



## NEWS RELEASE

# Regal Beloit Corporation Announces First Quarter 2020 Financial Results

5/4/2020

- Improving Deleverage
- Strong Free Cash Flow
- Confronting Significant COVID-19 Impacts; Focus Is Controllable Execution

BELOIT, Wis., May 4, 2020 /PRNewswire/ -- Regal Beloit Corporation (NYSE: RBC), a global leader in the engineering and manufacturing of high-efficiency electric motors and power transmission products, reported first quarter 2020 GAAP diluted earnings per share of \$1.12 compared to \$1.99 a year ago. First quarter 2020 adjusted diluted earnings per share\* were \$1.31 compared to \$1.40 a year ago.

Key financial results for the first quarter 2020 included:

- Total net sales of \$734.2 decreased 14.0% from the prior year. Excluding the negative impacts of 0.7% from foreign currency and 3.5% from businesses to be divested/exited, sales declined 9.8% on an organic basis.
- Income from operations was \$70.0 million or 9.5% of net sales. Adjusted income from operations declined \$10.3 million from a year ago, to \$79.2 million. Adjusted operating income margin of 10.8% was relatively flat vs. the prior year's 10.9%.
- Adjusted income from operations delevered at 12.0%.
- Net cash provided by operating activities was \$102.7 million and capital expenditures totaled \$10.9 million, resulting in free cash flow of \$91.8 million.
- Purchased 315,072 shares for a total of \$25.0 million. The Company has suspended its share buyback program at this time.

First quarter 2020 segment results versus the prior year first quarter:

- Commercial Systems segment net sales were \$199.4 million, a decrease of 17.7%. Businesses divested/to be exited had a negative 4.5% impact, and foreign currency had a negative 0.7% impact. The result was a negative organic sales growth rate of 12.5% driven by COVID-related production delays in the pool pump business, headwinds in commercial HVAC markets and COVID-related pressure on Europe air moving markets, combined with proactive account pruning. Partially offsetting these headwinds were share gains in the China motors business serving the agriculture and air moving markets. During the quarter, COVID-related production delays at the Company's Changzhou, China factory limited its ability to meet customer demand for pool pumps, but that facility has resumed operations and is seeing positive momentum in April. Operating margin was 6.3%. After net adjustments of \$3.0 million, adjusted operating margin was 7.8% of adjusted net sales.
- Industrial Systems segment net sales were \$129.6 million, a decrease of 6.2%. Foreign currency had a negative 1.7% impact. The result was a negative organic sales growth rate of 4.5% driven by COVID-related headwinds across the business, but especially impacting sales into the power generation and industrial end markets, combined with proactive account pruning, partially offset by share gains in the data center market. Operating margin was negative 0.4%. After net adjustments of \$1.5 million, adjusted operating margin was 0.8% of adjusted net sales.
- Climate Solutions segment net sales were \$210.1 million, a decrease of 20.2%. The businesses divested/to be exited had a negative 5.0% impact, and foreign currency had a negative 0.4% impact. The result was a negative organic sales growth rate of 14.8% driven by mild weather, in addition to rising headwinds related to the COVID-19 pandemic, and ongoing proactive account pruning efforts. Operating margin was 14.0%. After net adjustments of \$2.5 million, adjusted operating margin was 15.2% of adjusted net sales.
- Power Transmission Solutions segment net sales were \$195.1 million, a decrease of 7.2%. The businesses divested/to be exited had a negative 2.5% impact, and foreign currency had a negative 0.5% impact. The result was

a negative organic sales growth rate of 4.2% driven by significant COVID-related declines in oil & gas end markets, in addition to ongoing proactive account pruning activities in the segment. On the positive side, and partially offsetting these headwinds, were share gains in alternative energy markets. Operating margin was 14.6%. After net adjustments of \$2.2 million, adjusted operating margin was 15.7% of adjusted net sales.

\*This earnings release includes non-GAAP financial measures. Descriptions of why we believe these non-GAAP measures are useful and reconciliations of these non-GAAP financial measures to the most directly comparable GAAP measures are included with this earnings release.

Summarizing Regal's first quarter 2020 performance, CEO Louis Pinkham commented, "In a quarter that started to face unprecedented commercial and personal challenges posed by the coronavirus, the Regal team delivered strong execution. I am extremely proud of their hard work, their resourcefulness, their adaptability, and their sense of duty, as they served and supported our customers with Regal's essential products."

Mr. Pinkham went on to comment, "As I look across our segments, both PTS and Industrial posted higher year-over-year operating profit and margin gains, despite confronting external end market headwinds that weighed on sales. Climate saw its sales down nearly 15% on an organic basis - due in large part to historically warm weather and to COVID-19 - but still managed to limit its operating margin decline to under 50 basis points, delevering at a very respectable 18.3%. Our Commercial business had a tougher first quarter - largely as a result of COVID-19 impacts - but still managed to hold deleverage at 25.3%, nicely below typical historic rates in this segment."

#### COVID-19 Pandemic

The coronavirus disease 2019 ("COVID-19") evolved during the first quarter of 2020 from its epicenter in China into a global pandemic, which has resulted in a severe global health crisis that drove a dramatic slowdown in global economic and social activity. COVID-19 started to impact Regal's business in China early in the first quarter, and as the virus spread and the quarter progressed, the virus increasingly impacted the Company's business on a global scale.

In the face of this global crisis, management's first priority has been the health and safety of Regal associates. In response, Regal has implemented a host of measures to help its associates stay safe - such as practicing social distancing, making face masks mandatory across its sites globally, having associates work from home where possible, and conducting temperature checks, at all manufacturing facilities globally, as permitted by local laws. In addition, Regal's senior leaders of the Company's organization are meeting at least daily to monitor, and react to, any developments that arise related to the virus, and to the global Regal team's health and safety.

Regal is an essential business, and as such has worked to ensure that its global manufacturing operations have remained operational. Regal's products are essential components in a range of applications used in the medical, food & beverage, pharmaceutical, transportation, and data communications industries, among many others. At present, the Company's global manufacturing operations are largely operational, with plant closures, or plants running at reduced rates, in India and Mexico.

During the quarter, Regal took actions to bolster its already very healthy balance sheet. As of the end of the first quarter, the Company's net debt was \$760.4 million, and the Company's net debt to adjusted EBITDA ratio was 1.6, well within its comfort zone. In addition, on April 1st, the Company drew down \$254.8 million under its revolving credit facility. Combined with prior borrowings, the Company has now borrowed the full \$500.0 million under the Company's revolver. After drawing down the full revolver, and as of May 1, 2020, the Company had cash and cash equivalents on hand of approximately \$890.0 million.

As part of Regal's ongoing response to the impacts of COVID-19, the Company has taken additional cost actions, on top of the substantial restructuring, supply chain, and 80/20 reorganization efforts that were already underway prior to the existence of the virus. These additional actions include reducing discretionary spending across the organization, deferring new hires outside of mission critical roles, and implementing a series of compensation reductions and furloughs on a global basis. Regal will consider making more permanent changes to its cost structure as the long- and short-term implications of COVID-19 continue to evolve and become more known.

Regal plans to provide additional details on how COVID-19 is impacting its business, and how it is reacting in response, on its first quarter earnings conference call.

## 2020 Outlook

In light of the COVID-19 pandemic, which creates significant uncertainty around, among other factors, the demand environment for the Company's products in the near- and mid-term, the Company is withdrawing its previously communicated guidance for the full year 2020 for revenue growth and adjusted EPS. The Company will be vigilantly monitoring the impacts of COVID-19 on the Company's end markets, manufacturing footprint, and supply chain, and will seek to re-introduce guidance as soon as the Company believes it can provide a forecast that is useful for the investment community.

## Conference Call

Regal will hold a conference call to discuss this earnings release at 9:00 AM CDT (10:00 AM EDT) on Tuesday, May 5, 2020. To listen to the live audio and view the presentation during the call, please visit Regal's Investors website:

<https://investors.regalbeloit.com>. To listen by phone or to ask the presenters a question, dial 1.888.317.6003 (U.S. callers) or +1.412.317.6061 (international callers) and enter 6736255# when prompted.

A webcast replay will be available at the link above, and a telephone replay will be available at 1.877.344.7529 (U.S. callers) or +1.412.317.0088 (international callers), using a replay access code of 10140340#. Both will be accessible until August 5, 2020.

## About the Company.

Regal Beloit Corporation (NYSE: RBC) is a global leader in the engineering and manufacturing of electric motors and controls, power generation products and power transmission products serving customers throughout the world. We create a better tomorrow by developing and responsibly producing energy-efficient products and systems.

Our company is comprised of four operating segments: Commercial Systems, Industrial Systems, Climate Solutions and Power Transmission Solutions. Regal is headquartered in Beloit, Wisconsin and has manufacturing, sales and service facilities worldwide. For more information, visit [RegalBeloit.com](http://RegalBeloit.com).

## CAUTIONARY STATEMENT

The following is a cautionary statement made under the Private Securities Litigation Reform Act of 1995: With the exception of historical facts, the statements contained in this release may be forward-looking statements. Forward-looking statements represent our management's judgment regarding future events. In many cases, you can identify forward-looking statements by terminology such as "may," "will," "expect," "intend," "estimate," "forecast," "anticipate," "believe," "should," "project" or "plan" or the negative of these terms or other similar words. These forward-looking statements are not guarantees of future performance and are subject to risks, uncertainties, assumptions and other factors, some of which are beyond our control, which could cause actual results to differ materially from those expressed or implied by such forward-looking statements, including but not limited to: the continued financial and operational impacts of and uncertainties relating to the COVID-19 pandemic on us and our customers and suppliers and the geographies in which we operate; uncertainties regarding our ability to execute our restructuring plans within expected costs and timing; actions taken by our competitors and our ability to effectively compete in the increasingly competitive global electric motor, drives and controls, power generation and power transmission industries; our ability to develop new products based on technological innovation, such as the Internet of Things, and marketplace acceptance of new and existing products, including products related to technology not yet adopted or utilized in certain geographic locations in which we do business; fluctuations in commodity prices and raw material costs; our dependence on significant customers; risks associated with global manufacturing; issues and costs arising from the integration of acquired companies and businesses and the timing and impact of purchase accounting adjustments; our overall debt levels and our ability to repay principal and interest on our outstanding debt; prolonged declines in one or more markets we serve, such as heating, ventilation, air conditioning, refrigeration, power generation, oil and gas, unit material handling or water heating; economic changes in global markets where we do business, such as reduced demand for the products we sell, 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 we cannot control; product liability and other litigation, or claims by end users, government agencies or others that our products or our customers'

applications failed to perform as anticipated, particularly in high volume applications or where such failures are alleged to be the cause of property or casualty claims; unanticipated liabilities of acquired businesses; unanticipated adverse effects or liabilities from business exits or divestitures; unanticipated costs or expenses we may incur related to product warranty issues; our dependence on key suppliers and the potential effects of supply disruptions; infringement of our intellectual property by third parties, challenges to our intellectual property, and claims of infringement by us of third party technologies; effects on earnings of any significant impairment of goodwill or intangible assets; losses from failures, breaches, attacks or disclosures involving our information technology infrastructure and data; cyclical downturns affecting the global market for capital goods; and other risks and uncertainties including but not limited to those described in "Item 1A-Risk Factors" of the Company's Annual Report on Form 10-K filed with the U.S. Securities and Exchange Commission on February 26, 2020 and from time to time in other filed reports. All subsequent written and oral forward-looking statements attributable to us or to persons acting on our behalf are expressly qualified in their entirety by the applicable cautionary statements. The forward-looking statements included in this release are made only as of their respective dates, and we undertake no obligation to update these statements to reflect subsequent events or circumstances.

#### NON-GAAP MEASURES AND OTHER DEFINITIONS

Unaudited

(Dollars in Millions, Except per Share Data)

We prepare financial statements in accordance with accounting principles generally accepted in the United States of America ("GAAP"). We also periodically disclose certain financial measures in our quarterly earnings releases, on investor conference calls, and in investor presentations and similar events that may be considered "non-GAAP" financial measures. This additional information is not meant to be considered in isolation or as a substitute for our results of operations prepared and presented in accordance with GAAP.

In this earnings release, we disclose the following non-GAAP financial measures, and we reconcile these measures in the tables below to the most directly comparable GAAP financial measures: adjusted diluted earnings per share (both historical and projected), adjusted income from operations, adjusted operating margin, adjusted net sales, net debt, adjusted EBITDA, adjusted operating leverage, adjusted net income attributable to Regal Beloit Corporation, free cash flow, free cash flow as a percentage of adjusted net income attributable to Regal Beloit Corporation, adjusted income before taxes, adjusted provision for income taxes, adjusted effective tax rate, net sales from ongoing business, adjusted income from operations of ongoing business, ongoing business adjusted operating margin and adjusted diluted earnings per share for ongoing business. We believe that these non-GAAP financial measures are useful measures for providing investors with additional information regarding our results of operations and for helping investors understand and compare our operating results across accounting periods and compared to our peers. Our management primarily uses adjusted income from operations, adjusted operating income, adjusted operating margin, and adjusted operating leverage to help us manage and evaluate our business and make operating decisions, while adjusted diluted earnings per share, net debt, adjusted EBITDA, adjusted net sales, adjusted net income attributable to Regal Beloit Corporation, free cash flow, free cash flow as a percentage of adjusted net income attributable to Regal Beloit Corporation, adjusted income before taxes, adjusted provision for income taxes, adjusted effective tax rate, net sales from ongoing business, adjusted income from operations of ongoing business, ongoing business adjusted operating margin and adjusted diluted earnings per share for ongoing business are primarily used to help us evaluate our business and forecast our future results. Accordingly, we believe disclosing and reconciling each of these measures helps investors evaluate our business in the same manner as management.

In addition to these non-GAAP measures, we also use the term "organic sales" to refer to GAAP sales from existing operations excluding any sales from acquired businesses recorded prior to the first anniversary of the acquisition ("net sales from business acquired") and excluding any sales from business divested/to be exited ("net sales from business divested/to be exited") recorded prior to the first anniversary of the exit and excluding the impact of foreign currency translation. The impact of foreign currency translation is determined by translating the respective period's organic sales using the currency exchange rates that were in effect during the prior year periods. We use the term "organic sales growth" to refer to the increase in our sales between periods that is attributable to organic sales. For further clarification, we may use the term "acquisition growth" to refer to the increase in our sales between periods that is attributable to acquisition sales.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

Unaudited

(Dollars in Millions, Except per Share Data)

	Three Months Ended	
	Mar 28, 2020	Mar 30, 2019
Net Sales	\$ 734.2	\$ 853.8
Cost of Sales	530.9	619.2
Gross Profit	203.3	234.6
Operating Expenses	131.8	104.0
Asset Impairments	1.5	10.0
Total Operating Expenses	133.3	114.0
Income from Operations	70.0	120.6
Other (Income) Expenses, net	(1.1)	0.1
Interest Expense	11.6	13.6
Interest Income	1.1	1.1
Income before Taxes	60.6	108.0
Provision for Income Taxes	13.9	21.2
Net Income	46.7	86.8
Less: Net Income Attributable to Noncontrolling Interests	0.9	0.9
Net Income Attributable to Regal Beloit Corporation	\$ 45.8	\$ 85.9
Earnings Per Share Attributable to Regal Beloit Corporation:		
Basic	\$ 1.13	\$ 2.01
Assuming Dilution	\$ 1.12	\$ 1.99
Cash Dividends Declared Per Share	\$ 0.30	\$ 0.28
Weighted Average Number of Shares Outstanding:		
Basic	40.6	42.8
Assuming Dilution	40.8	43.1

CONDENSED CONSOLIDATED BALANCE SHEETS

Unaudited

(Dollars in Millions)

	Mar 28, 2020	Dec 28, 2019
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents	\$ 604.5	\$ 331.4
Trade Receivables, less Allowances of \$12.1 Million in 2020 and \$9.7 Million in 2019	464.0	461.4
Inventories	655.3	678.4
Prepaid Expenses and Other Current Assets	110.6	136.5
Total Current Assets	<u>1,834.4</u>	<u>1,607.7</u>
Net Property, Plant, Equipment and Noncurrent Assets	2,751.5	2,823.0
Total Assets	<u>\$ 4,585.9</u>	<u>\$ 4,430.7</u>
<b>LIABILITIES AND EQUITY</b>		
Current Liabilities:		
Accounts Payable	\$ 340.3	\$ 337.0
Other Accrued Expenses	239.4	222.9
Current Maturities of Debt	0.6	0.6
Total Current Liabilities	<u>580.3</u>	<u>560.5</u>
Long-Term Debt	1,364.3	1,136.9
Other Noncurrent Liabilities	341.2	352.9
Equity:		
Total Regal Beloit Corporation Shareholders' Equity	2,270.6	2,351.1
Noncontrolling Interests	29.5	29.3
Total Equity	<u>2,300.1</u>	<u>2,380.4</u>
Total Liabilities and Equity	<u>\$ 4,585.9</u>	<u>\$ 4,430.7</u>

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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW

Unaudited

(Dollars in Millions)

Three Months Ended

Mar 28, 2020	Mar 30, 2019
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CASH FLOWS FROM OPERATING ACTIVITIES:

Net Income	\$ 46.7	\$ 86.8
Adjustments to Reconcile Net Income and Changes in Assets and Liabilities (Net of Acquisitions and Divestitures) to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	32.6	34.3
Loss on Disposal of Assets	0.7	0.1
Loss (Gain) on Businesses Divested and Assets to be Exited	1.4	(31.2)
Share-Based Compensation Expense	2.7	4.3
Change in Operating Assets and Liabilities	18.6	(76.0)
Net Cash Provided by Operating Activities	102.7	18.3
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to Property, Plant and Equipment	(10.9)	(20.2)
Proceeds Received from Sales of Property, Plant and Equipment	2.7	—
Proceeds Received from Disposal of Businesses	0.3	119.4
Net Cash (Used in) Provided by Investing Activities	(7.9)	99.2
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net Borrowings (Repayments) Under Revolving Credit Facility	227.1	(69.6)
Net Borrowings from Short-Term Borrowings	—	1.6
Repayments of Long-Term Debt	(0.1)	(24.1)
Dividends Paid to Shareholders	(12.2)	(12.0)
Repurchase of Common Stock	(25.0)	—
Distributions to Noncontrolling Interest	—	(0.3)
Shares Surrendered for Taxes	(1.1)	(1.6)
Net Cash Provided by (Used in) Financing Activities	188.7	(106.0)
EFFECT OF EXCHANGE RATES ON CASH AND CASH EQUIVALENTS	(10.4)	4.2
Net Increase in Cash and Cash Equivalents	273.1	15.7
Cash and Cash Equivalents at Beginning of Period	331.4	248.6
Cash and Cash Equivalents at End of Period	\$ 604.5	\$ 264.3

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SEGMENT  
INFORMATION

Unaudited

(Dollars in Millions)

Three Months Ended

	Commercial Systems		Industrial Systems		Climate Solutions		Power Transmission Solutions		Total Regal	
	Mar 28, 2020	Mar 30, 2019	Mar 28, 2020	Mar 30, 2019	Mar 28, 2020	Mar 30, 2019	Mar 28, 2020	Mar 30, 2019	Mar 28, 2020	Mar 30, 2019
	Net Sales	\$ 199.4	\$ 242.2	\$ 129.6	\$ 138.1	\$ 210.1	\$ 263.3	\$ 195.1	\$ 210.2	\$ 734.2
Net Sales from Businesses Divested/to be Exited	—	(12.4)	—	—	—	(15.5)	—	(5.6)	—	(33.5)
Adjusted Net Sales*	\$ 199.4	\$ 229.8	\$ 129.6	\$ 138.1	\$ 210.1	\$ 247.8	\$ 195.1	\$ 204.6	\$ 734.2	\$ 820.3
GAAP Operating Margin	6.3 %	23.9 %	(0.4) %	(3.1) %	14.0 %	14.8 %	14.6 %	13.4 %	9.5 %	14.1 %
Adjusted Operating Margin*	7.8 %	10.1 %	0.8 %	(1.5) %	15.2 %	15.7 %	15.7 %	14.4 %	10.8 %	10.9 %
Components of Net Sales:										
Organic Sales Growth*	(12.5) %	(2.9) %	(4.5) %	(12.1) %	(14.8) %	3.6 %	(4.2) %	3.4 %	(9.8) %	(1.2) %
Acquisitions	— %	15.3 %	— %	— %	— %	— %	— %	— %	— %	3.9 %
Businesses Divested/to be Exited	(4.5) %	(13.9) %	— %	(0.8) %	(5.0) %	(1.1) %	(2.5) %	0.6 %	(3.5) %	(3.9) %
Foreign Currency Impact	(0.7) %	(1.2) %	(1.7) %	(3.4) %	(0.4) %	(1.2) %	(0.5) %	(1.4) %	(0.7) %	(1.6) %

#### ADJUSTED DILUTED EARNINGS PER SHARE

#### Three Months Ended

	Three Months Ended	
	Mar 28, 2020	Mar 30, 2019
GAAP Diluted Earnings Per Share	\$ 1.12	\$ 1.99
Restructuring and Related Costs	0.10	0.04
Loss (Gain) on Businesses Divested and Assets to be Exited	0.03	(0.59)
Net Loss (Income) from Businesses Divested/to be Exited	0.01	(0.07)
Executive Transition Costs	0.05	0.03
Adjusted Diluted Earnings Per Share	\$ 1.31	\$ 1.40



ADJUSTED INCOME (LOSS) FROM OPERATIONS

	Three Months Ended									
	Commercial Systems		Industrial Systems		Climate Solutions		Power Transmission Solutions		Total Regal	
	Mar 28, 2020	Mar 30, 2019	Mar 28, 2020	Mar 30, 2019	Mar 28, 2020	Mar 30, 2019	Mar 28, 2020	Mar 30, 2019	Mar 28, 2020	Mar 30, 2019
GAAP Income (Loss) from Operations	\$ 12.5	\$ 57.8	\$ (0.5)	\$ (4.3)	\$ 29.5	\$ 38.9	\$ 28.5	\$ 28.2	\$ 70.0	\$ 120.6
Restructuring and Related Costs	1.8	1.2	0.9	0.9	1.1	0.1	1.8	0.1	5.6	2.3
Purchase Accounting and Transaction Costs	—	0.1	—	—	—	—	—	—	—	0.1
Loss (Gain) on Businesses Divested and Assets to be Exited	0.7	(34.6)	0.2	1.0	0.5	1.3	—	1.1	1.4	(31.2)
Operating Loss (Income) from Businesses Divested/to be Exited	—	(1.7)	—	—	0.4	(1.9)	—	(0.3)	0.4	(3.9)
Executive Transition Costs	0.5	0.4	0.4	0.3	0.5	0.5	0.4	0.4	1.8	1.6
Adjusted Income (Loss) from Operations	\$ 15.5	\$ 23.2	\$ 1.0	\$ (2.1)	\$ 32.0	\$ 38.9	\$ 30.7	\$ 29.5	\$ 79.2	\$ 89.5
GAAP Operating Margin %	6.3%	23.9%	(0.4)%	(3.1)%	14.0%	14.8%	14.6%	13.4%	9.5%	14.1%
Adjusted Operating Margin %	7.8%	10.1%	0.8%	(1.5)%	15.2%	15.7%	15.7%	14.4%	10.8%	10.9%

DEBT TO EBITDA

	Last Twelve Months	
	Mar 28, 2020	Dec 28, 2019
Net Income	\$ 202.5	\$ 242.6
Interest Expense	51.0	53.0

Interest Income	(5.6)	(5.6)
Taxes	53.9	61.2
Depreciation and Amortization	132.8	134.5
<b>EBITDA</b>	<b>\$ 434.6</b>	<b>\$ 485.7</b>
Restructuring and Related Costs	34.6	31.3
Purchase Accounting and Transactions Costs	—	0.1
Impairment and Exit Related Costs	1.5	10.0
Executive Transition Costs	2.4	2.2
Operating Loss (Income) from Businesses Divested/to be Exited	0.2	(4.1)
Gain on Sale of Assets	(3.8)	(3.8)
Gain on Divestiture of Businesses	(3.6)	(44.7)
<b>Adjusted EBITDA</b>	<b>\$ 465.9</b>	<b>\$ 476.7</b>
Current Maturities of Long-Term Debt	\$ 0.6	\$ 0.6
Long-Term Debt	1,364.3	1,136.9
<b>Total Gross Debt</b>	<b>\$ 1,364.9</b>	<b>\$ 1,137.5</b>
Cash	(604.5)	(331.4)
<b>Net Debt</b>	<b>\$ 760.4</b>	<b>\$ 806.1</b>
Gross Debt/EBITDA	3.1	2.3
Gross Debt/Adjusted EBITDA	2.9	2.4
Net Debt/EBITDA	1.7	1.7
Net Debt/Adjusted EBITDA	1.6	1.7

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OPERATING LEVERAGE - TOTAL REGAL

Three Months Ended

(Dollars in Millions)	Mar 28, 2020	Mar 30, 2019	Change
GAAP Income from Operations	\$ 70.0	\$ 120.6	\$ (50.6)
Adjusted Income from Operations	\$ 79.2	\$ 89.5	\$ (10.3)
Net Sales	\$ 734.2	\$ 853.8	\$ (119.6)
Adjusted Net Sales	\$ 734.2	\$ 820.3	\$ (86.1)
GAAP Operating Leverage			42.3 %

Adjusted Operating Leverage

12.0 %

OPERATING LEVERAGE - COMMERCIAL SYSTEMS

Three Months Ended

(Dollars in Millions)	Mar 28, 2020	Mar 30, 2019	Change
GAAP Income from Operations	\$ 12.5	\$ 57.8	\$ (45.3)
Adjusted Income from Operations	\$ 15.5	\$ 23.2	\$ (7.7)
Net Sales	\$ 199.4	\$ 242.2	\$ (42.8)
Adjusted Net Sales	\$ 199.4	\$ 229.8	\$ (30.4)
GAAP Operating Leverage			105.8 %
Adjusted Operating Leverage			25.3 %

OPERATING LEVERAGE - CLIMATE SOLUTIONS

Three Months Ended

(Dollars in Millions)	Mar 28, 2020	Mar 30, 2019	Change
GAAP Income from Operations	\$ 29.5	\$ 38.9	\$ (9.4)
Adjusted Income from Operations	\$ 32.0	\$ 38.9	\$ (6.9)
Net Sales	\$ 210.1	\$ 263.3	\$ (53.2)
Adjusted Net Sales	\$ 210.1	\$ 247.8	\$ (37.7)
GAAP Operating Leverage			17.7 %
Adjusted Operating Leverage			18.3 %

FREE CASH FLOW

Three Months Ended

	March 28, 2020	March 30, 2019
Net Cash Provided by Operating Activities	\$ 102.7	\$ 18.3
Additions to Property Plant and Equipment	(10.9)	(20.2)

Free Cash Flow	\$ 91.8	\$ (1.9)
GAAP Net Income Attributable to Regal Beloit Corporation	\$ 45.8	\$ 85.9
Loss (Gain) on Businesses Divested and Impairments	1.4	(31.2)
Tax Effect from Loss (Gain) on Businesses Divested and Impairments	(0.3)	5.3
Adjusted Net Income Attributable to Regal Beloit Corporation <sup>1</sup>	\$ 46.9	\$ 60.0
Free Cash Flow as a Percentage of Adjusted Net Income Attributable to Regal Beloit Corporation	195.7 %	(3.2) %

<sup>1</sup> The Net Income Attributable to Regal Beloit Corporation is adjusted for the gains and losses on divested businesses and goodwill and asset impairments related to the businesses to be exited and used in the Free Cash Flow Calculation.

ADJUSTED EFFECTIVE TAX RATE	Three Months Ended	
	Mar 28, 2020	Mar 30, 2019
Income before Taxes	\$ 60.6	\$ 108.0
Provision for Income Taxes	13.9	21.2
Effective Tax Rate	22.9 %	19.6 %
Income before Taxes	\$ 60.6	\$ 108.0
Loss (Gain) on Businesses Divested and Assets to be Exited	1.4	(31.2)
Adjusted Income before Taxes	\$ 62.0	\$ 76.8
Provision for Income Taxes	\$ 13.9	\$ 21.2
Tax Effect from Loss (Gain) on Businesses Divested and Assets to be Exited	0.3	(5.3)
Non-deductible Portion of Executive Transition Costs	(0.5)	—
Adjusted Provision for Income Taxes	\$ 13.7	\$ 15.9
Adjusted Effective Tax Rate	22.1 %	20.7 %

## ORGANIC SALES GROWTH

Three Months Ended

	March 28, 2020				
	Commercial Systems	Industrial Systems	Climate Solutions	Power Transmission Solutions	Total Regal
Net Sales Three Months Ended Mar 28, 2020	\$ 199.4	\$ 129.6	\$ 210.1	\$ 195.1	\$ 734.2
Impact from Foreign Currency Exchange Rates	1.7	2.3	1.0	1.0	6.0
Organic Sales Three Months Ended Mar 28, 2020	\$ 201.1	\$ 131.9	\$ 211.1	\$ 196.1	\$ 740.2
Net Sales Three Months Ended Mar 30, 2019	\$ 242.2	\$ 138.1	\$ 263.3	\$ 210.2	\$ 853.8
Net Sales from Businesses Divested/to be Exited	(12.4)	—	(15.5)	(5.6)	(33.5)
Adjusted Net Sales Three Months Ended Mar 30, 2019	\$ 229.8	\$ 138.1	\$ 247.8	\$ 204.6	\$ 820.3
Three Months Ended Mar 28, 2020 Organic Sales Growth %	(12.5) %	(4.5) %	(14.8) %	(4.2) %	(9.8) %
Three Months Ended Mar 28, 2020 Net Sales Growth %	(17.7) %	(6.2) %	(20.2) %	(7.2) %	(14.0) %

The following tables outline by quarter and full year the 2019 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.

	Commercial Systems	Industrial Systems	Climate Solutions	Power Transmission Solutions	Total Regal
Fiscal 2019 First Quarter Schedule for Ongoing Business					
Net Sales Three Months Ended March 30, 2019	\$ 242.2	\$ 138.1	\$ 263.3	\$ 210.2	\$ 853.8
Net Sales from Businesses Divested/to be Exited	(12.4)	—	(15.5)	(5.6)	(33.5)
Net Sales from Ongoing Business	\$ 229.8	\$ 138.1	\$ 247.8	\$ 204.6	\$ 820.3
GAAP Income (Loss) from Operations Three Months Ended March 30, 2019	\$ 57.8	\$ (4.3)	\$ 38.9	\$ 28.2	\$ 120.6
Restructuring and Related Costs	1.2	0.9	0.1	0.1	2.3
Purchase Accounting and Transaction Costs	0.1	—	—	—	0.1
(Gain) Loss on Businesses Divested and Assets to be Exited	(34.6)	1.0	1.3	1.1	(31.2)
Income from Operations of Businesses Divested/to be Exited	(1.7)	—	(1.9)	(0.3)	(3.9)
Executive Transition Costs	0.4	0.3	0.5	0.4	1.6
Adjusted Income (Loss) from Operations of Ongoing Business	\$ 23.2	\$ (2.1)	\$ 38.9	\$ 29.5	\$ 89.5
Ongoing Business Adjusted Operating Margin %	10.1 %	(1.5) %	15.7 %	14.4 %	10.9 %

Fiscal 2019 Second Quarter Schedule  
for Ongoing Business

Net Sales Three Months Ended June 29, 2019	\$ 246.3	\$ 155.5	\$ 267.9	\$ 204.0	\$ 873.7
Net Sales from Businesses Divested/to be Exited	(12.6)	—	(5.6)	—	(18.2)
Net Sales from Ongoing Business	\$ 233.7	\$ 155.5	\$ 262.3	\$ 204.0	\$ 855.5
GAAP Income (Loss) from Operations Three Months Ended June 29, 2019	\$ 20.8	\$ (1.3)	\$ 51.7	\$ 24.8	\$ 96.0
Restructuring and Related Costs	1.1	1.5	0.6	0.4	3.6
(Gain) Loss on Businesses Divested and Assets to be Exited	1.8	—	(6.1)	0.1	(4.2)
Income from Operations of Businesses Divested/to be Exited	(1.6)	—	(0.1)	—	(1.7)
Executive Transition Costs	0.1	—	—	—	0.1
Adjusted Income from Operations of Ongoing Business	\$ 22.2	\$ 0.2	\$ 46.1	\$ 25.3	\$ 93.8
Ongoing Business Adjusted Operating Margin %	9.5 %	0.1 %	17.6 %	12.4 %	11.0 %

	Commercial Systems	Industrial Systems	Climate Solutions	Power Transmission Solutions	Total Regal
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Fiscal 2019 Third Quarter Schedule  
for Ongoing Business

Net Sales Three Months Ended September 28, 2019	\$ 214.8	\$ 143.8	\$ 230.9	\$ 182.8	\$ 772.3
Net Sales from Businesses Divested/to be Exited	—	—	(0.9)	—	(0.9)
Net Sales from Ongoing Business	\$ 214.8	\$ 143.8	\$ 230.0	\$ 182.8	\$ 771.4
GAAP Income (Loss) from Operations Three Months Ended September 28, 2019	\$ 16.6	\$ (2.3)	\$ 37.6	\$ 20.9	\$ 72.8
Restructuring and Related Costs	2.5	3.1	0.8	0.9	7.3
Loss on Businesses Divested and Assets to be Exited	0.1	—	0.1	—	0.2
Loss from Operations of Businesses Divested/to be Exited	—	—	0.9	—	0.9
Executive Transition Costs	—	0.1	—	—	0.1
Adjusted Income from Operations of Ongoing Business	\$ 19.2	\$ 0.9	\$ 39.4	\$ 21.8	\$ 81.3
Ongoing Business Adjusted Operating Margin %	8.9 %	0.6 %	17.1 %	11.9 %	10.5 %

Fiscal 2019 Fourth Quarter Schedule  
for Ongoing Business

Net Sales Three Months Ended December 28, 2019	\$ 202.0	\$ 138.0	\$ 206.4	\$ 191.8	\$ 738.2
Net Sales from Businesses Divested/to be Exited	—	—	(0.2)	—	(0.2)
Net Sales from Ongoing Business	\$ 202.0	\$ 138.0	\$ 206.2	\$ 191.8	\$ 738.0
GAAP Income (Loss) from Operations Three Months Ended December 28, 2019	\$ 7.9	\$ (1.4)	\$ 35.7	\$ 19.5	\$ 61.7

Restructuring and Related Costs	7.0	2.9	2.7	5.5	18.1
Gain on Sale of Assets	—	—	(3.8)	—	(3.8)
Loss on Businesses Divested and Assets to be Exited	0.1	—	—	0.4	0.5
Loss from Operations of Businesses Divested/to be Exited	—	—	0.6	—	0.6
Executive Transition Costs	0.1	0.1	0.1	0.1	0.4
Adjusted Income from Operations of Ongoing Business	\$ 15.1	\$ 1.6	\$ 35.3	\$ 25.5	\$ 77.5
Ongoing Business Adjusted Operating Margin %	7.5 %	1.2 %	17.1 %	13.3 %	10.5 %

	Commercial Systems	Industrial Systems	Climate Solutions	Power Transmission Solutions	Total Regal
Fiscal 2019 Full Year Schedule for Ongoing Business					
Net Sales Twelve Months Ended December 28, 2019	\$ 905.3	\$ 575.4	\$ 968.5	\$ 788.8	\$ 3,238.0
Net Sales from Businesses Divested/to be Exited	(25.0)	—	(22.2)	(5.6)	(52.8)
Net Sales from Ongoing Business	\$ 880.3	\$ 575.4	\$ 946.3	\$ 783.2	\$ 3,185.2
GAAP Income (Loss) from Operations Twelve Months Ended December 28, 2019	\$ 103.1	\$ (9.3)	\$ 163.9	\$ 93.4	\$ 351.1
Restructuring and Related Costs	11.8	8.4	4.2	6.9	31.3
Purchase Accounting and Transaction Costs	0.1	—	—	—	0.1
Gain on Sale of Assets	—	—	(3.8)	—	(3.8)
(Gain) Loss on Businesses Divested and Assets to be Exited	(32.6)	1.0	(4.7)	1.6	(34.7)
Income from Operations of Businesses Divested/to be Exited	(3.3)	—	(0.5)	(0.3)	(4.1)
Executive Transition Costs	0.6	0.5	0.6	0.5	2.2
Adjusted Income from Operations of Ongoing Business	\$ 79.7	\$ 0.6	\$ 159.7	\$ 102.1	\$ 342.1
Ongoing Business Adjusted Operating Margin %	9.1 %	0.1 %	16.9 %	13.0 %	10.7 %

2019 ADJUSTED DILUTED EARNINGS PER SHARE FOR ONGOING BUSINESS

	Three Months Ended				Twelve Months Ended
	Mar 30, 2019	Jun 29, 2019	Sep 28, 2019	Dec 28, 2019	Dec 28, 2019
Adjusted Diluted Earnings Per Share	\$ 1.43	\$ 1.52	\$ 1.35	\$ 1.25	\$ 5.55
Earnings Per Share from Businesses Divested/to be Exited	(0.03)	(0.03)	—	—	(0.06)
Adjusted Diluted Earnings Per Share for Ongoing Business	\$ 1.40	\$ 1.49	\$ 1.35	\$ 1.25	\$ 5.49

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