

Rexnord Corp
Form 10-Q
January 30, 2019
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q
(Mark
one)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF
1934

For the fiscal quarter ended December 31, 2018

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF
1934

For the transition period from _____ to _____

Commission File Number: 001-35475

REXNORD CORPORATION

(Exact name of registrant as specified in its charter)

Delaware

20-5197013

(State or Other Jurisdiction of Incorporation or Organization) (I.R.S. Employer Identification No.)

511 West Freshwater Way, Milwaukee, WI

53204

(Address of Principal Executive Offices)

(Zip Code)

Registrant's telephone number, including area code: (414) 643-3739

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by checkmark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§229.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer

Non-accelerated filer Smaller reporting company

Emerging growth company

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If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Exchange Act Rule 12b-2).

Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at January 25, 2019
Rexnord Corporation Common Stock, \$0.01 par value per share	104,770,648 shares

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Private Securities Litigation Reform Act Safe Harbor Statement

Our disclosure and analysis in this report concerning our operations, cash flows and financial position, including, in particular, the likelihood of our success in developing and expanding our business and the realization of sales from our backlog, include forward-looking statements. Statements that are predictive in nature, that depend upon or refer to future events or conditions, or that include words such as “expects,” “anticipates,” “intends,” “plans,” “believes,” “estimates” and similar expressions are forward-looking statements. Although these statements are based upon reasonable assumptions, including projections of orders, sales, operating margins, earnings, cash flows, research and development costs, working capital and capital expenditures, they are subject to risks and uncertainties that are described more fully herein and in our Annual Report on Form 10-K for the year ended March 31, 2018 in Part I, Item 1A, “Risk Factors” and in Part I under the heading “Cautionary Notice Regarding Forward-Looking Statements”, as well as in other filings with the Securities and Exchange Commission. Accordingly, we can give no assurance that we will achieve the results anticipated or implied by our forward-looking statements. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise, except as required by law.

General

Our fiscal year is the year ending March 31 of the corresponding calendar year. For example, our fiscal year 2019, or fiscal 2019, means the period from April 1, 2018 to March 31, 2019, and the third quarter of fiscal 2019 and 2018 means the fiscal quarters ended December 31, 2018 and December 31, 2017, respectively.

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Rexnord Corporation and Subsidiaries
Condensed Consolidated Balance Sheets
(in Millions, except share amounts)
(Unaudited)

	December 31, 2018	March 31, 2018
Assets		
Current assets:		
Cash and cash equivalents	\$ 297.1	\$ 193.2
Receivables, net	282.2	314.7
Inventories	339.4	304.1
Income tax receivable	8.7	17.5
Other current assets	39.1	37.9
Current assets held for sale	—	130.3
Total current assets	966.5	997.7
Property, plant and equipment, net	377.7	396.5
Intangible assets, net	500.5	530.9
Goodwill	1,277.3	1,276.1
Other assets	99.5	114.0
Non-current assets held for sale	—	108.5
Total assets	\$ 3,221.5	\$ 3,423.7
Liabilities and stockholders' equity		
Current liabilities:		
Current maturities of debt	\$ 1.4	\$ 3.9
Trade payables	168.4	189.9
Compensation and benefits	49.9	63.9
Current portion of pension and postretirement benefit obligations	3.9	4.0
Other current liabilities	113.3	127.4
Current liabilities held for sale	—	65.1
Total current liabilities	336.9	454.2
Long-term debt	1,311.0	1,352.1
Pension and postretirement benefit obligations	152.9	163.2
Deferred income taxes	137.1	149.3
Other liabilities	103.5	78.3
Non-current liabilities held for sale	—	13.8
Total liabilities	2,041.4	2,210.9
Stockholders' equity:		
Common stock, \$0.01 par value; 200,000,000 shares authorized; shares issued and outstanding: 104,768,968 at December 31, 2018 and 104,179,037 at March 31, 2018	1.0	1.0
Preferred stock, \$0.01 par value; 10,000,000 shares authorized; shares of 5.75% Series A Mandatory Convertible Preferred Stock issued and outstanding: 402,500 at December 31, 2018 and March 31, 2018	0.0	0.0
Additional paid-in capital	1,286.9	1,277.8

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Retained (deficit) earnings	(10.7) 8.0
Accumulated other comprehensive loss	(97.1) (74.1)
Total Rexnord stockholders' equity	1,180.1	1,212.7
Non-controlling interest	—	0.1
Total stockholders' equity	1,180.1	1,212.8
Total liabilities and stockholders' equity	\$ 3,221.5	\$3,423.7

See notes to the condensed consolidated financial statements.

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Rexnord Corporation and Subsidiaries
 Condensed Consolidated Statements of Operations
 (in Millions, except share and per share amounts)
 (Unaudited)

	Three Months Ended		Nine Months Ended	
	December 31,	December 31,	December 31,	December 31,
	2018	2017	2018	2017
Net sales	\$485.0	\$ 436.7	\$1,513.4	\$ 1,333.7
Cost of sales	300.7	266.6	930.4	825.9
Gross profit				