

REXNORD
Third Quarter Fiscal Year 2017
Financial Results

February 2, 2017

REXNORD

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 February 1, 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.

Supply Chain Optimization & Footprint Repositioning Program

- Final project initiated, remain on track to \$30 million of annual cost savings
- RHF product line exit essentially complete

Process & Motion Control

- Sequential increase in First-Fit wins, on track to exceed FY17 target
- Cambridge acquisition continues to perform well

Water Management

- Matthew Stillings joins Rexnord as Water Management Group Executive
- Zurn establishes new global headquarters in Milwaukee

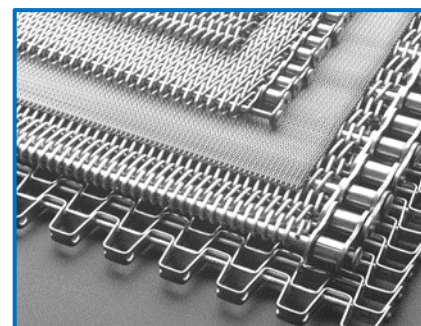
Cash Flow & Balance Sheet

- Net debt leverage ratio declines to 3.3x
- Term debt maturity extended to 2023, coupon reduced by 25 bps

Cambridge Progress Update

REXNORD

- Rexnord integration process on track
- RBS implementation on track
- Realizing growth and cost synergies
- Europe fulfillment program in place
- Double-digit order growth



RBS Continuous Improvement Spotlight

Lead-Time Reduction & Increased Capacity



2016
11/29

Faster Response Time and Expanded Capacity - #PT #India

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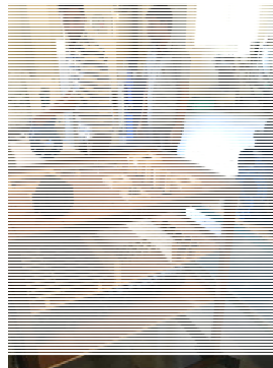
Date: December 5, 2016

Team: PT India

Objectives: Regional growth opportunity requiring faster response time

Highlights:

- Lead-times from 12 weeks to 3 days
- Greater than 40% cost reduction
- Improved productivity and manufacturing space utilization



RBS-enabled \$10 million growth opportunity

Third Quarter Fiscal 2017

- GAAP EPS of \$0.02 reflects debt re-financing, elevated restructuring-related expenses
- Adjusted EPS⁽¹⁾ of \$0.25 in line with expectations
- Adjusted EBITDA⁽¹⁾ of \$79 million in line with guidance
- Net sales decrease 2% year over year
 - Includes 1% drag from RHF product line exit and 1% currency headwind
- Core sales⁽¹⁾ decline 5% year over year

Fiscal 2017 Guidance

- No change to underlying operational guidance
- Revising guidance range for Adjusted EPS to \$1.27 - \$1.33 from \$1.32 - \$1.38⁽²⁾ to reflect 3Q capital market transactions

(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 February 1, 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.

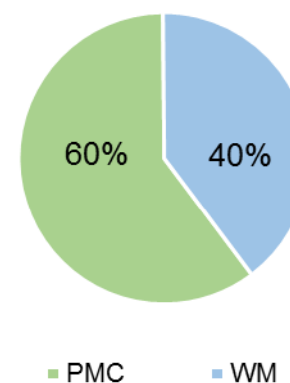
3Q FY17 Results Summary

\$ millions



	3Q FY17	3Q FY16	Change
Adjusted Net Sales (1,2)	\$449	\$454	(1%)
<i>Growth from:</i>			
Core			(5%)
Acquisitions			5%
Translation			(1%)
Adjusted EBITDA (1)	\$79	\$92	(14%)
% of Sales	17.6%	20.3%	(270 bps)

3Q FY17 Adjusted Net Sales⁽²⁾



- Core decline reflects more challenging year-over-year comparison.
- Adjusted EBITDA margin in line with expectations.

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

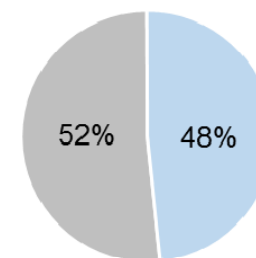
Process & Motion Control



\$ millions

	3Q FY17	3Q FY16	Change
Net Sales	\$270	\$266	2%
<i>Growth from:</i>			
Core			(6%)
Acquisitions			8%
Translation			0%
Adjusted EBITDA (1)	\$56	\$57	(2%)
% of Sales	20.6%	21.3%	(70 bps)

3Q FY17 Net Sales



- OEMs & End Users
- Maintenance, Repair, Operations

- Stabilizing MRO evident in US & Canada industrial distribution sell-through.
- Process industry end markets remain challenged.
- Cambridge acquisition continues to perform well.

(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 February 1, 2017.

Key End Markets			
Near-Term Growth Outlook		Current	Previous
Industrial Distribution			
US & Canada		↓	↓
Europe		↑	↑
Rest of World		↑	↑
Food & Beverage			
Global		↑	↑
Commercial Aerospace			
Global		↑	↑
Process Industries			
Global		↓	↓

Water Management

\$ millions

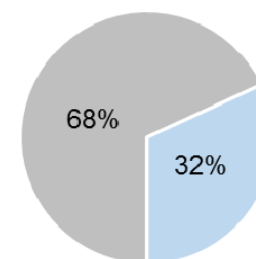


	3Q FY17	3Q FY16	Change
Adjusted Net Sales (1,2)	\$179	\$188	(5%)
<i>Growth from:</i>			
Core			(4%)
Acquisitions			--
Translation			(1%)
Adjusted EBITDA (1)	\$32	\$43	(27%)
% of Sales	17.6%	23.1%	(550 bps)

- Stable North American nonresidential demand.
- Global infrastructure shipments reduced by project deferrals.

(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 February 1, 2017.
 (2) Net Sales are adjusted for the RHF product line exit occurring in FY17.

3Q FY17 Adjusted Net Sales⁽²⁾



- Water Safety, Quality, Flow Control, Conservation
- Water Infrastructure

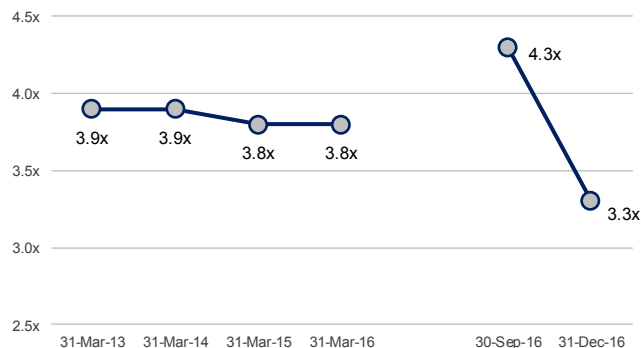
Key End Markets		
Near-Term Growth Outlook	Current	Previous
Nonresidential Construction		
US & Canada	➔	➔
Residential Construction		
US & Canada	➔	➔
Water & Wastewater Infrastructure		
Europe	↔	↔
China	➔	➔
Middle East	➔	➔
Rest of World	↔	↔

Cash Flow & Balance Sheet

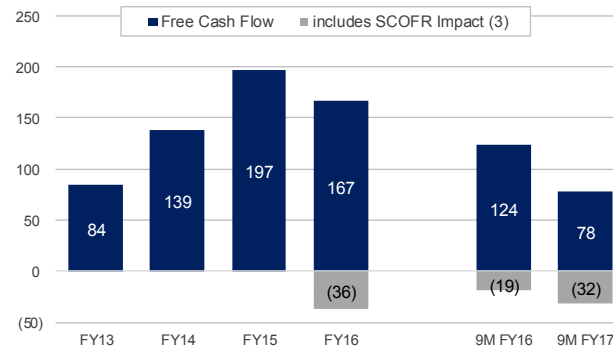


\$ millions

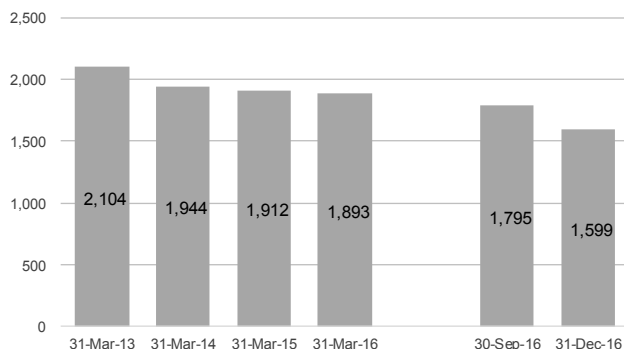
Net Debt Leverage Ratio ⁽¹⁾



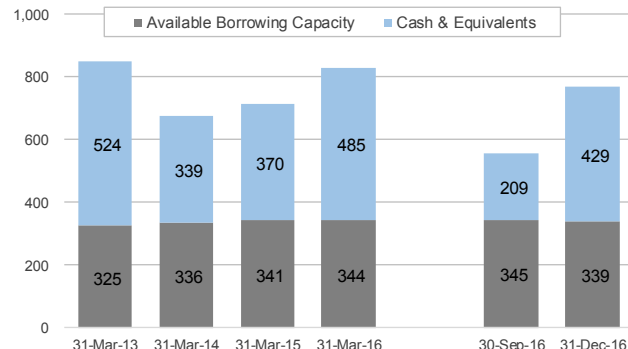
Free Cash Flow ⁽²⁾



Total Debt ⁽⁴⁾



Total Liquidity ⁽⁵⁾



- (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 program.
- (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



REXNORD

Fiscal Year 2017 Outlook

\$ millions, except per-share amounts

The REXNORD logo is located in the top right corner of the header. It consists of the word "REXNORD" in a bold, blue, sans-serif font. To the left of the text is a stylized blue arrow pointing to the right, with a white outline.

Adjusted EPS ⁽¹⁾	\$ 1.27 - \$ 1.33
Core Sales Growth ⁽²⁾	~ (3%)
Free Cash Flow ⁽²⁾	> Net Income
Interest Expense (LIBOR ≤ 1%)	\$ 90
Depreciation & Amortization ⁽³⁾	\$ 96
Effective Tax Rate	~25%
Capital Expenditures	\$ 58
Diluted Shares Outstanding ⁽⁴⁾	104.5

- (1) 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.
- (2) 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) Excludes an estimated \$9 million of accelerated depreciation related to supply chain optimization and footprint repositioning initiatives.
- (4) Assumes no If-Converted treatment.

3Q Non-GAAP Adjustments After Tax



\$ millions

<i>Adjustment Type</i>	<i>Pretax Adjustment</i>	<i>Income Tax Provision (3)</i>	<i>Impact on Adjusted Net Income (4)</i>
Restructuring & Related (1)			
Restructuring & Other Similar Charges	\$ 11.7	(4.3)	7.4
Impact of RHF Product Line Exit	4.8	(1.5)	3.3
SCOFR Initiatives	3.8	(1.4)	2.4
Loss on Extinguishment of Debt	7.8	(3.0)	4.8
Other, net (2)	1.1	(0.3)	0.8
Amortization of Intangible Assets	8.6	(3.1)	5.5
Totals	\$ 37.8	(\$ 13.6)	\$ 24.2

(1) Restructuring & Related includes restructuring expenses, operating results from the RHF product line we are exiting, and \$3.8 of accelerated depreciation associated with our Supply Chain Optimization & Footprint Repositioning initiatives.

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

(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 February 1, 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

Reconciliation of Net Income attributable to Rexnord common shareholders to Adjusted EBITDA



\$ millions

	Third Quarter Ended		Nine Months Ended	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
Adjusted EBITDA				
Net income attributable to Rexnord common shareholders	\$ 1.7	\$ 24.4	\$ 45.2	\$ 68.3
Dividends on preferred stock	1.5	—	1.5	—
Non-controlling interest loss	—	(0.1)	—	(0.2)
Income tax (benefit) provision	(1.8)	(1.4)	(3.3)	18.6
Other expense, net	0.7	1.1	3.3	2.5
Loss on the extinguishment of debt	7.8	—	7.8	—
Interest expense, net	22.9	24.5	69.4	68.0
Income from operations	<u>32.8</u>	<u>48.5</u>	<u>123.9</u>	<u>157.2</u>
Adjustments				
Depreciation and amortization	25.8	29.5	79.1	86.1
Restructuring and other similar charges	11.7	6.1	21.7	10.7
Acquisition-related fair value adjustment	—	—	4.3	—
Stock-based compensation expense	3.8	2.0	9.8	5.8
Impact of RHF product line exit (1)	4.8	5.4	9.5	11.1
Last-in first-out inventory adjustments	(0.1)	0.6	(0.2)	1.4
Other, net	0.4	—	0.4	—
Subtotal of adjustments	<u>46.4</u>	<u>43.6</u>	<u>124.6</u>	<u>115.1</u>
Adjusted EBITDA	<u>\$ 79.2</u>	<u>\$ 92.1</u>	<u>\$ 248.5</u>	<u>\$ 272.3</u>

- (1) 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 Net Income attributable to Rexnord common shareholders to Adjusted Net Income



\$ millions

	Third Quarter Ended		Nine Months Ended	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
	\$ 1.7	\$ 24.4	\$ 45.2	\$ 68.3
Supply chain optimization and footprint repositioning initiatives (1)	3.8	1.1	5.2	1.5
Impact of RHF product line exit (2)	4.8	5.9	10.0	12.6
Loss on the extinguishment of debt	7.8	—	7.8	—
Restructuring and other similar charges	11.7	6.1	21.7	10.7
Acquisition-related fair value adjustment	—	—	4.3	—
Amortization of intangible assets	8.6	14.6	33.7	43.1
Other, net (3)	1.1	1.0	3.7	2.3
Tax effect on above items	(13.6)	(10.1)	(30.0)	(24.7)
Adjusted net income	\$ 25.9	\$ 43.0	\$ 101.6	\$ 113.8
Weighted-average number of shares outstanding (in thousands)				
Basic	103,113	100,366	102,514	100,707
Effect of dilutive equity awards	1,445	2,410	1,967	2,644
Diluted	104,558	102,776	104,481	103,351
GAAP net income per share attributable to Rexnord common shareholders	\$ 0.02	\$ 0.24	\$ 0.43	\$ 0.66
Adjusted earnings per share - diluted	\$ 0.25	\$ 0.42	\$ 0.97	\$ 1.10

- (1) Represents accelerated depreciation and other non-cash expenses associated with our strategic supply chain optimization and footprint repositioning initiatives.
- (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.
- (3) 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-Q for the quarter ended December 31, 2016 for further information.