Regal Beloit Corporation

Second Quarter 2018 Earnings Conference Call

August 7, 2018

Mark Gliebe
Chairman and
Chief Executive Officer

Jon Schlemmer
Chief Operating Officer

Rob Rehard
Vice President
Chief Financial Officer

Robert Cherry
Vice President
Business Development & Investor Relations

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Appendix Non-GAAP Reconciliations

ADJUSTED DILUTED EARNINGS PER SHARE	**Three Months Ended**		**Six Months Ended**	
	Jun 30, 2018	Jul 1, 2017	**Jun 30, 2018**	Jul 1, 2017
GAAP Diluted Earnings Per Share	**$ 1.50**	$ 1.18	**$ 2.81**	$ 2.20
Restructuring and Related Costs	**0.03**	0.12	**0.06**	0.17
Purchase Accounting and Transaction Costs	**0.08**	—	**0.08**	—
Gain on Sale of Assets	**(0.01)**	(0.01)	**(0.01)**	(0.01)
Adjusted Diluted Earnings Per Share	**$ 1.60**	$ 1.29	**$ 2.94**	$ 2.36

2018 ADJUSTED ANNUAL GUIDANCE	**Minimum**	**Maximum**
2018 Diluted EPS Annual Guidance	$ 4.78	$ 5.08
Restructuring and Related Costs	0.14	0.14
Purchase Accounting and Transaction Costs	0.11	0.11
Gain on Sale of Assets	(0.01)	(0.01)
Impairment and Exit Related Costs	0.68	0.68
2018 Adjusted Diluted EPS Annual Guidance	$ 5.70	$ 6.00

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Appendix Non-GAAP Reconciliations

Three Months Ended

ADJUSTED OPERATING INCOME (Dollars in Millions)	**Commercial & Industrial Systems**		**Climate Solutions**		**Power Transmission Solutions**		**Total Regal**	
	Jun 30, 2018	Jul 1, 2017	**Jun 30, 2018**	Jul 1, 2017	**Jun 30, 2018**	Jul 1, 2017	**Jun 30, 2018**	Jul 1, 2017
GAAP Income from Operations	**$ 30.5**	$ 20.6	**$ 44.0**	$ 40.4	**$ 25.1**	$ 22.2	**$ 99.6**	$ 83.2
Restructuring and Related Costs	**0.7**	6.9	**0.7**	0.6	**0.1**	0.2	**1.5**	7.7
Purchase Accounting and Transaction Costs	**5.1**	-	**-**	-	**-**	-	**5.1**	-
Gain on Sale of Assets	**(0.1)**	(0.3)	**-**	-	**-**	-	**(0.1)**	(0.3)
Adjusted Income from Operations	**$ 36.2**	$ 27.2	**$ 44.7**	$ 41.0	**$ 25.2**	$ 22.4	**$ 106.1**	$ 90.6
GAAP Operating Margin %	**6.5 %**	5.1 %	**15.9 %**	14.9 %	**11.8 %**	11.6 %	**10.4 %**	9.6 %
Adjusted Operating Margin %	**7.7 %**	6.7 %	**16.1 %**	15.2 %	**11.8 %**	11.7 %	**11.1 %**	10.4 %

Six Months Ended

ADJUSTED OPERATING INCOME (Dollars in Millions)	**Commercial & Industrial Systems**		**Climate Solutions**		**Power Transmission Solutions**		**Total Regal**	
	Jun 30, 2018	Jul 1, 2017	**Jun 30, 2018**	Jul 1, 2017	**Jun 30, 2018**	Jul 1, 2017	**Jun 30, 2018**	Jul 1, 2017
GAAP Income from Operations	**$ 59.6**	$ 46.3	**$ 76.3**	$ 71.8	**$ 51.9**	$ 40.1	**$ 187.8**	$ 158.2
Restructuring and Related Costs	**2.0**	8.6	**1.1**	1.7	**0.1**	0.6	**3.2**	10.9
Purchase Accounting and Transaction Costs	**5.1**	-	**-**	-	**-**	-	**5.1**	-
Gain on Disposal of Business	**-**	-	**-**	-	**-**	(0.1)	**-**	(0.1)
Gain on Sale of Assets	**(0.4)**	(0.4)	**-**	-	**-**	-	**(0.4)**	(0.4)
Adjusted Income from Operations	**$ 66.3**	$ 54.5	**$ 77.4**	$ 73.5	**$ 52.0**	$ 40.6	**$ 195.7**	$ 168.6
GAAP Operating Margin %	**6.7 %**	5.9 %	**14.2 %**	13.9 %	**12.4 %**	10.7 %	**10.2 %**	9.4 %
Adjusted Operating Margin %	**7.5 %**	6.9 %	**14.4 %**	14.2 %	**12.4 %**	10.8 %	**10.6 %**	10.0 %

Appendix Non-GAAP Reconciliations

FREE CASH FLOW

(Dollars in Millions)

	Three Months Ended		Six Months Ended	
	Jun 30, 2018	Jul 1, 2017	**Jun 30, 2018**	Jul 1, 2017
Net Cash Provided by Operating Activities	**$ 101.8**	$ 98.4	**$ 144.3**	$ 148.9
Additions to Property Plant and Equipment	**(21.2)**	(16.7)	**(40.5)**	(33.7)
Free Cash Flow	**$ 80.6**	$ 81.7	**$ 103.8**	$ 115.2
Free Cash Flow as a Percentage of Net Income Attributable to Regal Beloit Corporation	**122.3 %**	154.2 %	**83.5 %**	116.0 %

Appendix Non-GAAP Reconciliations

ORGANIC SALES GROWTH (Dollars in Millions)	Three Months Ended June 30, 2018			
	Commercial & Industrial Systems	Climate Solutions	Power Transmission Solutions	Total Regal
Net Sales	$ 469.0	$ 277.3	$ 213.4	$ 959.7
Net Sales from Business Acquired	(30.1)	-	-	(30.1)
Impact from Foreign Currency Exchange Rates	(8.4)	(0.3)	(2.3)	(11.0)
Adjusted Net Sales	$ 430.5	$ 277.0	$ 211.1	$ 918.6
Net Sales Three Months Ended July 1, 2017	$ 407.4	$ 270.5	$ 191.3	$ 869.2
Organic Sales Growth %	5.7 %	2.4 %	10.4 %	5.7 %
Net Sales Growth %	15.1 %	2.5 %	11.6 %	10.4 %

ORGANIC SALES GROWTH (Dollars in Millions)	Six Months Ended June 30, 2018			
	Commercial & Industrial Systems	Climate Solutions	Power Transmission Solutions	Total Regal
Net Sales	$ 883.0	$ 537.2	$ 418.3	$ 1,838.5
Net Sales from Business Acquired	(30.1)	-	-	(30.1)
Impact from Foreign Currency Exchange Rates	(19.7)	(2.8)	(6.3)	(28.8)
Adjusted Net Sales	$ 833.2	$ 534.4	$ 412.0	$ 1,779.6
Net Sales Six Months Ended July 1, 2017	$ 788.6	$ 518.2	$ 375.9	$ 1,682.7
Organic Sales Growth %	5.7 %	3.1 %	9.6 %	5.8 %
Net Sales Growth %	12.0 %	3.7 %	11.3 %	9.3 %

Appendix Non-GAAP Reconciliations

TOTAL GROSS DEBT/ADJUSTED EBITDA

(Dollars in Millions)

	LTM Jun 30, 2018
Net Income Attributable to Regal Beloit Corporation	$ 238.0
Plus: Minority Interest	4.8
Plus: Taxes	64.3
Plus: Interest Expense	54.2
Less: Interest Income	(2.0)
Plus: Depreciation and Amortization	139.4
Plus: Restructuring and Related Costs	6.4
Plus: Purchase Accounting & Transaction Costs	5.1
Less: Gain on Sale of Assets	(3.9)
Adjusted EBITDA	**$ 506.3**
Current Maturities of Debt	$ 100.5
Long-Term Debt	1,235.1
Total Gross Debt	**$ 1,335.6**
Total Gross Debt/Adjusted EBITDA	**2.6**

TOTAL NET DEBT/ADJUSTED EBITDA

(Dollars in Millions)

	LTM Jun 30, 2018
Net Income Attributable to Regal Beloit Corporation	$ 238.0
Plus: Minority Interest	4.8
Plus: Taxes	64.3
Plus: Interest Expense	54.2
Less: Interest Income	(2.0)
Plus: Depreciation and Amortization	139.4
Plus: Restructuring and Related Costs	6.4
Plus: Purchase Accounting & Transaction Costs	5.1
Less: Gain on Sale of Assets	(3.9)
Adjusted EBITDA	**$ 506.3**
Current Maturities of Debt	$ 100.5
Long-Term Debt	1,235.1
Less: Cash	(175.6)
Total Net Debt	**$ 1,160.0**
Total Net Debt/Adjusted EBITDA	**2.3**

Appendix Non-GAAP Reconciliations

RECONCILIATION FOR PENSION ADJUSTMENT (Dollars in Millions)	Quarter-to-Date: Commercial & Industrial Systems	Quarter-to-Date: Climate Solutions	Quarter-to-Date: Power Transmission Solutions	Quarter-to-Date: Total Regal	Year-to-Date: Commercial & Industrial Systems	Year-to-Date: Climate Solutions	Year-to-Date: Power Transmission Solutions	Year-to-Date: Total Regal
	Three Months Ended April 1, 2017				**Three Months Ended April 1, 2017**			
GAAP Income from Operations - Recasted	$ 25.7	$ 31.4	$ 17.9	$ 75.0	$ 25.7	$ 31.4	$ 17.9	$ 75.0
Adjusted Income from Operations - Recasted	27.3	32.5	18.2	78.0	27.3	32.5	18.2	78.0
GAAP Operating Margin % - Recasted	6.7 %	12.7 %	9.7 %	9.2 %	6.7 %	12.7 %	9.7 %	9.2 %
Adjusted Operating Margin % - Recasted	7.2 %	13.1 %	9.9 %	9.6 %	7.2 %	13.1 %	9.9 %	9.6 %
	Three Months Ended July 1, 2017				**Six Months Ended July 1, 2017**			
GAAP Income from Operations - Recasted	$ 20.6	$ 40.4	$ 22.2	$ 83.2	$ 46.3	$ 71.8	$ 40.1	$ 158.2
Adjusted Income from Operations - Recasted	27.2	41.0	22.4	90.6	54.5	73.5	40.6	168.6
GAAP Operating Margin % - Recasted	5.1 %	14.9 %	11.6 %	9.6 %	5.9 %	13.9 %	10.7 %	9.4 %
Adjusted Operating Margin % - Recasted	6.7 %	15.2 %	11.7 %	10.4 %	6.9 %	14.2 %	10.8 %	10.0 %
	Three Months Ended September 30, 2017				**Nine Months Ended September 30, 2017**			
GAAP Income from Operations - Recasted	$ 29.5	$ 39.1	$ 25.7	$ 94.3	$ 75.8	$ 110.9	$ 65.8	$ 252.5
Adjusted Income from Operations - Recasted	30.4	39.4	23.0	92.8	84.9	112.9	63.6	261.4
GAAP Operating Margin % - Recasted	7.2 %	15.3 %	13.3 %	11.0 %	6.3 %	14.3 %	11.6 %	9.9 %
Adjusted Operating Margin % - Recasted	7.5 %	15.4 %	11.9 %	10.8 %	7.1 %	14.6 %	11.2 %	10.3 %
	Three Months Ended December 30, 2017				**Twelve Months Ended December 30, 2017**			
GAAP Income from Operations - Recasted	$ 24.0	$ 30.6	$ 24.0	$ 78.6	$ 99.8	$ 141.5	$ 89.8	$ 331.1
Adjusted Income from Operations - Recasted	24.7	31.1	24.0	79.8	109.6	144.0	87.6	341.2
GAAP Operating Margin % - Recasted	5.9 %	14.1 %	12.2 %	9.6 %	6.2 %	14.3 %	11.7 %	9.9 %
Adjusted Operating Margin % - Recasted	6.1 %	14.4 %	12.2 %	9.7 %	6.8 %	14.5 %	11.4 %	10.2 %

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