Xylem Inc. (XYL)

Updated August 20th, 2026 by Jonathan Weber

Key Metrics

Current Price:	$116	**5 Year CAGR Estimate:**	10.7%	**Market Cap:**	$27B
Fair Value Price:	$124	**5 Year Growth Estimate:**	8.0%	**Ex-Dividend Date:**	08/27/26[1]
% Fair Value:	94%	**5 Year Valuation Multiple Estimate:**	1.3%	**Dividend Payment Date:**	09/24/26[2]
Dividend Yield:	1.5%	**5 Year Price Target**	$182	**Years Of Dividend Growth:**	15
Dividend Risk Score:	B	**Sector:**	Industrials	**Rating:**	Buy

Overview & Current Events

Xylem is an industrial machinery company that designs, manufactures, and sells engineered products and technologies for the water industry. Its portfolio for water and wastewater applications includes products for the full cycle of water: collection, distribution, use, and the return of water to the environment. Xylem was founded in 2011 as it was spun off by ITT Corporation, and the company is headquartered in White Plains, NY.

When Xylem reported its most recent quarterly earnings results, for the second quarter, it showed revenues of $2.34 billion, which was up 2% versus the previous year's quarter. The growth performance during the quarter was worse than expected, with Xylem missing the consensus estimate by $40 million. Currency rates were a bit of a headwind, as organic revenues were up only 1% compared to one year earlier.

Xylem generated earnings-per-share of $1.46 during the second quarter, which was ahead of what the analyst community had forecasted. Earnings-per-share were up by 16% versus the previous year's quarter on an adjusted basis. Xylem showed a double-digit earnings-per-share increase in fiscal 2025, and another solid increase is expected for the current year. The organic revenue growth forecast for 2026 is 2% to 3%, according to management's current guidance. Xylem's management expects that earnings-per-share will fall into a range of $5.55 to $5.70 in 2026. At the midpoint of $5.63, this implies solid earnings-per-share growth of just above 10% versus the previous year.

Growth on a Per-Share Basis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
EPS	$1.45	$2.35	$2.88	$3.02	$2.06	$2.49	$2.85	$3.78	$4.27	$5.08	***$5.63***	***$8.27***
DPS	$0.62	$0.72	$0.84	$0.96	$1.04	$1.12	$1.20	$1.32	$1.44	$1.60	***$1.72***	***$2.65***
Shares[3]	180	180	181	181	181	182	181	218	243	244	***245***	***250***

Xylem has grown its earnings-per-share at a highly attractive pace of around 10% since the company went public. Water is a valuable resource that is critical for everyone's life. Awareness about the importance of water usage is growing and has made the products Xylem offers more important. Tools for the analysis and control of water, as well as Xylem's technology for moving water and wastewater, are both experiencing growing demand, which is why Xylem has been able to grow its business at a solid pace, on average, since it went public.

During the last couple of years, Xylem mostly was able to grow its revenues meaningfully. In general, revenue growth allows for higher margins through better economies of scale and fixed cost leverage. R&D expenses, for example, do not rise in line with growing revenues. We can thus expect that Xylem will be able to grow its profits by slightly more than its sales in the long run, as long as it can maintain business growth. Acquisitions have added to Xylem's growth in the past, although organic growth is a more steady source of revenue growth for the company, as the acquisition impact can be a bit lumpy. The underlying growth story remains intact, as governments, companies, and consumers will continue to invest in water infrastructure. We believe that a high single-digit earnings-per-share growth rate is achievable.

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[1] Estimated date

[2] Estimated date

[3] In Millions

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.

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Valuation Analysis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Now	2031
Avg. P/E	31.0	24.1	23.3	26.2	48.5	48.1	38.2	30.2	27.2	26.8	***20.6***	***22.0***
Avg. Yld.	1.4%	1.3%	1.2%	1.2%	1.0%	0.9%	1.1%	1.2%	1.2%	1.2%	***1.5%***	***1.5%***

Xylem trades at around 20 to 21 times this year's earnings-per-share estimate, based on management's current guidance midpoint. Xylem is a high-quality company with a solid growth track record and good fundamentals, which justifies a premium valuation. We forecast some multiple expansion going forward, as we see a fair value earnings multiple in the 22 range based on historic patterns and the expected future growth rate.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
Payout	43%	31%	29%	32%	50%	45%	42%	35%	34%	31%	***31%***	***32%***

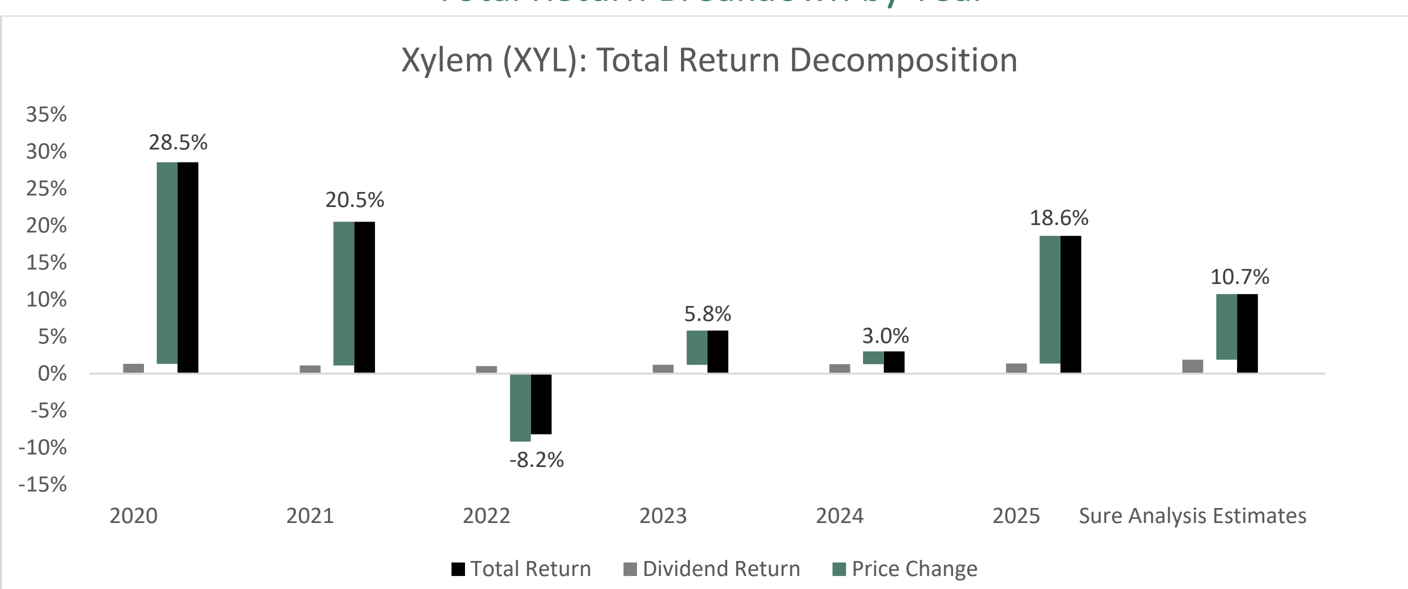
Xylem isn't one of the more well-known dividend growth stocks, but the company has raised its dividend regularly and at a compelling rate since it became a standalone company. Xylem pays out roughly one-third of its net profits in the form of dividends, which makes us believe that the dividend is quite safe, even though there is no historical data to show what Xylem would do with its dividend during a Great Recession scenario.

Important peers in the fluid control technology industry include IDEX Corporation and Graco Inc., neither of which are focused on water uniquely, unlike Xylem. Xylem also is the largest player among its peer group. Its size and scale offer competitive advantages, as they allow for a better cost structure and better access to diverse geographic markets. Xylem was not a standalone company during the Great Recession, but since the importance of water control systems and fluid technology could rise in the future, long-term demand will likely not be impacted too much by economic growth.

Final Thoughts & Recommendation

Xylem is active in an industry that will become ever more important, since access to clean water and treatment of wastewater will have a growing priority for consumers, corporations, and governments around the globe. Xylem has a good growth outlook, and shares trade below our fair value estimate. We rate Xylem a buy at the current level, with shares offering a total return outlook that is pretty compelling.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Revenue	3,769	4,701	5,207	5,256	4,872	5,199	5,541	7,367	8,563	9,035
Gross Profit	1,459	1,842	2,030	2,058	1,827	1,979	2,105	2,724	3,214	3,475
Gross Margin	38.7%	39.2%	39.0%	39.2%	37.5%	38.1%	38.0%	37.0%	37.5%	38.5%
SG&A Exp.	915	1,089	1,161	1,158	1,143	1,179	1,227	1,757	1,911	1,923
D&A Exp.	151	234	261	257	251	245	236	436	562	575
Operating Profit	509	615	715	709	497	596	665	735	1,073	1,326
Operating Margin	13.5%	13.1%	13.7%	13.5%	10.2%	11.5%	12.0%	10.0%	12.5%	14.7%
Net Profit	260	330	549	401	254	427	355	609	890	950
Net Margin	6.9%	7.0%	10.5%	7.6%	5.2%	8.2%	6.4%	8.3%	10.4%	10.5%
Free Cash Flow	373	516	349	613	641	330	388	566	942	873
Income Tax	80	136	36	15	31	84	85	26	197	231

Balance Sheet Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Total Assets	6,474	6,860	7,222	7,710	8,750	8,276	7,952	16,112	16,493	17,634
Cash & Equivalents	308	414	296	724	1,875	1,349	944	1,019	1,121	1,479
Accounts Receivable	843	956	1,031	1,036	923	953	1,096	1,617	1,668	
Inventories	522	524	595	539	558	700	799	1,018	996	983
Goodwill & Int.	3,833	3,936	4,208	4,013	3,947	3,808	3,649	10,116	10,359	10,604
Total Liabilities	4,267	4,341	4,440	4,743	5,774	5,050	4,449	5,936	5,611	5,885
Accounts Payable	457	549	586	597	569	639	723	968	1,006	1,013
Long-Term Debt	2,108	2,200	2,051	2,225	2,700	2,683	2,129	2,540	2,220	1,408
Shareholder's Equity	2,190	2,503	2,768	2,957	2,968	3,218	3,494	10,166	10,642	11,480
LTD/E Ratio	1.08	0.88	0.83	0.87	1.13	0.86	0.63	0.26	0.22	0.17

Profitability & Per Share Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Return on Assets	4.7%	4.9%	7.8%	5.4%	3.1%	5.0%	4.4%	5.1%	5.5%	5.6%
Return on Equity	12.1%	14.0%	20.7%	14.0%	8.5%	13.8%	10.6%	8.9%	8.5%	8.4%
ROIC	6.6%	7.1%	11.2%	7.6%	4.3%	6.9%	6.1%	6.6%	6.8%	7.1%
Shares Out.	180	180	181	181	181	182	181	218	243	244
Revenue/Share	20.93	25.99	28.75	29.01	26.90	28.64	30.62	33.77	35.16	37.03
FCF/Share	2.07	2.85	1.93	3.38	3.54	1.82	2.14	2.59	3.87	3.58

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.