

2021 Fourth 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,” “will,” “could,” “would,” “should,” “potential,” “may” and similar expressions or their negative, may, but are not necessary to, identify forward-looking statements. By their nature, forward-looking statements address uncertain matters and include any statements that: are not historical, such as statements about our strategy, financial plans, outlook, objectives, plans, intentions or goals (including those related to our social, environmental and other sustainability goals); or address possible or future results of operations or financial performance, including statements relating to orders, revenues, operating margins and earnings per share growth.

Although we believe that the expectations reflected in any of our forward-looking statements are reasonable, actual results could differ materially from those projected or assumed in any of our forward-looking statements. Our future financial condition and results of operations, as well as any forward-looking statements, are subject to change and to inherent risks and uncertainties, many of which are beyond our control. 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 ongoing COVID-19 pandemic’s magnitude, duration and impacts on our business, operations, growth, and financial condition; 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; demand for our products, disruption, competition, 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; ability to retain and attract senior management and other diverse and key talent, as well as increasing competition for overall talent and labor; difficulty predicting our financial results; defects, security, warranty and liability claims, and recalls with respect to products; availability, regulation or interference with radio spectrum used by certain of our products; 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; volatility in served markets or impacts on business and operations due to weather conditions, including the effects of climate change; fluctuations in foreign currency exchange rates; our ability to borrow or refinance our existing indebtedness and 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, domestic content requirements, 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 and in subsequent filings we have made or may make with the Securities and Exchange Commission (“SEC”).

Forward-looking and other statements in this presentation regarding our environmental and other sustainability plans and goals are not an indication that these statements are necessarily material to investors or required to be disclosed in our filings with the SEC. In addition, historical, current, and forward-looking social, environmental and sustainability-related statements may be based on standards for measuring progress that are still developing, internal controls and processes that continue to evolve, and assumptions that are subject to change in the future. All forward-looking statements made herein are based on information currently available to us as of the date of this presentation. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.



Patrick Decker

CEO & President

“ The team closed out 2021 with a strong performance, delivering full-year margin expansion alongside solid growth in revenue and earnings in the face of accelerating supply chain headwinds through the quarter. To mitigate the effects of inflation, the team also drove solid levels of productivity and price realization above our expectations. Market demand was clearly robust, as evidenced by continued strong orders and backlog growth in both the quarter and the year. We expect the first half of 2022 to continue to be supply constrained due to ongoing chip shortages. Order-to-revenue conversion is set to pick up pace progressively, as we expect those constraints to begin easing in the latter part of the year. Overall, we expect full-year growth in the mid-single digits, with significant margin expansion in the second half, keeping us on track to achieve our 2025 growth and strategic milestones. ”

FY 2021 Highlights



Organic* Revenue

+4%



Organic* Orders

+23%



Adj. EBITDA*
Margin

17.1%

+80 bps vs. 2020



Adj. EPS*

\$2.49

+21% vs. 2020

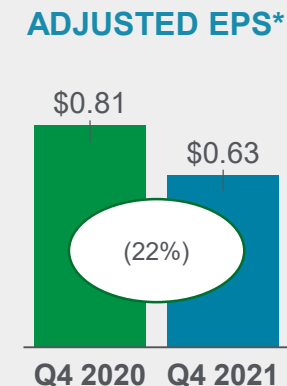
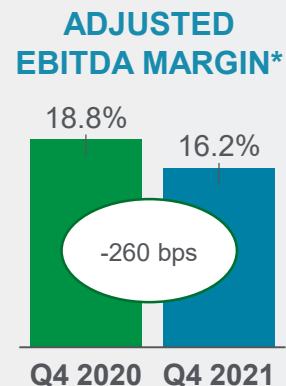
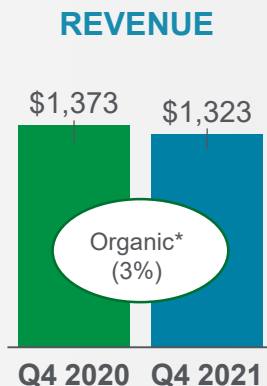


Sustainability

113k

**Volunteer hours
in 2021**

Q4 2021 XYLEM PERFORMANCE



Adj. Op Margin* 13.8% 11.1%

Organic Growth* by End Market

Utilities (9%)

Industrial 7%

Commercial 1%

Residential (4%)

Organic Growth* by Region

Western Europe 1%

Emerging Markets Flat

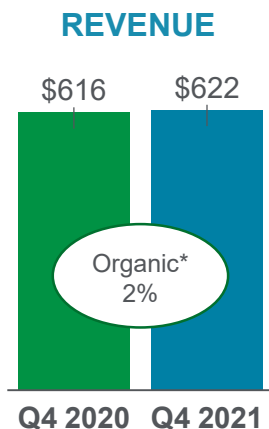
United States (5%)

KEY PERFORMANCE DRIVERS

- **Organic* orders** up 23% with sustained healthy demand across all segments; **backlog** up 55%
- **Organic* revenue** decline 3%; utilities down high-single digits due to delays caused by supply chain; Industrial up high-single digits; commercial up modestly; residential down slightly
- **Western Europe** up slightly +1%; **Emerging Markets** flat; **US** down (-5%)
- **Adj. EBITDA margin* and adj. EPS*** drivers:
 - Productivity drives 310 bps EBITDA margin expansion (EPS +\$0.19)
 - Price drives 200 bps EBITDA margin expansion (EPS +\$0.14)
 - Volume/Mix/Other neutral impact to EBITDA margin (EPS -\$0.03)
 - Cost inflation reduces EBITDA margin by 560 bps (EPS -\$0.35)
 - Strategic investments reduce EBITDA margin by 210 bps (EPS -\$0.13)

Tax Rate*: 15.4% Interest/Other Expense: \$11M Share Count: 181.6M

Q4 2021 Water Infrastructure Performance



Organic Growth* by End Market

Utilities	(2%)
Industrial	10%

Organic Growth* by Region

United States	2%
Emerging Markets	(3%)
Western Europe	4%

Highlights

- Organic* orders up 30%, excluding prior year project scope reduction, up mid-single digits; resilient wastewater utility opex demand in the US and Western Europe; double-digit growth in dewatering applications from continued industrial strength in Emerging Markets; Treatment up modestly despite tough compare to prior year (up 10% in Q4 2020)
- Industrial growth driven primarily by dewatering applications from healthy mining demand in Latin America and Africa, as well as continued industrial recovery in the US
- Utility opex softness due to shipping delays and supply chain challenges particularly in North America despite strong demand; Solid utility capex performance from project execution in US and Europe offset lapping of large prior year projects in Emerging Markets

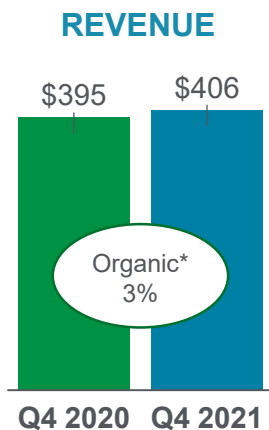


Adj. Operating Margin* 20.1%

ADJUSTED EBITDA MARGIN*



Q4 2021 Applied Water Performance



Organic Growth* by End Market

Industrial	7%
Commercial	1%
Residential	(4%)

Organic Growth* by Region

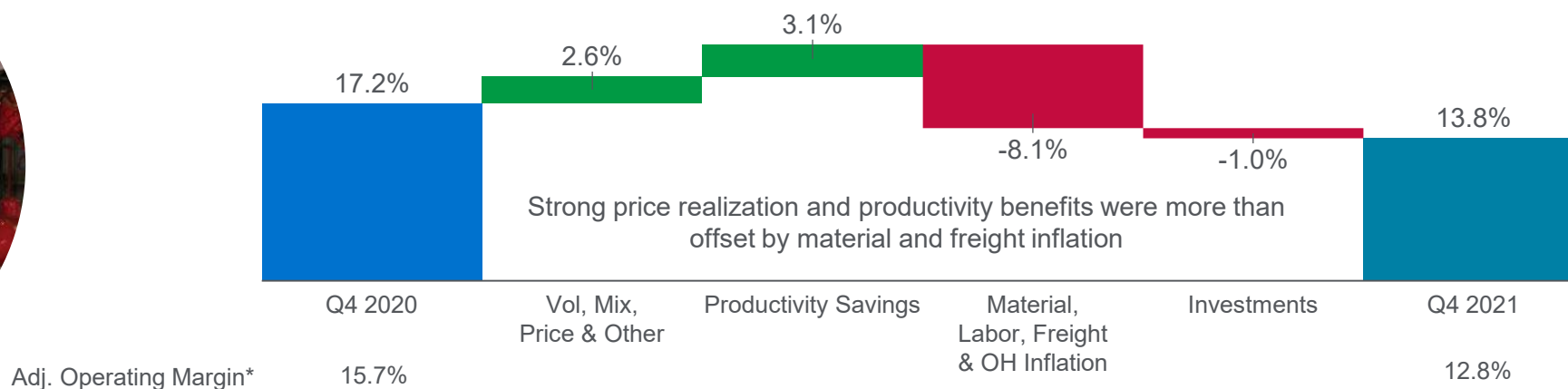
United States	8%
Emerging Markets	6%
Western Europe	2%

Highlights

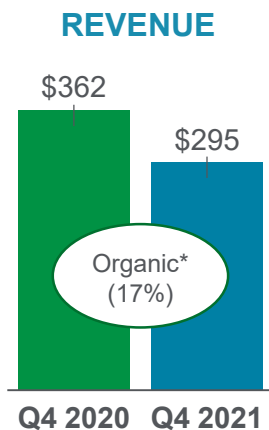
- Organic* orders increase 10% on healthy underlying global demand across all end markets as well as accelerated orders due to lead times driven by supply chain
- Industrial growth led by increased activity in the US and continued Emerging Markets strength; Strong demand in Specialty Flow Control business (food & beverage / marine)
- Commercial up modestly across US, Western Europe and Emerging Markets but growth constrained by supply chain
- Residential softness a result of challenging compares in Emerging markets, offset partially by demand in the US



ADJUSTED EBITDA MARGIN*



Q4 2021 Measurement & Control Solutions Performance



Organic Growth* by Application

Water	(16%)
Energy	(18%)

Organic Growth* by Region

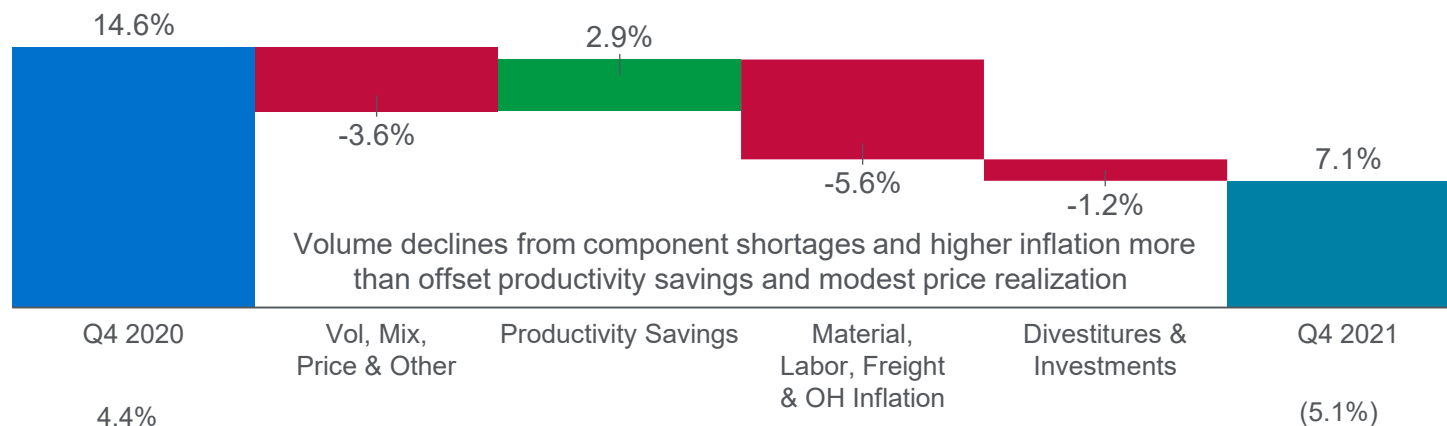
United States	(21%)
Emerging Markets	(2%)
Western Europe	(10%)

Highlights

- Strong organic* orders growth of 28% driven by large smart metering project orders; double-digit growth in Assessment Services from projects in the US and Western Europe
- Backlog at record \$1.9B up ~63% organically, reinforcing strong long-term growth outlook and enhanced margin profile from digital mix of solutions
- Decline in both water and energy revenue driven by impact of chip supply shortages on smart metering business partially offset by growth in water quality testing business in Emerging Markets and decision intelligence software business



ADJUSTED EBITDA MARGIN*



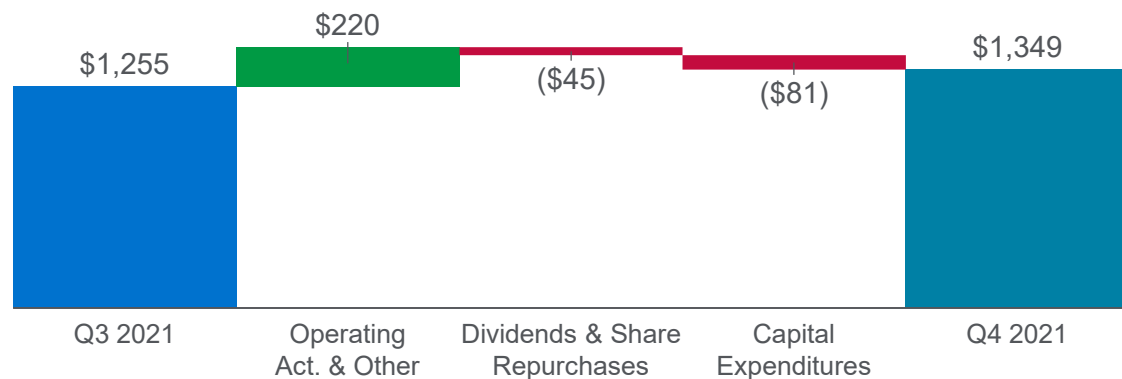
Adj. Operating Margin*

4.4%

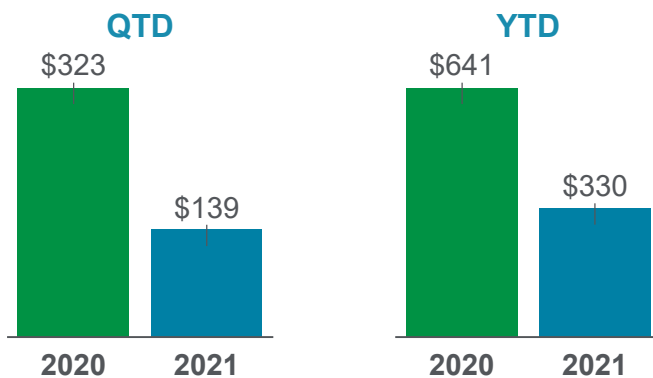
(5.1%)

Xylem Financial Position

CASH DRIVERS



FREE CASH FLOW*



WORKING CAPITAL**



FCF CONVERSION*



WORKING CAPITAL %



Capital Summary

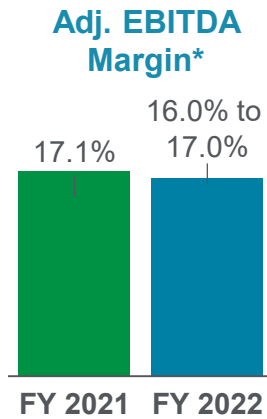
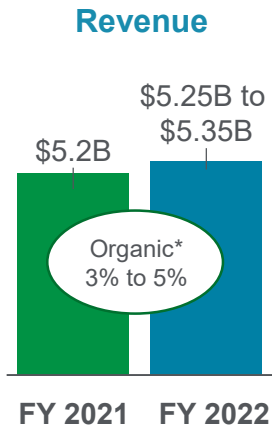
December 31, 2021

Cash & Cash Equivalents	\$ 1,349
Debt	\$ 2,440
Net Debt	\$ 1,091
Shareholder's Equity	\$ 3,218
Net Capital	\$ 4,309
Net Debt to Net Capital	25%

Financial Highlights

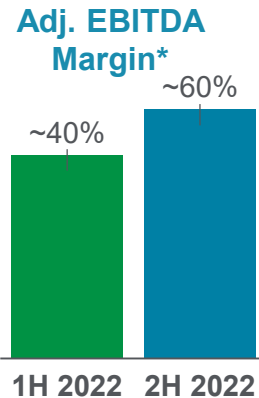
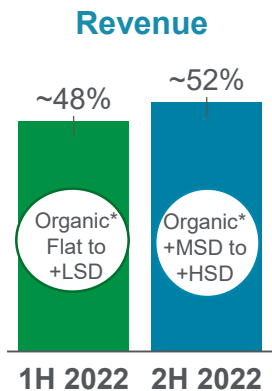
- **Strong financial position**
 - Available liquidity of ~\$2.1B including cash and cash equivalents and available credit facilities
 - Committed to BBB/Baa2 investment grade credit rating
 - Net debt / adjusted EBITDA* (TTM) as of 12/31: **1.2x**
- **FY 2021 FCF conversion* of 77%, a result of increased inventory levels to mitigate supply chain instability**

2022 Guidance Reflects a Balanced, Realistic Outlook in Challenging Environment



Full Year Assumptions

- Solid top-line growth through proven price realization but constrained by supply chain
- Expect global chip supply shortage to constrain M&CS until late 2022
- Stronger adjusted EBITDA* in 2nd half
 - Chip shortages impact highest margin digital products
 - Higher inflation tempering significant price realization and productivity benefits



1st Half / 2nd Half Dynamics

- Supply Chain challenges most acute during 1st Half
 - Expect chip supply constraints to moderate in 2H
 - MCS down double-digits in 1H ... grows double-digits in 2H
- Price realization accelerates through the year ... price/cost positive for FY

Note: %'s reflect % of total Revenue and Adj EBITDA* \$ at the midpoint of FY '22 guidance

2nd half 2022 exit rate aligned to long-term financial framework

Long-term financial framework guides our focus ...

4-6%
Organic
Growth
CAGR

50-75
bps
Avg. Adj. EBITDA
Margin Expansion
per Year

100%
FCF
Conversion

~\$4B
Capital
Deployment
Capacity*

* Note capital deployment capacity represents estimate through 2025 planning period

2022 Top Priority Areas

1. Conversion from strong demand momentum into top-line growth

- Maximizing chip allocation
- Price realization
- Optimize inventory levels to ensure customer delivery

2. Relentless commitment to deliver margin expansion

- Mitigate supply chain and inflation headwinds
- Focus on delivering record backlog

3. Execute on capital deployment opportunities

- M&A priorities include advanced digital solutions, industrial water and our core businesses
- Leveraging scale, sector leadership and financial position

FY 2022 End Market Commentary

See appendix for end market key facts

Utilities ~50% of Revenue



Wastewater Utilities ~30% of Revenue

- Opex: Focus on mission-critical applications and large installed base 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. Expect uneven and lumpy growth from China and India as multi-year government funding programs are deployed
- US Utilities: No indication of pause from customers from the Bipartisan Infrastructure Law. Managing supply chain challenges of shipping bottlenecks and customer site readiness but expect it to abate during first half of 2022. Opex activity and demand continues to be steady and resilient. Capex bidding pipeline on projects and orders healthy



Clean Water Utilities ~20% 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 begin to ease in the second half of 2022
- Healthy momentum in test business for water quality products in outdoor water and process (treatment) markets globally; Rising demand and focus on pipeline assessment services due to increased infrastructure and climate challenges
- Increasing demand for smart water solutions and digital offerings to drive positive economic and environmental impact for utility customers

FY 2022 End Market Commentary

See appendix for end market key facts



Industrial ~35% of Revenue

- Industrial Dewatering business solid globally, especially in Emerging Markets from mining demand; strong demand trend reflected in orders and backlog from increased activity in US and Europe
- Sustained demand in “light” Industrial activity from Applied Water businesses globally (Specialty Flow Control businesses for marine and food & bev)



Commercial ~10% of Revenue

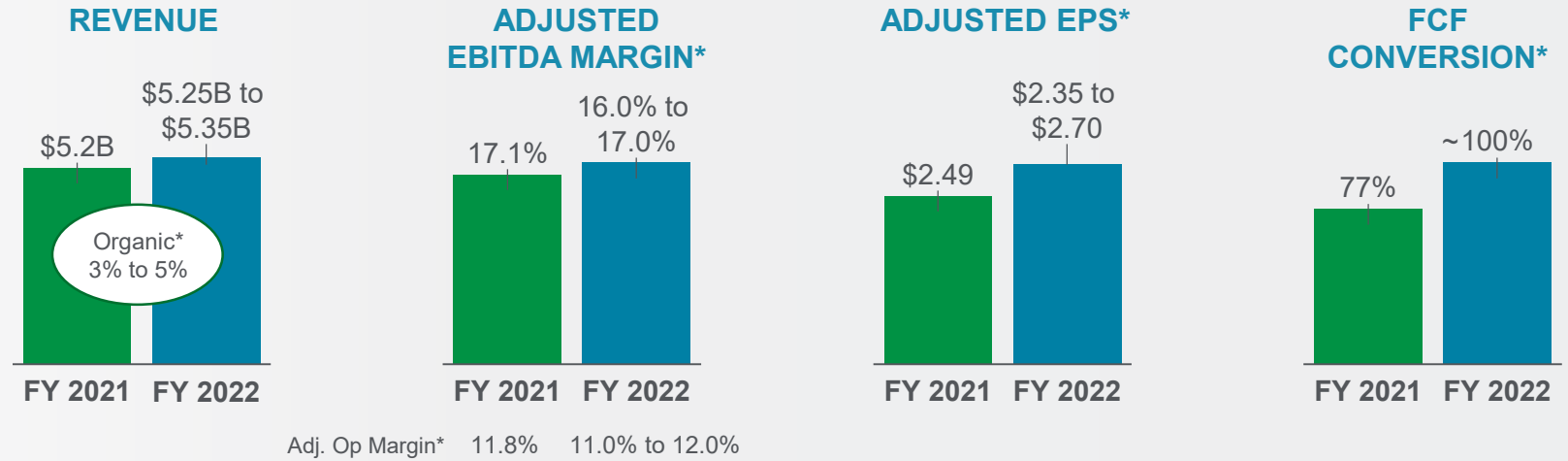
- US replacement business (book and ship) solid; new commercial building and institutional sector expected to accelerate in 2022
- Europe healthy from modest share gains and new products; increased construction activity and demand for eco-friendly products supported by increase in funding for green buildings



Residential ~5% of Revenue

- Demand and activity expected to moderate on tougher comparisons over last two years, but remain healthy as work-from-home trends continue in US and Europe
- Primarily replacement revenue serviced through long-standing distributor / dealer network
- Strong demand for secondary water supply products in China

FY 2022 and Q1 2022 Guidance & Key Assumptions



Key Assumptions

Organic* Revenue up 3 to 5%

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

2022 FX Euro Rate 1.13 (2021 FY Average 1.18)

Adjusted EBITDA* of 16.0% to 17.0%

- Strong price realization and productivity savings moderated by global chip shortages and inflation. Expansion ramps through year as supply chain improves

Anticipate one-time non-cash settlement charge of ~\$170M for sale of UK Pension Plan during 2022

Free Cash Flow: Conversion* of ~100%

- 2022 reflects working capital decrease as inventory levels moderate
- In line with long-term guidance of ~100% conversion
- 2019–2021 FCF conversion of ~125%

FY 2022 Planning Assumptions

Corporate Expense	~\$50M
Restructuring & Realignment Costs*	~\$25-\$30M
Dividends	~\$215M
Capex	~\$225M
Interest / Other Expense	~\$55M
Estimated Tax Rate*	~17-18%
Share Count	~181M

Q1 2022 Planning Assumptions

Organic* Revenue	Flat to +2%
WI	Up Mid-Single Digits
AWS	Up Mid-Single Digits
M&CS	Down Low Double Digits
Adjusted EBITDA*	13.5% to 14.0%

Key Takeaways

- 1 Strong underlying **demand** across the business reflected in orders and backlog set us up well for future growth
- 2 Navigating supply chain uncertainty through **operational execution**
- 3 Long-term fundamental outlook of the business is **attractive and unchanged**
- 4 Xylem investment thesis is strong: focused on creating **economic and social** value

Appendix

Q4 2021 Performance Summary

(\$ in millions, unless otherwise noted)

2021	Reported Q4	Adj* Q4	Reported YTD	Adj* YTD
Xylem Consolidated				
Revenue	\$1,323	\$1,323	\$5,195	\$5,195
Overall Growth	(4%)	(4%)	7%	7%
Constant Currency* Growth		(3%)		4%
Organic Growth*		(3%)		4%
Operating Income	\$140	\$147	\$585	\$611
Operating Margin	10.6%	11.1%	11.3%	11.8%
EBITDA*	\$196	\$214	\$825	\$890
EBITDA Margin*	14.8%	16.2%	15.9%	17.1%
Earnings Per Share	\$0.62	\$0.63	\$2.35	\$2.49

2021	Reported Q4	Adj* Q4	Reported YTD	Adj* YTD
Applied Water				
Revenue	\$406	\$406	\$1,613	\$1,613
Overall Growth	3%	3%	12%	12%
Constant Currency* Growth		3%		10%
Organic Growth*		3%		10%
Operating Income	\$50	\$52	\$240	\$248
Operating Margin	12.3%	12.8%	14.9%	15.4%
EBITDA*	\$53	\$56	\$261	\$271
EBITDA Margin*	13.1%	13.8%	16.2%	16.8%

2021	Reported Q4	Adj* Q4	Reported YTD	Adj* YTD
Water Infrastructure				
Revenue	\$622	\$622	\$2,247	\$2,247
Overall Growth	1%	1%	8%	8%
Constant Currency* Growth		2%		5%
Organic Growth*		2%		5%
Operating Income	\$122	\$124	\$387	\$399
Operating Margin	19.6%	19.9%	17.2%	17.8%
EBITDA*	\$133	\$135	\$433	\$447
EBITDA Margin*	21.4%	21.7%	19.3%	19.9%

2021	Reported Q4	Adj* Q4	Reported YTD	Adj* YTD
Measurement & Control Solutions				
Revenue	\$295	\$295	\$1,335	\$1,335
Overall Growth	(19%)	(19%)	(2%)	(2%)
Constant Currency* Growth		(18%)		(4%)
Organic Growth*		(17%)		(3%)
Operating Income	(\$17)	(\$15)	\$12	\$15
Operating Margin	(5.8%)	(5.1%)	0.9%	1.1%
EBITDA*	\$17	\$21	\$155	\$164
EBITDA Margin*	5.8%	7.1%	11.6%	12.3%

End Market Key Facts

Utilities ~50% Revenue

Wastewater Utilities

- Revenue: ~60% 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 Utility wastewater Capex: ~4% of total Xylem revenue
- US & W. Europe leading installed base and strong recurring revenue through Opex
- Emerging Markets mostly greenfield and currently skewed to Capex

Clean Water Utilities

- Revenue: ~40% 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%
- US utility clean water capex: ~4% of total Xylem revenue
- Adoption of AMI and digital technologies to address non-revenue water and remote capabilities expected to be long-term secular trend globally
- Under-penetrated international presence, but opportunities increasing

Industrial

(~35% of 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% of 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% of 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	FY 2022 Guidance Rate	Revenue Impact on FY 2022 of 5% Decrease in Rate	EPS Impact on FY 2022 of 5% Decrease in Rate
Euro	1.13	(\$45M)	(\$0.11)
GBP	1.34	(\$14M)	\$0.00
SEK	0.11	(\$6M)	\$0.01
CNY	0.16	(\$18M)	(\$0.02)
CAD	0.78	(\$9M)	(\$0.00)
INR	1.00	(\$2M)	(\$0.00)
All Other		(\$41M)	(\$0.01)
Total		(\$136M)	(\$0.12)

* 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 costs related to the UK pension plan buyout.

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



Appendix

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

	(As Reported - GAAP)				(As Adjusted - Organic)				Constant Currency
	(A)	(B)	(B)	(B)	(C)	(D)	(E) = B+C+D	(F) = E/A	(G) = (E - C) / A
	Revenue	Revenue	Change	% Change	Acquisitions /	FX impact	Change	% Change	
2021	2020	2021 v. 2020	2021 v. 2020	Divestitures		Adj. 2021 v. 2020	Adj. 2021 v 2020		
Year Ended December 31									
Xylem Inc.	5,195	4,876	319	7%	13	(122)	210	4%	4%
Water Infrastructure	2,247	2,079	168	8%	-	(65)	103	5%	5%
Applied Water	1,613	1,434	179	12%	-	(34)	145	10%	10%
Measurement & Control Solutions	1,335	1,363	(28)	(2%)	13	(23)	(38)	(3%)	(4%)
Quarter Ended December 31									
Xylem Inc.	1,323	1,373	(50)	(4%)	6	8	(36)	(3%)	(3%)
Water Infrastructure	622	616	6	1%	-	5	11	2%	2%
Applied Water	406	395	11	3%	-	2	13	3%	3%
Measurement & Control Solutions	295	362	(67)	(19%)	6	1	(60)	(17%)	(18%)
Quarter Ended September 30									
Xylem Inc.	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%)
Quarter Ended June 30									
Xylem Inc.	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%
Quarter Ended March 31									
Xylem Inc.	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)	(B)	% Change	(C)	(D)	(E) = B+C+D	(F) = E/A	(G) = (E - C) / A
	Orders	Change	% Change	Acquisitions /	FX impact	Change	% Change		
2021	2020	2021 v. 2020	2021 v. 2020	Divestitures	Adj. 2021 v. 2020	Adj. 2021 v. 2020			
Year Ended December 31									
Xylem Inc.	6,300	5,033	1,267	25%	12	(140)	1,139	23%	22%
Water Infrastructure	2,471	2,134	337	16%	-	(76)	261	12%	12%
Applied Water	1,860	1,483	377	25%	-	(39)	338	23%	23%
Measurement & Control Solutions	1,969	1,416	553	39%	12	(25)	540	38%	37%
Quarter Ended December 31									
Xylem Inc.	1,584	1,294	290	22%	2	7	299	23%	23%
Water Infrastructure	598	464	134	29%	-	4	138	30%	30%
Applied Water	451	410	41	10%	-	1	42	10%	10%
Measurement & Control Solutions	535	420	115	27%	2	2	119	28%	28%
Quarter Ended September 30									
Xylem Inc.	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%
Quarter Ended June 30									
Xylem Inc.	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%
Quarter Ended March 31									
Xylem Inc.	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		Q4		YTD	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020

Total Revenue

• Total Xylem	1,256	1,123	1,351	1,160	1,265	1,220	1,323	1,373	5,195	4,876
• Water Infrastructure	509	438	569	501	547	524	622	616	2,247	2,079
• Applied Water	393	338	414	337	400	364	406	395	1,613	1,434
• Measurement & Control Solutions	354	347	368	322	318	332	295	362	1,335	1,363

Operating Income (Loss)

• Total Xylem	133	61	160	54	152	73	140	179	585	367
• Water Infrastructure	71	39	93	73	101	89	122	117	387	318
• Applied Water	66	47	64	41	60	56	50	61	240	205
• Measurement & Control Solutions	9	(12)	13	(46)	7	(62)	(17)	14	12	(106)
• Total Segments	146	74	170	68	168	83	155	192	639	417

Operating Margin

• Total Xylem	10.6%	5.4%	11.8%	4.7%	12.0%	6.0%	10.6%	13.0%	11.3%	7.5%
• Water Infrastructure	13.9%	8.9%	16.3%	14.6%	18.5%	17.0%	19.6%	19.0%	17.2%	15.3%
• Applied Water	16.8%	13.9%	15.5%	12.2%	15.0%	15.4%	12.3%	15.4%	14.9%	14.3%
• Measurement & Control Solutions	2.5%	(3.5%)	3.5%	(14.3%)	2.2%	(18.7%)	(5.8%)	3.9%	0.9%	(7.8%)
• Total Segments	11.6%	6.6%	12.6%	5.9%	13.3%	6.8%	11.7%	14.0%	12.3%	8.6%

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

	Q1		Q2		Q3		Q4		YTD	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Special Charges										
• Total Xylem	2	-	-	11	1	70	1	-	4	81
• Water Infrastructure	-	-	-	-	-	-	-	-	-	-
• Applied Water	1	-	-	-	-	-	-	-	1	-
• Measurement & Control Solutions	-	-	-	10	-	69	-	-	-	79
• Total Segments	1	-	-	10	-	69	-	-	1	79
Restructuring & Realignment Costs										
• Total Xylem	8	9	6	43	2	15	6	10	22	77
• Water Infrastructure	5	5	4	8	1	8	2	7	12	28
• Applied Water	1	2	2	4	2	2	2	1	7	9
• Measurement & Control Solutions	2	2	-	31	(1)	5	2	2	3	40
• Total Segments	8	9	6	43	2	15	6	10	22	77
Adjusted Operating Income (Loss)										
• Total Xylem	143	70	166	108	155	158	147	189	611	525
• Water Infrastructure	76	44	97	81	102	97	124	124	399	346
• Applied Water	68	49	66	45	62	58	52	62	248	214
• Measurement & Control Solutions	11	(10)	13	(5)	6	12	(15)	16	15	13
• Total Segments	155	83	176	121	170	167	161	202	662	573
Adjusted Operating Margin										
• Total Xylem	11.4%	6.2%	12.3%	9.3%	12.3%	13.0%	11.1%	13.8%	11.8%	10.8%
• Water Infrastructure	14.9%	10.0%	17.0%	16.2%	18.6%	18.5%	19.9%	20.1%	17.8%	16.6%
• Applied Water	17.3%	14.5%	15.9%	13.4%	15.5%	15.9%	12.8%	15.7%	15.4%	14.9%
• Measurement & Control Solutions	3.1%	(2.9%)	3.5%	(1.6%)	1.9%	3.6%	(5.1%)	4.4%	1.1%	1.0%
• Total Segments	12.3%	7.4%	13.0%	10.4%	13.4%	13.7%	12.2%	14.7%	12.7%	11.8%

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

	Q4 2021			Q4 2020		
	As Reported	Adjustments	Adjusted	As Reported	Adjustments	Adjusted
Total Revenue	1,323	-	1,323	1,373	-	1,373
Operating Income	140	7 a	147	179	10 a	189
Operating Margin	10.6%		11.1%	13.0%		13.8%
Interest Expense	(13)	-	(13)	(21)	-	(21)
Other Non-Operating Income (Expense)	(1)	3 b	2	-	1 b	1
Gain/(Loss) From Sale of Business	-	-	-	-	-	-
Income before Taxes	126	10	136	158	11	169
Provision for Income Taxes	(13)	(8) c	(21)	(10)	(14) c	(24)
Net Income Attributable to Xylem	113	2	115	148	(3)	145
Diluted Shares	181.6		181.6	181.5		181.5
Diluted EPS	\$ 0.62	\$ 0.01	\$ 0.63	\$ 0.82	\$ (0.01)	\$ 0.81
Year-over-year currency translation impact on current year diluted EPS	\$ (0.01)	\$ -	\$ (0.01)			
Diluted EPS at Constant Currency	\$ 0.63	\$ 0.01	\$ 0.64			

- a) Quarter-to-date: Restructuring & realignment costs of \$6 million in 2021 and \$10 million in 2020, as well as special charges of \$1 million in 2021.
- b) Quarter-to-date: Special non-operating charges consist of \$3 million in 2021 and \$1 million in 2020 for 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 \$2 million in 2020; \$1 million net tax impact on special charges in each of 2021 and 2020 and \$6 million and \$11 million in 2021 and 2020, respectively, of negative impact from tax related special benefits to GAAP tax.

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

	Q4 YTD 2021			Q4 YTD 2020		
	As Reported	Adjustments	Adjusted	As Reported	Adjustments	Adjusted
Total Revenue	5,195	-	5,195	4,876	-	4,876
Operating Income	585	26 ^a	611	367	158 ^a	525
Operating Margin	11.3%		11.8%	7.5%		10.8%
Interest Expense	(76)	-	(76)	(77)	-	(77)
Other Non-Operating Income (Expense)	-	8	8	(5)	5	-
Gain/(Loss) From Sales of Business	2	(2)	-	-	-	-
Income before Taxes	511	32	543	285	163	448
Provision for Income Taxes	(84)	(7) ^c	(91)	(31)	(43) ^c	(74)
Net Income Attributable to Xylem	427	25	452	254	120	374
Diluted Shares	181.5		181.5	181.1		181.0
Diluted EPS	\$ 2.35	\$ 0.14	\$ 2.49	\$ 1.40	\$ 0.66	\$ 2.06
Year-over-year currency translation impact on current year diluted EPS	\$ 0.08	\$ 0.01	\$ 0.09			
Diluted EPS at Constant Currency	\$ 2.27	\$ 0.13	\$ 2.40			

- a) Year-to-date: Restructuring & realignment costs of \$22 million and \$77 million in 2021 and 2020, respectively; special charges of \$4 million (\$1 million of intangible asset impairment charges and \$3 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 \$8 million in 2021 and \$5 million in 2020 for 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 \$5 million and \$17 million in 2021 and 2020, respectively; \$2 million and \$10 million of net tax impact on special charges in 2021 and 2020, respectively; and \$16 million in 2020 of negative impact from tax related special benefits to GAAP tax.

Appendix

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

2021					
	Q1	Q2	Q3	Q4	Total
Net Income	87	113	114	113	427
Income Tax Expense	27	25	19	13	84
Interest Expense (Income), net	19	19	20	11	69
Depreciation	30	29	31	28	118
Amortization	32	33	31	31	127
EBITDA	195	219	215	196	825
Share-based Compensation	9	8	8	8	33
Restructuring & Realignment	8	6	2	6	22
Loss/(Gain) from sale of business	-	(2)	-	-	(2)
Special Charges	3	3	2	4	12
Adjusted EBITDA	215	234	227	214	890
Revenue	1,256	1,351	1,265	1,323	5,195
Adjusted EBITDA Margin	17.1%	17.3%	17.9%	16.2%	17.1%

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
EBITDA	120	113	133	240	606
Share-based Compensation	8	8	3	7	26
Restructuring & Realignment	9	43	15	10	77
Special Charges	1	13	71	1	86
Adjusted EBITDA	138	177	222	258	795
Revenue	1,123	1,160	1,220	1,373	4,876
Adjusted EBITDA Margin	12.3%	15.3%	18.2%	18.8%	16.3%

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	121	385
Interest Expense (Income), net	(1)	(1)	-	(1)	(3)
Depreciation	11	11	11	10	43
Amortization	2	2	1	3	8
EBITDA	82	104	114	133	433
Share-based Compensation	1	-	1	-	2
Restructuring & Realignment	5	4	1	2	12
Adjusted EBITDA	88	108	116	135	447
Revenue	509	569	547	622	2,247
Adjusted EBITDA Margin	17.3%	19.0%	21.2%	21.7%	19.9%

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
EBITDA	52	86	98	129	365
Share-based Compensation	-	1	-	1	2
Restructuring & Realignment	5	8	8	7	28
Adjusted EBITDA	57	95	106	137	395
Revenue	438	501	524	616	2,079
Adjusted EBITDA Margin	13.0%	19.0%	20.2%	22.2%	19.0%

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	48	239
Interest Expense (Income), net	-	-	-	-	-
Depreciation	5	5	5	5	20
Amortization	1	1	-	-	2
EBITDA	72	71	65	53	261
Share-based Compensation	1	1	1	1	4
Restructuring & Realignment	1	2	2	2	7
Loss/(Gain) from sale of business	-	(2)	-	-	(2)
Special Charges	1	-	-	-	1
Adjusted EBITDA	75	72	68	56	271
Revenue	393	414	400	406	1,613
Adjusted EBITDA Margin	19.1%	17.4%	17.0%	13.8%	16.8%

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
EBITDA	53	47	62	66	228
Share-based Compensation	1	1	-	1	3
Restructuring & Realignment	2	4	2	1	9
Adjusted EBITDA	56	52	64	68	240
Revenue	338	337	364	395	1,434
Adjusted EBITDA Margin	16.6%	15.4%	17.6%	17.2%	16.7%

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

2021					
	Q1	Q2	Q3	Q4	Total
Pre-Tax Income *	8	12	7	(17)	10
Interest Expense (Income), net	-	-	-	-	-
Depreciation	9	10	11	8	38
Amortization	27	27	27	26	107
EBITDA	44	49	45	17	155
Share-based Compensation	1	2	1	2	6
Restructuring & Realignment	2	-	(1)	2	3
Adjusted EBITDA	47	51	45	21	164
Revenue	354	368	318	295	1,335
Adjusted EBITDA Margin	13.3%	13.9%	14.2%	7.1%	12.3%

*Revised from previously reported Q1 income to adjust for a one-time income item that offsets with Corporate and Other in consolidation.

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
EBITDA	23	(12)	(26)	50	35
Share-based Compensation	2	1	1	1	5
Restructuring & Realignment	2	31	5	2	40
Special Charges	-	10	69	-	79
Adjusted EBITDA	27	30	49	53	159
Revenue	347	322	332	362	1,363
Adjusted EBITDA Margin	7.8%	9.3%	14.8%	14.6%	11.7%

Appendix

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

	Q1		Q2		Q3		Q4		Year-to-Date	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Net Cash – Operating Activities	\$ (26)	\$ (2)	\$ 232	\$ 181	\$ 112	\$ 275	\$ 220	\$ 370	\$ 538	\$ 824
Capital Expenditures – PP&E	(22)	(32)	(25)	(24)	(33)	(24)	(62)	(29)	(142)	(109)
Capital Expenditures - Software	(17)	(19)	(16)	(20)	(14)	(17)	(19)	(18)	(66)	(74)
Capital Expenditures	(39)	(51)	(41)	(44)	(47)	(41)	(81)	(47)	(208)	(183)
Free Cash Flow	\$ (65)	\$ (53)	\$ 191	\$ 137	\$ 65	\$ 234	\$ 139	\$ 323	\$ 330	\$ 641
Net Income	87	38	113	31	114	37	113	148	427	254
Gain / (Loss) from sale of business	-	-	2	-	-	-	-	-	2	-
Restructuring & Realignment Charges – non-cash impairment	(1)	-	-	(17)	-	(3)	-	(1)	(1)	(21)
Special Charges - non-cash impairment	(1)	-	-	(10)	-	(69)	-	-	(1)	(79)
Net Income, excluding gain on sale of businesses, non-cash impairment charges and significant deferred tax	\$ 89	\$ 38	\$ 111	\$ 58	\$ 114	\$ 109	\$ 113	\$ 149	\$ 427	\$ 354
Operating Cash Flow Conversion	(30%)	(5%)	205%	584%	98%	743%	195%	250%	126%	324%
Free Cash Flow Conversion	(73%)	(139%)	172%	236%	57%	215%	123%	217%	77%	181%

THANK YOU

Q4 2021 Results & Earnings

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

NYSE: XYL

[Xylem Investor Relations Website](#)

[LinkedIn](#) | [Twitter](#) | [Facebook](#) | [YouTube](#) | [Instagram](#)

