



**REXNORD**  
**First Quarter 2014**  
**Earnings Release**

**July 31, 2013**

***REXNORD***

## Replay information

The REXNORD logo is located in the top right corner of the header bar. It consists of the word "REXNORD" in a bold, blue, sans-serif font, positioned to the right of a large blue arrow pointing to the right.

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## **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 Wednesday, July 31, 2013, as well as in our filings with the Securities and Exchange Commission.***

# Q1 Situation Analysis

REXNORD

- Solid Q1 to start fiscal 2014
  - +3% core growth
  - +7% increase in net income to \$24 million ... \$0.24 adjusted EPS
- +8% core sales growth in Water Management ... +13% adjusted operating income
- Process & Motion Control core sales growth improves sequentially to flat
  - Platform diversity and stabilizing end-markets benefiting sales
- Upgrading full year core sales growth to +2% to +4% and full year adjusted EPS to \$1.12 to \$1.18



# Q1 Income Adjustments



<i>\$ in millions (except per share amounts)</i>	Operating Income	Net Income	EPS		Operating Income	Net Income	EPS
	<b>Q1 FY 2014</b>				<b>Q1 FY 2013</b>		
<b>As Reported</b>	\$61.0	\$13.8	\$0.14		\$55.0	\$(2.2)	\$(0.02)
Loss on Debt Extinguishment	-	4.0	0.04		-	21.1	0.21
Brass Fitting Loss Contingency	-	-	-		10.1	10.1	0.10
Stock Option Expense	1.5	1.5	0.01		1.6	1.6	0.02
Restructuring Expense	1.8	1.8	0.02		1.6	1.6	0.02
LIFO Expense	1.0	1.0	0.01		0.9	0.9	0.01
Loss from Discontinued Operations	-	-	-		-	1.5	0.02
Loss on Pension Re-measurement	-	-	-		0.2	0.2	-
All Other Non-Operating	-	6.2	0.06		-	(0.5)	(0.01)
Tax Impact on Adjustments	-	(4.0)	(0.04)		-	(11.6)	(0.12)
<b>As Adjusted</b>	\$65.3	\$24.3	\$0.24		\$69.4	\$22.7	\$0.23

# Q1 '14 Performance Summary



<i>\$ in millions</i>	Q1 '14	Q1 '13	\$ change	% change
Net sales	\$ 509	\$ 494	\$ 15	3%
- Core				+3%
Adjusted Operating Income	\$ 65	\$ 69	\$ (4)	-6%
% of sales	12.8%	14.1%	N/A	-130 bps
Adjusted EBITDA <sup>(1)</sup>	\$ 93	\$ 98	\$ (5)	-5%
% of sales	18.3%	19.8%	N/A	-150 bps
Adjusted Net Income <sup>(1)</sup>	\$ 24	\$ 23	\$ 1	+7%
Diluted Earnings Per Share	\$0.14	\$(0.02)	\$0.16	N/A
Adj. Earnings Per Share <sup>(1)</sup>	\$0.24	\$0.23	\$0.01	+4%
Free cash flow <sup>(1) (2)</sup>	\$ (35)	\$ (52)	\$ 17	+33%

(1) As defined in the Form 8-K filed with the Securities and Exchange Commission on July 31, 2013

(2) Includes a \$0.5 million and \$7.6 million non-cash use in Q1 FY '14 and FY '13 respectively, related to excess tax benefits recorded in connection with stock option exercises

# Process & Motion Control



<i>\$ in millions</i>	Q1 '14	Q1 '13	\$ change	% change
Net sales	\$ 315	\$ 314	\$ 1	0%
- Core				0%
Adjusted Operating Income	\$ 53	\$ 57	\$ (4)	-9%
% of sales	16.7%	18.3%	N/A	-160 bps
Adjusted EBITDA <sup>(1)</sup>	\$ 71	\$ 74	\$ (3)	-5%
% of sales	22.5%	23.6%	N/A%	-110 bps

(1) As defined in the Form 8-K filed with the Securities and Exchange Commission on July 31, 2013

*End-market diversity and stabilization benefiting sales*

# Water Management



<i>\$ in millions</i>	Q1 '14	Q1 '13	\$ change	% change
Net sales	\$ 194	\$ 180	\$ 14	+8%
- Core				+8%
Adjusted Operating Income	\$ 20	\$ 18	\$ 2	+13%
% of sales	10.5%	10.0%	16.0%	+50 bps
Adjusted EBITDA <sup>(1)</sup>	\$ 30	\$ 29	\$ 1	+1%
% of sales	15.3%	16.3%	2.8%	-100 bps

(1) As defined in the Form 8-K filed with the Securities and Exchange Commission on July 31, 2013

**Core sales growth of +8% ... strong performance in advance of improving end-market outlook**



# Capital Structure



<i>\$ in millions</i>	<b>6/29/13</b>	<b>3/31/13</b>
Cash	\$335	\$524
Revolver Borrowings	\$0	\$0
A/R Facility Borrowings	\$0	\$0
Term Debt	\$784	\$935
Senior Debt	\$1,147	\$1,147
Other Debt <sup>(1)</sup>	\$27	\$22
Total Debt	\$1,958	\$2,104
Total Net Debt	\$1,623	\$1,580
Net Debt Leverage Ratio <sup>(2)</sup>	4.0X	3.9X
Total Liquidity	\$657	\$849

(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

# Fiscal 2014 Outlook

\$ in Millions



Rexnord Corporation	
	Full Year Range
Core Sales Growth	+2% to +4%
Adjusted EPS <sup>(1)</sup>	\$1.12 - \$1.18
Free Cash Flow <sup>(1) (2)</sup>	> Adjusted Net Income <sup>(1)</sup>

Rexnord Corporation	
	Q2 Range
Sales	\$510 - \$520M
Core Sales Growth	+2% to +4%
Adjusted EPS <sup>(1)</sup>	\$0.23 - \$0.25

Key Assumptions	
Interest Expense w/LIBOR $\leq$ 1%	~\$139M
Depreciation and Amortization	~\$111M
Stock Option Expense	~\$10M
Effective Tax Rate	~31% - 33%
Capital Expenditures	~3.0% of sales
USD per Euro	\$1.30
USD per CAN\$	\$1.00
Fully Diluted Shares Outstanding	~101 M

- (1) As defined in the Form 8-K filed with the Securities and Exchange Commission on July 31, 2013
- (2) Excludes the non-cash impact of excess tax benefits recorded in cash flow from operations in connection with stock option exercises