REGAL

3Q

NOVEMBER 4, 2019

Third Quarter 2019 Earnings

CONFERENCE CALL

Louis Pinkham
Chief Executive Officer

Rob Rehard
Vice President
Chief Financial Officer

Rob Cherry
Vice President
Business Development
& Investor Relations

ADJUSTED DILUTED EARNINGS PER SHARE

	Three Months Ended		Nine Months Ended	
	Sep 28, 2019	Sep 29, 2018	**Sep 28, 2019**	Sep 29, 2018
GAAP Diluted Earnings Per Share	**$ 1.19**	$ 1.17	**$ 4.75**	$ 3.98
Restructuring and Related Costs	**0.14**	0.03	**0.24**	0.09
Purchase Accounting and Transaction Costs	**—**	0.01	**—**	0.09
(Gain) Loss on Businesses Divested and Assets to be Exited	**—**	0.61	**(0.70)**	0.61
Net (Income) Loss from Businesses Divested/to be Exited	**0.02**	(0.11)	**(0.08)**	(0.29)
CEO Transition Costs	**—**	—	**0.03**	—
Impact of the New US Tax Legislation	**—**	(0.15)	**—**	(0.15)
Adjusted Diluted Earnings Per Share	**$ 1.35**	$ 1.56	**$ 4.24**	$ 4.33

2019 ADJUSTED ANNUAL GUIDANCE

	Minimum	Maximum
2019 Diluted EPS Annual Guidance	$ 5.85	$ 5.95
Restructuring and Related Costs	0.34	0.34
Gain on Businesses Divested and Assets to be Exited	(0.70)	(0.70)
Net Income from Businesses to be Divested/Exited	(0.08)	(0.08)
CEO Transition Costs	0.04	0.04
2019 Adjusted Diluted EPS Annual Guidance	$ 5.45	$ 5.55

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ADJUSTED INCOME FROM OPERATIONS
(Dollars in Millions)

	Three Months Ended							
	Commercial & Industrial Systems		Climate Solutions		Power Transmission Solutions		Total Regal	
	Sep 28, 2019	Sep 29, 2018	**Sep 28, 2019**	Sep 29, 2018	**Sep 28, 2019**	Sep 29, 2018	**Sep 28, 2019**	Sep 29, 2018
GAAP Income from Operations	**$ 14.3**	$ 35.3	**$ 37.6**	$ 6.0	**$ 20.9**	$ 28.1	**$ 72.8**	$ 69.4
Restructuring and Related Costs	**5.6**	1.9	**0.8**	0.3	**0.9**	0.1	**7.3**	2.3
Purchase Accounting and Transaction Costs	**-**	0.2	**-**	-	**-**	-	**-**	0.2
Loss on Businesses Divested and Assets to be Exited	**0.1**	-	**0.1**	34.9	**-**	-	**0.2**	34.9
Operating Loss (Income) from Businesses Divested/to be Exited	**-**	(5.2)	**0.9**	(1.5)	**-**	(0.3)	**0.9**	(7.0)
CEO Transition Costs	**0.1**	-	**-**	-	**-**	-	**0.1**	-
Adjusted Income from Operations	**$ 20.1**	$ 32.2	**$ 39.4**	$ 39.7	**$ 21.8**	$ 27.9	**$ 81.3**	$ 99.8
GAAP Operating Margin %	**4.0 %**	7.6 %	**16.3 %**	2.3 %	**11.4 %**	13.5 %	**9.4 %**	7.5 %
Adjusted Operating Margin %	**5.6 %**	7.7 %	**17.1 %**	16.4 %	**11.9 %**	13.8 %	**10.5 %**	11.6 %

ADJUSTED INCOME FROM OPERATIONS
(Dollars in Millions)

	Nine Months Ended							
	Commercial & Industrial Systems		Climate Solutions		Power Transmission Solutions		Total Regal	
	Sep 28, 2019	Sep 29, 2018	**Sep 28, 2019**	Sep 29, 2018	**Sep 28, 2019**	Sep 29, 2018	**Sep 28, 2019**	Sep 29, 2018
GAAP Income from Operations	**$ 87.3**	$ 94.9	**$ 128.2**	$ 82.3	**$ 73.9**	$ 80.0	**$ 289.4**	$ 257.2
Restructuring and Related Costs	**10.3**	3.9	**1.5**	1.4	**1.4**	0.2	**13.2**	5.5
Purchase Accounting and Transaction Costs	**0.1**	5.3	**-**	-	**-**	-	**0.1**	5.3
(Gain) Loss on Businesses Divested and Assets to be Exited	**(31.7)**	-	**(4.7)**	34.9	**1.2**	-	**(35.2)**	34.9
Operating Income from Businesses Divested/to be Exited	**(3.3)**	(12.0)	**(1.1)**	(5.2)	**(0.3)**	(0.2)	**(4.7)**	(17.4)
CEO Transition Costs	**0.9**	-	**0.5**	-	**0.4**	-	**1.8**	-
Adjusted Income from Operations	**$ 63.6**	$ 92.1	**$ 124.4**	$ 113.4	**$ 76.6**	$ 80.0	**$ 264.6**	$ 285.5
GAAP Operating Margin %	**7.7 %**	7.1 %	**16.8 %**	10.4 %	**12.4 %**	12.8 %	**11.6 %**	9.3 %
Adjusted Operating Margin %	**5.7 %**	7.6 %	**16.8 %**	15.3 %	**13.0 %**	13.1 %	**10.8 %**	11.1 %

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ADJUSTED NET SALES
(Dollars in Millions)

	Three Months Ended							
	Commercial & Industrial Systems		Climate Solutions		Power Transmission Solutions		Total Regal	
	Sep 28, 2019	Sep 29, 2018	**Sep 28, 2019**	Sep 29, 2018	**Sep 28, 2019**	Sep 29, 2018	**Sep 28, 2019**	Sep 29, 2018
Net Sales	**$ 358.6**	$ 462.3	**$ 230.9**	$ 255.4	**$ 182.8**	$ 207.7	**$ 772.3**	$ 925.4
Nets Sales from Businesses Divested/to be Exited	**-**	(46.7)	**(0.9)**	(13.3)	**-**	(4.8)	**(0.9)**	(64.8)
Adjusted Net Sales	**$ 358.6**	$ 415.6	**$ 230.0**	$ 242.1	**$ 182.8**	$ 202.9	**$ 771.4**	$ 860.6

ADJUSTED NET SALES
(Dollars in Millions)

	Nine Months Ended							
	Commercial & Industrial Systems		Climate Solutions		Power Transmission Solutions		Total Regal	
	Sep 28, 2019	Sep 29, 2018	**Sep 28, 2019**	Sep 29, 2018	**Sep 28, 2019**	Sep 29, 2018	**Sep 28, 2019**	Sep 29, 2018
Net Sales	**$ 1,140.7**	$ 1,345.3	**$ 762.1**	$ 792.6	**$ 597.0**	$ 626.0	**$ 2,499.8**	$ 2,763.9
Nets Sales from Businesses Divested/to be Exited	**(25.0)**	(134.3)	**(22.0)**	(50.5)	**(5.6)**	(14.7)	**(52.6)**	(199.5)
Adjusted Net Sales	**$ 1,115.7**	$ 1,211.0	**$ 740.1**	$ 742.1	**$ 591.4**	$ 611.3	**$ 2,447.2**	$ 2,564.4

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ADJUSTED EFFECTIVE TAX RATE

	Three Months Ended		Nine Months Ended	
	Sep 28, 2019	Sep 29, 2018	**Sep 28, 2019**	Sep 29, 2018
Income before Taxes	**$ 60.7**	$ 56.3	**$ 252.5**	$ 216.9
Provision for Income Taxes	**9.9**	3.6	**47.5**	37.6
Effective Tax Rate	**16.3%**	6.4%	**18.8%**	17.3%
Income before Taxes	**$ 60.7**	$ 56.3	**$ 252.5**	$ 216.9
(Gain) Loss on Businesses Divested and Assets to be Exited	**0.2**	34.9	**(35.2)**	34.9
Adjusted Income before Taxes	**$ 60.9**	$ 91.2	**$ 217.3**	$ 251.8
Provision for Income Taxes	**$ 9.9**	$ 3.6	**$ 47.5**	$ 37.6
Tax Effect from (Gain) Loss on Businesses Divested and Assets to be Exited	**-**	8.2	**(5.5)**	8.2
Impact of the New US Tax Legislation	**-**	6.6	**-**	6.6
Adjusted Provision for Income Taxes	**$ 9.9**	$ 18.4	**$ 42.0**	$ 52.4
Adjusted Effective Tax Rate	**16.3%**	20.2%	**19.3%**	20.8%

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FREE CASH FLOW
(Dollars in Millions)

	Three Months Ended		Nine Months Ended	
	Sep 28, 2019	Sep 29, 2018	**Sep 28, 2019**	Sep 29, 2018
Net Cash Provided by Operating Activities	**$140.6**	$ 106.0	**$271.2**	$ 250.3
Additions to Property Plant and Equipment	**(21.1)**	(18.7)	**(77.3)**	(59.2)
Free Cash Flow	**$ 119.5**	$ 87.3	**$ 193.9**	$ 191.1
GAAP Net Income Attributable to Regal Beloit Corporation	**$ 49.7**	$ 51.3	**$ 202.2**	$ 175.6
(Gain) Loss on Businesses Divested and Impairments	**0.2**	18.2	**(35.2)**	18.2
Tax Effect from (Gain) Loss on Businesses Divested and Impairments	**-**	(4.0)	**5.5**	(4.0)
Adjusted Net Income Attributable to Regal Beloit Corporation	**$ 49.9**	$ 65.5	**$ 172.5**	$ 189.8
Free Cash Flow as a Percentage of Adjusted Net Income Attributable to Regal Beloit Corporation	**239.5 %**	133.3 %	**112.4 %**	100.7 %

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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 28, 2019	$ 358.6	$ 230.9	$ 182.8	$ 772.3
Net Sales from Business Divested/to be Exited	-	(0.9)	-	(0.9)
Impact from Foreign Currency Exchange Rates	4.4	0.6	1.3	6.3
Organic Sales Three Months Ended Sep 28, 2019	$ 363.0	$ 230.6	$ 184.1	$ 777.7
Net Sales Three Months Ended Sep 29, 2018	$ 462.3	$ 255.4	$ 207.7	$ 925.4
Net Sales from Business Divested/to be Exited	(46.7)	(13.3)	(4.8)	(64.8)
Adjusted Net Sales Three Months Ended Sep 29, 2018	$ 415.6	$ 242.1	$ 202.9	$ 860.6
Organic Sales Growth %	(12.7)%	(4.8)%	(9.3)%	(9.6)%
Net Sales Growth %	(22.4)%	(9.6)%	(12.0)%	(16.5)%

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 28, 2019	$ 1,140.7	$ 762.1	$ 597.0	$ 2,499.8
Net Sales from Business Acquired	(31.7)	-	-	(31.7)
Net Sales from Business Divested/to be Exited	(25.0)	(22.0)	(5.6)	(52.6)
Impact from Foreign Currency Exchange Rates	22.0	5.3	6.2	33.5
Organic Sales Nine Months Ended Sep 28, 2019	$ 1,106.0	$ 745.4	$ 597.6	$ 2,449.0
Net Sales Nine Months Ended Sep 29, 2018	$ 1,345.3	$ 792.6	$ 626.0	$ 2,763.9
Net Sales from Business Divested/to be Exited	(134.3)	(50.5)	(14.7)	(199.5)
Adjusted Net Sales Nine Months Ended Sep 29, 2018	$ 1,211.0	$ 742.1	$ 611.3	$ 2,564.4
Organic Sales Growth %	(8.7)%	0.4 %	(2.2)%	(4.5)%
Net Sales Growth %	(15.2)%	(3.8)%	(4.6)%	(9.6)%

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TOTAL NET DEBT/ADJUSTED EBITDA

(Dollars in Millions)

	LTM Sep 28, 2019
Net Income	$ 261.5
Plus: Taxes	66.3
Plus: Interest Expense	54.8
Less: Interest Income	(4.1)
Plus: Depreciation and Amortization	136.5
Plus: Restructuring and Related Costs	15.4
Plus: Purchase Accounting & Transaction Costs	0.2
Plus: Impairment and Exit Related Costs	10.0
Plus: CEO Transition Costs	5.6
Less: Operating Income from Businesses Divested/to be Exited	(11.2)
Less: Gain on Sale of Assets	(2.2)
Less: Gain on Divestiture of Business	(45.2)
Adjusted EBITDA	**$ 487.6**
Current Maturities of Debt	$ 0.6
Long-Term Debt	1,200.3
Less: Cash	(293.0)
Total Net Debt	**$ 907.9**
Total Net Debt/Adjusted EBITDA	**1.9**

OPERATING LEVERAGE

(Dollars in Millions)

	Three Months Ended		
	Sep 28, 2019	Sep 29, 2018	Change
GAAP Income from Operations	**$ 72.8**	$ 69.4	$ 3.4
Adjusted Income from Operations	**$ 81.3**	$ 99.8	$ (18.5)
Net Sales	**$ 772.3**	$ 925.4	$ (153.1)
Adjusted Net Sales	**$ 771.4**	$ 860.6	$ (89.2)
GAAP Operating Leverage			(2.2)%
Adjusted Operating Leverage			20.7%

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The following tables outline the first and second quarter 2018 net sales and income from operations illustrating the impact of businesses divested and to be exited, which can be used to compare to Regal's 2019 guidance and actual performance.

	Commercial & Industrial Systems	Climate Solutions	Power Transmission Solutions	Total Regal
Fiscal 2018 First Quarter Schedule for Ongoing Business				
Net Sales Three Months Ended March 31, 2018	$ 414.0	$ 259.9	$ 204.9	$ 878.8
Net Sales from Businesses Divested/to be Exited	(43.9)	(18.0)	(4.3)	(66.2)
Adjusted Net Sales from Ongoing Business	$ 370.1	$ 241.9	$ 200.6	$ 812.6
GAAP Income from Operations Three Months Ended March 31, 2018	$ 29.1	$ 32.3	$ 26.8	$ 88.2
Restructuring and Related Costs	1.3	0.4	-	1.7
Income from Operations of Businesses Divested/to be Exited	(2.8)	(1.6)	0.4	(4.0)
Adjusted Income from Operations of Ongoing Business	$ 27.6	$ 31.1	$ 27.2	$ 85.9
Ongoing Business Adjusted Operating Margin %	7.5%	12.9%	13.6%	10.6%
Fiscal 2018 Second Quarter Schedule for Ongoing Business				
Net Sales Three Months Ended June 30, 2018	$ 469.0	$ 277.3	$ 213.4	$ 959.7
Net Sales from Businesses Divested/to be Exited	(43.7)	(19.2)	(5.6)	(68.5)
Adjusted Net Sales from Ongoing Business	$ 425.3	$ 258.1	$ 207.8	$ 891.2
GAAP Income from Operations Three Months Ended June 30, 2018	$ 30.5	$ 44.0	$ 25.1	$ 99.6
Restructuring and Related Costs	0.7	0.7	0.1	1.5
Purchase Accounting and Transaction Costs	5.1	-	-	5.1
Income from Operations of Businesses Divested/to be Exited	(4.0)	(2.1)	(0.3)	(6.4)
Adjusted Income from Operations of Ongoing Business	$ 32.3	$ 42.6	$ 24.9	$ 99.8
Ongoing Business Adjusted Operating Margin %	7.6%	16.5%	12.0%	11.2%

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The following tables outline the third and fourth quarter 2018 net sales and income from operations illustrating the impact of businesses divested and to be exited, which can be used to compare to Regal's 2019 guidance and actual performance.

	Commercial & Industrial Systems	Climate Solutions	Power Transmission Solutions	Total Regal
Fiscal 2018 Third Quarter Schedule for Ongoing Business				
Net Sales Three Months Ended September 29, 2018	$ 462.3	$ 255.4	$ 207.7	$ 925.4
Net Sales from Businesses Divested/to be Exited	(46.7)	(13.3)	(4.8)	(64.8)
Adjusted Net Sales from Ongoing Business	$ 415.6	$ 242.1	$ 202.9	$ 860.6
GAAP Income from Operations Three Months Ended September 29, 2018	$ 35.3	$ 6.0	$ 28.1	$ 69.4
Restructuring and Related Costs	1.9	0.3	0.1	2.3
Purchase Accounting and Transaction Costs	0.2	-	-	0.2
Impairment and Exit Related Costs	-	34.9	-	34.9
Income from Operations of Businesses Divested/to be Exited	(5.2)	(1.5)	(0.3)	(7.0)
Adjusted Income from Operations of Ongoing Business	$ 32.2	$ 39.7	$ 27.9	$ 99.8
Ongoing Business Adjusted Operating Margin %	7.7%	16.4%	13.8%	11.6%
Fiscal 2018 Fourth Quarter Schedule for Ongoing Business				
Net Sales Three Months Ended December 29, 2018	$ 436.7	$ 232.2	$ 212.8	$ 881.7
Net Sales from Businesses Divested/to be Exited	(47.5)	(11.2)	(5.2)	(63.9)
Adjusted Net Sales from Ongoing Business	$ 389.2	$ 221.0	$ 207.6	$ 817.8
GAAP Income from Operations Three Months Ended December 29, 2018	$ 32.1	$ 33.3	$ 24.4	$ 89.8
Restructuring and Related Costs	1.7	0.4	0.1	2.2
Purchase Accounting and Transaction Costs	0.1	-	-	0.1
Gain on Sale of Assets	(1.5)	(0.7)	-	(2.2)
CEO Transition Costs	1.8	1.1	0.9	3.8
Income from Operations of Businesses Divested/to be Exited	(4.6)	(1.6)	(0.3)	(6.5)
Adjusted Income from Operations of Ongoing Business	$ 29.6	$ 32.5	$ 25.1	$ 87.2
Ongoing Business Adjusted Operating Margin %	7.6%	14.7%	12.1%	10.7%

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The following tables outline the full year 2018 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, which can be used to compare to Regal's 2019 guidance and actual performance.

	Commercial & Industrial Systems	Climate Solutions	Power Transmission Solutions	Total Regal
Fiscal 2018 Full Year Schedule for Ongoing Business				
Net Sales Twelve Months Ended December 29, 2018	$ 1,782.0	$ 1,024.8	$ 838.8	$ 3,645.6
Net Sales from Businesses Divested/to be Exited	(181.8)	(61.7)	(19.9)	(263.4)
Adjusted Net Sales from Ongoing Business	$ 1,600.2	$ 963.1	$ 818.9	$ 3,382.2
GAAP Income from Operations Twelve Months Ended December 29, 2018	$ 127.0	$ 115.6	$ 104.4	$ 347.0
Restructuring and Related Costs	5.6	1.8	0.3	7.7
Purchase Accounting and Transaction Costs	5.4	-	-	5.4
Gain on Sale of Assets	(1.5)	(0.7)	-	(2.2)
CEO Transition Costs	1.8	1.1	0.9	3.8
Impairment and Exit Related Costs	-	34.9	-	34.9
Income from Operations of Businesses Divested/to be Exited	(16.6)	(6.8)	(0.5)	(23.9)
Adjusted Income from Operations of Ongoing Business	$ 121.7	$ 145.9	$ 105.1	$ 372.7
Ongoing Business Adjusted Operating Margin %	7.6%	15.1%	12.8%	11.0%

2018 ADJUSTED DILUTED EARNINGS PER SHARE FOR ONGOING BUSINESS	Three Months Ended				Twelve Months Ended Dec 29, 2018
	Mar 31, 2018	Jun 30, 2018	Sep 29, 2018	Dec 29, 2018	
Adjusted Diluted Earnings Per Share	$ 1.33	$ 1.59	$ 1.67	$ 1.41	**$ 6.00**
Earnings Per Share from Businesses Divested/to be Exited	(0.06)	(0.09)	(0.11)	(0.10)	**(0.36)**
Adjusted Diluted Earnings Per Share for Ongoing Business	$ 1.27	$ 1.50	$ 1.56	$ 1.31	**$ 5.64**

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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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