



NEWS RELEASE

An Evolved Business Purpose For A Transformed Regal Rexnord

5/1/2024

MILWAUKEE, May 1, 2024 /PRNewswire/ -- Regal Rexnord Corporation (NYSE: RRX) announced today an evolved business purpose that reflects its strategic portfolio transformation over the last few years – now complete, after closing yesterday on the sale of the Industrial Motors and Generators businesses that comprised the substantial majority of its Industrial Systems segment. In the last three years, the Company also executed two other significant M&A transactions – the 2021 merger with Rexnord's ~\$1.2 billion industrial power transmission business, and the 2023 acquisition of Altra, with ~\$1.9 billion in sales split between industrial power transmission and automation.

Measured on sales by application, industrial power transmission is now just under 45% of the Regal Rexnord portfolio, with the remaining 55% split roughly equally between factory automation solutions, and high-efficiency electric motors and air moving subsystem offerings. Evidencing its progress on portfolio diversification, the electric motors business represented over 70% of the portfolio just five years ago.

The evolution of the Company's portfolio through merger, acquisition and divestment transactions has been highly intentional, and a critical driver of its strategy to become a more innovative, industry leading, faster growing, higher margin, and cash generative enterprise.

The Company's portfolio today is characterized by sales in markets and applications with attractive strategic characteristics, including 50% of sales into markets with secular demand tailwinds, that continue to provide opportunities to accelerate key capabilities to win and widen the competitive moat. Today, Regal Rexnord's product offering has higher vitality than at any other point in its history and is targeted to reach 25% in the next two years. These traits are evident in the Company's adjusted gross margins, which approached 36% in the fourth quarter of 2023, and exceeded 36% excluding Industrial Systems, and are also expected to contribute to the Company achieving a 40% adjusted gross margin exiting 2025.

Consistent with Regal Rexnord's significant portfolio re-balancing, the Company's purpose is also evolving, and is now articulated as follows:

We Create a Better Tomorrow with Sustainable Solutions that
Power, Transmit & Control Motion

The new purpose captures the unifying characteristic of the Company's evolved portfolio, which centers on motion:

- High-efficiency electric motors and air moving subsystems provide the power to create motion.
- A portfolio of highly engineered power transmission components and subsystems, which has unique scale and scope, efficiently transmits motion to power industrial applications.
- The automation portfolio, comprised of controls, actuators, drives, and small precision motors, controls motion in applications ranging from factory automation to precision control in surgical tools.

Regal Rexnord CEO, Louis Pinkham, commented on the announcement: "Our new purpose reflects the transformation of our portfolio into one characterized by more differentiated products and technologies, many that help end users reduce their environmental impact, and strong exposure to attractive higher-growth, durable, secular markets – in particular, factory automation, aerospace, medical, data center, food & beverage, residential HVAC, warehouse and alternative energy."

Pinkham continued, "With transformational portfolio re-shaping M&A now behind us, our focus is capitalizing on the many self-help opportunities in front of us. The inherent strengths of our go-forward portfolio, plus our commitment to further raise growth investments in secular markets and select strategic applications, should enable consistent growth above market, and support our financial goals to achieve 40% adjusted gross margins, 25% adjusted EBITDA margins and \$1 billion of free cash flow, all on an annual run rate basis exiting 2025. We believe our portfolio is now better positioned than ever to deliver highly compelling value creation opportunities for our key stakeholders – our associates, our customers and our shareholders."

About Regal Rexnord

Regal Rexnord's 30,000 associates around the world help create a better tomorrow by providing sustainable solutions that power, transmit and control motion. The Company's electric motors and air moving subsystems provide the power to create motion. A portfolio of highly engineered power transmission components and subsystems efficiently transmits motion to power industrial applications. The Company's automation offering, comprised of controls, actuators, drives, and small precision motors, controls motion in applications ranging from factory automation to precision control in surgical tools.

The Company's end markets benefit from meaningful secular demand tailwinds, and include factory automation, food & beverage, aerospace, medical, data center, warehouse, alternative energy, residential and commercial buildings, general industrial, construction, metals and mining, and agriculture.

Regal Rexnord is comprised of three operating segments: Industrial Powertrain Solutions, Power Efficiency Solutions, and Automation & Motion Control. Regal Rexnord is headquartered in Milwaukee, Wisconsin and has manufacturing, sales and service facilities worldwide. For more information, including a copy of our Sustainability Report, visit RegalRexnord.com.

Forward Looking Statements

All statements in this communication, other than those relating to historical facts, are "forward-looking statements." Forward-looking statements can generally be identified by their use of terms such as "anticipate," "believe," "estimate," "expect," "intend," "plan," "may," "will," "project," "forecast," "would," "could," "should," and similar expressions, including references to assumptions. Forward-looking statements are not guarantees of future performance and are subject to a number of assumptions, risks and uncertainties, many of which are beyond our control, which could cause actual results to differ materially from such statements. Forward-looking statements include, but are not limited to, statements about future strategic plans and future financial and operating results. Important factors that could cause actual results to differ materially from those presented or implied in the forward-looking statements in this communication include, without limitation, the possibility that the Company may be unable to achieve expected benefits, synergies and operating efficiencies in connection with the sale of the Industrial Motors and Generators businesses, the acquisition of Altra Industrial Motion Corp. ("Altra Transaction"), and the merger with the Rexnord Process & Motion Control business (the "Rexnord PMC business") within the expected time-frames or at all and to successfully integrate Altra and the Rexnord PMC business; the Company's substantial indebtedness as a result of the Altra Transaction and the effects of such indebtedness on the Company's financial flexibility; the Company's ability to achieve its objectives on reducing its indebtedness on the desired timeline; dependence on key suppliers and the potential effects of supply disruptions; fluctuations in commodity prices and raw material costs; any unforeseen changes to or the effects on liabilities, future capital expenditures, revenue, expenses, synergies, indebtedness, financial condition, losses and future prospects; unanticipated operating costs, customer loss and business disruption; the Company's ability to retain key executives and employees; uncertainties regarding the ability to execute restructuring plans within expected costs and timing; challenges to the tax treatment that was elected with respect to the merger with the Rexnord PMC business and related transactions; actions taken by competitors and their ability to effectively compete in the increasingly competitive global electric motor, drives and controls, power generation and power transmission industries; the ability to develop new products based on technological innovation, such as the Internet of Things and artificial intelligence, and marketplace acceptance of new and existing products; dependence on significant customers and distributors; risks associated with climate change and uncertainty regarding our ability to deliver on our climate commitments and/or to meet related investor, customer and other third party expectations relating to our sustainability efforts; risks associated with global manufacturing, including risks associated with public health crises and political, societal or economic instability, including instability caused by ongoing geopolitical conflicts; issues and costs arising from the integration of acquired companies and businesses and

the timing and impact of purchase accounting adjustments; prolonged declines in one or more markets; economic changes in global markets, such as reduced demand for products, currency exchange rates, inflation rates, interest rates, recession, government policies, including policy changes affecting taxation, trade, tariffs, immigration, customs, border actions and the like, and other external factors that the Company cannot control; product liability, asbestos and other litigation, or claims by end users, government agencies or others that products or customers' applications failed to perform as anticipated; unanticipated liabilities of acquired businesses; unanticipated adverse effects or liabilities from business exits or divestitures; the Company's ability to identify and execute on future M&A opportunities, including significant M&A transactions; the impact of any such M&A transactions on the Company's results, operations and financial condition, including the impact from costs to execute and finance any such transactions; unanticipated costs or expenses that may be incurred related to product warranty issues; infringement of intellectual property by third parties, challenges to intellectual property, and claims of infringement on third party technologies; effects on earnings of any significant impairment of goodwill; losses from failures, breaches, attacks or disclosures involving information technology infrastructure and data; costs and unanticipated liabilities arising from rapidly evolving laws and regulations; and other factors that can be found in our filings with the Securities and Exchange Commission, including our most recent periodic reports filed on Form 10-K and Form 10-Q, which are available on our Investor Relations website. Forward-looking statements are given only as of the date of this communication and we disclaim any obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise, except as required by law.

Non-GAAP Measures

This press release refers to adjusted gross margins for the fourth quarter of 2023, which are non-GAAP financial measures. Please refer to the Company's earnings release reporting fourth quarter 2023 financial results issued on February 7, 2024 for further disclosure and a reconciliation, a copy of which is available on our Investor Relations website.

This press release also includes non-GAAP forward-looking information. The Company believes that a quantitative reconciliation of this forward-looking information to the most comparable financial measure calculated and presented in accordance with GAAP cannot be made available without unreasonable efforts. A reconciliation of this non-GAAP financial measure would require the Company to predict the timing and likelihood of future restructurings and other charges. Accordingly, a reconciliation of the most directly comparable forward-looking GAAP measure is not provided.

View original content:<https://www.prnewswire.com/news-releases/an-evolved-business-purpose-for-a-transformed-regal-rexnord-302133349.html>

SOURCE Regal Rexnord Corporation