REGAL

1Q

May 5, 2020

First Quarter 2020 Earnings

CONFERENCE CALL

Louis Pinkham
Chief Executive Officer

Rob Rehard
Vice President
Chief Financial Officer

NON-GAAP FINANCIAL MEASURES

We prepare financial statements in accordance with accounting principles generally accepted in the United States (“GAAP”). We also periodically disclose certain financial measures in our quarterly earnings releases, on investor conference calls, and in investor presentations and similar events that may be considered “non-GAAP” financial measures. This additional information is not meant to be considered in isolation or as a substitute for our results of operations prepared and presented in accordance with GAAP.

In this presentation, we disclose the following non-GAAP financial measures, and we reconcile these measures in the tables in the appendix to the most directly comparable GAAP financial measures: adjusted diluted earnings per share (both historical and projected), adjusted income from operations, adjusted operating margin, adjusted net sales, net debt, adjusted EBITDA, adjusted operating leverage, adjusted net income attributable to Regal Beloit Corporation, free cash flow, free cash flow as a percentage of adjusted net income attributable to Regal Beloit Corporation, adjusted income before taxes, adjusted provision for income taxes, adjusted effective tax rate, net sales from ongoing business, adjusted income from operations of ongoing business, ongoing business adjusted operating margin, and adjusted diluted earnings per share for ongoing business. We believe that these non-GAAP financial measures are useful measures for providing investors with additional information regarding our results of operations and for helping investors understand and compare our operating results across accounting periods and compared to our peers. Our management primarily uses adjusted income from operations, adjusted operating income, adjusted operating margin, and adjusted operating leverage to help us manage and evaluate our business and make operating decisions, while adjusted diluted earnings per share, net debt, adjusted EBITDA, adjusted net sales, adjusted net income attributable to Regal Beloit Corporation, free cash flow, free cash flow as a percentage of adjusted net income attributable to Regal Beloit Corporation, adjusted income before taxes, adjusted provision for income taxes, adjusted effective tax rate, net sales from ongoing business, adjusted income from operations of ongoing business, ongoing business adjusted operating margin and adjusted diluted earnings per share for ongoing business are primarily used to help us evaluate our business and forecast our future results. Accordingly, we believe disclosing and reconciling each of these measures helps investors evaluate our business in the same manner as management.

In addition to these non-GAAP measures, we also use the term “organic sales” to refer to GAAP sales from existing operations excluding any sales from acquired businesses recorded prior to the first anniversary of the acquisition (“net sales from business acquired") and excluding any sales from business divested/to be exited (“net sales from business divested/to be exited“) recorded prior to the first anniversary of the exit and excluding the impact of foreign currency translation. The impact of foreign currency translation is determined by translating the respective period’s organic sales using the currency exchange rates that were in effect during the prior year periods. We use the term “organic sales growth” to refer to the increase in our sales between periods that is attributable to organic sales. For further clarification, we may use the term “acquisition growth” to refer to the increase in our sales between periods that is attributable to acquisition sales.

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ADJUSTED DILUTED EARNINGS PER SHARE

	Three Months Ended	
	Mar 28, 2020	Mar 30, 2019
GAAP Diluted Earnings Per Share	**$ 1.12**	$ 1.99
Restructuring and Related Costs	**0.10**	0.04
Loss (Gain) on Businesses Divested and Assets to be Exited	**0.03**	(0.59)
Net Loss (Income) from Businesses Divested/to be Exited	**0.01**	(0.07)
Executive Transition Costs	**0.05**	0.03
Adjusted Diluted Earnings Per Share	**$ 1.31**	$ 1.40

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ADJUSTED INCOME (LOSS) FROM OPERATIONS
(Dollars in Millions)

	Three Months Ended									
	Commercial Systems		Industrial Systems		Climate Solutions		Power Transmission Solutions		Total Regal	
	Mar 28, 2020	Mar 30, 2019	**Mar 28, 2020**	Mar 30, 2019	**Mar 28, 2020**	Mar 30, 2019	**Mar 28, 2020**	Mar 30, 2019	**Mar 28, 2020**	Mar 30, 2019
GAAP Income (Loss) from Operations	**$ 12.5**	$ 57.8	**$ (0.5)**	$ (4.3)	**$ 29.5**	$ 38.9	**$ 28.5**	$ 28.2	**$ 70.0**	$ 120.6
Restructuring and Related Costs	**1.8**	1.2	**0.9**	0.9	**1.1**	0.1	**1.8**	0.1	**5.6**	2.3
Purchase Accounting and Transaction Costs	**-**	0.1	**-**	-	**-**	-	**-**	-	**-**	0.1
Loss (Gain) on Businesses Divested and Assets to be Exited	**0.7**	(34.6)	**0.2**	1.0	**0.5**	1.3	**-**	1.1	**1.4**	(31.2)
Operating Loss (Income) from Businesses Divested/to be Exited	**-**	(1.7)	**-**	-	**0.4**	(1.9)	**-**	(0.3)	**0.4**	(3.9)
Executive Transition Costs	**0.5**	0.4	**0.4**	0.3	**0.5**	0.5	**0.4**	0.4	**1.8**	1.6
Adjusted Income (Loss) from Operations	**$ 15.5**	$ 23.2	**$ 1.0**	$ (2.1)	**$ 32.0**	$ 38.9	**$ 30.7**	$ 29.5	**$ 79.2**	$ 89.5
GAAP Operating Margin %	**6.3 %**	23.9 %	**(0.4)%**	(3.1)%	**14.0 %**	14.8 %	**14.6 %**	13.4 %	**9.5 %**	14.1 %
Adjusted Operating Margin %	**7.8 %**	10.1 %	**0.8 %**	(1.5)%	**15.2 %**	15.7 %	**15.7 %**	14.4 %	**10.8 %**	10.9 %

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ADJUSTED NET SALES
(Dollars in Millions)

	Three Months Ended									
	Commercial Systems		Industrial Systems		Climate Solutions		Power Transmission Solutions		Total Regal	
	Mar 28, 2020	Mar 30, 2019	**Mar 28, 2020**	Mar 30, 2019	**Mar 28, 2020**	Mar 30, 2019	**Mar 28, 2020**	Mar 30, 2019	**Mar 28, 2020**	Mar 30, 2019
Net Sales	**$ 199.4**	$ 242.2	**$ 129.6**	$ 138.1	**$ 210.1**	$ 263.3	**$ 195.1**	$ 210.2	**$ 734.2**	$ 853.8
Nets Sales from Businesses Divested/to be Exited	**-**	(12.4)	**-**	-	**-**	(15.5)	**-**	(5.6)	**-**	(33.5)
Adjusted Net Sales	**$ 199.4**	$ 229.8	**$ 129.6**	$ 138.1	**$ 210.1**	$ 247.8	**$ 195.1**	$ 204.6	**$ 734.2**	$ 820.3

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ADJUSTED EFFECTIVE TAX RATE
(Dollars in Millions)

	Three Months Ended	
	Mar 28, 2020	Mar 30, 2019
Income before Taxes	**$ 60.6**	$ 108.0
Provision for Income Taxes	**13.9**	21.2
Effective Tax Rate	**22.9%**	19.6%
Income before Taxes	**$ 60.6**	$ 108.0
Loss (Gain) on Businesses Divested and Assets to be Exited	**1.4**	(31.2)
Adjusted Income before Taxes	**$ 62.0**	$ 76.8
Provision for Income Taxes	**$ 13.9**	$ 21.2
Tax Effect from Loss (Gain) on Businesses Divested and Assets to be Exited	**0.3**	(5.3)
Non-deductible Portion of Executive Transition Costs	**(0.5)**	-
Adjusted Provision for Income Taxes	**$ 13.7**	$ 15.9
Adjusted Effective Tax Rate	**22.1%**	20.7%

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FREE CASH FLOW (Dollars in Millions)	**Three Months Ended**	
	Mar 28, 2020	Mar 30, 2019
Net Cash Provided by Operating Activities	**$102.7**	$ 18.3
Additions to Property Plant and Equipment	**(10.9)**	(20.2)
Free Cash Flow	**$ 91.8**	$ (1.9)
GAAP Net Income Attributable to Regal Beloit Corporation	**$ 45.8**	$ 85.9
Loss (Gain) on Businesses Divested and Impairments	**1.4**	(31.2)
Tax Effect from Loss (Gain) on Businesses Divested and Impairments	**(0.3)**	5.3
Adjusted Net Income Attributable to Regal Beloit Corporation	**$ 46.9**	$ 60.0
Free Cash Flow as a Percentage of Adjusted Net Income Attributable to Regal Beloit Corporation	**195.7 %**	(3.2)%

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ORGANIC SALES GROWTH (Dollars in Millions)	Three Months Ended				
	Commercial Systems	Industrial Systems	Climate Solutions	Power Transmission Solutions	Total Regal
Net Sales Three Months Ended Mar 28, 2020	$ 199.4	$ 129.6	$ 210.1	$ 195.1	$ 734.2
Impact from Foreign Currency Exchange Rates	1.7	2.3	1.0	1.0	6.0
Organic Sales Three Months Ended Mar 28, 2020	$ 201.1	$ 131.9	$ 211.1	$ 196.1	$ 740.2
Net Sales Three Months Ended Mar 30, 2019	$ 242.2	$ 138.1	$ 263.3	$ 210.2	$ 853.8
Net Sales from Business Divested/to be Exited	(12.4)	-	(15.5)	(5.6)	(33.5)
Adjusted Net Sales Three Months Ended Mar 30, 2019	$ 229.8	$ 138.1	$ 247.8	$ 204.6	$ 820.3
Organic Sales Growth %	(12.5)%	(4.5)%	(14.8)%	(4.2)%	(9.8)%
Net Sales Growth %	(17.7)%	(6.2)%	(20.2)%	(7.2)%	(14.0)%

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TOTAL GROSS DEBT/EBITDA

(Dollars in Millions)

	LTM Mar 28, 2020
Net Income	$ 202.5
Plus: Taxes	53.9
Plus: Interest Expense	51.0
Less: Interest Income	(5.6)
Plus: Depreciation and Amortization	132.8
EBITDA	**$ 434.6**
Current Maturities of Debt	$ 0.6
Long-Term Debt	1,364.3
Total Gross Debt	**$ 1,364.9**
Total Gross Debt/EBITDA	**3.1**

TOTAL GROSS DEBT/ADJUSTED EBITDA

(Dollars in Millions)

	LTM Mar 28, 2020
Net Income	$ 202.5
Plus: Taxes	53.9
Plus: Interest Expense	51.0
Less: Interest Income	(5.6)
Plus: Depreciation and Amortization	132.8
Plus: Restructuring and Related Costs	34.6
Plus: Impairment and Exit Related Costs	1.5
Plus: Executive Transition Costs	2.4
Plus: Operating Loss from Businesses Divested/to be Exited	0.2
Less: Gain on Sale of Assets	(3.8)
Less: Gain on Divestiture of Business	(3.6)
Adjusted EBITDA	**$ 465.9**
Current Maturities of Debt	$ 0.6
Long-Term Debt	1,364.3
Total Gross Debt	**$ 1,364.9**
Total Gross Debt/Adjusted EBITDA	**2.9**

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TOTAL NET DEBT/EBITDA

(Dollars in Millions)

	LTM Mar 28, 2020
Net Income	$ 202.5
Plus: Taxes	53.9
Plus: Interest Expense	51.0
Less: Interest Income	(5.6)
Plus: Depreciation and Amortization	132.8
Adjusted EBITDA	**$ 434.6**
Current Maturities of Debt	$ 0.6
Long-Term Debt	1,364.3
Less: Cash	(604.5)
Total Net Debt	**$ 760.4**
Total Net Debt/Adjusted EBITDA	**1.7**

TOTAL NET DEBT/ADJUSTED EBITDA

(Dollars in Millions)

	LTM Mar 28, 2020
Net Income	$ 202.5
Plus: Taxes	53.9
Plus: Interest Expense	51.0
Less: Interest Income	(5.6)
Plus: Depreciation and Amortization	132.8
Plus: Restructuring and Related Costs	34.6
Plus: Impairment and Exit Related Costs	1.5
Plus: Executive Transition Costs	2.4
Plus: Operating Loss from Businesses Divested/to be Exited	0.2
Less: Gain on Sale of Assets	(3.8)
Less: Gain on Divestiture of Business	(3.6)
Adjusted EBITDA	**$ 465.9**
Current Maturities of Debt	$ 0.6
Long-Term Debt	1,364.3
Less: Cash	(604.5)
Total Net Debt	**$ 760.4**
Total Net Debt/Adjusted EBITDA	**1.6**

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OPERATING LEVERAGE-TOTAL REGAL	Three Months Ended		
(Dollars in Millions)	**Mar 28, 2020**	Mar 30, 2019	Change
GAAP Income from Operations	**$ 70.0**	$ 120.6	$ (50.6)
Adjusted Income from Operations	**$ 79.2**	$ 89.5	$ (10.3)
Net Sales	**$ 734.2**	$ 853.8	$ (119.6)
Adjusted Net Sales	**$ 734.2**	$ 820.3	$ (86.1)
GAAP Operating Leverage			42.3 %
Adjusted Operating Leverage			12.0 %

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OPERATING LEVERAGE-COMMERCIAL SYSTEMS	Three Months Ended		
(Dollars in Millions)	**Mar 28, 2020**	Mar 30, 2019	Change
GAAP Income from Operations	**$ 12.5**	$ 57.8	$ (45.3)
Adjusted Income from Operations	**$ 15.5**	$ 23.2	$ (7.7)
Net Sales	**$ 199.4**	$ 242.2	$ (42.8)
Adjusted Net Sales	**$ 199.4**	$ 229.8	$ (30.4)
GAAP Operating Leverage			105.8 %
Adjusted Operating Leverage			25.3 %

OPERATING LEVERAGE-CLIMATE SOLUTIONS	Three Months Ended		
(Dollars in Millions)	**Mar 28, 2020**	Mar 30, 2019	Change
GAAP Income from Operations	**$ 29.5**	$ 38.9	$ (9.4)
Adjusted Income from Operations	**$ 32.0**	$ 38.9	$ (6.9)
Net Sales	**$ 210.1**	$ 263.3	$ (53.2)
Adjusted Net Sales	**$ 210.1**	$ 247.8	$ (37.7)
GAAP Operating Leverage			17.7 %
Adjusted Operating Leverage			18.3 %

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The following tables outline by quarter and full year the 2019 net sales and income from operations, and the full year adjusted diluted earnings per share, illustrating the impact of businesses divested and to be exited.

	Commercial Systems	Industrial Systems	Climate Solutions	Power Transmission Solutions	Total Regal
Fiscal 2019 First Quarter Schedule for Ongoing Business					
Net Sales Three Months Ended March 30, 2019	$ 242.2	$ 138.1	$ 263.3	$ 210.2	$ 853.8
Net Sales from Businesses Divested/to be Exited	(12.4)	-	(15.5)	(5.6)	(33.5)
Adjusted Net Sales from Ongoing Business	$ 229.8	$ 138.1	$ 247.8	$ 204.6	$ 820.3
GAAP Income (Loss) from Operations Three Months Ended March 30, 2019	$ 57.8	$ (4.3)	$ 38.9	$ 28.2	$ 120.6
Restructuring and Related Costs	1.2	0.9	0.1	0.1	2.3
Purchase Accounting and Transaction Costs	0.1	-	-	-	0.1
(Gain) Loss on Businesses Divested and Assets to be Exited	(34.6)	1.0	1.3	1.1	(31.2)
Operating Income from Businesses Divested/to be Exited	(1.7)	-	(1.9)	(0.3)	(3.9)
Executive Transition Costs	0.4	0.3	0.5	0.4	1.6
Adjusted Income (Loss) from Operations of Ongoing Business	$ 23.2	$ (2.1)	$ 38.9	$ 29.5	$ 89.5
Ongoing Business Adjusted Operating Margin %	10.1 %	(1.5)%	15.7 %	14.4 %	10.9 %
Fiscal 2019 Second Quarter Schedule for Ongoing Business					
Net Sales Three Months Ended June 29, 2019	$ 246.3	$ 155.5	$ 267.9	$ 204.0	$ 873.7
Net Sales from Businesses Divested/to be Exited	(12.6)	-	(5.6)	-	(18.2)
Adjusted Net Sales from Ongoing Business	$ 233.7	$ 155.5	$ 262.3	$ 204.0	$ 855.5
GAAP Income (Loss) from Operations Three Months Ended June 29, 2019	$ 20.8	$ (1.3)	$ 51.7	$ 24.8	$ 96.0
Restructuring and Related Costs	1.1	1.5	0.6	0.4	3.6
(Gain) Loss on Businesses Divested and Assets to be Exited	1.8	-	(6.1)	0.1	(4.2)
Operating Income from Businesses Divested/to be Exited	(1.6)	-	(0.1)	-	(1.7)
Executive Transition Costs	0.1	-	-	-	0.1
Adjusted Income from Operations of Ongoing Business	$ 22.2	$ 0.2	$ 46.1	$ 25.3	$ 93.8
Ongoing Business Adjusted Operating Margin %	9.5 %	0.1 %	17.6 %	12.4 %	11.0 %

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The following tables outline by quarter and full year the 2019 net sales and income from operations, and the full year adjusted diluted earnings per share, illustrating the impact of businesses divested and to be exited.

	Commercial Systems	Industrial Systems	Climate Solutions	Power Transmission Solutions	Total Regal
Fiscal 2019 Third Quarter Schedule for Ongoing Business					
Net Sales Three Months Ended September 28, 2019	$ 214.8	$ 143.8	$ 230.9	$ 182.8	$ 772.3
Net Sales from Businesses Divested/to be Exited	-	-	(0.9)	-	(0.9)
Adjusted Net Sales from Ongoing Business	$ 214.8	$ 143.8	$ 230.0	$ 182.8	$ 771.4
GAAP Income (Loss) from Operations Three Months Ended September 28, 2019	$ 16.6	$ (2.3)	$ 37.6	$ 20.9	$ 72.8
Restructuring and Related Costs	2.5	3.1	0.8	0.9	7.3
Loss on Businesses Divested and Assets to be Exited	0.1	-	0.1	-	0.2
Operating Income from Businesses Divested/to be Exited	-	-	0.9	-	0.9
Executive Transition Costs	-	0.1	-	-	0.1
Adjusted Income from Operations of Ongoing Business	$ 19.2	$ 0.9	$ 39.4	$ 21.8	$ 81.3
Ongoing Business Adjusted Operating Margin %	8.9 %	0.6 %	17.1 %	11.9 %	10.5 %
Fiscal 2019 Fourth Quarter Schedule for Ongoing Business					
Net Sales Three Months Ended December 28, 2019	$ 199.4	$ 129.6	$ 210.1	$ 195.1	$ 734.2
Net Sales from Businesses Divested/to be Exited	-	-	-	-	-
Adjusted Net Sales from Ongoing Business	$ 199.4	$ 129.6	$ 210.1	$ 195.1	$ 734.2
GAAP Income (Loss) from Operations Three Months Ended December 28, 2019	$ 7.9	$ (1.4)	$ 35.7	$ 19.5	$ 61.7
Restructuring and Related Costs	7.0	2.9	2.7	5.5	18.1
Gain on Sale of Assets	-	-	(3.8)	-	(3.8)
Loss on Businesses Divested and Assets to be Exited	0.1	-	-	0.4	0.5
Operating (Income) Loss from Businesses Divested/to be Exited	-	-	0.6	-	0.6
Executive Transition Costs	0.1	0.1	0.1	0.1	0.4
Adjusted Income from Operations of Ongoing Business	$ 15.1	$ 1.6	$ 35.3	$ 25.5	$ 77.5
Ongoing Business Adjusted Operating Margin %	7.6%	1.2%	16.8%	13.1%	10.6%

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The following tables outline by quarter and full year the 2019 net sales and income from operations, and the full year adjusted diluted earnings per share, illustrating the impact of businesses divested and to be exited.

	Commercial Systems	Industrial Systems	Climate Solutions	Power Transmission Solutions	Total Regal
Fiscal 2019 Twelve Months Ended for Ongoing Business					
Net Sales Twelve Months Ended December 28, 2019	$ 902.7	$ 567.0	$ 972.2	$ 792.1	$ 3,234.0
Net Sales from Businesses Divested/to be Exited	(25.0)	-	(22.0)	(5.6)	(52.6)
Adjusted Net Sales from Ongoing Business	$ 877.7	$ 567.0	$ 950.2	$ 786.5	$ 3,181.4
GAAP Income (Loss) from Operations Nine Months Ended December 28, 2019	$ 103.1	$ (9.3)	$ 163.9	$ 93.4	$ 351.1
Restructuring and Related Costs	11.8	8.4	4.2	6.9	31.3
Purchase Accounting and Transaction Costs	0.1	-	-	-	0.1
Gain on Sale of Assets	-	-	(3.8)	-	(3.8)
(Gain) Loss on Businesses Divested and Assets to be Exited	(32.6)	1.0	(4.7)	1.6	(34.7)
Operating Income from Businesses Divested/to be Exited	(3.3)	-	(0.5)	(0.3)	(4.1)
Executive Transition Costs	0.6	0.5	0.6	0.5	2.2
Adjusted Income from Operations of Ongoing Business	$ 79.7	$ 0.6	$ 159.7	$ 102.1	$ 342.1
Ongoing Business Adjusted Operating Margin %	9.1 %	0.1 %	16.8 %	13.0 %	10.8 %

2019 ADJUSTED DILUTED EARNINGS PER SHARE FOR ONGOING BUSINESS	Three Months Ended				Twelve Months Ended Dec 28, 2019
	Mar 30, 2019	Jun 29, 2019	Sep 28, 2019	Dec 28, 2019	
Adjusted Diluted Earnings Per Share	$ 1.43	$ 1.52	$ 1.35	$ 1.25	**$ 5.55**
Earnings Per Share from Businesses Divested/to be Exited	(0.03)	(0.03)	-	-	**(0.06)**
Adjusted Diluted Earnings Per Share for Ongoing Business	$ 1.40	$ 1.49	$ 1.35	$ 1.25	**$ 5.49**

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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
2018	63	64	63	61	251
2019	63	63	63	61	250
2020	63	63	63	64	253

- Regal operates on a 52/53 week fiscal year ending on the Saturday closest to December 31
- Fiscal Years 2015, 2016, 2017, 2018 and 2019 have 52 weeks
- Fiscal Year 2014 and 2020 have 53 weeks

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