



**REXNORD**  
**Fourth Quarter 2015**  
**Earnings Release**

**May 20, 2015**

***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, May 20, 2015, as well as in our filings with the Securities and Exchange Commission.***

- **Market environment weakens in 4Q**
  - Core sales growth -5% year/year
  - Adjusted net income from Continuing Operations +10% . . . Adjusted EPS +8% to \$0.54
- **Process & Motion Control facing weaker demand**
  - Short-cycle order rates reflect broad-based US industrial slowing
  - Significant initiatives under way to strengthen ability to outgrow market, sustain FCF
- **Water Management experiences significant project delays**
  - Core sales decline 6% as \$12 million of global project revenue delayed at VAG
  - Severe weather temporarily delays North America construction season ramp
- **Key highlights from FY15**
  - Adjusted Free Cash Flow of \$203 million or \$1.94 per share
  - Adjusted EPS +13% year over year to \$1.52
  - Launch of significant supply chain optimization & footprint repositioning program



# Key Macro Assumptions



<i>End Market</i>	<i>Initial FY15 Market Forecast</i>	<i>Realized FY15 Core Growth</i>	<i>Initial FY16 Market Forecast</i>		
US Commercial & Industrial Construction	+ HSD	+ HSD	+ HSD	Shift toward Commercial	
US Institutional Construction	+LSD	+ HSD	+LSD/MSD		Accelerating
European Water & Wastewater Infrastructure	+LSD	(LSD)	+LSD		Low growth
ROW Water & Wastewater Infrastructure	+LSD	(MSD)	+LSD		Stable growth
US Industrial Distribution	+LSD	+LSD	(LSD)	Broadly slower	
European General Industrial	+LSD	+LSD	+LSD	Slight acceleration	
Global Food & Beverage	+LSD	(LSD)	+LSD	Easier comparisons	
Global Commercial Aerospace	+MSD	+HSD	+LSD/MSD	OE outlook stable	
Global Mining	(MDD)	(HDD)	(LDD)	Persistent declines	
Global Energy	+HSD	+MSD	(HDD)	Visibility poor	
<b>Weighted Average</b>	2% - 4%	0%	(2%) - 0%	<b>Slower growth environment</b>	

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

**Planning for weaker industrial market demand in FY16**

# Strong Returns Moving Forward

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- Major initiatives to accelerate sustainable growth profile, strengthen returns
  - Supply chain optimization & footprint repositioning to enhance competitive profile
  - Targeting approximately \$30 million of annualized savings exiting FY17
  
- Process & Motion Control
  - Customer-defined vertical market organization structure launched FY14
  - New group leaders join mid-FY15
  - Increasing investment in dedicated RBS resources
  - Adding business development resources within groups
  - Enhancing commercial processes and structure to accelerate OE & end-user penetration
  
- Water Management
  - Exiting non-strategic infrastructure-related product line in FY16
  - Growing momentum for RBS-driven process & productivity improvement in European operations
  - Adding business development resources within groups
  - Design & Innovation Centers of Excellence

*Positioning to compound value creation*

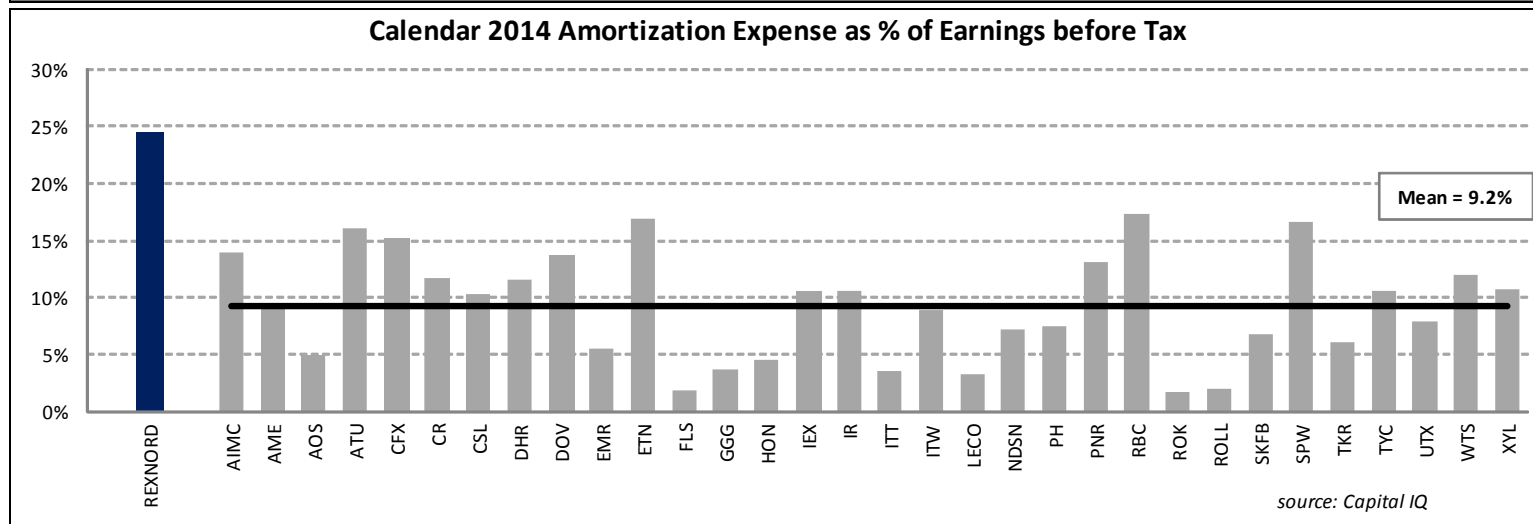
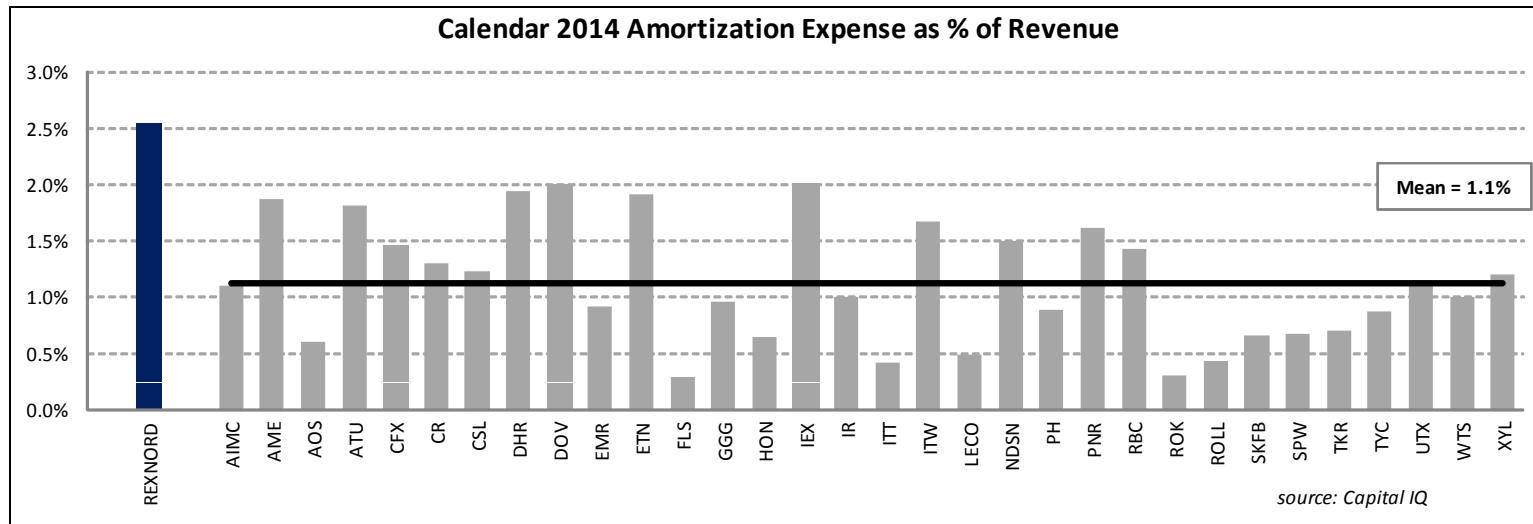
## Focus on Core Operating Results

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- Beginning with FY16, Rexnord will report and guide to Adjusted Earnings Per Share excluding non-cash amortization
  - Continue to exclude certain special and non-operating items from Adjusted EPS, such as restructuring expenses and unusual gains/losses
  - Stock option expense, LIFO expense/income will no longer be excluded
  - Non-cash amortization was \$55 million in FY15
- More representative of underlying operating performance
- Provides investors with a better understanding of core operating results

***FY15 Adjusted EPS was \$1.81 with revised definition***

# Amortization Amplified by PE Legacy



**~50% of annual non-cash amortization related to 2006 LBO**



# Fiscal 2016 Outlook

*\$ in Millions, except per-share amounts*



Rexnord Corporation	Full Year Range
Core Sales Growth	- 2% to +1%
Adjusted EPS <sup>(1)</sup>	\$1.53 - \$1.63
Free Cash Flow <sup>(1)</sup>	> Net Income

Key Fiscal 2016 Assumptions	
Interest Expense w/LIBOR ≤ 1%	~\$93
Depreciation and Amortization	~\$115
Effective Tax Rate	~30%
Capital Expenditures	~3% of sales
Fully Diluted Shares Outstanding	~105 million

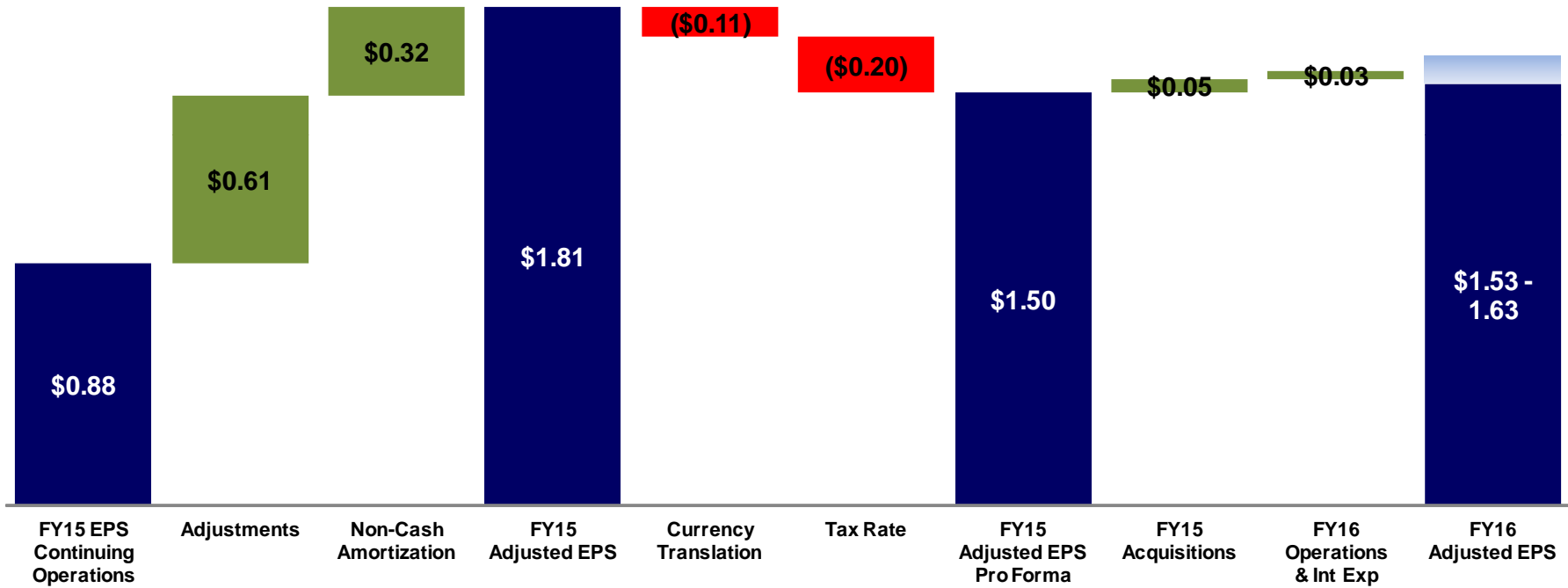
Rexnord Corporation	Q1 Range
Sales	\$467 - \$477
Adjusted EPS <sup>(1)</sup>	\$0.26 - \$0.28

(1) As defined in the Form 8-K filed with the Securities and Exchange Commission on May 20, 2015

**Adjusted EPS guidance of \$1.53 to \$1.63**

# FY15/16 Adjusted EPS Bridge

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*Supply chain optimization & footprint repositioning savings emerge in FY17*

# Q4 FY15 Income Adjustments



<i>\$ in millions (except per share amounts)</i>	Operating Income	Net Income	EPS	Operating Income	Net Income	EPS
	Q4 FY15			Q4 FY14		
<b>As Reported, Continuing</b>	\$32.4	\$35.7	\$0.34	\$78.0	\$39.6	\$0.38
Actuarial Loss on Pension/OPEB	28.0	28.0	0.27	2.7	2.7	0.03
Stock Option Expense	1.6	1.6	0.01	1.7	1.7	0.02
Restructuring Expense	5.8	5.8	0.06	3.6	3.6	0.03
LIFO Expense (Income)	(1.9)	(1.9)	(0.02)	4.3	4.3	0.04
Inventory Fair Value Adjustment	1.1	1.1	0.01	1.3	1.3	0.01
All Other	-	(1.8)	(0.02)	-	4.8	0.05
Tax Impact on Adjustments	-	(11.6)	(0.11)	-	(6.4)	(0.06)
<b>As Adjusted</b>	\$67.0	\$56.9	\$0.54	\$91.6	\$51.6	\$0.50

# FY2015 Income Adjustments



<i>\$ in millions (except per share amounts)</i>	Operating Income	Net Income	EPS	Operating Income	Net Income	EPS
	FY 2015			FY 2014		
<b>As Reported, Continuing</b>	\$203.7	\$91.8	\$0.88	\$272.4	\$25.0	\$0.25
Actuarial Loss on Pension/OPEB	59.4	59.4	0.57	2.7	2.7	0.03
Loss on Debt Extinguishment	-	-	-	-	133.2	1.31
Stock Option Expense	6.4	6.4	0.06	7.0	7.0	0.07
Restructuring Expense	12.9	12.9	0.12	8.4	8.4	0.08
LIFO (Income) Expense	(1.7)	(1.7)	(0.02)	5.6	5.6	0.05
Inventory Fair Value Adjustment	3.2	3.2	0.03	1.7	1.7	0.02
Non-Recurring Tax Items	-	10.1	0.10	-	-	-
All Other	-	7.2	0.07	-	15.1	0.15
Tax Impact on Adjustments	-	(30.4)	(0.29)	-	(63.1)	(0.62)
<b>As Adjusted</b>	\$283.9	\$158.9	\$1.52	\$297.8	\$135.6	\$1.34

# Q4 FY15 Results Summary



<i>\$ in millions</i>	Q4 FY15	Q4 FY14	\$ change	% change
Net sales	\$ 519	\$ 561	(\$ 42)	-8%
- Core				-5%
- Acquisitions				2%
- Currency				-5%
Adjusted Operating Income	\$ 67	\$ 92	(\$ 25)	-27%
% of sales	12.9%	16.3%		-340 bps
Adjusted EBITDA <sup>(1)</sup>	\$ 96	\$ 119	(\$ 23)	-19%
% of sales	18.5%	21.2%		-270 bps
Adjusted Net Income <sup>(1)</sup>	\$ 57	\$ 52	\$ 5	10%
Diluted Earnings Per Share <sup>(2)</sup>	\$0.34	\$0.38	(\$0.04)	-11%
Adjusted Earnings Per Share <sup>(1) (2)</sup>	\$0.54	\$0.50	\$0.04	8%
Free cash flow <sup>(1)</sup>	\$ 63	\$ 79	(\$ 16)	-20%

(1) As defined in the Form 8-K filed with the Securities and Exchange Commission on May 20, 2015

(2) Earnings from continuing operations

**Adjusted EPS increases 8% to \$0.54**

# FY 2015 Results Summary



<i>\$ in millions</i>	FY 15	FY 14	\$ change	% change
Net sales	\$ 2,050	\$ 2,034	\$ 16	1%
- Core				0%
- Acquisitions				3%
- Currency				-2%
Adjusted Operating Income	\$ 284	\$ 298	(\$ 14)	-5%
% of sales	13.8%	14.6%		-80 bps
Adjusted EBITDA <sup>(1)</sup>	\$ 396	\$ 405	(\$ 9)	-2%
% of sales	19.3%	19.9%		-60 bps
Adjusted Net Income <sup>(1)</sup>	\$ 159	\$ 136	\$ 23	17%
Diluted Earnings Per Share <sup>(2)</sup>	\$0.88	\$0.25	\$0.63	252%
Adjusted Earnings Per Share <sup>(1) (2)</sup>	\$1.52	\$1.34	\$0.18	13%
Free cash flow <sup>(1)</sup>	\$ 203	\$ 144	\$ 59	41%

(1) As defined in the Form 8-K filed with the Securities and Exchange Commission on May 20, 2015

(2) Earnings from continuing operations

**+13% EPS growth on flat sales . . . record free cash flow in FY15**

# Process & Motion Control



<i>\$ in millions</i>	Q4 FY15	Q4 FY14	\$ change	% change
Net sales	\$ 328	\$ 350	(\$ 22)	-6%
- Core				-4%
- Acquisitions				3%
- Currency				-5%
Adjusted Operating Income	\$ 68	\$ 86	(\$ 18)	-21%
% of sales	20.6%	24.6%		-400 bps
Adjusted EBITDA <sup>(1)</sup>	\$ 87	\$ 104	(\$ 17)	-17%
% of sales	26.5%	29.8%		-330 bps

<i>\$ in millions</i>	FY 15	FY 14	\$ change	% change
Net sales	\$ 1,230	\$ 1,238	(\$ 8)	-1%
- Core				-2%
- Acquisitions				3%
- Currency				-2%
Adjusted Operating Income	\$ 233	\$ 251	(\$ 18)	-7%
% of sales	18.9%	20.3%		-140 bps
Adjusted EBITDA <sup>(1)</sup>	\$ 307	\$ 321	(\$ 14)	-4%
% of sales	25.0%	25.9%		-90 bps

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# Water Management



<i>\$ in millions</i>	Q4 FY15	Q4 FY14	\$ change	% change
Net sales	\$ 190	\$ 211	(\$ 21)	-10%
- Core				-6%
- Acquisitions				2%
- Currency				-6%
Adjusted Operating Income	\$ 9	\$ 14	\$ (5)	-35%
% of sales	4.9%	6.8%		-190 bps
Adjusted EBITDA <sup>(1)</sup>	\$ 19	\$ 24	\$ (5)	-20%
% of sales	10.0%	11.1%		-110 bps

<i>\$ in millions</i>	FY 15	FY 14	\$ change	% change
Net sales	\$ 820	\$ 796	\$ 24	3%
- Core				4%
- Acquisitions				2%
- Currency				-3%
Adjusted Operating Income <sup>(2)</sup>	\$ 83	\$ 76	\$ 7	9%
% of sales	10.1%	9.6%		50 bps
Adjusted EBITDA <sup>(1) (2)</sup>	\$ 121	\$ 113	\$ 8	7%
% of sales	14.8%	14.2%		60 bps

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# Capital Structure



<i>\$ in millions</i>	3/31/15	12/31/14	3/31/14
Cash	\$370	\$395	\$339
Revolver Borrowings	\$0	\$0	\$0
A/R Facility Borrowings	\$0	\$0	\$0
Term Debt	\$1,905	\$1,914	\$1,922
Senior Debt	\$1	\$1	\$1
Other Debt (1)	\$17	\$22	\$21
Total Debt	\$1,923	\$1,928	\$1,944
Total Net Debt	\$1,553	\$1,533	\$1,605
Net Debt Leverage Ratio (2)	3.8x	3.6x	3.9x
Total Liquidity	\$711	\$725	\$675

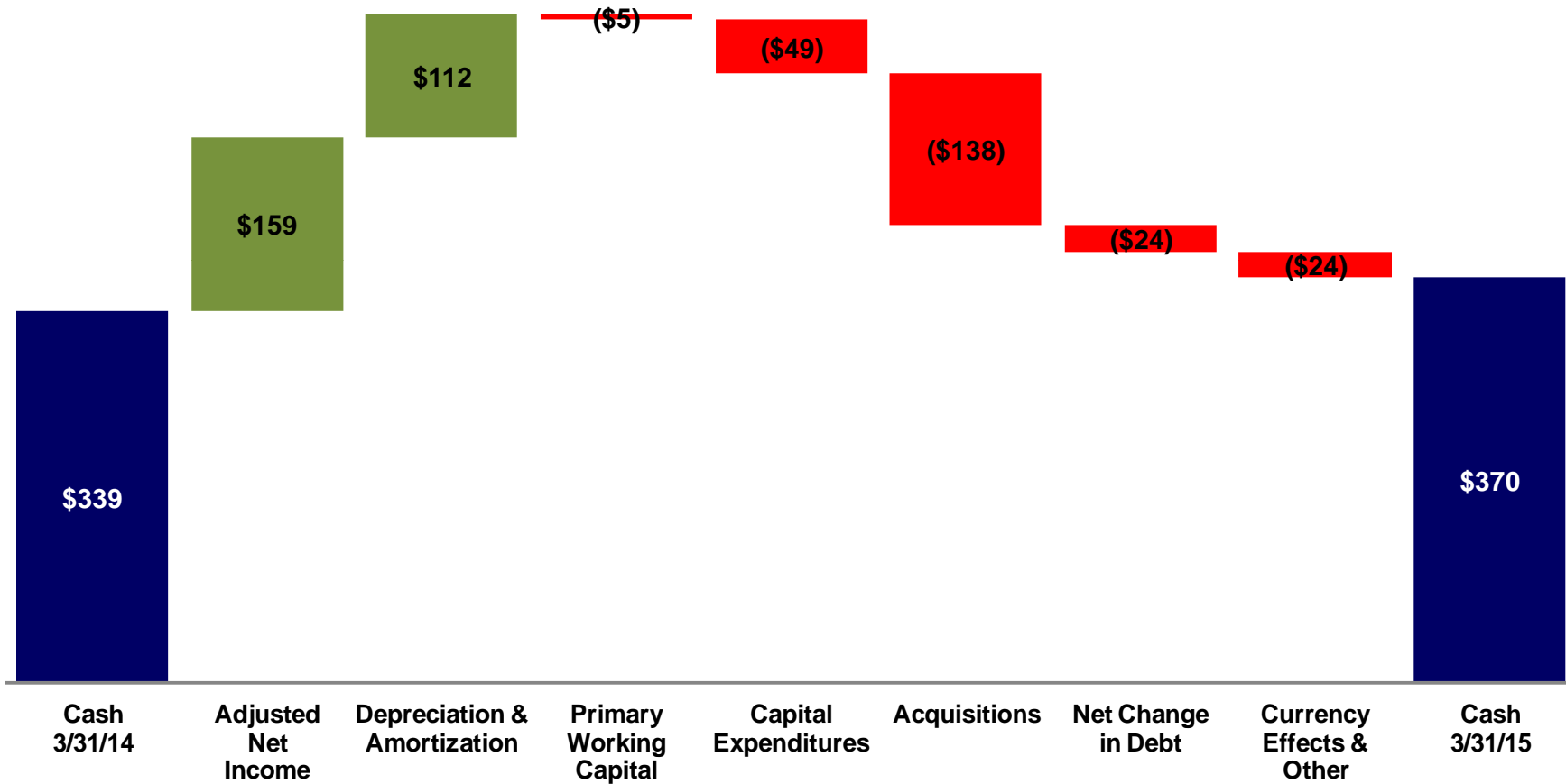
(1) Other Debt includes a \$28M New Market Tax Credit Receivable, this Receivable offsets a \$37M payable also included in Other Debt in both periods presented.

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

***Leverage ratio reflects closing Euroflex acquisition***

# FY 2015 Cash Flow & Capital Allocation

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**Record Free Cash Flow of \$203M in FY15**