



REXNORD
Second Quarter 2016
Earnings Release

November 3, 2015

Domestic toll-free: (888) 843-7419

International toll-free: (630) 652-3042

Access code: 4103 3315#

Cautionary Statement Under the Private Securities Litigation Reform Act

This presentation and discussion may contain certain forward-looking statements that are subject to the Safe Harbor language contained in the press release we issued Tuesday, November 3, 2015, as well as in our filings with the Securities and Exchange Commission.

- 2Q results in line with expectations
 - Core sales growth -6% – Adjusted EPS of \$0.34
 - US general industrial modestly weaker – water end markets remain strong
- Water Management delivering growth and margin expansion
 - US nonresidential activity solid; water infrastructure orders strong through first half
 - Adjusted EBITDA margin expands 90 bps year over year to 18.3%
- Process & Motion Control sequentially stable
 - Food & beverage, aerospace, Europe general industrial growth remain on track
 - US distribution de-stocking largely consistent with expectations, but sell-through a bit weaker
- Resetting guidance range for fiscal 2016 Adjusted EPS to \$1.43-1.48
 - Accelerating actions, expenses (\$0.04 ps) of supply chain optimization & footprint repositioning
 - Managing industrial volatility while capturing the benefits of improving portfolio balance



Key Macro Assumptions

End Market	Previous FY16 Market Forecast	Updated FY16 Market Forecast	Revisions
US Commercial & Industrial Construction	+ HSD	+ HSD	
US Institutional Construction	+LSD/MSD	+LSD/MSD	
European Water & Wastewater Infrastructure	+LSD	+LSD	
ROW Water & Wastewater Infrastructure	+LSD	+LSD	
US Industrial Distribution	(MSD)	(HSD)	Lower
European General Industrial	+LSD	+LSD	
Global Food & Beverage	+LSD	+LSD	
Global Commercial Aerospace	+LSD/MSD	+LSD/MSD	
Global Mining	(LDD)	(LDD)	
Global Energy	(HDD)	(HDD)	
Weighted Average	(3%) - (1%)	(4%) - (2%)	(100 bps)

Note: Table illustrates percentage growth rates. L/M/H = Low/Mid/High; SD = Single-Digit; DD = Double-Digit

Incorporating the realities of a volatile industrial landscape

Q2 FY16 Income Adjustments



<i>\$ in millions (except per share amounts)</i>	Operating Income	Net Income	EPS	Operating Income	Net Income	EPS
	Q2 FY16			Q2 FY15		
As Reported, Continuing	\$55.5	\$22.6	\$0.22	\$78.7	\$37.8	\$0.36
Amortization	-	14.2	0.14	-	13.7	0.13
Stock Option Expense	1.9	-	-	1.1	-	-
Restructuring Expense	2.7	2.7	0.03	1.4	1.4	0.01
LIFO Expense (Income)	0.8	-	-	(0.2)	-	-
Inventory Fair Value Adjustment	-	-	-	0.7	0.7	0.01
Supply Chain Optimization & Footprint Repositioning Program (1)	0.4	0.4	-	-	-	-
All Other	-	1.0	0.01	-	2.3	0.02
Tax Impact on Adjustments	-	(6.3)	(0.06)	-	(6.3)	(0.06)
As Adjusted	\$61.3	\$34.6	\$0.34	\$81.7	\$49.6	\$0.47

(1) Accelerated depreciation and other non-cash expenses associated with supply chain optimization and footprint repositioning program.

Q2 FY16 Results Summary



<i>\$ in millions</i>	Q2 FY16	Q2 FY15	\$ change	% change
Net sales	\$ 486	\$ 531	(\$ 45)	-8%
- Core				-6%
- Acquisitions				3%
- Currency				-5%
Adjusted Operating Income	\$ 61	\$ 82	(\$ 21)	-25%
% of sales	12.6%	15.4%		-280 bps
Adjusted EBITDA ⁽¹⁾	\$ 89	\$ 110	(\$ 21)	-18%
% of sales	18.4%	20.6%		-220 bps
Adjusted Net Income ⁽¹⁾	\$ 35	\$ 50	(\$ 15)	-31%
Diluted Earnings Per Share	\$0.22	\$0.36	(\$0.14)	-39%
Adjusted Earnings Per Share ⁽¹⁾	\$0.34	\$0.47	(\$0.13)	-28%
Free cash flow ⁽¹⁾	\$ 50	\$ 62	(\$ 12)	-19%

(1) As defined in the Form 8-K filed with the Securities and Exchange Commission on November 3, 2015

<i>\$ in millions</i>	Q2 FY16	Q2 FY15	\$ change	% change
Net sales	\$ 269	\$ 305	(\$ 36)	-12%
- Core				-11%
- Acquisitions				4%
- Currency				-5%
Adjusted Operating Income	\$ 37	\$ 59	(\$ 22)	-37%
% of sales	13.8%	19.4%		-560 bps
Adjusted EBITDA ⁽¹⁾	\$ 56	\$ 77	(\$ 21)	-28%
% of sales	20.7%	25.4%		-470 bps

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Growth in aerospace, food & beverage offset by industrial challenges

<i>\$ in millions</i>	Q2 FY16	Q2 FY15	\$ change	% change
Net sales	\$ 217	\$ 226	(\$ 9)	-4%
- Core				1%
- Currency				-5%
Adjusted Operating Income	\$ 30	\$ 30	-	1%
% of sales	14.0%	13.2%		80 bps
Adjusted EBITDA ⁽¹⁾	\$ 40	\$ 39	\$ 1	1%
% of sales	18.3%	17.4%		90 bps

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Significant WM margin expansion reflects execution

<i>\$ in millions</i>	9/30/15	6/30/15	3/31/15
Cash	\$375	\$330	\$370
Revolver Borrowings	\$0	\$0	\$0
A/R Facility Borrowings	\$0	\$0	\$0
Term Debt	\$1,888	\$1,892	\$1,896
Senior Debt	\$1	\$1	\$1
Other Debt (1)	\$16	\$15	\$15
Total Debt	\$1,905	\$1,908	\$1,912
Total Net Debt	\$1,530	\$1,578	\$1,542
Net Debt Leverage Ratio (2)	4.1x	4.0x	3.8x
Total Liquidity	\$718	\$672	\$711

(1) Other Debt includes a \$28M New Market Tax Credit Receivable, this Receivable offsets a \$37M payable also included in Other Debt in both periods presented.

(2) Defined as the ratio of total debt less cash to pro forma LTM Adjusted EBITDA.

Net leverage on track to finish fiscal year at 3.8x

Fiscal 2016 Outlook



\$ in Millions, except per-share amounts

Rexnord Corporation	Full Year Range
Core Sales Growth	- 3% to - 1%
Adjusted EPS ⁽¹⁾	\$1.43 - \$1.48
Free Cash Flow ⁽¹⁾	> Net Income

Key Fiscal 2016 Assumptions	
Interest Expense w/LIBOR \leq 1%	~\$93
Depreciation and Amortization ⁽²⁾	~\$115
Effective Tax Rate	~30%
Capital Expenditures	~3% of sales
Fully Diluted Shares Outstanding	~104 million

Rexnord Corporation	Q3 Range
Sales	\$460 - \$470
Effective Tax Rate	~10-12%
Adjusted EPS ⁽¹⁾	\$0.36 - \$0.39

(2) Excludes an estimated \$5 million of accelerated depreciation related to supply chain optimization and footprint repositioning initiatives.

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Resetting adjusted EPS guidance to \$1.43 to \$1.48