



REXNORD
Third Quarter 2014
Earnings Release

January 28, 2014

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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 Tuesday, January 28, 2014, as well as in our filings with the Securities and Exchange Commission.

- Solid Q3 operating performance
 - Core sales growth +4%
 - Adjusted operating income +9% ... 35% incremental margin
 - Adjusted EBITDA margin of 20% ... +50 bps year over year improvement
 - Adjusted EPS +79% year over year to \$0.34
- Water Management growth accelerating as expected
 - +12% core growth ... strong momentum in both Zurn and VAG
 - +36% growth in adjusted operating income ... +160 bps year over year margin improvement
- Process & Motion Control end markets stable/improving
 - Strong margin performance with outstanding free cash flow
 - Acquired Precision Gear Holdings ... expanding our position in aerospace and energy end markets



Fiscal 2014 Outlook



\$ in Millions

Rexnord Corporation	
	Full Year Range
Core Sales Growth	+4%
Adjusted EPS ⁽¹⁾	\$1.35 - \$1.39
Adjusted Free Cash Flow ^{(1) (2)}	> Adjusted Net Income ⁽¹⁾

Rexnord Corporation	
	Q4 Range
Sales	\$575 - \$590M
Core Sales Growth	~+6%
Adjusted EPS ⁽¹⁾	\$0.46 - \$0.50

Key Assumptions	
Interest Expense w/LIBOR \leq 1%	~\$110M
Depreciation and Amortization	~\$110M
Stock Option /LIFO Expense	~\$10M
Effective Tax Rate	~31% - 33%
Capital Expenditures	~2.5% of sales
Fully Diluted Shares Outstanding	~101M

- (1) As defined in the Form 8-K filed with the Securities and Exchange Commission on January 28, 2014
- (2) Excludes the non-cash impact of excess tax benefits recorded in cash flow from operations in connection with stock option exercises as well as the impact of incremental cash interest in FY14 as a result of our debt refinancing

Raising our full year adjusted EPS guidance to \$1.35 to \$1.39

Q3 Income Adjustments



<i>\$ in millions (except per share amounts)</i>	Operating Income	Net Income	EPS		Operating Income	Net Income	EPS
	Q3 FY 2014				Q3 FY 2013		
As Reported	\$67.5	\$28.6	\$0.28		\$59.5	\$9.2	\$0.09
Loss on Debt Extinguishment	-	-	-		-	2.9	0.03
Stock Option Expense	1.8	1.8	0.02		1.9	1.9	0.02
Restructuring Expense	1.8	1.8	0.02		2.3	2.3	0.02
LIFO Expense	(0.2)	(0.2)	0.00		1.4	1.4	0.02
Loss from Discontinued Operations	-	-	-		-	2.2	0.02
Inventory Fair Value Adjustment	0.4	0.4	0.00		-	-	-
All Other Non-Operating	-	4.2	0.04		-	2.2	0.02
Tax Impact on Adjustments	-	(2.7)	(0.02)		-	(3.4)	(0.03)
As Adjusted	\$71.3	\$33.9	\$0.34		\$65.1	\$18.7	\$0.19

Q3 '14 Performance Summary



<i>\$ in millions</i>	Q3 '14	Q3 '13	\$ change	% change
Net sales	\$ 489	\$ 472	\$ 17	4%
- Core				4%
Adjusted Operating Income	\$ 71	\$ 65	\$ 6	9%
% of sales	14.6%	13.8%	35%	80 bps
Adjusted EBITDA ⁽¹⁾	\$ 98	\$ 92	\$ 6	7%
% of sales	20.0%	19.5%	35%	50 bps
Adjusted Net Income ⁽¹⁾	\$ 34	\$ 19	\$ 15	79%
Diluted Earnings Per Share	\$0.28	\$0.09	\$0.19	211%
Adj. Earnings Per Share ⁽¹⁾	\$0.34	\$0.19	\$0.15	79%
Free cash flow ^{(1) (2)}	\$ 72	\$ 32	\$ 40	125%

(1) As defined in the Form 8-K filed with the Securities and Exchange Commission on January 28, 2014

(2) Includes a \$1.5 million and \$2.6 million non-cash use in Q3 FY '14 and FY '13 respectively, related to excess tax benefits recorded in connection with stock option exercises

<i>\$ in millions</i>	Q3 '14	Q3 '13	\$ change	% change
Net sales	\$ 301	\$ 303	\$ (2)	-1%
- Core				-1%
Adjusted Operating Income	\$ 59	\$ 58	\$ 1	2%
% of sales	19.6%	19.0%	N/A	60 bps
Adjusted EBITDA ⁽¹⁾	\$ 76	\$ 75	\$ 1	1%
% of sales	25.3%	24.7%	N/A	60 bps

(1) As defined in the Form 8-K filed with the Securities and Exchange Commission on January 28, 2014

<i>\$ in millions</i>	Q3 '14	Q3 '13	\$ change	% change
Net sales	\$ 188	\$ 169	\$ 19	12%
- Core				12%
Adjusted Operating Income	\$ 19	\$ 14	\$ 5	36%
% of sales	10.0%	8.4%	26%	160 bps
Adjusted EBITDA ⁽¹⁾	\$ 28	\$ 24	\$ 4	17%
% of sales	15.0%	14.0%	21%	100 bps

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Strong core growth & improved margins with momentum building

Capital Structure



<i>\$ in millions</i>	12/28/13	9/28/13	3/31/13
Cash	\$193	\$206	\$524
Revolver Borrowings	\$0	\$0	\$0
A/R Facility Borrowings	\$0	\$0	\$0
Term Debt	\$1,931	\$1,931	\$935
Senior Debt	\$1	\$2	\$1,147
Other Debt ⁽¹⁾	\$18	\$25	\$22
Total Debt	\$1,950	\$1,958	\$2,104
Total Net Debt	\$1,757	\$1,752	\$1,580
Net Debt Leverage Ratio ⁽²⁾	4.2X	4.3X	3.9X
Total Liquidity	\$529	\$530	\$849

(1) Other Debt includes a \$28M New Market Tax Credit Receivable, this Receivable offsets a \$37M 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

Expecting to finish the fiscal year at net debt leverage ratio of 3.9x