



**REXNORD**  
**Third Quarter 2016**  
**Earnings Release**

**February 3, 2016**

***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 Tuesday, February 2, 2016, as well as in our filings with the Securities and Exchange Commission.*

- 3Q results consistent with expectations
  - Core sales growth -4% – Adjusted EPS of \$0.38
  - Supply chain optimization & footprint repositioning initiatives on track
- Water Management leveraging growth and RBS to drive margin expansion
  - US nonresidential-driven growth remains steady, balance shifting toward institutional
  - Adjusted EBITDA margin expands 320 bps year over year to 19.5%
- Process & Motion Control core growth, margin comparisons improve
  - US industrial distribution channel sell-through, de-stocking largely consistent with expectations
  - Significant profit opportunity in stabilizing demand environment
- Revising guidance range for fiscal 2016 Adjusted EPS to \$1.37-1.41
  - Strengthening US dollar reduces EPS outlook by 3 cents
  - Expecting roughly flat core growth, Adjusted EBITDA in 4Q



# Key Macro Assumptions

REXNORD

<i>End Market</i>	<i>Previous FY16 Market Forecast</i>	<i>Updated FY16 Market Forecast</i>	<i>Revisions</i>
US Commercial & Industrial Construction	+ HSD	+ HSD	
US Institutional Construction	+LSD/MSD	+LSD/MSD	
European Water & Wastewater Infrastructure	+LSD	+LSD	Trim
ROW Water & Wastewater Infrastructure	+LSD	+LSD	
US Industrial Distribution	(HSD)	(HSD)	Trim
European General Industrial	+LSD	+LSD	Trim
Global Food & Beverage	+LSD	+LSD	
Global Commercial Aerospace	+LSD/MSD	+LSD/MSD	
Global Mining	(LDD)	(LDD)	Trim
Global Energy	(HDD)	(HDD)	
<b>Weighted Average</b>	<b>(4%) - (2%)</b>	<b>(4%) - (3%)</b>	<b>(50 bps)</b>

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

**Selectively trimming market growth estimates**

# Q3 FY16 Income Adjustments



\$ in millions	Operating Income	Net Income	Diluted EPS	Operating Income	Net Income	Diluted EPS
	Q3 FY16			Q3 FY15		
<b>As Reported, Continuing</b>	\$48.5	\$24.3	\$0.24	\$35.7	\$6.7	\$0.06
Amortization	-	14.6	0.14	-	13.6	0.13
Stock Option Expense	2.0	-	-	2.1	-	-
Restructuring Expense	6.1	6.1	0.06	2.3	2.3	0.02
LIFO Expense (Income)	0.6	-	-	0.2	-	-
Actuarial Loss on Pension/OPEB	-	-	-	31.4	31.4	0.30
Supply Chain Optimization & Footprint Repositioning Program (1)	1.1	1.1	0.01	-	-	-
All Other	-	1.1	0.01	-	5.4	0.05
Tax Impact on Adjustments	-	(7.9)	(0.08)	-	(19.2)	(0.18)
<b>As Adjusted</b>	\$58.3	\$39.3	\$0.38	\$71.7	\$40.2	\$0.38

(1) Accelerated depreciation and other non-cash expenses associated with supply chain optimization and footprint repositioning program.

# Q3 FY16 Results Summary



<i>\$ in millions (except per share amounts)</i>	Q3 FY16	Q3 FY15	\$ change	% change
Net sales	\$ 460	\$ 497	(\$ 37)	-7%
- Core				-4%
- Acquisitions				1%
- Currency				-4%
Adjusted Operating Income	\$ 58	\$ 72	(\$ 14)	-19%
% of sales	12.7%	14.4%		-170 bps
Adjusted EBITDA <sup>(1)</sup>	\$ 87	\$ 99	(\$ 12)	-13%
% of sales	18.8%	20.0%		-120 bps
Adjusted Net Income <sup>(1)</sup>	\$ 39	\$ 40	(\$ 1)	-2%
Diluted Earnings Per Share	\$0.24	\$0.06	\$0.18	300%
Adjusted Earnings Per Share <sup>(1)</sup>	\$0.38	\$0.38	-	-
Free cash flow <sup>(1)</sup>	\$ 74	\$ 78	(\$ 4)	-5%

(1) As defined in the Form 8-K filed with the Securities and Exchange Commission on February 2, 2016

<i>\$ in millions</i>	Q3 FY16	Q3 FY15	\$ change	% change
Net sales	\$ 266	\$ 299	(\$ 33)	-11%
- Core				-9%
- Acquisitions				2%
- Currency				-4%
Adjusted Operating Income	\$ 37	\$ 55	(\$ 18)	-32%
% of sales	14.1%	18.4%		-430 bps
Adjusted EBITDA <sup>(1)</sup>	\$ 57	\$ 73	(\$ 16)	-23%
% of sales	21.3%	24.5%		-320 bps

(1) As defined in the Form 8-K filed with the Securities and Exchange Commission on February 2, 2016

***EBITDA margin expands 60 bps sequentially from Q2***



# Water Management



<i>\$ in millions</i>	Q3 FY16	Q3 FY15	\$ change	% change
Net sales	\$ 194	\$ 198	(\$ 4)	-2%
- Core				2%
- Currency				-4%
Adjusted Operating Income	\$ 29	\$ 23	\$ 6	25%
% of sales	14.8%	11.6%		320 bps
Adjusted EBITDA <sup>(1)</sup>	\$ 38	\$ 32	\$ 6	17%
% of sales	19.5%	16.3%		320 bps

(1) As defined in the Form 8-K filed with the Securities and Exchange Commission on February 2, 2016

***Record Q3 EBITDA margin reflects strong WM execution***

# Capital Structure



<i>\$ in millions</i>	12/31/15	9/30/15	3/31/15
Cash	\$436	\$375	\$370
Revolver Borrowings	\$0	\$0	\$0
A/R Facility Borrowings	\$0	\$0	\$0
Term Debt	\$1,885	\$1,888	\$1,896
Senior Debt	\$1	\$1	\$1
Other Debt (1)	\$12	\$16	\$15
Total Debt	\$1,898	\$1,905	\$1,912
Total Net Debt	\$1,461	\$1,530	\$1,542
Net Debt Leverage Ratio (2)	4.1x	4.1x	3.8x
Total Liquidity	\$770	\$718	\$711

- (1) Other Debt includes a \$28M New Market Tax Credit Receivable, this Receivable offsets a \$37M payable also included in Other Debt in all periods presented.
- (2) Defined as the ratio of total debt less cash to pro forma LTM Adjusted EBITDA.

***Anticipate Net Leverage of 3.9x by March 31, 2016***

# Fiscal 2016 Outlook

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



Rexnord Corporation	Full Year Range
Core Sales Growth	- 3% to - 2%
Adjusted EPS <sup>(1)</sup>	\$1.37 - \$1.41
Free Cash Flow <sup>(1)</sup>	> Net Income

Rexnord Corporation	Q4 Range
Sales	\$500 - \$515
Effective Tax Rate	~35%
Adjusted EPS <sup>(1)</sup>	\$0.35 - \$0.39

(1) As defined in the Form 8-K filed with the Securities and Exchange Commission on February 2, 2016

Key Fiscal 2016 Assumptions	
Interest Expense w/LIBOR ≤ 1%	~\$93
Depreciation and Amortization <sup>(2)</sup>	~\$113
Effective Tax Rate	~30%
Capital Expenditures	~3% of sales
Fully Diluted Shares Outstanding	~103 million

(2) Excludes an estimated \$3 million of accelerated depreciation related to supply chain optimization and footprint repositioning initiatives.

***Revising adjusted EPS guidance to \$1.37 to \$1.41***