



REXNORD
First Quarter 2017
Earnings Release

August 2, 2016

REXNORD

Replay Information

REXNORD

Domestic toll-free: (888) 843-7419

International toll-free: (630) 652-3042

Access code: 4301 1324#

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 and Cautionary language contained in the press release we issued on August 1, 2016, as well as 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.

- **1Q results in line on operating basis**
 - Net sales decline 3%, including 2% drag from RHF product line exit – core sales⁽¹⁾ decline 1%
 - Adjusted EPS⁽¹⁾ of \$0.35 includes \$0.03 per share from timing of tax benefit
 - Closed acquisition of Cambridge, enhancing consumer-facing end-market exposure
 - Reduced outstanding debt by \$100 million, eliminating all principal repayments before maturity

- **Water Management reflects steady nonres demand, project timing**
 - Favorable growth outlook continues for US nonresidential construction end markets
 - Investing in key new product introductions scheduled over coming 6-18 months

- **Process & Motion Control core growth comparison improves**
 - Global aftermarket revenue increases as industrial distribution sell-through stabilizes
 - Cambridge delivers solid contribution in initial quarter, integration on track

- **Re-affirming guidance for fiscal 2017 Adjusted EPS of \$1.47-1.57**
 - End markets generally consistent with expectations – impact of weaker markets diminishing
 - Supply chain optimization & footprint repositioning on track to deliver \$30 million annual savings

⁽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 August 1, 2016.

Key FY17 Macro Assumptions

<i>End Market</i>	<i>Initial FY17 Market Forecast</i>	<i>Updated FY17 Market Forecast</i>	
US Commercial Construction	+ MSD	+ MSD	
US Institutional Construction	+ MSD	+ MSD	
European Water & Wastewater Infrastructure	FLAT	FLAT	
ROW Water & Wastewater Infrastructure	+ LSD	FLAT	Lower
US & Canada Industrial Distribution	(LSD)	(LSD)	
European Industrial Distribution	+ LSD	+ LSD	
ROW Industrial Distribution	FLAT	+ LSD	Higher
Global Food & Beverage	+ LSD	+ LSD	
Global Commercial Aerospace	FLAT	FLAT	
Global Process Industries	(MDD)	(MDD)	
Weighted Average	(3%) - 0%	(3%) - 0%	No change

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

Q1 FY17 Income Adjustments



<i>\$ in millions</i>	Net Income		Diluted EPS	
	Q1 FY17		Q1 FY16	
As Reported (GAAP Continuing Operations)	\$18.9	\$0.18	\$21.2	\$0.20
Amortization	14.6	0.14	14.3	0.14
Restructuring Expense	5.6	0.05	1.9	0.02
Inventory Fair Value Adjustment	1.0	0.01	-	-
Supply Chain Optimization & Footprint Repositioning Program (1)	0.6	0.01	-	-
Impact of RHF Product Line (2)	2.9	0.03	2.4	0.02
All Other (3)	1.9	0.02	0.4	0.00
Tax Impact on Adjustments (4)	(9.4)	(0.09)	(6.8)	(0.06)
As Adjusted (Non-GAAP)	\$36.1	\$0.35	\$33.4	\$0.32

- (1) Represents accelerated depreciation associated with our strategic supply chain optimization and footprint repositioning initiatives.
- (2) Operating loss of RHF product line, excluding restructuring and other nonrecurring items.
- (3) Other income, net includes the impact of foreign currency transactions, sale of property, plant and equipment, and other miscellaneous income and expense.
- (4) The tax rates used to calculate adjusted net income and adjusted earnings per share are based on a transaction-specific basis at the applicable jurisdictional rate.

Q1 FY17 Results Summary



<i>\$ in millions (except per share amounts)</i>	Q1 FY17	Q1 FY16	\$ change	% change
Net sales	\$472	\$485	(\$13)	-3%
Net sales, excluding RHF exit	\$465	\$468	(\$3)	-1%
- Core				- 1%
- Acquisitions				+1%
- Currency				- 1%
GAAP Operating Income	\$39	\$53	(\$14)	-27%
% of sales	8.2%	11.0%		-280 bps
Adjusted EBITDA ⁽¹⁾	\$79	\$87	(\$8)	-9%
% of sales, excl RHF exit	17.0%	18.6%		-160 bps
GAAP Net Income	\$19	\$21	(\$2)	-11%
Adjusted Net Income ⁽¹⁾	\$36	\$33	\$3	+8%
GAAP Diluted Earnings Per Share	\$0.18	\$0.20	(\$0.02)	-10%
Adjusted Earnings Per Share ⁽¹⁾	\$0.35	\$0.32	\$0.03	+9%

Core growth, Adjusted EBITDA in line

(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 August 1, 2016.

Process & Motion Control



<i>\$ in millions</i>	Q1 FY17	Q1 FY16	\$ change	% change
Net sales	\$264	\$272	(\$8)	-3%
- Core				-5%
- Acquisitions				+2%
- Currency				0%
GAAP Operating Income	\$26	\$36	(\$10)	-28%
% of sales	9.7%	13.1%		-340 bps
Adjusted EBITDA ⁽¹⁾	\$49	\$57	(\$8)	-14%
% of sales	18.6%	21.0%		-240 bps

Stabilization of industrial distribution sell-through

(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 August 1, 2016.

Water Management



<i>\$ in millions</i>	Q1 FY17	Q1 FY16	\$ change	% change
Net sales	\$208	\$214	(\$6)	-3%
Net sales, excl RHF exit	\$202	\$197	\$5	+3%
- Core				+3%
- Acquisitions				0%
- Currency				0%
GAAP Operating Income	\$23	\$27	(\$4)	-17.2%
% of sales	10.9%	12.8%		-190 bps
Adjusted EBITDA ⁽¹⁾	\$38	\$39	(\$1)	-2%
% of sales, excl RHF exit	19.0%	19.8%		-80 bps

Investing in 2H product launches

(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 August 1, 2016.

Capital Structure



<i>\$ in millions</i>	6/30/16	3/31/16
Cash	\$183	\$485
Revolver Borrowings	\$0	\$0
A/R Facility Borrowings	\$0	\$0
Term Debt	\$1,783	\$1,881
Senior Debt	\$0	\$0
Other Debt (1)	\$11	\$12
Total Debt	\$1,794	\$1,893
Total Net Debt	\$1,611	\$1,408
Net Debt Leverage Ratio (2)	4.3x	3.8x
Total Liquidity (3)	\$529	\$829

(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.

(3) Defined as cash and cash equivalents plus additional borrowing capacity.

Ample liquidity enhanced by operating cash flow

Fiscal 2017 Outlook



\$ in Millions, except per-share amounts

Rexnord Corporation	Full Year Range
Core Sales ⁽¹⁾ Growth	- 2% to +1%
Adjusted EPS ⁽¹⁾	\$1.47 - \$1.57
Free Cash Flow ⁽¹⁾	> Net Income

Rexnord Corporation	Q2 Range
Sales	\$492 - \$502
Effective Tax Rate	~22%
Adjusted EPS ⁽¹⁾	\$0.36 - \$0.39

(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 August 1, 2016.

Key Fiscal 2017 Assumptions	
Interest Expense w/LIBOR \leq 1%	~\$94
Depreciation and Amortization ⁽²⁾	~\$99
Effective Tax Rate	~27%
Capital Expenditures	~3% of sales
Fully Diluted Shares Outstanding	~104 million

(2) Excludes an estimated \$11 million of accelerated depreciation related to supply chain optimization and footprint repositioning initiatives.

Reaffirming guidance for FY17 core growth, adjusted EPS