

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, DC 20549

**FORM 8-K/A
(Amendment No.1)**

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 10, 2023 (August 2, 2023)

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)

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

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.

Explanatory Note

On August 2, 2023, Xylem Inc., an Indiana corporation (the “Company”) furnished a Current Report on Form 8-K in connection with the issuance of a press release announcing its financial results for the quarter ended June 30, 2023 (the “Original Report”).

This Amendment No. 1 is being furnished by the Company to provide certain financial statement line items that were included in the press release issued on August 2, 2023, but inadvertently omitted from Exhibit 99.1 to the Original Report. These items consist of detail for the sub-total of "Total current liabilities" within the Condensed Consolidated Balance Sheets and detail for the sub-totals of "Net Cash - Operating activities", Net Cash- Investing activities" and "Net Cash - Financing activities" within the Condensed Consolidated Statements of Cash Flows.

Item 2.02 Results of Operations and Financial Condition

On August 2, 2023, the Company issued a press release announcing its financial results for the quarter ended June 30, 2023. 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, 2023 (complete file).
104.0	The cover page from Xylem Inc.'s Form 8-K/A, 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 10, 2023

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 2023 Results

- **Second-quarter revenue grew 26%, including May 24 acquisition of Evoqua; up 15% organically**
- **Second-quarter earnings per share of \$0.45, down 27%; adjusted earnings per share of \$0.98, up 32%**
- **Raising full-year revenue guidance to approximately \$7.2B, up 30%, with organic revenue growth of 9% to 10%, up from 8% to 9%**
- **Lifting full-year adjusted EPS guidance to \$3.50 to \$3.70, from \$3.15 to \$3.35 on strong momentum from both companies**

WASHINGTON, D.C., (Aug. 2, 2023) – Xylem Inc. (NYSE: XYL), a leading global water technology company dedicated to solving the world’s most challenging water issues, today reported second-quarter results, which include the May 24 acquisition of Evoqua Water Technologies Corp. (Evoqua). The Company reported total revenue of \$1.7 billion, with reported growth of 26 percent and organic growth of 15 percent, surpassing prior guidance, on strong commercial and operational execution. Orders were up 10 percent on a reported basis and down 2 percent organically, while backlog grew to \$5.3 billion, up 7 percent organically and including \$1.3 billion from Evoqua, with resilient underlying demand. Second-quarter earnings, excluding the acquisition, exceeded Xylem’s previous stand-alone guidance.

“This past quarter, we took another transformative step as a leading water solutions company to help our communities and customers solve the greatest water challenges facing our society and economies: water scarcity, resilience of our infrastructure to climate change, and the need to address these challenges affordably with the power of technology and innovation,” said Patrick Decker, Xylem president and CEO. “These challenges are intensifying every day and our powerful portfolio is now even more strongly positioned to deliver solutions at scale.”

“We are already seeing the momentum created by integrating two strong companies. On the strength of the market’s continuing underlying demand and our team’s disciplined execution, we are further raising our full-year guidance on revenues, margins and earnings per share.”

Net income was \$92 million, or \$0.45 per share. Net income margin decreased 290 basis points to 5.3 percent. These results are driven by higher acquisition and integration costs related to the Evoqua transaction, higher purchase accounting intangible amortization, and higher restructuring and realignment costs, more than offsetting strong operational performance. Coinciding with the Evoqua acquisition, Xylem has updated its adjusted operating income and earnings per share to add back non-cash purchase accounting intangible amortization and recast the 2022 amounts to reflect the change on a comparative

basis. Adjusted net income was \$202 million, or \$0.98 per share, which excludes the impacts of special items of purchase accounting intangible amortization, restructuring, realignment, and special charges.

Second-quarter adjusted earnings before interest, tax, depreciation, and amortization (EBITDA) margin was 19.1 percent, reflecting a year-over-year increase of 250 basis points. Excluding Evoqua results, adjusted EBITDA margin was 18.6 percent, up 200 basis points over the prior year period. Strong price realization more than offset inflation and, coupled with productivity savings and higher volume, drove the margin expansion, exceeding the impact of strategic investments.

Following the close of the Evoqua acquisition, Xylem is now reporting in four segments: Measurement & Control Solutions; Water Infrastructure, now including legacy-Evoqua's Applied Product Technologies segment; Applied Water; and Integrated Solutions & Services as a new stand-alone segment (with the same perimeter as the legacy-Evoqua segment of the same name) to provide continued transparency on the segment's performance.

Outlook

Xylem is updating its full-year 2023 guidance to reflect strong organic performance, the combination with Evoqua and the adjustment of purchase accounting intangible amortization.

Xylem now expects full-year 2023 revenue of approximately \$7.2 billion, up approximately 30 percent on a reported basis and up 9 to 10 percent on an organic basis. This represents an increase from the Company's previous full-year guidance of 8 to 9 percent on an organic and reported basis.

Full-year 2023 adjusted EBITDA margin is expected to be approximately 18 percent, lifted from the previous range of 17.5 to 18.0 percent. This results in adjusted earnings per share of \$3.50 to \$3.70, raised from the previous range of \$3.15 to \$3.35. This increase of \$0.35 at the mid-point includes an organic increase of \$0.15 driven by continuing strong demand, and commercial and operational momentum.

Further 2023 planning assumptions are included in Xylem's second-quarter 2023 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

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 2023 revenue was \$415 million, up 20 percent on a reported basis and 21 percent organically, versus the prior year period. Growth was robust across the portfolio and led primarily by strong demand and backlog execution in smart metering.
- Second-quarter reported operating income for the segment was \$26 million, compared to a \$5 million loss in the same period last year. Adjusted operating income, which excludes \$3 million of restructuring and realignment costs and \$17 million of purchase accounting intangible amortization, was \$46 million, a 188 percent increase versus the prior year period, recast to add back \$17 million of non-cash purchase accounting amortization. The segment reported operating margin was 6.3 percent, up 770 basis points versus the prior year period. Adjusted operating margin of 11.1 percent increased 650 basis points over the prior year period. Adjusted EBITDA

margin was 15.7 percent, up 590 basis points from the prior year period. Higher volume, strong price realization, and productivity savings exceeded the impact of inflation and unfavorable mix.

Water Infrastructure

Xylem's Water Infrastructure segment, now including legacy-Evoqua's Applied Product Technologies segment, consists of its portfolio of businesses serving clean water delivery, wastewater transport and treatment, and dewatering.

- Second-quarter 2023 revenue was \$704 million, a 20 percent increase on a reported basis and 13 percent organically, compared with second-quarter 2022. This strong growth was driven by price realization and robust utilities and industrial demand, particularly in the U.S. and Western Europe.
- Second-quarter reported operating income for the segment was \$106 million, a 2 percent decrease versus the same period last year. Adjusted operating income, which excludes \$12 million of special charges, \$3 million of restructuring and realignment costs, and \$8 million of purchase accounting intangible amortization, was \$129 million. This represents a 15 percent increase versus the prior year period, which was recast to add back \$1 million of non-cash purchase accounting amortization. Reported operating margin for the segment was 15.1 percent, down 320 basis points versus the prior year period, and adjusted operating margin was 18.3 percent, down 70 basis points versus the prior year period. Adjusted EBITDA margin was 21.4 percent, flat from the prior year. Excluding Evoqua, adjusted EBITDA margin was 21.6 percent, up 20 basis points on the prior year. Favorable price realization and volume improvements were offset by investments, foreign exchange effects, and unfavorable mix.

Applied Water

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

- Second-quarter 2023 revenue was \$478 million, an 11 percent increase on a reported basis and 12 percent organically, year-over-year. Growth was driven by strong price realization and demand across both industrial and building solutions end-markets, particularly in the U.S. and Emerging Markets.
- Second-quarter reported operating income for the segment was \$84 million, a 38 percent increase versus the same period last year. Adjusted operating income, which excludes \$2 million of restructuring and realignment costs, was \$86 million, a 37 percent increase versus the same period last year. The segment reported operating margin was 17.6 percent, up 340 basis points versus the prior year period. Adjusted operating margin increased 330 basis points over the prior year period to 18.0 percent. Adjusted EBITDA margin was 19.0 percent, up 290 basis points from the prior year. Margin expansion was driven by strong price realization, more than offsetting inflation, coupled with productivity savings.

Integrated Solutions & Services

Xylem's new Integrated Solutions & Services segment, as of May 24, consists of its portfolio of businesses providing water treatment systems and solutions, with an extensive service branch network and fleet of mobile assets.

- Second-quarter 2023 included revenue of \$125 million.

- Second-quarter reported operating loss for the segment was \$7 million. Adjusted operating income was \$18 million, which excludes \$7 million of special charges, \$7 million of restructuring and realignment costs, and \$11 million of purchase accounting intangible amortization. The segment reported operating margin was (5.6) percent. Adjusted operating margin was 14.4 percent. Adjusted EBITDA margin was 24.0 percent reflecting strong margin performance driven by effective price-cost discipline and productivity.

Supplemental information on Xylem's second quarter 2023 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 the world's critical water, wastewater, and water-related challenges through technology, innovation, and expertise. Our more than 22,000 diverse employees delivered combined pro forma revenue of \$7.3 billion in 2022. 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 in the effort at www.xylem.com and Let's Solve Water.

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. 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, inflation, interest rates and related monetary policy by governments in response to inflation, 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; the global impact of the COVID-19 pandemic on the macroeconomy and 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, energy supply, 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; failure to successfully execute large projects, including with respect to meeting performance guarantees and customers' safety requirements; our 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; safe and compliant handling of wastewater and hazardous materials; availability, regulation or interference with radio spectrum used by certain of our products; uncertainty related to restructuring and realignment actions and related costs 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 our 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, our products, 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; risks related to our recently completed acquisition of Evoqua, including related to our ability to retain and hire key personnel, the realization of expected benefits and synergies, the need to incur additional or unexpected costs, charges or expenses associated with the integration of the combined companies, delays or challenges with the integration, potential adverse reactions or changes to relationships with customers, suppliers, distributors and other business partners, competitive responses to the acquisition, actual or potential litigation and associated costs and expenses, and impacts to our share price and dilution of shareholders' ownership; and other factors set forth under "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2022 ("2022 Annual Report") 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	
	2023	2022	2023	2022
Revenue	\$ 1,722	\$ 1,364	\$ 3,170	\$ 2,636
Cost of revenue	1,071	844	1,973	1,649
Gross profit	651	520	1,197	987
Selling, general and administrative expenses	446	314	800	618
Research and development expenses	58	53	111	105
Restructuring and asset impairment charges	28	7	36	7
Operating income	119	146	250	257
Interest expense	12	12	21	25
Other non-operating income, net	7	2	11	1
Gain from sale of business	—	—	—	1
Income before taxes	114	136	240	234
Income tax expense	22	24	49	40
Net income	\$ 92	\$ 112	\$ 191	\$ 194
Earnings per share:				
Basic	\$ 0.45	\$ 0.62	\$ 0.99	\$ 1.07
Diluted	\$ 0.45	\$ 0.62	\$ 0.98	\$ 1.07
Weighted average number of shares:				
Basic	205.5	180.2	193.0	180.2
Diluted	206.7	180.6	194.0	180.8

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

	June 30, 2023	December 31, 2022
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 708	\$ 944
Receivables, less allowances for discounts, returns and credit losses of \$45 and \$50 in 2023 and 2022, respectively	1,659	1,096
Inventories	1,143	799
Prepaid and other current assets	225	173
Total current assets	3,735	3,012
Property, plant and equipment, net	1,144	630
Goodwill	7,108	2,719
Other intangible assets, net	3,188	930
Other non-current assets	922	661
Total assets	\$ 16,097	\$ 7,952
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 968	\$ 723
Accrued and other current liabilities	1,074	867
Short-term borrowings and current maturities of long-term debt	240	—
Total current liabilities	2,282	1,590
Long-term debt	2,267	1,880
Accrued post-retirement benefits	293	286
Deferred income tax liabilities	738	222
Other non-current accrued liabilities	607	471
Total liabilities	6,187	4,449
Stockholders' equity:		
Common Stock – par value \$0.01 per share:		
Authorized 750.0 shares, issued 256.6 shares and 196.0 shares in 2023 and 2022, respectively	3	2
Capital in excess of par value	8,495	2,134
Retained earnings	2,344	2,292
Treasury stock – at cost 15.9 shares and 15.8 shares in 2023 and 2022, respectively	(717)	(708)
Accumulated other comprehensive loss	(226)	(226)
Total stockholders' equity	9,899	3,494
Non-controlling interests	11	9
Total equity	9,910	3,503
Total liabilities and stockholders' equity	\$ 16,097	\$ 7,952

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

(in millions)

For the six months ended June 30,

	2023	2022
Operating Activities		
Net income	\$ 191	\$ 194
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	69	56
Amortization	83	62
Share-based compensation	27	18
Restructuring and asset impairment charges	36	7
Gain from sale of business	—	(1)
Other, net	(5)	6
Payments for restructuring	(9)	(5)
Changes in assets and liabilities (net of acquisitions):		
Changes in receivables	(122)	(119)
Changes in inventories	(57)	(189)
Changes in accounts payable	36	40
Changes in accrued and deferred taxes	(86)	(2)
Other, net	(154)	(35)
Net Cash – Operating activities	9	32
Investing Activities		
Capital expenditures	(103)	(95)
Acquisition of businesses, net of cash acquired	(476)	—
Proceeds from sale of business	91	1
Proceeds from the sale of property, plant and equipment	—	3
Cash received from investments	—	4
Cash paid for investments	—	(7)
Cash paid for equity investments	(56)	(1)
Cash received from interest rate swaps	38	—
Cash received from cross-currency swaps	14	11
Other, net	3	—
Net Cash – Investing activities	(489)	(84)
Financing Activities		
Short-term debt issued, net	74	—
Long-term debt issued, net	275	—
Long-term debt repaid	(1)	—
Repurchase of common stock	(9)	(52)
Proceeds from exercise of employee stock options	40	3
Dividends paid	(139)	(110)
Other, net	(5)	1
Net Cash – Financing activities	235	(158)
Effect of exchange rate changes on cash	9	(26)
Net change in cash and cash equivalents	(236)	(236)
Cash and cash equivalents at beginning of year	944	1,349
Cash and cash equivalents at end of period	\$ 708	\$ 1,113
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Interest	\$ 30	\$ 40
Income taxes (net of refunds received)	\$ 135	\$ 42

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, amortization of acquired intangible assets, 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 and other non-recurring, significant non-cash impacts, such as 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.

“Adjusted Free Cash Flow” defined as free cash flow adjusted for significant cash items for which the corresponding income statement impact does not occur within the same fiscal year.

“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)

	(As Reported - GAAP)				(As Adjusted - Organic)				Constant Currency
	(A)		(B)		(C)	(D)	(E)=B+C+D	(F) = E/A	(G) = (E - C) / A
	Orders 2023	Orders 2022	Change 2023 v. 2022	% Change 2023 v. 2022	Acquisitions/ Divestitures	FX Impact	Change Adj. 2023 v. 2022	% Change Adj. 2023 v. 2022	
Six Months Ended									
June 30									
Xylem Inc.	3,426	3,399	27	1 %	(222)	76	(119)	(4)%	3 %
Water Infrastructure	1,390	1,391	(1)	— %	(59)	42	(18)	(1)%	3 %
Applied Water	928	985	(57)	(6)%	—	24	(33)	(3)%	(3)%
Measurement & Control Solutions	945	1,023	(78)	(8)%	—	10	(68)	(7)%	(7)%
Integrated Solutions & Services	163	—	163	n/a	(163)	—	—	n/a	n/a
Quarter Ended									
June 30									
Xylem Inc.	1,856	1,684	172	10 %	(222)	23	(27)	(2)%	12 %
Water Infrastructure	751	731	20	3 %	(59)	13	(26)	(4)%	5 %
Applied Water	445	480	(35)	(7)%	—	6	(29)	(6)%	(6)%
Measurement & Control Solutions	497	473	24	5 %	—	4	28	6 %	6 %
Integrated Solutions & Services	163	—	163	n/a	(163)	—	—	n/a	n/a
Quarter Ended									
March 31									
Xylem Inc.	1,570	1,715	(145)	(8)%	—	53	(92)	(5)%	(5)%
Water Infrastructure	639	660	(21)	(3)%	—	29	8	1 %	1 %
Applied Water	483	505	(22)	(4)%	—	18	(4)	(1)%	(1)%
Measurement & Control Solutions	448	550	(102)	(19)%	—	6	(96)	(17)%	(17)%

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

	(As Reported - GAAP)				(As Adjusted - Organic)			Constant Currency	
	(A) Revenue 2023	(B) Revenue 2022	Change 2023 v. 2022	% Change 2023 v. 2022	(C) Acquisitions / Divestitures	(D) FX Impact	(E) = B+C+D Change Adj. 2023 v. 2022	(F) = E/A % Change Adj. 2023 v. 2022	(G) = (E - C) / A
Six Months Ended									
June 30									
Xylem Inc.	3,170	2,636	534	20 %	(178)	64	420	16 %	23 %
Water Infrastructure	1,293	1,122	171	15 %	(53)	37	155	14 %	19 %
Applied Water	931	854	77	9 %	—	17	94	11 %	11 %
Measurement & Control Solutions	821	660	161	24 %	—	10	171	26 %	26 %
Integrated Solutions & Services	125	—	125	n/a	(125)	—	—	n/a	n/a
Quarter Ended									
June 30									
Xylem Inc.	1,722	1,364	358	26 %	(178)	19	199	15 %	28 %
Water Infrastructure	704	589	115	20 %	(53)	12	74	13 %	22 %
Applied Water	478	429	49	11 %	—	4	53	12 %	12 %
Measurement & Control Solutions	415	346	69	20 %	—	3	72	21 %	21 %
Integrated Solutions & Services	125	—	125	n/a	(125)	—	—	n/a	n/a
Quarter Ended									
March 31									
Xylem Inc.	1,448	1,272	176	14 %	—	45	221	17 %	17 %
Water Infrastructure	589	533	56	11 %	—	25	81	15 %	15 %
Applied Water	453	425	28	7 %	—	13	41	10 %	10 %
Measurement & Control Solutions	406	314	92	29 %	—	7	99	32 %	32 %

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

	Q1		Q2		Year-to-Date	
	2023	2022	2023	2022	2023	2022
Net Cash - Operating Activities	\$ (19)	\$ (81)	\$ 28	\$ 113	\$ 9	\$ 32
Capital Expenditures - PP&E	(33)	(31)	(42)	(30)	(75)	(61)
Capital Expenditures - Software	(16)	(18)	(12)	(16)	(28)	(34)
Capital Expenditures	(49)	(49)	(54)	(46)	(103)	(95)
Cash paid in excess of tax provision for R&D law change adoption	33	—	—	—	33	—
Free Cash Flow	\$ (35)	\$ (130)	\$ (26)	\$ 67	\$ (61)	\$ (63)
Cash paid by Xylem for Evoqua's pre-close transaction costs	—	—	70	—	70	—
Cash paid for Idrica distribution agreement	—	—	60	—	60	—
Adjusted Free Cash Flow	\$ (35)	\$ (130)	\$ 104	\$ 67	\$ 69	\$ (63)
Net Income	\$ 99	\$ 82	\$ 92	\$ 112	\$ 191	\$ 194
Gain/(Loss) from sale of business	—	1	—	—	—	1
Restructuring & Realignment Charges - non-cash stock acceleration	—	—	(14)	—	(14)	—
Special Charges - Inventory step-up	—	—	(15)	—	(15)	—
Special Charges - non-cash impairment	(2)	—	—	(1)	(2)	(1)
Net Income, excluding gain on sale of businesses and non-cash restructuring and special charges	\$ 101	\$ 81	\$ 121	\$ 113	\$ 222	\$ 194
Operating Cash Flow Conversion	(19)%	(99)%	30 %	101 %	5 %	16 %
Free Cash Flow Conversion	(35)%	(160)%	86 %	59 %	31 %	(32)%

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

	Q1		Q2		YTD	
	2023	2022 ⁽¹⁾	2023	2022 ⁽¹⁾	2023	2022 ⁽¹⁾
Total Revenue						
• Total Xylem	1,448	1,272	1,722	1,364	3,170	2,636
• Water Infrastructure	589	533	704	589	1,293	1,122
• Applied Water	453	425	478	429	931	854
• Measurement & Control Solutions	406	314	415	346	821	660
• Integrated Solutions & Services	—	—	125	—	125	—
Operating Income (Loss)						
• Total Xylem	131	111	119	146	250	257
• Water Infrastructure	70	74	106	108	176	182
• Applied Water	83	59	84	61	167	120
• Measurement & Control Solutions	20	(10)	26	(5)	46	(15)
• Integrated Solutions & Services	—	—	(7)	—	(7)	—
• Total Segments	173	123	209	164	382	287
Operating Margin						
• Total Xylem	9.0 %	8.7 %	6.9 %	10.7 %	7.9 %	9.7 %
• Water Infrastructure	11.9 %	13.9 %	15.1 %	18.3 %	13.6 %	16.2 %
• Applied Water	18.3 %	13.9 %	17.6 %	14.2 %	17.9 %	14.1 %
• Measurement & Control Solutions	4.9 %	(3.2)%	6.3 %	(1.4)%	5.6 %	(2.3)%
• Integrated Solutions & Services	N/A	N/A	(5.6)%	N/A	(5.6)%	N/A
• Total Segments	11.9 %	9.7 %	12.1 %	12.0 %	12.1 %	10.9 %
Special Charges						
• Total Xylem	25	1	67	1	92	2
• Water Infrastructure	—	—	12	—	12	—
• Applied Water	—	—	—	—	—	—
• Measurement & Control Solutions	2	—	—	1	2	1
• Integrated Solutions & Services	—	—	7	—	7	—
• Total Segments	2	—	19	1	21	1
Restructuring & Realignment Costs						
• Total Xylem	11	4	37	8	48	12
• Water Infrastructure	3	1	3	3	6	4
• Applied Water	3	1	2	2	5	3
• Measurement & Control Solutions	5	2	3	3	8	5
• Integrated Solutions & Services	—	—	7	—	7	—
• Total Segments	11	4	15	8	26	12
Purchase Accounting Intangible Amortization Adjustment						
• Total Xylem	18	18	36	18	54	36
• Water Infrastructure	1	1	8	1	9	2
• Applied Water	—	—	—	—	—	—
• Measurement & Control Solutions	17	17	17	17	34	34
• Integrated Solutions & Services	—	—	11	—	11	—
• Total Segments	18	18	36	18	54	36
Adjusted Operating Income (Loss)						
• Total Xylem	185	134	259	173	444	307
• Water Infrastructure	74	76	129	112	203	188
• Applied Water	86	60	86	63	172	123
• Measurement & Control Solutions	44	9	46	16	90	25
• Integrated Solutions & Services	—	—	18	—	18	—
• Total Segments	204	145	279	191	483	336
Adjusted Operating Margin						
• Total Xylem	12.8 %	10.5 %	15.0 %	12.7 %	14.0 %	11.6 %
• Water Infrastructure	12.6 %	14.3 %	18.3 %	19.0 %	15.7 %	16.8 %
• Applied Water	19.0 %	14.1 %	18.0 %	14.7 %	18.5 %	14.4 %
• Measurement & Control Solutions	10.8 %	2.9 %	11.1 %	4.6 %	11.0 %	3.8 %
• Integrated Solutions & Services	N/A	N/A	14.4 %	N/A	14.4 %	N/A
• Total Segments	14.1 %	11.4 %	16.2 %	14.0 %	15.2 %	12.7 %

(1) 2022 amounts have been recast to adjust for historical purchase accounting intangible amortization.

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

	Q2 2023			Q2 2022 ⁽¹⁾		
	As Reported	Adjustments	Adjusted	As Reported	Adjustments	Adjusted
Total Revenue	1,722	—	1,722	1,364	—	1,364
Operating Income	119	140 a	259	146	27 a	173
Operating Margin	6.9 %		15.0 %	10.7 %		9.1 %
Interest Expense	(12)	—	(12)	(12)	—	(12)
Other Non-Operating Income (Expense)	7	—	7	2	2 b	4
Income before Taxes	114	140	254	136	29	165
Provision for Income Taxes	(22)	(30) c	(52)	(24)	(7) c	(31)
Net Income	92	110	202	112	22	134
Diluted Shares	206.7		206.7	180.6		180.6
Diluted EPS	\$ 0.45	\$ 0.53	\$ 0.98	\$ 0.62	\$ 0.12	\$ 0.74
Year-over-year currency translation impact on current year diluted EPS	\$ —	\$ —	\$ —			
Diluted EPS at Constant Currency	\$ 0.45	\$ 0.53	\$ 0.98			

	Q2 YTD 2023			Q2 YTD 2022 ⁽¹⁾		
	As Reported	Adjustments	Adjusted	As Reported	Adjustments	Adjusted
Total Revenue	3,170	—	3,170	2,636	—	2,636
Operating Income	250	194 a	444	257	50 a	307
Operating Margin	7.9 %		14.0 %	9.7 %		9.1 %
Interest Expense	(21)	—	(21)	(25)	—	(25)
Other Non-Operating Income (Expense)	11	—	11	1	3 b	4
Gain/(Loss) from sale of business	—	—	—	1	(1)	—
Income before Taxes	240	194	434	234	52	286
Provision for Income Taxes	(49)	(39) c	(88)	(40)	(15) c	(55)
Net Income attributable to Xylem	191	155	346	194	37	231
Diluted Shares	194.0		194.0	180.8		180.8
Diluted EPS	\$ 0.98	\$ 0.80	\$ 1.78	\$ 1.07	\$ 0.21	\$ 1.28
Year-over-year currency translation impact on current year diluted EPS	\$ (0.04)	\$ —	\$ (0.04)			
Diluted EPS at Constant Currency	\$ 1.02	\$ 0.80	\$ 1.82			

1 2022 amounts have been recast to adjust for historical purchase accounting intangible amortization.

a Quarter-to-date:

Restructuring & realignment costs: \$37 million in 2023 and \$8 million in 2022

Special charges: 2023 - \$61 million of acquisition & integration related costs and \$6 million of other special charges; 2022 - \$1 million of intangible asset impairment charges

Purchase accounting intangible amortization: \$36 million in 2023 and \$18 million in 2022

Year-to-date:

Restructuring & realignment costs: \$48 million in 2023 and \$12 million in 2022

Special charges: 2023 - \$84 million of acquisition & integration related costs, \$6 million of other special charges and \$2 million of intangible asset impairment charges; 2022 - \$1 million of intangible asset impairment charges and \$1 million of other special charges

Purchase accounting intangible amortization: \$54 million in 2023 and \$36 million in 2022

b Quarter-to-date and Year-to-date: 2022 - Special non-operating charges consist of charges related to the UK pension plan exited as part of a buy-out of \$2 million and \$3 million, respectively

c Quarter-to-date: 2023 - Net tax impact on pre-tax adjustments (note a and b) of \$30 million; 2022 - Net tax impact on pre-tax adjustments (note a and b) of \$6 million and other tax special items of \$1 million

Year-to-date: 2023 - Net tax impact on pre-tax adjustments (note a and b) of \$39 million; 2022 - Net tax impact on pre-tax adjustments (note a and b) of \$13 million and other tax special items of \$2 million

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

	2023				
	Q1	Q2	Q3	Q4	Total
Net Income	99	92			191
Net Income Margin	6.8 %	5.3 %			6.0 %
Depreciation	28	41			69
Amortization	32	51			83
Interest Expense (Income), net	2	5			7
Income Tax Expense	27	22			49
EBITDA	188	211	—	—	399
Share-based Compensation	12	15			27
Restructuring & Realignment	11	36			47
Special Charges	25	67			92
Adjusted EBITDA	236	329	—	—	565
Revenue	1,448	1,722			3,170
Adjusted EBITDA Margin	16.3 %	19.1 %			17.8 %

	2022				
	Q1	Q2	Q3	Q4	Total
Net Income	82	112	12	149	355
Net Income Margin	6.4 %	8.2 %	0.9 %	9.9 %	6.4 %
Depreciation	28	28	27	28	111
Amortization	30	32	31	32	125
Interest Expense (Income), net	11	10	7	6	34
Income Tax Expense	16	24	5	40	85
EBITDA	167	206	82	255	710
Share-based Compensation	9	9	10	9	37
Restructuring & Realignment	4	8	6	16	34
U.K. Pension Settlement	—	—	140	—	140
Special Charges	2	3	14	1	20
Loss/(Gain) from sale of business	(1)	—	—	—	(1)
Adjusted EBITDA	181	226	252	281	940
Revenue	1,272	1,364	1,380	1,506	5,522
Adjusted EBITDA Margin	14.2 %	16.6 %	18.3 %	18.7 %	17.0 %

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

	2023				Total
	Q1	Q2	Q3	Q4	
Operating Income	70	106			176
Operating Margin	11.9 %	15.1 %			13.6 %
Depreciation	12	14			26
Amortization	2	10			12
Other non-operating expense, excluding interest income	—	1			1
EBITDA	84	131	—	—	215
Share-based Compensation	2	5			7
Restructuring & Realignment	3	3			6
Special Charges	—	12			12
Adjusted EBITDA	89	151	—	—	240
Revenue	589	704			1,293
Adjusted EBITDA Margin	15.1 %	21.4 %			18.6 %

	2022				Total
	Q1	Q2	Q3	Q4	
Operating Income	74	108	104	132	418
Operating Margin	13.9 %	18.3 %	18.1 %	19.8 %	17.7 %
Depreciation	11	11	11	11	44
Amortization	2	3	1	3	9
Other non-operating expense, excluding interest income	(4)	1	—	(1)	(4)
EBITDA	83	123	116	145	467
Share-based Compensation	1	—	—	1	2
Restructuring & Realignment	1	3	3	4	11
Adjusted EBITDA	85	126	119	150	480
Revenue	533	589	574	668	2,364
Adjusted EBITDA Margin	15.9 %	21.4 %	20.7 %	22.5 %	20.3 %

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

	2023				Total
	Q1	Q2	Q3	Q4	
Operating Income	83	84			167
Operating Margin	18.3 %	17.6 %			17.9 %
Depreciation	5	4			9
Amortization	—	1			1
Other non-operating expense, excluding interest income	(1)	—			(1)
EBITDA	87	89	—	—	176
Share-based Compensation	1	—			1
Restructuring & Realignment	3	2			5
Adjusted EBITDA	91	91	—	—	182
Revenue	453	478			931
Adjusted EBITDA Margin	20.1 %	19.0 %			19.5 %

	2022				Total
	Q1	Q2	Q3	Q4	
Operating Income	59	61	77	61	258
Operating Margin	13.9 %	14.2 %	16.8 %	13.4 %	14.6 %
Depreciation	5	4	4	4	17
Amortization	—	1	—	1	2
Other non-operating expense, excluding interest income	(1)	—	(1)	—	(2)
EBITDA	63	66	80	66	275
Share-based Compensation	1	1	2	—	4
Restructuring & Realignment	1	2	1	9	13
Adjusted EBITDA	65	69	83	75	292
Revenue	425	429	458	455	1,767
Adjusted EBITDA Margin	15.3 %	16.1 %	18.1 %	16.5 %	16.5 %

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

	2023				
	Q1	Q2	Q3	Q4	Total
Operating Income	20	26			46
Operating Margin	4.9 %	6.3 %			5.6 %
Depreciation	7	9			16
Amortization	27	26			53
EBITDA	54	61	—	—	115
Share-based Compensation	2	2			4
Restructuring & Realignment	5	2			7
Special Charges	2	—			2
Adjusted EBITDA	63	65	—	—	128
Revenue	406	415			821
Adjusted EBITDA Margin	15.5 %	15.7 %			15.6 %
	2022				
	Q1	Q2	Q3	Q4	Total
Operating Income	(10)	(5)	(2)	19	2
Operating Margin	(3.2)%	(1.4)%	(0.6)%	5.0 %	0.1 %
(Loss)/Gain from Sale of Business	1	—	—	—	1
Depreciation	9	8	8	8	33
Amortization	25	26	27	26	104
Other non-operating expense, excluding interest income	—	(1)	(1)	—	(2)
EBITDA	25	28	32	53	138
Share-based Compensation	1	2	2	1	6
Restructuring & Realignment	2	3	2	3	10
Special Charges	—	1	12	1	14
Loss/(Gain) from sale of business	(1)	—	—	—	(1)
Adjusted EBITDA	27	34	48	58	167
Revenue	314	346	348	383	1,391
Adjusted EBITDA Margin	8.6 %	9.8 %	13.8 %	15.1 %	12.0 %

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

	2023				
	Q1	Q2	Q3	Q4	Total
Operating Income	—	(7)			(7)
Operating Margin	— %	(5.6)%			(5.6)%
Depreciation	—	8			8
Amortization	—	12			12
EBITDA	—	13			13
Share-based Compensation	—	3			3
Restructuring & Realignment	—	7			7
Special Charges	—	7			7
Adjusted EBITDA	—	30			30
Revenue	—	125			125
Adjusted EBITDA Margin	— %	24.0 %			24.0 %