



REXNORD

FIRST QUARTER
FISCAL YEAR 2018
FINANCIAL RESULTS

August 3, 2017

CAUTIONARY STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT

This presentation and discussion contains certain forward-looking statements that are subject to the Safe Harbor and Cautionary language contained in the press release we issued on August 2, 2017, as well as other factors that could cause actual results to differ materially from those discussed and that are disclosed 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.

STRATEGIC UPDATE

Consolidated Rexnord

- Formal launch of DiRXN (“*Direction*”), our proprietary digital enterprise strategy

Process & Motion Control

- Core sales⁽¹⁾ growth accelerates to +5% in 1Q
- New e-commerce solution provides enhanced capabilities to customers

Water Management

- Core sales, margin comparisons expected to be positive through balance of year
- Initial connected product designs to be launched in FY18

Cash Flow & Balance Sheet

- Solid 1Q start for Free Cash Flow⁽¹⁾ supports unchanged FY18 outlook
- Net debt leverage ratio⁽¹⁾ declines to 3.0x

(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 2, 2017.

DiRXN = DIGITAL REXNORD = 'DIRECTION'



- Enterprise-wide initiative to enable improved customer productivity via digitally-connected tools, products, and services
- Differentiates by digitally connecting traditional mechanical solutions to control systems, engineering & asset management software, and IIoT
- Encapsulates our deep application knowledge into digital components for easy customer & partner use at each stage of their lifecycle
- Leverages common digital infrastructure across Business Platforms – with unique deliverables to match end-market requirements
- Launched May 2017 with first commercial shipments in June



Reduce Downtime & Expedite Recovery

*Mitigate unexpected process interruption, enhance diagnostics
Reduce routine inspections, maintenance frequency, costs*



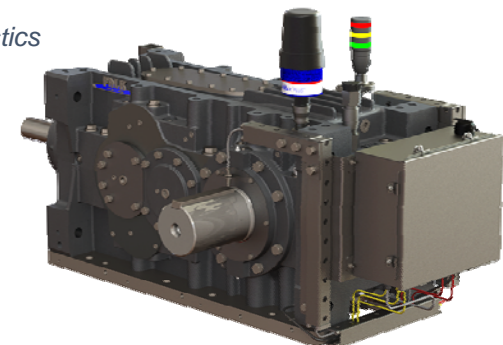
Optimize Asset Management

Avoid investment in spare units & related storage footprint



Plug-and-Play Capabilities

*Deliver complete with plug-and-play connectivity
Unit birth certificate with baseline performance signature
24/7 access to online operating data, instructional videos,
performance specifications, CAD drawings, upgrade tools*



FINANCIAL UPDATE

First Quarter Fiscal Year 2018

- Adjusted EBITDA⁽¹⁾ of \$86 million increased 9% year over year
- Net sales increased 3% year over year
 - Cambridge acquisition added 3%
 - RHF product line exit reduced sales by 2%
 - Foreign currency translation reduced sales by 1%
- Core sales⁽¹⁾ increased 3% year over year
- GAAP EPS of \$0.20
- Adjusted EPS⁽¹⁾ of \$0.27

Fiscal Year 2018 Outlook

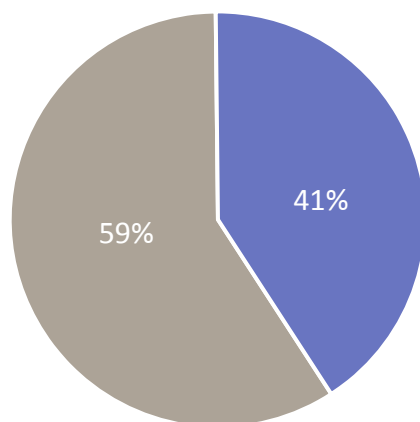
- Core sales growth in low-single-digit percentage range⁽²⁾
- Adjusted EBITDA in \$365 - \$385 million range⁽²⁾
- Free cash flow⁽¹⁾ to exceed net income

(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 2, 2017.

(2) Forward-looking information and a non-GAAP measure. Although Rexnord can quantify certain elements, it is not able to quantify all variances from GAAP without unreasonable efforts because certain factors are unknown at this time and out of Rexnord's control.

1Q FY18 SUMMARY

1Q FY18 Net Sales



■ Process & Motion Control ■ Water Management

	1Q FY18	1Q FY17	Change
Adjusted Net Sales ^(1,2)	\$488	\$465	5%
<i>Growth from:</i>			
Core			3%
Acquisitions			3%
Translation			(1%)
Adjusted EBITDA ⁽¹⁾	\$86	\$79	9%
% of Sales	17.6%	17.0%	60 bps

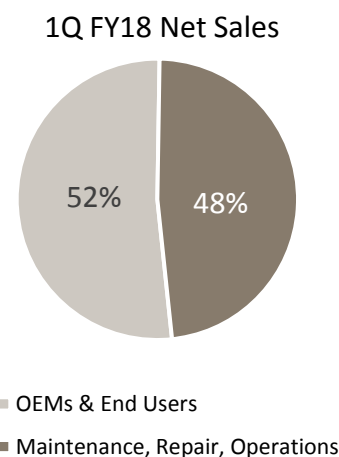
- Core growth increases to 3% year over year
- Cambridge contributes 3% to growth
- Adjusted EBITDA margin increases 60 bps

(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 2, 2017.

(2) Net Sales in 1Q FY17 is adjusted for the RHF product line exit in FY17.

PROCESS & MOTION CONTROL

	1Q FY18	1Q FY17	Change
Net Sales	\$288	\$264	9%
<i>Growth from:</i>			
Core			5%
Acquisitions			5%
Translation			(1%)
Adjusted EBITDA ⁽¹⁾	\$58	\$49	17%
% of Sales	20.0%	18.6%	140 bps



- Core growth was 5% year over year
- Cambridge added 5% to growth
- Adjusted EBITDA increased 17% year over year

(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 2, 2017.

End-Market Outlook Assumed in Guidance

Industrial Distribution

- US & Canada ●
- Europe ●
- Rest of World ●
- Food & Beverage: Global ●
- Commercial Aerospace: Global ●
- Process Industries: Global ●

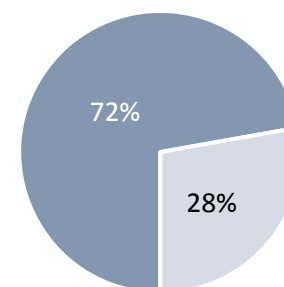
WATER MANAGEMENT

	1Q FY18	1Q FY17	Change
Adjusted Net Sales ^(1,2)	\$200	\$202	(1%)
<i>Growth from:</i>			
Core			0%
Acquisitions			--
Translation			(1%)
Adjusted EBITDA ⁽¹⁾	\$37	\$38	(3%)
% of Sales	18.6%	19.0%	(40 bps)

- Core growth was flat year over year
- Adjusted EBITDA margin decreased by 40 bps

(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 2, 2017.
 (2) Net Sales in 1Q FY17 is adjusted for the RHF product line exit in FY17.

1Q FY18 Net Sales

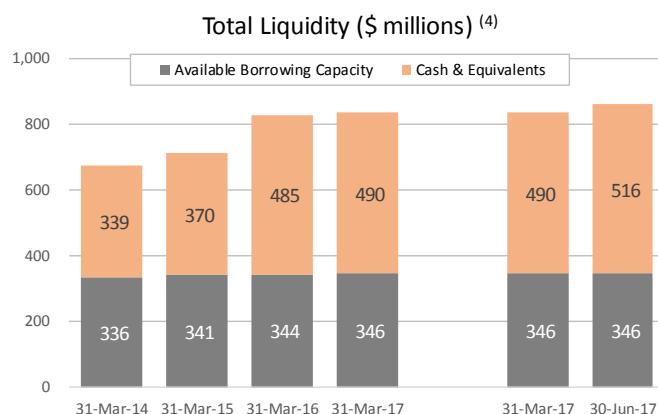
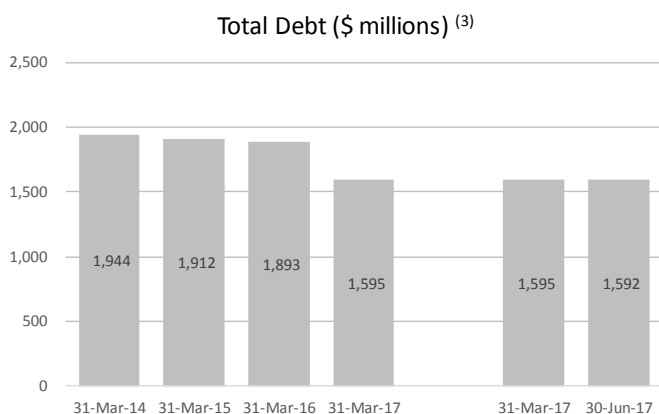
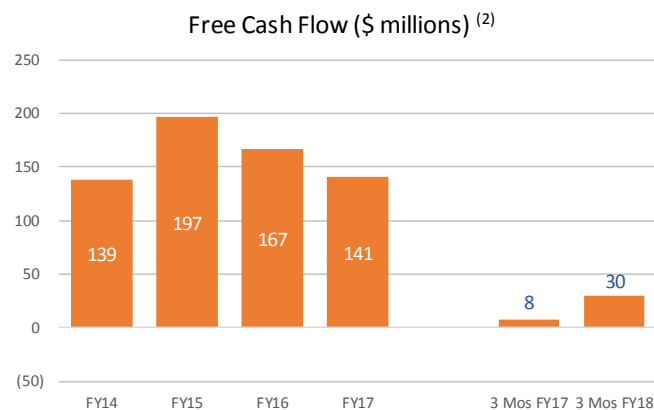
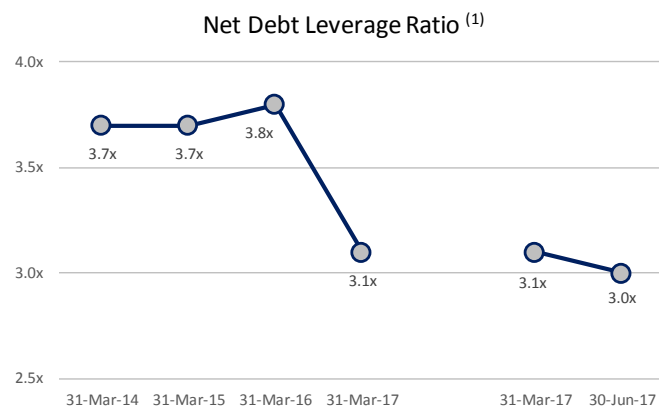


- Water Safety, Quality, Flow Control & Conservation
- Water Infrastructure

End-Market Outlook Assumed in Guidance

- Nonresidential Construction: US & Canada ●
- Residential Construction: US & Canada ●
- Water & Wastewater Infrastructure*
- Europe ●
- China ●
- Middle East ●
- Rest of World ●

CASH FLOW & BALANCE SHEET



- (1) Net Debt Leverage is defined as the ratio of total debt less cash to pro forma LTM Adjusted EBITDA.
- (2) Free Cash Flow is defined as Cash from Operations less Capital Expenditures, and is a 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 2, 2017.
- (3) Total Debt includes a New Market Tax Credit Receivable (\$28), which is more than offset by an associated payable (\$37) that is also included in Total Debt in all periods presented.
- (4) Liquidity is defined as cash and cash equivalents plus available borrowing capacity.

APPENDIX

FISCAL YEAR 2018 OUTLOOK

Core sales % growth ⁽¹⁾	+ Low Single Digit
Adjusted EBITDA ⁽¹⁾	\$365 - \$385 million
Free Cash Flow ⁽¹⁾	> Net Income
Depreciation & Amortization ⁽²⁾	\$ 88 million
Interest Expense (LIBOR ≤ 1.5%)	\$ 85 million
Effective Tax Rate ⁽³⁾	~ 32%
Capital Expenditures	2% to 2.5% of sales

(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 2, 2017.

(2) Excludes an estimated \$1 million of accelerated depreciation related to supply chain optimization and footprint repositioning initiatives.

(3) As applied to calculation of Adjusted Net Income.

1Q FY18 NON-GAAP ADJUSTMENTS AFTER TAX

Adjustment Type (\$ millions)	Pretax Adjustment	Income Tax Provision ⁽³⁾	Impact on Adjusted Net Income ⁽⁴⁾
Restructuring & Related ⁽¹⁾			
Restructuring & Other Similar Charges	\$ 2.7	(\$ 1.0)	\$ 1.7
SCOFR Initiatives	1.0	(0.4)	0.6
Other, net ⁽²⁾	0.4	(0.1)	0.3
Amortization of Intangible Assets	8.2	(3.0)	5.2
Totals	\$ 12.3	(\$ 4.5)	\$ 7.8

(1) Restructuring & Related includes restructuring expenses and \$1.0 million of accelerated depreciation associated with our Supply Chain Optimization & Footprint Repositioning initiatives.

(2) Other, net includes the net impact of foreign currency transactions, sale of long-lived assets, and other miscellaneous expenses.

(3) The tax rates used to calculate adjusted net income are based on a transaction-specific basis at the applicable jurisdictional rate.

(4) 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 2, 2017.

IF-CONVERTED INCREMENTAL SHARES

Use If-Converted Method to calculate diluted EPS, **Only If Dilutive**

- 1) Do not deduct preferred dividend from net income
- 2) Add indicated incremental shares to diluted share count

Average Common Stock Price	Incremental Shares from Conversion (millions)
< \$ 20.99	19.18
\$ 20.99	19.18
21	19.17
22	18.30
23	17.50
24	16.77
25	16.10
25.19	15.98
> \$ 25.19	15.98

Mandatory Convertible Preferred Details

Offering Size (\$millions)	\$ 402.5
Dividend Rate	5.75%
Annual Dividend (\$millions)	\$ 23.1
Mandatory Conversion Date	11/15/2019

CALCULATING 1Q FY18 DILUTED ADJUSTED EPS

(\$ millions, except per-share amounts)

**First
Quarter
Ended
June 30, 2017**

Base Methodology

Adjusted Net Income \$ 28.5

Weighted-Average Number of Shares: Diluted (thousands) 105,232

Earnings Per Share: Diluted (Base Method) **\$ 0.27**

If-Converted Methodology

Adjusted Net Income \$ 28.5

Add Back Dividends 5.8

Adjusted Net Income Attributable to Rexnord Common Shareholders \$ 34.3

Weighted-Average Number of Shares: Diluted (thousands) 105,232

Add Adjustment for Conversion of Preferred Stock into Common Stock (thousands) 17,300

Adjusted Weighted-Average Shares: Diluted (thousands) 122,532

Earnings Per Share: Diluted (If-Converted Method) **\$ 0.28**

RECONCILIATION OF ADJUSTED EBITDA

(\$ millions)

	First Quarter Ended	
	June 30, 2017	June 30, 2016
Adjusted EBITDA		
Net income attributable to Rexnord common shareholders	\$ 20.7	\$ 18.9
Dividends on preferred stock	5.8	-
Income tax provision (benefit)	8.2	(5.9)
Other expense, net ⁽¹⁾	0.5	1.9
Interest expense, net	20.0	23.7
Income from operations	<u>\$ 55.2</u>	<u>\$ 38.6</u>
Adjustments		
Depreciation and amortization	\$ 22.5	\$ 29.0
Restructuring and other similar charges	2.7	5.6
Acquisition-related fair value adjustment	-	1.0
Stock-based compensation expense	5.4	2.3
Impact of RHF product line exit ⁽²⁾	-	2.6
Last-in first-out inventory adjustments	0.3	(0.1)
Other, net ⁽¹⁾	(0.1)	-
Subtotal of adjustments	<u>30.8</u>	<u>40.4</u>
Adjusted EBITDA	<u>\$ 86.0</u>	<u>\$ 79.0</u>

(1) Includes the impact of foreign currency transactions, sale of long-lived assets, and other miscellaneous expenses. See "Management Discussion and Analysis of Financial Condition and Results of Operations" in the Company's Form 10-Q for the quarter ended June 30, 2017 for further information.

(2) During fiscal 2016, the Company announced its decision to exit the RHF flow control gate product line within its Water Management platform. The operating loss (excluding restructuring and other similar charges) is not included in Adjusted EBITDA in accordance with our credit agreement.

RECONCILIATION OF ADJUSTED NET INCOME

(\$ millions)

	First Quarter Ended	
	June 30, 2017	June 30, 2016
Adjusted Net Income and Earnings Per Share		
Net income attributable to Rexnord common shareholders	\$ 20.7	\$ 18.9
Supply chain optimization and footprint repositioning initiatives ⁽¹⁾	1.0	0.6
Impact of RHF product line exit ⁽²⁾	-	2.9
Restructuring and other similar charges	2.7	5.6
Acquisition-related fair value adjustment	-	1.0
Amortization of intangible assets	8.2	14.6
Other, net ⁽³⁾	0.4	1.9
Tax effect on above items	(4.5)	(9.4)
Adjusted net income	\$ 28.5	\$ 36.1
GAAP diluted net income (loss) per share attributable to Rexnord common shareholders	\$ 0.20	\$ 0.18
Adjusted earnings per share - diluted	\$ 0.27	\$ 0.35
GAAP diluted weighted-average shares	105,232	104,176

(1) Represents accelerated depreciation and other non-cash expenses associated with our strategic supply chain optimization and footprint repositioning initiatives.

(2) During fiscal 2016, the Company announced its decision to exit the RHF flow control gate product line within its Water Management platform. To enhance comparability between historical periods, the pre-tax loss of the RHF product line exit has been excluded from our fiscal 2017 Adjusted earnings per share.

(3) Includes the impact of foreign currency transactions, sale of long-lived assets, and other miscellaneous expenses. See "Management Discussion and Analysis of Financial Condition and Results of Operations" in the Company's Form 10-Q for the quarter ended June 30, 2017 for further information.