



**xylem**  
Let's Solve Water

# Xylem Third Quarter 2020 Results

October 29, 2020

This presentation contains information that may constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Generally, the words "anticipate," "estimate," "expect," "project," "intend," "plan," "contemplate," "predict," "forecast," "believe," "target," "will," "could," "would," "should," "potential," "may" and similar expressions 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 the Company's capitalization, restructuring and realignment plans, and future strategic plans; describe the Company's business strategy, outlook, objectives, plans, intentions or goals; or 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 expressing general views about future operating results. 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 statements. The novel coronavirus ("COVID-19") pandemic is and may continue to amplify many of these risks and uncertainties.

Factors that could cause results to differ materially from those anticipated include: overall economic and business conditions; the COVID-19 pandemic's uncertain magnitude, duration, geographic reach and impact on the global economy; the current and future impact of the COVID-19 pandemic on our business, growth, projections, financial condition, operations, cash flows, and liquidity, including from adverse economic conditions on our performance or customer markets caused by the COVID-19 pandemic; actual or potential other epidemics, pandemics or global health crises; geopolitical and other risks associated with our international operations that could affect customer markets and our business, such as military actions, protectionism, economic sanctions or trade barriers, including tariffs and embargoes, and non-compliance with laws or regulations, including those pertaining to foreign corrupt practices, data privacy, export and import and competition; potential for unexpected cancellations or delays of customer orders in our reported backlog; fluctuations in foreign currency exchange rates; disruption, competition and pricing pressures in the markets we serve; industrial, governmental and private sector spending; the strength of housing and related markets; weather conditions; ability to retain and attract talent and key members of management; our relationship with and the performance of our supply chain, including channel partners; our ability to successfully identify, complete and integrate acquisitions; our ability to borrow or refinance our existing indebtedness; availability of liquidity sufficient to meet our needs; uncertainty from the expected discontinuance of LIBOR and transition to another interest rate benchmark; changes in the value of goodwill or intangible assets; uncertainty related to restructuring and realignment actions and related charges and savings, including with respect to the amount and timing of estimated costs and savings, the timing of or delays in implementing actions, and our ability to realize all of the anticipated cost savings, all of which are subject to change as the Company makes decisions and refines plans and estimates over time; management and employee distraction resulting from restructuring actions; timing delays in implementing strategic initiatives; our ability to continue strategic investments for growth; risks relating to products, including defects, security, liability and recalls; governmental or regulatory claims or investigations; cybersecurity attacks, breaches or other disruptions of information technology systems on which we rely, or on our products; our sustainability initiatives; the use of proceeds from our green bond offering, including failure to appropriately allocate the net proceeds or meet the investment requirements of certain environmentally-focused investors; litigation and 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, 2019, "Item 1A. Risk Factors" in the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2020 and in subsequent filings we have made or may make with the Securities and Exchange Commission. All forward-looking statements made herein are based on information currently available to the Company as of the date of this press release. 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.

# Q3 2020 Performance Summary

(\$ in millions, unless otherwise noted)

Q3 2020	GAAP	Adjusted*
<b>Xylem Consolidated</b>		
Revenue	\$1,220	\$1,220
Overall Growth	(6%)	(6%)
Constant Currency Growth		(7%)
Organic Growth		(7%)
Operating Income	73	158
Operating Margin	6.0%	13.0%
Earnings per Share	\$0.20	\$0.62

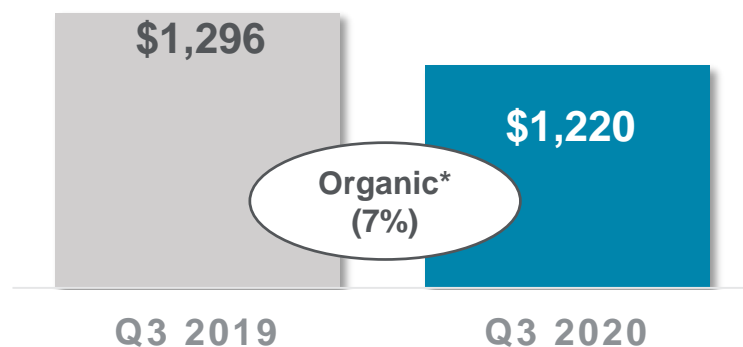
#### Earnings Call Notes:

- All references today will be on an adjusted basis unless otherwise indicated.
- Non-GAAP financials are reconciled in the appendix section of the presentation.

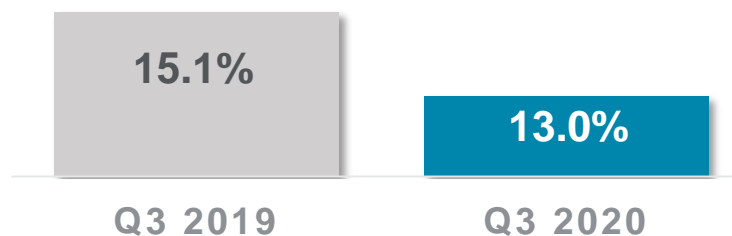
Q3 2020	GAAP	Adjusted*
<b>Water Infrastructure</b>		
Revenue	\$524	\$524
Overall Growth	(1%)	(1%)
Constant Currency Growth		(2%)
Organic Growth		(2%)
Operating Income	89	97
Operating Margin	17.0%	18.5%
<b>Applied Water</b>		
Revenue	\$364	\$364
Overall Growth	(3%)	(3%)
Constant Currency Growth		(4%)
Organic Growth		(4%)
Operating Income	56	58
Operating Margin	15.4%	15.9%
<b>Measurement &amp; Control Solutions</b>		
Revenue	\$332	\$332
Overall Growth	(15%)	(15%)
Constant Currency Growth		(15%)
Organic Growth		(15%)
Operating Income	(62)	12
Operating Margin	(18.7%)	3.6%

- Our teams continue to **execute on our commitments** to our stakeholders with strength, purpose and focus in a challenging environment
- **Strong operational performance in 3Q ...**
  - **Organic\* Revenue** modestly better than expected as parts of our diverse global business see early signs of recovery from pandemic
  - **Adjusted Operating Margin\*** exceeds previous guidance driven by productivity and execution of cost actions
  - Healthy **Free Cash Flow\*** performance from disciplined execution on capex spend, timing of payments and working capital
- **Customer interest in transformative technology continues to accelerate**
  - Operational and financial resilience are top of mind ... our differentiated technology and portfolio positions us well long-term

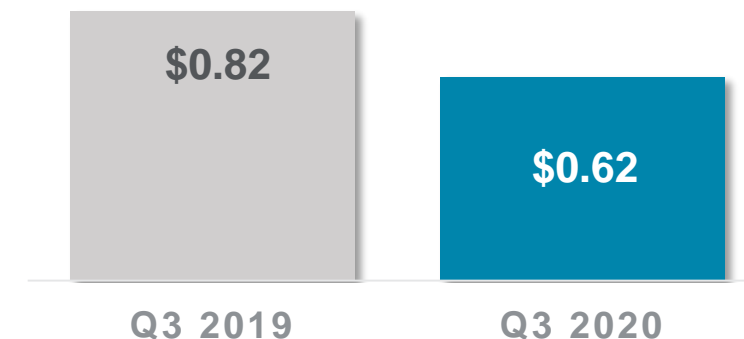
## REVENUE



## ADJUSTED OPERATING MARGIN\*



## ADJUSTED EPS\*



### Organic Growth\* by End Market

Utilities	(5%)
Industrial	(11%)
Commercial	(5%)
Residential	4%

### Organic Growth\* by Region

United States	(11%)
Emerging Markets	(7%)
Western Europe	2%

### Key Performance Drivers:

- **Organic\* Revenue** declined 7% with modest sequential improvement in all end markets amidst the COVID-19 global pandemic; Wastewater Utility and Residential businesses returned to growth while Clean Water Utility, Industrial and Commercial businesses lag recovery from restrictions and delays
- China rebounded to pre-pandemic growth (+17%); Western Europe returned to modest 2% growth; Most severe impact still in U.S. (-11%) but sequentially improved
- **Organic\* Orders** down 8% indicate near-term headwinds remain; Backlog up 17% with strong momentum heading into 2021 and beyond from large key contract wins
- **Adj. Operating Margin\* and Adj. EPS\*** drivers:
  - Volume/Mix/Other reduces Op Margin by 520 bps (EPS -\$0.38)
  - Productivity drives 600 bps Op Margin expansion (EPS +\$0.34)
  - Cost Inflation reduces Op Margin by 280 bps (EPS -\$0.16)
  - Price expands Op Margin 50 bps (EPS +\$0.03)
  - Strategic investments reduces Op Margin by 60 bps (EPS -\$0.03)

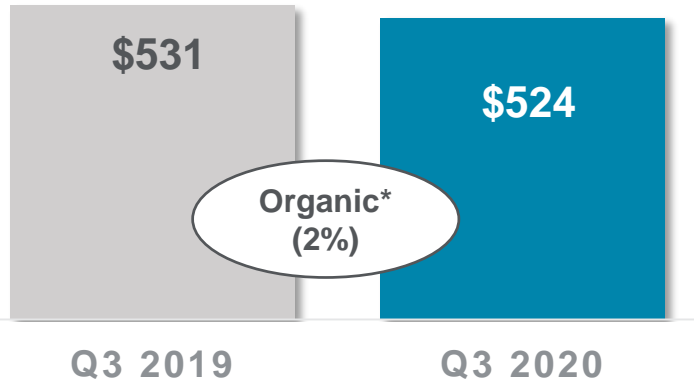
Other: Tax Rate\* 16.2%

Interest/Other Expense \$22M

Share Count 181M



## REVENUE



### Organic Growth\* by End Market

Utilities	6%
Industrial	(16%)

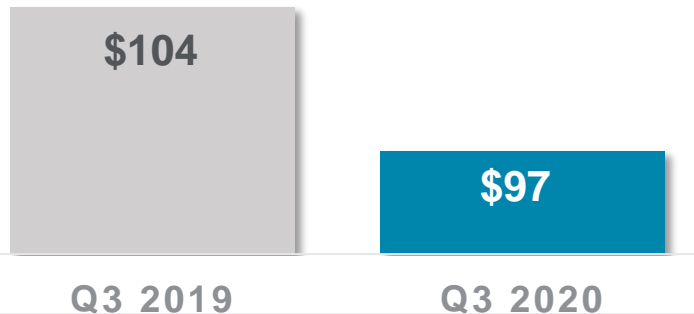
### Organic Growth\* by Region

United States	(6%)
Emerging Markets	1%
Western Europe	3%

### Highlights

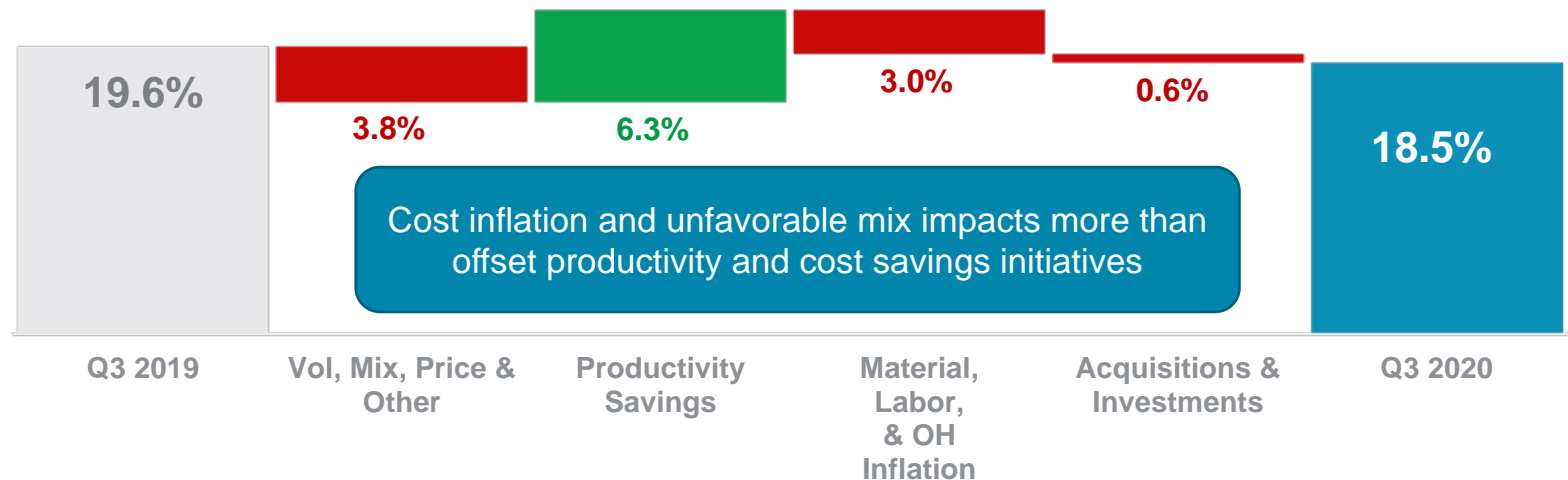
- Organic\* Orders decline 5% as 20% growth in Treatment is offset by lapping large India Transport project in 2019 and softness in Dewatering
- Return to positive revenue growth in resilient wastewater utility Transport and Treatment businesses
- Softness in Dewatering business (-14%) on weak construction and industrial market activity
- Shippable backlog in 2021 and beyond up 30% driven largely by several large utility wins in Emerging Markets

## ADJUSTED OPERATING INCOME\*

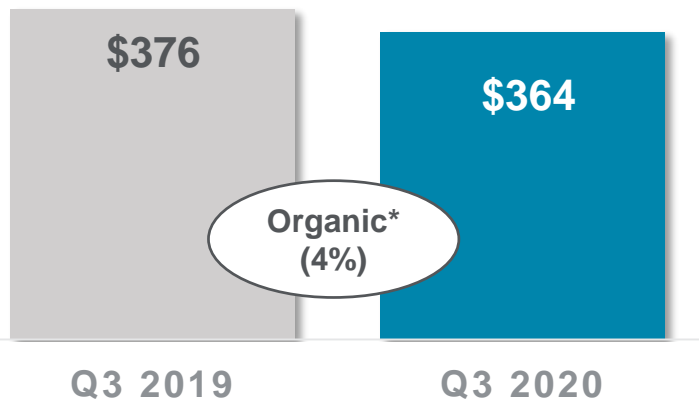


Adjusted EBITDA Margin\*  
22.2%      20.2%

## ADJUSTED OPERATING MARGIN\*



## REVENUE



### Organic Growth\* by End Market

Industrial	(7%)
Commercial	(5%)
Residential	4%

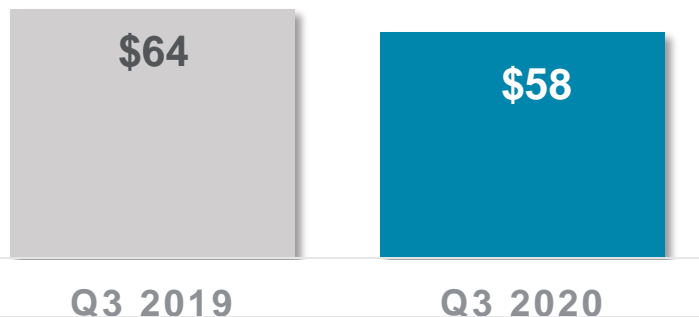
### Organic Growth\* by Region

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

### Highlights

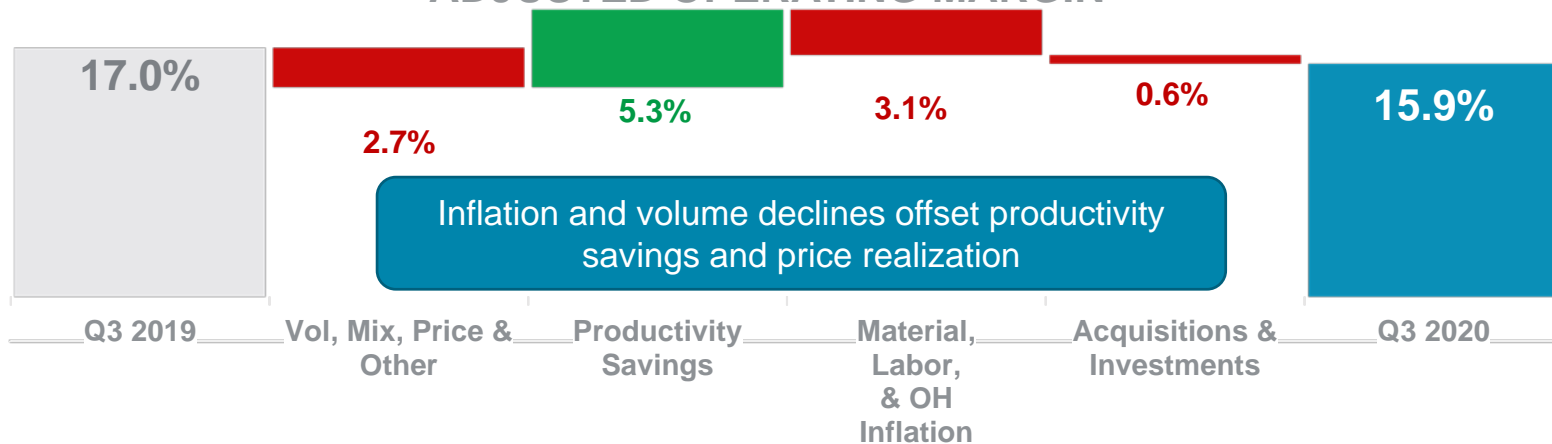
- Organic orders\* decline slightly (-1%) as modest growth in Americas from residential and specialty flow control products was partially offset by Emerging Market declines
- Residential growth driven by strength in China from secondary water supply demand and in Western Europe
- Commercial and Industrial markets improve sequentially from 2Q as activity began to recover globally ... still soft to prior year levels

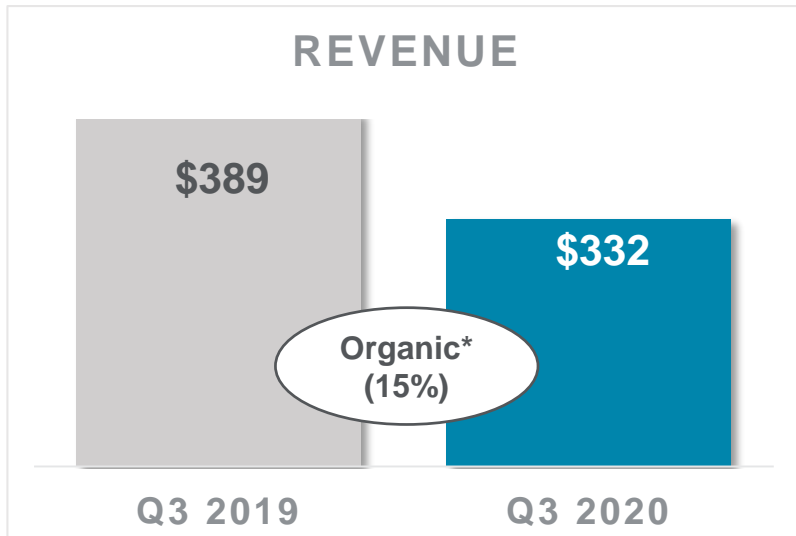
## ADJUSTED OPERATING INCOME\*



Adjusted EBITDA Margin\*  
**18.9%**      **17.6%**

## ADJUSTED OPERATING MARGIN\*





### Organic Growth\* by Application<sup>^</sup>

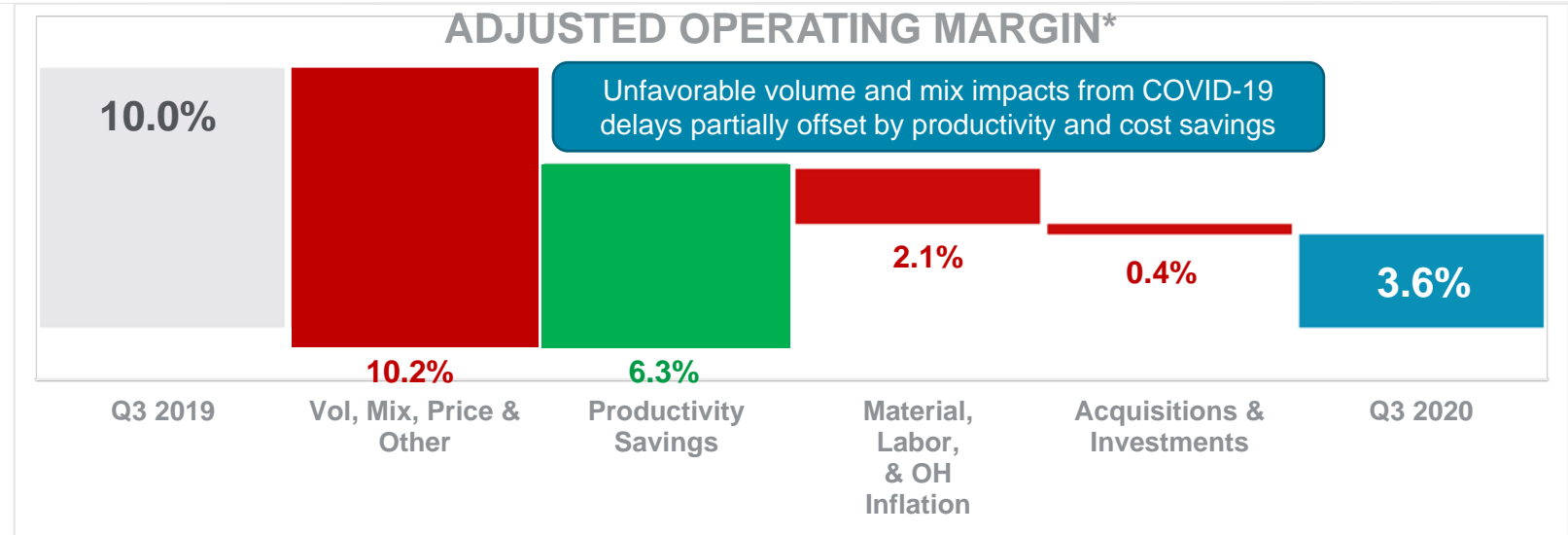
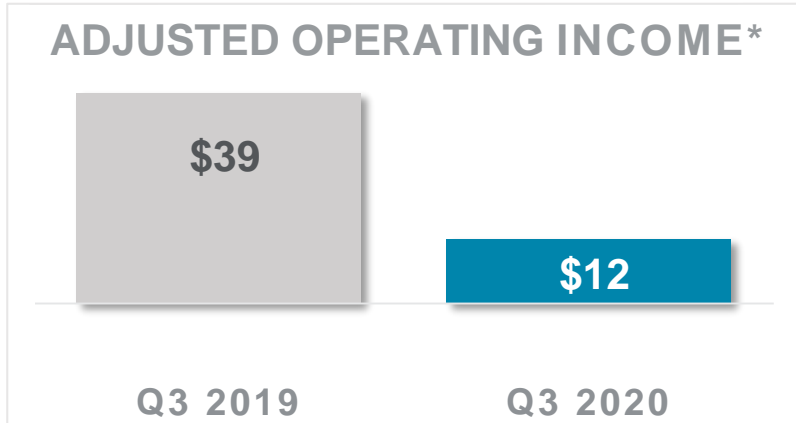
Water	(15%)
Energy	(27%)
Test	(5%)
SaaS/Other	(12%)

### Organic Growth\* by Region

United States	(20%)
Emerging Markets	(23%)
Western Europe	1%

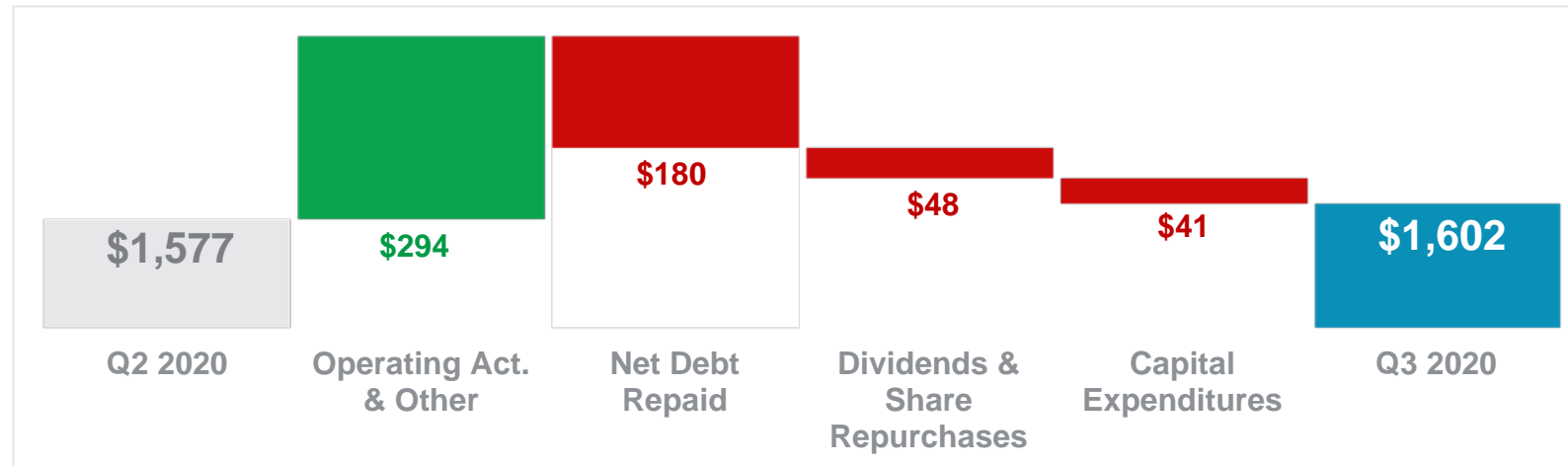
### Highlights

- Organic orders\* decline 19% from COVID-19 delays impacting large water projects and replacement activity in Energy; Return to modest positive growth in Test business
- Strong commercial momentum continues with Winston-Salem and Columbus large contract wins in 3Q; Shippable backlog in 2021 & beyond up 34%
- North America Sensus revenue impacted by COVID-19 delays; Assessment Services significantly impacted by travel & access restrictions to inspection sites
- Building customer interest in digital solutions capabilities to reduce capex burden but near-term focus on opex resilience





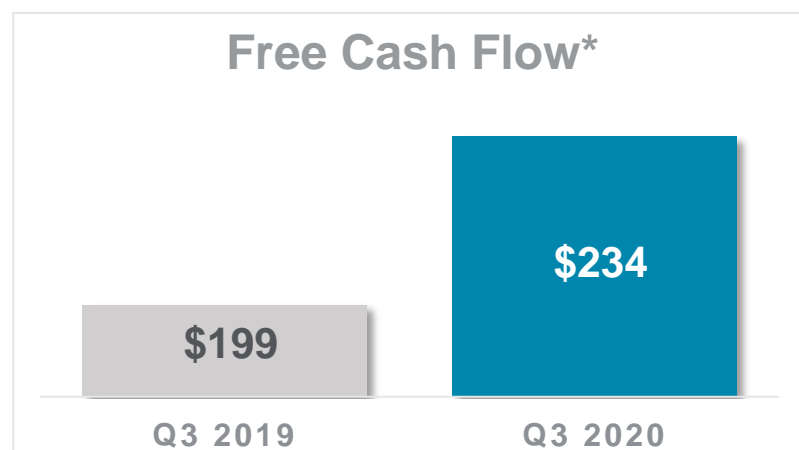
## Cash & Short-Term Investments Drivers



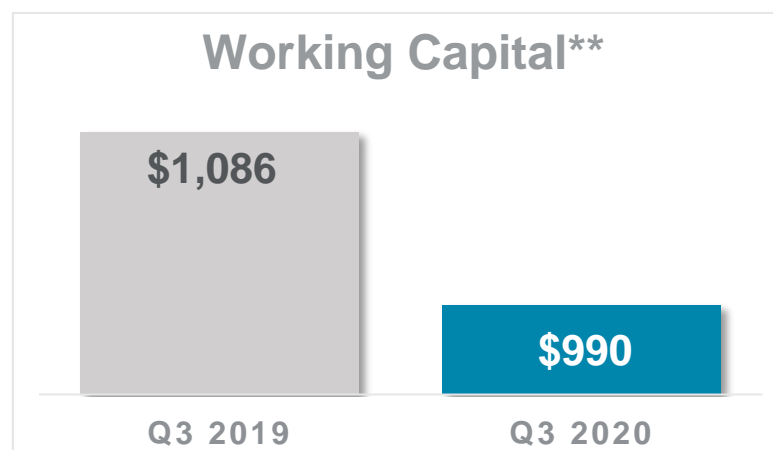
## Capital Summary

September 30, 2020	
Cash & ST Investments	\$1,602
Debt	\$3,093
Net Debt	\$1,491
Shareholders' Equity	\$2,867
Net Capital	\$4,358
Net Debt to Net Capital	34%

## Free Cash Flow\*



## Working Capital\*\*



## FCF Conversion\*

Q3 2019	162%
Q3 2020	215%

## Working Capital %

Q3 2019	20.6%
Q3 2020	20.3%

## Financial Highlights

- Strong financial position
  - Available liquidity of ~\$2.4B including Cash, short-term investments & available credit facilities
  - Committed to BBB/Baa2 investment grade credit rating
  - Net Debt / Adjusted EBITDA (TTM) as of 9/30: **1.8x**
- Strong Free Cash Flow\* driven by working capital improvement & lower capex spend
- Expect greater than 100% FCF conversion for FY2020

## Wastewater Utilities

### Key Facts\*\*:

- **Revenue:** ~50% of Xylem Utilities Revenue
- **Opex/Capex Split:** ~65% / ~35%
- **XYL Businesses:** Primarily Water Infrastructure segment
- **Geographic Split:** US ~35% / W. Europe ~35% / Em. Mkts & Other ~30%
- **US & W. Europe leading installed base & strong recurring revenue through Opex**
- **Emerging Markets mostly greenfield & currently skewed to Capex**

### Current Trends:

- **Focus on daily opex needs and mission-critical applications (operation & maint. of wastewater networks and treatment sites)**
- **Increased emergency clogs from disposable wipes & more household waste ... opportunity for our technologies & services**
- **Capital project execution continues near-term as projects with secured funding move forward**
- **Long-term China and India capital project spending outlook and bid activity remains healthy**
- **US Utility Capex (~8% of Xylem Revenue) uncertainty; Expect modest declines in capex budgets in 2021 (but steady opex spend); Affordability challenges creating new interest and opportunities for partnership**

## Clean Water Utilities

### Key Facts\*\*:

- **Revenue:** ~50% of Xylem Utilities Revenue
- **Opex/Capex Split:** ~70% / ~30%
- **XYL Businesses:** Primarily MCS segment
- **Geographic Split:** US ~70% / W. Europe ~15% / Em. Mkts & Other ~15%
- **Adoption of AMI & digital technologies to address non-revenue water & remote capabilities expected to be long-term secular trend globally**
- **Under-penetrated international presence, but opportunities increasing**

### Current Trends:

- **Large project deployments postponed as expected; Expect growth to recover as physical distancing requirements ease**
- **Standard meter replacements (Opex) soft as utilities limited by social distancing constraints and prioritization to other opex activities; Seeing some stabilization in N. America**
- **Strong momentum behind key multi-year wins (Ex: Anglian Water, Winston-Salem & Columbus); setting up for healthy growth in 2021 and beyond**
- **No cancellation to date of awards or projects in bid process; Expect delays in decisions/announcements**





## Industrial (~35% Revenue)

### Key Facts\*\*:

- **Oil & Gas Revenue:** <2% of total Xylem
- **Mining Revenue:** ~4% of total Xylem
- **“Light” Industrial Revenue:** ~30% of total Xylem
- **XYL Businesses:** All 3 segments (~40% of WI, ~45% of AWS, 15% of MCS)
- **Equipment is generally not tied to output; keeps facilities ‘up-and-running’**

### Current Trends:

- Industrial facilities beginning to allow access to visitors (sales teams & channel partners), but still seeing slow orders and activity; non-essential work deferred
- Soft construction and industrial markets impacting North America Dewatering business
- Modest recovery in growth trajectory as countries and regions begin to re-open & activity resumes

## Commercial (~10% Revenue)

### Key Facts\*\*:

- **XYL Businesses:** Applied Water Systems
- **New build / Replacement (aftermarket):** 30% / 70%
- **Geographic Split:** N. America ~60% / Europe ~20% / Em Mkts & Other ~20%
- **Energy efficiency, reliability and “connectivity” critical to customers; Exposure to Institutional sector**

### Current Trends:

- Replacement (book and ship) business impacted by COVID-19 and less building use / activity
- Expect new construction to be modestly soft in N. America, but potentially not as bad as feared
- Mixed performance by end customer in institutional building sector (hospitals and multi-family buildings performing better than hotels and office buildings)

## Residential (~5% Revenue)

### Key Facts\*\*:

- **XYL Businesses:** Applied Water Systems
- **New build / Replacement:** 10% New / 90% Replacement
- **Geographic Split:** N. America ~60% / Europe ~25% / Em Mkts & Other ~15%
- **Sales almost exclusively via channel partners**

### Current Trends:

- Pent-up demand and activity from increased residential users / work-from-home in U.S. & Europe
- Primarily replacement revenue serviced through long-standing distributor / dealer network
- Healthy demand in China for secondary water supply product applications as well as modest share gains in Europe
- Channels managing inventory / cash flow

- **Expect 4Q Organic\* Revenue declines of -6% to -8%**
  - WI down low-single digits; AWS down mid-single digits; M&CS down mid-teens
  - Expect stabilization of markets sequentially (3Q to 4Q) ... greater confidence in tightening outlook range
- **Expect 4Q Adjusted Operating Income\* in the range of 13.0% to 13.5%**
  - Decremental Margins of ~45% driven by challenging mix
- **Operational execution and discipline to protect profitability and cash flow**

FY 2020 Planning Assumptions	
	FY20
FCF Conversion	>100%
Corporate Expense	~\$50M
Restructuring & Realignment Costs**	~\$75M to \$85M
Structural Cost Savings	~\$70M
Dividends	~\$185M
Capex	~\$200M
Interest / Other Expense	~\$75M
Estimated Tax Rate	~18.5%
Share Count	~181M

- ***Our team is executing well and from a position of strength in a challenging environment***
- ***We have a durable business model with vital products and differentiated technology that reinforces a multi-year runway of attractive growth and a strong investment thesis***
- ***We are continuing to invest in our disciplined and focused long-term strategy which will bring transformative and sustainable solutions and impacts to our customers and our communities***





# Appendix





## Foreign Exchange Translation

- The table below illustrates the impact of FX fluctuations on Xylem's reported results

Currency	4Q 2020 Guidance Rate	Revenue Impact on 4Q 2020 of 5% Decrease in Rate	EPS Impact on 4Q 2020 of 5% Decrease in Rate
Euro	1.18	(\$13M)	(\$0.02)
GBP	1.31	(\$3M)	\$0.00
SEK	0.11	(\$1M)	\$0.00
RMB	0.15	(\$7M)	\$0.00
CAD	0.76	(\$3M)	\$0.00
All Other		(\$11M)	\$0.00
<b>Total</b>		<b>(\$38M)</b>	<b>(\$0.02)</b>

\* Increase in rate would have inverse impact on results

**RULE OF THUMB: 1 PENNY MOVEMENT IN EUR/USD RATE,  
EQUATES TO MORE THAN ONE PENNY MOVEMENT IN EPS FOR THE FULL YEAR**

## 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 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"** reflects the adjustment to EBITDA to exclude share-based compensation charges, restructuring and realignment costs, gain or loss from sale of businesses and special charges.

**"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 Flow, less capital expenditures, and **"Free Cash Flow Conversion"** defined as Free Cash Flow 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" does 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 pension costs.

**"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)

	<b>(As Reported - GAAP)</b>				<b>(As Adjusted - Organic)</b>				<b>Constant Currency</b>
	(A)	(B)			(C)	(D)	(E) = B+C+D	(F) = E/A	(G) = (E - C) / A
	Orders	Orders	Change	% Change	Acquisitions /	FX Impact	Change	% Change	
	2020	2019	2020 v. 2019	2020 v. 2019	Divestitures		Adj. 2020 v. 2019	Adj. 2020 v. 2019	
<b><u>Nine Months Ended September 30</u></b>									
<b>Xylem Inc.</b>	3,739	4,053	(314)	(8%)	-	49	(265)	(7%)	(7%)
Water Infrastructure	1,670	1,704	(34)	(2%)	-	38	4	0%	0%
Applied Water	1,073	1,169	(96)	(8%)	-	7	(89)	(8%)	(8%)
Measurement & Control Solutions	996	1,180	(184)	(16%)	-	4	(180)	(15%)	(15%)
<b><u>Quarter Ended September 30</u></b>									
<b>Xylem Inc.</b>	1,246	1,346	(100)	(7%)	-	(10)	(110)	(8%)	(8%)
Water Infrastructure	558	586	(28)	(5%)	-	(4)	(32)	(5%)	(5%)
Applied Water	375	376	(1)	(0%)	-	(3)	(4)	(1%)	(1%)
Measurement & Control Solutions	313	384	(71)	(18%)	-	(3)	(74)	(19%)	(19%)
<b><u>Quarter Ended June 30</u></b>									
<b>Xylem Inc.</b>	1,232	1,392	(160)	(11%)	-	36	(124)	(9%)	(9%)
Water Infrastructure	598	586	12	2%	-	27	39	7%	7%
Applied Water	326	399	(73)	(18%)	-	6	(67)	(17%)	(17%)
Measurement & Control Solutions	308	407	(99)	(24%)	-	3	(96)	(24%)	(24%)
<b><u>Quarter Ended March 31</u></b>									
<b>Xylem Inc.</b>	1,261	1,315	(54)	(4%)	-	23	(31)	(2%)	(2%)
Water Infrastructure	514	532	(18)	(3%)	-	15	(3)	(1%)	(1%)
Applied Water	372	394	(22)	(6%)	-	4	(18)	(5%)	(5%)
Measurement & Control Solutions	375	389	(14)	(4%)	-	4	(10)	(3%)	(3%)

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

	(As Reported - GAAP)				(As Adjusted - Organic)				Constant Currency		
	(A)		(B)		(C)		(D)		(E) = B+C+D	(F) = E/A	(G) = (E - C) / A
	Revenue 2020	Revenue 2019	Change 2020 v. 2019	% Change 2020 v. 2019	Acquisitions / Divestitures	FX Impact	Change Adj. 2020 v. 2019	% Change Adj. 2020 v. 2019			
<b><u>Nine Months Ended September 30</u></b>											
<b>Xylem Inc.</b>	3,503	3,878	(375)	(10%)	-	35	(340)	(9%)	(9%)		
Water Infrastructure	1,463	1,574	(111)	(7%)	-	24	(87)	(6%)	(6%)		
Applied Water	1,039	1,149	(110)	(10%)	-	6	(104)	(9%)	(9%)		
Measurement & Control Solutions	1,001	1,155	(154)	(13%)	-	5	(149)	(13%)	(13%)		
<b><u>Quarter Ended September 30</u></b>											
<b>Xylem Inc.</b>	1,220	1,296	(76)	(6%)	-	(9)	(85)	(7%)	(7%)		
Water Infrastructure	524	531	(7)	(1%)	-	(4)	(11)	(2%)	(2%)		
Applied Water	364	376	(12)	(3%)	-	(3)	(15)	(4%)	(4%)		
Measurement & Control Solutions	332	389	(57)	(15%)	-	(2)	(59)	(15%)	(15%)		
<b><u>Quarter Ended June 30</u></b>											
<b>Xylem Inc.</b>	1,160	1,345	(185)	(14%)	-	25	(160)	(12%)	(12%)		
Water Infrastructure	501	561	(60)	(11%)	-	16	(44)	(8%)	(8%)		
Applied Water	337	394	(57)	(14%)	-	6	(51)	(13%)	(13%)		
Measurement & Control Solutions	322	390	(68)	(17%)	-	3	(65)	(17%)	(17%)		
<b><u>Quarter Ended March 31</u></b>											
<b>Xylem Inc.</b>	1,123	1,237	(114)	(9%)	-	19	(95)	(8%)	(8%)		
Water Infrastructure	438	482	(44)	(9%)	-	12	(32)	(7%)	(7%)		
Applied Water	338	379	(41)	(11%)	-	3	(38)	(10%)	(10%)		
Measurement & Control Solutions	347	376	(29)	(8%)	-	4	(25)	(7%)	(7%)		

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

	Q1		Q2		Q3		YTD	
	2020	2019	2020	2019	2020	2019	2020	2019
Total Revenue								
• Total Xylem	1,123	1,237	1,160	1,345	1,220	1,296	3,503	3,878
• Water Infrastructure	438	482	501	561	524	531	1,463	1,574
• Applied Water	338	379	337	394	364	376	1,039	1,149
• Measurement & Control Solutions	347	376	322	390	332	389	1,001	1,155
Operating Income								
• Total Xylem	61	109	54	171	73	11	188	291
• Water Infrastructure	39	51	73	98	89	97	201	246
• Applied Water	47	56	41	62	56	61	144	179
• Measurement & Control Solutions	(12)	16	(46)	26	(62)	(136)	(120)	(94)
• Total Segments	74	123	68	186	83	22	225	331
Operating Margin								
• Total Xylem	5.4%	8.8%	4.7%	12.7%	6.0%	0.8%	5.4%	7.5%
• Water Infrastructure	8.9%	10.6%	14.6%	17.5%	17.0%	18.3%	13.7%	15.6%
• Applied Water	13.9%	14.8%	12.2%	15.7%	15.4%	16.2%	13.9%	15.6%
• Measurement & Control Solutions	(3.5%)	4.3%	(14.3%)	6.7%	(18.7%)	(35.0%)	(12.0%)	(8.1%)
• Total Segments	6.6%	9.9%	5.9%	13.8%	6.8%	1.7%	6.4%	8.5%
Special Charges								
• Total Xylem	-	4	11	-	70	155	81	159
• Water Infrastructure	-	-	-	-	-	-	-	-
• Applied Water	-	-	-	-	-	-	-	-
• Measurement & Control Solutions	-	4	10	-	69	155	79	159
• Total Segments	-	4	10	-	69	155	79	159
Restructuring & Realignment Costs								
• Total Xylem	9	20	43	21	15	30	67	71
• Water Infrastructure	5	9	8	9	8	7	21	25
• Applied Water	2	3	4	4	2	3	8	10
• Measurement & Control Solutions	2	8	31	8	5	20	38	36
• Total Segments	9	20	43	21	15	30	67	71
Adjusted Operating Income								
• Total Xylem	70	133	108	192	158	196	336	521
• Water Infrastructure	44	60	81	107	97	104	222	271
• Applied Water	49	59	45	66	58	64	152	189
• Measurement & Control Solutions	(10)	28	(5)	34	12	39	(3)	101
• Total Segments	83	147	121	207	167	207	371	561
Adjusted Operating Margin								
• Total Xylem	6.2%	10.8%	9.3%	14.3%	13.0%	15.1%	9.6%	13.4%
• Water Infrastructure	10.0%	12.4%	16.2%	19.1%	18.5%	19.6%	15.2%	17.2%
• Applied Water	14.5%	15.6%	13.4%	16.8%	15.9%	17.0%	14.6%	16.4%
• Measurement & Control Solutions	(2.9%)	7.4%	(1.6%)	8.7%	3.6%	10.0%	(0.3%)	8.7%
• Total Segments	7.4%	11.9%	10.4%	15.4%	13.7%	16.0%	10.6%	14.5%

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

	Q3 2020			Q3 2019		
	As Reported	Adjustments	Adjusted	As Reported	Adjustments	Adjusted
Total Revenue	1,220	-	1,220	1,296	-	1,296
Operating Income	73	85	158	11	185	196
Operating Margin	6.0%		13.0%	0.8%		15.1%
Interest Expense	(22)	-	(22)	(16)	-	(16)
Other Non-Operating Income (Expense)	(1)	1	-	(7)	11	4
Income before Taxes	50	86	136	(12)	196	184
Provision for Income Taxes	(13)	(9)	(22)	77	(112)	(35)
Net Income Attributable to Xylem	37	77	114	65	84	149
Diluted Shares	181.0		181.0	181.2		181.2
<b>Diluted EPS</b>	<b>\$ 0.20</b>	<b>\$ 0.42</b>	<b>\$ 0.62</b>	<b>\$ 0.36</b>	<b>\$ 0.46</b>	<b>\$ 0.82</b>

Year-over-year currency translation impact on current year diluted EPS	\$ 0.01	\$ -	\$ 0.01
<b>Diluted EPS at Constant Currency</b>	<b>\$ 0.19</b>	<b>\$ 0.42</b>	<b>\$ 0.61</b>

	Q3 YTD 2020			Q3 YTD 2019		
	As Reported	Adjustments	Adjusted	As Reported	Adjustments	Adjusted
Total Revenue	3,503	-	3,503	3,878	-	3,878
Operating Income	188	148	336	291	230	521
Operating Margin	5.4%		9.6%	7.5%		13.4%
Interest Expense	(56)	-	(56)	(52)	-	(52)
Other Non-Operating Income (Expense)	(5)	4	(1)	(2)	11	9
Gain/(Loss) From Sale of Businesses	-	-	-	1	(1)	-
Income before Taxes	127	152	279	238	240	478
Provision for Income Taxes	(21)	(29)	(50)	45	(137)	(92)
Net Income Attributable to Xylem	106	123	229	283	103	386
Diluted Shares	181.0		181.0	181.2		181.2
<b>Diluted EPS</b>	<b>\$ 0.58</b>	<b>\$ 0.67</b>	<b>\$ 1.25</b>	<b>\$ 1.56</b>	<b>\$ 0.57</b>	<b>\$ 2.13</b>

Year-over-year currency translation impact on current year diluted EPS	\$ (0.01)	\$ -	\$ (0.01)
<b>Diluted EPS at Constant Currency</b>	<b>\$ 0.59</b>	<b>\$ 0.67</b>	<b>\$ 1.26</b>

a Quarter-to-date: Restructuring & realignment costs of \$15 million in 2020 and \$30 million in 2019.; special charges of \$70 million (\$69 million of intangible asset and goodwill impairment charges and \$1 million of other charges) in 2020 and \$155 million of intangible asset and goodwill impairment in 2019.

Year-to-date: Restructuring & realignment costs of \$67 million and \$71 million in 2020 and 2019, respectively; special charges of \$81 million (\$79 million of intangible asset and goodwill impairment charges and \$2 million of other charges) and \$155 million of intangible asset and goodwill impairment and \$4 million of special charges in 2019 (\$1 million of acquisition related costs and \$3 million of asset impairment).

b Special non-operating charges consist of pension costs related to the UK pension plan that has been transferred to an annuity in 2020 as part of the planned buyout activities.

c Quarter-to-date: Net tax impact on restructuring & realignment costs of \$3 million and \$9 million in 2020 and 2019, respectively; \$6 million of tax on special charges in 2020 and \$2 million in 2019; and \$0 million and \$101 million of negative impact from tax related special benefit adjustments in 2020 and 2019, respectively.

Year-to-date: Net tax impact on restructuring & realignment costs of \$15 million and \$17 million in 2020 and 2019, respectively; \$9 million and \$2 million of tax impact on special charges in 2020 and 2019; and \$5 million and \$118 million of negative impact from tax related special benefit adjustments in 2020 and 2019, respectively.



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

	Q1		Q2		Q3		Year-to-Date	
	2020	2019	2020	2019	2020	2019	2020	2019
<b>Net Cash - Operating Activities</b>	\$ (2)	\$ 83	\$ 181	\$ 123	\$ 275	\$ 245	\$ 454	\$ 451
Capital Expenditures - PP&E	(32)	(53)	(24)	(40)	(24)	(28)	(80)	(121)
Capital Expenditures - Software	(19)	(16)	(20)	(20)	(17)	(18)	(56)	(54)
<b>Capital Expenditures</b>	<b>(51)</b>	<b>(69)</b>	<b>(44)</b>	<b>(60)</b>	<b>(41)</b>	<b>(46)</b>	<b>(136)</b>	<b>(175)</b>
<b>Free Cash Flow</b>	<b>\$ (53)</b>	<b>\$ 14</b>	<b>\$ 137</b>	<b>\$ 63</b>	<b>\$ 234</b>	<b>\$ 199</b>	<b>\$ 318</b>	<b>\$ 276</b>
<b>Net Income</b>	<b>38</b>	<b>79</b>	<b>31</b>	<b>139</b>	<b>37</b>	<b>65</b>	<b>106</b>	<b>283</b>
<b>Gain/(Loss) from sale of businesses</b>	<b>-</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1</b>
<b>Restructuring Charges - non-cash impairment</b>	<b>-</b>	<b>-</b>	<b>(17)</b>	<b>-</b>	<b>(3)</b>	<b>-</b>	<b>(17)</b>	<b>-</b>
<b>Special Charges - non-cash impairment</b>	<b>-</b>	<b>(3)</b>	<b>(10)</b>	<b>-</b>	<b>(69)</b>	<b>(155)</b>	<b>(79)</b>	<b>(158)</b>
<b>Significant deferred tax benefit/(charge)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>97</b>	<b>-</b>	<b>97</b>
<b>Net Income, excluding gain on sale of businesses, non-cash impairment charges and significant deferred tax</b>	<b>\$ 38</b>	<b>\$ 81</b>	<b>\$ 58</b>	<b>\$ 139</b>	<b>\$ 109</b>	<b>\$ 123</b>	<b>\$ 202</b>	<b>\$ 343</b>
<b>Operating Cash Flow Conversion</b>	<b>(5%)</b>	<b>105%</b>	<b>584%</b>	<b>88%</b>	<b>743%</b>	<b>377%</b>	<b>428%</b>	<b>159%</b>
<b>Free Cash Flow Conversion</b>	<b>(139%)</b>	<b>17%</b>	<b>236%</b>	<b>45%</b>	<b>215%</b>	<b>162%</b>	<b>157%</b>	<b>80%</b>

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

	<b>2020</b>				
	Q1	Q2	Q3	Q4	Total
Net Income	38	31	37		106
Income Tax Expense	4	4	13		21
Interest Expense (Income), net	14	16	20		50
Depreciation	29	29	30		88
Amortization	<u>35</u>	<u>33</u>	<u>33</u>		<u>101</u>
EBITDA	120	113	133	-	366
Share-based Compensation	8	8	3		19
Restructuring & Realignment	9	43	15		67
Special Charges	<u>1</u>	<u>13</u>	<u>71</u>		<u>85</u>
Adjusted EBITDA	<u>138</u>	<u>177</u>	<u>222</u>	<u>-</u>	<u>537</u>
Revenue	<u>1,123</u>	<u>1,160</u>	<u>1,220</u>		<u>3,503</u>
Adjusted EBITDA Margin	<u>12.3%</u>	<u>15.3%</u>	<u>18.2%</u>		<u>15.3%</u>

	<b>2019</b>				
	Q1	Q2	Q3	Q4	Total
Net Income	79	139	65	118	401
Income Tax Expense (Benefit)	15	17	(77)	60	15
Interest Expense (Income), net	17	18	14	13	62
Depreciation	29	29	30	29	117
Amortization	<u>35</u>	<u>34</u>	<u>35</u>	<u>36</u>	<u>140</u>
EBITDA	175	237	67	256	735
Share-based Compensation	9	7	7	6	29
Restructuring & Realignment	20	21	30	11	82
Loss/(Gain) from sale of business	(1)	-	-	-	(1)
Special Charges	<u>4</u>	<u>-</u>	<u>166</u>	<u>8</u>	<u>178</u>
Adjusted EBITDA	<u>207</u>	<u>265</u>	<u>270</u>	<u>281</u>	<u>1,023</u>
Revenue	<u>1,237</u>	<u>1,345</u>	<u>1,296</u>	<u>1,371</u>	<u>5,249</u>
Adjusted EBITDA Margin	<u>16.7%</u>	<u>19.7%</u>	<u>20.8%</u>	<u>20.5%</u>	<u>19.5%</u>

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

	<b>2020</b>				
	Q1	Q2	Q3	Q4	Total
Pre-Tax Income	37	71	85		193
Interest Expense (Income), net	-	(1)	-		(1)
Depreciation	11	11	11		33
Amortization	<u>4</u>	<u>5</u>	<u>2</u>		<u>11</u>
EBITDA	52	86	98	-	236
Share-based Compensation	-	1	-		1
Restructuring & Realignment	<u>5</u>	<u>8</u>	<u>8</u>		<u>21</u>
Adjusted EBITDA	<u>57</u>	<u>95</u>	<u>106</u>	<u>-</u>	<u>258</u>
Revenue	<u>438</u>	<u>501</u>	<u>524</u>		<u>1,463</u>
Adjusted EBITDA Margin	<u>13.0%</u>	<u>19.0%</u>	<u>20.2%</u>		<u>17.6%</u>

	<b>2019</b>				
	Q1	Q2	Q3	Q4	Total
Pre-Tax Income	50	96	97	117	360
Interest Expense (Income), net	(1)	1	(1)	-	(1)
Depreciation	11	12	11	10	44
Amortization	<u>4</u>	<u>4</u>	<u>4</u>	<u>5</u>	<u>17</u>
EBITDA	64	113	111	132	420
Share-based Compensation	1	-	-	1	2
Restructuring & Realignment	<u>9</u>	<u>9</u>	<u>7</u>	<u>5</u>	<u>30</u>
Adjusted EBITDA	<u>74</u>	<u>122</u>	<u>118</u>	<u>138</u>	<u>452</u>
Revenue	<u>482</u>	<u>561</u>	<u>531</u>	<u>603</u>	<u>2,177</u>
Adjusted EBITDA Margin	<u>15.4%</u>	<u>21.7%</u>	<u>22.2%</u>	<u>22.9%</u>	<u>20.8%</u>

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

	<b>2020</b>				
	Q1	Q2	Q3	Q4	Total
Pre-Tax Income	47	42	55		144
Interest Expense (Income), net	-	-	-		-
Depreciation	5	5	6		16
Amortization	1	-	1		2
EBITDA	53	47	62	-	162
Share-based Compensation	1	1	-		2
Restructuring & Realignment	2	4	2		8
Adjusted EBITDA	56	52	64	-	172
Revenue	338	337	364		1,039
Adjusted EBITDA Margin	16.6%	15.4%	17.6%		16.6%
	<b>2019</b>				
	Q1	Q2	Q3	Q4	Total
Pre-Tax Income	57	62	62	63	244
Interest Expense (Income), net	-	-	-	(1)	(1)
Depreciation	5	5	5	6	21
Amortization	1	1	-	1	3
EBITDA	63	68	67	69	267
Share-based Compensation	1	-	1	1	3
Restructuring & Realignment	3	4	3	4	14
Adjusted EBITDA	67	72	71	74	284
Revenue	379	394	376	392	1,541
Adjusted EBITDA Margin	17.7%	18.3%	18.9%	18.9%	18.4%

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

	<b>2020</b>				
	Q1	Q2	Q3	Q4	Total
Pre-Tax Income	(13)	(46)	(62)		(121)
Interest Expense (Income), net	-	-	-		-
Depreciation	9	8	9		26
Amortization	27	26	27		80
EBITDA	23	(12)	(26)	-	(15)
Share-based Compensation	2	1	1		4
Restructuring & Realignment	2	31	5		38
Special Charges	-	10	69		79
Adjusted EBITDA	27	30	49	-	106
Revenue	347	322	332		1,001
Adjusted EBITDA Margin	7.8%	9.3%	14.8%		10.6%
	<b>2019</b>				
	Q1	Q2	Q3	Q4	Total
Pre-Tax Income	16	26	137	28	(67)
Interest Expense (Income), net	-	-	-	-	-
Depreciation	9	9	9	10	37
Amortization	27	26	27	27	107
EBITDA	52	61	101	65	77
Share-based Compensation	1	2	1	1	5
Restructuring & Realignment	8	8	20	2	38
Loss/(Gain) from sale of business	(1)	-	-	-	(1)
Special Charges	4	-	155	-	159
Adjusted EBITDA	64	71	75	68	278
Revenue	376	390	389	376	,531
Adjusted EBITDA Margin	17.0%	18.2%	19.3%	18.1%	18.2%



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