

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, DC 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): August 2, 2022

XYLEM INC.

(Exact name of registrant as specified in its charter)

Indiana
(State or other jurisdiction
of incorporation)

001-35229
(Commission
File Number)

45-2080495
(IRS Employer
Identification No.)

301 Water Street SE
Washington DC
(Address of principal executive offices)

20003
(Zip Code)

(202) 869-9150
(Registrant's telephone number, including area code)
(Former name or former address, if changed since last report)

1 International Drive, Rye Brook, NY 10573

Securities registered pursuant to Section 12(b) of the Act:

| <u>Title of each class</u> | <u>Trading Symbol(s)</u> | <u>Name of each exchange of which registered</u> |
|--|--------------------------|--|
| Common Stock, par value \$0.01 per share | XYL | New York Stock Exchange |
| 2.250% Senior Notes due 2023 | XYL23 | New York Stock Exchange |

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
- Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 2.02 Results of Operations and Financial Condition

On August 2, 2022, Xylem Inc. issued a press release announcing its financial results for the second quarter ended June 30, 2022. A copy of the press release is furnished as Exhibit 99.1 to this report and is incorporated by reference herein.

This information shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as expressly set forth by specific reference in such filing.

Item 9.01 Financial Statements and Exhibits

(d) Exhibits.

| Exhibit No. | Description |
|----------------------|--|
| 99.1 | Press Release issued by Xylem Inc. on August 2, 2022. |
| 104.0 | The cover page from Xylem Inc.'s Form 8-K, formatted in Inline XBRL. |

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: August 2, 2022

XYLEM INC.

By: /s/ Sandra E. Rowland

Sandra E. Rowland

Senior Vice President & Chief Financial Officer
(Authorized Officer of Registrant)



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Xylem Reports Second Quarter 2022 Results

- **Robust continuing demand drove strong organic orders growth: 1% on a reported basis, 6% organically**
- **Revenue of \$1.4 billion, up 1% on a reported basis, up 6% organically**
- **Earnings per share of \$0.62, adjusted earnings per share of \$0.66**
- **Adjusted EBITDA margin exceeded guidance by 160 basis points**
- **Raising full-year organic revenue guidance to a range of 8% to 10% from 4% to 6%, and adjusted EPS to a range of \$2.50 to \$2.70 from \$2.40 to \$2.70**

Washington, D.C., August 2, 2022 – Xylem Inc. (NYSE: XYL), a leading global water technology company dedicated to solving the world’s most challenging water issues, today reported second quarter revenue of \$1.4 billion, surpassing previous guidance in each business segment. Strong continued global demand drove orders and backlog growth across the portfolio.

Second quarter adjusted earnings before interest, tax, depreciation and amortization (EBITDA) margin was 16.6 percent, better than the Company’s previous guidance and reflecting a year-over-year decrease of 70 basis points. Inflation and the impact of continuing chip shortages drove the margin decline, exceeding the benefits of price realization and productivity savings. Xylem generated net income of \$112 million, or \$0.62 per share, and adjusted net income of \$120 million, or \$0.66 per share, which excludes the impact of restructuring, realignment and special charges.

“The team delivered very strong second quarter performance on all key metrics, and well ahead of our guidance for the quarter,” said Patrick Decker, Xylem president and CEO. “The result reflects our commercial momentum on continuing underlying demand, disciplined operational execution, and a moderate easing in chip supply constraints.”

“On the strength of robust backlog and orders growth, and the team’s demonstrated success mitigating the effects of inflation, we are raising our full-year guidance on revenue and earnings. This further reinforces our longer-term growth and value creation thesis for Xylem.”

Outlook

Xylem now expects full-year 2022 organic revenue growth to be in the range of 8 to 10 percent, and 3 to 5 percent on a reported basis. This represents an increase from the Company’s previous full-year organic revenue guidance of 4 to 6 percent, and 1 to 3 percent on a reported basis. Full-year 2022 adjusted EBITDA margin is now expected to be in the range of 16.5 to 17.0 percent, raising the low end of the previous range of 16.0 to 17.0 percent. This results in adjusted earnings per share of \$2.50 to \$2.70, raising the low end from the previous range of \$2.40 to \$2.70. The increased guidance reflects strong demand, gradual easing of supply chain constraints and price realization partially offset by inflation and foreign exchange headwinds.

Further 2022 planning assumptions are included in Xylem's second quarter 2022 earnings materials posted at www.xylem.com/investors. 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.

Second Quarter Segment Results

Water Infrastructure

Xylem's Water Infrastructure segment consists of its portfolio of businesses serving clean water delivery, wastewater transport and treatment, and dewatering.

- Second quarter 2022 Water Infrastructure revenue was \$589 million, a 9.0 percent increase organically compared with second quarter 2021. This robust growth was driven by strong price realization, industrial dewatering demand, and healthy activity in our wastewater utility business in the U.S. and Western Europe.
- Second quarter adjusted EBITDA margin was 21.4 percent, up 240 basis points from the prior year. Reported operating income for the segment was \$108 million. Adjusted operating income for the segment, which excludes \$3 million of restructuring and realignment, was \$111 million, a 14.4 percent increase versus the comparable period last year. Reported operating margin for the segment was 18.3 percent, up 200 basis points versus the prior year, and adjusted operating margin was 18.8 percent, up 180 basis points versus the prior year. Strong price realization, volume, and productivity savings more than offset inflation and strategic investments.

Applied Water

Xylem's Applied Water segment consists of its portfolio of businesses in industrial, commercial building, and residential applications.

- Second quarter 2022 Applied Water revenue was \$429 million, a 7.0 percent increase organically year-over-year. The segment delivered strong price realization and backlog execution in industrial and residential end markets, partially offset by continued supply chain constraints in commercial buildings in the United States.
- Second quarter adjusted EBITDA margin was 16.1 percent, down 130 basis points from the prior year. Reported operating income for the segment was \$61 million and adjusted operating income, which excludes \$2 million of restructuring and realignment costs, was \$63 million, a 4.5 percent decrease versus the comparable period last year. The segment reported operating margin was 14.2 percent, down 130 basis points versus the prior year period. Adjusted operating margin declined 120 basis points to 14.7 percent. Strong price realization and productivity savings were more than offset by inflation and lower volume.

Measurement & Control Solutions

Xylem's Measurement & Control Solutions segment consists of its portfolio of businesses in smart metering, network technologies, advanced infrastructure analytics and analytic instrumentation.

- Second quarter 2022 Measurement & Control Solutions revenue was \$346 million, down 2.0 percent organically versus the prior year. While chip supply remains constrained, the result is better than our expectations due to improved chip supply in the quarter, and strength in our water quality test applications.

- Second quarter adjusted EBITDA margin was 9.8 percent, down 410 basis points from the prior year. Reported operating income for the segment was \$(5) million, and adjusted operating income, which excludes \$3 million of restructuring and realignment costs and \$1 million of special charges, was \$(1) million, a 108 percent decrease versus the comparable period last year. The Measurement & Control Solutions segment reported operating margin was (1.4) percent, down 490 basis points versus the prior year period. Adjusted operating margin of (0.3) percent decreased 380 basis points over the prior year period. Volume declines from chip shortages, unfavorable mix and higher inflation more than offset price realization and productivity savings.

Supplemental information on Xylem's second quarter 2022 earnings and reconciliations for certain non-GAAP items is posted at www.xylem.com/investors.

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About Xylem

Xylem (XYL) is a leading global water technology company committed to solving critical water and infrastructure challenges with innovation. Our 17,000 diverse employees delivered revenue of \$5.2 billion in 2021. We are creating a more sustainable world by enabling our customers to optimize water and resource management, and helping communities in more than 150 countries become water-secure. Join us at www.xylem.com.

Forward-Looking Statements

This press release 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 impacts from the war between Russia and Ukraine, as well as the ongoing coronavirus ("COVID-19") pandemic and related macroeconomic conditions (including inflation). 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: the impact of overall industry and general economic conditions, including industrial, governmental, and public and private sector spending and the strength of the residential and commercial real estate markets, on economic activity and our operations; geopolitical events, including the war between Russia and Ukraine, and regulatory, economic and other risks associated with our global sales and operations, including with respect to domestic content requirements applicable to projects with governmental funding; 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 electronic components (in particular, semiconductors), parts, and raw materials from our supply chain; manufacturing and operating cost increases due to macroeconomic conditions, including inflation, supply

chain shortages, logistics challenges, tight labor markets, prevailing price changes, tariffs and other factors; demand for our products; disruption, competition or 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 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 uncertainty around the availability of liquidity sufficient to meet our needs; risk of future impairments to goodwill and other intangible assets; failure to comply with, or changes in, laws or regulations, including those pertaining to anti-corruption, data privacy and security, export and import, competition, and the environment and climate change; changes in our effective tax rates or tax expenses; legal, governmental or regulatory claims, investigations or proceedings and associated contingent liabilities; and other factors set forth under “Item 1A. Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2021 and in subsequent filings we make with the Securities and Exchange Commission (“SEC”).

Forward-looking and other statements in this press release regarding our environmental and other sustainability plans and goals are not an indication that these statements are necessarily material to investors or are 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 press release. 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.

XYLEM INC. AND SUBSIDIARIES**CONDENSED CONSOLIDATED INCOME STATEMENTS (Unaudited)**

(in millions, except per share data)

| For the period ended June 30, | Three Months | | Six Months | |
|--|---------------------|-------------|-------------------|-------------|
| | 2022 | 2021 | 2022 | 2021 |
| Revenue | \$ 1,364 | \$ 1,351 | \$ 2,636 | \$ 2,607 |
| Cost of revenue | 844 | 831 | 1,649 | 1,597 |
| Gross profit | 520 | 520 | 987 | 1,010 |
| Selling, general and administrative expenses | 314 | 304 | 618 | 605 |
| Research and development expenses | 53 | 53 | 105 | 103 |
| Restructuring and asset impairment charges | 7 | 3 | 7 | 9 |
| Operating income | 146 | 160 | 257 | 293 |
| Interest expense | 12 | 21 | 25 | 42 |
| Other non-operating (expense) income, net | 2 | (3) | 1 | (1) |
| Gain from sale of business | — | 2 | 1 | 2 |
| Income before taxes | 136 | 138 | 234 | 252 |
| Income tax expense | 24 | 25 | 40 | 52 |
| Net income | \$ 112 | \$ 113 | \$ 194 | \$ 200 |
| Earnings per share: | | | | |
| Basic | \$ 0.62 | \$ 0.63 | \$ 1.07 | \$ 1.11 |
| Diluted | \$ 0.62 | \$ 0.62 | \$ 1.07 | \$ 1.10 |
| Weighted average number of shares: | | | | |
| Basic | 180.2 | 180.1 | 180.2 | 180.2 |
| Diluted | 180.6 | 181.3 | 180.8 | 181.4 |

XYLEM INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)
(in millions, except per share amounts)

| | June 30, 2022 | December 31, 2021 |
|---|------------------|----------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 1,113 | \$ 1,349 |
| Receivables, less allowances for discounts, returns and credit losses of \$41 and \$44 in 2022 and 2021, respectively | 1,024 | 953 |
| Inventories | 852 | 700 |
| Prepaid and other current assets | 185 | 158 |
| Total current assets | 3,174 | 3,160 |
| Property, plant and equipment, net | 608 | 644 |
| Goodwill | 2,714 | 2,792 |
| Other intangible assets, net | 975 | 1,016 |
| Other non-current assets | 718 | 664 |
| Total assets | \$ 8,189 | \$ 8,276 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable | \$ 648 | \$ 639 |
| Accrued and other current liabilities | 782 | 752 |
| Short-term borrowings and current maturities of long-term debt | 521 | — |
| Total current liabilities | 1,951 | 1,391 |
| Long-term debt | 1,879 | 2,440 |
| Accrued post-retirement benefits | 408 | 438 |
| Deferred income tax liabilities | 292 | 287 |
| Other non-current accrued liabilities | 456 | 494 |
| Total liabilities | 4,986 | 5,050 |
| Stockholders' equity: | | |
| Common Stock – par value \$0.01 per share: | | |
| Authorized 750.0 shares, issued 195.9 shares and 195.6 shares in 2022 and 2021, respectively | 2 | 2 |
| Capital in excess of par value | 2,111 | 2,089 |
| Retained earnings | 2,238 | 2,154 |
| Treasury stock – at cost 15.8 shares and 15.2 shares in 2022 and 2021, respectively | (708) | (656) |
| Accumulated other comprehensive loss | (448) | (371) |
| Total stockholders' equity | 3,195 | 3,218 |
| Non-controlling interests | 8 | 8 |
| Total equity | 3,203 | 3,226 |
| Total liabilities and stockholders' equity | \$ 8,189 | \$ 8,276 |

XYLEM INC. AND SUBSIDIARIES**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)**

(in millions)

For the six months ended June 30,

| | 2022 | 2021 |
|---|-----------------|-----------------|
| Operating Activities | | |
| Net income | \$ 194 | \$ 200 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation | 56 | 59 |
| Amortization | 62 | 65 |
| Share-based compensation | 18 | 17 |
| Restructuring and asset impairment charges | 7 | 9 |
| Gain from sale of business | (1) | (2) |
| Other, net | 6 | 6 |
| Payments for restructuring | (5) | (18) |
| Changes in assets and liabilities (net of acquisitions): | | |
| Changes in receivables | (119) | (66) |
| Changes in inventories | (189) | (89) |
| Changes in accounts payable | 40 | 36 |
| Other, net | (37) | (11) |
| Net Cash – Operating activities | 32 | 206 |
| Investing Activities | | |
| Capital expenditures | (95) | (80) |
| Proceeds from sale of business | 1 | 2 |
| Proceeds from the sale of property, plant and equipment | 3 | — |
| Cash received from investments | 4 | — |
| Cash paid for investments | (7) | — |
| Other, net | 10 | 9 |
| Net Cash – Investing activities | (84) | (69) |
| Financing Activities | | |
| Repurchase of common stock | (52) | (68) |
| Proceeds from exercise of employee stock options | 3 | 9 |
| Dividends paid | (110) | (102) |
| Other, net | 1 | (1) |
| Net Cash – Financing activities | (158) | (162) |
| Effect of exchange rate changes on cash | (26) | (10) |
| Net change in cash and cash equivalents | (236) | (35) |
| Cash and cash equivalents at beginning of year | 1,349 | 1,875 |
| Cash and cash equivalents at end of period | \$ 1,113 | \$ 1,840 |
| Supplemental disclosure of cash flow information: | | |
| Cash paid during the period for: | | |
| Interest | \$ 40 | \$ 58 |
| Income taxes (net of refunds received) | \$ 42 | \$ 60 |

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**” reflect 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.

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

| | <u>(As Reported - GAAP)</u> | | | | <u>(As Adjusted - Organic)</u> | | | | <u>Constant</u> |
|---------------------------------|-----------------------------|---------------|-----------------------|-------------------------|---------------------------------------|----------------------|---|---------------------------------------|--------------------------|
| | <u>(A)</u> | | <u>(B)</u> | | <u>(C)</u> | <u>(D)</u> | <u>(E)=B+C+D</u> | <u>(F) = E/A</u> | <u>(G) = (E - C) / A</u> |
| | <u>Orders</u> | <u>Orders</u> | <u>Change 2022 v.</u> | <u>% Change 2022 v.</u> | <u>Acquisitions/ Divestitures</u> | <u>FX Impact</u> | <u>Change Adj. 2022 v. 2021</u> | <u>% Change Adj. 2022 v. 2021</u> | |
| 2022 | 2021 | | | | | | | | |
| Six Months Ended | | | | | | | | | |
| June 30 | | | | | | | | | |
| Xylem Inc. | 3,399 | 3,198 | 201 | 6 % | 11 | 107 | 319 | 10 % | 10 % |
| Water Infrastructure | 1,391 | 1,250 | 141 | 11 % | — | 66 | 207 | 17 % | 17 % |
| Applied Water | 985 | 963 | 22 | 2 % | — | 25 | 47 | 5 % | 5 % |
| Measurement & Control Solutions | 1,023 | 985 | 38 | 4 % | 11 | 16 | 65 | 7 % | 5 % |
| Quarter Ended | | | | | | | | | |
| June 30 | | | | | | | | | |
| Xylem Inc. | 1,684 | 1,660 | 24 | 1 % | 5 | 67 | 96 | 6 % | 5 % |
| Water Infrastructure | 731 | 639 | 92 | 14 % | — | 42 | 134 | 21 % | 21 % |
| Applied Water | 480 | 486 | (6) | (1)% | — | 15 | 9 | 2 % | 2 % |
| Measurement & Control Solutions | 473 | 535 | (62) | (12)% | 5 | 10 | (47) | (9)% | (10)% |
| Quarter Ended | | | | | | | | | |
| March 31 | | | | | | | | | |
| Xylem Inc. | 1,715 | 1,538 | 177 | 12 % | 6 | 40 | 223 | 14 % | 14 % |
| Water Infrastructure | 660 | 611 | 49 | 8 % | — | 24 | 73 | 12 % | 12 % |
| Applied Water | 505 | 477 | 28 | 6 % | — | 10 | 38 | 8 % | 8 % |
| Measurement & Control Solutions | 550 | 450 | 100 | 22 % | 6 | 6 | 112 | 25 % | 24 % |

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

| | (As Reported - GAAP) | | | | (As Adjusted - Organic) | | | | Constant Currency |
|---------------------------------|------------------------|------------------------|-------------------------------|--------------------------|---------------------------------------|---------------------|--|--|----------------------|
| | (A) Revenue 2022 | (A) Revenue 2021 | (B) Change 2022 v. 2021 | % Change 2022 v. 2021 | (C) Acquisitions / Divestitures | (D) FX Impact | (E) = B+C+D Change Adj. 2022 v. 2021 | (F) = E/A % Change Adj. 2022 v. 2021 | (G) = (E - C) / A |
| Six Months Ended | | | | | | | | | |
| June 30 | | | | | | | | | |
| Xylem Inc. | 2,636 | 2,607 | 29 | 1 % | 5 | 93 | 127 | 5 % | 5 % |
| Water Infrastructure | 1,122 | 1,078 | 44 | 4 % | — | 53 | 97 | 9 % | 9 % |
| Applied Water | 854 | 807 | 47 | 6 % | — | 23 | 70 | 9 % | 9 % |
| Measurement & Control Solutions | 660 | 722 | (62) | (9)% | 5 | 17 | (40) | (6)% | (6)% |
| Quarter Ended | | | | | | | | | |
| June 30 | | | | | | | | | |
| Xylem Inc. | 1,364 | 1,351 | 13 | 1 % | 3 | 60 | 76 | 6 % | 5 % |
| Water Infrastructure | 589 | 569 | 20 | 4 % | — | 34 | 54 | 9 % | 9 % |
| Applied Water | 429 | 414 | 15 | 4 % | — | 15 | 30 | 7 % | 7 % |
| Measurement & Control Solutions | 346 | 368 | (22) | (6)% | 3 | 11 | (8) | (2)% | (3)% |
| Quarter Ended | | | | | | | | | |
| March 31 | | | | | | | | | |
| Xylem Inc. | 1,272 | 1,256 | 16 | 1 % | 2 | 33 | 51 | 4 % | 4 % |
| Water Infrastructure | 533 | 509 | 24 | 5 % | — | 19 | 43 | 8 % | 8 % |
| Applied Water | 425 | 393 | 32 | 8 % | — | 8 | 40 | 10 % | 10 % |
| Measurement & Control Solutions | 314 | 354 | (40) | (11)% | 2 | 6 | (32) | (9)% | (10)% |

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

| | Q1 | | Q2 | | Year-to-Date | |
|---|-----------------|----------------|---------------|---------------|----------------|---------------|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| Net Cash - Operating Activities | \$ (81) | \$ (26) | \$ 113 | \$ 232 | \$ 32 | \$ 206 |
| Capital Expenditures - PP&E | (31) | (22) | (30) | (25) | (61) | (47) |
| Capital Expenditures - Software | (18) | (17) | (16) | (16) | (34) | (33) |
| Capital Expenditures | (49) | (39) | (46) | (41) | (95) | (80) |
| Free Cash Flow | \$ (130) | \$ (65) | \$ 67 | \$ 191 | \$ (63) | \$ 126 |
| Net Income | 82 | 87 | 112 | 113 | 194 | 200 |
| Gain/(Loss) from sale of business | 1 | — | — | 2 | 1 | 2 |
| Restructuring & Realignment Charges - non-cash impairment | — | (1) | — | — | — | (1) |
| Special Charges - non-cash impairment | — | (1) | (1) | — | (1) | (1) |
| Net Income, excluding gain on sale of businesses, non-cash impairment charges and significant deferred tax items | \$ 81 | \$ 89 | \$ 113 | \$ 111 | \$ 194 | \$ 200 |
| Operating Cash Flow Conversion | (99)% | (30)% | 101 % | 205 % | 16 % | 103 % |
| Free Cash Flow Conversion | (160)% | (73)% | 59 % | 172 % | (32)% | 63 % |

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

| | Q1 | | Q2 | | YTD | |
|--|--------|--------|--------|--------|--------|--------|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| Total Revenue | | | | | | |
| • Total Xylem | 1,272 | 1,256 | 1,364 | 1,351 | 2,636 | 2,607 |
| • Water Infrastructure | 533 | 509 | 589 | 569 | 1,122 | 1,078 |
| • Applied Water | 425 | 393 | 429 | 414 | 854 | 807 |
| • Measurement & Control Solutions | 314 | 354 | 346 | 368 | 660 | 722 |
| Operating Income | | | | | | |
| • Total Xylem | 111 | 133 | 146 | 160 | 257 | 293 |
| • Water Infrastructure | 74 | 71 | 108 | 93 | 182 | 164 |
| • Applied Water | 59 | 66 | 61 | 64 | 120 | 130 |
| • Measurement & Control Solutions | (10) | 9 | (5) | 13 | (15) | 22 |
| • Total Segments | 123 | 146 | 164 | 170 | 287 | 316 |
| Operating Margin | | | | | | |
| • Total Xylem | 8.7 % | 10.6 % | 10.7 % | 11.8 % | 9.7 % | 11.2 % |
| • Water Infrastructure | 13.9 % | 13.9 % | 18.3 % | 16.3 % | 16.2 % | 15.2 % |
| • Applied Water | 13.9 % | 16.8 % | 14.2 % | 15.5 % | 14.1 % | 16.1 % |
| • Measurement & Control Solutions | (3.2)% | 2.5 % | (1.4)% | 3.5 % | (2.3)% | 3.0 % |
| • Total Segments | 9.7 % | 11.6 % | 12.0 % | 12.6 % | 10.9 % | 12.1 % |
| Special Charges | | | | | | |
| • Total Xylem | 1 | 2 | 1 | — | 2 | 2 |
| • Water Infrastructure | — | — | — | — | — | — |
| • Applied Water | — | 1 | — | — | — | 1 |
| • Measurement & Control Solutions | — | — | 1 | — | 1 | — |
| • Total Segments | — | 1 | 1 | — | 1 | 1 |
| Restructuring & Realignment Costs | | | | | | |
| • Total Xylem | 4 | 8 | 8 | 6 | 12 | 14 |
| • Water Infrastructure | 1 | 5 | 3 | 4 | 4 | 9 |
| • Applied Water | 1 | 1 | 2 | 2 | 3 | 3 |
| • Measurement & Control Solutions | 2 | 2 | 3 | — | 5 | 2 |
| • Total Segments | 4 | 8 | 8 | 6 | 12 | 14 |
| Adjusted Operating Income | | | | | | |
| • Total Xylem | 116 | 143 | 155 | 166 | 271 | 309 |
| • Water Infrastructure | 75 | 76 | 111 | 97 | 186 | 173 |
| • Applied Water | 60 | 68 | 63 | 66 | 123 | 134 |
| • Measurement & Control Solutions | (8) | 11 | (1) | 13 | (9) | 24 |
| • Total Segments | 127 | 155 | 173 | 176 | 300 | 331 |
| Adjusted Operating Margin | | | | | | |
| • Total Xylem | 9.1 % | 11.4 % | 11.4 % | 12.3 % | 10.3 % | 11.9 % |
| • Water Infrastructure | 14.1 % | 14.9 % | 18.8 % | 17.0 % | 16.6 % | 16.0 % |
| • Applied Water | 14.1 % | 17.3 % | 14.7 % | 15.9 % | 14.4 % | 16.6 % |
| • Measurement & Control Solutions | (2.5)% | 3.1 % | (0.3)% | 3.5 % | (1.4)% | 3.3 % |
| • Total Segments | 10.0 % | 12.3 % | 12.7 % | 13.0 % | 11.4 % | 12.7 % |

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

| | Q2 2022 | | | Q2 2021 | | |
|--------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | As Reported | Adjustments | Adjusted | As Reported | Adjustments | Adjusted |
| Total Revenue | 1,364 | — | 1,364 | 1,351 | — | 1,351 |
| Operating Income | 146 | 9 a | 155 | 160 | 6 a | 166 |
| Operating Margin | 10.7 % | | 11.4 % | 11.8 % | | 12.3 % |
| Interest Expense | (12) | — | (12) | (21) | — | (21) |
| Other Non-Operating Income (Expense) | 2 | 2 b | 4 | (3) | 3 b | — |
| Gain/(Loss) from sale of business | — | — | — | 2 | (2) | — |
| Income before Taxes | 136 | 11 | 147 | 138 | 7 | 145 |
| Provision for Income Taxes | (24) | (3) c | (27) | (25) | (1) c | (26) |
| Net Income attributable to Xylem | 112 | 8 | 120 | 113 | 6 | 119 |
| Diluted Shares | 180.6 | | 180.6 | 181.3 | | 181.3 |
| Diluted EPS | \$ 0.62 | \$ 0.04 | \$ 0.66 | \$ 0.62 | \$ 0.04 | \$ 0.66 |

Year-over-year currency translation impact on current year diluted EPS \$ (0.08) \$ — \$ (0.08)

Diluted EPS at Constant Currency \$ **0.70** \$ **0.04** \$ **0.74**

| | Q2 YTD 2022 | | | Q2 YTD 2021 | | |
|--------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | As Reported | Adjustments | Adjusted | As Reported | Adjustments | Adjusted |
| Total Revenue | 2,636 | — | 2,636 | 2,607 | — | 2,607 |
| Operating Income | 257 | 14 a | 271 | 293 | 16 a | 309 |
| Operating Margin | 9.7 % | | 10.3 % | 11.2 % | | 11.9 % |
| Interest Expense | (25) | — | (25) | (42) | — | (42) |
| Other Non-Operating Income (Expense) | 1 | 3 b | 4 | (1) | 4 b | 3 |
| Gain/(Loss) from sale of business | 1 | (1) | — | 2 | (2) | — |
| Income before Taxes | 234 | 16 | 250 | 252 | 18 | 270 |
| Provision for Income Taxes | (40) | (6) c | (46) | (52) | 3 c | (49) |
| Net Income attributable to Xylem | 194 | 10 | 204 | 200 | 21 | 221 |
| Diluted Shares | 180.8 | | 180.8 | 181.4 | | 181.4 |
| Diluted EPS | \$ 1.07 | \$ 0.06 | \$ 1.13 | \$ 1.10 | \$ 0.13 | \$ 1.23 |

Year-over-year currency translation impact on current year diluted EPS \$ (0.12) \$ — \$ (0.12)

Diluted EPS at Constant Currency \$ **1.19** \$ **0.06** \$ **1.25**

- a Quarter-to-date: Restructuring & realignment costs of \$8 million in 2022 and \$6 million in 2021, as well as special charges of \$1 million in 2022 (related to intangible asset impairment)
Year-to-date: Restructuring & realignment costs of \$12 million in 2022 and \$14 million in 2021, as well as special charges of \$2 million (\$1 million of intangible asset impairment charges and \$1 million for pension costs related to the UK pension plan) in both 2022 and 2021.
- b Quarter-to-date: Special non-operating charges consist of \$2 million in 2022 and \$3 million in 2021 for costs related to the UK pension plan that is going to be part of a buyout.
Year-to-date: Special non-operating charges consist of \$3 million in 2022 and \$4 million in 2021 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 \$2 million in 2022 and \$1 million in 2021; \$1 million net tax impact on special charges in 2021; and \$1 million of negative impact from tax related special benefits to GAAP tax in 2022 and \$1 million of positive impact from tax related special charges to GAAP tax in 2021.
Year-to-date: Net tax impact on restructuring & realignment costs of \$3 million in both 2022 and 2021; \$1 million net tax impact on special charges in 2022 and 2021; and \$2 million of negative impact from tax related special benefits to GAAP tax in 2022 and \$7 million of positive impact from tax related special charges to GAAP tax in 2021.

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

| | 2022 | | | | |
|-----------------------------------|-------------|--------|--------|--------|--------|
| | Q1 | Q2 | Q3 | Q4 | Total |
| Net Income | 82 | 112 | | | 194 |
| Income Tax Expense | 16 | 24 | | | 40 |
| Interest Expense (Income), net | 11 | 10 | | | 21 |
| Depreciation | 28 | 28 | | | 56 |
| Amortization | 30 | 32 | | | 62 |
| EBITDA | 167 | 206 | — | — | 373 |
| Share-based Compensation | 9 | 9 | | | 18 |
| Restructuring & Realignment | 4 | 8 | | | 12 |
| Loss/(Gain) from sale of business | (1) | — | | | (1) |
| Special Charges | 2 | 3 | | | 5 |
| Adjusted EBITDA | 181 | 226 | — | — | 407 |
| Revenue | 1,272 | 1,364 | | | 2,636 |
| Adjusted EBITDA Margin | 14.2 % | 16.6 % | | | 15.4 % |
| 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 % |

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

| | 2022 | | | | |
|--------------------------------|-------------|--------|----|----|--------|
| | Q1 | Q2 | Q3 | Q4 | Total |
| Pre-Tax Income | 71 | 109 | | | 180 |
| Interest Expense (Income), net | (1) | — | | | (1) |
| Depreciation | 11 | 11 | | | 22 |
| Amortization | 2 | 3 | | | 5 |
| EBITDA | 83 | 123 | | | 206 |
| Share-based Compensation | 1 | — | | | 1 |
| Restructuring & Realignment | 1 | 3 | | | 4 |
| Special Charges | — | — | | | — |
| Adjusted EBITDA | 85 | 126 | — | — | 211 |
| Revenue | 533 | 589 | | | 1,122 |
| Adjusted EBITDA Margin | 15.9 % | 21.4 % | | | 18.8 % |

| | 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 % |

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

| | 2022 | | | | Total |
|-----------------------------------|-------------|--------|--------|--------|--------|
| | Q1 | Q2 | Q3 | Q4 | |
| Pre-Tax Income | 58 | 61 | | | 119 |
| Interest Expense (Income), net | — | — | | | — |
| Depreciation | 5 | 4 | | | 9 |
| Amortization | — | 1 | | | 1 |
| EBITDA | 63 | 66 | — | | 129 |
| Share-based Compensation | 1 | 1 | | | 2 |
| Restructuring & Realignment | 1 | 2 | | | 3 |
| Loss/(Gain) from sale of business | — | — | | | — |
| Special Charges | — | — | | | — |
| Adjusted EBITDA | 65 | 69 | — | | 134 |
| Revenue | 425 | 429 | | | 854 |
| Adjusted EBITDA Margin | 15.3 % | 16.1 % | | | 15.7 % |
| | | | | | |
| | 2021 | | | | Total |
| | Q1 | Q2 | Q3 | Q4 | |
| 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 % |

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

| | 2022 | | | | Total |
|-----------------------------------|-------------|-------|----|----|-------|
| | Q1 | Q2 | Q3 | Q4 | |
| Pre-Tax Income | (9) | (6) | | | (15) |
| Interest Expense (Income), net | — | — | | | — |
| Depreciation | 9 | 8 | | | 17 |
| Amortization | 25 | 26 | | | 51 |
| EBITDA | 25 | 28 | — | — | 53 |
| Share-based Compensation | 1 | 2 | | | 3 |
| Restructuring & Realignment | 2 | 3 | | | 5 |
| Loss/(Gain) from sale of business | (1) | — | | | (1) |
| Special Charges | — | 1 | | | 1 |
| Adjusted EBITDA | 27 | 34 | — | — | 61 |
| Revenue | 314 | 346 | | | 660 |
| Adjusted EBITDA Margin | 8.6 % | 9.8 % | | | 9.2 % |

| | 2021 | | | | Total |
|--------------------------------|-------------|--------|--------|-------|--------|
| | Q1 | Q2 | Q3 | Q4 | |
| Pre-Tax (Loss) 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 % |