REXNORD
SOLVING SMARTER

BARCLAYS INDUSTRIAL SELECT CONFERENCE

20 February 2020

SAFE HARBOR STATEMENTS

This presentation contains “forward-looking” statements that involve risks, uncertainties and assumptions. If the risks or uncertainties ever materialize or the assumptions prove incorrect, our results may differ materially from those expressed or implied by such forward-looking statements. Accordingly, we caution you not to place undue reliance on these statements. All statements other than statements of historical fact could be deemed forward-looking, including, but not limited to, any projections of financial information; any statements about historical results that may suggest trends for our business; any statements of the plans, strategies and objectives of management for future operations; any statements of expectation or belief regarding future events, technology developments or enforceability of our intellectual property rights; and any statements of assumptions underlying any of the foregoing.

These statements are based on estimates and information available to us at the time of this presentation and are not guarantees of future performance. Actual results could differ materially from our current expectations as a result of many factors, including but not limited to: the impact of our indebtedness; our competitive environment; general economic and business conditions, market factors and our dependence on customers in cyclical industries; performance, and potential failure, of our information and data security systems; the costs and uncertainties related to strategic acquisitions or divestitures or the integration of recent and future acquisitions into our business; the effect of local, national and international economic, credit and capital market conditions on the economy in general, and on the industries in which we operate in particular; risks associated with our international operations; the loss of any significant customer; dependence on independent distributors; increases in cost of our raw materials, including as a result of tariffs, trade wars and other trade protection measures, and our possible inability to increase product prices to offset such increases; impact of weather on the demand for our products; changes in technology and manufacturing techniques; the costs of environmental compliance and/or the imposition of liabilities under environmental, health and safety laws and regulations; legislative, regulatory and legal developments involving taxes; the costs of asbestos claims and other potential product liability; our access to available and reasonable financing on a timely basis; changes in governmental laws and regulations, or the interpretation or enforcement thereof, including for environmental matters; reliance on intellectual property; work stoppages by unionized employees; loss of key personnel; changes in pension funding requirements; and potential impairment of goodwill and intangible assets; the seasonality of our sales; inability to make necessary capital expenditures;; viability of key suppliers; potential product liability claims; and costs of maintaining healthcare insurance and benefits; and anti-takeover provisions in our charter documents. These and other risks and uncertainties associated with our business are described in our Annual Report on Form 10-K for the year ended March 31, 2019, as well as in our other SEC filings. We assume no obligation and do not intend to update these forward-looking statements.

In addition to U.S. GAAP financials, this presentation includes certain financial measures on a non-GAAP basis. These historical and forward-looking non-GAAP measures are in addition to, not a substitute for or superior to, measures of financial performance prepared in accordance with GAAP. Our 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.

REXNORD PROFILE

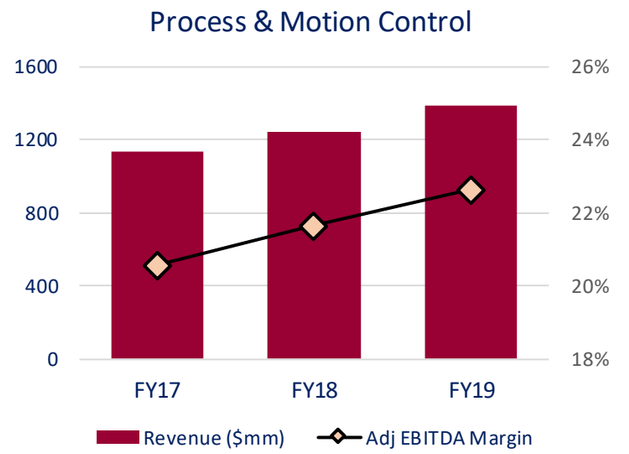
$5.0	$2.05	21.6%	113%
Enterprise Value ($B)	Revenue ($B)	Adjusted EBITDA Margin	Free Cash Flow Conversion

Concentrated Multi-Platform Industrial
Sustainable Competitive Advantages
Rexnord Business System

Solving Smarter

Note: Data are Fiscal Year 2019 Continuing Operations. Adjusted EBITDA, Free Cash Flow are non-GAAP measures and are defined in our SEC filings.
Enterprise value = recent market value of equity + total debt – cash. Free Cash Flow Conversion = FCF / Net Income from Continuing Operations.

PLATFORM APPROACH

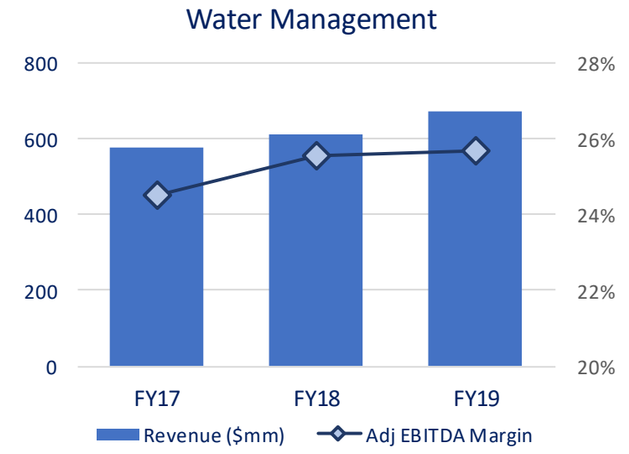


REXNORD

REXNORD aerospace

The best provider of digi-mechanical productivity and reliability solutions

- Amplifying competitive advantages in scale & scope
- Expanding in product adjacencies, consumer-driven markets
- Accelerating innovation, digitally-connected products



Note: continuing operations only

ZURN

The leader in engineered water solutions for the building construction industry

- Amplifying competitive advantages in scale & scope
- Expanding in adjacent site works, fire protection end markets
- Accelerating innovation, digitally-connected products

REXNORD PLATFORM PROFILES

PROCESS & MOTION CONTROL

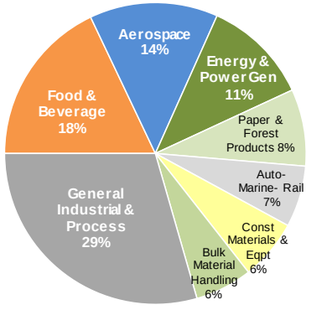
REXNORD | REXNORD aerospace

Digi-Mechanical Power Transmission Solutions

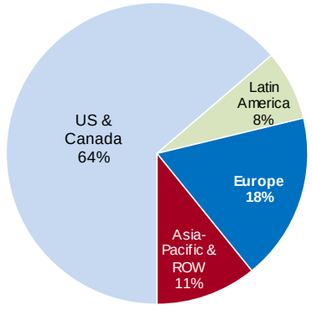
- IIoT Enabled Solutions for First Fit and Retrofit Applications
- Plastic, Metal & Hybrid Modular Conveying Chain
- Woven Metal Mesh Conveying Chain
- Gearing & Gear Drives
- Couplings for Motor, Engine, Turbine-Driven Applications
- Mounted Industrial Bearings, Industrial Chain
- Aerospace Bearings & Seals

FY19 Revenue: $1.4 billion
FY19 Adjusted EBITDA Margin: 23%

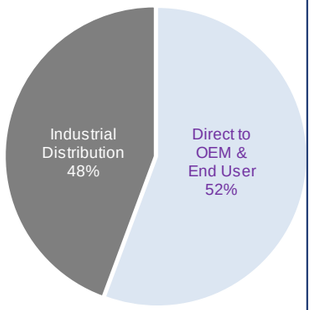
FY19 Revenue by End Market



FY19 Revenue by Geography



FY19 Revenue by Channel



WATER MANAGEMENT

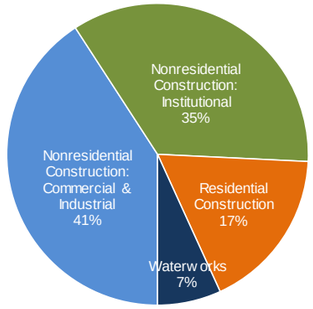
ZURN

Specification-Grade Commercial Plumbing Products

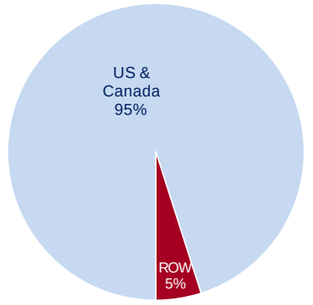
- IIoT Enabled Solutions for New Construction and Retrofit Applications
- Specification & Light Commercial Drainage
- Linear Drainage & Effluent Separation
- Backflow Prevention & Potable Water Safety
- Fire, Pressure Management & Temperature Control Valves
- PEX Piping Systems, Fixture Carrier Systems
- Finish Plumbing [Faucets, Flush Valves & Fixtures], Dryers

FY19 Revenue: $0.7 billion
FY19 Adjusted EBITDA Margin: 26%

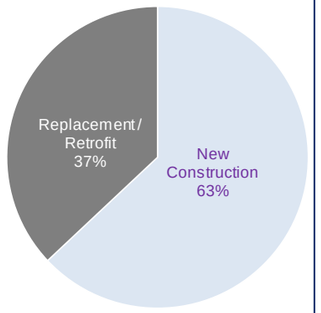
FY19 Revenue by End Market



FY19 Revenue by Geography



FY19 Revenue by Application



Note: FYE March 31. Platform margins exclude corporate expenses, include Continuing Operations only. Adjusted EBITDA is a non-GAAP measure and is defined in our SEC filings.

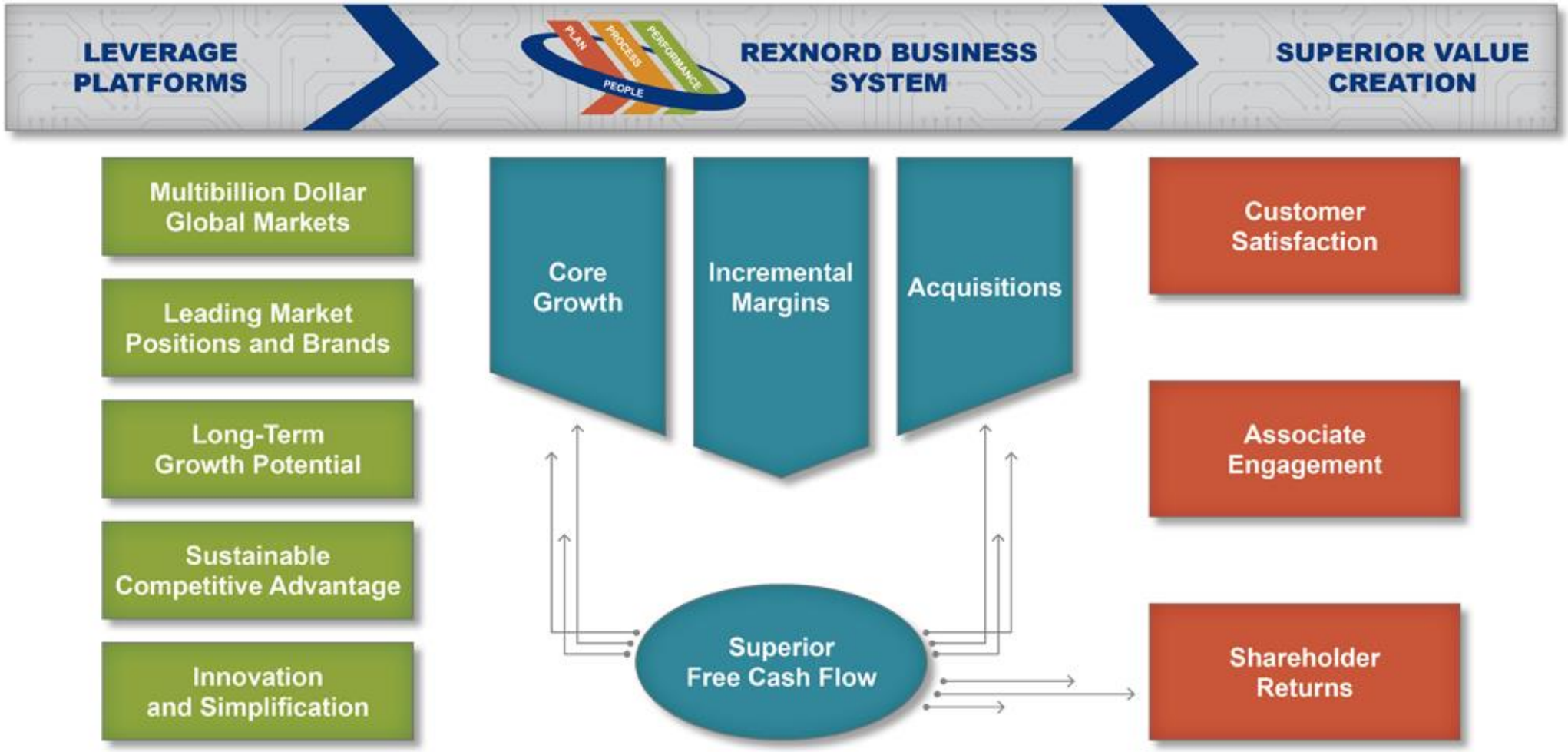
SOLVING SMARTER

We Advance the Efficient Use of Resources through Smarter Solutions

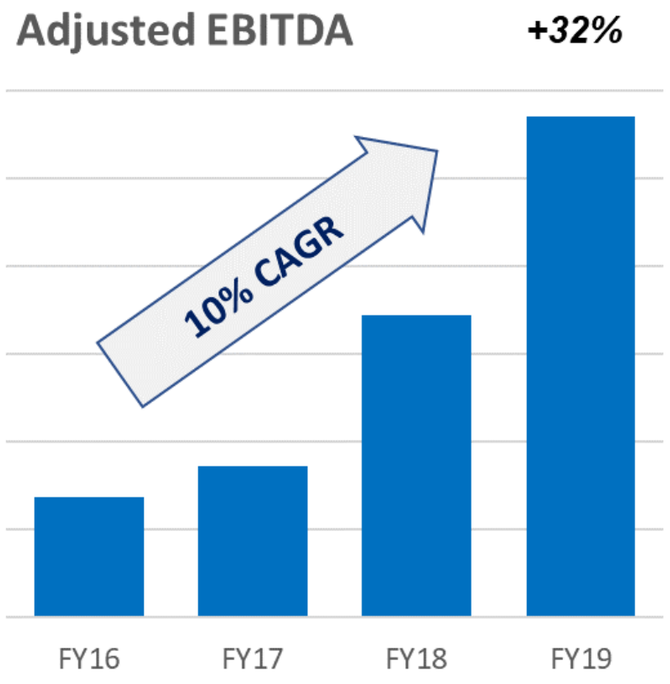
- Highly-engineered components
- Specification for the application by end user
- Minor contribution to total system cost
- Critical contribution to system reliability, productivity, safety
- Distribution channel complexity
- Unmatched product scope

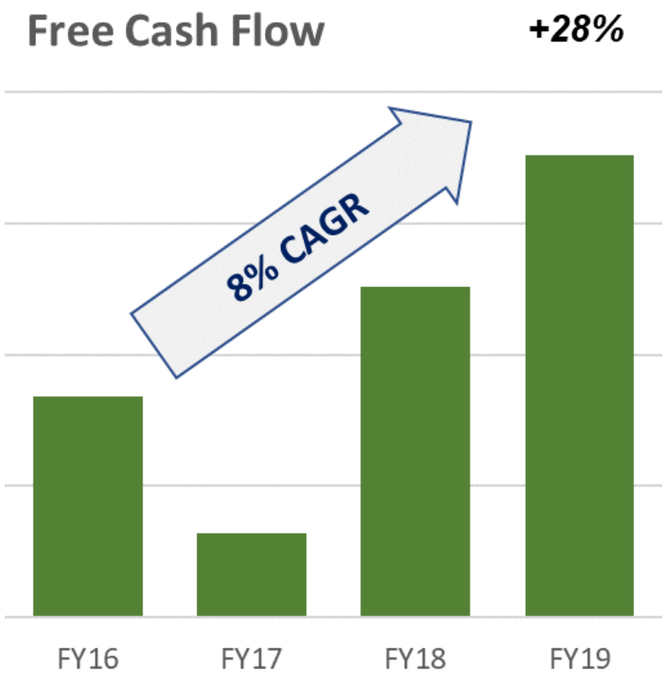
Scalable platforms with common characteristics

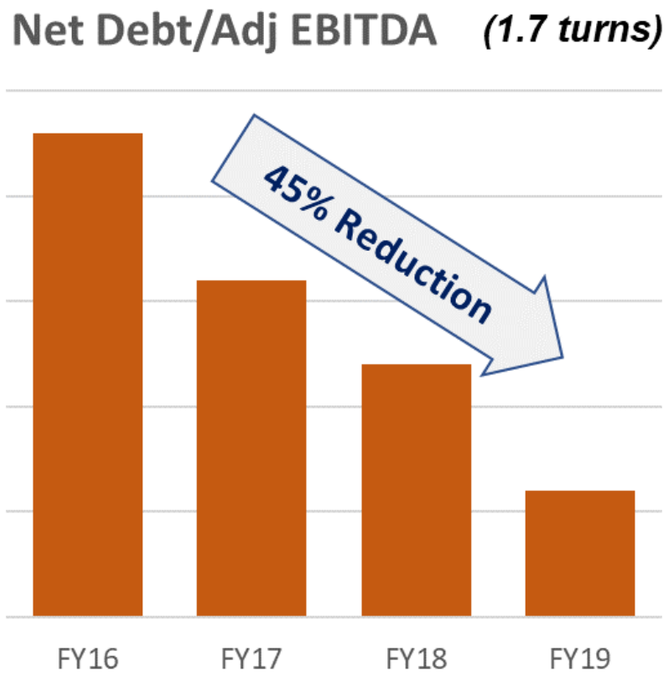
REXNORD VALUE CREATION MODEL



FINANCIAL PROGRESS







Note: Percentage changes are FY19 versus FY16.

Substantial tariff and inflation impacts fully offset in FY19

STRATEGIC PROGRESS

FY 2019 Accomplishments

- ✓ Expanded digitally-connected solutions portfolio
- ✓ Launched SCMS and connected backflow retrofit solutions
- ✓ Completed SCOFR 2.0 initiatives with $15 million structural cost reduction
- ✓ Launched 8020 simplification strategy
- ✓ Completed integration of Centa
- ✓ Launched Strategic Account commercial structure

FY 2020 Priorities



- Expand digitally-connected product categories
- Accelerate digital retrofit conversion of installed base
- Launch SCOFR 3.0 projects ($20 million structural cost reduction target for FY22)
- Execute 8020 Product Line Simplification
- Capture initial 1000-bps margin opportunity at Centa
- Accelerate growth in strategic adjacencies

REXNORD'S UNDERLYING RETURN ON INVESTED CAPITAL(1)

1 2006 LBO change-of-control premium resulted in $1.723 billion of goodwill & intangibles

Adjust debt by unamortized portion of intangible assets

$ millions	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19
Total Debt	1,312	1,238	1,265	1,251	1,149
Goodwill	(850)	(850)	(850)	(850)	(850)
Intangibles	(187)	(187)	(187)	(187)	(187)
Debt ex-LBO	275	201	228	214	112

2 Annual non-cash amortization moderated income-driven growth in shareholders' equity

Adjust equity by cumulative amortization (net of tax)

$ millions	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19
Stockholders' Equity	1,180	1,231	1,278	1,321	1,368
LBO Amort (net of tax)	192	192	192	192	192
Equity ex-LBO	1,372	1,423	1,470	1,513	1,560

3 Focus on capital actually invested in assets to drive growth and profitability

Calculate total invested capital with adjusted inputs

$ millions	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19
Equity ex-LBO	1,372	1,423	1,470	1,513	1,560
Debt ex-LBO	275	201	228	214	112
Cash	(297)	(293)	(272)	(320)	(277)
Total Invested Cap ex-LBO	1,350	1,331	1,426	1,407	1,394

4 Calculate L12M net operating profit after tax (NOPAT) and divide by 5-quarter average of adjusted invested capital to determine ROIC unburdened by 2006 LBO accounting

$ millions	L12M
Operating Income	328
NOPAT	236
Tax Rate	28%
Average Invested Capital	1,381
Underlying ROIC	**17.1%**

ROIC = 17.1%

source: Company reports, internal data (annual amortization of specific intangible assets).
ROIC = Return on Invested Capital = After-tax Operating Income / (Stockholders' Equity + Total Debt – Cash & equivalents). L12M = Latest 12 months.

(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 January 28, 2020.

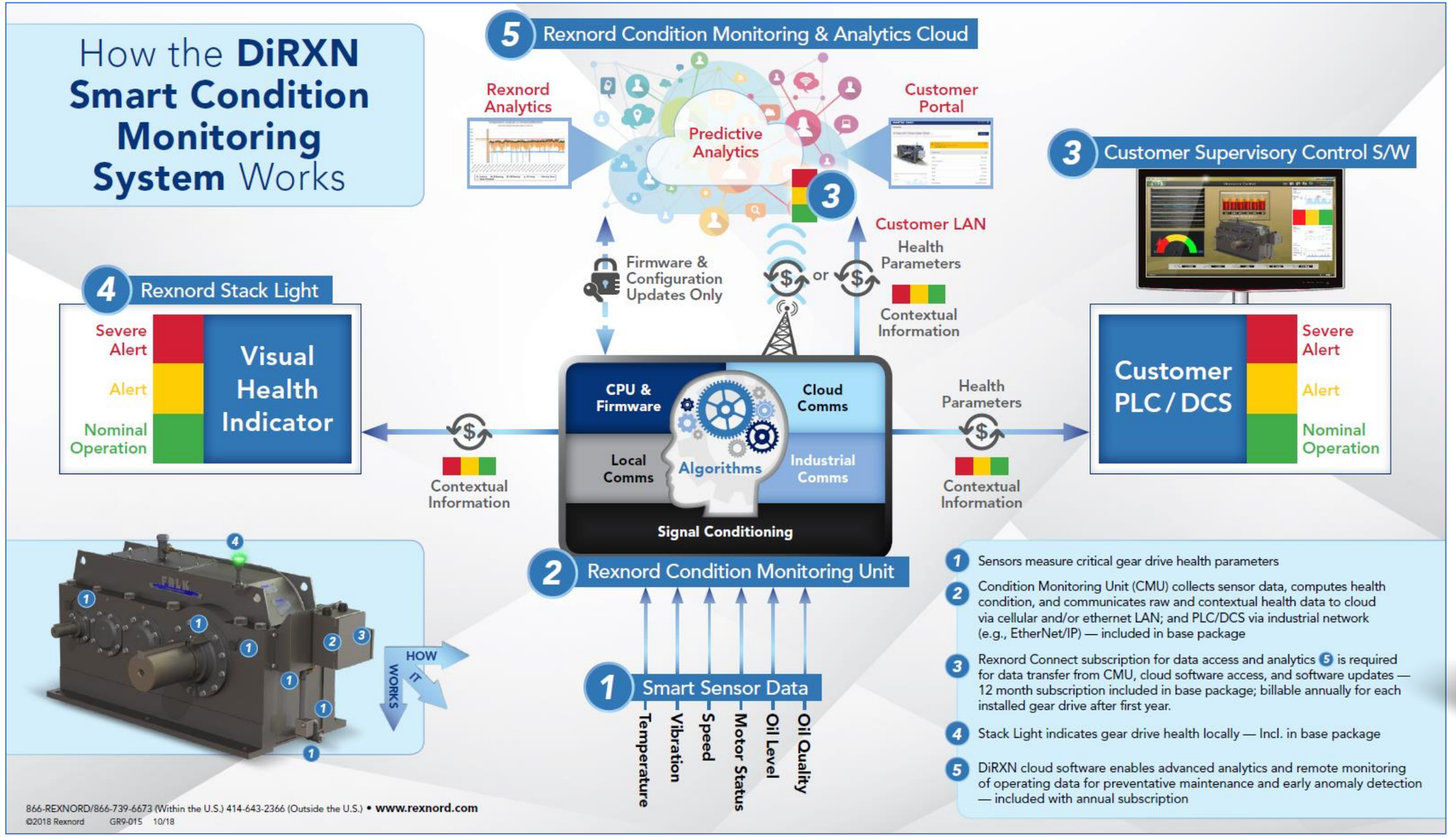
DiRXN = ‘DIRECTION’ = DIGITAL REXNORD



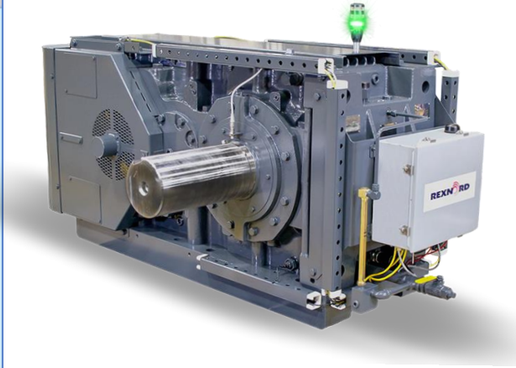
- Enterprise-wide initiative to enable improved customer productivity via digitally-connected tools, products and services.
- Differentiate by digitally connecting traditional mechanical solutions to user control systems, engineering & asset management software and Industrial Internet of Things.
- Creating first-mover advantage while extending competitive differentiation.

“Digitizing connections across your life cycle for optimum productivity”

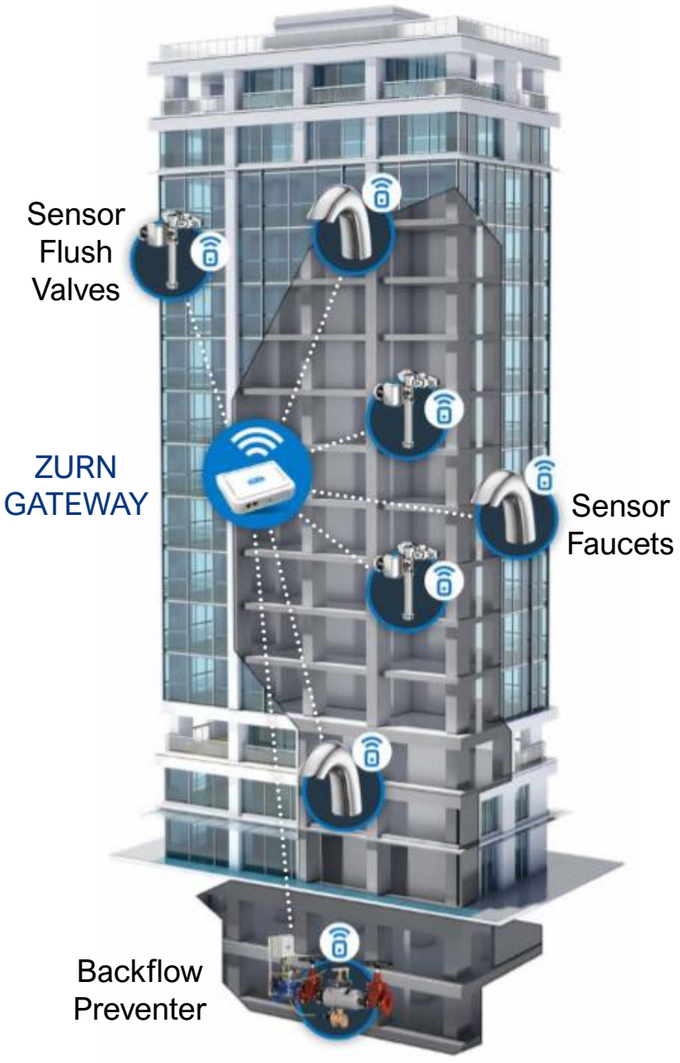
PMC SMART CONDITION MONITORING SYSTEM



- *Pragmatic solution connects seamlessly into existing factory automation control systems*
- *Retrofit solution addresses large installed base*
- *Easy to install – enhances system reliability and safety within 24 hours*

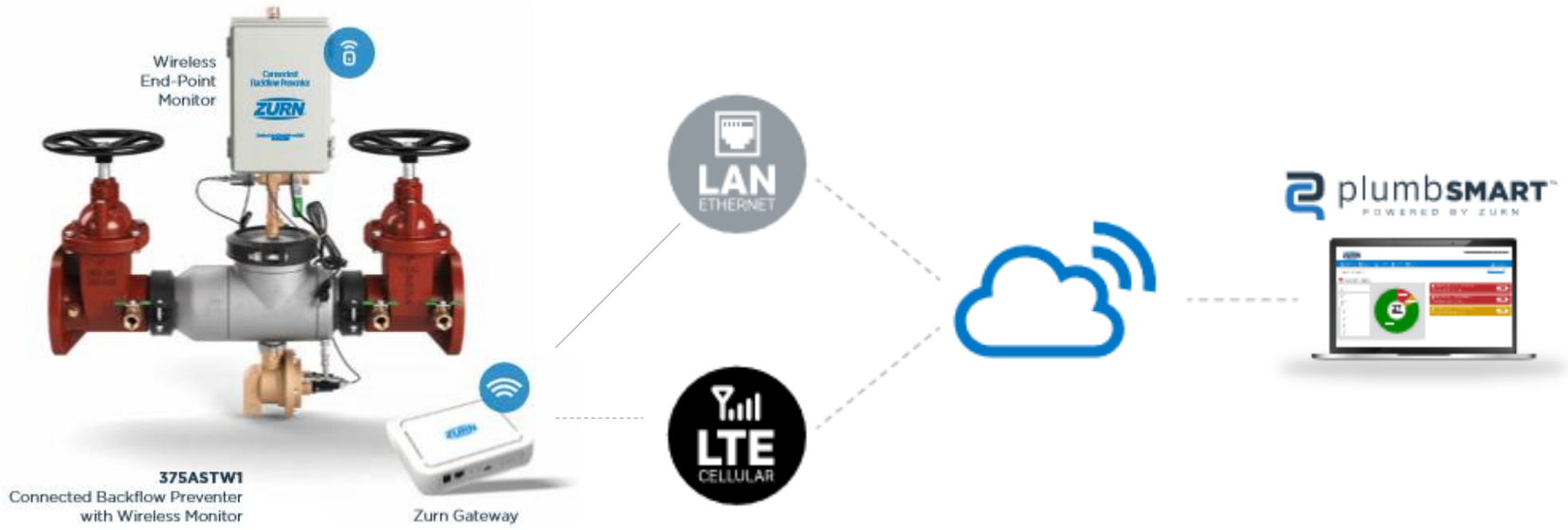


ZURN CONNECTED PRODUCTS



Zurn Connected Flood Control System

- Detects and calculates discharge flow rate/volume in relief valve in real time
- Water shut-off occurs automatically to prevent catastrophic flooding
- Secure, real-time notifications when operating metrics deviate from targeted ranges
- Performance data available 24/7 via remote access to plumb**SMART**™ portal



CAPITAL ALLOCATION STRATEGY

Internal reinvestment to enhance core growth, productivity, financial returns

- Plan to operate longer-term with capital expenditures below 2% of revenue

Maintain net debt leverage ratio in 2x – 3x range

- Strong free cash flow profile supports moderate financial leverage

Initiated $0.08 / share quarterly common stock dividend (4QFY20)

- Annual increases in dividend rate are anticipated

Allocate $75 million to $150 million to annual share repurchases

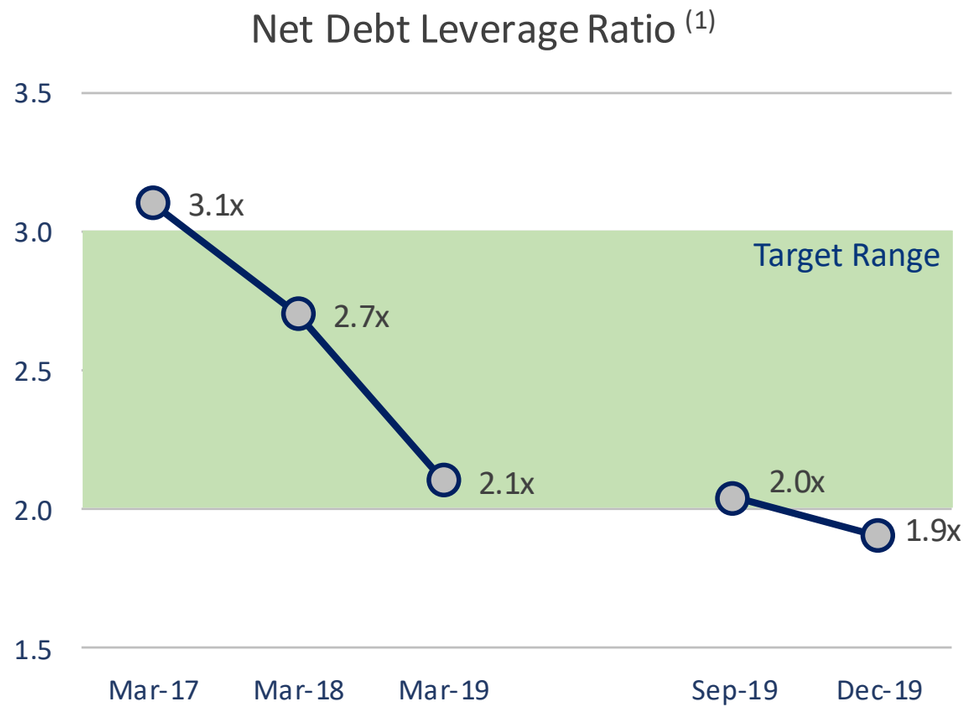
- Retains flexibility to respond to short-term equity value dislocations

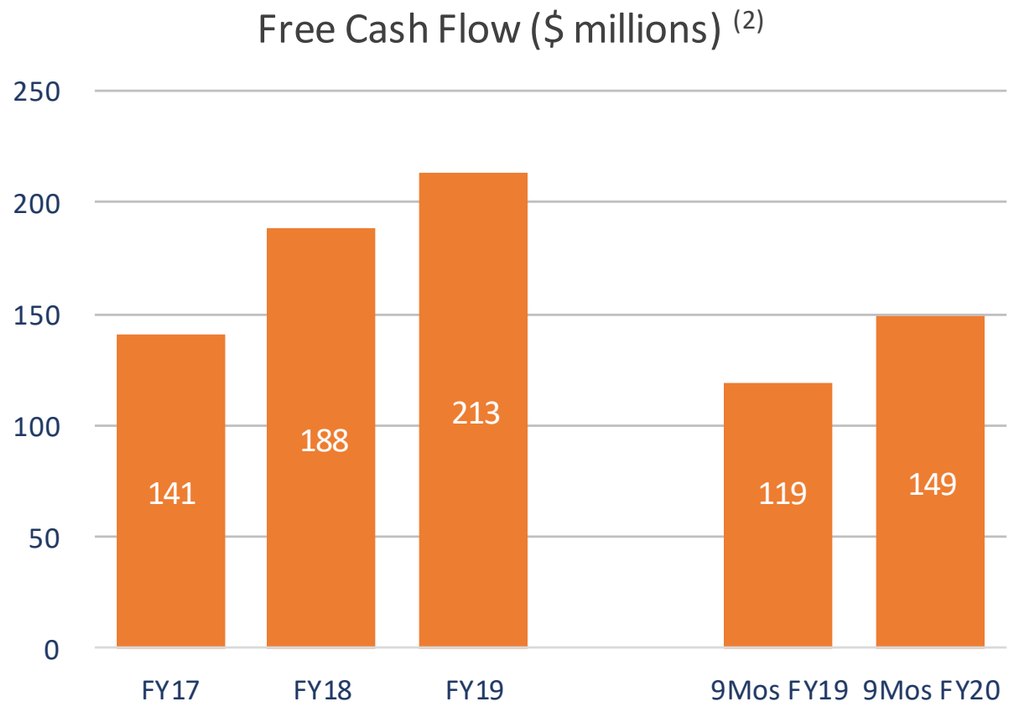
Substantial capacity for strategic acquisitions

- Prioritize targets in water management and consumer-facing industrial end markets

Objective: Deliver top-quartile shareholder returns through cycles

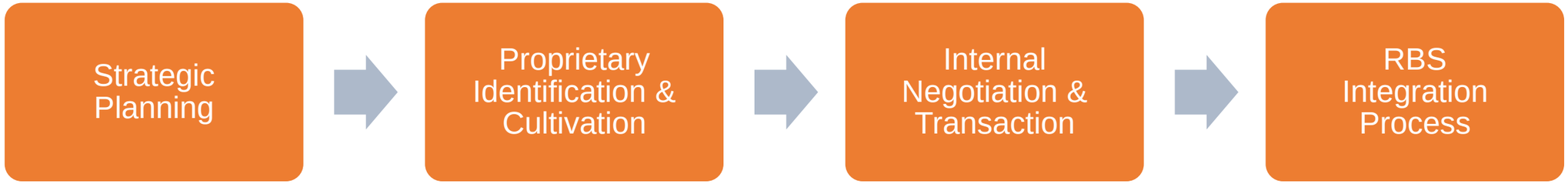
CASH FLOW & BALANCE SHEET UPDATE





(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, 2019.

REXNORD ACQUISITIONS



- Strategic process focuses on leveraging competitive advantages
- Proprietary cultivation process benefits both buyer and seller
- Require ROIC (Return on Invested Capital) > 10%
- Target characteristics:
  - ✓ Established position as leader in served end markets
  - ✓ Additive to core growth profile
  - ✓ Diversifies end-market exposures

Acquisition History	Year	Platform
Just Manufacturing	FY20	WM
Stainlessdrains.com	FY20	WM
Centa China	FY19	PMC
Centa Power Transmission	FY18	PMC
World Dryer	FY18	WM
Cambridge	FY17	PMC

Source: Company reports

Rebalancing portfolio to enhance growth, reduce cyclicality

NON-GAAP RECONCILIATIONS

US$ in millions	FYE March 31, 2016	2017	2018	2019	Q3 2020
Net income from continuing operations	$ 86.9	$ 91.7	$ 206.6	$ 189.0	$ 48.4
Interest expense, net	90.8	88.3	75.1	69.9	14.4
Provision (benefit) for income taxes	27.8	15.6	(19.5)	53.4	13.4
Equity method investment income [1]	—	—	—	(3.6)	—
Depreciation and amortization	103.4	96.1	79.7	87.9	21.6
EBITDA	**$ 308.9**	**$ 291.7**	**$ 341.9**	**$ 396.6**	**$ 97.8**
Adjustments to EBITDA:					
Actuarial loss (gain) on pension and post retirement benefit obligations	$13.0	($2.6)	($3.3)	($0.4)	—
Loss (Gain) on extinguishment of debt	—	7.8	11.9	(4.3)	2.2
Restructuring and other similar charges [2]	14.0	26.1	14.1	12.1	3.6
Stock-based compensation expense	7.5	13.1	20.0	22.6	5.9
Acquisition-related fair value adjustment	—	4.3	1.8	3.6	—
LIFO expense (income) [3]	(0.8)	(2.3)	3.3	6.7	(1.5)
Other expense (income), net [4]	(8.4)	2.4	(4.4)	5.6	(0.8)
Other non-cash adjustments	—	0.6	0.9	0.3	(0.2)
Subtotal of adjustments to EBITDA	*25.3*	*49.4*	*44.3*	*46.2*	*9.2*
Adjusted EBITDA	**$ 334.2**	**$ 341.1**	**$ 386.2**	**$ 442.8**	**$ 107.0**

(1) In completing the acquisition of Centa (FY18), the Company also acquired a previously established joint venture relationship in which the Company owns a non-controlling interest in the entity and therefore accounts for the investment utilizing the equity method.
(2) Represents restructuring costs comprised of work force reduction, lease termination, and other facility rationalization costs, including impairment charges.
(3) Last-in first-out (LIFO) inventory adjustments are excluded in calculating Adjusted EBITDA as permitted by Rexnord's credit agreement.
(4) Other, net includes the impact of foreign currency transactions, pension & OPEB other income, cash dividend received from equity method investment, and other miscellaneous expenses.

NON-GAAP RECONCILIATIONS

US$ in millions (except per share amounts)	Q3 FY 2020		Q3 FY 2019	
	Net Income	EPS	Net Income	EPS
Net income (loss) attributable to common stockholders	**$ 45.7**	**$ 0.37**	**$ 19.6**	**$ 0.16**
Amortization	8.8	0.07	8.4	0.07
Restructuring Expense	3.6	0.03	2.6	0.02
Earnings from equity method investment [(1)]	—	—	(1.3)	(0.01)
Noncontrolling interest	(0.1)	—	(0.3)	—
Acquisition-related fair value adjustment	—	—	0.3	0.01
Supply Chain Optimization & Footprint Repositioning Program [(2)]	0.6	0.01	1.2	0.01
Dividend on Preferred Shares	2.8	0.02	5.8	0.05
(Gain) Loss on Debt Extinguishment	2.2	0.02	(5.0)	(0.04)
All Other Non-Operating [(3)]	(1.0)	(0.01)	(0.2)	—
Loss from discontinued operations	—	—	27.8	0.21
Tax Impacts on Adjustments [(4)]	(3.6)	(0.03)	(1.5)	(0.01)
As Adjusted	**$ 59.0**	**$ 0.48**	**$ 57.4**	**$ 0.47**

(1) In completing the acquisition of Centa (FY18), the Company also acquired a previously established joint venture relationship in which the Company owns a non-controlling interest in the entity and therefore accounts for the investment utilizing the equity method.
(2) Represents accelerated depreciation associated with our strategic supply chain optimization and footprint repositioning initiatives.
(3) 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, actuarial gain or loss on pension and post retirement benefit obligation, cash dividends received from equity method investment, and other miscellaneous expenses.
(4) The tax rates used to calculate adjusted net income and adjusted earnings per share are based on a transaction-specific basis at the applicable jurisdictional rate.