$0.79	\$1.20	\$1.31
<b>Segment Results</b>				
<b>Water Infrastructure</b>				
Revenue	561	561	1,043	1,043
Overall Growth	3%	3%	2%	2%
Constant Currency Growth		6%		6%
Organic Growth		6%		6%
Operating Income	98	107	149	167
Operating Margin	17.5%	19.1%	14.3%	16.0%
<b>Applied Water</b>				
Revenue	394	394	773	773
Overall Growth	2%	2%	3%	3%
Constant Currency Growth		4%		5%
Organic Growth		4%		5%
Operating Income	62	66	118	125
Operating Margin	15.7%	16.8%	15.3%	16.2%
<b>Measurement &amp; Control Solutions</b>				
Revenue	390	390	766	766
Overall Growth	2%	2%	2%	2%
Constant Currency Growth		4%		4%
Organic Growth		6%		6%
Operating Income	26	34	42	62
Operating Margin	6.7%	8.7%	5.5%	8.1%

## 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.

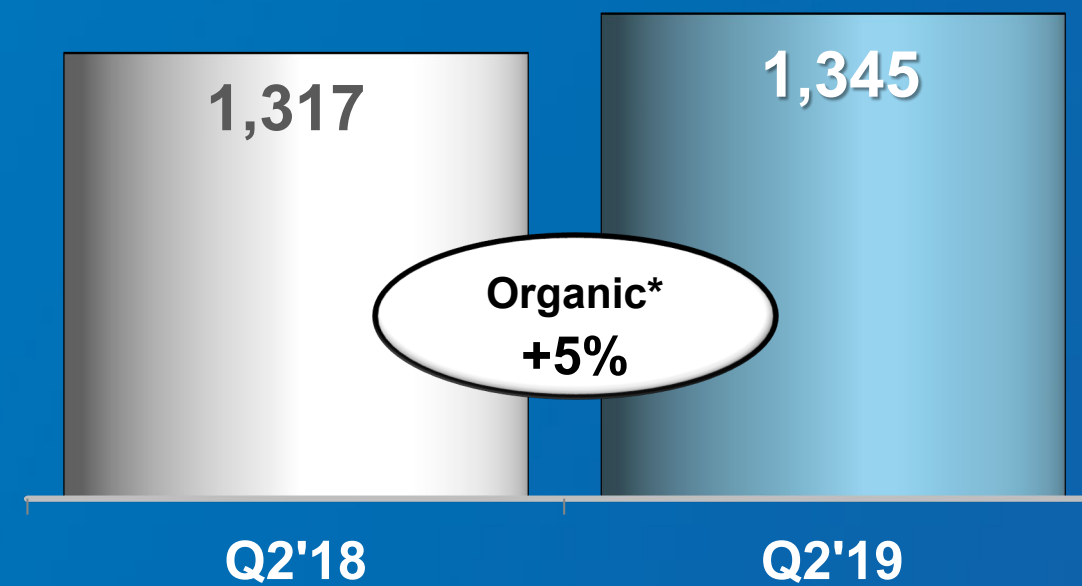
# Key Messages

- **Strong Organic Revenue growth +5% driven by robust U.S. Utilities market and double-digit growth in China and India**
- **Solid Organic Orders growth +4%**
- **Adj. Operating Margin Expansion +50 bps ... in-line with expectations**
- **Adj. EPS \$0.79 (up 10% excluding FX Translation)**
- **Narrowing FY 2019 EPS Guidance to \$3.12 to \$3.22**
- **Released new ambitious set of Sustainability goals for 2025 focused on our impact to customers, communities and our operations**

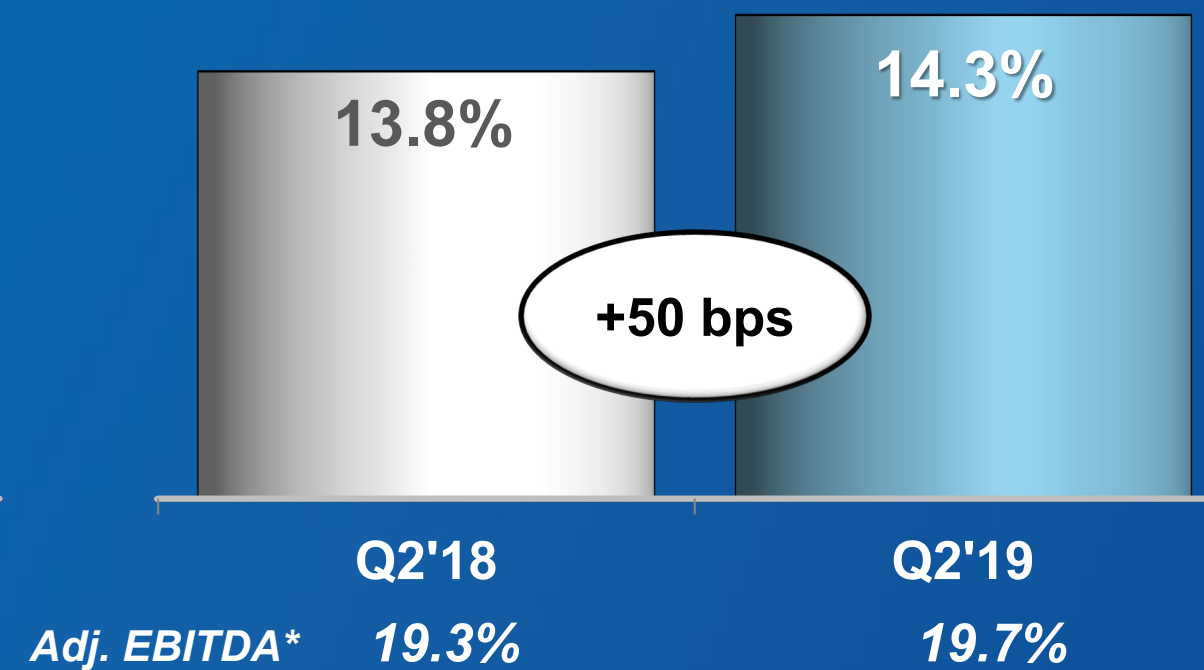
# Q2 2019 Xylem Performance

(Dollars, In Millions, except EPS)

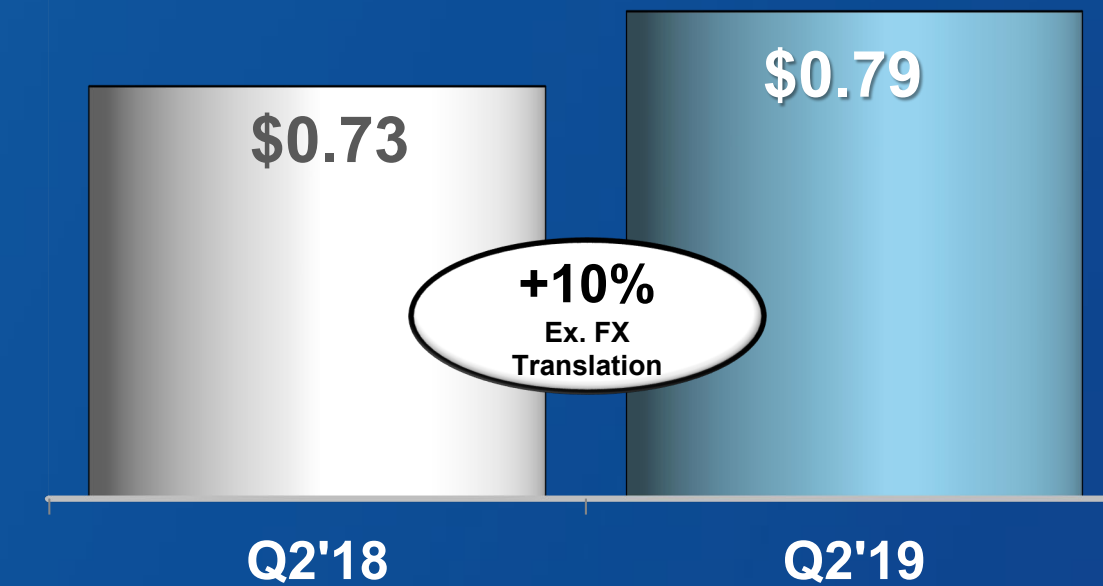
## Revenue



## Adj. Operating Margin\*



## Adj. EPS\*



### Organic Growth by End Market

+Utilities	+8%
+Industrial	+2%
+Commercial	+7%
+Residential	+1%

### Organic Growth by Region

+U.S.	+11%
+Emerging Mkts	+4%
-W. Europe	-2%

### Key Performance Drivers

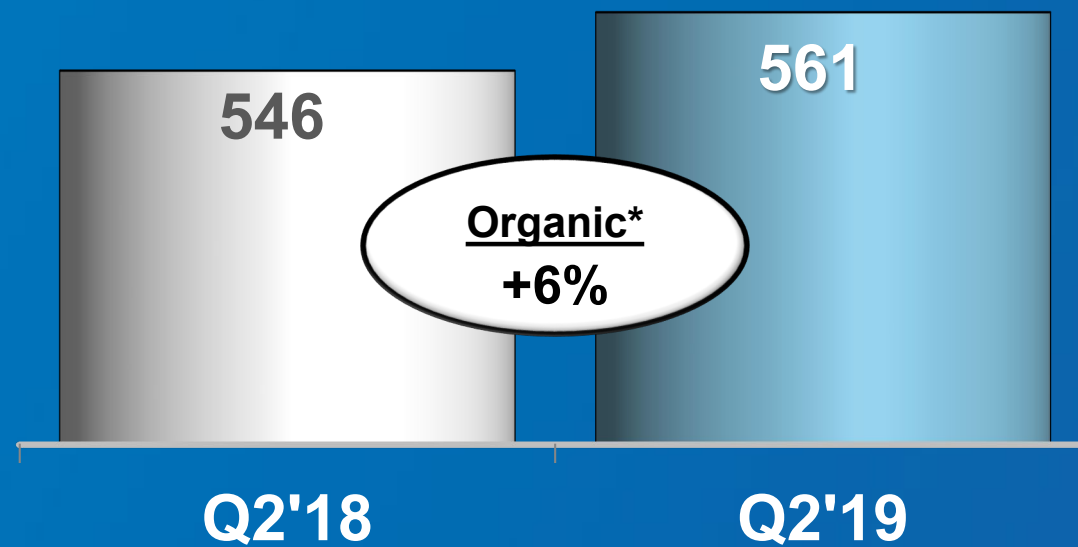
- Growth across all end markets led by U.S. Utilities and Emerging Market growth driven by China and India
- Op. Margin expansion in-line with expectations
  - Productivity drives 280 bps Op Margin expansion (EPS +\$0.17)
  - Price expands Op Margin 200 bps (EPS +0.14)
  - Cost inflation reduces Op Margin by 340 bps (EPS -\$0.20)
  - Strategic investments reduce Op Margin by 90 bps (EPS -\$0.05)
  - Vol/Mix/other offset; No impact to Op Margin or EPS

Other: Tax Rate\* 19.2%      Share Count 181.2

# Q2 2019 Water Infrastructure

(Dollars, In Millions)

## Revenue



### Organic Growth By Application

+ Transport	+6%
+ Treatment	+5%

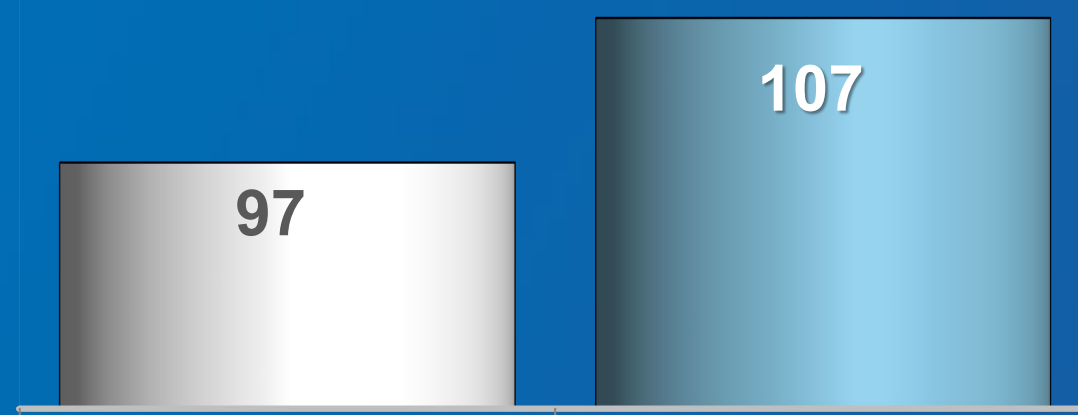
### By Regions

+ U.S.	+17%
+ Australia	+20%
+ Em. Mkts	+3%
- W. Europe	-1%

### Highlights

- + High-single digit growth in Utilities market driven by 14% growth in the U.S. from strong opex in Transport and project execution in Treatment; Mid-teens growth in China and India from wastewater infrastructure projects
- + Industrial growth driven by strong U.S. construction demand for Dewatering rental applications in Transport and healthy mining activity in Asia Pacific
- Western Europe slightly soft as expected ... modest utility growth offset by industrial market weakness
- + Organic orders +4% from high-single digit wastewater Transport growth and solid Dewatering; tough comp in Treatment (+25%)

## Adj. Operating Margin\*



Adj. EBITDA\* Q2'18 20.1%

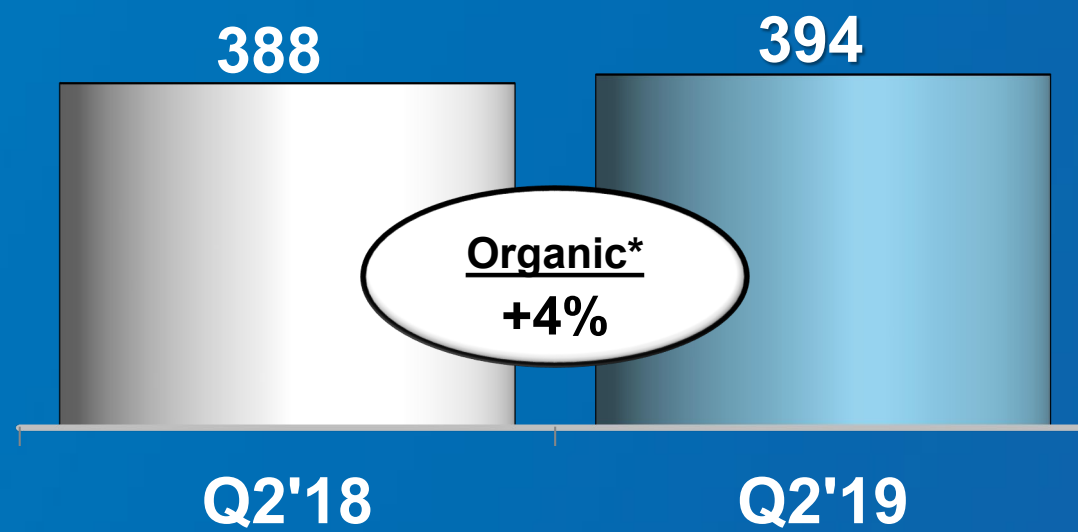
Q2'19 21.7%



# Q2 2019 Applied Water

(Dollars, In Millions)

## Revenue



### Organic Growth By Application

- + Commercial +7%
- + Industrial Water +1%
- + Residential +1%

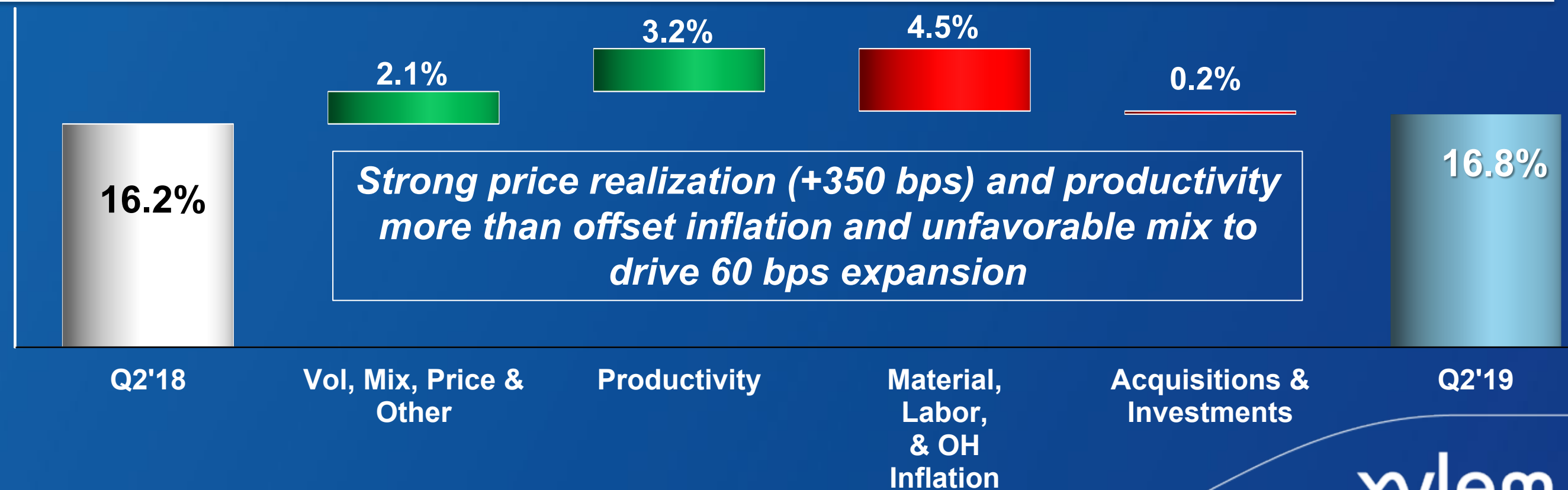
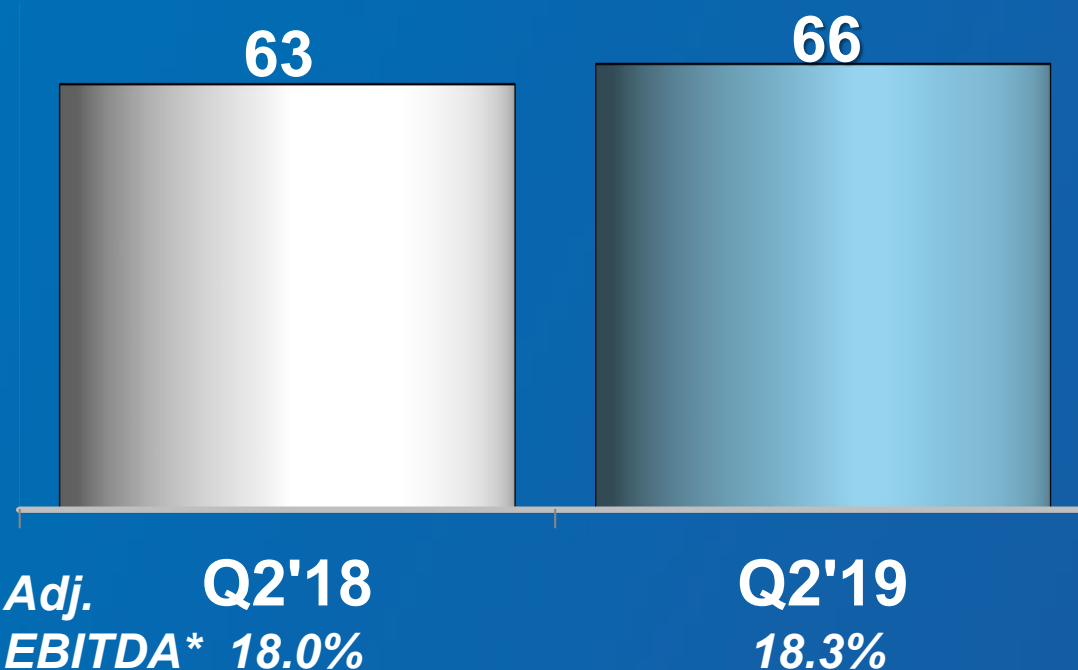
### By Regions

- + U.S. +7%
- + Em. Mkts +2%
- W. Europe -4%

### Highlights

- + Strength in Commercial building applications driven by price realization and healthy market conditions in the U.S.; Strength in select Emerging Markets from project deliveries
- + Moderating Industrial demand in most markets and strong prior year comparison (+9%); U.S. continues to be healthy from project demand
- Softer market conditions in Western Europe primarily impacting Residential and Commercial applications
- + Organic Orders +1% driven by moderating demand particularly in Western Europe

## Adj. Operating Margin\*

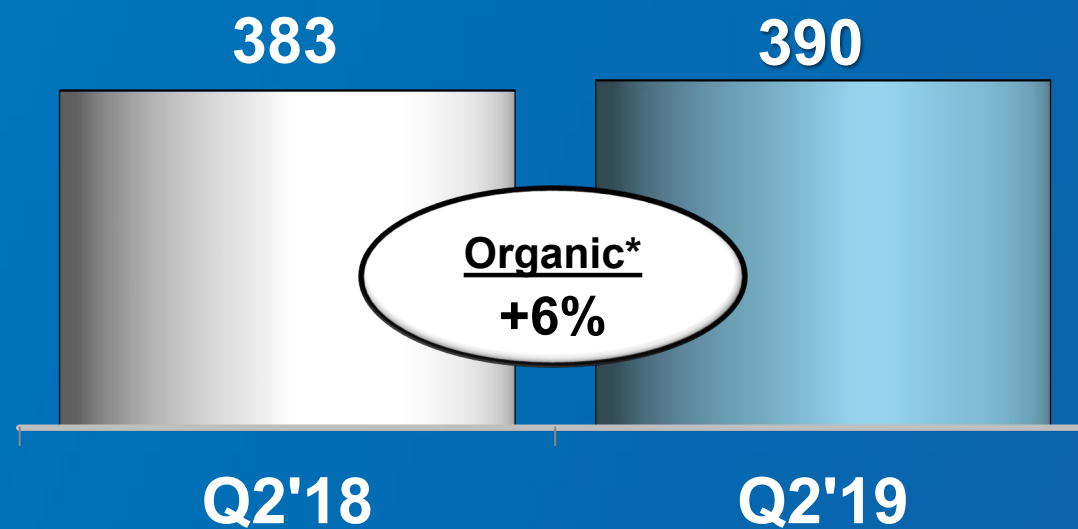


\* See appendix for definitions of non-GAAP measures and non-GAAP reconciliations

# Q2 2019 Measurement & Control Solutions

(Dollars, In Millions)

## Revenue



### Organic Growth By Application

+ Water	+13%
+ Energy	+4%
+ Test	+1%
- SaaS/Other	-9%

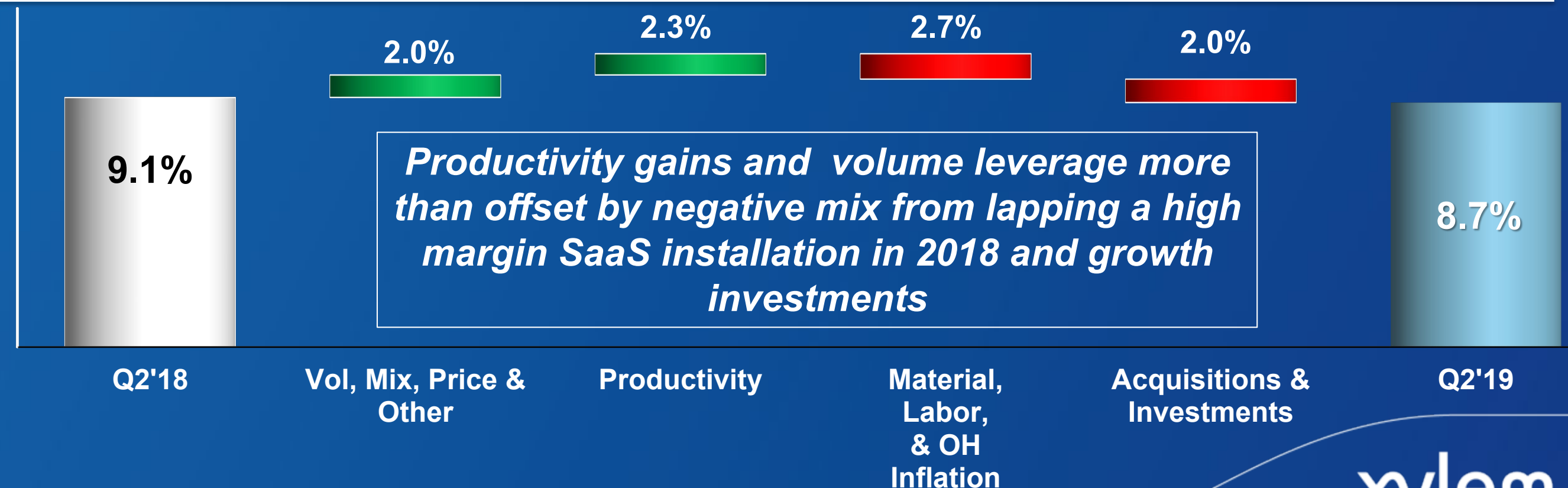
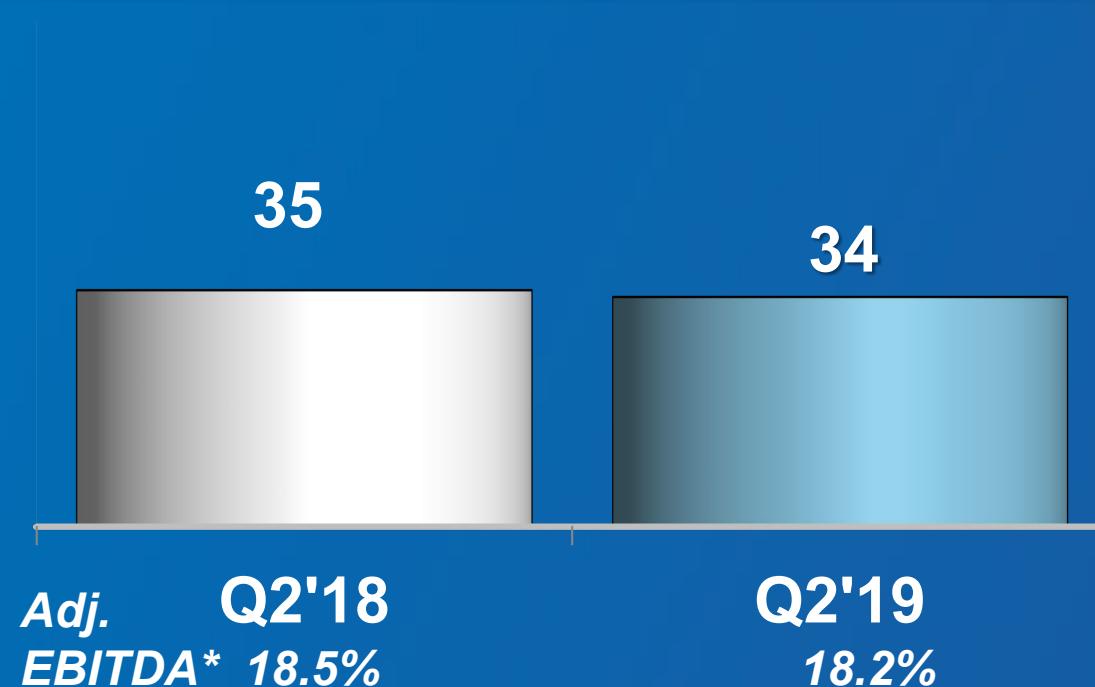
### By Regions

+ U.S.	+10%
+ Em. Mkts	+7%
- W. Europe	-4%

### Highlights

- + Robust double-digit growth in Water businesses from iPerl meters and AMI deployments partially offset by AIA project conversion delays
- + Energy growth driven by Gas project deployments; Test growth from Emerging Market projects partially offset by softer markets in Europe and U.S.
- SaaS performance soft due to lapping large software sale in Western Europe in 2018
- + Organic Orders +7% driven by mid-teens growth in Sensus from international metrology and strong North America Water demand

## Adj. Operating Margin\*

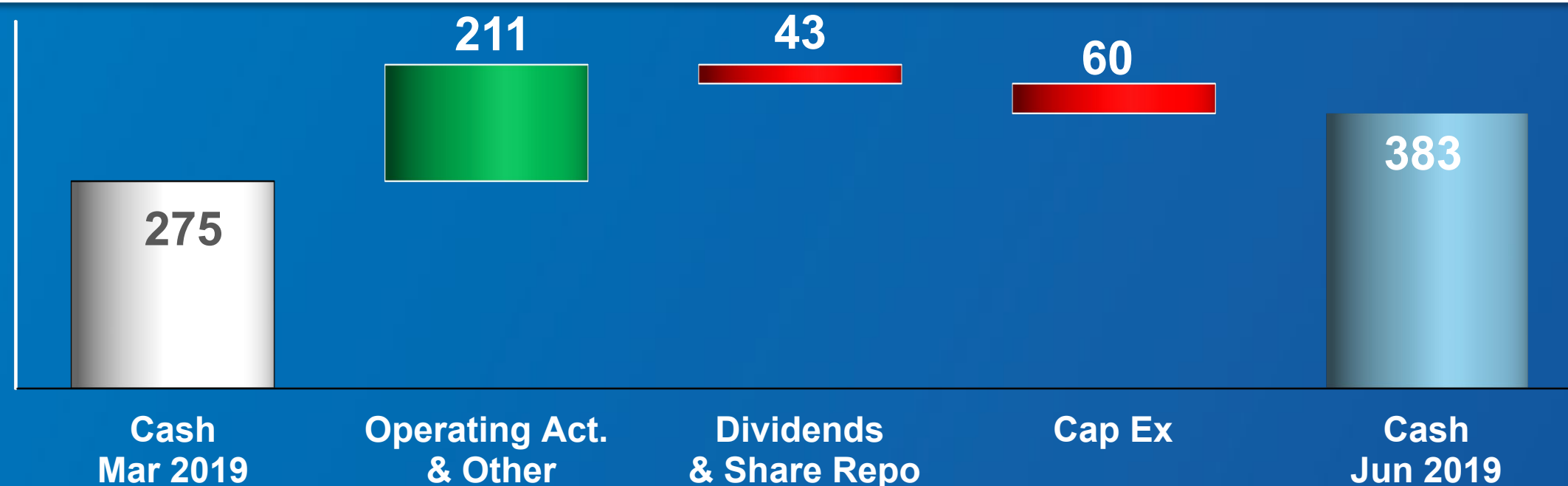




# Xylem Financial Position

(Dollars, In Millions)

## Cash Drivers



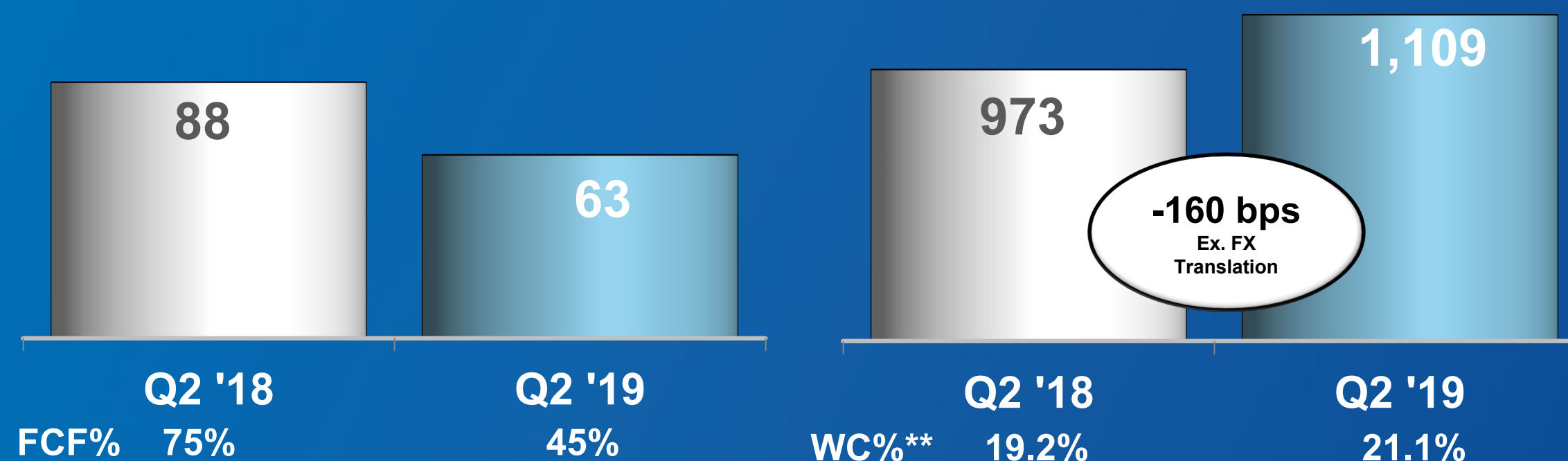
## Capital Summary

JUNE 30, 2019

Cash	383
Debt	2,453
Net Debt	2,070
Shareholders' Equity	2,894
Net Capital	4,964
Net Debt to Net Capital	42%

## Free Cash Flow\*

## Working Capital



## Financial Highlights

- Committed to maintaining Investment Grade Credit (BBB/Baa2); within target leverage range for credit rating agencies (2.5-3x)
- Year-over-Year Working Capital performance reflects timing on Inventory and Accounts Receivable
- Focused on delivering FY 2019 FCF conversion target of 105%; 2Q performance impacted by timing of Working Capital and Capex projects

# 2019 End Market Outlook



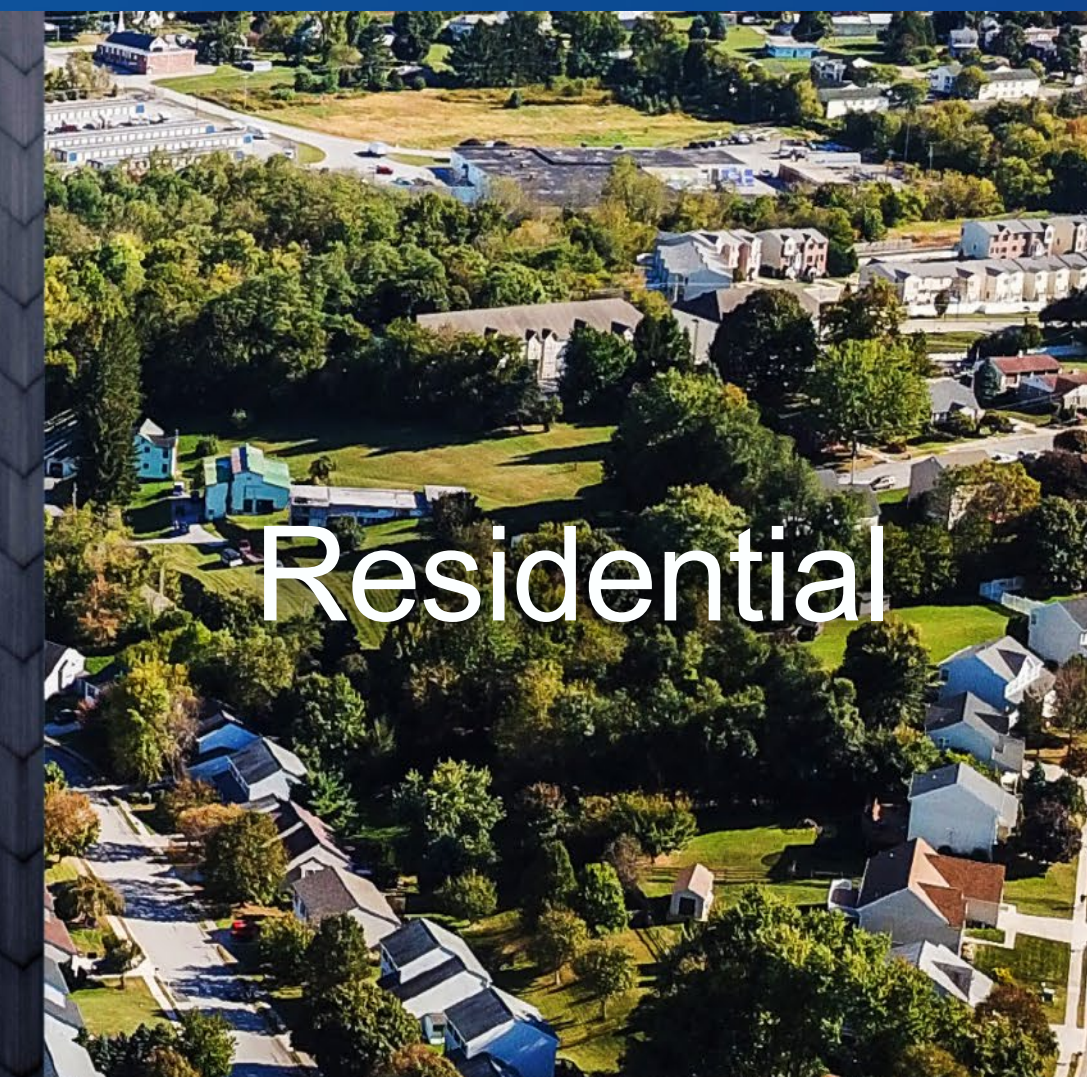
Utilities



Industrial



Commercial



Residential

## Utilities (~50% of 2018 Rev.)

- 2019 Organic\* Growth:  
**Up Mid-to-High Single Digits**  
**Update: (up from mid-single digits)**
- U.S. water and wastewater healthy; Smart meter and infrastructure analytics mkt growth opportunities but tough comps/proj. timing
- Softness in Europe
- Healthy investment & projects in Emerging Markets led broadly by Treatment; Strength in India; double-digit growth in China

## Industrial (~35% of 2018 Rev.)

- 2019 Organic\* Growth:  
**Up Low Single Digits**  
**Update: (down from up low-to-mid single digits)**
- Expect moderating, but continued solid growth in U.S. general/light industry
- O&G/Mining markets expected to be flat to up low single digits after strong recovery in 2018
- Mixed Market conditions outside U.S. with strength in Australia and India offset by slowing growth in China
- Softer than anticipated Europe & Middle East

## Commercial (~10% of 2018 Rev.)

- 2019 Organic\* Growth:  
**Up Mid-Single Digits (No update)**
- Expect market overall to moderate after very strong 2017 & 2018
- Expect healthy U.S. market, moderating slightly in second half of 2019 against tough 2018 compare; ABI remains >50;
- Softer market conditions in Europe
- Emerging Market building construction solid driven by China (recent infrastructure stimulus plan) and Smart City initiatives in India

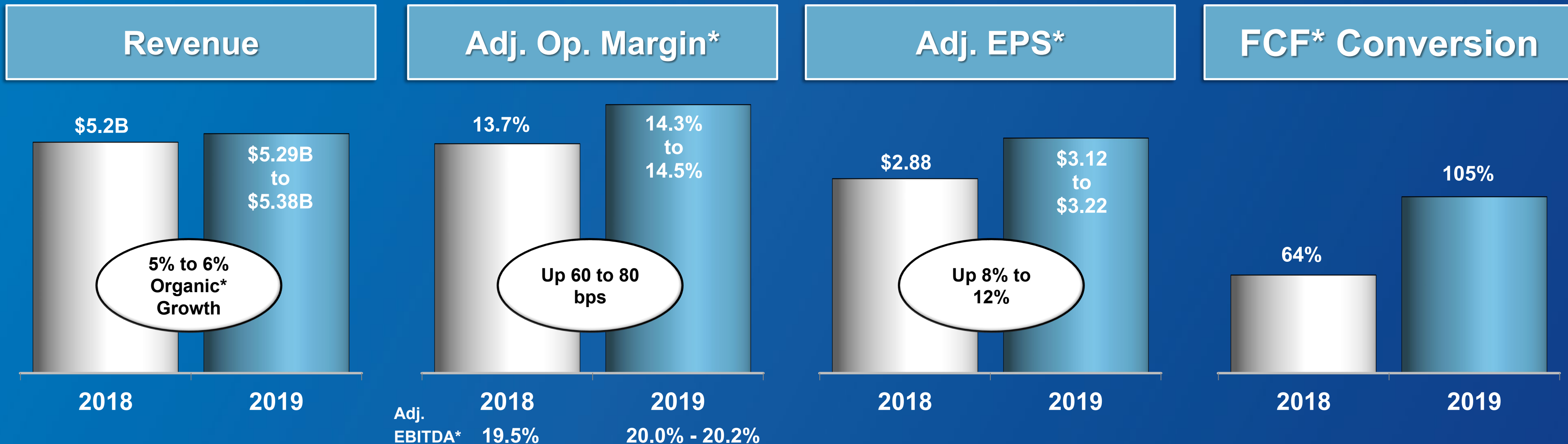
## Residential (~5% of 2018 Rev.)

- 2019 Organic\* Growth:  
**Flat-to-up Low Single Digits**  
**Update: (down from up low-single digits)**
- U.S. housing market flattening; Competitive replacement market dynamics
- Soft European performance from weaker economic conditions
- Mixed growth in Emerging Markets from modest share gains and continued opportunities in China and other Asia countries for secondary clean water

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

# 2019 Outlook

(Dollars, In Millions, except EPS)



## Financial Highlights

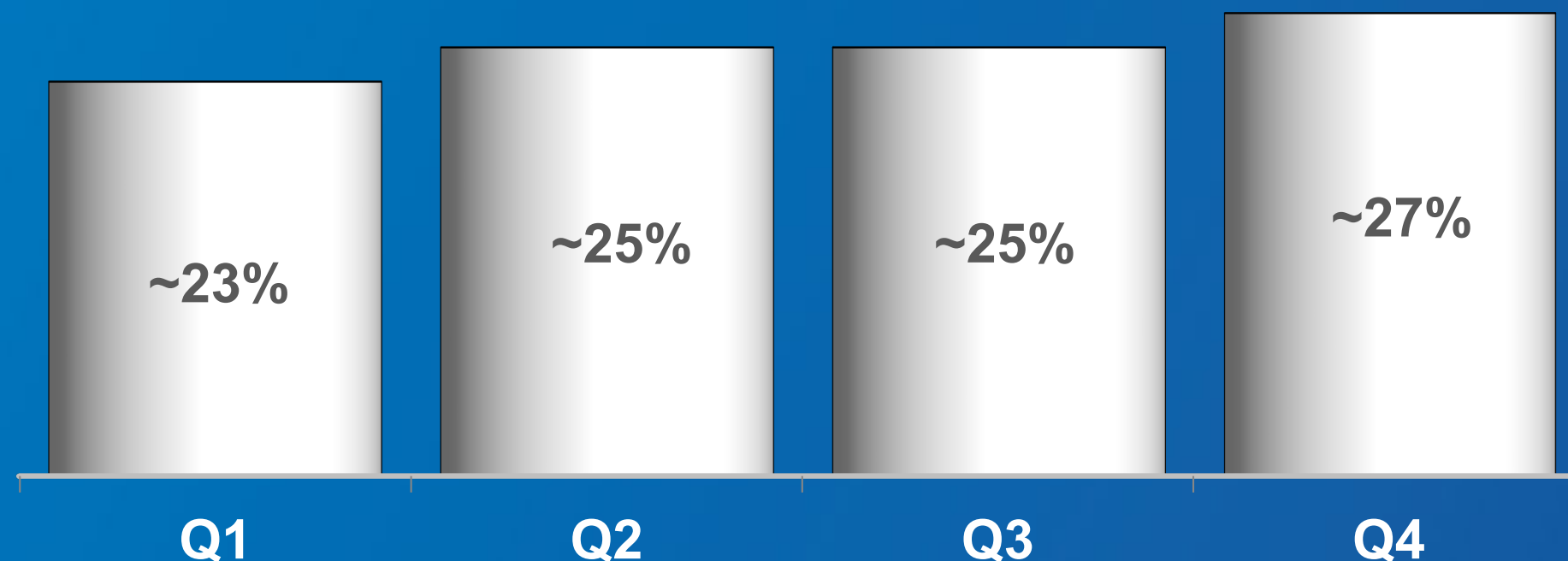
- Narrowing Organic\* Growth to 5% to 6% reflecting strong +6% growth in 1H and some moderation in 2H
- Updating Adjusted Operating Margin\* expectation to 14.3% to 14.5% (from 14.5% to 14.9%) reflecting expansion from 2018 in the range of 60 to 80 basis points
- Updating Adjusted EPS\* expectation to \$3.12 to \$3.22 (from \$3.12 to \$3.32); Now reflects an increase of 8% to 12% vs. 2018
- Continue to expect Free Cash Flow\* conversion of 105%

# 2019 Outlook

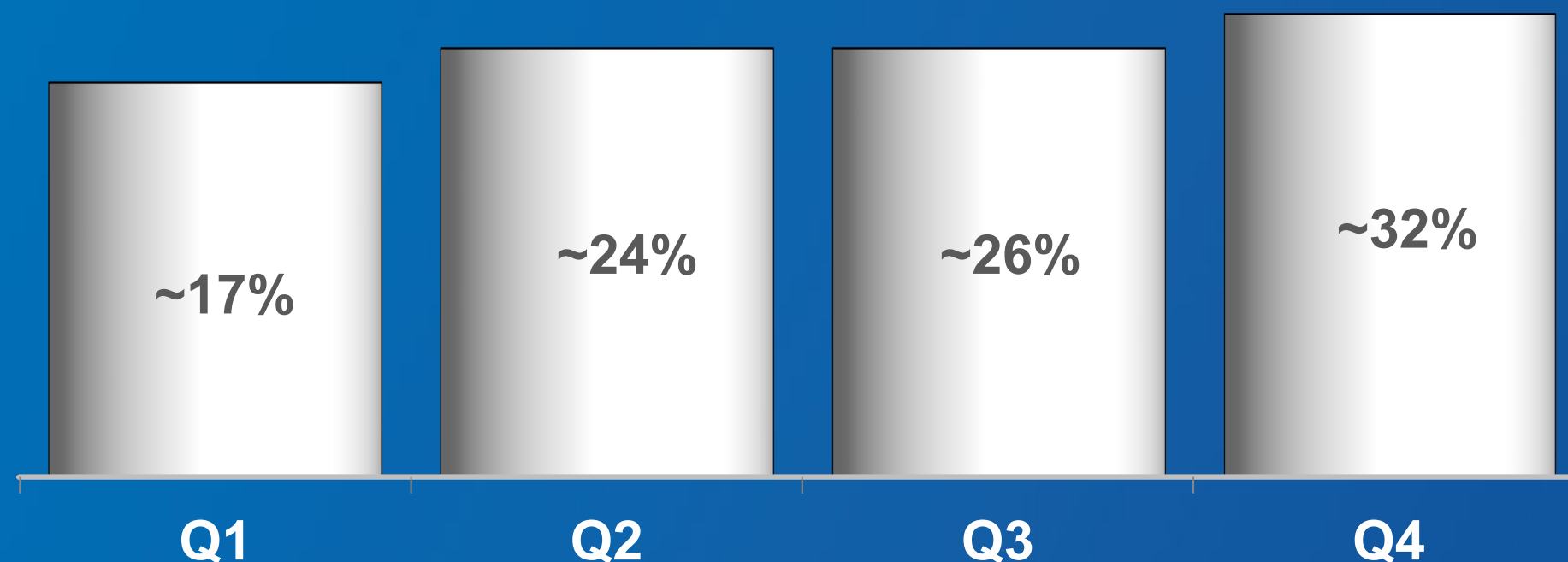
(Dollars, In Millions)

## HISTORIC QUARTERLY PROFILE

**Revenue as a % of Full Year**  
(Xylem 2012 - 2018)



**Adj. EPS\* as a % of Full Year**  
(Xylem 2012 - 2018)



## FY 2019 PLANNING ASSUMPTIONS

<b>Xylem Organic* Growth</b>	+5% to 6%
Water Infrastructure	+6% to 7%
Applied Water	+3% to 4%
Measurement & Control Solutions	+5% to 6%
<b>FX Euro Rate</b>	1.12
<b>Adjusted Operating Margin*</b>	14.3% to 14.5%
<b>Adjusted EBITDA Margin*</b>	20.0% to 20.2%
<b>Corporate Expense</b>	~\$55M
<b>Restructuring and Realignment Costs</b>	~\$60 to 70M
<b>Dividends</b>	~\$175M
<b>Capex</b>	~\$230M to \$240M
<b>Interest Expense</b>	~\$72
<b>Estimated Tax Rate:</b>	~19.0%
<b>Share Count:</b>	~181M
<b>Adjusted EPS*</b>	\$3.12 to \$3.22

## Q3 2019 PLANNING ASSUMPTIONS

<b>Xylem Organic* Growth</b>	+4% to 5%
<b>Adjusted Operating Margin*</b>	15.0% to 15.1%
<b>Adjusted EBITDA*</b>	20.6% to 20.7%

# Summary

- **Strong Organic Revenue growth +5% driven by robust U.S. Utilities market and Emerging Markets**
- **Solid Organic Orders growth +4%**
- **Adj. Operating Margin Expansion +50 bps ... in-line with expectations**
- **Adj. EPS \$0.79 (up 12% excluding FX Translation)**
- **Narrowing FY 2019 EPS Guidance to \$3.12 to \$3.22**
- **Released new ambitious set of Sustainability goals for 2025 focused on our impact to customers, communities and our operations**
- **Targeting early spring for 2020 Investor Day ... Details to come in 3Q**

# Appendix

# Our 2025 Signature Sustainability Goals

## SERVING OUR CUSTOMERS:

- **Optimize global water management by saving 16.5 billion cubic meters of water** through the use of advanced technologies and **preventing over 7 billion cubic meters of polluted water** from flooding communities or entering local waterways.

## SERVING OUR CUSTOMERS:

- **Provide access to clean water and sanitation solutions for at least 20 million people** living at the base of the global economic pyramid.

## BUILDING A SUSTAINABLE COMPANY:

- **Use 100% renewable energy and process water recycling** at our major facilities

## BUILDING A SUSTAINABLE COMPANY:

- **Ensure 100% of our employees have access to clean water and safe sanitation** at work, at home and during natural disasters

## EMPOWERING COMMUNITIES:

- **Give 1% of employees' time and 1% of our company profits** to water-related causes and education



# FOREIGN EXCHANGE TRANSLATION SENSITIVITY

## *Foreign Exchange Translation*

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

Currency	2019 Guidance Rate	Rates assuming 5% decrease in Guidance Rate	Revenue Impact on 2H 2019 of 5% Decrease in Rate	EPS Impact on 2019 of 5% Decrease in Rate
Euro	1.12	1.06	(\$23M)	(\$0.05)
GBP	1.25	1.19	(\$7M)	\$0.00
SEK	0.11	0.10	(\$3M)	\$0.01
RMB	0.15	0.14	(\$8M)	(\$0.01)
CAD	0.76	0.73	(\$6M)	\$0.00
All Other			(\$23M)	(\$0.01)
<b>Total</b>			<b>(\$70M)</b>	<b>(\$0.06)</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 non-GAAP measures, which may not be comparable to similarly titled measures reported by other companies, to be key performance indicators:

**"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"** and **"Adjusted EBITDA Margin"** 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 Operating Margin", "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.

**"Free Cash Flow"** defined as net cash from operating activities, as reported in the Statement of Cash Flow, less capital expenditures as well as adjustments for other significant items that impact current results which management believes are not related to our ongoing operations and performance. Our definition of "free cash flow" 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.

**"Sensus Acquisition Related Costs"** defined as costs incurred by the Company associated with the acquisition of Sensus that are being reported within operating income. These costs include integration costs, acquisition costs, costs related to the recognition of the backlog intangible asset amortization recorded in purchase accounting.

**"Special charges"** defined as costs incurred by the Company, such as acquisition and integration related costs not included in "Sensus Acquisition Related Costs", non-cash impairment charges and other special non-operating items.

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

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

	(As Reported - GAAP)				(As Adjusted - Organic)				Constant Currency
	(A)		(B)	% Change	(C)	(D)	(E) = B+C+D	(F) = E/A	(G) = (E - C) / A
	2019 Orders	2018 Orders	2019 v. 2018	2019 v. 2018	Acq./Div.	FX Impact	Change Adj. 2019 v. 2018	% Change Adj. 2019 v. 2018	
<b>Six Months Ended June 30</b>									
<b>Xylem Inc.</b>	<b>2,707</b>	<b>2,698</b>	<b>9</b>	<b>0%</b>	<b>9</b>	<b>89</b>	<b>107</b>	<b>4%</b>	<b>4%</b>
Water Infrastructure	1,118	1,134	(16)	(1%)	-	51	35	3%	3%
Applied Water	793	785	8	1%	-	20	28	4%	4%
Measurement & Control Solutions	796	779	17	2%	9	18	44	6%	4%
<b>Quarter Ended June 30</b>									
<b>Xylem Inc.</b>	<b>1,392</b>	<b>1,378</b>	<b>14</b>	<b>1%</b>	<b>7</b>	<b>33</b>	<b>54</b>	<b>4%</b>	<b>3%</b>
Water Infrastructure	586	580	6	1%	-	16	22	4%	4%
Applied Water	399	401	(2)	0%	-	8	6	1%	1%
Measurement & Control Solutions	407	397	10	3%	7	9	26	7%	5%
<b>Quarter Ended March 31</b>									
<b>Xylem Inc.</b>	<b>1,315</b>	<b>1,320</b>	<b>(5)</b>	<b>0%</b>	<b>2</b>	<b>56</b>	<b>53</b>	<b>4%</b>	<b>4%</b>
Water Infrastructure	532	554	(22)	(4%)	-	35	13	2%	2%
Applied Water	394	384	10	3%	-	12	22	6%	6%
Measurement & Control Solutions	389	382	7	2%	2	9	18	5%	4%

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

	<b>(As Reported - GAAP)</b>				<b>(As Adjusted - Organic)</b>				<b>Constant Currency</b>
	(A)	(B)	(B)	(B)	(C)	(D)	(E) = B+C+D	(F) = E/A	(G) = (E - C) / A
	<u>2019 Revenue</u>	<u>2018 Revenue</u>	<u>2019 v. 2018</u>	<u>% Change</u>	<u>Acq./Div.</u>	<u>FX Impact</u>	<u>Change</u>	<u>% Change</u>	
							<u>Adj. 2019 v.</u>	<u>Adj. 2019 v.</u>	
							<u>2018</u>	<u>2018</u>	
<b>Six Months Ended June 30</b>									
<b>Xylem Inc.</b>	<b>2,582</b>	<b>2,534</b>	<b>48</b>	<b>2%</b>	<b>14</b>	<b>83</b>	<b>145</b>	<b>6%</b>	<b>5%</b>
Water Infrastructure	1,043	1,026	17	2%	-	46	63	6%	6%
Applied Water	773	754	19	3%	-	20	39	5%	5%
Measurement & Control Solutions	766	754	12	2%	14	17	43	6%	4%
<b>Quarter Ended June 30</b>									
<b>Xylem Inc.</b>	<b>1,345</b>	<b>1,317</b>	<b>28</b>	<b>2%</b>	<b>9</b>	<b>32</b>	<b>69</b>	<b>5%</b>	<b>5%</b>
Water Infrastructure	561	546	15	3%	-	16	31	6%	6%
Applied Water	394	388	6	2%	-	8	14	4%	4%
Measurement & Control Solutions	390	383	7	2%	9	8	24	6%	4%
<b>Quarter Ended March 31</b>									
<b>Xylem Inc.</b>	<b>1,237</b>	<b>1,217</b>	<b>20</b>	<b>2%</b>	<b>5</b>	<b>51</b>	<b>76</b>	<b>6%</b>	<b>6%</b>
Water Infrastructure	482	480	2	0%	-	30	32	7%	7%
Applied Water	379	366	13	4%	-	12	25	7%	7%
Measurement & Control Solutions	376	371	5	1%	5	9	19	5%	4%

## Xylem Inc. Non-GAAP Reconciliation Adjusted Operating Income

	Q1		Q2		YTD	
	2019	2018	2019	2018	2019	2018
<b>Total Revenue</b>						
• Total Xylem	1,237	1,217	1,345	1,317	2,582	2,534
• Water Infrastructure	482	480	561	546	1,043	1,026
• Applied Water	379	366	394	388	773	754
• Measurement & Control Solutions	376	371	390	383	766	754
<b>Operating Income</b>						
• Total Xylem	109	113	171	171	280	284
• Water Infrastructure	51	49	98	92	149	141
• Applied Water	56	50	62	61	118	111
• Measurement & Control Solutions	16	33	26	31	42	64
• Total Segments	123	132	31	184	309	316
<b>Operating Margin</b>						
• Total Xylem	8.8%	9.3%	12.7%	13.0%	10.8%	11.2%
• Water Infrastructure	10.6%	10.2%	17.5%	16.8%	14.3%	13.7%
• Applied Water	14.8%	13.7%	15.7%	15.7%	15.3%	14.7%
• Measurement & Control Solutions	4.3%	8.9%	6.7%	8.1%	5.5%	8.5%
• Total Segments	9.9%	10.8%	13.8%	14.0%	12.0%	12.5%
<b>Special Charges</b>						
• Total Xylem	4	6	-	1	4	7
• Water Infrastructure	-	-	-	-	-	-
• Applied Water	-	-	-	-	-	-
• Measurement & Control Solutions	4	2	-	1	4	3
• Total Segments	4	2	-	1	4	3
<b>Restructuring &amp; Realignment Costs</b>						
• Total Xylem	20	16	21	10	41	26
• Water Infrastructure	9	5	9	5	18	10
• Applied Water	3	3	4	2	7	5
• Measurement & Control Solutions	8	8	8	3	16	11
• Total Segments	20	16	21	10	41	26
<b>Adjusted Operating Income</b>						
• Total Xylem	133	135	192	182	325	317
• Water Infrastructure	60	54	107	97	167	151
• Applied Water	59	53	66	63	125	116
• Measurement & Control Solutions	28	43	34	35	62	78
• Total Segments	147	150	207	195	354	345
<b>Adjusted Operating Margin</b>						
• Total Xylem	10.8%	11.1%	14.3%	13.8%	12.6%	12.5%
• Water Infrastructure	12.4%	11.3%	19.1%	17.8%	16.0%	14.7%
• Applied Water	15.6%	14.5%	16.8%	16.2%	16.2%	15.4%
• Measurement & Control Solutions	7.4%	11.6%	8.7%	9.1%	8.1%	10.3%
• Total Segments	11.9%	12.3%	15.4%	14.8%	13.7%	13.6%

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

	Q1		Q2		Six Months Ended	
	2019	2018	2019	2018	2019	2018
<b>Net Cash - Operating Activities</b>	<b>\$83</b>	<b>\$63</b>	<b>\$123</b>	<b>\$138</b>	<b>\$206</b>	<b>\$201</b>
Capital Expenditures	(69)	(61)	(60)	(50)	(129)	(111)
<b>Free Cash Flow</b>	<b>\$14</b>	<b>\$2</b>	<b>\$63</b>	<b>\$88</b>	<b>\$77</b>	<b>\$90</b>
Cash paid for Sensus acquisition related costs	-	(1)	-	-	-	(1)
<b>Free Cash Flow, excluding Sensus Acquisition Related Costs</b>	<b>\$14</b>	<b>\$3</b>	<b>\$63</b>	<b>88</b>	<b>\$77</b>	<b>\$92</b>
Net Income	79	79	139	115	218	194
Gain/(Loss) from sale of businesses	1	-	-	(2)	1	(2)
Special Charges - non-cash impairment	(3)	-	-	-	(3)	-
<b>Net Income, excluding gain on sale of businesses, non-cash impairment charges and Sensus Acquisition Related Costs</b>	<b>\$81</b>	<b>\$79</b>	<b>\$139</b>	<b>\$117</b>	<b>\$220</b>	<b>\$196</b>
<b>Free Cash Flow Conversion</b>	<b>17%</b>	<b>4%</b>	<b>45%</b>	<b>75%</b>	<b>35%</b>	<b>46%</b>

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

	Q2 2019			Q2 2018		
	As Reported	Adjustments	Adjusted	As Reported	Adjustments	Adjusted
Total Revenue	1,345	-	1,345	1,317	-	1,317
Operating Income	171	21	192	171	11	182
Operating Margin	12.7%	-	14.3%	13.0%	-	13.8%
Interest Expense	(18)	-	(18)	(21)	-	(21)
Other Non-Operating Income (Expense)	3	-	3	2	-	2
Gain/(Loss) From Sale of Businesses	-	-	-	(2)	2	-
Income before Taxes	156	21	177	150	13	163
Provision for Income Taxes	(17)	(17)	(34)	(35)	3	(32)
Net Income Attributable to Xylem	139	4	143	115	16	131
Diluted Shares	181.2		181.2	181.0		181.0
<b>Diluted EPS</b>	<b>\$0.77</b>	<b>\$0.02</b>	<b>\$0.79</b>	<b>\$0.64</b>	<b>\$0.09</b>	<b>\$0.73</b>
Year-over-year currency translation impact on current year diluted EPS	-	(\$0.01)	(\$0.01)			
<b>Diluted EPS at Constant Currency</b>	<b>\$0.77</b>	<b>\$0.03</b>	<b>\$0.80</b>			

a Quarter: Restructuring & realignment costs of \$21 million and \$10 million in 2019 and 2018, respectively; special charges of \$1 million of acquisition related costs in 2018.

b Quarter: Net tax impact on restructuring & realignment costs of \$4 million and \$3 million in 2019 and 2018, respectively and tax-related special items of \$13 million of expense in 2019 and \$6 million of benefit in 2018.

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

	2019				
	Q1	Q2	Q3	Q4	Total
Net Income	79	139			218
Income Tax Expense	15	17			32
Interest Expense (Income), net	17	18			35
Depreciation	29	29			58
Amortization	35	34			69
EBITDA	175	237			412
Share-based Compensation	9	7			16
Restructuring & Realignment	20	21			41
Loss/(Gain) from sale of business	(1)	-			(1)
Special Charges	4	-			4
Adjusted EBITDA	207	265			472
Revenue	1,237	1,345			2,582
Adjusted EBITDA Margin	16.7%	19.7%			18.3%

	2018				
	Q1	Q2	Q3	Q4	Total
Net Income	79	115	130	225	549
Income Tax Expense	16	35	31	(46)	36
Interest Expense (Income), net	20	20	20	18	78
Depreciation	29	29	29	30	117
Amortization	38	36	34	36	144
EBITDA	182	235	244	263	924
Share-based Compensation	9	7	7	7	30
Restructuring & Realignment	16	9	11	11	47
Loss/(Gain) from sale of business	-	2	(2)	-	-
Special Charges	6	1	1	4	12
Adjusted EBITDA	213	254	261	285	1,013
Revenue	1,217	1,317	1,287	1,386	5,207
Adjusted EBITDA Margin	17.5%	19.3%	20.3%	20.6%	19.5%

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

	2019				
	Q1	Q2	Q3	Q4	Total
Pre-Tax Income	50	96			146
Interest Expense (Income), net	(1)	1			-
Depreciation	11	12			23
Amortization	4	4			8
EBITDA	64	113			177
Share-based Compensation	1	-			1
Restructuring & Realignment	9	9			18
Adjusted EBITDA	74	122			196
Revenue	482	561			1,043
Adjusted EBITDA Margin	15.4%	21.7%			18.8%

	2018				
	Q1	Q2	Q3	Q4	Total
Pre-Tax Income	47	90	98	117	352
Interest Expense (Income), net	-	(1)	(1)	-	(2)
Depreciation	12	11	12	11	46
Amortization	5	5	5	5	20
EBITDA	64	105	114	133	416
Share-based Compensation	1	-	1	-	2
Restructuring & Realignment	5	5	5	5	20
Special Charges	-	-	-	2	2
Adjusted EBITDA	70	110	120	140	440
Revenue	480	546	541	609	2,176
Adjusted EBITDA Margin	14.6%	20.1%	22.2%	23.0%	20.2%

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

	2019				
	Q1	Q2	Q3	Q4	Total
Pre-Tax Income	57	62			119
Interest, net	-	-			--
Depreciation	5	5			10
Amortization	1	1			1
EBITDA	63	68			130
Share-based Compensation	1	-			1
Restructuring & Realignment	3	4			7
Adjusted EBITDA	67	72			138
Revenue	379	394			773
Adjusted EBITDA Margin	17.7%	18.3%			17.9%

	2018				
	Q1	Q2	Q3	Q4	Total
Pre-Tax Income	50	61	60	66	237
Interest, net	-	-	-	-	-
Depreciation	5	5	5	5	20
Amortization	-	1	1	-	2
EBITDA	55	67	66	71	259
Share-based Compensation	1	1	-	1	3
Restructuring & Realignment	3	2	2	3	10
Adjusted EBITDA	59	70	68	75	272
Revenue	366	388	378	402	1,534
Adjusted EBITDA Margin	16.1%	18.0%	18.0%	18.7%	17.7%

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

	2019				
	Q1	Q2	Q3	Q4	Total
Pre-Tax Income	16	26			42
Interest Expense (Income), net	-	-			-
Depreciation	9	9			18
Amortization	27	26			53
EBITDA	52	61			113
Share-based Compensation	1	2			3
Restructuring & Realignment	8	8			16
Loss/(Gain) from sale of business	(1)	-			(1)
Special Charges	4	-			4
Adjusted EBITDA	64	71			135
Revenue	376	390			766
Adjusted EBITDA Margin	17.0%	18.2%			17.6%

	2018				
	Q1	Q2	Q3	Q4	Total
Pre-Tax Income	33	28	33	23	117
Interest Expense (Income), net	-	-	-	(1)	(1)
Depreciation	8	9	8	10	35
Amortization	29	27	26	27	109
EBITDA	70	64	67	59	260
Share-based Compensation	1	1	1	1	4
Restructuring & Realignment	8	3	4	3	18
Loss/(Gain) from sale of business	-	2	(2)	-	-
Special Charges	2	1	-	2	5
Adjusted EBITDA	81	71	70	65	287
Revenue	371	383	368	375	1,497
Adjusted EBITDA Margin	21.8%	18.5%	19.0%	17.3%	19.2%



# Let's Solve Water

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