



**REXNORD**  
**Second Quarter 2017**  
**Earnings Release**

**November 3, 2016**

***REXNORD***

## Replay Information

**REXNORD**

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## **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 November 2, 2016, 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.***

- **2Q earnings in line**
  - Net sales increase 1%, including 1% drag from RHF product line exit – core sales<sup>(1)</sup> decline 2%
  - GAAP EPS of \$0.24 – Adjusted EPS<sup>(1)</sup> of \$0.38
  - Cambridge contributes approximately 4% to 2Q sales growth with favorable outlook
  
- **Process & Motion Control delivers in-line results, positive sales growth**
  - Global aftermarket revenue increases as industrial distribution sell-through stabilizes
  - Positive growth in consumer-facing, aerospace end markets augmented by acquisition
  
- **Water Management results reflect infrastructure project deferrals**
  - Project timelines extend, particularly in Middle East, cutting into second-half outlook
  - US nonresidential building construction growth uneven, but outlook remains positive
  
- **Updating guidance for fiscal 2017 Earnings per Share**
  - Revised GAAP EPS guidance is \$0.75-0.81 – revised Adjusted EPS guidance is \$1.32-1.38
  - More cautious end market growth assumptions yield lower core growth outlook of ~(-3%)
  - Supply chain optimization & footprint repositioning on track to deliver \$30 million annual savings

<sup>(1)</sup> 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 November 2, 2016.

# Key FY17 Macro Assumptions

| <i>End Market</i>                          | <i>Previous<br/>FY17<br/>Market<br/>Forecast</i> | <i>Updated<br/>FY17<br/>Market<br/>Forecast</i> |                  |
|--|--|---|------------------|
| US Commercial Construction                 | + MSD  | + MSD   |                  |
| US Institutional Construction              | + MSD  | + LSD   | Lower            |
| European Water & Wastewater Infrastructure | FLAT   | FLAT  |                  |
| ROW Water & Wastewater Infrastructure      | + LSD  | (LDD)   | Lower            |
| US & Canada Industrial Distribution        | (LSD)  | (LSD)   |                  |
| European Industrial Distribution           | + LSD  | + LSD   |                  |
| ROW Industrial Distribution                | + LSD  | + LSD   |                  |
| Global Food & Beverage                     | + LSD  | + LSD   |                  |
| Global Commercial Aerospace                | FLAT   | FLAT  |                  |
| Global Process Industries                  | (MDD)  | (HDD)   | Lower            |
| <b>Weighted Average</b>                    | <b>(3%) - 0%</b>                                 | <b>(4%) - (3%)</b>                              | <b>(200 bps)</b> |

Note: Table illustrates percentage growth rates. L/M/H = Low/Mid/High; SD = Single-Digit; DD = Double-Digit.

# Q2 FY17 Net Income & Adjustments



| \$ in millions  | Net Income |        | Diluted EPS |        |
|---|------------|--------|-------------|--------|
|   | Q2 FY17    |        | Q2 FY16     |        |
| <b>As Reported (GAAP Continuing Operations)</b>                 | \$24.6     | \$0.24 | \$22.6      | \$0.22 |
| Amortization  | 10.5       | 0.10   | 14.2        | 0.14   |
| Restructuring Expense   | 4.4        | 0.04   | 2.7         | 0.03   |
| Acquisition-Related Fair Value Adjustment                       | 3.3        | 0.03   | -           | -      |
| Supply Chain Optimization & Footprint Repositioning Program (1) | 0.8        | 0.01   | 0.4         | -      |
| Impact of RHF Product Line (2)                                  | 2.3        | 0.02   | 4.3         | 0.04   |
| All Other (3)   | 0.7        | 0.01   | 1.0         | 0.01   |
| Tax Impact on Adjustments (4)                                   | (7.0)      | (0.07) | (7.8)       | (0.08) |
| <b>As Adjusted (Non-GAAP)</b>                                   | \$39.6     | \$0.38 | \$37.4      | \$0.36 |

- (1) Represents accelerated depreciation associated with our strategic supply chain optimization and footprint repositioning initiatives.
- (2) Operating loss of RHF product line, excluding restructuring and other nonrecurring items.
- (3) Other expense, net includes the impact of foreign currency transactions, sale of property, plant and equipment, and other miscellaneous income and expense.
- (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.

# Q2 FY17 Results Summary



| <i>\$ in millions<br/>(except per share amounts)</i> | Q2 FY17 | Q2 FY16 | \$ change | % change |
|--|---------|---------|-----------|----------|
| Net sales  | \$491   | \$486   | \$5       | +1%      |
| Net sales, excluding RHF exit                        | \$486   | \$477   | \$9       | +2%      |
| - Core   |         |         |           | -2%      |
| - Acquisitions                                       |         |         |           | +4%      |
| - Currency   |         |         |           | -0%      |
| GAAP Operating Income                                | \$53    | \$56    | (\$3)     | -5%      |
| % of sales   | 10.7%   | 11.4%   |           | -70 bps  |
| Adjusted EBITDA <sup>(1)</sup>                       | \$90    | \$93    | (\$3)     | -3%      |
| % of sales, excl RHF exit                            | 18.6%   | 19.5%   |           | -90 bps  |
| GAAP Net Income                                      | \$25    | \$23    | \$2       | +9%      |
| Adjusted Net Income <sup>(1)</sup>                   | \$40    | \$37    | \$3       | +6%      |
| GAAP Diluted Earnings Per Share                      | \$0.24  | \$0.22  | \$0.02    | +9%      |
| Adjusted Earnings Per Share <sup>(1)</sup>           | \$0.38  | \$0.36  | \$0.02    | +6%      |

## Adjusted EBITDA & EPS in line

(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 November 2, 2016.

# Process & Motion Control



| <i>\$ in millions</i>          | Q2 FY17 | Q2 FY16 | \$ change | % change |
|--------------------------------|---------|---------|-----------|----------|
| Net sales                      | \$287   | \$269   | \$18      | +7%      |
| - Core                         |         |         |           | -1%      |
| - Acquisitions                 |         |         |           | +8%      |
| - Currency                     |         |         |           | -0%      |
| GAAP Operating Income          | \$37    | \$34    | \$3       | +9%      |
| % of sales                     | 12.9%   | 12.6%   |           | +30 bps  |
| Adjusted EBITDA <sup>(1)</sup> | \$61    | \$56    | \$5       | +9%      |
| % of sales                     | 21.2%   | 20.7%   |           | +50 bps  |

***Improved core growth, solid Cambridge contribution***

(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 November 2, 2016.



# Water Management



| <i>\$ in millions</i>          | Q2 FY17 | Q2 FY16 | \$ change | % change |
|--------------------------------|---------|---------|-----------|----------|
| Net sales                      | \$204   | \$217   | (\$13)    | -6%      |
| Net sales, excl RHF exit       | \$199   | \$209   | (\$10)    | -5%      |
| - Core                         |         |         |           | -4%      |
| - Acquisitions                 |         |         |           | n/a      |
| - Currency                     |         |         |           | -1%      |
| GAAP Operating Income          | \$26    | \$29    | (\$3)     | -9%      |
| % of sales                     | 12.7%   | 13.2%   |           | -50 bps  |
| Adjusted EBITDA <sup>(1)</sup> | \$38    | \$44    | (\$6)     | -13%     |
| % of sales, excl RHF exit      | 19.1%   | 20.9%   |           | -180 bps |

***Project deferrals affect quarter, outlook***

(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 November 2, 2016.

# Capital Structure



| <i>\$ in millions</i>                  | 9/30/16 | 6/30/16 | 3/31/16 |
|--|---------|---------|---------|
| Cash                                   | \$209   | \$183   | \$485   |
| Revolver Borrowings                    | \$0     | \$0     | \$0     |
| A/R Facility Borrowings                | \$0     | \$0     | \$0     |
| Term Debt                              | \$1,784 | \$1,783 | \$1,881 |
| Other Debt <sup>(1)</sup>              | \$11    | \$11    | \$12    |
| Total Debt                             | \$1,795 | \$1,794 | \$1,893 |
| Total Net Debt                         | \$1,586 | \$1,611 | \$1,408 |
| Net Debt Leverage Ratio <sup>(2)</sup> | 4.3x    | 4.3x    | 3.8x    |
| Total Liquidity <sup>(3)</sup>         | \$554   | \$529   | \$829   |

(1) Other Debt includes a \$28M New Market Tax Credit Receivable, this Receivable offsets a \$37M payable also included in Other Debt in all periods presented.

(2) Defined as the ratio of total debt less cash to pro forma LTM Adjusted EBITDA.

(3) Defined as cash and cash equivalents plus additional borrowing capacity.

***Ample liquidity enhanced by operating cash flow***

# Fiscal 2017 Outlook

*\$ in Millions, except per-share amounts*



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

| Rexnord Corporation         | Q3 Range        |
|-----------------------------|-----------------|
| Sales                       | \$453 - \$463   |
| Effective Tax Rate          | ~34%            |
| Adjusted EPS <sup>(1)</sup> | \$0.23 - \$0.26 |

(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 November 2, 2016.

| Key Fiscal 2017 Assumptions                  |              |
|--|--------------|
| Interest Expense w/LIBOR $\leq$ 1%           | ~\$94        |
| Depreciation and Amortization <sup>(2)</sup> | ~\$99        |
| Effective Tax Rate                           | ~25%         |
| Capital Expenditures                         | ~3% of sales |
| Fully Diluted Shares Outstanding             | ~104 million |

(2) Excludes an estimated \$9 million of accelerated depreciation related to supply chain optimization and footprint repositioning initiatives.

**Updating FY17 guidance for core growth, adjusted EPS**