Regal Beloit Corporation

Third Quarter 2018 Earnings Conference Call

November 5, 2018

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Chairman and
Chief Executive Officer

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Chief Operating Officer

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Appendix Non-GAAP Reconciliations

ADJUSTED DILUTED EARNINGS PER SHARE

	Three Months Ended		Nine Months Ended	
	Sep 29, 2018	Sep 30, 2017	**Sep 29, 2018**	Sep 30, 2017
GAAP Diluted Earnings Per Share	**$ 1.17**	$ 1.39	**$ 3.98**	$ 3.59
Restructuring and Related Costs	**0.03**	0.03	**0.09**	0.20
Purchase Accounting and Transaction Costs	**0.01**	—	**0.09**	—
Provisional Benefit of the New US Tax Legislation	**(0.15)**	—	**(0.15)**	—
Gain on Sale of Assets	**—**	(0.05)	**(0.01)**	(0.06)
Net Income from Business to be Exited	**—**	(0.01)	**(0.02)**	(0.01)
Impairment and Exit Related Costs	**0.61**	—	**0.61**	—
Adjusted Diluted Earnings Per Share	**$ 1.67**	$ 1.36	**$ 4.59**	$ 3.72

2018 ADJUSTED ANNUAL GUIDANCE

	Minimum	Maximum
2018 Diluted EPS Annual Guidance	$ 5.11	$ 5.21
Restructuring and Related Costs	0.14	0.14
Purchase Accounting and Transaction Costs	0.10	0.10
Provisional Benefit of the New US Tax Legislation	(0.15)	(0.15)
Gain on Sale of Assets	(0.01)	(0.01)
Net Income from Business to be Exited	(0.02)	(0.02)
Impairment and Exit Related Costs	0.61	0.61
CEO Transition Costs	0.07	0.07
2018 Adjusted Diluted EPS Annual Guidance	$ 5.85	$ 5.95

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Appendix Non-GAAP Reconciliations

ADJUSTED INCOME FROM OPERATIONS
(Dollars in Millions)

	Three Months Ended							
	Commercial & Industrial Systems		Climate Solutions		Power Transmission Solutions		Total Regal	
	Sep 29, 2018	Sep 30, 2017	**Sep 29, 2018**	Sep 30, 2017	**Sep 29, 2018**	Sep 30, 2017	**Sep 29, 2018**	Sep 30, 2017
GAAP Income from Operations	**$ 35.3**	$ 29.5	**$ 6.0**	$ 39.1	**$ 28.1**	$ 25.7	**$ 69.4**	$ 94.3
Restructuring and Related Costs	**1.9**	1.2	**0.3**	0.3	**0.1**	0.1	**2.3**	1.6
Purchase Accounting and Transaction Costs	**0.2**	-	**-**	-	**-**	-	**0.2**	-
Gain on Sale of Assets	**-**	(0.3)	**-**	-	**-**	(2.8)	**-**	(3.1)
Operating Income from Business to be Exited	**-**	-	**(0.3)**	(0.2)	**-**	-	**(0.3)**	(0.2)
Impairment and Exit Related Costs	**-**	-	**34.9**	-	**-**	-	**34.9**	-
Adjusted Income from Operations	**$ 37.4**	$ 30.4	**$ 40.9**	$ 39.2	**$ 28.2**	$ 23.0	**$ 106.5**	$ 92.6
GAAP Operating Margin %	**7.6 %**	7.2 %	**2.3 %**	15.3 %	**13.5 %**	13.3 %	**7.5 %**	11.0 %
Adjusted Operating Margin %	**8.1 %**	7.5 %	**16.7 %**	16.2 %	**13.6 %**	11.9 %	**11.6 %**	11.0 %

ADJUSTED INCOME FROM OPERATIONS
(Dollars in Millions)

	Nine Months Ended							
	Commercial & Industrial Systems		Climate Solutions		Power Transmission Solutions		Total Regal	
	Sep 29, 2018	Sep 30, 2017	**Sep 29, 2018**	Sep 30, 2017	**Sep 29, 2018**	Sep 30, 2017	**Sep 29, 2018**	Sep 30, 2017
GAAP Income from Operations	**$ 94.9**	$ 75.8	**$ 82.3**	$ 110.9	**$ 80.0**	$ 65.8	**$ 257.2**	$ 252.5
Restructuring and Related Costs	**3.9**	9.8	**1.4**	2.0	**0.2**	0.7	**5.5**	12.5
Purchase Accounting and Transaction Costs	**5.3**	-	**-**	-	**-**	-	**5.3**	-
Gain on Disposal of Business	**-**	-	**-**	-	**-**	(0.1)	**-**	(0.1)
Gain on Sale of Assets	**(0.4)**	(0.7)	**-**	-	**-**	(2.8)	**(0.4)**	(3.5)
Operating Income from Business to be Exited	**-**	-	**(1.2)**	(0.3)	**-**	-	**(1.2)**	(0.3)
Impairment and Exit Related Costs	**-**	-	**34.9**	-	**-**	-	**34.9**	-
Adjusted Income from Operations	**$ 103.7**	$ 84.9	**$ 117.4**	$ 112.6	**$ 80.2**	$ 63.6	**$ 301.3**	$ 261.1
GAAP Operating Margin %	**7.1 %**	6.3 %	**10.4 %**	14.3 %	**12.8 %**	11.6 %	**9.3 %**	9.9 %
Adjusted Operating Margin %	**7.7 %**	7.1 %	**15.7 %**	15.5 %	**12.8 %**	11.2 %	**11.1 %**	10.5 %

Appendix Non-GAAP Reconciliations

Three Months Ended

ADJUSTED NET SALES (Dollars in Millions)	Commercial & Industrial Systems		Climate Solutions		Power Transmission Solutions		Total Regal	
	Sep 29, 2018	Sep 30, 2017	**Sep 29, 2018**	Sep 30, 2017	**Sep 29, 2018**	Sep 30, 2017	**Sep 29, 2018**	Sep 30, 2017
Net Sales	**$ 462.3**	$ 408.0	**$ 255.4**	$ 256.0	**$ 207.7**	$ 192.9	**$ 925.4**	$ 856.9
Nets Sales for Business to be Exited	**-**	-	**(11.0)**	(13.4)	**-**	-	**(11.0)**	(13.4)
Adjusted Net Sales	**$ 462.3**	$ 408.0	**$ 244.4**	$ 242.6	**$ 207.7**	$ 192.9	**$ 914.4**	$ 843.5

Nine Months Ended

ADJUSTED NET SALES (Dollars in Millions)	Commercial & Industrial Systems		Climate Solutions		Power Transmission Solutions		Total Regal	
	Sep 29, 2018	Sep 30, 2017	**Sep 29, 2018**	Sep 30, 2017	**Sep 29, 2018**	Sep 30, 2017	**Sep 29, 2018**	Sep 30, 2017
Net Sales	**$ 1,345.3**	$ 1,196.6	**$ 792.6**	$ 774.2	**$ 626.0**	$ 568.8	**$ 2,763.9**	$ 2,539.6
Nets Sales for Business to be Exited	**-**	-	**(42.9)**	(49.7)	**-**	-	**(42.9)**	(49.7)
Adjusted Net Sales	**$ 1,345.3**	$ 1,196.6	**$ 749.7**	$ 724.5	**$ 626.0**	$ 568.8	**$ 2,721.0**	$ 2,489.9

Appendix Non-GAAP Reconciliations

ADJUSTED EFFECTIVE TAX RATE	**Three Months Ended**		**Nine Months Ended**	
	Sep 29, 2018	Sep 30, 2017	**Sep 29, 2018**	Sep 30, 2017
Income before Taxes	**$ 56.3**	$ 81.2	**$ 216.9**	$ 211.9
Provision for Income Taxes	**3.6**	17.6	**37.6**	46.4
Effective Tax Rate	**6.4%**	21.7%	**17.3%**	21.9%
Income before Taxes	**$ 56.3**	$ 81.2	**$ 216.9**	$ 211.9
Impairment and Exit Related Costs	**34.9**	-	**34.9**	-
Adjusted Income before Taxes	**$ 91.2**	$ 81.2	**$ 251.8**	$ 211.9
Provision for Income Taxes	**$ 3.6**	$ 17.6	**$ 37.6**	$ 46.4
Tax Effect from Impairment and Exit Related Costs	**8.2**	-	**8.2**	-
Provisional Benefit of the New US Tax Legislation	**6.6**	-	**6.6**	-
Adjusted Provision for Income Taxes	**$ 18.4**	$ 17.6	**$ 52.4**	$ 46.4
Adjusted Effective Tax Rate	**20.2%**	21.7%	**20.8%**	21.9%

Appendix Non-GAAP Reconciliations

FREE CASH FLOW (Dollars in Millions)	**Three Months Ended**		**Nine Months Ended**	
	Sep 29, 2018	Sep 30, 2017	**Sep 29, 2018**	Sep 30, 2017
Net Cash Provided by Operating Activities	**$ 106.0**	$ 86.1	**$ 250.3**	$ 235.0
Additions to Property Plant and Equipment	**(18.7)**	(15.3)	**(59.2)**	(49.0)
Free Cash Flow	**$ 87.3**	$ 70.8	**$ 191.1**	$ 186.0
GAAP Net Income Attributable to Regal Beloit Corporation	**$ 51.3**	$ 62.2	**$ 175.6**	$ 161.5
Goodwill Impairment	**9.5**	-	**9.5**	-
Asset Impairments	**8.7**	-	**8.7**	-
Tax Effect from Impairments	**(4.0)**	-	**(4.0)**	-
Adjusted Net Income Attributable to Regal Beloit Corporation[1]	**$ 65.5**	$ 62.2	**$ 189.8**	$ 161.5
Free Cash Flow as a Percentage of Adjusted Net Income Attributable to Regal Beloit Corporation	**133.3 %**	113.8 %	**100.7 %**	115.2 %

[1] The Net Income Attributable to Regal Beloit Corporation is adjusted for goodwill and asset impairments related to the business to be exited and is used in the Free Cash Flow Calculation.

Appendix Non-GAAP Reconciliations

ORGANIC SALES GROWTH (Dollars in Millions)	Three Months Ended			
	Commercial & Industrial Systems	Climate Solutions	Power Transmission Solutions	Total Regal
Net Sales Three Months Ended Sep 29, 2018	$ 462.3	$ 255.4	$ 207.7	$ 925.4
Net Sales from Business Acquired	(34.7)	-	-	(34.7)
Net Sales from Business to be Exited	-	(11.0)	-	(11.0)
Impact from Foreign Currency Exchange Rates	5.3	1.7	0.8	7.8
Organic Sales Three Months Ended Sep 29, 2018	$ 432.9	$ 246.1	$ 208.5	$ 887.5
Net Sales Three Months Ended Sep 30, 2017	$ 408.0	$ 256.0	$ 192.9	$ 856.9
Net Sales from Business to be Exited	-	(13.4)	-	(13.4)
Adjusted Net Sales Three Months Ended Sep 30, 2017	$ 408.0	$ 242.6	$ 192.9	$ 843.5
Organic Sales Growth %	6.1 %	1.4 %	8.1 %	5.2 %
Net Sales Growth %	13.3 %	(0.2)%	7.7 %	8.0 %

ORGANIC SALES GROWTH (Dollars in Millions)	Nine Months Ended			
	Commercial & Industrial Systems	Climate Solutions	Power Transmission Solutions	Total Regal
Net Sales Nine Months Ended Sep 29, 2018	$ 1,345.3	$ 792.6	$ 626.0	$ 2,763.9
Net Sales from Business Acquired	(64.8)	-	-	(64.8)
Net Sales from Business to be Exited	-	(42.9)	-	(42.9)
Impact from Foreign Currency Exchange Rates	(14.4)	(1.3)	(5.5)	(21.2)
Organic Sales Nine Months Ended Sep 29, 2018	$ 1,266.1	$ 748.4	$ 620.5	$ 2,635.0
Net Sales Nine Months Ended Sep 30, 2017	$ 1,196.6	$ 774.2	$ 568.8	$ 2,539.6
Net Sales from Business to be Exited	-	(49.7)	-	(49.7)
Adjusted Net Sales Nine Months Ended Sep 30, 2017	$ 1,196.6	$ 724.5	$ 568.8	$ 2,489.9
Organic Sales Growth %	5.8 %	3.3 %	9.1 %	5.8 %
Net Sales Growth %	12.4 %	2.4 %	10.1 %	8.8 %

Appendix Non-GAAP Reconciliations

TOTAL GROSS DEBT/ADJUSTED EBITDA

(Dollars in Millions)

	LTM Sep 29, 2018
Net Income Attributable to Regal Beloit Corporation	$ 227.1
Plus: Minority Interest	4.8
Plus: Taxes	50.3
Plus: Interest Expense	54.4
Less: Interest Income	(2.3)
Plus: Depreciation and Amortization	140.4
Plus: Restructuring and Related Costs	7.1
Plus: Purchase Accounting & Transaction Costs	5.3
Plus: Impairment and Exit Related Costs	34.9
Less: Business to be Exited	(0.8)
Less: Gain on Sale of Assets	(0.8)
Adjusted EBITDA	**$ 520.4**
Current Maturities of Debt	$ 0.6
Long-Term Debt	1,278.3
Total Gross Debt	**$ 1,278.9**
Total Gross Debt/Adjusted EBITDA	**2.5**

TOTAL NET DEBT/ADJUSTED EBITDA

(Dollars in Millions)

	LTM Sep 29, 2018
Net Income Attributable to Regal Beloit Corporation	$ 227.1
Plus: Minority Interest	4.8
Plus: Taxes	50.3
Plus: Interest Expense	54.4
Less: Interest Income	(2.3)
Plus: Depreciation and Amortization	140.4
Plus: Restructuring and Related Costs	7.1
Plus: Purchase Accounting & Transaction Costs	5.3
Plus: Impairment and Exit Related Costs	34.9
Less: Business to be Exited	(0.8)
Less: Gain on Sale of Assets	(0.8)
Adjusted EBITDA	**$ 520.4**
Current Maturities of Debt	$ 0.6
Long-Term Debt	1,278.3
Less: Cash	(184.4)
Total Net Debt	**$ 1,094.5**
Total Net Debt/Adjusted EBITDA	**2.1**

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
2018	63	64	63	61	251

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