



REXNORD

FOURTH QUARTER
FISCAL YEAR 2017
FINANCIAL RESULTS

May 18, 2017

CAUTIONARY STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT

This presentation and discussion contains certain forward-looking statements that are subject to the Safe Harbor and Cautionary language contained in the press release we issued on May 17, 2017, as well as other factors that could cause actual results to differ materially from those discussed and that are disclosed in our filings with the Securities and Exchange Commission.

Some comparisons will refer to certain non-GAAP measures. Our earnings release and SEC filings contain additional information about these non-GAAP measures, why we use them, and why we believe they are helpful to investors, and contain reconciliations to GAAP data.

STRATEGIC UPDATE

Supply Chain Optimization & Footprint Repositioning Program

- On track to completion in current 1Q FY18
- On track to deliver \$30 million of annualized cost savings

Process & Motion Control

- First-Fit wins exceed \$30-million FY17 target
- >60% of FY17 PMC revenue in consumer/discrete and aerospace end markets

Water Management

- New product pipeline to contribute to WM core growth in FY18
- Backlog increases 30% yoy as Book-to-Bill ratio $\geq 1.0x$ in all 4 quarters of FY17

Cash Flow & Balance Sheet

- Free cash flow⁽¹⁾ exceeds 100% conversion ratio for 13th consecutive year in FY17
- Net debt leverage ratio⁽¹⁾ declines to 3.1x

(1) Non-GAAP measure defined, reconciled, and discussed in the earnings release included in the Form 8-K filed with the Securities and Exchange Commission on May 17, 2017.

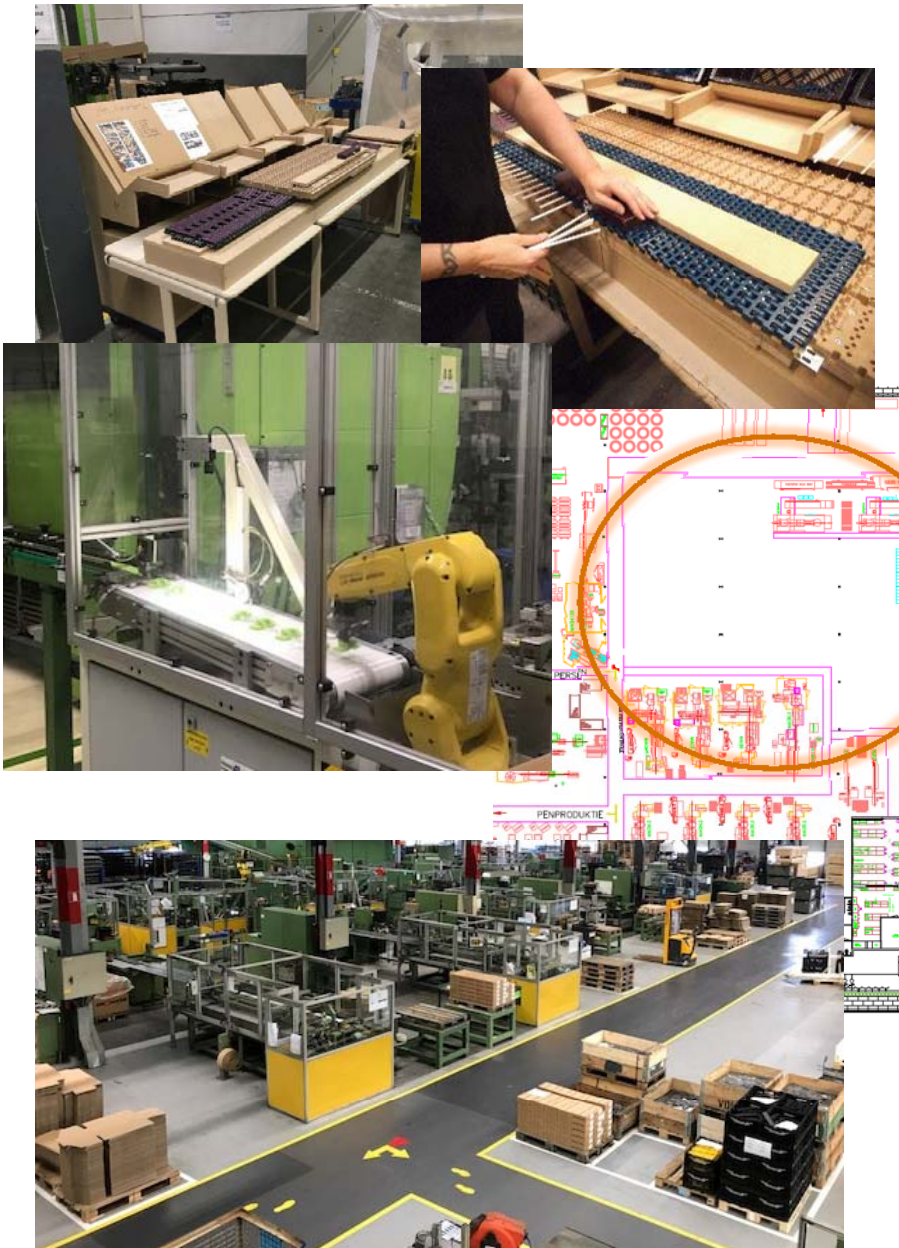
RBS SPOTLIGHT

's-Gravenzande, The Netherlands

- Process simplification, automation investments
- 3-to-4-hour kaizens on weekly basis
- Small teams with directly-involved associates executing PDCA cycles
- 3D printing to validate improvement experiments



- *Improved safety, reduced WIP*
- *50% reduction in lead times*
- *Inventory turns approaching 12x*
- *10% reduction in production footprint*



FINANCIAL UPDATE

Fourth Quarter Fiscal Year 2017

- GAAP EPS of \$0.21
- Adjusted EPS⁽¹⁾ of \$0.35
- Adjusted EBITDA⁽¹⁾ of \$98 million
- Net sales increased 2% year over year
 - Cambridge acquisition added 4%
 - RHF product line exit reduced sales by 2%
- Core sales⁽¹⁾ were flat year over year

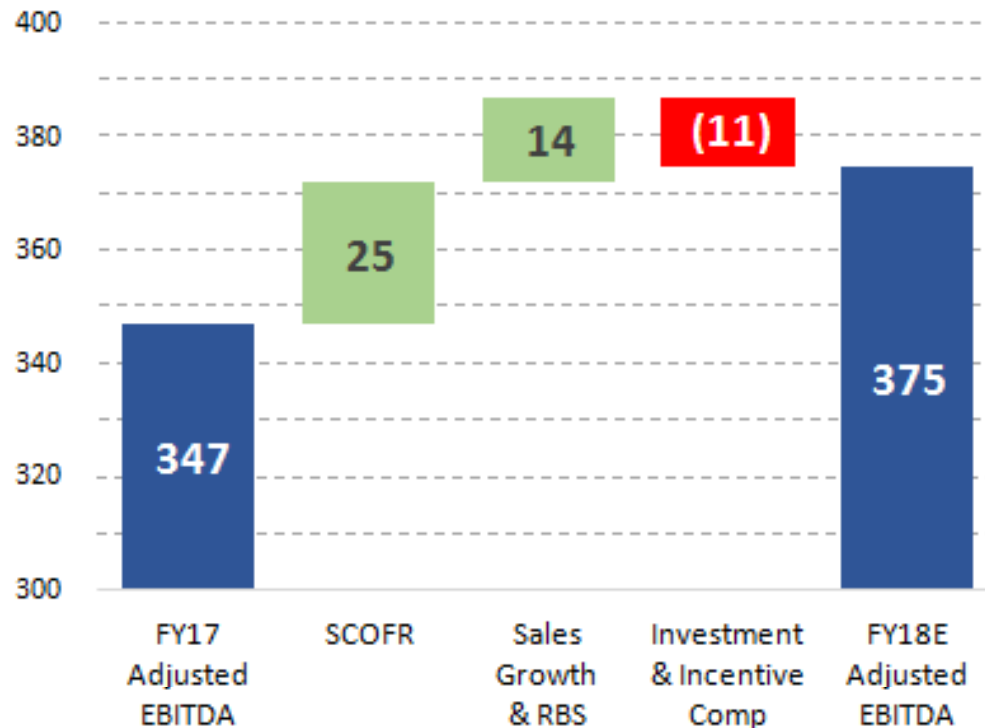
Fiscal Year 2018 Outlook

- Core sales growth in low-single-digit percentage range⁽²⁾
- Adjusted EBITDA in \$365 - \$385 million range⁽²⁾
- Free cash flow⁽¹⁾ to exceed net income

(1) Non-GAAP measure defined, reconciled, and discussed in the earnings release included in the Form 8-K filed with the Securities and Exchange Commission on May 17, 2017.

(2) Forward-looking information and a non-GAAP measure. Although Rexnord can quantify certain elements, it is not able to quantify all variances from GAAP without unreasonable efforts because certain factors are unknown at this time and out of Rexnord's control.

ADJUSTED EBITDA⁽¹⁾ BRIDGE

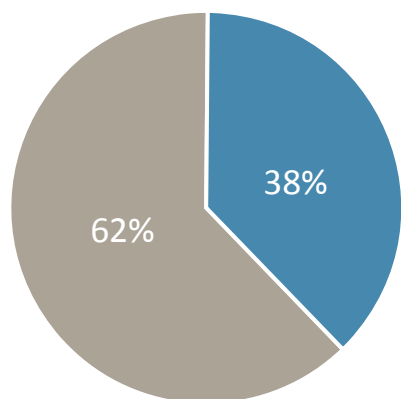


- Bridge to the midpoint of Adjusted EBITDA outlook range of \$365 - \$385 million
- 5% - 11% Adjusted EBITDA growth . . . +8% at the midpoint
- Year-over-year Adjusted EBITDA growth each quarter
- Assumes no acquisitions

(1) Non-GAAP measure defined, reconciled, and discussed in the earnings release included in the Form 8-K filed with the Securities and Exchange Commission on May 17, 2017. SCOFR = Supply Chain Optimization & Footprint Repositioning.

4Q FY17 SUMMARY

4Q FY17 Adjusted Net Sales⁽²⁾



■ Process & Motion Control
 ■ Water Management

	4Q FY17	4Q FY16	Change
Adjusted Net Sales^(1,2)	\$503	\$485	4%
<i>Growth from:</i>			
Core			0%
Acquisitions			4%
Translation			0%
Adjusted EBITDA⁽¹⁾	\$98	\$93	5%
% of Sales	19.5%	19.2%	30 bps

- Core growth improves to flat year over year
- Cambridge contributes 4% to growth
- Adjusted EBITDA margin increases 30 bps

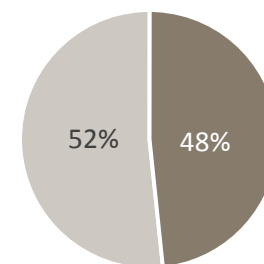
(1) Non-GAAP measure defined, reconciled, and discussed in the earnings release included in the Form 8-K filed with the Securities and Exchange Commission on May 17, 2017.

(2) Net Sales in both years are adjusted for the RHF product line exit in FY17.

PROCESS & MOTION CONTROL

	4Q FY17	4Q FY16	Change
Net Sales	\$314	\$294	7%
<i>Growth from:</i>			
Core			0%
Acquisitions			7%
Translation			0%
Adjusted EBITDA ⁽¹⁾	\$70	\$65	8%
% of Sales	22.3%	22.1%	20 bps

4Q FY17 Net Sales



■ OEMs & End Users
■ Maintenance, Repair, Operations

- Core growth was flat year over year
- Cambridge added 7% to growth
- Adjusted EBITDA margin increased by 20 bps

(1) Non-GAAP measure defined, reconciled, and discussed in the earnings release included in the Form 8-K filed with the Securities and Exchange Commission on May 17, 2017.

End-Market Outlook Assumed in Guidance

Industrial Distribution

US & Canada



Europe



Rest of World



Food & Beverage: Global



Commercial Aerospace: Global



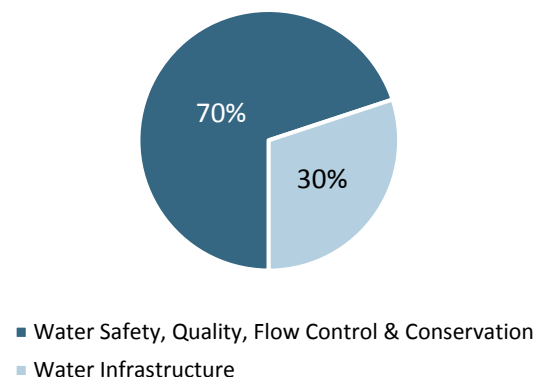
Process Industries: Global



WATER MANAGEMENT

	4Q FY17	4Q FY16	Change
<u>Adjusted Net Sales ^(1,2)</u>	<u>\$190</u>	<u>\$191</u>	<u>(1%)</u>
<i>Growth from:</i>			
Core			(1%)
Acquisitions			--
Translation			0%
<u>Adjusted EBITDA ⁽¹⁾</u>	<u>\$34</u>	<u>\$34</u>	<u>0%</u>
% of Sales	18.0%	17.6%	40 bps

4Q FY17 Adjusted Net Sales ⁽²⁾



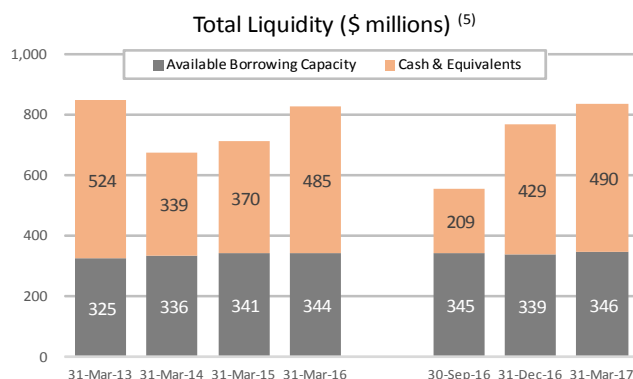
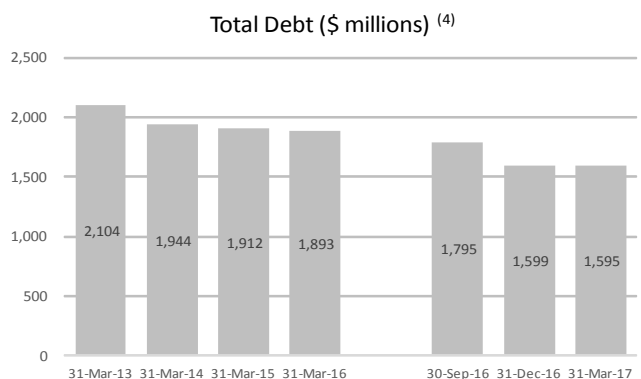
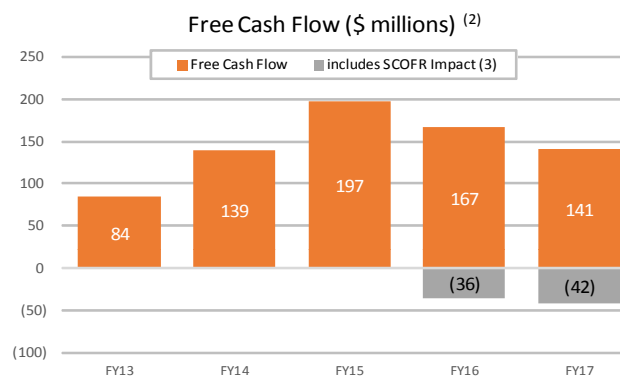
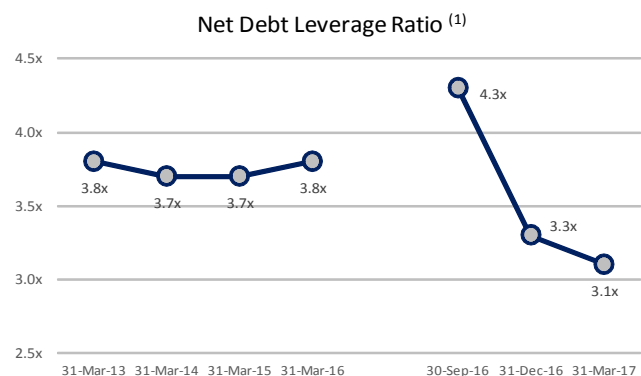
- Core growth was down 1% year over year
- Adjusted EBITDA margin increased by 40 bps

(1) Non-GAAP measure defined, reconciled, and discussed in the earnings release included in the Form 8-K filed with the Securities and Exchange Commission on May 17, 2017.
 (2) Net Sales in both years are adjusted for the RHF product line exit in FY17.

End-Market Outlook Assumed in Guidance

- Nonresidential Construction: US & Canada ●
- Residential Construction: US & Canada ●
- Water & Wastewater Infrastructure*
- Europe ●
- China ●
- Middle East ●
- Rest of World ●

CASH FLOW & BALANCE SHEET



- (1) Net Debt Leverage is defined as the ratio of total debt less cash to pro forma LTM Adjusted EBITDA.
- (2) Free Cash Flow is defined as Cash from Operations less Capital Expenditures, and is a Non-GAAP measure defined, reconciled, and discussed in the earnings release included in the Form 8-K filed with the Securities and Exchange Commission on February 1, 2017.
- (3) SCOFR = Supply Chain Optimization & Footprint Repositioning initiatives.
- (4) Total Debt includes a New Market Tax Credit Receivable (\$28), which is more than offset by an associated payable (\$37) that is also included in Total Debt in all periods presented.
- (5) Liquidity is defined as cash and cash equivalents plus available borrowing capacity.

APPENDIX

FISCAL YEAR 2018 OUTLOOK

Core sales % growth ⁽¹⁾	+ Low Single Digit
Adjusted EBITDA ⁽¹⁾	\$365 - \$385 million
Free Cash Flow ⁽¹⁾	> Net Income
Depreciation & Amortization ⁽²⁾	\$ 88 million
Interest Expense (LIBOR ≤ 1.5%)	\$ 85 million
Effective Tax Rate ⁽³⁾	~ 32%
Capital Expenditures	2% to 2.5% of sales

(1) Non-GAAP measure defined, reconciled, and discussed in the earnings release included in the Form 8-K filed with the Securities and Exchange Commission on May 17, 2017.

(2) Excludes an estimated \$1 million of accelerated depreciation related to supply chain optimization and footprint repositioning initiatives.

(3) As applied to calculation of Adjusted Net Income.

4Q FY17 NON-GAAP ADJUSTMENTS AFTER TAX

Adjustment Type (\$ millions)	Pretax Adjustment	Income Tax Provision ⁽³⁾	Impact on Adjusted Net Income ⁽⁴⁾
Restructuring & Related ⁽¹⁾			
Restructuring & Other Similar Charges	\$ 9.9	(\$ 3.4)	\$ 6.5
Impact of RHF Product Line Exit	2.7	(1.1)	1.6
SCOFR Initiatives	4.4	(1.9)	2.5
Actuarial Gain on Pension Obligations	(2.6)	0.8	(1.8)
Preferred Dividends	5.8	-	5.8
Other, net ⁽²⁾	2.3	(0.7)	1.6
Amortization of Intangible Assets	8.4	(3.0)	5.4
Totals	\$ 30.9	(\$ 9.3)	\$ 21.6

(1) Restructuring & Related includes restructuring expenses, operating results from the RHF product line we are exiting, and \$4.4 of accelerated depreciation associated with our Supply Chain Optimization & Footprint Repositioning initiatives.

(2) Other, net includes the net impact of foreign currency transactions, sale of long-lived assets, and other miscellaneous expenses.

(3) The tax rates used to calculate adjusted net income are based on a transaction-specific basis at the applicable jurisdictional rate.

(4) Non-GAAP measure defined, reconciled, and discussed in the earnings release included in the Form 8-K filed with the Securities and Exchange Commission on May 17, 2017.

IF-CONVERTED INCREMENTAL SHARES

Use If-Converted Method to calculate diluted EPS, **Only If Dilutive**

- 1) Do not deduct preferred dividend from net income
- 2) Add indicated incremental shares to diluted share count

Average Common Stock Price	Incremental Shares from Conversion (millions)
< \$ 20.99	19.18
\$ 20.99	19.18
21	19.17
22	18.30
23	17.50
24	16.77
25	16.10
25.19	15.98
> \$ 25.19	15.98

Mandatory Convertible Preferred Details

Offering Size (\$millions)	\$ 402.5
Dividend Rate	5.75%
Annual Dividend (\$millions)	\$ 23.1
Mandatory Conversion Date	11/15/2019

CALCULATING 4Q FY17, FY 2017 DILUTED EPS

(\$ millions, except per-share amounts)

	Fourth Quarter Ended <u>March 31, 2017</u>	Fiscal Year Ended <u>March 31, 2017</u>
<i>Base Methodology</i>		
Adjusted Net Income	\$ 43.2	\$ 146.3
Dividends on Preferred Stock	<u>(5.8)</u>	<u>(7.3)</u>
Net Income Attributable to Rexnord Common Shareholders	\$ 37.4	\$ 139.0
Weighted-Average Number of Shares: Diluted (thousands)	104,968	104,784
Earnings Per Share: Diluted (Base Method)	<u>\$ 0.36</u>	<u>\$ 1.33</u>
<i>If-Converted Methodology</i>		
Adjusted Net Income	\$ 43.2	\$ 146.3
Dividends on Preferred Stock	<u>(5.8)</u>	<u>(7.3)</u>
Net Income Attributable to Rexnord Common Shareholders	37.4	139.0
Add Back Dividends	<u>5.8</u>	<u>7.3</u>
Adjusted Net Income (Loss)	\$ 43.2	\$ 146.3
Weighted-Average Number of Shares: Diluted (thousands)	104,968	104,784
Add Adjustment for Conversion of Preferred Stock into Common Stock (thousands)	<u>18,009</u>	<u>5,833</u>
Adjusted Weighted-Average Shares: Diluted (thousands)	122,977	110,617
Earnings Per Share: Diluted (If-Converted Method)	<u>\$ 0.35</u>	<u>\$ 1.32</u>

RECONCILIATION OF ADJUSTED EBITDA

(\$ millions)

	Fourth Quarter Ended		Fiscal Year Ended	
	March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016
Adjusted EBITDA				
Net income (loss) attributable to Rexnord common shareholders	\$ 21.6	\$ (0.4)	\$ 66.8	\$ 67.9
Dividends on preferred stock	5.8	-	7.3	-
Non-controlling interest loss	-	(0.2)	-	(0.4)
Income tax provision (benefit)	11.2	(1.5)	7.9	17.1
Other expense (income), net ⁽¹⁾	1.9	(5.6)	5.2	(3.1)
Loss on the extinguishment of debt	-	-	7.8	-
Loss from discontinued operations, net of tax	-	1.4	-	1.4
Interest expense, net	19.3	23.4	88.7	91.4
Income from operations	<u>\$ 59.8</u>	<u>\$ 17.1</u>	<u>\$ 183.7</u>	<u>\$ 174.3</u>
Adjustments				
Depreciation and amortization	\$ 26.3	\$ 29.4	\$ 105.4	\$ 115.4
Actuarial (gain) loss on pension and postretirement benefit obligations	(2.6)	12.9	(2.6)	12.9
Restructuring and other similar charges	9.9	24.2	31.6	34.9
Acquisition-related fair value adjustment	-	-	4.3	-
Stock-based compensation expense	3.6	1.7	13.4	7.5
Impact of RHF product line exit ⁽²⁾	2.7	10.2	12.2	21.3
Last-in first-out inventory adjustments	(2.1)	(2.2)	(2.3)	(0.8)
Other, net ⁽¹⁾	0.4	-	0.8	-
Subtotal of adjustments	<u>38.2</u>	<u>76.2</u>	<u>162.8</u>	<u>191.2</u>
Adjusted EBITDA	<u>\$ 98.0</u>	<u>\$ 93.3</u>	<u>\$ 346.5</u>	<u>\$ 365.5</u>

(1) Includes the impact of foreign currency transactions, sale of long-lived assets, other miscellaneous expenses and a non-controlling interest loss. See "Management Discussion and Analysis of Financial Condition and Results of Operations" in the Company's Form 10-K for the fiscal year ended March 31, 2017.

(2) During fiscal 2016, the Company announced its decision to exit the RHF flow control gate product line within its Water Management platform. The operating loss (excluding restructuring and other similar charges) is not included in Adjusted EBITDA in accordance with our credit agreement. Further, to enhance comparability between historical periods, the pre-tax loss of the RHF product line exit has also been excluded from our Adjusted earnings per share.

RECONCILIATION OF ADJUSTED NET INCOME

(\$ millions, except per-share amounts)

	Fourth Quarter Ended		Fiscal Year Ended	
	March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016
Adjusted Net Income and Earnings Per Share				
Net income (loss) attributable to Rexnord common shareholders	\$ 21.6	\$ (0.4)	\$ 66.8	\$ 67.9
Actuarial (gain) loss on pension and postretirement benefit obligations	(2.6)	12.9	(2.6)	12.9
Supply chain optimization and footprint repositioning initiatives ⁽³⁾	4.4	1.0	9.6	2.5
Impact of RHF product line exit ⁽²⁾	2.7	10.7	12.7	23.3
Loss from discontinued operations, net of tax	-	1.4	-	1.4
Loss on the extinguishment of debt	-	-	7.8	-
Restructuring and other similar charges	9.9	24.2	31.6	34.9
Acquisition-related fair value adjustment	-	-	4.3	-
Amortization of intangible assets	8.4	14.3	42.1	57.4
Other, net ⁽¹⁾	2.3	(5.8)	6.0	(3.5)
Dividends on preferred stock	5.8	-	7.3	-
Tax effect on above items	(9.3)	(20.5)	(39.3)	(45.2)
Adjusted net income	\$ 43.2	\$ 37.8	\$ 146.3	\$ 151.6
GAAP diluted net income (loss) per share attributable to Rexnord common shareholders	\$ 0.21	\$ (0.00)	\$ 0.64	\$ 0.66
Adjusted earnings per share - diluted	\$ 0.35	\$ 0.37	\$ 1.32	\$ 1.47
Weighted-average number of shares outstanding (in thousands)				
GAAP diluted weighted-average shares	104,968	103,142	104,784	103,310
Adjustment for assumed conversion of preferred stock into common stock	18,009	-	5,833	-
Adjusted diluted weighted-average shares	<u>122,977</u>	<u>103,142</u>	<u>110,617</u>	<u>103,310</u>

(1) Other, net includes the impact of foreign currency transactions, sale of long-lived assets, other miscellaneous expenses and a non-controlling interest loss. See "Management Discussion and Analysis of Financial Condition and Results of Operations" in the Company's Form 10-K for the fiscal year ended March 31, 2017.

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(3) Represents accelerated depreciation and other non-cash expenses associated with our strategic supply chain optimization and footprint repositioning initiatives.