

The background features a close-up of a green stem with several clear water droplets. A teal wave graphic curves across the bottom half of the image. The text is overlaid on the left side.

XYLEM INC.
ROBERT W. BAIRD INDUSTRIAL CONFERENCE

xylem
Let's Solve Water

PATRICK DECKER, CEO
NOVEMBER 6, 2018

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 and embargoes that could affect customer markets, and non-compliance with laws, including foreign corrupt practice laws, export and import laws and competition laws; potential for unexpected cancellations or delays of customer orders in our reported backlog; our exposure to fluctuations in foreign currency exchange rates; competition and pricing pressures in the markets we serve; the strength of housing and related markets; ability to retain and attract 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; changes in the value of goodwill or intangible assets; risks relating to product defects, product liability and recalls; governmental investigations; security breaches or other disruptions of our information technology systems; litigation and contingent liabilities; and other factors set forth in “Item 1A Risk Factors” of our Annual Report on Form 10-K for the year ended December 31, 2017, and those described from time to time in subsequent reports filed with the Securities and Exchange Commission.

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

Xylem at a Glance

Company Stats

Founded	2011 (Spin)
Global Locations	~350
Employees	~16,500
Market Cap¹	~\$12B



2017 Financial Stats²

Revenue	\$4.7B
EBITDA Margin	\$878M 18.7%
Operating Margin	13.4%

2017 Segment Revenue² | (% of total)

Water Infrastructure	\$2.0B 43%
Applied Water	\$1.4B 30%
Measurement & Control Solutions	\$1.3B 27%

Our Vision:

Be the Distinctive Market Leader in the Water Sector

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

We are Uniquely Positioned to Solve the World's Growing Water Challenges



POPULATION GROWTH



URBANIZATION



AGING INFRASTRUCTURE



ENVIRONMENTAL PROTECTION



WATER SCARCITY



NATURAL DISASTERS

We Participate Across the Water Cycle

SMART GRID



METROLOGY
CONNECTIVITY
DISTRIBUTION AUTOMATION

IoT / SMART CITIES



STREET LIGHTING
CONNECTIVITY
SENSORS
DATA ANALYTICS

SMART GAS



METROLOGY
CONNECTIVITY
SENSORS



WATER RESIDENTIAL / INDUSTRIAL / BUILDING / SERVICES / IRRIGATION

SMART WATER



METROLOGY
CONNECTIVITY
SENSORS








MONITOR / PREPARE / RESPOND / RECOVER
FLOODS / DROUGHTS / CONTAMINATION

OCEANS / LAKES / RIVERS / GROUND WATER

WATER INTAKE

WATER RETURN

Our Value Creation Roadmap

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

Executed Strategic Transactions



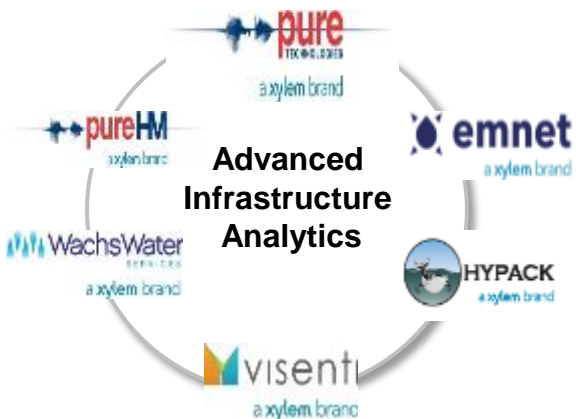
- Differentiated communication systems, metering technologies & data analytics
- Acquired in October 2016; Purchase Price: \$1.7B (10.7x Adj. EBITDA)
- Expected 2020 Run Rate Revenue Synergies of \$150 - \$175M
- Cost Savings of \$50M+ by 2020
- \$957M in 2017 Revenue; HSD Organic Revenue Growth

M&A Prioritized Areas

Systems
Intelligence

Industrial
Water
Services

Advanced
and
Industrial
Water
Treatment



- Integrated portfolio of solutions that attack waste in infrastructure capital and operating budgets
- Significantly enhances our offering to address challenges such as aging infrastructure and non-revenue water with intelligent, proprietary technologies
- Closed on acquisition of Pure Technologies in January 2018
- Expect ~10% Organic Revenue Growth CAGR (2017 to 2022E)

Opportunities in Faster Growing Markets Made More Scalable by Xylem

Executing toward 2020 Financial Targets

	FY2017 Results	FY2018 Outlook	Long-Term Target (2020)	
Organic Growth	4% Pro Forma with Sensus	7% to 8%	4% to 6%	Sensus and revenue synergies drive higher growth profile
Operating Margin	13.3%	13.9% to 14%	17% to 18%	
EBITDA Margin	18.7%	~19.7%	21.5% to 22.5%	
EPS¹ Growth	+18%	~20%	Mid-teens	
Capital Available for Deployment	Deployed ~\$30M	Deployed ~\$430M	\$5B+	Capital deployment drives high-teens+ EPS growth

Further Strengthening the Investment Thesis

Xylem's Investment Thesis

WE WILL BENEFIT FROM A FAVORABLE MACRO OUTLOOK

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



MARKET-PLUS GROWTH DRIVEN BY FOCUSED STRATEGIES

Increased investment in faster-growth regions and innovation



RUNWAY FOR FURTHER MARGIN EXPANSION

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



ACCELERATING CAPITAL DEPLOYMENT TO CREATE VALUE

Strong cash flow generation and capital structure enables significant value creation



Creating Social Value in Everything We Do



The background features a close-up of a green leaf with several clear water droplets resting on its surface. The lighting is bright and natural, creating a fresh and clean atmosphere. The bottom half of the image is overlaid with a gradient that transitions from a light teal to a deep blue.

THANK YOU

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