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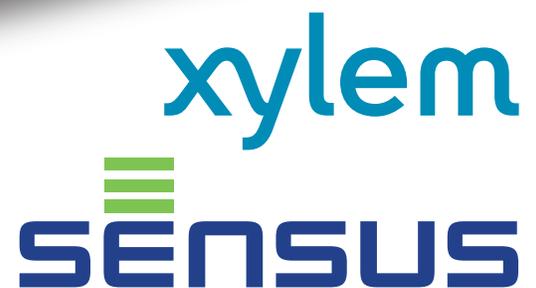
BEST PRACTICES

AWARDS

FROST & SULLIVAN

2019

BEST
PRACTICES
AWARD



**2019 GLOBAL SMART WATER METER
GROWTH, INNOVATION & LEADERSHIP
FROST RADAR AWARD**

Frost & Sullivan's global team of analysts and consultants continuously research a wide range of markets across multiple sectors and geographies. As part of this ongoing research, we identify companies that consistently develop new growth strategies based on a visionary understanding of the future, and thus more effectively address new challenges and opportunities. This involves extensive primary and secondary research across the entire value chain of specific products. Against the backdrop of this research, Frost & Sullivan recognizes **Xylem and their Sensus brand** for these valuable achievements.

This recognition is strictly reserved for companies that are market leaders and are at the forefront of innovation. These companies consolidate or grow their leadership position by continuously innovating and creating new products and solutions that serve ever-evolving customer needs. These companies are also best positioned to expand the market by strategically broadening their product portfolio. Achieving Growth, Innovation & Leadership (GIL) is never an easy task, but it is one made even more difficult considering today's intensely competitive environment, customer volatility, economic uncertainty, and rapid technology evolution. Within this context, Sensus' receipt of this Award signifies an even greater accomplishment.

Moreover, this recognition is the result of many individuals (employees, customers, and investors) making daily choices to support the organization and meaningfully contribute to its future. Frost & Sullivan enthusiastically acknowledges and celebrates these achievements. Once again, congratulations on your accomplishments and we wish you great success in the future.

Sincerely yours,

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The Frost Radar

Global Smart Water Meter Market



Source: Frost & Sullivan

In a field of +200 global industry participants, Frost & Sullivan has independently ranked the top 19 companies in the above Frost Radar analysis.

The key parameters independently analyzed by Frost & Sullivan include:

- Innovation Scalability
- R&D
- Product Portfolio
- Mega Trends Leverage
- Customer Alignment
- Growth Pipeline
- Vision and Strategy
- Sales and Marketing

Frost & Sullivan studies related to this independent analysis:

- *Global Smart Water Meter Market, Forecast to 2026*

Industry Overview

The global smart water meter market is driven by increasing demand for a solution that enables water utilities to optimize resources, improve billing and cost recovery efficiency, and heighten water conservation on the back of water stress.

The unit shipment of smart water meters was 16.9 million in 2018 and is expected to grow to 74.8 million by 2025. The smart water meter market revenue was \$1.4 billion in 2018, and Frost & Sullivan expects this to increase at a compound annual growth rate (CAGR) of 18.5% to \$4.6 billion by 2025. North America and Europe are currently the leading destinations for smart water meters. China is expected to become a leading regional hotspot during the forecast period with a significant growth opportunity as the result of a favorable policy aimed at the development of smart water utilities in all urban regions.

Water utilities globally are under significant pressure to improve sustainability and resilience due to water stress and climate change. The optimization of water resources, improvement of customer service through billing accuracy, optimization of asset utilization and reduction of non-revenue water (NRW) have become key priorities; as such, Frost & Sullivan notes that there will be a noticeable surge in demand for smart water meters.

Frost Radar Growth, Innovation & Leadership Award Xylem

COMPANY DIAGNOSTIC

Xylem is a leading global water technology company committed to developing innovative technology solutions to the world's water challenges. Their Sensus brand leads the way in smart water metering solutions that proactively leveraged key customer demands and offered solutions to meet customer requirements by being a one-stop solution provider for holistic customer and asset management. Sensus offers a suite of smart water solutions which includes accurate billing through electromagnetic smart water meters, data management and analytics, a secure and reliable communication network (Sensus FlexNet), and comprehensive (NRW) reduction solutions.

The company offers both mechanical and advanced static water meters, along with a communication network, bidirectional communication, and data management technologies. It leverages a wide range of product line which primarily includes its advanced electromagnetic smart water meters (ally® & iPERL®), its FlexNet® communication network, and advanced data analytics. Additionally Xylem's Sensus® solution also offers communication gateways to capture third party sensor data which are critical for provision of holistic asset management solutions to utilities in addition to the data generated by the smart water meter. Xylem's Sensus meters come with AMR & AMI capabilities, automated shut off, and remote monitoring. Their meters enable asset management, NRW detection, and decision intelligence through integrated data analytics.

FROST RADAR POSITIONING

- Xylem’s Sensus brand is positioned by Frost & Sullivan as the highest scorer on the Frost Radar’s Growth and Innovation indexes due to its pioneering leadership in offering holistic smart water solutions. Frost & Sullivan feels that the company clearly differentiates itself by offering a robust and highly reliable one-stop digital solution for water utilities to manage water and improve its efficiency. It includes smart water meters, sensors, a secure communication network, data collection and storage, and advanced analytics, which showcases its leadership in innovation.
- Their growth leadership is primarily due to its organic growth that was enabled by its ability to consistently provide customers with favorable return on investment in terms of revenue and/or resource savings through its digital solutions.
- The company has demonstrated a strong focus on leveraging Frost & Sullivan-identified Mega Trends, such as smart city, and is renowned for its long-term outlook of the smart water grid.
- Its FlexNet communication network (AMI and AMR), its effective data analytics, and its holistic smart solutions optimize the entire water infrastructure in conjunction with its well-established strategy and road map.

COMPANY STRENGTHS

- Xylem’s Sensus brand has a strong leading presence in growth markets, such as North America and Europe, in offering smart metering combined with smart data analytics and decision intelligence.
- They have significantly invested in delivering innovative technologies that have improved meter reliability in terms of accuracy, connectivity, and data usability.
- The FlexNet communication network provides secure bidirectional connectivity and the smart water meters have a battery life of 15 to 20 years, which is one of the highest in the smart water meter market.
- They have effectively capitalized on global investments in digitalization of utilities and smart water grids through data analytics and decision intelligence capabilities through a wide variety of asset management solutions.

COMPANY OPPORTUNITIES

- Xylem is currently making in-roads in Japan in smart metering with their Sensus brand. Emerging markets such as China, India, and Latin America could also be effectively pursued.
- They could exclusively target the AMR smart water meter installed bases in North America and Europe as potential customers that could transition from AMR to AMI.

What is the Frost Radar?

A Practical, High Impact, Scalable C2A (Companies to Action) Tracking Solution

WHAT IS IT?

A robust analytical tool that benchmarks companies' innovation focus and growth performance in a given market.

HOW IS IT BUILT?

Through in-depth analysis built on our 360-degree research methodology (primary and secondary research) and objective rating of companies in any given market.

WHY DO WE NEED IT?

To understand how companies benchmark against each other in their ability to innovate and grow against a backdrop of industry transformation and evolution.

WHAT WILL IT ACCOMPLISH?

Enable companies to gain an objective, independent perspective of their innovation and growth strategies, including their robustness, effectiveness, relative competitive strength, and implications on their long-term success.

HOW TO USE IT?

Frost Radar is a dynamic tracking tool that offers frequent rating and positioning of companies that are leading the industry on growth, innovation or both. Due to changes in operating environment and internal changes within these organizations, their positioning in Frost Radar will change over time. It is important to leverage Frost Radar to ensure that companies are aware of changes to their ecosystem and their relative positions to it.

WHAT DOES IT MEAN TO BE ON THE FROST RADAR?

Every company that finds itself on the Radar has been chosen because they have proven themselves to be worthy by demonstrating excellence in either growth, innovation, or both, and are able to translate that into proven solutions that benefit their clients.

GROWTH, INNOVATION & LEADERSHIP AWARD

The Growth Innovation Leadership (GIL) best practice Award is bestowed on companies that are market leaders that are at the forefront of innovation. These companies consolidate or grow their leadership position by continuously innovating and creating new products and solutions that serve the evolving needs of the customer base. These companies are also best positioned to expand the market by strategically broadening their product portfolio.

Frost Radar

2 Major Indices, 10 Analytical Ingredients, 1 Platform

VERTICAL AXIS – THE GROWTH INDEX

Growth index is a measure of a company's growth performance and track record, along with its ability to develop and execute a fully aligned growth strategy and vision; a robust growth pipeline system; and effective market-, competitor-, and end-user focused sales and marketing strategies.

- **GI1: Market Share (previous 3 years):** Market share relative to its competitors in a given market space for the previous three years.
- **GI2: Revenue Growth (previous 3 years):** Revenue growth rate for the previous three years in the market/ industry/category that forms context for the given Frost Radar.
- **GI3: Growth Pipeline:** This is an evaluation of the strength and leverage of the company's growth pipeline system, to continuously capture, analyze and prioritize its universe of growth opportunities.
- **GI4: Vision and Strategy:** This is an assessment of how well a company's growth strategy is aligned with its vision. Are the investments the company is making in new products and markets consistent with the stated vision?
- **GI5: Sales and Marketing:** This is a measure of the effectiveness of a company's sales and marketing efforts in helping the company drive demand and achieve its growth objectives.

HORIZONTAL AXIS – THE INNOVATION INDEX

Innovation index is a measure of a company's ability to innovate products/services/solutions that are developed with a clear understanding of disruptive Mega Trends, are globally applicable, are able to evolve and expand to serve multiple markets, and are aligned to customers' changing needs. Key elements of this index include:

- **II1: Innovation Scalability:** This determines whether the organization's innovation(s) is/are globally scalable and applicable in both developing and mature markets, and also in adjacent and non-adjacent industry verticals.
- **II2: Research and Development:** This is a measure of the efficacy of a company's R&D strategy, as determined by the size of its R&D investment and how it feeds the innovation pipeline.
- **II3: Product Portfolio:** This is a measure of the product portfolio of the company, focusing on the relative contribution of new products to its annual revenues.
- **II4: Mega Trends Leverage:** This is an assessment of a company's proactive leverage of evolving long-term opportunities and new business models, as the foundation of its innovation pipeline.
- **II5: Customer Alignment:** This evaluates the applicability of a company's products/ services/ solutions to current and potential customers (7-year horizon), as well as how its innovation strategy is influenced by evolving customer needs.