



REXNORD

**FOURTH QUARTER
FISCAL YEAR 2019
FINANCIAL RESULTS**

May 9, 2019

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 May 8, 2019, 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

- 4Q net sales increase +4% year over year, Adjusted EBITDA⁽¹⁾ up 6% to \$120 million
- Launching third phase of SCOFR structural cost reductions, targets \$20 million annual savings

Process & Motion Control

- 4Q net sales increase +3% year over year, core growth +3%
- Centa sustaining sequential momentum in margin expansion with revenue, backlog growth

Water Management

- 4Q net sales increase +5% year over year, core growth +5%
- Adverse weather creates an estimated 200-300 bps headwind to 4Q sales growth

Cash Flow & Balance Sheet

- Free cash flow⁽¹⁾ finishes fiscal 2019 at record \$213 million, expect growth in fiscal 2020
- Net debt leverage ratio⁽¹⁾ decreases to 2.1x

(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 May 8, 2019.

SCOFR 3.0

Third phase of **S**upply **C**hain **O**ptimization & **F**ootprint **R**epositioning initiatives

- Investing to reduce fixed costs, enhance productivity, and improve free cash flow
 - ✓ \$20 million estimated total annual structural cost reductions by FY22
 - ✓ \$35 million total investment includes <\$10 million of capital expenditures
 - ✓ FY21 targeted completion
- Leveraging 8020 simplification to simplify execution and amplify impact

Second phase of SCOFR initiatives completed in 4QFY19

- ✓ Delivers \$15 million of annualized structural cost reductions in FY20

First phase of SCOFR initiatives completed in 2QFY18

- ✓ Delivered \$25 million of annualized structural cost reductions in FY18/FY19

STRATEGIC POSITIONING

Free Cash Flow
Expansion &
Leverage Reduction

Supply Chain
Optimization
& Footprint
Repositioning

Through-Cycle
Financial Performance

Tariff Mitigation
& Margin Expansion

STRATEGIC RESULTS

Free cash flow +14% to
record \$213 mm
\$100 mm debt decline
Leverage ratio to 2.1x

Completed SCOFR 2.0
with \$15 mm savings
Launched SCOFR 3.0 to
deliver \$20 mm

Consistently delivering
positive core growth
>\$250 mm growth
initiatives at run rate

Delivered 70 bps
margin expansion
Advanced Centa
margin by ~500 bps

FINANCIAL UPDATE

Fourth Quarter Fiscal Year 2019

- Adjusted EBITDA⁽¹⁾ of \$120 million increased 6% year over year
- Net sales increased 4% year over year
 - Centa acquisition increased sales by 2%
 - Foreign currency translation decreased sales by (2%)
- Core sales⁽¹⁾ increased 4% year over year
- Earnings Per Share from Continuing Operations of \$0.39
- Adjusted EPS⁽¹⁾ of \$0.51

Fiscal Year 2019

- Adjusted EBITDA of \$443 million increased 15% year over year
- Net sales increased 11% year over year
- Core sales increased 6% year over year
- Earnings Per Share from Continuing Operations of \$1.53
- Adjusted EPS of \$1.85

(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 May 8, 2019.

INITIATING FISCAL YEAR 2020 OUTLOOK

Fiscal Year 2020 Outlook

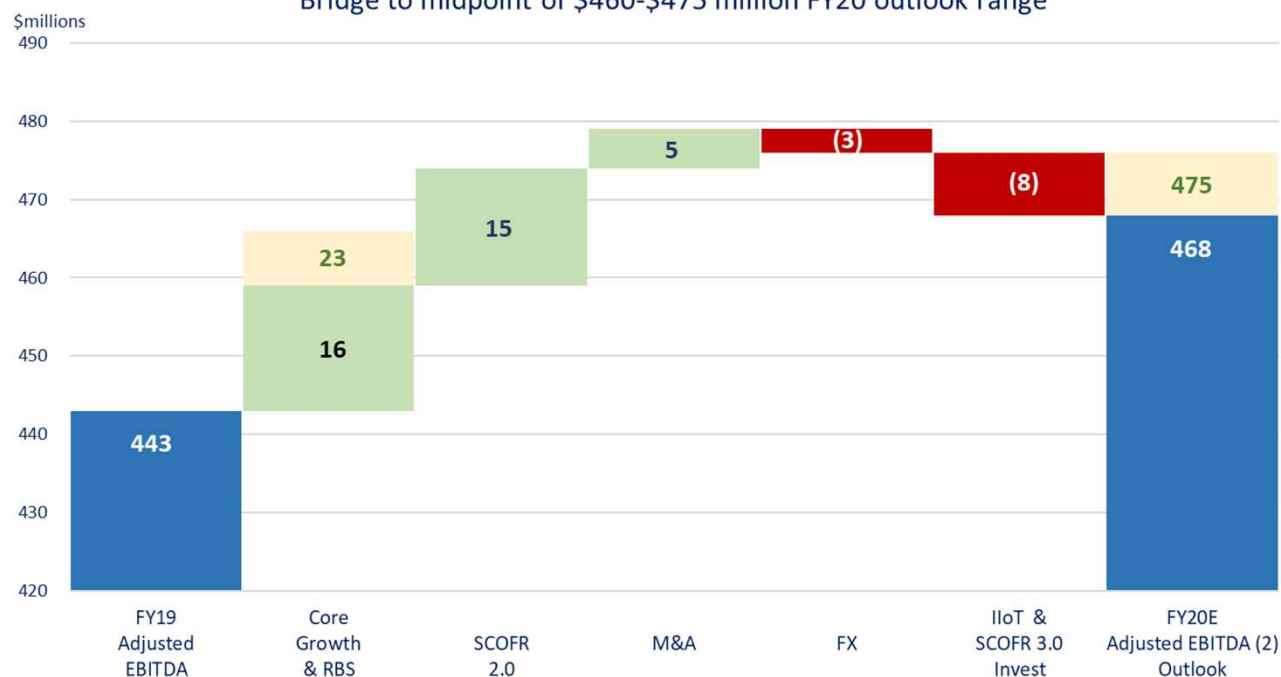
- Core sales growth⁽¹⁾ in low single-digit percentage range⁽²⁾, net of 8020 PLS impact
 - 8020 PLS (product line simplification) to be 150-200 bps headwind
- Adjusted EBITDA⁽¹⁾ in \$460 - \$475 million range⁽²⁾
- Free cash flow⁽¹⁾ to exceed net income

(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 May 8, 2019.

(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.

FY20 OUTLOOK ADJUSTED EBITDA⁽¹⁾ BRIDGE

Bridge to midpoint of \$460-\$475 million FY20 outlook range



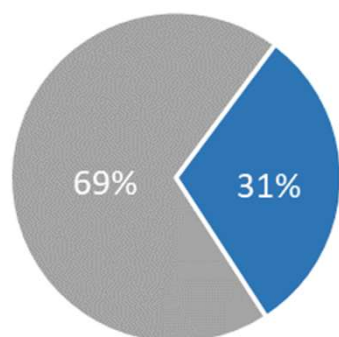
- Assumes +LSD/MSD% core revenue growth, before Simplification impact
- Simplification impact on core growth to be 150-200 bps
- Assumes no additional acquisitions
- Outlook includes total segment margin of approximately 24%

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4Q FY19 SUMMARY

4Q FY19 Net Sales



■ Process & Motion Control
■ Water Management

	4Q FY19	4Q FY18	Change
Net Sales ⁽¹⁾	\$538	\$518	4%
<i>Growth from:</i>			
Core			4%
Acquisitions			2%
Translation			(2%)
Adjusted EBITDA ^(1, 2)	\$120	\$113	6%
% of Sales	22.3%	21.8%	50 bps

(1) 4Q FY18 results reflect reclassification of VAG as Discontinued Operations as a result of the sale during 3Q FY19.

(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 May 8, 2019.

PROCESS & MOTION CONTROL

	4Q FY19	4Q FY18	Change
Net Sales	\$373	\$361	3%
<i>Growth from:</i>			
Core			3%
Acquisitions			3%
Translation			(3%)
Adjusted EBITDA ⁽¹⁾	\$90	\$85	6%
% of Sales	24.2%	23.6%	60 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 3% year over year
- Core growth was 3% year over year
- Adjusted EBITDA margin expands by 60 bps

**CT-series
Cooling Tower
Gear Drive**



**Addax Composite
Cooling Tower Coupling**



(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 May 8, 2019.

WATER MANAGEMENT

	4Q FY19	4Q FY18	Change
Net Sales ⁽¹⁾	\$165	\$157	5%
<i>Growth from:</i>			
Core			5%
Acquisitions			0%
Translation			0%
Adjusted EBITDA ^(1,2)	\$40	\$38	6%
% of Sales	24.5%	24.2%	30 bps

End-Market Outlook Assumed in Guidance

Nonresidential Construction: US & Canada

Commercial & Industrial

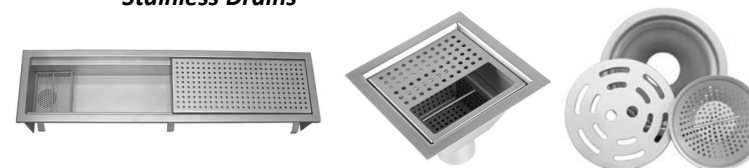
Institutional

Residential Construction: US & Canada



- Net sales growth was 5% year over year
- Core sales growth was also 5%
- Adjusted EBITDA margin increases by 30 bps

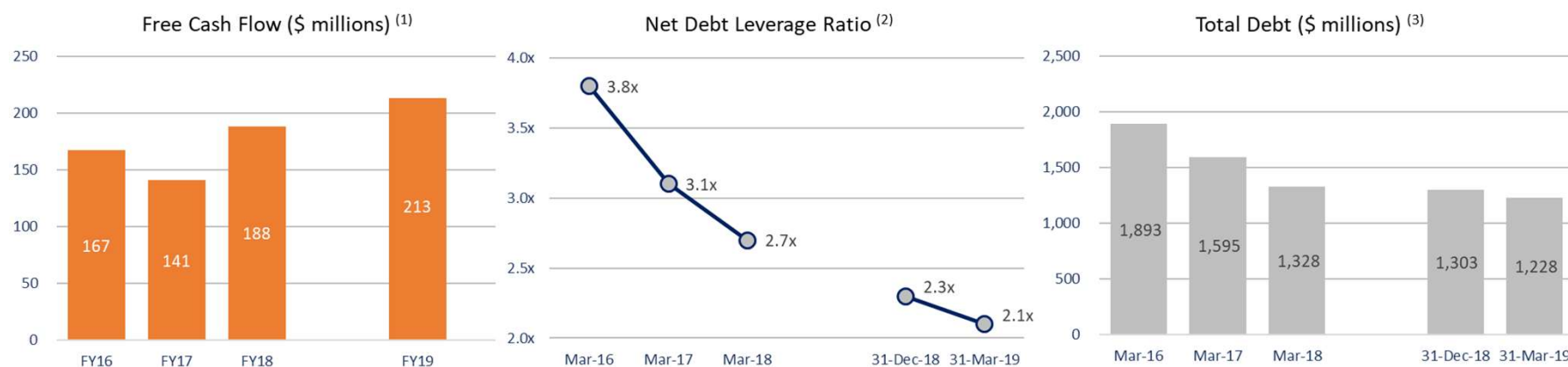
Stainless Drains



(1) 4Q FY18 results reflect reclassification of VAG as Discontinued Operations as a result of the sale during 3Q FY19.

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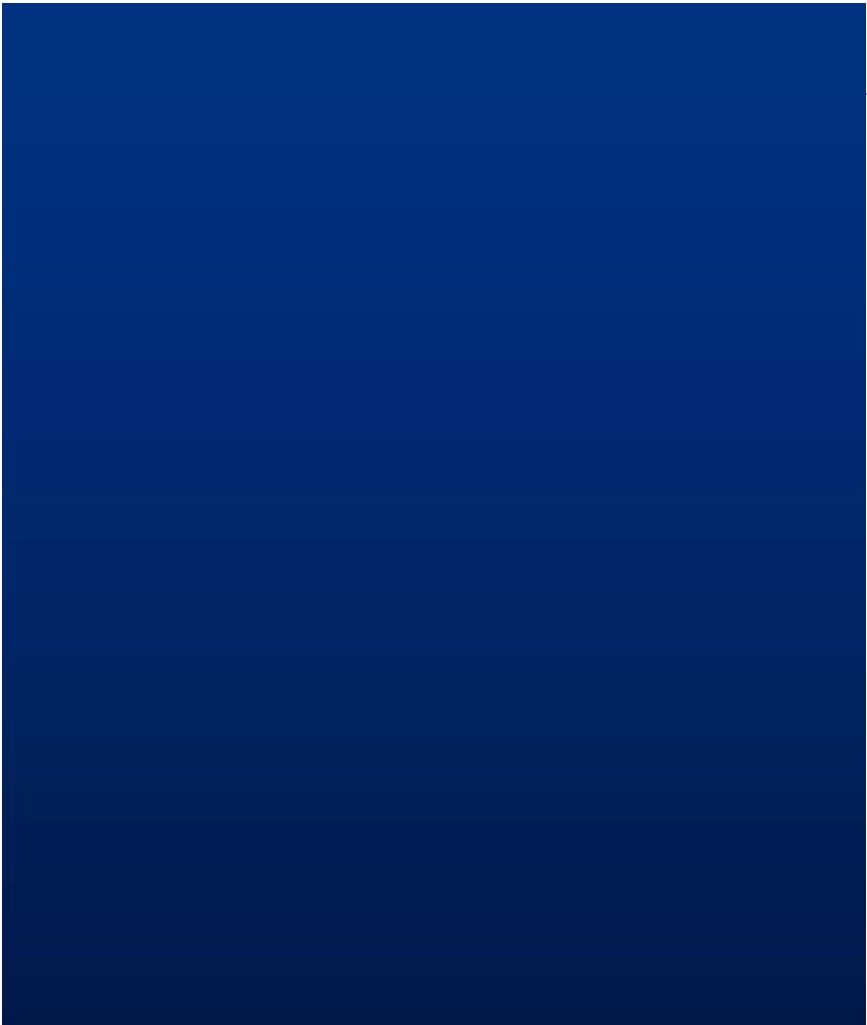
CASH FLOW & BALANCE SHEET



(1) 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 May 8, 2019.

(2) Net Debt Leverage is defined as the ratio of total debt less cash to pro forma LTM Adjusted EBITDA.

(3) Total Debt includes a New Market Tax Credit Receivable (\$10), which is more than offset by an associated payable (\$14) that is also included in Total Debt in all periods presented.



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APPENDIX

FISCAL YEAR 2020 OUTLOOK

Core sales % growth ⁽¹⁾	+ Low Single Digit (net of 150-200 bps PLS impact)
Adjusted EBITDA ⁽¹⁾	\$460 - \$475 million
Free Cash Flow ⁽¹⁾	> Net Income
Depreciation & Amortization ⁽²⁾	~ \$ 86 million
Interest Expense (LIBOR < 3%)	~ \$ 67 million
Effective Tax Rate ⁽³⁾	26% - 27%
Capital Expenditures	< 2.5% of sales (includes SCOFR 3.0)

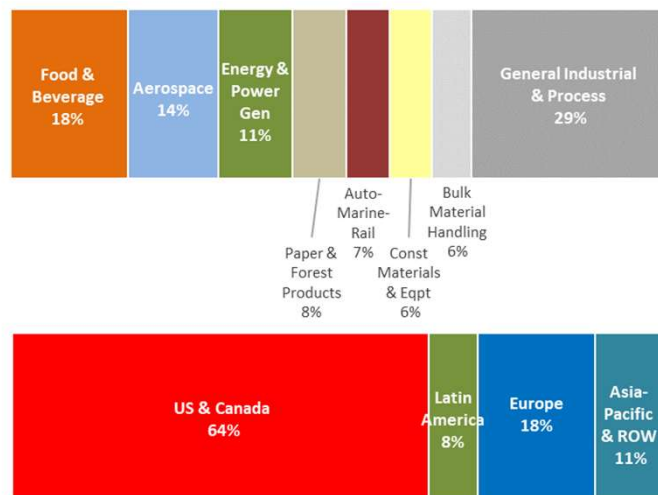
(1) Non-GAAP measure defined, reconciled, and discussed in the earnings release included in the Form 8-K filed with the Securities and Exchange Commission on May 8, 2019.

(2) Excludes an estimated \$3 million of accelerated depreciation related to supply chain optimization and footprint repositioning actions which is excluded from Adjusted Net Income.

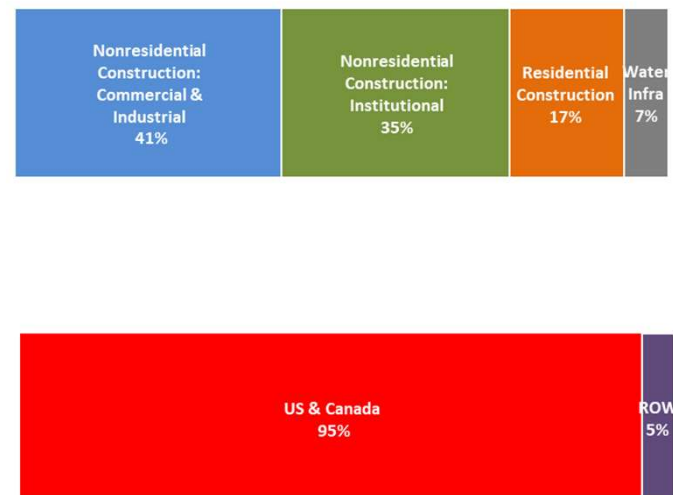
(3) As applied to calculation of Adjusted Net Income.

FY19 SALES BY END MARKET

PROCESS & MOTION CONTROL



WATER MANAGEMENT



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

Mandatory Convertible Preferred Details

Offering Size (\$millions)	\$ 402.5
Dividend Rate	5.75%
Annual Dividend (\$millions)	\$ 23.2
Mandatory Conversion Date	11/15/2019

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

CALCULATING 4Q & FY19 DILUTED ADJUSTED EPS

(\$ millions, except per-share amounts)

Base Methodology

	Fourth Quarter Ended March 31, 2019	Fiscal Year Ended March 31, 2019
Adjusted Net Income ⁽¹⁾	\$ 57.4	\$ 204.4
Weighted-Average Number of Shares: Diluted (thousands)	107,098	107,350
Adjusted Earnings Per Share: Diluted (Base Method) ⁽¹⁾	\$ 0.54	\$ 1.90

If-Converted Methodology

Adjusted Net Income	\$ 57.4	\$ 204.4
Add Back Dividends	5.8	23.2
Adjusted Net Income Attributable to Rexnord Common Stockholders	\$ 63.2	\$ 227.6
Weighted-Average Number of Shares: Diluted (thousands)	107,098	107,350
Add Adjustment for Conversion of Preferred Stock into Common Stock (thousands)	15,979	15,979
Adjusted Weighted-Average Shares: Diluted (thousands)	123,077	123,329
Adjusted Earnings Per Share: Diluted (If-Converted Method) ⁽¹⁾	\$ 0.51	\$ 1.85

(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 May 8, 2019.

4Q FY19 NON-GAAP ADJUSTMENTS AFTER TAX

Adjustment Type (\$ millions)	Pretax Adjustment	Income Tax Provision ⁽³⁾	Impact on Adjusted Net Income ⁽⁴⁾
Dividends on preferred stock	\$ 5.8	\$ -	\$ 5.8
Non-controlling interest income	0.1	-	0.1
Equity method investment income	(0.1)	-	(0.1)
Discontinued operations, net of tax	0.4	-	0.4
Amortization of intangible assets	8.6	(2.1)	6.5
Restructuring & Other Similar Charges	2.7	(0.5)	2.2
Supply chain optimization and footprint repositioning initiatives ⁽¹⁾	0.2	(0.1)	0.1
Loss on debt extinguishment	0.7	(0.1)	0.6
Acquisition-related fair value adjustment	0.1	-	0.1
Other, net ⁽²⁾	7.3	(1.2)	6.1
Total Adjustments	\$ 25.8	\$ (4.0)	\$ 21.8

(1) Represents accelerated depreciation associated with our strategic supply chain optimization and footprint repositioning initiatives.

(2) Other, net includes the impact of foreign currency transactions, pension & OPEB other (income)/expense, dividend from equity method investment, discontinued operations 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 May 8, 2019.

RECONCILIATION OF ADJUSTED EBITDA

(\$ millions)

	Fourth Quarter Ended		Fiscal Year Ended	
	March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018
Adjusted EBITDA ⁽¹⁾				
Net income (loss) attributable to Rexnord common stockholders	\$ 41.4	\$ (67.8)	\$ 11.1	\$ 52.7
Dividends on preferred stock	5.8	5.8	23.2	23.2
Non-controlling interest income	0.1	0.1	-	0.1
Discontinued operations, net of tax	0.4	119.9	154.7	130.6
Equity method investment income	(0.1)	-	(3.6)	-
Loss (gain) on debt extinguishment	0.7	-	(4.3)	11.9
Income tax provision (benefit)	12.6	7.0	53.4	(19.5)
Other expense (income), net ⁽²⁾	4.5	(4.9)	1.2	(7.7)
Interest expense, net	15.8	16.6	69.9	75.1
Income from operations	<u>\$ 81.2</u>	<u>\$ 76.7</u>	<u>\$ 305.6</u>	<u>\$ 266.4</u>
Adjustments				
Depreciation and amortization	\$ 21.9	\$ 21.7	\$ 87.9	\$ 79.7
Restructuring and other similar charges	2.7	5.8	12.1	14.1
Acquisition-related fair value adjustment	0.1	0.9	3.6	1.8
Stock-based compensation expense	5.3	4.5	22.6	20.0
Last-in first-out inventory adjustments	5.9	2.6	6.7	3.3
Other, net ⁽³⁾	2.8	0.5	4.3	0.9
Subtotal of adjustments	<u>38.7</u>	<u>36.0</u>	<u>137.2</u>	<u>119.8</u>
Adjusted EBITDA	<u>\$ 119.9</u>	<u>\$ 112.7</u>	<u>\$ 442.8</u>	<u>\$ 386.2</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 May 8, 2019.

(2) Other income, net for the periods indicated, consists primarily of gains and losses from foreign currency transactions and pension & OPEB other (income)/expense.

(3) Other, net includes the impact of gain or loss on sale of long-lived assets and dividends from equity method investment.

RECONCILIATION OF ADJUSTED NET INCOME

(\$ millions)

	Fourth Quarter Ended		Fiscal Year Ended	
	March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018
Adjusted Net Income and Earnings Per Share				
Net (loss) income attributable to Rexnord common stockholders	\$ 41.4	\$ (67.8)	\$ 11.1	\$ 52.7
Dividends on preferred stock	5.8	5.8	23.2	23.2
Non-controlling interest income	0.1	0.1	-	0.1
Discontinued operations, net of tax	0.4	119.9	154.7	130.6
Equity method investment income	(0.1)	-	(3.6)	-
Loss (gain) on debt extinguishment	0.7	-	(4.3)	11.9
Supply chain optimization and footprint repositioning initiatives ⁽¹⁾	0.2	1.3	3.9	2.3
Restructuring and other similar charges	2.7	5.8	12.1	14.1
Amortization	8.6	8.4	34.0	32.2
Acquisition-related fair value adjustment	0.1	0.9	3.6	1.8
Nonrecurring U.S. Tax Reform adjustment	-	(7.8)	-	(62.6)
Other, net ⁽²⁾	7.3	(4.4)	5.5	(6.8)
Tax effect on above items	(4.0)	(4.5)	(12.6)	(18.6)
Adjusted net income ⁽³⁾	\$ 63.2	\$ 57.7	\$ 227.6	\$ 180.9
GAAP diluted net (loss) income per share attributable to Rexnord common stockholders	\$ 0.38	\$ (0.51)	\$ 0.28	\$ 0.62
Adjusted earnings per share - diluted ⁽³⁾	\$ 0.51	\$ 0.47	\$ 1.85	\$ 1.48
GAAP diluted weighted-average shares	123,077	122,675	123,329	121,984
Diluted weighted-average shares for Adjusted EPS calculation	123,077	122,675	123,329	121,984

(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, pension & OPEB other (income)/expenses, dividends from equity method investment and other miscellaneous expenses.

(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 May 8, 2019.