



REXNORD
Third Quarter 2015
Earnings Release

February 4, 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, February 4, 2015, as well as in our filings with the Securities and Exchange Commission.

Q3 Situation Analysis

REXNORD

- Core growth in line with expectations for Q3
 - Core growth +3%⁽¹⁾, acquisitions add +4%
 - Currency translation reduces reported revenue growth by 3%
 - Adjusted EPS of \$0.32 consistent with expectations
- Process & Motion Control core growth improves ex-Europe short-cycle
 - Sustaining increased investments to accelerate organic growth
 - Strategic acquisitions (Euroflex, Tollok) enhance core growth potential
- Water Management orders and core growth momentum remain robust
 - Adjusted EBITDA margin expands 130 bps year over year to 16.3%
- Narrowing previous FY15 EPS guidance range to \$1.52 to \$1.56 for currency

(1) All figures exclude Mill Products.



Q3 Income Adjustments



<i>\$ in millions (except per share amounts)</i>	Operating Income	Net Income	EPS		Operating Income	Net Income	EPS
	Q3 FY 2015				Q3 FY 2014		
As Reported	\$ 33.8	\$ 2.2	\$ 0.02		\$ 67.5	\$ 28.6	\$ 0.28
Actuarial Loss on Pension/OPEB	31.4	31.4	0.30		-	-	-
Stock Option Expense	2.1	2.1	0.02		1.8	1.8	0.02
Restructuring Expense	4.2	4.2	0.04		1.8	1.8	0.02
LIFO Expense	0.2	0.2	-		(0.2)	(0.2)	-
Inventory Fair Value Adjustment	-	-	-		0.4	0.4	-
All Other Non-Operating	-	10.6	0.10		-	4.2	0.04
Tax Impact on Adjustments	-	(17.5)	(0.16)		-	(2.7)	(0.02)
As Adjusted	\$ 71.7	\$ 33.2	\$ 0.32		\$ 71.3	\$ 33.9	\$ 0.34
As Adjusted, less Mill Products (1)	\$ 71.7	\$ 33.2	\$ 0.32		\$ 69.5	\$ 32.7	\$ 0.32

(1) Mill Product net sales for the third quarter of FY15 and FY14 were \$10.0 million and \$11.0 million, respectively. Mill Products represents our non-core ring gear and pinion product line, which we will present as a Discontinued Operation in our fourth quarter and have excluded from our financial guidance and from slides 4, 6, 7, 10 in this presentation.

Q3 Performance Summary



<i>\$ in millions</i> <i>(except per share amounts)</i>	Q3 FY15	Q3 FY14	\$ change	% change
Net sales	\$ 497	\$ 478	\$ 19	+4%
- Core				+3%
- Acquisitions				+4%
- Currency				-3%
Adjusted Operating Income	\$ 72	\$ 70	\$ 2	+3%
% of sales	14.4%	14.5%		-10 bps
Adjusted EBITDA ⁽¹⁾	\$ 99	\$ 96	\$ 3	+3%
% of sales	20.0%	20.0%		-
Adjusted Net Income ⁽¹⁾	\$ 33	\$ 33	-	-
Diluted Earnings Per Share	\$ 0.06	\$ 0.27	(\$ 0.21)	-78%
Adj. Earnings Per Share ⁽¹⁾	\$ 0.32	\$ 0.32	-	-
Free cash flow ⁽¹⁾	\$ 78	\$ 73	\$ 5	+7%

(1) As defined in the Form 8-K filed with the Securities and Exchange Commission on February 4, 2015.

Tax rate, shares, translation combine for \$0.05 YoY drag on EPS

Process & Motion Control



<i>\$ in millions</i>	Q3 FY15	Q3 FY14	\$ change	% change
Net sales	\$ 299	\$ 290	\$ 9	+3%
- Core				+1%
- Acquisitions				+4%
- Currency				-2%
Adjusted Operating Income	\$ 55	\$ 57	(\$ 2)	-3%
% of sales	18.4%	19.7%		-130 bps
Adjusted EBITDA ⁽¹⁾	\$ 73	\$ 74	(\$ 1)	-1%
% of sales	24.5%	25.5%		-100 bps

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Core growth positive, despite soft global beverage

Water Management



<i>\$ in millions</i>	Q3 FY15	Q3 FY14	\$ change	% change
Net sales	\$ 198	\$ 188	\$ 10	+5%
- Core				+5%
- Acquisitions				+3%
- Currency				-3%
Adjusted Operating Income	\$ 23	\$ 19	\$ 4	+21%
% of sales	11.6%	10.0%		+160 bps
Adjusted EBITDA ⁽¹⁾	\$ 32	\$ 28	\$ 4	+14%
% of sales	16.3%	15.0%		+130 bps

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Capital Structure



<i>\$ in millions</i>	12/31/14	9/30/14	3/31/14
Cash	\$ 395	\$ 361	\$ 339
Revolver Borrowings	0	0	0
A/R Facility Borrowings	0	0	0
Term Debt	1,910	1,914	1,922
Senior Debt	1	1	1
Other Debt ⁽¹⁾	17	22	21
Total Debt	1,928	1,937	1,944
Total Net Debt	1,533	1,576	1,605
Net Debt Leverage Ratio ⁽²⁾	3.6X	3.7X	3.8X
Total Liquidity	725	699	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 (except per share amounts)



Full Year	
Adjusted EPS ⁽¹⁾	\$1.52 - \$1.56
Adjusted EBITDA ⁽¹⁾ Incremental Margin	~30%
Free Cash Flow ⁽¹⁾	> Adjusted Net Income

Fourth Quarter	
Sales	\$540 - \$550
Core Sales Growth	~1%
Adjusted EPS ⁽¹⁾	\$0.54 - \$0.58

Key Fiscal 2015 Assumptions	
Interest Expense w/LIBOR ≤ 1%	~\$88
Depreciation and Amortization	~\$115
Stock Option / LIFO Expense	~\$12
Effective Tax Rate	~30%
Capital Expenditures	~3% of sales
Fully Diluted Shares Outstanding	~105

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