



**REXNORD**  
**Second Quarter 2014**  
**Earnings Release**

**October 24, 2013**

***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.

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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 Thursday, October 24, 2013, as well as in our filings with the Securities and Exchange Commission.***

# Q2 Situation Analysis

REXNORD

- Q2 results ahead of expectations
  - Core sales growth +3%
  - Adjusted operating income +7% ... 31% incremental margin
  - Adjusted EBITDA margin of 20%
  - Adjusted EPS +29% year over year to \$0.31
- Q2 debt refinance improves annualized free cash flow by approximately \$48 million ... \$0.30 of annualized EPS accretion
- Water Management core sales growth of +6% ... Process & Motion Control core sales growth of +1% ... sequential margin expansion in both segments
- Completed two tuck-in acquisitions in growing businesses of Zurn and Aerospace ... funnel remains solid
- Raising full year adjusted earnings per share guidance to \$1.32 - \$1.38



# Q2 Income Adjustments



<i>\$ in millions (except per share amounts)</i>	<b>Operating Income</b>	<b>Net Income</b>	<b>EPS</b>		<b>Operating Income</b>	<b>Net Income</b>	<b>EPS</b>
	<b>Q2 FY 2014</b>				<b>Q2 FY 2013</b>		
<b>As Reported</b>	\$72.6	\$(52.5)	\$(0.54)		\$66.1	\$19.2	\$0.19
Loss on Debt Extinguishment	-	129.2	1.29		-	-	-
Stock Option Expense	2.0	2.0	0.02		1.9	1.9	0.02
Restructuring Expense	1.2	1.2	0.01		2.4	2.4	0.02
LIFO Expense	0.5	0.5	0.01		1.2	1.2	0.01
Loss from Discontinued Operations	-	-	-		-	1.1	0.01
All Other Non-Operating	-	(0.1)	0.00		-	(0.2)	0.00
Tax Impact on Adjustments	-	(49.6)	(0.48)		-	(1.5)	(0.01)
<b>As Adjusted</b>	\$76.3	\$30.7	\$0.31		\$71.6	\$24.1	\$0.24

# Q2 '14 Performance Summary



<i>\$ in millions</i>	Q2 '14	Q2 '13	\$ change	% change
Net sales	\$ 515	\$ 500	\$ 15	+3%
- Core				+3%
Adjusted Operating Income	\$ 76	\$ 72	\$ 4	+7%
% of sales	14.8%	14.3%	31%	+50 bps
Adjusted EBITDA <sup>(1)</sup>	\$ 103	\$ 101	\$ 2	+2%
% of sales	20.0%	20.1%	15%	-10 bps
Adjusted Net Income <sup>(1)</sup>	\$ 31	\$ 24	\$ 7	+27%
Diluted Earnings Per Share	\$(0.52)	\$0.19	\$(0.71)	N/A
Adj. Earnings Per Share <sup>(1)</sup>	\$0.31	\$0.24	\$0.07	+29%
Free cash flow <sup>(1) (2)</sup>	\$ 25	\$ 28	\$ (3)	-12%

(1) As defined in the Form 8-K filed with the Securities and Exchange Commission on October 24, 2013

(2) Q2 FY '14 includes \$27 million of incremental cash interest payments primarily due to the debt refinancing. Includes a \$1.9 million and \$7.0 million non-cash use in Q2 FY '14 and FY '13 respectively, related to excess tax benefits recorded in connection with stock option exercises

# Process & Motion Control



<i>\$ in millions</i>	Q2 '14	Q2 '13	\$ change	% change
Net sales	\$ 312	\$ 309	\$ 3	+1%
- Core				+1%
Adjusted Operating Income	\$ 61	\$ 60	\$ 1	+2%
% of sales	19.5%	19.3%	41%	+20 bps
Adjusted EBITDA <sup>(1)</sup>	\$ 78	\$ 78	\$ -	N/A
% of sales	24.9%	25.1%	N/A	-20 bps

(1) As defined in the Form 8-K filed with the Securities and Exchange Commission on October 24, 2013

*Strong margin performance ... stable end-markets*

# Water Management



<i>\$ in millions</i>	Q2 '14	Q2 '13	\$ change	% change
Net sales	\$ 203	\$ 190	\$ 13	+7%
- Core				+6%
- Currency				+1%
Adjusted Operating Income	\$ 23	\$ 20	\$ 3	+15%
% of sales	11.1%	10.3%	23%	+80 bps
Adjusted EBITDA <sup>(1)</sup>	\$ 32	\$ 31	\$ 1	+3%
% of sales	15.8%	16.0%	8%	-20 bps

(1) As defined in the Form 8-K filed with the Securities and Exchange Commission on October 24, 2013

**7% sales growth and 15% growth in adjusted operating income**



# Capital Structure



<i>\$ in millions</i>	<b>9/28/13</b>	<b>6/29/13</b>	<b>3/31/13</b>
Cash	\$206	\$335	\$524
Revolver Borrowings	\$0	\$0	\$0
A/R Facility Borrowings	\$0	\$0	\$0
Term Debt	\$1,931	\$784	\$935
Senior Debt	\$2	\$1,147	\$1,147
Other Debt <sup>(1)</sup>	\$25	\$27	\$22
<b>Total Debt</b>	<b>\$1,958</b>	<b>\$1,958</b>	<b>\$2,104</b>
<b>Total Net Debt</b>	<b>\$1,752</b>	<b>\$1,623</b>	<b>\$1,580</b>
<b>Net Debt Leverage Ratio <sup>(2)</sup></b>	<b>4.3X</b>	<b>4.0X</b>	<b>3.9X</b>
<b>Total Liquidity</b>	<b>\$530</b>	<b>\$657</b>	<b>\$849</b>

(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

# Fiscal 2014 Outlook

\$ in Millions



<b>Rexnord Corporation</b>	<b>Full Year Range</b>
Core Sales Growth	+3% to +4%
Adjusted EPS <sup>(1)</sup>	\$1.32 - \$1.38
Adjusted Free Cash Flow <sup>(1) (2)</sup>	> Adjusted Net Income <sup>(1)</sup>

<b>Rexnord Corporation</b>	<b>Q3 Range</b>
Sales	\$495 - \$505M
Core Sales Growth	+3% to +5%
Adjusted EPS <sup>(1)</sup>	\$0.29 - \$0.32

## Key Assumptions

Interest Expense w/LIBOR $\leq$ 1%	~\$110M
Depreciation and Amortization	~\$110M
Stock Option /LIFO Expense	~\$13M
Effective Tax Rate	~31% - 33%
Capital Expenditures	~3.0% of sales
USD per Euro	\$1.30
USD per CAN\$	\$1.00
Fully Diluted Shares Outstanding	~101 M

- (1) As defined in the Form 8-K filed with the Securities and Exchange Commission on October 24, 2013
- (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