

**FIRST QUARTER  
FISCAL YEAR 2019  
FINANCIAL RESULTS**

July 31, 2018

## **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 July 30, 2018, 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

- 1Q net sales increase +14% year over year, core sales<sup>(1)</sup> growth +4%
- Adjusted EBITDA<sup>(1)</sup> increases 23% year over year to \$105 million

## Process & Motion Control

- Net sales increase +16% year over year, core growth +3%
- Adjusted EBITDA margin expands by 180 bps year over year

## Water Management

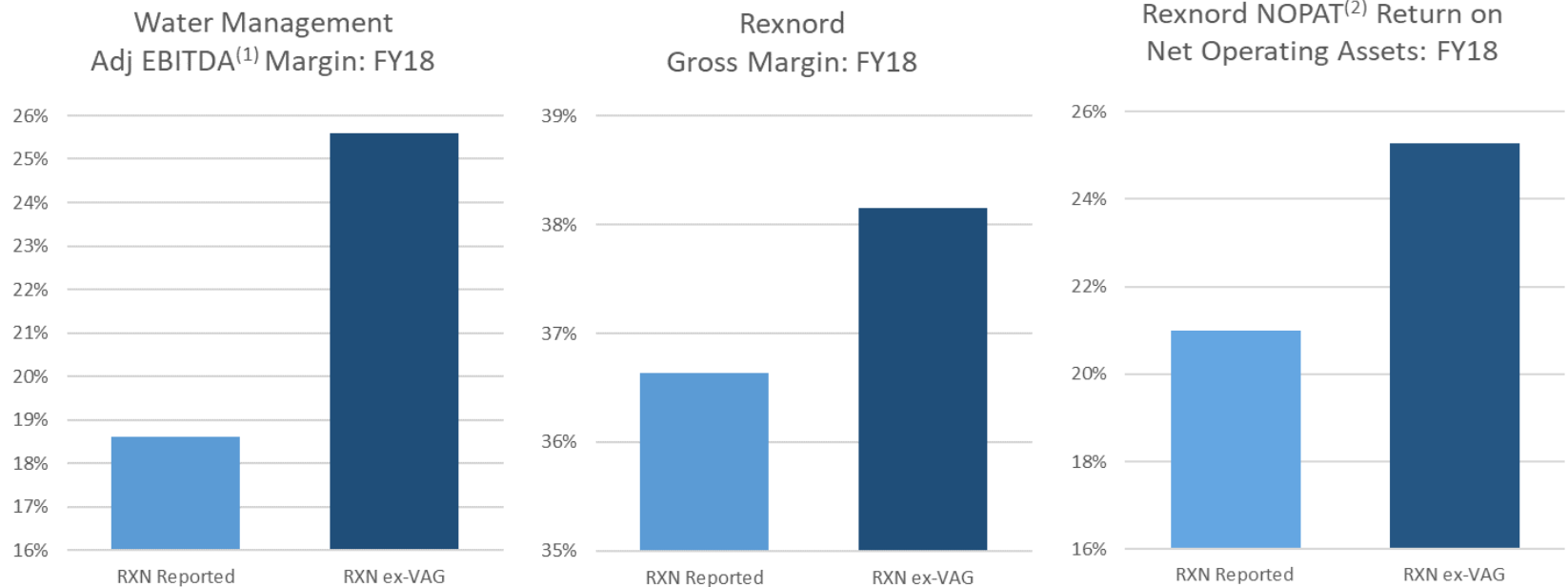
- Net sales increase +10% year over year, core growth +7%
- Adjusted EBITDA margin expands by 100 bps year over year
- VAG accounted for as Discontinued Operations

## Cash Flow & Balance Sheet

- Net debt leverage ratio<sup>(1)</sup> stable at 2.7x

(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 July 30, 2018.

# STRONGER FINANCIALS REVEALED



source: Company reports, Rexnord estimates. Note: RXN Reported = FY18 financial results as filed May 14, 2018.

- (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 July 30, 2018.
- (2) NOPAT = Adjusted Net Operating Profit After Tax pro forma for World Dryer and Centa acquisitions. Net operating assets = Trade Receivables + Inventories – Accounts Payable + Net Property Plant & Equipment.

## RBS SPOTLIGHT

**May-18 Shingijutsu Kaizen**

Mar-18 Record Production

Oct-17 Full Production

Sep-17 Transfer Complete

Jan-17 McAllen Start-Up

Mar-16 1st Production Parts

Feb-16 1<sup>st</sup> Production Line Moved

Dec-15 Initial Occupancy

Jul-15 Construction Begins

**May-15 1<sup>st</sup> Monterrey Hire**

Apr-15 SCOFr Launch

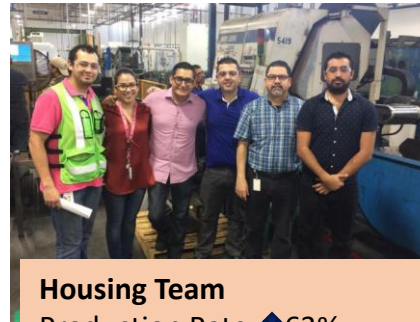


Town Hall Meeting

Monterrey Bearings Operations

- 500+ Employees
- 25k+ Parts per Week
- FY18 #CI posts = 211

### Monterrey Kaizen Event

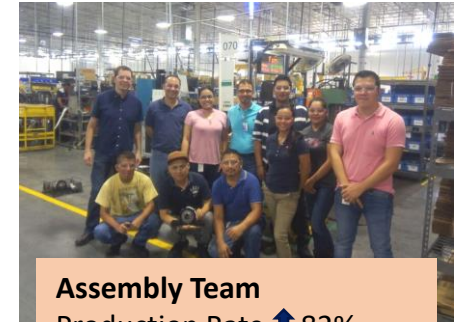


#### Housing Team

Production Rate ↑63%

Set-Up Time ↓61%

WIP ↓100%



#### Assembly Team

Production Rate ↑82%

Lead-Time ↓94%

WIP ↓93%



#### Bronze & Babbit Team

Production Rate ↑330%

WIP ↓60%

Floor Space ↓23%



#### Grinding Team

Production Rate ↑23%

Set-Up Time ↓45%

Total Annualized Savings \$778k

# FINANCIAL UPDATE

## First Quarter Fiscal Year 2019

- Adjusted EBITDA<sup>(1)</sup> of \$105 million increased 23% year over year
- Net sales increased 14% year over year
  - World Dryer, Centa acquisitions increased sales by 8%
  - Foreign currency translation increased sales by 2%
- Core sales<sup>(1)</sup> increased 4% year over year
- Loss Per Share of (\$0.06), including \$43-million Loss from Discontinued Operations (includes a \$44-million intangible asset impairment charge)
- Adjusted EPS<sup>(1)</sup> of \$0.41

(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 July 30, 2018.

# FISCAL YEAR 2019 OUTLOOK

## Fiscal Year 2019 Outlook

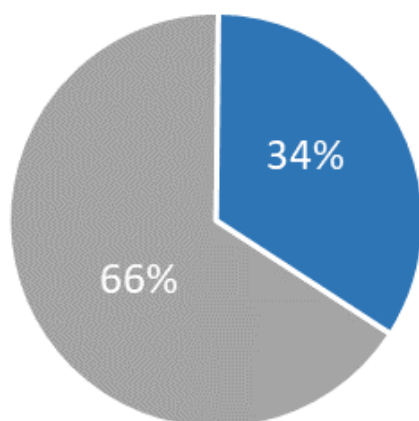
- Core sales growth<sup>(1)</sup> in mid-single-digit percentage range<sup>(2)</sup>
- Adjusted EBITDA<sup>(1)</sup> in \$425 - \$440 million range<sup>(2)</sup>
- Free cash flow<sup>(1)</sup> to exceed net income<sup>(2)</sup>
- Outlook continues to reflect Continuing Operations only

(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 July 30, 2018.

(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 FY19 SUMMARY

1Q FY19 Net Sales



- Process & Motion Control
- Water Management

|                                  | 1Q FY19 | 1Q FY18 | Change  |
|----------------------------------|---------|---------|---------|
| Net Sales <sup>(1)</sup>         | \$504   | \$443   | 14%     |
| <i>Growth from:</i>              |         |         |         |
| Core                             |         |         | 4%      |
| Acquisitions                     |         |         | 8%      |
| Translation                      |         |         | 2%      |
| Adjusted EBITDA <sup>(1,2)</sup> | \$105   | \$85    | 23%     |
| % of Sales                       | 20.8%   | 19.2%   | 160 bps |

(1) 1Q FY19 and 1Q FY18 results reflect reclassification of VAG as Discontinued Operations.

(2) 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 July 30, 2018.

# PROCESS & MOTION CONTROL

|                                | 1Q FY19 | 1Q FY18 | Change  |
|--------------------------------|---------|---------|---------|
| Net Sales                      | \$332   | \$288   | 16%     |
| <i>Growth from:</i>            |         |         |         |
| Core                           |         |         | 3%      |
| Acquisitions                   |         |         | 11%     |
| Translation                    |         |         | 2%      |
| Adjusted EBITDA <sup>(1)</sup> | \$72    | \$57    | 26%     |
| % of Sales                     | 21.5%   | 19.7%   | 180 bps |

## End-Market Outlook Assumed in Guidance

Industrial Distribution

    US & Canada

    Europe

    Rest of World

Food & Beverage: Global

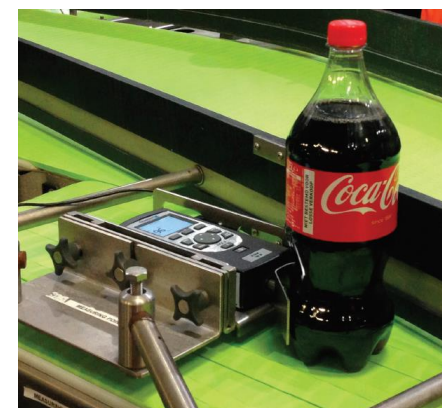
Commercial Aerospace: Global

Process Industries: Global



- Net sales growth was 16% year over year
- Core growth was 3% year over year
- Aerospace timing to shift 150-200 bps growth to 2Q
- Adjusted EBITDA margin increased by 180 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 July 30, 2018.



**Dry-PT  
Flattop  
Chain**

# WATER MANAGEMENT

|                                  | 1Q FY19 | 1Q FY18 | Change  |
|----------------------------------|---------|---------|---------|
| Net Sales <sup>(1)</sup>         | \$171   | \$156   | 10%     |
| <i>Growth from:</i>              |         |         |         |
| Core                             |         |         | 7%      |
| Acquisitions                     |         |         | 3%      |
| Translation                      |         |         | 0%      |
| Adjusted EBITDA <sup>(1,2)</sup> | \$43    | \$38    | 15%     |
| % of Sales                       | 25.4%   | 24.4%   | 100 bps |

## End-Market Outlook Assumed in Guidance

Nonresidential Construction: US & Canada

    Commercial & Industrial

    Institutional

Residential Construction: US & Canada



- Net sales growth was 10% year over year
- Core growth sustained at 7% year over year
- Adjusted EBITDA margin increases by 100 bps

**inSpec** | POWERED BY ZURN

(1) 1Q FY19 and 1Q FY18 results reflect reclassification of VAG as Discontinued Operations.

(2) 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 July 30, 2018

# OVERCOMING INPUT COST INFLATION



## Responsive business model

- Modest contribution to customer's system cost
- Pricing flexibility supported by brand positioning
- Swift implementation – direct and through distribution
- DPAT orientation – mostly components, little raw materials



## Established global supply chain capabilities

- Alternative sourcing options
- Diversified by supplier, country of origin



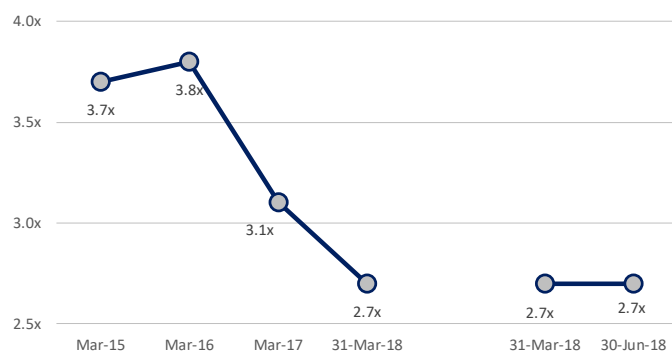
## Engineering alternatives

- Alternative materials
- Value Add / Value Engineering

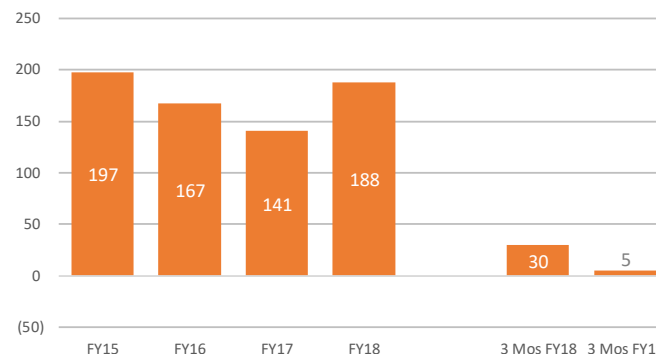
**Objective = Preserve Targeted Margin Expansion**

# CASH FLOW & BALANCE SHEET

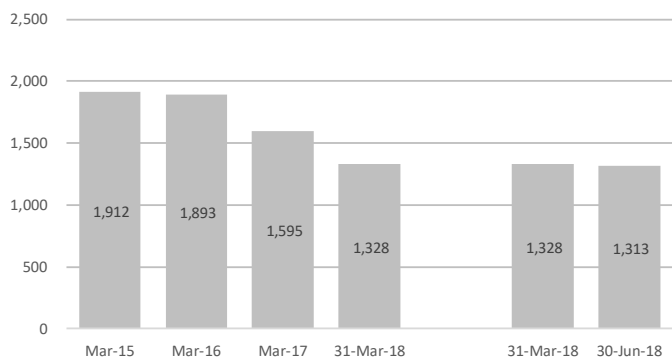
Net Debt Leverage Ratio <sup>(1)</sup>



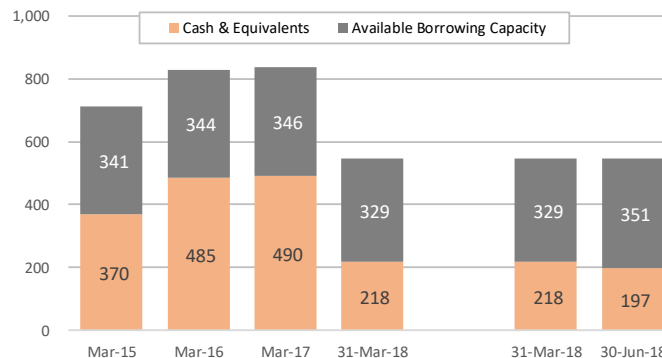
Free Cash Flow (\$ millions) <sup>(2)</sup>



Total Debt (\$ millions) <sup>(3)</sup>



Total Liquidity (\$ millions) <sup>(4)</sup>



- (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 July 30, 2018.
- (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 2019 OUTLOOK

|                                            |                       |
|--------------------------------------------|-----------------------|
| Core sales % growth <sup>(1)</sup>         | + Mid Single Digit    |
| Adjusted EBITDA <sup>(1)</sup>             | \$425 - \$440 million |
| Free Cash Flow <sup>(1)</sup>              | > Net Income          |
| Depreciation & Amortization <sup>(2)</sup> | ~ \$ 86 million       |
| Interest Expense (LIBOR ≤ 2%)              | ~ \$ 73 million       |
| Effective Tax Rate <sup>(3)</sup>          | ~ 29%                 |
| Capital Expenditures                       | ~ 2.2% 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 July 30, 2018.

(2) Excludes \$4 million of accelerated depreciation related to supply chain optimization and footprint repositioning actions which is excluded from Adjusted Net Income.

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

# 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<br>Stock Price | Incremental Shares<br>from Conversion<br>(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 FY19 DILUTED ADJUSTED EPS

(\$ millions, except per-share amounts)

First  
Quarter  
Ended

6/30/2018

## Base Methodology

|                                                                          |           |             |
|--------------------------------------------------------------------------|-----------|-------------|
| Adjusted Net Income <sup>(1)</sup>                                       | \$        | 44.3        |
| Weighted-Average Number of Shares: Diluted (thousands)                   |           | 107,142     |
| <b>Adjusted Earnings Per Share: Diluted (Base Method) <sup>(1)</sup></b> | <b>\$</b> | <b>0.41</b> |

## If-Converted Methodology

|                                                                                  |           |             |
|----------------------------------------------------------------------------------|-----------|-------------|
| Adjusted Net Income                                                              | \$        | 44.3        |
| Add Back Dividends                                                               |           | 5.8         |
| Adjusted Net Income Attributable to Rexnord Common Stockholders                  | \$        | 50.1        |
| Weighted-Average Number of Shares: Diluted (thousands)                           |           | 107,142     |
| Add Adjustment for Conversion of Preferred Stock into Common Stock (thousands)   |           | 15,980      |
| Adjusted Weighted-Average Shares: Diluted (thousands)                            |           | 123,122     |
| <b>Adjusted Earnings Per Share: Diluted (If-Converted Method) <sup>(1)</sup></b> | <b>\$</b> | <b>0.41</b> |

(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 July 30, 2018.

# 1Q FY19 NON-GAAP ADJUSTMENTS AFTER TAX

| Adjustment Type (\$ millions)         | Pretax<br>Adjustment | Income<br>Tax<br>Provision <sup>(2)</sup> | Impact on<br>Adjusted<br>Net Income <sup>(3)</sup> |
|---------------------------------------|----------------------|-------------------------------------------|----------------------------------------------------|
| Restructuring & Other Similar Charges | \$ 3.1               | \$ (0.8)                                  | \$ 2.3                                             |
| Non-controlling interest income       | 0.1                  | -                                         | 0.1                                                |
| Amortization of Intangible Assets     | 8.5                  | (2.1)                                     | 6.4                                                |
| Accelerated Depreciation              | 1.3                  | (0.3)                                     | 1.0                                                |
| Purchase Accounting FV Adjustment     | 1.6                  | (0.5)                                     | 1.1                                                |
| Other, net <sup>(1)</sup>             | (1.8)                | 0.4                                       | (1.4)                                              |
| Loss from discontinued operations     | 42.8                 | -                                         | 42.8                                               |
| Equity method investment income       | (1.5)                | -                                         | (1.5)                                              |
| Dividends on Preferred Stock          | 5.8                  | -                                         | 5.8                                                |
| Total Adjustments                     | <u>\$ 59.9</u>       | <u>\$ (3.3)</u>                           | <u>\$ 56.6</u>                                     |

(1) Other, net includes the impact of foreign currency transactions, pension & OPEB other income, and other miscellaneous expenses.

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

(3) 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 July 30, 2018.

# RECONCILIATION OF ADJUSTED EBITDA

(\$ millions)

## Adjusted EBITDA <sup>(1)</sup>

Net (loss) income attributable to Rexnord common stockholders

Dividends on preferred stock

Non-controlling interest income

Loss from discontinued operations

Equity method investment income

Income tax provision

Other Income, net <sup>(2)</sup>

Interest expense, net

Income from operations

## Adjustments

Depreciation and amortization

Restructuring and other similar charges

Acquisition-related fair value adjustment

Stock-based compensation expense

Last-in first-out inventory adjustments

Other, net <sup>(3)</sup>

Subtotal of adjustments

## Adjusted EBITDA

| First Quarter Ended |                |
|---------------------|----------------|
| June 30, 2018       | June 30, 2017  |
| \$ (6.5)            | \$ 20.7        |
| 5.8                 | 5.8            |
| 0.1                 | -              |
| 42.8                | 2.9            |
| (1.5)               | -              |
| 14.5                | 8.9            |
| (1.7)               | (1.0)          |
| 18.6                | 19.9           |
| <u>\$ 72.1</u>      | <u>\$ 57.2</u> |
| \$ 22.2             | \$ 20.1        |
| 3.1                 | 2.3            |
| 1.6                 | -              |
| 5.9                 | 5.3            |
| 0.2                 | 0.3            |
| (0.1)               | (0.1)          |
| <u>32.9</u>         | <u>27.9</u>    |
| <u>\$ 105.0</u>     | <u>\$ 85.1</u> |

(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 July 30, 2018.

(2) Other income, net for the periods indicated, consists primarily of gains and losses from foreign currency transactions and the non-service cost components of net periodic benefit credits associated with our defined benefit plans. 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, 2018 for further information.

(3) Other, net includes the impact of gain or loss on sale of long-lived assets. 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, 2018 for further information.

# RECONCILIATION OF ADJUSTED NET INCOME

(\$ millions)

| Adjusted Net Income and Earnings Per Share                                           | First Quarter Ended |                |
|--------------------------------------------------------------------------------------|---------------------|----------------|
|                                                                                      | June 30, 2018       | June 30, 2017  |
| Net (loss) income attributable to Rexnord common stockholders                        | \$ (6.5)            | \$ 20.7        |
| Non-controlling interest income                                                      | 0.1                 | -              |
| Loss on discontinued operations, net of tax                                          | 42.8                | 2.9            |
| Equity method investment income                                                      | (1.5)               | -              |
| Restructuring and other similar charges                                              | 3.1                 | 2.3            |
| Supply chain optimization and footprint repositioning initiatives <sup>(1)</sup>     | 1.3                 | 1.0            |
| Acquisition-related fair value adjustment                                            | 1.6                 | -              |
| Amortization of intangible assets                                                    | 8.5                 | 7.9            |
| Other, net <sup>(2)</sup>                                                            | (1.8)               | (1.1)          |
| Dividends on Preferred Stock                                                         | 5.8                 | -              |
| Tax effect on above items                                                            | (3.3)               | (3.5)          |
| <b>Adjusted net income <sup>(3)</sup></b>                                            | <b>\$ 50.1</b>      | <b>\$ 30.2</b> |
|                                                                                      |                     |                |
| GAAP diluted net (loss) income per share attributable to Rexnord common stockholders | \$ 0.34             | \$ 0.22        |
| Adjusted earnings per share - diluted <sup>(3)</sup>                                 | \$ 0.41             | \$ 0.29        |
|                                                                                      |                     |                |
| GAAP diluted weighted-average shares                                                 | 107,142             | 105,232        |
| Diluted weighted-average shares for Adjusted EPS calculation                         | 123,122             | 105,232        |

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

(2) Other, net includes the impact of foreign currency transactions, sale of long-lived assets, the non-service cost components of net periodic benefit credits associated with our defined benefit plans 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, 2018 for further information.

(3) 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 July 30, 2018.