



REXNORD
Second Quarter 2015
Earnings Release

November 6, 2014

REXNORD

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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 Thursday, November 6, 2014, as well as in our filings with the Securities and Exchange Commission.

- 3% core growth in Q2 ⁽¹⁾
 - Core growth accelerates in both platforms
 - 41% increase in adjusted net income to \$42 million . . . \$0.40 adjusted EPS
- Process & Motion Control core growth improving ex-Europe
 - Q3 acquisitions of Tollok, Euroflex accretive to core growth and margins
- Water Management orders and core growth momentum remain robust
 - Adjusted EBITDA margin expands 160 bps year over year to 17.4%
- Revising guidance for full-year adjusted EPS to \$1.52 to \$1.60
 - More cautious outlook in Europe plus adverse currency translation

(1) All figures exclude Mill Products.



Q2 Income Adjustments



<i>\$ in millions (except per share amounts)</i>	Operating Income	Net Income	EPS		Operating Income	Net Income	EPS
	Q2 FY 2015				Q2 FY 2014		
As Reported	\$ 77.6	\$ 37.1	\$ 0.35		\$ 72.6	(\$ 52.5)	(\$ 0.54)
Loss on Debt Extinguishment	-	-	-		-	129.2	1.29
Stock Option Expense	1.1	1.1	0.01		2.0	2.0	0.02
Restructuring Expense	1.4	1.4	0.01		1.2	1.2	0.01
LIFO Expense	(0.2)	(0.2)	0.00		0.5	0.5	0.01
Inventory Fair Value Adjustment	0.7	0.7	0.01		-	-	-
All Other Non-Operating	-	2.3	0.02		-	(0.1)	0.00
Tax Impact on Adjustments	-	(1.4)	(0.01)		-	(49.6)	(0.48)
As Adjusted	\$ 80.6	\$ 41.0	\$ 0.39		\$ 76.3	\$ 30.7	\$ 0.31
As Adjusted, less Mill Products (1)	\$ 81.7	\$ 41.7	\$ 0.40		\$ 74.7	\$ 29.6	\$ 0.29

(1) Mill Product net sales for the second quarter of FY15 and FY14 were \$6.9 million and \$13.1 million, respectively. Mill Products represents our non-core ring gear and pinion product line, for which we are exploring strategic alternatives and have excluded from our financial guidance and from slides 4, 6, 7, 10 in this presentation.

Q2 Performance Summary



<i>\$ in millions</i>	Q2 FY15	Q2 FY14	\$ change	% change
Net sales	\$ 531	\$ 501	\$ 30	+6%
- Core				+3%
- Acquisitions				+3%
Adjusted Operating Income	\$ 82	\$ 75	\$ 7	+10%
% of sales	15.4%	14.9%		+50 bps
Adjusted EBITDA ⁽¹⁾	\$ 110	\$ 101	\$ 9	+9%
% of sales	20.6%	20.1%		+50 bps
Adjusted Net Income ⁽¹⁾	\$ 42	\$ 30	\$ 12	+41%
Diluted Earnings Per Share	\$ 0.36	(\$ 0.55)	\$ 0.91	+165%
Adj. Earnings Per Share ⁽¹⁾	\$ 0.40	\$ 0.29	\$ 0.11	+38%
Free cash flow ⁽¹⁾	\$ 63	\$ 27	\$ 36	+133%

(1) As defined in the Form 8-K filed with the Securities and Exchange Commission on November 6, 2014.

Adjusted net income up 41% over prior year

<i>\$ in millions</i>	Q2 FY15	Q2 FY14	\$ change	% change
Net sales	\$ 305	\$ 299	\$ 6	+2%
- Core				(1%)
- Acquisitions				+3%
Adjusted Operating Income	\$ 59	\$ 59	N/A	N/A
% of sales	19.4%	19.8%		-40 bps
Adjusted EBITDA ⁽¹⁾	\$ 77	\$ 76	\$ 1	+2%
% of sales	25.4%	25.3%		+10 bps

(1) As defined in the Form 8-K filed with the Securities and Exchange Commission on November 6, 2014.

<i>\$ in millions</i>	Q2 FY15	Q2 FY14	\$ change	% change
Net sales	\$226	\$ 203	\$ 23	+12%
- Core				+10%
- Acquisitions				+3%
- Currency				-1%
Adjusted Operating Income	\$30	\$23	\$ 7	+32%
% of sales	13.2%	11.1%		+210 bps
Adjusted EBITDA ⁽¹⁾	\$39	\$ 32	\$7	23%
% of sales	17.4%	15.8%		+160 bps

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Robust core growth & improved margins . . . momentum continues

<i>\$ in millions</i>	9/30/14	6/30/14	3/31/14
Cash	\$ 361	\$ 311	\$ 339
Revolver Borrowings	0	0	0
A/R Facility Borrowings	0	0	0
Term Debt	1,914	1,918	1,922
Senior Debt	1	1	1
Other Debt ⁽¹⁾	22	25	21
Total Debt	1,937	1,944	1,944
Total Net Debt	1,576	1,633	1,605
Net Debt Leverage Ratio ⁽²⁾	3.7X	3.9X	3.8X
Total Liquidity	699	646	675

(1) Other Debt includes a \$28 million New Market Tax Credit Receivable; this receivable offsets a \$37 million 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.

Maintaining a strong liquidity profile

Fiscal 2015 Outlook



\$ in Millions

Full Year	
Adjusted EPS ⁽¹⁾	\$1.52 - \$1.60
Adjusted EBITDA ⁽¹⁾ Incremental Margin	~30%
Free Cash Flow ⁽¹⁾	> Adjusted Net Income

Second Half	
Core Sales Growth	+3% to +4%

Third Quarter	
Sales	\$496 - \$504
Core Sales Growth	+3% to +4%
Adjusted EPS ⁽¹⁾	\$0.29 - \$0.32

Key Fiscal 2015 Assumptions

Interest Expense w/LIBOR \leq 1%	~\$88
Depreciation and Amortization	~\$115
Stock Option / LIFO Expense	~\$15
Effective Tax Rate	~30%
Capital Expenditures	~3% of sales
Fully Diluted Shares Outstanding	~105

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