



REXNORD
First Quarter 2015
Earnings Release

August 6, 2014

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.

Domestic toll-free: (888) 843-7419

International toll-free: (630) 652-3042

Access code: 3774 8142#

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

Q1 Situation Analysis

REXNORD

- In-line Q1 to start fiscal 2015
 - +2% sales growth⁽¹⁾. . . (1%) core, +3% acquisitions
 - +23% increase in adjusted net income to \$27 million . . . \$0.26 adjusted EPS
- Process & Motion Control core growth stable outside of bulk material handling
 - Margins expanding, core sales growth rates set to accelerate
- Water Management orders and core growth momentum remains robust
 - 360-bp sequential increase in adjusted EBITDA margin
 - Green Turtle performing well, integration validates growth potential
- Re-affirming expectations for full year adjusted EPS of \$1.60 to \$1.70 with core sales growth of +3% to +5% for full year ... +4% to +6% in second quarter

(1) All figures exclude Mill Products.



Q1 Income Adjustments



<i>\$ in millions (except per share amounts)</i>	Operating Income	Net Income	EPS		Operating Income	Net Income	EPS
	Q1 FY 2015				Q1 FY 2014		
As Reported	\$57.6	\$12.0	\$0.11		\$61.0	\$13.6	\$0.14
Loss on Debt Extinguishment	-	-	-		-	4.0	0.04
Stock Option Expense	1.6	1.6	0.02		1.5	1.5	0.01
Restructuring Expense	3.4	3.4	0.03		1.8	1.8	0.02
LIFO Expense	0.2	0.2	0.00		1.0	1.0	0.01
Inventory Fair Value Adjustment	1.4	1.4	0.01		-	-	-
Non-Recurring Tax Items	-	10.1	0.10		-	-	-
All Other Non-Operating	-	1.3	0.01		-	6.2	0.06
Tax Impact on Adjustments	-	(2.5)	(0.02)		-	(4.0)	(0.04)
As Adjusted	\$64.2	\$27.5	\$0.26		\$65.3	\$24.1	\$0.24
As Adjusted, less Mill Products (1)	\$63.5	\$27.1	\$0.26		\$62.1	\$22.1	\$0.22

(1) Mill Product net sales for the first quarter of FY15 and FY14 were \$6.2 million and \$14.7 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.

Q1 Performance Summary



<i>\$ in millions</i>	Q1 FY15	Q1 FY14	\$ change	% change
Net sales	\$504	\$ 494	\$ 10	+2%
- Core				(1%)
- Acquisitions				+3%
Adjusted Operating Income	\$ 64	\$ 62	\$ 2	+2%
% of sales	12.6%	12.6%		-
Adjusted EBITDA ⁽¹⁾	\$ 92	\$ 89	\$ 3	+3%
% of sales	18.2%	18.1%		+10 bps
Adjusted Net Income ⁽¹⁾	\$27	\$ 22	\$ 5	+23%
Diluted Earnings Per Share	\$0.11	\$0.12	(\$0.01)	(8%)
Adj. Earnings Per Share ⁽¹⁾	\$0.26	\$0.22	\$0.04	+18%
Free cash flow ⁽¹⁾	\$(1)	\$ (35)	\$34	+97%

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

Adjusted net income up 23% over prior year

Process & Motion Control



<i>\$ in millions</i>	Q1 FY15	Q1 FY14	\$ change	% change
Net sales	\$298	\$300	\$ (2)	(1%)
- Core				(4%)
- Acquisitions				+3%
Adjusted Operating Income	\$51	\$ 49	\$ 2	+4%
% of sales	17.1%	16.4%		+70 bps
Adjusted EBITDA ⁽³⁾	\$70	\$ 67	\$ 3	+4%
% of sales	23.4%	22.4%		+100 bps

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

Solid execution drives margin expansion ... end markets stable to improving

Water Management



<i>\$ in millions</i>	Q1 FY15	Q1 FY14	\$ change	% change
Net sales	\$205	\$ 194	\$ 11	+6%
- Core				+4%
- Acquisitions				+2%
Adjusted Operating Income	\$21	\$ 20	\$ 1	+2%
% of sales	10.0%	10.5%		(50 bps)
Adjusted EBITDA ⁽¹⁾	\$30	\$ 30	-	-
% of sales	14.7%	15.2%		(50 bps)

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

Capital Structure



<i>\$ in millions</i>	6/30/14	3/31/14
Cash	\$ 311	\$ 339
Revolver Borrowings	0	0
A/R Facility Borrowings	0	0
Term Debt	1,918	1,922
Senior Debt	1	1
Other Debt ⁽¹⁾	25	21
Total Debt	1,944	1,944
Total Net Debt	1,633	1,605
Net Debt Leverage Ratio ⁽²⁾	3.9X	3.8X
Total Liquidity	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 Range	
Core Sales Growth	+3 to +5%
Adjusted EPS ⁽¹⁾ ⁽²⁾	\$1.60 - \$1.70
Adjusted EBITDA ⁽¹⁾ Incremental Margin	~30%
Free Cash Flow ⁽¹⁾	> Adjusted Net Income

Core Sales Growth	
Second quarter 2015	+4% to +6%
Second half fiscal 2015	+4% to +6%

Q2 Range	
Sales	\$540 - \$550
Adjusted EPS ⁽¹⁾	\$0.38 - \$0.41

Key Fiscal 2015 Assumptions	
Interest Expense w/LIBOR \leq 1%	~\$88
Depreciation and Amortization	~\$115
Stock Option / LIFO Expense	~\$15
Effective Tax Rate ⁽²⁾	~30%
Capital Expenditures	~3% of sales
Fully Diluted Shares Outstanding	~105

- (1) As defined in the Form 8-K filed with the Securities and Exchange Commission on August 6, 2014.
- (2) Excludes a non-recurring, non-cash tax expense in Q1 FY 15 related to an initiative to reduce future taxes incurred at certain foreign entities.