

XYLEM INC.

Agrees to Acquire Pure Technologies, Ltd.

DECEMBER 11, 2017



FORWARD-LOOKING STATEMENTS

This presentation contains information that may constitute “forward-looking statements.” 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 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 key members of management; our relationship with and the performance of our channel partners; our ability to successfully identify, complete and integrate acquisitions, including the integration of Sensus; the ability to complete the transaction considering the various closing conditions, including required shareholder approval, required regulatory approval, and court approval pursuant to Subsection 193(4) of the Business Corporations Act (Alberta, Canada); 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 of our Annual Report on Form 10-K for the year ended December 31, 2016, 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.

KEY MESSAGES

- **Xylem announces definitive agreement to acquire Pure Technologies, Ltd. (Pure) for ~US\$397M**
- **Pure provides a leadership position in smart infrastructure diagnostics and analytics**
- **Enhances our offering to address challenges such as aging infrastructure and non-revenue water with intelligent technologies**
- **Expected to create significant long-term shareholder value**



ACQUISITION SUMMARY

TRANSACTION DETAILS

- **Background:** Acquiring Pure, an industry leader in smart infrastructure diagnostics and analytics for the water sector
- **Purchase Price:** CAD\$9.00 per share (US ~\$397M enterprise value)
- **Estimated Close:** 1Q 2018, subject to customary Canadian court and U.S. regulatory approvals
- **Funding:** Mix of cash and low interest, short-term debt

STRATEGIC RATIONALE

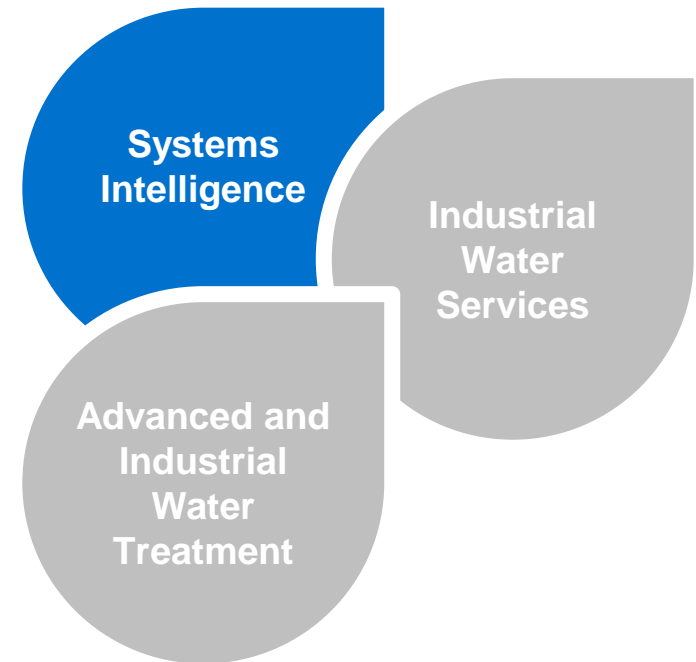
- Advances Xylem's smart technology solutions offering in the water industry; expands portfolio to address urgent global challenges of aging infrastructure and non-revenue water with differentiated customer offering
- Expands our Measurement and Control Solutions segment with unique infrastructure diagnostic and analytics tools to complement solutions from previous acquisitions
- Builds on successful commercial partnership; Significant cost and revenue synergies

FINANCIAL BENEFITS

- **Run-rate Cost Synergies:** ~\$12M by year 2 (public co. costs, procurement, & other efficiencies)
- **Revenue Synergies:** To be announced following close in 1Q 2018
- **EPS Impact:** Expected to be modestly accretive in 2018
- **ROIC:** Greater than Cost of Capital by Year 5

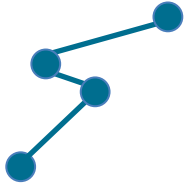
TRANSACTION IN PRIORITIZED M&A AREA

- Pure strengthens our portfolio of smart solutions, enabling Xylem to address the most critical challenges across the water sector
- Brings intelligent leak detection sensor technologies and condition assessment solutions and service capabilities
- Strengthens our technology DNA and solidifies our role as a leading-edge innovator in water
- Enhances data analytics and software-as-a-service capabilities for the water sector



Fast Growing Market Segment; Pure Potential Accelerated by Xylem's Scale

STRONG STRATEGIC FIT



Advances Xylem's Strategy To Be A Leading Provider Of Systems Intelligence Solutions

Pure is a leader in smart infrastructure diagnostic and analytics technologies with a strong focus on water, serving attractive, growing markets



Enhances Platform For Growth

Addition creates distinctive global offerings in smart infrastructure diagnostics; complements Sensus and Visenti capabilities



Builds On Established Commercial Partnership; Significant Synergy Opportunities

Accelerates Pure's geographic expansion by leveraging Xylem's global platform and capabilities; strengthens overall offering to customers

OVERVIEW OF PURE

Founded	1995
HQ	Calgary, Canada
Employees	~500
Geographic Revenue Base	~85% ¹ North America

- An industry leader in the development and application of leak detection and condition assessment solutions for water infrastructure
- Suite of proprietary solutions for the water and oil & gas sectors
 - Consulting, Inspection and Software (85%)
 - Monitoring (9%)
 - Equipment (6%)

12 months ended September 30, 2017

In Canadian \$

Revenue	\$126M
Adj. EBITDA	\$21M
Adj. EBITDA Margin	16.7%

Water Division

~80%¹



- Condition Assessment
- Leak Detection
- Infrastructure Monitoring
- Flow Control
- Data Analytics & Engineering

Oil & Gas Division

~20%¹



- Surveys
- Leak Detection
- Tracking
- Cathodic Protection
- Data Management

PURE BRINGS SIGNIFICANT GROWTH OPPORTUNITIES

Investment Highlights

- ✓ Scalable platform supported by proprietary technology portfolio
- ✓ First-mover advantage in the digitization of large, under-served, water/wastewater municipal sector
- ✓ Significant tangible customer ROI
- ✓ Long standing Tier I customer base primarily in North America
- ✓ Diversified revenue stream, including ~50% recurring revenue, attractive margins and low capex requirements

Growth Drivers

Non-Revenue Water



Infrastructure Diagnostics

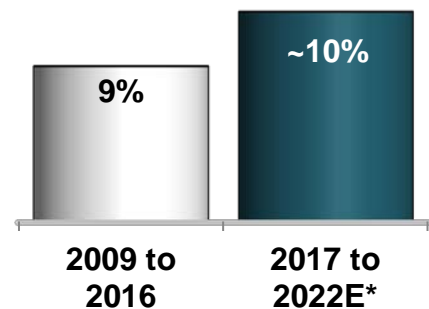


International expansion



FUNDAMENTALS ILLUSTRATE PATH TO REVENUE & MARGIN EXPANSION

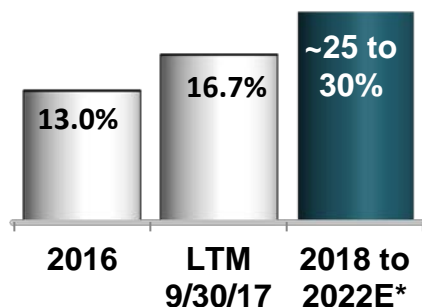
Organic Revenue Growth CAGR



* Excludes revenue synergies

- Strong historic organic revenue growth
- Underlying market growth rate in high single digits
- Confidence in continuation of multi-year growth programs and backlog visibility

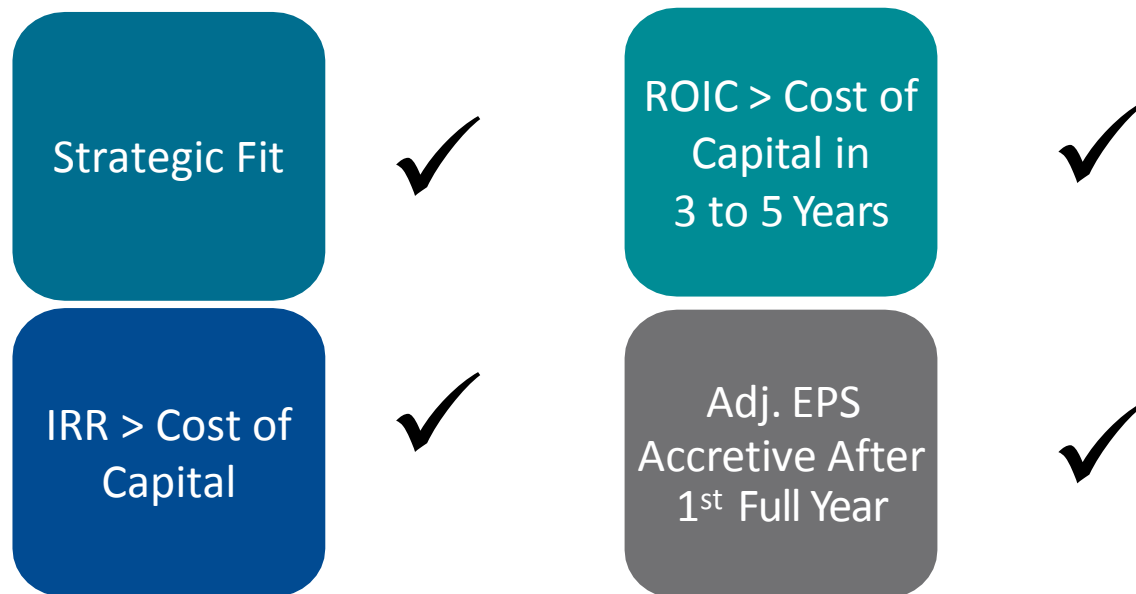
Adjusted EBITDA Margin



* Includes achievement of cost synergies

- G&A efficiency opportunity
- Scalable platform for growth and margin leverage
- Evidence of margin improvement in recent years with achievable path to further expand

TRANSACTION FITS M&A FRAMEWORK



Transaction Details

- Achieves each key financial metrics for M&A
- Financed with mix of cash and low interest, short-term debt
- Expected to be debt neutral in Year 1 post-transaction
- Expect to maintain current credit ratings

Provides For Significant Value Creation Opportunities

SUMMARY

- **Xylem announced definitive agreement to acquire Pure for ~US\$397M**
 - Estimated to close 1Q 2018, subject to customary Canadian court, U.S. anti-trust and shareholder approvals
- **Pure provides a leadership position in smart infrastructure analysis and optimization technologies**
 - Advances Xylem's strategy to be a leading provider of systems intelligence solutions
 - Complementary to Sensus and Visenti capabilities
 - Combination creates global offering in smart infrastructure with significant opportunity for global growth
- **Expected to create significant shareholder value**
 - Builds on successful commercial partnership with significant cost and revenue synergies
 - Committed to successful integration and advancing our M&A execution track record

NON-GAAP MEASURES

Management reviews key performance indicators including revenue, gross margins, segment operating income and margins, orders growth, free cash flow, 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 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. However, other than with respect to total revenue, we only provide guidance on a non-GAAP basis and do not provide reconciliations of such forward-looking measures to GAAP due to the inherent difficulty in forecasting certain amounts that would be included in GAAP earnings, such as, integration and acquisition-related costs, special charges and tax related special items. 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:

"EBITDA" defined as earnings before interest, taxes, depreciation, amortization expense, and share-based compensation.

"Adjusted EBITDA" reflects the adjustments to EBITDA to exclude the impact of foreign currency fluctuation and the recovery of a fully reserved receivable from a customer.

PURE NON-GAAP RECONCILIATION

Pure Technologies Ltd. Non-GAAP Reconciliation*
EBITDA and Adjusted EBITDA
(CAD\$ Millions)

	LTM 9/30/2017	12/31/2016
Revenue	<u>126</u>	<u>115</u>
Reconciliation EBITDA and Adjusted EBITDA:		
Pre-Tax Income	5	1
Interest Expense (Income), net	1	-
Depreciation & Amortization	11	11
Stock Based Compensation	3	3
EBITDA	<u>20</u>	<u>15</u>
Foreign Currency Fluctuation	1	1
Recovery of Fully Reserved Receivable	-	(1)
Adjusted EBITDA	<u>21</u>	<u>15</u>
Adjusted EBITDA Margin	<u>16.7%</u>	<u>13.0%</u>

* Revenue and income amounts from Pure's public annual and quarterly financial statements.
Note: Pure's financial statements prepared under International Financial Reporting Standards (IFRS); EBITDA performance does not differ materially from US GAAP.



NYSE: XYL

Matt Latino, Senior Director, Investor Relations
(914) 323-5821

Dawn Powell, Investor Relations Coordinator
(914) 323-5931

<http://www.xylem.com/en-us/investors/>