



REXNORD
Third Quarter 2013
Earnings Release

February 11, 2013

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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 releases we issued Monday, February 11th, 2013, as well as in our filings with the Securities and Exchange Commission.

Q3 Situation Analysis

REXNORD

- Weaker short-cycle industrial demand in Q3 ... longer-cycle inquiry/quotation levels improving
- Water Management end-markets improving ... both Zurn and VAG strong in Q3
- Solid operating performance in Q3 ... adjusted operating income margin improves 130 basis points year-over-year
 - WM expands +260 bps ... PMC expands +100 bps
- Adjusted net income expands +38% from prior year ... EPS of \$0.19
- Projecting Q4 sales of \$535M to \$555M and adjusted EBITDA of \$110M to \$120M (21.1% margin at the mid-point)



Results Summary

Sales Growth	RXN	PMC	WM
Reported Growth	-3%	-4%	-
Currency	-1%	-1%	-1%
Core Growth	-2%	-3%	+1%

Adjusted EBITDA Margins	19.5%	24.7%	14.0%
YoY EBITDA Margin	+110 bps	+60 bps	+210 bps
Adjusted EPS	\$0.19		

PMC Q3 Highlights

- Strong margin performance despite volume decline ... EBITDA margin +60 bps to 24.7%
- -3% core sales decline driven by market weakness in short-cycle industrial demand
 - U.S. distribution sell-through contracted in November/December
 - OEM's and end-users remained cautious in December quarter

WM Q3 Highlights

- End-markets strengthening:
 - Zurn core sales +8%
 - VAG book-to-bill ratio of 1.40
- Solid execution as EBITDA margin expands 210 basis points YoY on 1% core growth:
 - Productivity improvements
 - North American footprint consolidation

Q3 FY '13 Income Adjustments



<i>\$ in millions (except per share amounts)</i>	Operating Income	Net Income	EPS
As Reported	\$59.5	\$9.2	\$0.09
Loss on Discontinued Operations	-	2.2	0.02
Loss on Debt Extinguishment	-	2.9	0.03
Restructuring	2.3	2.3	0.02
Stock Option Expense	-	1.9	0.02
LIFO Expense	-	1.4	0.02
All Other Non-Operating	-	2.2	0.02
Tax Impact on Adjustments	-	(3.4)	(0.03)
As Adjusted	\$61.8	\$18.7	\$0.19

Q3 FY '13 Performance Summary



<i>\$ in millions (except per share amounts)</i>	Q3 '13	Q3 '12	\$ change	% change
Net sales	\$ 471.7	\$ 485.9	\$ (14.2)	-3% ⁽³⁾
Adjusted Op Inc ⁽¹⁾	\$ 61.8	\$ 57.1	\$ 4.7	+8%
<i>% of sales</i>	13.1%	11.8%	N/A	+130 bps
Adjusted EBITDA ⁽²⁾	\$ 92.0	\$ 89.4	\$ 2.6	+3%
<i>% of sales</i>	19.5%	18.4%	N/A	+110 bps
Adjusted Net Income ⁽²⁾	\$ 18.7	\$ 13.6	\$ 5.1	+38%
Free cash flow ⁽²⁾	\$ 31.6	\$ 7.5	\$ 24.1	
Diluted EPS	\$ 0.09	\$ 0.08	\$ 0.01	+13%
Adjusted EPS ⁽²⁾	\$ 0.19	\$ 0.19	\$ 0.00	0%

(1) From continuing operations and excludes \$2.3M of restructuring charges in Q3 '13; Q3 '12 excludes \$2.7M of restructuring charges and \$3.3M acquisition inventory fair value adjustments

(2) From continuing operations as defined in the Form 8-K filed with the Securities and Exchange Commission on February 11, 2013

(3) Core	-2%
Currency	-1%

Adjusted Operating Income Margin expands +130 bps... Adjusted Net Income +38%

<i>\$ in millions</i>	Q3 '13	Q3 '12	\$ change	% change
Net sales	\$ 302.9	\$ 316.5	\$ (13.6)	-4%
- core				-3%
- currency				-1%
Adjusted Op Inc ⁽¹⁾	\$ 56.2	\$ 55.7	\$ 0.5	+1%
% of sales	18.6%	17.6%	N/A	+100 bps
Adjusted EBITDA ⁽²⁾	\$ 74.9	\$ 76.3	\$ (1.4)	-2%
% of sales	24.7%	24.1%	N/A	+60 bps

(1) From continuing operations and excludes \$1.8M of restructuring charges in Q3 '13 and \$0.6M in Q3 '12

(2) As defined in the Form 8-K filed with the Securities and Exchange Commission on February 11, 2013

Adjusted Operating Income margin expands +100 basis points to 18.6%

<i>\$ in millions</i>	Q3 '13	Q3 '12	\$ change	% change
Net sales	\$ 168.8	\$ 169.4	\$ (0.6)	0%
- core				+1%
- currency				-1%
Adjusted Op Inc ⁽¹⁾	\$ 13.3	\$ 8.9	\$ 4.4	+49%
% of sales	7.9%	5.3%	N/A	+260 bps
Adjusted EBITDA ⁽²⁾	\$ 23.7	\$ 20.2	\$ 3.5	+17%
% of sales	14.0%	11.9%	N/A	+210 bps

(1) Q3 '13 excludes \$0.5M of restructuring charges; Q3 '12 excludes \$1.6M of restructuring charges and \$3.3M acquisition inventory fair value adjustments

(2) As defined in the Form 8-K filed with the Securities and Exchange Commission on February 11, 2013

Adjusted Operating Income margin expands +260 bps

<i>\$ in millions</i>	12/29/12	9/29/12	3/31/12
Cash	\$453	\$440	\$298
Revolver Borrowings	\$0	\$0	\$0
A/R Facility Borrowings	\$0	\$0	\$0
Term Debt	\$939	\$939	\$945
Senior Debt	\$1,147	\$1,147	\$1,147
Subordinated Debt	\$0	\$0	\$300
Other Debt ⁽¹⁾	\$24	\$25	\$13
Total Debt	\$2,110	\$2,111	\$2,405
Total Net Debt	\$1,657	\$1,671	\$2,107
Net Debt Leverage Ratio ⁽²⁾	4.1X	4.2X	5.3X
Total Liquidity	\$773	\$759	\$533

(1) Other Debt includes an \$18M New Market Tax Credit Receivable in quarter ended 3/31/12 and \$28M for quarters ended 9/29/12 and 12/29/12. This Receivable offsets a \$23M payable also included in Other Debt in quarter ended 3/31/12 and a \$37M payable for quarters ended 9/29/12 and 12/29/12.

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

Key Assumptions

- Improved short-cycle MRO sell-through in the North American ID channel and OEM / end-user short-cycle demand
- Sequential increase of long lead-time project shipments in both platforms
- “Normal” favorable seasonality in Q4: Non-Residential Construction (+) and Beverage (+)
- Gradually improving North American Non-Residential Construction

Fiscal Year Outlook

Rexnord Corporation	Outlook Range	
	Q4	Full Year
Sales	\$535M – \$555M	\$2,000M - \$2,020M
Core Sales Growth	~1%	~1%
Operating Margin (1)	~ 15%	~ 14%
Adjusted EBITDA (2)	\$110 - \$120M	\$400 - \$410M
Free Cash Flow (3)	> Adjusted Net Income (2)	> Adjusted Net Income (2)

(1) Includes stock option expense. Excludes potential non-cash actuarial gains and losses on pension and postretirement benefit obligations, restructuring costs and other non-operational, non-recurring items

(2) As defined in the Form 8-K filed with the Securities and Exchange Commission on February 11, 2013

(3) Excludes the impact of excess tax benefits recorded in connection with stock option exercises

Other Assumptions	
\$ in Millions	
Interest Expense	~\$153M
Depreciation and Amortization	~\$112M
Stock Option Expense	~\$8M
Effective Tax Rate, excluding discrete items	~ 26% - 27%
Capital Expenditures	~2.8% of sales
Fully Diluted Shares Outstanding (in millions)	~100 M