

**SECOND QUARTER  
FISCAL YEAR 2019  
FINANCIAL RESULTS**

October 31, 2018

## **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 October 30, 2018, 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

## Consolidated Rexnord

- 2Q net sales increase +16% year over year, core sales<sup>(1)</sup> growth +9%
- Adjusted EBITDA<sup>(1)</sup> increases 20% year over year to \$115 million

## Process & Motion Control

- 2Q net sales increase +16% year over year, core growth +7%
- Adjusted EBITDA margin expands by 180 bps year over year

## Water Management

- 2Q net sales increase +15% year over year, core growth +12%
- Launching digitally-connected backflow prevention valve solutions

## Cash Flow & Balance Sheet

- Net debt leverage ratio<sup>(1)</sup> declines to 2.5x
- Expect full-year free cash flow<sup>(1)</sup> of at least \$200 million

(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 October 30, 2018.

## DIRXN UPDATE

### Process & Motion Control

- Monthly growth in digital interactions
  - ✓ Online traffic, lead generation, tool usage, eComm
- Connected product launches
  - ✓ Launching gear drive retrofit solution
  - ✓ Connected component families expand through 4Q

### Water Management

- Rapid adoption of **inSpec** digital specification tool
  - ✓ Hundreds of registered specifiers, projects
- Connected product launches
  - ✓ Launched connected backflow valves October 1
  - ✓ Launching backflow retrofit solution
  - ✓ Connected component families expand through 4Q



**inSpec** | POWERED BY ZURN

*I used inSpec yesterday to schedule the plumbing fixtures for a project of ours going out final today. It took about 10 minutes to put together the entire fixture package. Beautiful.*

Nick – Mechanical Engineer

# FINANCIAL UPDATE

## Second Quarter Fiscal Year 2019

- Adjusted EBITDA<sup>(1)</sup> of \$115 million increased 20% year over year
- Net sales increased 16% year over year
  - World Dryer, Centa acquisitions increased sales by 8%
  - Foreign currency translation decreased sales by (1%)
- Core sales<sup>(1)</sup> increased 9% year over year
- Loss Per Share of (\$0.30), including the Loss from Discontinued Operations
- Adjusted EPS<sup>(1)</sup> of \$0.46

(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 October 30, 2018.

# FISCAL YEAR 2019 OUTLOOK

## Fiscal Year 2019 Outlook

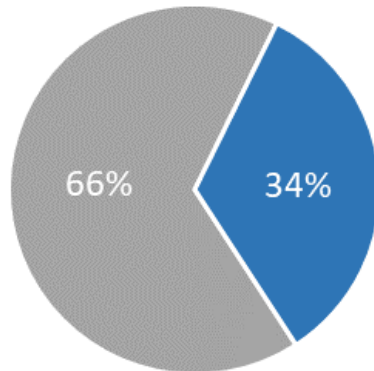
- Core sales growth<sup>(1)</sup> in mid-single-digit percentage range<sup>(2)</sup>
- Adjusted EBITDA<sup>(1)</sup> in \$433 - \$443 million range<sup>(2)</sup>
- Free cash flow<sup>(1)</sup> to exceed net income<sup>(2)</sup>
- Outlook continues to reflect Continuing Operations only

(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 October 30, 2018.

(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.

# 2Q FY19 SUMMARY

2Q FY19 Net Sales



- Process & Motion Control
- Water Management

	2Q FY19	2Q FY18	Change
Net Sales <sup>(1)</sup>	\$525	\$454	16%
<i>Growth from:</i>			
Core			9%
Acquisitions			8%
Translation			(1%)
Adjusted EBITDA <sup>(1, 2)</sup>	\$115	\$96	20%
% of Sales	21.9%	21.0%	90 bps

(1) 2Q FY19 and 2Q FY18 results reflect reclassification of VAG as Discontinued Operations.

(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 October 30, 2018.

# PROCESS & MOTION CONTROL

	2Q FY19	2Q FY18	Change
Net Sales	\$349	\$300	16%
<i>Growth from:</i>			
Core			7%
Acquisitions			10%
Translation			(1%)
Adjusted EBITDA <sup>(1)</sup>	\$78	\$62	26%
% of Sales	22.3%	20.5%	180 bps

### End-Market Outlook Assumed in Guidance

Industrial Distribution	●
US & Canada	●
Europe	●
Rest of World	●
Food & Beverage: Global	●
Commercial Aerospace: Global	●
Process Industries: Global	●

- Net sales growth was 16% year over year
- Core growth was 7% year over year
- Adjusted EBITDA margin increased by 180 bps



**KleanTop  
Conveying Chain  
for Food  
Processing**

(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 October 30, 2018.



# WATER MANAGEMENT

	2Q FY19	2Q FY18	Change
Net Sales <sup>(1)</sup>	\$176	\$153	15%
<i>Growth from:</i>			
Core			12%
Acquisitions			3%
Translation			0%
Adjusted EBITDA <sup>(1,2)</sup>	\$48	\$43	10%
% of Sales	27.1%	28.2%	-110 bps

**End-Market Outlook Assumed in Guidance**

Nonresidential Construction: US & Canada

    Commercial & Industrial

    Institutional

Residential Construction: US & Canada



- Net sales growth was 15% year over year
- Core growth accelerated to 12% year over year
- Solid execution evident in sequential (vs 1Q) incremental margins



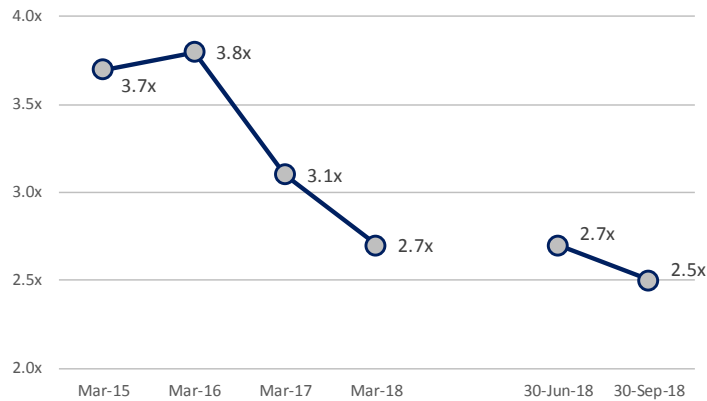
**Froet Bi-Functional Roof Drain**



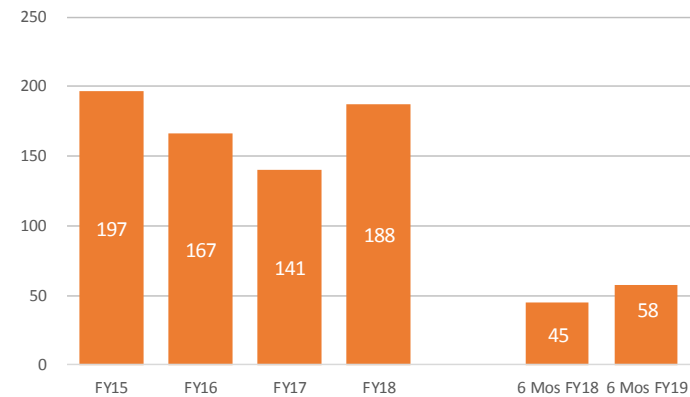
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# CASH FLOW & BALANCE SHEET

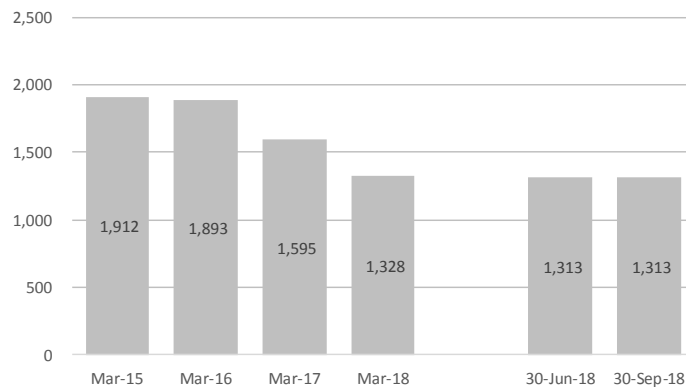
Net Debt Leverage Ratio <sup>(1)</sup>



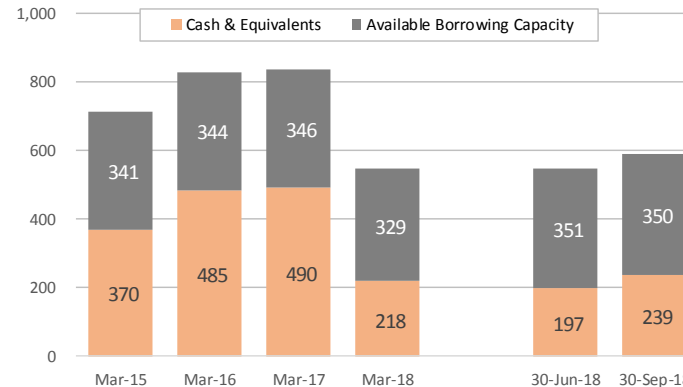
Free Cash Flow (\$ millions) <sup>(2)</sup>



Total Debt (\$ millions) <sup>(3)</sup>



Total Liquidity (\$ millions) <sup>(4)</sup>



- (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 October 30, 2018.
- (3) 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.
- (4) Liquidity is defined as cash and cash equivalents plus available borrowing capacity.

# APPENDIX

# FISCAL YEAR 2019 OUTLOOK

Core sales % growth <sup>(1)</sup>	+ Mid Single Digit
Adjusted EBITDA <sup>(1)</sup>	\$433 - \$443 million
Free Cash Flow <sup>(1)</sup>	> Net Income
Depreciation & Amortization <sup>(2)</sup>	~ \$ 86 million
Interest Expense	~ \$ 72 million
Effective Tax Rate <sup>(3)</sup>	27% - 28%
Capital Expenditures	~ 2.2% 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 October 30, 2018.

(2) Excludes \$4 million of accelerated depreciation related to supply chain optimization and footprint repositioning actions which is excluded from Adjusted Net Income.

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

## 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 2Q FY19 DILUTED ADJUSTED EPS

	Second Quarter Ended
	<u>9/30/2018</u>
(\$ millions, except per-share amounts)	
<b><i>Base Methodology</i></b>	
Adjusted Net Income <sup>(1)</sup>	\$ 51.1
Weighted-Average Number of Shares: Diluted (thousands)	107,396
<b>Adjusted Earnings Per Share: Diluted (Base Method) <sup>(1)</sup></b>	<b><u>\$ 0.48</u></b>
<b><i>If-Converted Methodology</i></b>	
Adjusted Net Income	\$ 51.1
Add Back Dividends	<u>5.8</u>
Adjusted Net Income Attributable to Rexnord Common Stockholders	\$ 56.9
Weighted-Average Number of Shares: Diluted (thousands)	107,396
Add Adjustment for Conversion of Preferred Stock into Common Stock (thousands)	<u>15,980</u>
Adjusted Weighted-Average Shares: Diluted (thousands)	123,376
<b>Adjusted Earnings Per Share: Diluted (If-Converted Method) <sup>(1)</sup></b>	<b><u>\$ 0.46</u></b>

(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 October 30, 2018.

## 2Q FY19 NON-GAAP ADJUSTMENTS AFTER TAX

Adjustment Type (\$ millions)	Pretax Adjustment	Income Tax Provision <sup>(3)</sup>	Impact on Adjusted Net Income <sup>(4)</sup>
Dividends on preferred stock	\$ 5.8	\$ -	\$ 5.8
Non-controlling interest income	0.1	-	0.1
Loss from discontinued operations, net of tax	83.7	-	83.7
Equity method investment income	(0.7)	-	(0.7)
Amortization of intangible assets	8.5	(2.0)	6.5
Restructuring & Other Similar Charges	3.7	(1.0)	2.7
Supply chain optimization and footprint repositioning initiatives (1)	1.2	(0.3)	0.9
Acquisition-related fair value adjustment	1.6	(0.5)	1.1
Other, net <sup>(2)</sup>	0.2	-	0.2
Total Adjustments	\$ 104.1	\$ (3.8)	\$ 100.3

(1) Represents accelerated depreciation associated with our strategic supply chain optimization and footprint repositioning initiatives.

(2) Other, net includes the impact of foreign currency transactions, pension & OPEB other income, 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 October 30, 2018.

# RECONCILIATION OF ADJUSTED EBITDA

(\$ millions)

	<b>Second Quarter Ended</b>	
	<b>September 30, 2018</b>	<b>September 30, 2017</b>
<b>Adjusted EBITDA</b> <sup>(1)</sup>		
Net (loss) income attributable to Rexnord common stockholders	\$ (43.4)	\$ 24.0
Dividends on preferred stock	5.8	5.8
Non-controlling interest income	0.1	-
Loss from discontinued operations, net of tax	83.7	3.5
Equity method investment income	(0.7)	-
Income tax provision	17.2	15.6
Other income, net <sup>(2)</sup>	-	(0.9)
Interest expense, net	18.7	20.1
Income from operations	<u>\$ 81.4</u>	<u>\$ 68.1</u>
<b>Adjustments</b>		
Depreciation and amortization	\$ 21.9	\$ 18.7
Restructuring and other similar charges	3.7	2.8
Acquisition-related fair value adjustment	1.6	-
Stock-based compensation expense	5.7	5.2
Last-in first-out inventory adjustments	0.3	0.2
Other, net <sup>(3)</sup>	0.2	0.5
Subtotal of adjustments	<u>33.4</u>	<u>27.4</u>
<b>Adjusted EBITDA</b>	<u>\$ 114.8</u>	<u>\$ 95.5</u>

(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 October 30, 2018.

(2) Other income, net for the periods indicated, consists primarily of gains and losses from foreign currency transactions and the non-service cost components of net periodic benefit credits associated with our defined benefit plans. See "Management Discussion and Analysis of Financial Condition and Results of Operations" in the Company's Form 10-Q for the quarter ended September 30, 2018 for further information.

(3) Other, net includes the impact of gain or loss on sale of long-lived assets. See "Management Discussion and Analysis of Financial Condition and Results of Operations" in the Company's Form 10-Q for the quarter ended September 30, 2018 for further information.



# RECONCILIATION OF ADJUSTED NET INCOME

(\$ millions)

	Second Quarter Ended	
	September 30, 2018	September 30, 2017
<b>Adjusted Net Income and Earnings Per Share</b>		
Net (loss) income attributable to Rexnord common stockholders	\$ (43.4)	\$ 24.0
Dividends on preferred stock	5.8	-
Non-controlling interest income	0.1	-
Loss from discontinued operations, net of tax	83.7	3.5
Equity method investment income	(0.7)	-
Amortization of intangible assets	8.5	7.7
Restructuring & Other Similar Charges	3.7	2.8
Supply chain optimization and footprint repositioning initiatives <sup>(1)</sup>	1.2	-
Acquisition-related fair value adjustment	1.6	-
Other, net <sup>(2)</sup>	0.2	(0.4)
Tax effect on above items	(3.8)	(3.3)
<b>Adjusted net income <sup>(3)</sup></b>	<b>\$ 56.9</b>	<b>\$ 34.3</b>
GAAP diluted net (loss) income per share attributable to Rexnord common stockholders	\$ 0.37	\$ 0.26
Adjusted earnings per share - diluted <sup>(3)</sup>	\$ 0.46	\$ 0.32
GAAP diluted weighted-average shares	123,376	105,540
Diluted weighted-average shares for Adjusted EPS calculation	123,376	105,540

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

(2) Other, net includes the impact of foreign currency transactions, sale of long-lived assets, the non-service cost components of net periodic benefit credits associated with our defined benefit plans and other miscellaneous expenses. See "Management Discussion and Analysis of Financial Condition and Results of Operations" in the Company's Form 10-Q for the quarter ended September 30, 2018 for further information.

(3) 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 October 30, 2018.