

Regal Beloit Corporation

Fourth Quarter 2016 Earnings Conference Call

February 7, 2017

Mark Gliebe
Chairman and
Chief Executive Officer

Jon Schlemmer
Chief Operating Officer

Chuck Hinrichs
Vice President
Chief Financial Officer

Robert Cherry
Vice President
Investor Relations

Appendix Non-GAAP Reconciliations

<u>ADJUSTED DILUTED EARNINGS PER SHARE</u>	Three Months Ended		Twelve Months Ended	
	Dec 31, 2016	Jan 2, 2016	Dec 31, 2016	Jan 2, 2016
GAAP Diluted Earnings (Loss) Per Share	\$ 1.01	\$ (0.43)	\$ 4.52	\$ 3.18
Goodwill Impairment	-	1.30	-	1.29
Venezuelan Asset Write Down	-	0.29	-	0.28
Restructuring and Related Costs	0.04	0.06	0.10	0.13
Gain on Sale of Assets	(0.01)	-	(0.04)	-
Gain on Disposal of Real Estate	-	(0.05)	-	(0.04)
Purchase Accounting and Transaction Costs	-	-	-	0.47
Venezuelan Currency Devaluation	-	-	-	0.02
Gain on Disposal of Business	-	-	(0.14)	-
Adjusted Diluted Earnings Per Share	<u>\$ 1.04</u>	<u>\$ 1.17</u>	<u>\$ 4.44</u>	<u>\$ 5.33</u>

RECONCILIATION OF 2017 ADJUSTED ANNUAL GUIDANCE

	Minimum	Maximum
2017 Diluted EPS Annual Guidance	\$ 4.35	\$ 4.75
Restructuring and Related Costs	0.15	0.15
2017 Adjusted EPS Annual Guidance	<u>\$ 4.50</u>	<u>\$ 4.90</u>

Appendix Non-GAAP Reconciliations

<u>ADJUSTED OPERATING INCOME</u>	Three Months Ended							
	Commercial & Industrial Systems		Climate Solutions		Power Transmission Solutions		Total Regal	
	Dec 31, 2016	Jan 2, 2016	Dec 31, 2016	Jan 2, 2016	Dec 31, 2016	Jan 2, 2016	Dec 31, 2016	Jan 2, 2016
GAAP Income (Loss) from Operations	\$ 20.5	\$ (59.7)	\$ 27.0	\$ 28.9	\$ 22.6	\$ 16.7	\$ 70.1	\$ (14.1)
Goodwill Impairment	-	79.9	-	-	-	-	-	79.9
Venezuelan Asset Write Down	-	12.8	-	-	-	-	-	12.8
Gain on Sale of Assets	(0.5)	-	-	-	-	-	(0.5)	-
Restructuring and Related Costs	1.5	2.1	0.6	2.2	0.5	-	2.6	4.3
Gain on Disposal of Real Estate	-	-	-	(3.4)	-	-	-	(3.4)
Adjusted Income from Operations	\$ 21.5	\$ 35.1	\$ 27.6	\$ 27.7	\$ 23.1	\$ 16.7	\$ 72.2	\$ 79.5
GAAP Operating Margin %	5.6 %	(16.1)%	12.5 %	13.7 %	13.0 %	8.7 %	9.2 %	(1.8)%
Adjusted Operating Margin %	5.8 %	9.5 %	12.8 %	13.2 %	13.3 %	8.7 %	9.5 %	10.3 %

<u>ADJUSTED OPERATING INCOME</u>	Twelve Months Ended							
	Commercial & Industrial Systems		Climate Solutions		Power Transmission Solutions		Total Regal	
	Dec 31, 2016	Jan 2, 2016	Dec 31, 2016	Jan 2, 2016	Dec 31, 2016	Jan 2, 2016	Dec 31, 2016	Jan 2, 2016
GAAP Income from Operations	\$ 103.5	\$ 53.9	\$ 129.9	\$ 146.7	\$ 87.2	\$ 52.2	\$ 320.6	\$ 252.8
Goodwill Impairment	-	79.9	-	-	-	-	-	79.9
Venezuelan Asset Write Down	-	12.8	-	-	-	-	-	12.8
Gain on Sale of Assets	(1.7)	-	-	-	-	-	(1.7)	-
Purchase Accounting and Transaction Costs	-	-	-	-	-	29.8	-	29.8
Restructuring and Related Costs	2.5	6.8	2.6	1.5	1.7	0.6	6.8	8.9
Venezuelan Currency Devaluation	-	1.5	-	-	-	-	-	1.5
Gain on Disposal of Real Estate	-	-	-	(3.4)	-	-	-	(3.4)
Gain on Disposal of Business	-	-	-	-	(11.6)	-	(11.6)	-
Adjusted Income from Operations	\$ 104.3	\$ 154.9	\$ 132.5	\$ 144.8	\$ 77.3	\$ 82.6	\$ 314.1	\$ 382.3
GAAP Operating Margin %	6.8 %	3.2 %	13.5 %	14.1 %	11.9 %	6.8 %	9.9 %	7.2 %
Adjusted Operating Margin %	6.8 %	9.1 %	13.8 %	13.9 %	10.5 %	10.7 %	9.7 %	10.9 %

Appendix Non-GAAP Reconciliations

FREE CASH FLOW RECONCILIATION

	Three Months Ended		Twelve Months Ended	
	Dec 31, 2016	Jan 2, 2016	Dec 31, 2016	Jan 2, 2016
Net Cash Provided by Operating Activities	\$ 111.2	\$ 113.9	\$ 439.6	\$ 381.1
Additions to Property Plant and Equipment	(19.1)	(26.8)	(65.2)	(92.2)
Free Cash Flow	\$ 92.1	\$ 87.1	\$ 374.4	\$ 288.9
Free Cash Flow as a Percentage of Net Income Attributable to Regal Beloit Corporation	202.0 %	168.8 %	184.1 %	134.9 %

ORGANIC GROWTH

	Three Months Ended	Twelve Months Ended
	Dec 31, 2016	
Net Sales	\$ 758.1	\$ 3,224.5
Net Sales from Businesses Acquired	-	(35.9)
Net Sales from Businesses Divested	4.8	11.6
Impact from Foreign Currency Exchange Rates	5.1	31.2
Adjusted Net Sales	\$ 768.0	\$ 3,231.4
Net Sales Ended Jan 2, 2016	\$ 773.5	\$ 3,509.7
Organic Growth %	(0.7)%	(7.9)%
Net Sales Growth %	(2.0)%	(8.1)%

Appendix Non-GAAP Reconciliations

ADJUSTED OPERATING MARGIN WITHOUT LIFO

	Three Months Ended		Twelve Months Ended	
	Dec 31, 2016	Jan 2, 2016	Dec 31, 2016	Jan 2, 2016
Adjusted Income from Operations	\$ 72.2	\$ 79.5	\$ 314.1	\$ 382.3
LIFO Expense (Benefit)	14.5	(15.3)	14.5	(18.8)
Adjusted Income from Operations without LIFO	<u>\$ 86.7</u>	<u>\$ 64.2</u>	<u>\$ 328.6</u>	<u>\$ 363.5</u>
Net Sales	\$ 758.1	\$ 773.5	\$ 3,224.5	\$ 3,509.7
Adjusted Operating Margin without LIFO	11.4 %	8.3 %	10.2 %	10.4 %

EBITDA RECONCILIATION

Dollars in Millions

	<u>FY 2016</u>
Net Income	\$ 203.4
Plus: Minority Interest	5.9
Plus: Taxes	57.1
Plus: Interest Expense	58.7
Less: Interest Income	(4.5)
Plus: Depreciation	93.4
Plus: Amortization	62.0
EBITDA	<u>\$ 476.0</u>

Appendix Regal Shipping Days

	1Q	2Q	3Q	4Q	FY
2014	63	63	63	64	253
2015	64	63	64	59	250
2016	64	64	63	60	251
2017	64	63	63	60	250

- Regal operates on a 52/53 week fiscal year ending on the Saturday closest to December 31
- Fiscal Years 2015, 2016 and 2017 have 52 weeks
- Fiscal Year 2014 had 53 weeks