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DELTA REPORT

10-Q

RRX - REGAL REXNORD CORP

10-Q - MARCH 31, 2024 COMPARED TO 10-Q - SEPTEMBER 30, 2023

The following comparison report has been automatically generated

TOTAL DELTAS	1420
CHANGES	304
DELETIONS	606
ADDITIONS	510

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

for the quarterly period ended September 30, 2023 March 31, 2024 or

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

Commission file number 001-07283

REGAL REXNORD CORPORATION
(Exact name of registrant as specified in its charter)

Wisconsin	**39-0875718**
(State or other jurisdiction of incorporation)	**(IRS Employer Identification No.)**

111 West Michigan Street, Milwaukee, Wisconsin 53203
(Address of principal executive office)

(608) 364-8800
Registrant's telephone number, including area code

Securities registered pursuant to Section 12(b) of the Securities Exchange Act of 1934:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock	RRX	New York Stock Exchange

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 check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T 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	☐

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 Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

On October 31, 2023 May 3, 2024 the registrant had outstanding 66,349,406 66,518,762 shares of common stock, $0.01 par value per share.

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CAUTIONARY STATEMENT

This Quarterly Report on Form 10-Q contains forward-looking All statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, which reflect the Company's current estimates, expectations and projections about the Company's future results, performance, prospects and opportunities.Such forward-looking statements may include, among in this report, other things, statements about the acquisition of Altra Industrial Motion Corp. ("Altra"), the benefits and synergies of the acquisition of Altra (the "Altra Transaction"), future opportunities for the Company and any other statements regarding the Company's future operations, anticipated economic activity, business levels, credit ratings, future earnings, planned activities, anticipated growth, market opportunities, strategies, competition and other expectations and estimates for future periods. than those relating to historical facts, are "forward-looking statements." Forward-looking statements include statements that are not historical facts and can generally be identified by forward-looking words their use of terms such as “anticipate,” “believe,” “confident,” “estimate,” “expect,” “intend,” “plan,” “may,” “will,” “would,” “project,” “forecast,” “would,” “could,” “should,” and similar expressions. These forward-looking expressions including references to assumptions. Forward-looking statements are based upon information currently available to the Company not guarantees of future performance and are subject to a number of assumptions, risks uncertainties, and other factors that uncertainties,many of which are beyond the Company’s control, which could cause the Company's performance, prospects, or opportunities actual results to differ materially from those expressed in, or implied by, these forward-looking such statements. Forward-looking statements include, but are not limited to, statements about future strategic plans and future financial and operating results. Important factors that could cause actual results to differ materially from the results referred to those presented or implied in the forward-looking statements the Company makes in this report include: include, without limitation:

- the possibility that the Company may be unable to achieve expected benefits, synergies and operating efficiencies in connection with the sale of the Industrial Motors and Generators businesses, the acquisition of Altra Industrial Motion Corp. (the "Altra Transaction"), and the merger with the Rexnord Process & Motion Control business (the “Rexnord PMC business”) within the expected time-frames or at all and to successfully integrate Altra Industrial Motion Corp. (“Altra”) and the Rexnord PMC business;
- the Company’s substantial indebtedness as a result of the Altra Transaction and the effects of such indebtedness on the Company’s financial flexibility after the Altra Transaction; flexibility;
- the Company’s ability to achieve its objectives on reducing its indebtedness on the desired timeline;
- dependence on key suppliers and the potential effects of supply disruptions;
- fluctuations in commodity prices and raw material costs;
- any unforeseen changes to or the effects on liabilities, future capital expenditures, revenue, expenses, synergies, indebtedness, financial condition, losses and future prospects;
- the possibility that the Company may be unable to achieve expected benefits, synergies and operating efficiencies in connection with the Altra Transaction and the merger with the Rexnord Process & Motion Control business (the "Rexnord PMC business") within the expected time-frames or at all and to successfully integrate Altra and the Rexnord PMC business;
- expected or targeted future financial and operating performance and results;
- unanticipated operating costs, customer loss and business disruption (including, without limitation, difficulties in maintaining relationships with employees, customers, clients or suppliers) being greater than expected following the Altra Transaction or the Company's merger with the Rexnord PMC business; disruption;
- the Company's ability to retain key executives and employees;
- the remaining direct and indirect financial and operational impacts and uncertainties relating to the COVID-19 pandemic on customers and suppliers;
- uncertainties regarding the ability to execute restructuring plans within expected costs and timing;
- challenges to the tax treatment that was elected with respect to the merger with the Rexnord PMC business and related transactions;
- requirements to abide by potentially significant restrictions with respect to the tax treatment of the merger with the Rexnord PMC business which could limit the Company’s ability to undertake certain corporate actions that otherwise could be advantageous;
- actions taken by competitors and their ability to effectively compete in the increasingly competitive global electric motor, drives and controls, power generation and power transmission industries;
- the ability to develop new products based on technological innovation, such as the Internet of Things and artificial intelligence, and marketplace acceptance of new and existing products, including products related to technology not yet adopted or utilized in geographic locations in which the Company does business; products;
- dependence on significant customers;
- seasonal impact on sales of products into HVAC systems customers and other residential applications; distributors;

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- risks associated with climate change and uncertainty regarding our ability to deliver on our climate commitments and/or to meet related investor, customer and other third party expectations relating to our sustainability efforts;
- risks associated with global manufacturing, including those risks associated with public health crises and political, societal or economic instability, including instability caused by the conflict between Russia and Ukraine; ongoing geopolitical conflicts;
- issues and costs arising from the integration of acquired companies and businesses and the timing and impact of purchase accounting adjustments;
- prolonged declines in one or more markets, such as heating, ventilation, air conditioning, refrigeration, power generation, oil and gas, unit material handling, water heating and aerospace; markets;
- economic changes in global markets, such as reduced demand for products, currency exchange rates, inflation rates, interest rates, banking crises, recession, government policies, including policy changes affecting taxation, trade, tariffs, immigration, customs, border actions and the like, and other external factors that the Company cannot control;
- product liability, asbestos and other litigation, or claims by end users, government agencies or others that products or 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; anticipated;
- unanticipated liabilities of acquired businesses;
- unanticipated adverse effects or liabilities from business exits or divestitures, including in connection with our proposed sale of the industrial motors and generators businesses which comprise a majority of our Industrial Systems operating segment; divestitures;

- the Company's ability to identify and execute on future M&A opportunities, including significant M&A transactions;
- the impact of any such M&A transactions on the Company's results, operations and financial condition, including the impact from costs to execute and finance any such transactions;

- unanticipated costs or expenses that may be incurred related to product warranty issues;
- infringement of intellectual property by third parties, challenges to intellectual property and claims of infringement on third party technologies;
- effects on earnings of any significant impairment of goodwill;
- losses from failures, breaches, attacks or disclosures involving information technology infrastructure and data;
- costs and unanticipated liabilities arising from rapidly evolving data privacy laws and regulations;
- cyclical downturns affecting the global market for capital goods;
- and other risks and uncertainties including, but not limited, to those described factors that can be found in the Company's Annual Report on Form 10-K on file our filings with the Securities and Exchange Commission (the "SEC") and from time to time in other including our most recent periodic reports filed reports including the Company's Quarterly Reports on Form 10-Q. For a more detailed description of the risk factors associated with the Company, please refer to Part I - Item 1A - Risk Factors in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2022 and Form 10-Q, which are available on file with the SEC and subsequent SEC filings.

Shareholders, potential investors, and other readers our Investor Relations website. Forward-looking statements are urged to consider these factors in evaluating the forward-looking statements and are cautioned not to place undue reliance on such forward-looking statements. The forward-looking statements included in this report are made given only as of the date of this report and the Company undertakes no we disclaim any obligation to update or revise any forward-looking statement, whether as a result of new information, contained in this report to reflect subsequent future events or circumstances. otherwise, except as required by law.

PART I—FINANCIAL INFORMATION

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

REGAL REXNORD CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF INCOME (LOSS)
(Unaudited)
(Amounts in Millions, Except Per Share Data)

		Three Months Ended		Nine Months Ended	
		September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
Net Sales	Net Sales	$ 1,649.8	$ 1,325.3	$ 4,642.5	$ 3,973.2
Net Sales					
Net Sales					
Cost of Sales					
Cost of Sales					
Cost of Sales	Cost of Sales	1,107.6	917.6	3,138.4	2,710.1
Gross Profit	Gross Profit	542.2	407.7	1,504.1	1,263.1
Gross Profit					
Gross Profit					
Operating Expenses	Operating Expenses	388.9	233.8	1,127.9	724.4
Goodwill Impairment		57.3	—	57.3	—
Asset Impairments		3.7	—	6.1	—
Operating Expenses					
Operating Expenses					
Loss on Assets Held for Sale					

Loss on Assets Held for Sale					
Loss on Assets Held for Sale	Loss on Assets Held for Sale	112.7	—	112.7	—
Total Operating Expenses	Total Operating Expenses	562.6	233.8	1,304.0	724.4
(Loss) Income from Operations		(20.4)	173.9	200.1	538.7
Total Operating Expenses					
Total Operating Expenses					
Income from Operations					
Income from Operations					
Income from Operations					
Interest Expense					
Interest Expense					
Interest Expense	Interest Expense	111.5	21.4	323.3	43.8
Interest Income	Interest Income	(3.5)	(1.3)	(40.5)	(3.2)
Other Income, Net		(2.5)	(1.3)	(6.7)	(4.1)
(Loss) Income before Taxes		(125.9)	155.1	(76.0)	502.2
Interest Income					
Interest Income					
Other Expense (Income), Net					
Other Expense (Income), Net					
Other Expense (Income), Net					
Income before Taxes					
Income before Taxes					
Income before Taxes					
Provision for Income Taxes	Provision for Income Taxes	12.7	33.2	34.9	110.0
Net (Loss) Income		(138.6)	121.9	(110.9)	392.2
Provision for Income Taxes					
Provision for Income Taxes					
Net Income (Loss)					
Net Income (Loss)					
Net Income (Loss)					
Less: Net Income Attributable to Noncontrolling Interests	Less: Net Income Attributable to Noncontrolling Interests	0.9	2.1	2.4	4.8
Net (Loss) Income Attributable to Regal Rexnord Corporation		$ (139.5)	$ 119.8	$ (113.3)	$ 387.4
(Loss) Earnings Per Share Attributable to Regal Rexnord Corporation:					
Less: Net Income Attributable to Noncontrolling Interests					
Less: Net Income Attributable to Noncontrolling Interests					
Net Income (Loss) Attributable to Regal Rexnord Corporation					
Net Income (Loss) Attributable to Regal Rexnord Corporation					
Net Income (Loss) Attributable to Regal Rexnord Corporation					
Earnings (Loss) Per Share Attributable to Regal Rexnord Corporation:					

Earnings (Loss) Per Share Attributable to Regal Rexnord Corporation:					
Earnings (Loss) Per Share Attributable to Regal Rexnord Corporation:					
Basic					
Basic					
Basic	Basic	$ (2.10)	$ 1.81	$ (1.71)	$ 5.80
Assuming Dilution	Assuming Dilution	$ (2.10)	$ 1.80	$ (1.71)	$ 5.76
Assuming Dilution					
Assuming Dilution					
Weighted Average Number of Shares Outstanding:					
Weighted Average Number of Shares Outstanding:					
Weighted Average Number of Shares Outstanding:	Weighted Average Number of Shares Outstanding:				
Basic	Basic	66.3	66.3	66.3	66.8
Basic					
Basic					
Assuming Dilution	Assuming Dilution	66.3	66.7	66.3	67.2
Assuming Dilution					
Assuming Dilution					

See Accompanying Notes to Condensed Consolidated Financial Statements

REGAL REXNORD CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Unaudited)
(Dollars in Millions)

	Three Months Ended		Nine Months Ended	
	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
Net (Loss) Income	$ (138.6)	$ 121.9	$ (110.9)	$ 392.2
Other Comprehensive Loss Net of Tax:				
Foreign Currency Translation Adjustments	(86.1)	(182.5)	(82.1)	(303.7)
Hedging Activities:				
(Decrease) Increase in Fair Value of Hedging Activities, Net of Tax Effects of $(0.6) million and $(1.1) million for the Three Months Ended September 30, 2023 and September 30, 2022 and $5.9 million and $(3.3) million for the Nine Months Ended September 30, 2023 and September 30, 2022, Respectively	(1.8)	(3.5)	18.7	(10.3)
Reclassification of Gains included in Net (Loss) Income, Net of Tax Effects of $(0.7) million and $(0.5) million for the Three Months Ended September 30, 2023 and September 30, 2022 and $(0.5) million and $(4.0) million for the Nine Months Ended September 30, 2023 and September 30, 2022, Respectively	(2.4)	(1.6)	(1.6)	(12.9)
Pension and Post Retirement Plans:				

Reclassification Adjustments for Pension and Post Retirement Benefits included in Net (Loss) Income, Net of Tax Effects of $(0.1) million and zero for the Three Months Ended September 30, 2023 and September 30, 2022 and $(0.4) million and $0.1 million for the Nine Months Ended September 30, 2023 and September 30, 2022, Respectively	(0.4)	0.2	(1.2)	0.5
Other Comprehensive Loss	(90.7)	(187.4)	(66.2)	(326.4)
Comprehensive (Loss) Income	(229.3)	(65.5)	(177.1)	65.8
Less: Comprehensive Income (Loss) Attributable to Noncontrolling Interests	0.5	(0.9)	1.1	(0.1)
Comprehensive (Loss) Income Attributable to Regal Rexnord Corporation	$ (229.8)	$ (64.6)	$ (178.2)	$ 65.9

	Three Months Ended	
	March 31, 2024	March 31, 2023
Net Income (Loss)	$ 20.4	$ (5.5)
Other Comprehensive (Loss) Income Net of Tax:		
Foreign Currency Translation Adjustments	(87.5)	34.5
Hedging Activities:		
Increase in Fair Value of Hedging Activities, Net of Tax Effects of $2.3 million and $5.3 million for the Three Months Ended March 31, 2024 and March 31, 2023, Respectively	7.1	16.8
Reclassification of (Gains) Losses included in Net Income (Loss), Net of Tax Effects of $(2.4) million and $0.4 million for the Three Months Ended March 31, 2024 and March 31, 2023, Respectively	(7.5)	1.3
Pension and Post Retirement Plans:		
Reclassification Adjustments for Pension and Post Retirement Benefits included in Net Income (Loss), Net of Tax Effects of zero and $(0.1) million for the Three Months Ended March 31, 2024 and March 31, 2023, Respectively	0.2	(0.4)
Other Comprehensive (Loss) Income	(87.7)	52.2
Comprehensive (Loss) Income	(67.3)	46.7
Less: Comprehensive Income Attributable to Noncontrolling Interests	0.2	0.7
Comprehensive (Loss) Income Attributable to Regal Rexnord Corporation	$ (67.5)	$ 46.0

See Accompanying Notes to Condensed Consolidated Financial Statements

REGAL REXNORD CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)
(Dollars in Millions, Except Per Share Data)

		September 30, 2023	December 31, 2022		
	March 31, 2024			March 31, 2024	December 31, 2023
ASSETS	**ASSETS**				
Current Assets:	Current Assets:				
Current Assets:					
Current Assets:					
Cash and Cash Equivalents	Cash and Cash Equivalents	$ 540.6	$ 688.5		
Trade Receivables, Less Allowances of $36.9 million and $30.9 million in 2023 and 2022, Respectively		918.7	797.4		
Cash and Cash Equivalents					

Cash and Cash Equivalents			
Trade Receivables, Less Allowances of $29.3 million and $30.3 million in 2024 and 2023, Respectively			
Inventories	Inventories	1,302.8	1,336.9
Prepaid Expenses and Other Current Assets	Prepaid Expenses and Other Current Assets	224.0	150.9
Deferred Financing Fees		—	17.0
Assets Held for Sale			
Assets Held for Sale			
Assets Held for Sale	Assets Held for Sale	385.9	9.8
Total Current Assets	Total Current Assets	3,372.0	3,000.5
Net Property, Plant and Equipment	Net Property, Plant and Equipment	1,055.6	807.0
Operating Lease Assets	Operating Lease Assets	167.8	110.9
Goodwill	Goodwill	6,473.0	4,018.8
Intangible Assets, Net of Amortization	Intangible Assets, Net of Amortization	4,117.3	2,229.9
Deferred Income Tax Benefits	Deferred Income Tax Benefits	43.0	43.9
Other Noncurrent Assets	Other Noncurrent Assets	61.0	57.9
Noncurrent Assets Held for Sale	Noncurrent Assets Held for Sale	75.3	—
Noncurrent Assets Held for Sale			
Noncurrent Assets Held for Sale			
Total Assets	Total Assets	$ 15,365.0	$10,268.9
LIABILITIES AND EQUITY	**LIABILITIES AND EQUITY**		
Current Liabilities:	Current Liabilities:		
Current Liabilities:			
Current Liabilities:			
Accounts Payable			
Accounts Payable			
Accounts Payable	Accounts Payable	$ 588.0	$ 497.7
Dividends Payable	Dividends Payable	23.2	23.2
Accrued Compensation and Employee Benefits			
Accrued Compensation and Employee Benefits			
Accrued Compensation and Employee Benefits	Accrued Compensation and Employee Benefits	185.5	141.1
Accrued Interest	Accrued Interest	90.7	5.2

Other Accrued Expenses	Other Accrued Expenses	273.1	274.8	
Current Operating Lease Liabilities	Current Operating Lease Liabilities	35.7	26.4	
Current Maturities of Long-Term Debt	Current Maturities of Long-Term Debt	3.7	33.8	
Liabilities Held for Sale	Liabilities Held for Sale	105.5	—	
Total Current Liabilities	Total Current Liabilities	1,305.4	1,002.2	
Long-Term Debt	Long-Term Debt	6,493.9	1,989.7	
Deferred Income Taxes	Deferred Income Taxes	1,022.9	591.9	
Pension and Other Post Retirement Benefits	Pension and Other Post Retirement Benefits	108.7	97.6	
Pension and Other Post Retirement Benefits				
Pension and Other Post Retirement Benefits				
Noncurrent Operating Lease Liabilities	Noncurrent Operating Lease Liabilities	128.9	88.1	
Other Noncurrent Liabilities				
Other Noncurrent Liabilities				
Other Noncurrent Liabilities	Other Noncurrent Liabilities	83.9	76.8	
Noncurrent Liabilities Held for Sale	Noncurrent Liabilities Held for Sale	25.0	—	
Contingencies (see Note 12 - Contingencies)	Contingencies (see Note 12 - Contingencies)			Contingencies (see Note 12 - Contingencies)
Equity:	Equity:			
Regal Rexnord Corporation Shareholders' Equity:	Regal Rexnord Corporation Shareholders' Equity:			
Common Stock, $0.01 par value, 100.0 million Shares Authorized, 66.3 million and 66.2 million Shares Issued and Outstanding for 2023 and 2022, Respectively		0.7	0.7	
Regal Rexnord Corporation Shareholders' Equity:				
Regal Rexnord Corporation Shareholders' Equity:				
Common Stock, $0.01 par value, 150.0 million Shares Authorized, 66.5 million and 66.3 million Shares Issued and Outstanding for 2024 and 2023, Respectively				
Common Stock, $0.01 par value, 150.0 million Shares Authorized, 66.5 million and 66.3 million Shares Issued and Outstanding for 2024 and 2023, Respectively				
Common Stock, $0.01 par value, 150.0 million Shares Authorized, 66.5 million and 66.3 million Shares Issued and Outstanding for 2024 and 2023, Respectively				

Additional Paid-In Capital	Additional Paid-In Capital	4,638.4	4,609.6
Retained Earnings	Retained Earnings	1,947.1	2,130.0
Accumulated Other Comprehensive Loss	Accumulated Other Comprehensive Loss	(417.0)	(352.1)
Total Regal Rexnord Corporation Shareholders' Equity	Total Regal Rexnord Corporation Shareholders' Equity	6,169.2	6,388.2
Noncontrolling Interests	Noncontrolling Interests	27.1	34.4
Total Equity	Total Equity	6,196.3	6,422.6
Total Liabilities and Equity	Total Liabilities and Equity	$ 15,365.0	$10,268.9

See Accompanying Notes to Condensed Consolidated Financial Statements.

REGAL REXNORD CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY
(Unaudited)
(Dollars in Millions, Except Per Share Data)

	Three Months Ended					
	Common Stock $0.01 Par Value	**Additional Paid-In Capital**	**Retained Earnings**	**Accumulated Other Comprehensive Income (Loss)**	**Noncontrolling Interests**	**Total Equity**
June 30, 2023	$ 0.7	$ 4,626.5	$2,109.8	$ (326.7)	$ 26.6	$6,436.9
Net (Loss) Income	—	—	(139.5)	—	0.9	(138.6)

		Three Months Ended					
	Common Stock $0.01 Par Value	**Common Stock $0.01 Par Value**	**Additional Paid-In Capital**	**Retained Earnings**	**Accumulated Other Comprehensive Income (Loss)**	**Noncontrolling Interests**	**Total Equity**
December 31, 2023							
Net Income							
Other Comprehensive Loss	Other Comprehensive Loss	—	—	—	(90.3)	(0.4)	(90.7)
Dividends Declared ($0.35 Per Share)	Dividends Declared ($0.35 Per Share)	—	—	(23.2)	—	—	(23.2)
Stock Options Exercised	Stock Options Exercised	—	(1.0)	—	—	—	(1.0)
Share-Based Compensation	Share-Based Compensation	—	12.9	—	—	—	12.9

	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interests	Total Equity
September 30, 2023	$ 0.7	$ 4,638.4	$1,947.1	$ (417.0)	$ 27.1	$6,196.3
Share-Based Compensation						
June 30, 2022	$ 0.7	$ 4,611.6	$1,996.6	$ (332.2)	$ 39.0	$6,315.7
Net Income	—	—	119.8	—	2.1	121.9
Other Comprehensive Loss	—	—	—	(184.4)	(3.0)	(187.4)
Share-Based Compensation						
March 31, 2024						
March 31, 2024						
March 31, 2024						
December 31, 2022						
December 31, 2022						
December 31, 2022						
Net (Loss) Income						
Other Comprehensive Income						
Dividends Declared ($0.35 Per Share)	—	—	(23.2)	—	—	(23.2)
Stock Options Exercised	—	0.4	—	—	—	0.4
Stock Repurchase	—	(13.7)	(41.5)	—	—	(55.2)
Replacement Equity-Based Awards Granted						
Share-Based Compensation	—	5.8	—	—	—	5.8
Dividends Declared to Noncontrolling Interests	—	—	—	—	(6.2)	(6.2)
September 30, 2022	$ 0.7	$ 4,604.1	$2,051.7	$ (516.6)	$ 31.9	$6,171.8
March 31, 2023						
March 31, 2023						
March 31, 2023						

See Accompanying Notes to Condensed Consolidated Financial Statements.

REGAL REXNORD CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY
(Unaudited)
(Dollars in Millions, Except Per Share Data)

	Nine Months Ended					
	Common Stock $0.01 Par Value	**Additional Paid-In Capital**	**Retained Earnings**	**Accumulated Other Comprehensive Income (Loss)**	**Noncontrolling Interests**	**Total Equity**
December 31, 2022	$ 0.7	$ 4,609.6	$ 2,130.0	$ (352.1)	$ 34.4	$ 6,422.6

Net (Loss) Income	—	—	(113.3)	—	2.4	(110.9)
Other Comprehensive Loss	—	—	—	(64.9)	(1.3)	(66.2)
Dividends Declared ($1.05 Per Share)	—	—	(69.6)	—	—	(69.6)
Stock Options Exercised	—	(9.2)	—	—	—	(9.2)
Replacement Equity-Based Awards Granted	—	4.6	—	—	—	4.6
Share-Based Compensation	—	33.4	—	—	—	33.4
Dividends Declared to Noncontrolling Interests	—	—	—	—	(8.4)	(8.4)
September 30, 2023	$ 0.7	$ 4,638.4	$ 1,947.1	$ (417.0)	$ 27.1	$ 6,196.3
January 1, 2022	$ 0.7	$ 4,651.8	$ 1,912.6	$ (195.1)	$ 38.2	$ 6,408.2
Net Income	—	—	387.4	—	4.8	392.2
Other Comprehensive Loss	—	—	—	(321.5)	(4.9)	(326.4)
Dividends Declared ($1.03 Per Share)	—	—	(68.5)	—	—	(68.5)
Stock Options Exercised	—	(5.3)	—	—	—	(5.3)
Stock Repurchase	—	(59.4)	(179.8)	—	—	(239.2)
Share-Based Compensation	—	17.0	—	—	—	17.0
Dividends Declared to Noncontrolling Interests	—	—	—	—	(6.2)	(6.2)
September 30, 2022	$ 0.7	$ 4,604.1	$ 2,051.7	$ (516.6)	$ 31.9	$ 6,171.8

See Accompanying Notes to Condensed Consolidated Financial Statements.

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REGAL REXNORD CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(Dollars in Millions)

		Nine Months Ended		Three Months Ended	
		September 30, 2023	September 30, 2022		
	March 31, 2024			March 31, 2024	March 31, 2023
CASH FLOWS FROM OPERATING ACTIVITIES:	**CASH FLOWS FROM OPERATING ACTIVITIES:**				
Net (Loss) Income		$ (110.9)	$ 392.2		
Adjustments to Reconcile Net (Loss) Income to Net Cash Provided by Operating Activities (Net of Acquisitions and Divestitures):					
Net Income (Loss)					
Net Income (Loss)					
Net Income (Loss)					
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided by Operating Activities (Net of Acquisitions and Divestitures):					
Depreciation					
Depreciation					

Depreciation	Depreciation	131.7	91.0
Amortization	Amortization	222.7	139.4
Goodwill Impairment		57.3	—
Asset Impairments		6.1	—
Loss on Assets Held for Sale			
Loss on Assets Held for Sale			
Loss on Assets Held for Sale	Loss on Assets Held for Sale	112.7	—
Noncash Lease Expense	Noncash Lease Expense	31.6	24.3
Share-Based Compensation Expense	Share-Based Compensation Expense	49.1	17.0
Financing Fee Expense	Financing Fee Expense	29.8	1.8
Benefit from Deferred Income Taxes	Benefit from Deferred Income Taxes	(89.4)	(60.6)
Benefit from Deferred Income Taxes			
Benefit from Deferred Income Taxes			
Other Non-Cash Changes	Other Non-Cash Changes	5.6	0.8
Other Non-Cash Changes			
Other Non-Cash Changes			
Change in Operating Assets and Liabilities, Net of Acquisitions and Divestitures	Change in Operating Assets and Liabilities, Net of Acquisitions and Divestitures		
Receivables			
Receivables			
Receivables	Receivables	29.2	(76.2)
Inventories	Inventories	206.7	(222.3)
Accounts Payable	Accounts Payable	(18.7)	(64.8)
Other Assets and Liabilities	Other Assets and Liabilities	(149.5)	(4.6)
Net Cash Provided by Operating Activities	Net Cash Provided by Operating Activities	514.0	238.0
CASH FLOWS FROM INVESTING ACTIVITIES:	**CASH FLOWS FROM INVESTING ACTIVITIES:**		
Additions to Property, Plant and Equipment	Additions to Property, Plant and Equipment	(88.7)	(54.6)
Additions to Property, Plant and Equipment			
Additions to Property, Plant and Equipment			
Business Acquisitions, Net of Cash Acquired			

Proceeds Received from Sales of Property, Plant and Equipment	Proceeds Received from Sales of Property, Plant and Equipment	6.3	5.5
Business Acquisitions, Net of Cash Acquired		(4,870.2)	(35.0)
Net Cash Used in Investing Activities			
Net Cash Used in Investing Activities			
Net Cash Used in Investing Activities	Net Cash Used in Investing Activities	(4,952.6)	(84.1)
CASH FLOWS FROM FINANCING ACTIVITIES:	**CASH FLOWS FROM FINANCING ACTIVITIES:**		
Borrowings Under Revolving Credit Facility			
Borrowings Under Revolving Credit Facility			
Borrowings Under Revolving Credit Facility	Borrowings Under Revolving Credit Facility	1,801.3	1,797.2
Repayments Under Revolving Credit Facility	Repayments Under Revolving Credit Facility	(2,213.8)	(1,933.9)
Proceeds from Short-Term Borrowings	Proceeds from Short-Term Borrowings	34.7	6.0
Repayments of Short-Term Borrowings	Repayments of Short-Term Borrowings	(38.2)	(8.0)
Proceeds from Long-Term Borrowings	Proceeds from Long-Term Borrowings	5,532.9	1,536.8
Repayments of Long-Term Borrowings	Repayments of Long-Term Borrowings	(624.7)	(1,115.9)
Dividends Paid to Shareholders	Dividends Paid to Shareholders	(69.6)	(67.9)
Shares Surrendered for Taxes	Shares Surrendered for Taxes	(11.5)	(8.6)
Proceeds from the Exercise of Stock Options	Proceeds from the Exercise of Stock Options	3.1	4.8
Repurchase of Common Stock		—	(239.2)
Distributions to Noncontrolling Interests		(8.4)	(6.2)
Financing Fees Paid			
Financing Fees Paid			
Financing Fees Paid			
Financing Fees Paid		(51.1)	(6.5)
Net Cash Provided By Financing Activities		4,354.7	(41.4)
Net Cash (Used in) Provided By Financing Activities			
Net Cash (Used in) Provided By Financing Activities			
Net Cash (Used in) Provided By Financing Activities			
EFFECT OF EXCHANGE RATES ON CASH AND CASH EQUIVALENTS	**EFFECT OF EXCHANGE RATES ON CASH AND CASH EQUIVALENTS**	(5.8)	(61.7)

Net (Decrease) Increase in Cash and Cash Equivalents	Net (Decrease) Increase in Cash and Cash Equivalents	(89.7)	50.8
Cash and Cash Equivalents at Beginning of Period	Cash and Cash Equivalents at Beginning of Period	688.5	672.8
Cash and Cash Equivalents at End of Period	Cash and Cash Equivalents at End of Period	$ 598.8	$ 723.6

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SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION	**SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION**				
Cash Paid For:	Cash Paid For:				
Cash Paid For:					
Cash Paid For:					
Interest					
Interest					
Interest	Interest	$	209.5	$	36.6
Income taxes	Income taxes	$	166.9	$	149.0
Cash and Cash Equivalents Presentation:	Cash and Cash Equivalents Presentation:				
Cash and Cash Equivalents	Cash and Cash Equivalents	$	540.6		723.6
Cash and Cash Equivalents					
Cash and Cash Equivalents					
Assets Held for Sale	Assets Held for Sale		58.2		—
Total Cash and Cash Equivalents	Total Cash and Cash Equivalents	$	598.8	$	723.6

See Accompanying Notes to Condensed Consolidated Financial Statements.

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REGAL REXNORD CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2023 March 31, 2024
(Unaudited)
(Dollars in Millions Except Per Share Data, Unless Otherwise Noted)

1. BASIS OF PRESENTATION

The accompanying (a) Condensed Consolidated Balance Sheet of Regal Rexnord Corporation (the “Company”), as of December 31, 2022 December 31, 2023, which has been derived from audited Consolidated Financial Statements, and (b) unaudited interim Condensed Consolidated Financial Statements as of September 30, 2023 March 31, 2024 and for the three and nine months ended September 30, 2023 March 31, 2024 and September 30, 2022 March 31, 2023, have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and note disclosures normally included in annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"), have been condensed or omitted pursuant to those rules and regulations, although the Company believes that the disclosures made are adequate to make the information not misleading.

It is suggested that these Condensed Consolidated Financial Statements be read in conjunction with the Consolidated Financial Statements and the Notes thereto included in the Company’s 2022 2023 Annual Report on Form 10-K filed with the SEC on February 24, 2023 February 26, 2024.

In the opinion of management, all adjustments considered necessary for a fair presentation of financial results have been made. Except as otherwise discussed, such adjustments consist of only those of a normal recurring nature. Operating results for the three and nine months ended September 30, 2023 March 31, 2024 are not necessarily indicative of the results that may be expected for the entire fiscal year ending December 31, 2023 December 31, 2024.

The Condensed Consolidated Financial Statements have been prepared in accordance with GAAP, which requires the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the Condensed Consolidated Financial Statements and revenues and expenses during the periods reported. Actual results could differ from those estimates. The Company uses estimates in accounting for, among other items, allowances for credit losses; excess and obsolete inventory; share-based compensation; acquisitions; product warranty obligations; pension and post retirement assets and liabilities; derivative fair values; goodwill and other asset impairments; health care reserves; rebates and incentives; litigation claims and contingencies, including environmental matters; and income taxes. The Company accounts for changes to estimates and assumptions when warranted by factually based experience.

Effective during the first quarter of 2023, in conjunction with the Altra Transaction (as defined in Note 3 - Held for Sale, Acquisitions and Divestitures), the Company realigned its four operating segments with the change to its management structure and operating model following the Altra Transaction. The new operating and reportable segments are: Industrial Powertrain Solutions (IPS), Power Efficiency Solutions (PES), Automation & Motion Control (AMC) and Industrial Systems. Prior period financial information has been reclassified to reflect these new reportable segments. See Note 6 - Segment Information for further information.

The sale of the industrial motors and generators businesses, as further described in Note 3 – Held for Sale, Acquisitions and Divestitures, does not represent a strategic shift that will have a major effect on the Company's operations and financial results and, therefore, did not qualify for presentation as discontinued operations. The assets and liabilities related to these businesses have been were reclassified to Assets Held for Sale, Noncurrent Assets Held for Sale, Liabilities Held for Sale and Noncurrent Liabilities Held for Sale on the Company's Condensed Consolidated Balance Sheet as of September 30, 2023.

Reclassifications

Certain prior year amounts have Benefit from Deferred Income Taxes for the three months ended March 31, 2023 has been reclassified from Current Liabilities and Other and presented individually in the Condensed Consolidated Statements of Cash Flows to conform to the presentation used for the nine three months ended September 30, 2023 March 31, 2024. Depreciation and Amortization were each reclassified from Depreciation and Amortization and presented individually in the Condensed Consolidated Statements of Cash Flows. Benefit from Deferred Income Taxes, Receivables, Inventories, Accounts Payable, and Other Assets and Liabilities were reclassified from Change in Operating Assets and Liabilities and presented individually in the Condensed Consolidated Statements of Cash Flows.

New Accounting Standards Adopted in 2023

In September 2022, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2022-04, *Liabilities - Supplier Finance Programs (Subtopic 405-50) Disclosure of Supplier Finance Program Obligations*. The ASU requires that a buyer in a supplier finance program disclose sufficient information about the program to allow a user of

financial statements to understand the program's nature, activity during the period, changes from period to period, and potential magnitude. The Company adopted this new accounting guidance during the first quarter of 2023. See Note 2 - Other Financial Information.

2. OTHER FINANCIAL INFORMATION

Revenue Recognition

The Company recognizes revenue from the sale of electric motors, electrical motion controls, power generation, automation and power transmission products and components, factory automation sub-systems, industrial powertrain solutions, air moving products, and specialty electrical components and systems. The Company recognizes revenue when control of the product passes to the customer or the service is provided and provided. Revenue is recognized at an amount that reflects the consideration expected to be received in exchange for such goods or services.

The following tables presents the Company's revenues disaggregated by geographical region:

	Three Months Ended				
September 30, 2023	**Industrial Powertrain Solutions**	**Power Efficiency Solutions**	**Automation & Motion Control**	**Industrial Systems**	**Total**

North America	$ 422.6	$ 367.8	$ 274.8	$ 68.3	$ 1,133.5
Asia	45.7	44.4	22.7	36.4	149.2
Europe	126.3	33.8	100.3	12.9	273.3
Rest-of-World	46.1	15.3	22.0	10.4	93.8
Total	$ 640.7	$ 461.3	$ 419.8	$ 128.0	$ 1,649.8

September 30, 2022	Industrial Powertrain Solutions	Power Efficiency Solutions	Automation & Motion Control	Industrial Systems	Total
North America	$ 321.9	$ 451.3	$ 138.3	$ 79.9	$ 991.4
Asia	38.2	49.5	4.9	44.8	137.4
Europe	54.5	46.1	37.6	11.7	149.9
Rest-of-World	1.0	22.2	11.8	11.6	46.6
Total	$ 415.6	$ 569.1	$ 192.6	$ 148.0	$ 1,325.3

		Nine Months Ended				
September 30, 2023		Industrial Powertrain Solutions	Power Efficiency Solutions	Automation & Motion Control	Industrial Systems	Total
		Three Months Ended				Three Months Ended
March 31, 2024	March 31, 2024	Industrial Powertrain Solutions	Power Efficiency Solutions	Automation & Motion Control	Industrial Systems	Total
North America	North America	$ 1,206.8	$ 1,094.4	$ 726.8	$ 211.8	$3,239.8
Asia	Asia	114.1	133.1	50.7	113.9	411.8
Europe	Europe	299.8	118.3	251.2	44.0	713.3
Rest-of-World	Rest-of-World	133.1	45.1	67.4	32.0	277.6
Total	Total	$ 1,753.8	$ 1,390.9	$ 1,096.1	$ 401.7	$4,642.5

September 30, 2022		Industrial Powertrain Solutions	Power Efficiency Solutions	Automation & Motion Control	Industrial Systems	Total
March 31, 2023						
March 31, 2023						
March 31, 2023		Industrial Powertrain Solutions	Power Efficiency Solutions	Automation & Motion Control	Industrial Systems	Total
North America	North America	$ 907.9	$ 1,360.7	$ 418.6	$ 224.0	$2,911.2
Asia	Asia	102.5	154.5	13.4	121.8	392.2
Europe	Europe	174.8	140.4	118.3	37.3	470.8
Rest-of-World	Rest-of-World	68.8	76.1	20.7	33.4	199.0
Total	Total	$ 1,254.0	$ 1,731.7	$ 571.0	$ 416.5	$3,973.2

Trade Receivables

The Company's policy for estimating the allowance for credit losses on trade receivables considers several factors including historical write-off experience, overall customer credit quality in relation to general economic and market conditions, and specific customer account analyses to estimate expected credit losses. analyses. The specific customer account analysis considers such items as credit worthiness, payment history, and historical bad debt experience. Trade receivables are written off after exhaustive collection efforts occur and the receivable is deemed uncollectible. Adjustments to the allowance for credit losses are recorded in Operating Expenses.

Inventories

The following table presents approximate percentage distribution between major classes of inventories (percentages as of September 30, 2023 exclude inventories of the industrial motors and generators businesses which have been reclassified to Assets Held for Sale): inventories:

		September 30, 2023	December 31, 2022			
	March 31, 2024				March 31, 2024	December 31, 2023
Raw Material and Work in Process	Raw Material and Work in Process	65.1%	57.0%	Raw Material and Work in Process	67.4%	66.7%
Finished Goods and Purchased Parts	Finished Goods and Purchased Parts	34.9%	43.0%	Finished Goods and Purchased Parts	32.6%	33.3%

Inventories are stated at the lower of cost or net realizable value. All inventory is valued using the FIFO cost method.

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Property, Plant, and Equipment

The following table presents property, plant, and equipment by major classification:

		Useful Life in Years	September 30, 2023	December 31, 2022			
	Useful Life in Years				Useful Life in Years	March 31, 2024	December 31, 2023
Land and Improvements	Land and Improvements		$ 139.5	$ 103.4			
Buildings and Improvements	Buildings and Improvements	3 - 50	434.6	401.7			
Machinery and Equipment	Machinery and Equipment	3 - 15	1,216.9	1,111.3			
Property, Plant and Equipment	Property, Plant and Equipment		1,791.0	1,616.4			
Less: Accumulated Depreciation	Less: Accumulated Depreciation		(735.4)	(809.4)			
Net Property, Plant and Equipment	Net Property, Plant and Equipment		$ 1,055.6	$ 807.0			

For the three As of March 31, 2024 and nine months ended September 30, 2023 December 31, 2023, the Company reclassified $243.8 $43.6 million and $44.4 million of property, plant right-of-use assets were included in Net Property, Plant and equipment and $152.9 million of accumulated depreciation to Noncurrent Assets Held for Sale. See Note 3 – Held for Sale, Acquisitions and Divestitures for additional information. Equipment, respectively.

Supplier Finance Program

The Company's supplier finance program with Bank of America (the "Bank"("the Bank") offers the Company's designated suppliers the option to receive payments of outstanding invoices in advance of the invoice maturity dates at a discount. The Company's payment obligation to the Bank remains subject to the respective supplier's invoice maturity date. The Bank acts as a payment agent, making payments on invoices the Company confirms are valid. The supplier finance program is offered for open account transactions only and may be terminated by either the Company or the Bank upon 15 days days' notice. The Company has not pledged any assets under this program. The Company has not incurred any subscription, service or other fees related to the Company's supplier finance program. The Company's outstanding obligations under the supplier finance program, which are classified within Accounts Payable, were $66.8 $41.6 million and $69.9 $60.8 million as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively.

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3. HELD FOR SALE, ACQUISITIONS AND DIVESTITURES

Assets and Liabilities Held for Sale - Industrial Systems

On September 23, 2023, the Company signed an agreement to sell its industrial motors and generators businesses which represent the substantial majority of the Industrial Systems segment operating segment.The transaction closed on April 30, 2024 for total consideration of $400 million plus cash transferred at close, $400 million, approximately 17% of which is deferred and will be paid upon the completion of the China Business transfer, as defined below. The total consideration remains subject to taxes, transaction expenses, working capital adjustments and other customary purchase price post-closing adjustments. This transaction The Company anticipates that aggregate net proceeds will approximate $355 million. Due to administrative requirements, the transfer of the Chinese subsidiaries of the industrial motors and generators business, (the “China Business”) remains in progress and is expected to close occur following completion of customary local filings and transfer documentation. The Company expects the deferred transfer of the China Business will occur in mid second quarter of 2024, at which time it anticipates it will receive the first half portion of 2024. The assets and liabilities related the purchase price allocated to these businesses have been reclassified to Assets Held for Sale, Noncurrent Assets Held for Sale, Liabilities Held for Sale and Noncurrent Liabilities Held for Sale on the Company's Condensed Consolidated Balance Sheet as of September 30, 2023 as shown in the table below:

		September 30, 2023
Assets Held for Sale		
Cash and Cash Equivalents	$	58.2
Trade Receivables, Less Allowances		97.6
Inventories		209.6
Prepaid Expenses and Other Current Assets		15.0
Total Current Assets Held for Sale	$	380.4
Net Property, Plant and Equipment		90.9
Operating Lease Assets		19.1
Goodwill		53.9
Intangible Assets, Net of Amortization		2.2
Other Noncurrent Assets		21.9
Loss on Assets Held for Sale		(112.7)
Total Noncurrent Assets Held for Sale	$	75.3
Liabilities Held for Sale		
Accounts Payable	$	70.2
Accrued Compensation and Employee Benefits		12.8
Other Accrued Expenses		18.9
Current Operating Lease Liabilities		3.6
Total Current Liabilities Held for Sale	$	105.5
Deferred Income Taxes		4.6
Pension and Other Post Retirement Benefits		0.2
Noncurrent Operating Lease Liabilities		16.4
Other Noncurrent Liabilities		3.8
Total Noncurrent Liabilities Held for Sale	$	25.0

China Business. The sale of the industrial motors and generators businesses does not represent a strategic shift that will have a major effect on the Company's operations and financial results and, therefore, did not qualify for presentation as discontinued operations. The Company recorded a goodwill impairment of $57.3 million assets and a loss on assets held liabilities related to these businesses were included in Assets Held for sale of $112.7 million Sale, Noncurrent Assets Held for Sale, Liabilities Held for Sale and Noncurrent Liabilities Held for Sale as shown in the Condensed Consolidated Statements of Income (Loss) during the three and nine months ended September 30, 2023. The loss on assets held for sale primarily relates to foreign currency translation losses to be reclassified out of accumulated other comprehensive income into earnings at closing of the transaction. table below:

	March 31, 2024	December 31, 2023
Assets Held for Sale		
Cash and Cash Equivalents	$ 57.1	$ 61.3
Trade Receivables, Less Allowances	92.8	88.3
Inventories	192.5	199.7
Prepaid Expenses and Other Current Assets	13.1	12.2
Total Current Assets Held for Sale	$ 355.5	$ 361.5
Net Property, Plant and Equipment	94.4	96.0
Operating Lease Assets	17.4	18.0
Goodwill	54.5	54.7
Intangible Assets, Net of Amortization	1.9	2.1
Deferred Income Tax Benefits	8.0	11.0
Other Noncurrent Assets	1.5	—
Loss on Assets Held for Sale	(109.2)	(87.7)
Total Noncurrent Assets Held for Sale	$ 68.5	$ 94.1
Liabilities Held for Sale		
Accounts Payable	$ 60.0	$ 67.2
Accrued Compensation and Employee Benefits	7.6	11.3
Other Accrued Expenses	18.6	21.7
Current Operating Lease Liabilities	3.7	3.5
Total Current Liabilities Held for Sale	$ 89.9	$ 103.7
Pension and Other Post Retirement Benefits	0.9	0.9
Noncurrent Operating Lease Liabilities	15.4	16.2
Other Noncurrent Liabilities	3.6	3.3
Total Noncurrent Liabilities Held for Sale	$ 19.9	$ 20.4

In addition to the assets and liabilities of the industrial motors and generators businesses, there are other assets recorded in Assets Held for Sale on the Company's Consolidated Balance Sheet as of September 30, 2023 March 31, 2024 and December 31, 2023, which are not material.

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Altra Transaction

On October 26, 2022, the Company entered into an Agreement and Plan of Merger (the “Altra Merger Agreement”) by and among the Company, Altra Industrial Motion Corp., a Delaware corporation (“Altra”), and Aspen Sub, Inc., a Delaware corporation and a wholly owned subsidiary of the Company (“Merger Sub”). Altra is a leading global manufacturer of highly-engineered products and sub-systems in the factory automation and industrial power transmission markets. Regal Rexnord entered into the Altra Merger Agreement because it believes it can recognize substantial revenue and cost synergies through the combination. In particular, Altra transforms Regal Rexnord's automation portfolio into a global provider with significant sales into markets with secular growth characteristics. Altra also adds significant capabilities to Regal Rexnord's industrial power transmission portfolio, in particular in clutches and brakes, allowing it to provide a broader offering, and more robust industrial powertrain solutions to its customers.

On March 27, 2023, in accordance with the terms and conditions of the Altra Merger Agreement, Merger Sub merged with and into Altra (the "Altra Merger") and into Altra, , with Altra surviving the Altra Merger as a wholly owned subsidiary of the Company (the “Altra Transaction”).

Pursuant to the Altra Merger Agreement, at the effective time of following the Altra Merger, (the “Effective Time”), each of Altra’s issued and outstanding shares of common stock par value $0.001 per share (“Altra Common Stock”) (other than (i) any shares held by either the Company, Altra or Merger Sub, (ii) shares owned by any direct or indirect wholly owned subsidiary of Altra or the Company, (iii) shares for which appraisal rights had been properly demanded according to Section 262 of the Delaware General Corporation Law and (iv) restricted shares of Altra Common Stock granted under Altra's 2014 Omnibus Incentive Plan and subject to forfeiture conditions) were converted into $62.00 in cash, without interest (the "Altra Merger Consideration"). The In addition, all Altra Merger Agreement generally provided that (1) each vested Altra stock option equity awards outstanding immediately prior to the Effective Time was canceled and converted into a cash payment equal to the intrinsic value of such option based on the Altra Merger Consideration, (2) each unvested Altra stock option outstanding, immediately prior to the Effective Time, was converted into an award of stock options with respect to the Company's common stock, par value $0.01 per share ("Common Stock") with an intrinsic value equivalent to the intrinsic value of the Altra stock option based on the Altra Merger Consideration, (3) each unvested Altra restricted stock unit outstanding, as of the Effective Time, that was subject solely to time-based vesting conditions was converted into an award of restricted stock units with respect to Common Stock with an equivalent value based on the Altra Merger Consideration on substantially similar terms and conditions, (4) each unvested award of Altra restricted shares was were converted into an award of cash or an award of restricted stock equal to the equivalent value based on of the Altra Merger Consideration on substantially original equity award with similar terms and conditions (5) each unvested Altra restricted stock unit outstanding, as of the Effective Time, that was subject to performance-based vesting conditions was converted into an award of time-based restricted stock with an equivalent value based on the Altra Merger Consideration on substantially similar terms and conditions (with performance goals being deemed satisfied at specified levels) and (6) each vested Altra restricted stock unit outstanding as of Effective Time was converted into the right to receive a cash payment based on the Altra Merger Consideration.

The Company's management determined that the Company is the accounting acquirer in the Altra Transaction based on the facts and circumstances noted within this section and other relevant factors. As such, the Company applied the acquisition method of accounting to the identifiable assets and liabilities of Altra, which have been measured at estimated fair value as of the date of the business combination.

The preliminary total purchase price for the acquisition of to acquire Altra was approximately $5.1 billion, subject to the finalization of purchase accounting.

The preliminary purchase price of Altra which consisted of the following:

Cash paid for outstanding Altra Common Stock(1)	$	4,051.0
Stock based compensation(2)		23.1
Payment of Altra debt(3)		1,061.0
Pre-existing relationships(4)		(0.5)
Preliminary purchase Purchase price	$	5,134.6

(1) Cash paid for the common stock component of the preliminary purchase price was based on 65.3 million shares of outstanding Altra Common Stock as of March 27, 2023 at $62.00 per share, in accordance with the Altra Merger Agreement.

(2) Represents fair value of replacement equity-based awards and Company common stock issued in settlement of other Altra share based awards. The portion of the fair value attributable to pre-acquisition service was recorded as part of the consideration transferred in the Altra Transaction of which $17.3 million was paid in cash during the second quarter of 2023.
(3) Cash paid by the Company to settle (a) the term loan facility, (b) the revolving credit facility and (c) 95.28% of the 6.125% senior notes due 2026 of Stevens Holding Company, Inc., a wholly owned subsidiary of Altra (the "Altra Notes"). $18.1 million of the Altra Notes remained outstanding following the closing of the Altra Transaction. See Note 7 - Debt and Bank Credit Facilities for more information.

(4) Represents effective settlement of outstanding payables and receivables between the Company and Altra. No gain or loss was recognized on this settlement.

Purchase Price Allocation

Altra's assets and liabilities were measured at estimated fair values at March 27, 2023, primarily using Level 3 inputs. Estimates of fair value represent management's best estimate of assumptions about future events and uncertainties, including significant judgments related to future cash flows, discount rates, competitive trends, margin and revenue growth assumptions, royalty rates and customer attrition rates and others. Inputs used were generally obtained from historical data supplemented by current and anticipated market conditions and growth rates expected as of the acquisition date.

Due to

The Company estimated the timing fair value of the Altra Transactionand the nature of the net assets acquired based on information available during the measurement period and as of September 30, 2023 March 31, 2024, the valuation process to determine the fair values is not complete and further adjustments are expected in fiscal year 2023. The Company has estimated of the preliminary fair value of net assets acquired based on information currently available and will continue to adjust those estimates as additional information becomes available, including the refinement of valuation assumptions. As the Company finalizes the fair value of assets acquired and liabilities assumed, additional purchase price allocation adjustments will be recorded during the measurement period but no later than one year from the date of the acquisition. was complete. The Company will reflect measurement period adjustments in the period in which the adjustments are determined.

The preliminary fair value and subsequent measurement period adjustments of the assets acquired and liabilities assumed were as follows:

		As Reported as of December 31, 2023		As Reported as of December 31, 2023	Measurement period adjustments	As of March 31, 2024
		As Reported as of March 31, 2023	Measurement period adjustments	As of September 30, 2023		
Cash and Cash Equivalents						
Cash and Cash Equivalents						
Cash and Cash Equivalents	Cash and Cash Equivalents	$ 259.1	$ —	$ 259.1		
Trade Receivables	Trade Receivables	258.1	(0.1)	258.0		
Inventories	Inventories	436.4	(47.4)	389.0		
Prepaid Expenses and Other Current Assets	Prepaid Expenses and Other Current Assets	33.0	—	33.0		
Property, Plant and Equipment	Property, Plant and Equipment	411.8	(4.3)	407.5		
Intangible Assets		2,224.0	(82.0)	2,142.0		
Intangible Assets(2)						
Intangible Assets(2)						
Intangible Assets(2)						
Deferred Income Tax Benefits	Deferred Income Tax Benefits	0.7	—	0.7		
Operating Lease Assets	Operating Lease Assets	42.3	4.5	46.8		
Other Noncurrent Assets	Other Noncurrent Assets	21.6	0.2	21.8		
Accounts Payable	Accounts Payable	(183.2)	—	(183.2)		
Accrued Compensation and Benefits	Accrued Compensation and Benefits	(66.1)	—	(66.1)		
Other Accrued Expenses(1)	Other Accrued Expenses(1)	(145.7)	0.6	(145.1)		
Current Operating Lease Liabilities	Current Operating Lease Liabilities	(12.5)	0.2	(12.3)		
Current Maturities of Long-Term Debt	Current Maturities of Long-Term Debt	(0.4)	—	(0.4)		
Long-Term Debt	Long-Term Debt	(25.3)	—	(25.3)		

Deferred Income Taxes	Deferred Income Taxes	(560.7)	25.7	(535.0)
Pension and Other Post Retirement Benefits	Pension and Other Post Retirement Benefits	(19.8)	—	(19.8)
Noncurrent Operating Lease Liabilities	Noncurrent Operating Lease Liabilities	(29.7)	0.7	(29.0)
Other Noncurrent Liabilities	Other Noncurrent Liabilities	(8.3)	—	(8.3)
Total Identifiable Net Assets	**Total Identifiable Net Assets**	2,635.3	(101.9)	2,533.4
Total Identifiable Net Assets				
Total Identifiable Net Assets				
Goodwill	Goodwill	2,499.3	101.9	2,601.2
Preliminary purchase price		$ 5,134.6	$ —	$ 5,134.6
Purchase price				

(1) Includes $60.1 million related to Altra Transaction costs paid by the Company at the closing of the Altra Transaction.

*Summary of Significant Fair Value Methods**(2) Includes $1,710.0 million related to Customer Relationships, $330.0 million related to Trademarks and $102.0 million related to Technology.*

The methods used to determine the fair value of significant identifiable assets and liabilities included in the allocation of purchase price are discussed below.

Inventories

Acquired inventory was comprised of finished goods, work in process and raw materials. The fair value of finished goods was calculated as the estimated selling price, adjusted for costs of the selling effort and a reasonable profit allowance relating to the selling effort. The fair value of work in process inventory was primarily calculated as the estimated selling price, adjusted for estimated costs to complete the manufacturing, estimated costs of the selling effort, as well as a reasonable profit margin on the remaining manufacturing and selling effort. The fair value of raw materials and supplies was determined based on replacement cost which approximates historical carrying value.

Property, Plant and Equipment

The preliminary fair value of Property, Plant, and Equipment was determined using either the cost approach, which relies on an estimate of replacement costs of the new assets and estimated accrued depreciation, or the market approach.

Identifiable Intangible Assets

The preliminary fair value and weighted average useful life of the identifiable intangible assets are as follows:

	Fair Value	Weighted Average Useful Life (Years)
Customer Relationships(1)	$ 1,710.0	14.0
Trademarks(2)	330.0	10.0
Technology(3)	102.0	13.0
Total Identifiable Intangible Assets	$ 2,142.0	

(1) The fair value of Customer Relationships was valued using a multi-period excess earnings method, a form of the income approach, which incorporates the estimated future cash flows to be generated from Altra's existing customer base.
(2) The Altra Trademarks were valued using the relief from royalty method, which considers both the market approach and the income approach.
(3) The Altra Technology was valued using the relief from royalty method, which considers both the market approach and the income approach.

The intangible assets related to definite-lived customer relationships, trademarks and technology are amortized over their estimated useful lives.

Leases, including right-of-use ("ROU") assets and lease liabilities

Lease liabilities were measured as of the effective date of the acquisition at the present value of future minimum lease payments over the remaining lease term and the incremental borrowing rate of the Company as if the acquired leases were new leases as of the acquisition date. ROU assets recorded within “Operating Lease Assets” are equal to the amount of the lease liability at the acquisition date adjusted for any off-market terms of the lease. The remaining lease term was based on the remaining term at the acquisition date plus any renewal or extension options that the Company is reasonably certain will be exercised.

Deferred Income Tax Assets and Liabilities

The acquisition was structured as a merger, and therefore the Company assumed the historical tax basis of Altra's assets and liabilities. The deferred income tax assets and liabilities include the expected future federal, state, and foreign tax consequences associated with temporary differences between the fair values of the assets acquired and liabilities assumed and the respective tax bases. Tax rates utilized in calculating deferred income taxes generally represent the enacted statutory tax rates at the effective date of the acquisition in the jurisdictions in which legal title of the underlying asset or liability resides. See Note 10 - Income Taxes for further information related to income taxes.

Other Assets Acquired and Liabilities Assumed (excluding Goodwill)

The Company utilized the carrying values, net of allowances, to value accounts receivable and accounts payable as well as other current assets and liabilities, as it was determined that carrying values represented the fair value of those items at the acquisition date. Accounts receivable reflect the best estimate at the acquisition date of the contractual cash flows expected to be collected.

Goodwill

The excess of the consideration for the acquisition over the fair value of net assets acquired was recorded as goodwill. The goodwill is attributable to expected synergies and expanded market opportunities from combining the Company’s operations with those of Altra. The goodwill created in the acquisition is not expected to be deductible for tax purposes.

Transaction Costs

The Company incurred transaction-related transaction and integration-related costs in connection with the Altra Transaction of approximately $7.5 million and $82.5 $5.0 million during the three and nine months ended September 30, 2023 March 31, 2024, respectively, which include includes legal, professional service and integration costs associated with the Altra Transaction. There were $65.6 million of transaction and integration-related costs in connection with the Altra Transaction recognized during the three months ended March 31, 2023, which includes legal and professional services and certain employee compensation costs, including severance and retention, that were recognized as Operating Expenses in the Company's Condensed Consolidated Statements of Income (Loss). There were $1.0 million of transaction-related costs in connection with the Altra Transaction recognized during the three and nine months ended September 30, 2022. During the year ended December 31, 2022 the Company incurred $14.7 million of costs related to the Altra Transaction.

The Company also incurred $15.7 million of share-based compensation expense during the first quarter of 2023 related to the accelerated vesting of awards for certain former Altra employees. See Note 9 – Shareholders' Equity for additional information.

In connection with the Altra Transaction, the Company incurred additional costs due to the entry into certain financing arrangements. Such financing arrangements are described in Note 7 – Debt and Bank Credit Facilities.

Unaudited Pro Forma Information

The following unaudited supplemental pro forma financial information presents the Company's financial results for the three and nine months ended September 30, 2023 and September 30, 2022, respectively, March 31, 2023. The March 31, 2023 information is presented as if the Altra Transaction had occurred on January 2, 2022, the first day of the

Company's fiscal year ended December 31, 2022. The pro forma financial information includes, where applicable, adjustments for: (i) additional amortization expense that would have been recognized related to the acquired intangible assets, (ii) additional interest expense on transaction related borrowings less interest income earned on the investment of proceeds from borrowings prior to the close of the Altra Transaction, (iii) additional depreciation expense that would have been recognized related to the acquired property, plant, and equipment, (iv) transaction costs and other one-time non-recurring costs, including share-based compensation expense related to the accelerated vesting of awards for certain former Altra employees, which reduced expenses by $7.5 million and $98.2 $81.3 million for the three and nine months ended September 30, 2023 March 31, 2023, respectively, and increased expenses by $4.2 million and $111.9 million for the three and nine months ended September 30, 2022, respectively, (v) additional cost of sales related to the inventory valuation adjustment which reduced expenses by $8.8 million and $52.9 million for the three and nine months ended September 30, 2023, respectively, and increased expenses by zero and $52.9 million for the three and nine months ended September 30, 2022, respectively and (vi) the estimated income tax effect on the pro forma adjustments.

The pro forma financial information is presented for illustrative purposes only and is not necessarily indicative of the operating results that would have been achieved had the Altra Transaction been completed as of the date indicated or the results that may be obtained in the future.

	Three Months Ended		Nine Months Ended	
	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
Net Sales	$ 1,649.8	$ 1,791.6	$ 5,093.6	$ 5,449.3
Net (Loss) Income Attributable to Regal Rexnord Corporation	$ (126.7)	$ 66.8	$ (7.2)	$ 80.5
(Loss) Earnings Per Share Attributable to Regal Rexnord Corporation:				
Basic	$ (1.91)	$ 1.01	$ (0.11)	$ 1.21
Assuming Dilution	$ (1.91)	$ 1.00	$ (0.11)	$ 1.20

	For the Three Months Ended March 31, 2023
Net Sales	$ 1,675.2
Net Income Attributable to Regal Rexnord Corporation	$ 37.6
Earnings Per Share Attributable to Regal Rexnord Corporation:	
Basic	$ 0.57
Assuming Dilution	$ 0.56

4. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

Foreign currency translation adjustments, hedging activities and pension and post-retirement benefit adjustments are included in Accumulated Other Comprehensive Income (Loss) ("AOCI"), a component of Total Equity.

The following tables present changes in AOCI by component for the three and nine months ended September 30, 2023 March 31, 2024 and September 30, 2022 March 31, 2023:

	Three Months Ended			
September 30, 2023	Hedging Activities	Pension and Post Retirement Benefit Adjustments	Foreign Currency Translation Adjustments	Total
Beginning Balance	$ 38.6	$ (14.1)	$ (351.2)	$ (326.7)
Other Comprehensive Loss before Reclassifications	(2.4)	—	(85.7)	(88.1)
Tax Impact	0.6	—	—	0.6
Amounts Reclassified from Accumulated Other Comprehensive Income (Loss)	(3.1)	(0.5)	—	(3.6)
Tax Impact	0.7	0.1	—	0.8
Net Current Period Other Comprehensive Loss	(4.2)	(0.4)	(85.7)	(90.3)
Ending Balance	$ 34.4	$ (14.5)	$ (436.9)	$ (417.0)

September 30, 2022	Hedging Activities	Pension and Post Retirement Benefit Adjustments	Foreign Currency Translation Adjustments	Total
Beginning Balance	$ 2.9	$ (13.5)	$ (321.6)	$ (332.2)

Other Comprehensive Loss before Reclassifications	(4.6)	—	(179.5)	(184.1)
Tax Impact	1.1	—	—	1.1
Amounts Reclassified from Accumulated Other Comprehensive Income (Loss)	(2.1)	0.2	—	(1.9)
Tax Impact	0.5	—	—	0.5
Net Current Period Other Comprehensive (Loss) Income	(5.1)	0.2	(179.5)	(184.4)
Ending Balance	$ (2.2)	$ (13.3)	$ (501.1)	$ (516.6)

September 30, 2023		Nine Months Ended Hedging Activities	Pension and Post Retirement Benefit Adjustments	Foreign Currency Translation Adjustments	Total
March 31, 2024		Three Months Ended			
	March 31, 2024	Hedging Activities	Pension and Post Retirement Benefit Adjustments	Foreign Currency Translation Adjustments	Three Months Ended Total
Beginning Balance	Beginning Balance	$ 17.3	$ (13.3)	$ (356.1)	$(352.1)
Other Comprehensive Income (Loss) before Reclassifications	Other Comprehensive Income (Loss) before Reclassifications	24.6	—	(80.8)	(56.2)
Tax Impact		(5.9)	—		(5.9)
Amounts Reclassified from Accumulated Other Comprehensive Income (Loss)		(2.1)	(1.6)		(3.7)
Tax Impact		0.5	0.4		0.9
Net Current Period Other Comprehensive Income (Loss)		17.1	(1.2)	(80.8)	(64.9)
Ending Balance		$ 34.4	$ (14.5)	$ (436.9)	$(417.0)

September 30, 2022		Hedging Activities	Pension and Post Retirement Benefit Adjustments	Foreign Currency Translation Adjustments	Total
Beginning balance		$ 21.0	$ (14.3)	$ (201.8)	$(195.1)
Other Comprehensive (Loss) Income before Reclassifications		(13.6)	0.5	(299.3)	(312.4)
Tax Impact	Tax Impact	3.3	—	—	3.3
Amounts Reclassified from Accumulated Other Comprehensive Income (Loss)	Amounts Reclassified from Accumulated Other Comprehensive Income (Loss)	(16.9)	0.6	—	(16.3)

Tax Impact	Tax Impact	4.0	(0.1)		3.9
Net Current Period Other Comprehensive (Loss) Income	Net Current Period Other Comprehensive (Loss) Income	(23.2)	1.0	(299.3)	(321.5)
Ending Balance	Ending Balance	$ (2.2)	$ (13.3)	$ (501.1)	$(516.6)

Ending Balance

Ending Balance

March 31, 2023

March 31, 2023

March 31, 2023	**Hedging Activities**	**Pension and Post Retirement Benefit Adjustments**	**Foreign Currency Translation Adjustments**	**Total**
Beginning Balance				
Other Comprehensive Income before Reclassifications				
Tax Impact				
Amounts Reclassified from Accumulated Other Comprehensive Income (Loss)				
Tax Impact				
Net Current Period Other Comprehensive Income (Loss)				
Net Current Period Other Comprehensive Income (Loss)				
Net Current Period Other Comprehensive Income (Loss)				
Ending Balance				
Ending Balance				
Ending Balance				

The Condensed Consolidated Statements of Income (Loss) line items affected by the hedging activities reclassified from AOCI in the tables above are disclosed in Note 13 - Derivative Financial Instruments.

The reclassification amounts for pension and post-retirement benefit adjustments in the tables above are part of net periodic benefit costs recorded in Other Income, Expense (Income), Net (see also Note 8 - Retirement Plans).

5. GOODWILL AND INTANGIBLE ASSETS

Goodwill

As required, the Company performs an annual impairment test of goodwill as of the end of the October, fiscal month or more frequently if events or circumstances change that would more likely than not reduce the fair value of its reporting units below their carrying value.

The following table presents changes to goodwill during the nine three months ended September 30, 2023 March 31, 2024:

	Total	Industrial Powertrain Solutions	Power Efficiency Solutions	Automation & Motion Control	Industrial Systems
Balance as of December 31, 2022	$ 4,018.8	$ 2,290.0	$ 752.3	$ 865.0	$ 111.5
Impairment	(57.3)	—	—	—	(57.3)
Acquisitions	2,601.2	1,429.7	—	1,171.5	—
Reclassification to Noncurrent Assets Held for Sale	(53.9)	—	—	—	(53.9)
Translation Adjustments	(35.8)	(16.6)	(1.9)	(17.0)	(0.3)
Balance as of September 30, 2023	$ 6,473.0	$ 3,703.1	$ 750.4	$ 2,019.5	$ —
Cumulative Goodwill Impairment Charges	$ 386.0	$ 18.1	$ 200.4	$ 5.1	$ 162.4

	Total	Industrial Powertrain Solutions	Power Efficiency Solutions	Automation & Motion Control
Balance as of December 31, 2023	$ 6,553.1	$ 3,747.0	$ 753.9	$ 2,052.2
Acquisitions	(5.1)	(5.8)	—	0.7
Translation Adjustments	(41.8)	(20.1)	(2.2)	(19.5)
Balance as of March 31, 2024	$ 6,506.2	$ 3,721.1	$ 751.7	$ 2,033.4
Cumulative Goodwill Impairment Charges(1)	$ 223.6	$ 18.1	$ 200.4	$ 5.1

(1) Excludes impairment charges related to Industrial Systems.

Intangible Assets

The following table presents intangible

Intangible assets including those acquired in consist of the Altra Transaction (see Note 3 - Held for Sale, Acquisitions and Divestitures for more information): following:

			September 30, 2023			December 31, 2022				March 31, 2024			
		Weighted Average Amortization Period (Years)	Gross Value	Accumulated Amortization	Net Carrying Amount	Gross Value	Accumulated Amortization	Net Carrying Amount	Weighted Average Amortization Period (Years)	Gross Value	Accumulated Amortization	Net Carrying Amount	Gro
Customer Relationships	Customer Relationships	15	$ 3,981.9	$ 670.0	$3,311.9	$ 2,321.4	$ 532.0	$1,789.4					
Technology	Technology	13	299.1	86.8	212.3	246.2	125.0	121.2					
Trademarks	Trademarks	10	702.7	109.6	593.1	392.7	73.4	319.3					
Total Intangibles	Total Intangibles		$ 4,983.7	$ 866.4	$4,117.3	$ 2,960.3	$ 730.4	$2,229.9					
Total Intangibles													
Total Intangibles													

Amortization expense recorded for the three and nine months ended September 30, 2023 March 31, 2024 was $87.0 million and $222.7 million, respectively. $86.7 million. Amortization expense recorded for the three and nine months ended September 30, 2022 March 31, 2023 was $45.6 million and $139.4 million, respectively. $46.3 million. Amortization expense for fiscal year 2023 2024 is estimated to be $315.0 million. $348.7 million.

For the three and nine months ended September 30, 2023, the Company reclassified $59.2 million of intangible assets gross value and $57.0 million of intangible assets accumulated amortization to Noncurrent Assets Held for Sale. See Note 3 - Held for Sale, Acquisitions and Divestitures for additional information.

The following table presents future estimated annual amortization expense for intangible assets:

Year	Year	Estimated Amortization	Year	Estimated Amortization

2024	$	349.2
2025 2025		347.2
2026 2026		343.7
2027 2027		343.7
2028 2028		343.7
2029		

6. SEGMENT INFORMATION

Effective during As of March 31, 2024, the first quarter of 2023, the Company realigned its four operating segments taking into account the change to its management structure and operating model following completion of the Altra Transaction. All prior periods have been recast to reflect the current segment presentation. The Company is comprised of four operating segments: Industrial Powertrain Solutions (IPS) ("IPS"), Power Efficiency Solutions (PES) ("PES"), Automation & Motion Control (AMC) ("AMC"), and Industrial Systems.

IPS consists of the majority of the Company's previous Motion Control Solutions (MCS) segment, excluding the conveying and aerospace business units, plus Altra's Power Transmission Technologies segment.

The IPS segment designs, produces and services a broad portfolio of highly-engineered power transmission products, including mounted and unmounted bearings, couplings, mechanical power transmission drives and components, gearboxes and gear motors, clutches, brakes, special components products and industrial powertrain components and solutions. Increasingly, the segment produces industrial

powertrain solutions, serving which are integrated sub-systems comprised of Regal Rexnord motors plus the critical power transmission components that efficiently transmit motion to power industrial applications. The segment serves a broad range of markets including that include general industrial, metals & mining, agricultural and construction, food and beverage, bulk handling, eCommerce/warehouse distribution, energy, agricultural machinery, turf & garden alternative energy and general industrial. other markets.

PES consists of the Company's previous Climate Solutions and Commercial Systems segments.

The PES segment designs and produces fractional to approximately 5 horsepower AC and DC motors, electronic variable speed controls, electronic drives, fans and blowers, for commercial applications and small motors, electronic variable speed controls and air moving solutions serving markets including as well as integrated subsystems comprised of two or more of these components. The segment's products are used in residential and light commercial HVAC, water heaters, heater, commercial refrigeration, commercial building ventilation, pool and spa, irrigation, dewatering, agriculture and general commercial equipment. other applications.

AMC consists of the Company's previous MCS aerospace and conveying business units, Altra's Automation & Specialty segment and the Thomson Power Systems business that was previously in the Company's Industrial Systems segment.

The AMC segment designs, produces and services conveyor products, conveying automation subsystems, aerospace components, rotary precision motion control solutions, high-efficiency miniature servo motors, controls, drives and motion control linear actuators, as well as power management products automation that include automatic transfer switches switchgear for and paralleling switchgear. The segment sells into markets that include industrial applications automation, robotics, food and automation systems that enable beverage, aerospace, medical, agricultural and control the transition of rotary motion to linear motion. These products are used in advanced material handling, aerospace and defense, factory automation, construction, general industrial, data centers, medical device, packaging, printing, semiconductor, robotic, industrial power tool, mobile off-highway, food & beverage processing center, and other applications. markets.

Industrial Systems consists of the Company's previous Industrial Systems segment excluding the Thomson Power Systems business. The Industrial Systems segment designs and produces integral motors, alternators for industrial applications, along with aftermarket parts and kits to support such products. These products serve markets including agriculture, marine, the general industrial, metals and mining, oil and gas, food and beverage data centers, prime end markets. As described within Note 3 – Held for Sale, Acquisitions and standby power, Divestitures, the sale of the industrial motors and general industrial equipment. generators business was completed on April 30, 2024.

The Company evaluates performance based on the segment's income (loss) from operations. Corporate costs have been allocated to each segment based on the net sales of each segment. The reported external net sales of each segment are from external customers.

The following sets forth certain financial information attributable to the Company's operating segments recast as described above, for the three and nine months ended September 30, 2023 March 31, 2024 and September 30, 2022 March 31, 2023:

Three Months Ended

September 30, 2023		Industrial Powertrain Solutions	Power Efficiency Solutions	Automation & Motion Control	Industrial Systems	Eliminations	Total
March 31, 2024		Three Months Ended					

Three Months Ended						
March 31, 2024	Industrial Powertrain Solutions	Power Efficiency Solutions	Automation & Motion Control	Industrial Systems	Eliminations	Total

External Sales	External Sales	$ 640.7	$ 461.3	$ 419.8	$ 128.0	$ —	$1,649.8
Intersegment Sales	Intersegment Sales	3.6	3.1	4.2	0.6	(11.5)	—
Total Sales	Total Sales	644.3	464.4	424.0	128.6	(11.5)	1,649.8
Gross Profit	Gross Profit	215.8	138.0	161.2	27.2	—	542.2
Operating Expenses	Operating Expenses	175.1	71.5	117.6	24.7	—	388.9
Goodwill Impairment		—	—	—	57.3	—	57.3
Asset Impairments		1.3	1.5	0.5	0.4	—	3.7
Loss on Assets Held for Sale							
Loss on Assets Held for Sale							
Loss on Assets Held for Sale	Loss on Assets Held for Sale	—	—	—	112.7	—	112.7
Total Operating Expenses	Total Operating Expenses	176.4	73.0	118.1	195.1	—	562.6
Income (Loss) from Operations	Income (Loss) from Operations	39.4	65.0	43.1	(167.9)	—	(20.4)
Depreciation and Amortization	Depreciation and Amortization	75.9	15.8	46.1	3.1	—	140.9
Capital Expenditures	Capital Expenditures	5.8	8.1	9.8	1.5	—	25.2
September 30, 2022							
March 31, 2023							
March 31, 2023							
March 31, 2023							
External Sales							
External Sales							
External Sales	External Sales	$ 415.6	$ 569.1	$ 192.6	$ 148.0	$ —	$1,325.3
Intersegment Sales	Intersegment Sales	1.9	2.9	5.6	0.4	(10.8)	—
Total Sales	Total Sales	417.5	572.0	198.2	148.4	(10.8)	1,325.3
Gross Profit	Gross Profit	169.7	139.4	64.3	34.3	—	407.7
Operating Expenses	Operating Expenses	97.8	68.5	45.0	22.5	—	233.8
Total Operating Expenses	Total Operating Expenses	97.8	68.5	45.0	22.5	—	233.8

Income from Operations	71.9	70.9	19.3	11.8	—	173.9
Total Operating Expenses						
Total Operating Expenses						
Income (Loss) from Operations						
Depreciation and Amortization Depreciation and Amortization	41.6	11.6	17.8	3.1	—	74.1
Capital Expenditures Capital Expenditures	4.3	12.4	1.3	4.0	—	22.0

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	Nine Months Ended					
September 30, 2023	**Industrial Powertrain Solutions**	**Power Efficiency Solutions**	**Automation & Motion Control**	**Industrial Systems**	**Eliminations**	**Total**
External Sales	$ 1,753.8	$ 1,390.9	$ 1,096.1	$ 401.7	$ —	$ 4,642.5
Intersegment Sales	11.5	10.8	15.3	2.0	(39.6)	—
Total Sales	1,765.3	1,401.7	1,111.4	403.7	(39.6)	4,642.5
Gross Profit	617.6	389.5	412.8	84.2	—	1,504.1
Operating Expenses	510.5	217.8	323.7	75.9	—	1,127.9
Goodwill Impairment	—	—	—	57.3	—	57.3
Asset Impairments	1.6	1.5	2.6	0.4	—	6.1
Loss on Assets Held for Sale	—	—	—	112.7	—	112.7
Total Operating Expenses	512.1	219.3	326.3	246.3	—	1,304.0
Income (Loss) from Operations	105.5	170.2	86.5	(162.1)	—	200.1
Depreciation and Amortization	191.9	39.3	113.4	9.8	—	354.4
Capital Expenditures	30.9	25.2	27.2	5.4	—	88.7
September 30, 2022						
External Sales	$ 1,254.0	$ 1,731.7	$ 571.0	$ 416.5	$ —	$ 3,973.2
Intersegment Sales	5.3	8.0	12.5	1.4	(27.2)	—
Total Sales	1,259.3	1,739.7	583.5	417.9	(27.2)	3,973.2
Gross Profit	491.7	473.6	197.9	99.9	—	1,263.1
Operating Expenses	304.7	212.3	144.1	63.3	—	724.4
Total Operating Expenses	304.7	212.3	144.1	63.3	—	724.4
Income from Operations	187.0	261.3	53.8	36.6	—	538.7
Depreciation and Amortization	128.3	35.5	56.4	10.2	—	230.4
Capital Expenditures	11.8	30.1	4.6	8.1	—	54.6

The following table presents identifiable assets information attributable to the Company's operating segments recast as described above, as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023:

	Industrial Powertrain Solutions	**Power Efficiency Solutions**	**Automation & Motion Control**	**Industrial Systems**	**Total**
Identifiable Assets as of September 30, 2023	$ 7,969.8	$ 2,043.4	$ 4,888.4	$ 463.4	$ 15,365.0
Identifiable Assets as of December 31, 2022	5,028.5	2,234.1	2,202.2	804.1	10,268.9

	Industrial Powertrain Solutions	Power Efficiency Solutions	Automation & Motion Control	Industrial Systems	Total
Identifiable Assets as of March 31, 2024	$ 7,838.1	$ 1,960.4	$ 4,836.6	$ 438.7	$ 15,073.8
Identifiable Assets as of December 31, 2023	8,009.4	2,036.4	4,909.2	476.4	15,431.4

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7. DEBT AND BANK CREDIT FACILITIES

The following table presents the Company's indebtedness as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023:

		September 30, 2023	December 31, 2022		
	March 31, 2024			March 31, 2024	December 31, 2023
Senior Notes	Senior Notes	$ 4,700.0	$ —		
Term Facility	Term Facility	1,254.1	536.3		
Private Placement Notes		—	500.0		
Land Term Facility					
Land Term Facility					
Land Term Facility	Land Term Facility	486.8	486.8		
Multicurrency Revolving Facility	Multicurrency Revolving Facility	16.5	429.0		
Altra Notes	Altra Notes	18.1	—		
Finance Leases					
Finance Leases					
Finance Leases					
Other					
Other					
Other	Other	78.3	76.7		
Less: Debt Issuance Costs	Less: Debt Issuance Costs	(56.2)	(5.3)		
Total	Total	6,497.6	2,023.5		
Less: Current Maturities	Less: Current Maturities	3.7	33.8		
Long-Term Debt	Long-Term Debt	$ 6,493.9	$ 1,989.7		

The below discussion of the Company's indebtedness should be read in conjunction with the Note 7 – Debt and Bank Credit Facilities in the Company's 2022 2023 Annual Report on Form 10-K filed on February 24, 2023 February 26, 2024.

Credit Agreement

On March 28, 2022, the Company entered into a Second Amended and Restated Credit Agreement (the "Credit Agreement") with JPMorgan Chase Bank, N.A. as Administrative Agent and the lenders named therein, which was subsequently amended on November 17, 2022 (the "First Amendment") and November 30, 2022 (the "Assumption Agreement"), which in combination provide for, among other things:

i. an unsecured term loan facility in the initial principal amount of up to $550.0 million, maturing on March 28, 2027, which was upsized by $840.0 million on March 27, 2023 in connection with the Altra Transaction (the "Term Facility");

ii. an unsecured term loan facility in the initial principal amount of $486.8 million, under which the Company's subsidiary Land Newco, Inc. remains the sole borrower, maturing on March 28, 2027 (the "Land Term Facility"); and

iii. an unsecured revolving loan in the initial principal amount of up to $1,000.0 million, maturing on March 28, 2027, which was upsized by $570.0 million on March 27, 2023 in connection with the Altra Transaction (the "Multicurrency Revolving Facility").

Borrowings under the Credit Agreement bear interest at floating rates based upon indices determined by the currency of the borrowing (SOFR or an alternative base rate for US Dollar borrowings) or at an alternative base rate, in each case, plus an applicable margin. The weighted average interest rate on the Term Facility for the three months ended September 30, 2023 March 31, 2024 and September 30, 2022 March 31, 2023 was 7.2% and 3.4%, respectively. The weighted average interest rate on the Term Facility for the nine months ended September 30, 2023 and September 30, 2022 was 6.9% and 2.2% 6.0%, respectively. The weighted average interest rate on the Land Term Facility for the three months ended September 30, 2023 March 31, 2024 and September 30, 2022 March 31, 2023 was 7.2% and 3.5%, respectively. The weighted average interest rate on the Land Term Facility for the nine months ended September 30, 2023 and September 30, 2022 was 6.7% and 2.3% 5.9%, respectively.

The Term Facility requires quarterly amortization at 5.0% per annum, unless previously prepaid. Per the terms of the Credit Agreement, prepayments can be made without penalty and be are applied to the next payment due. The Land Term Facility has no required amortization.

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As of September 30, 2023 March 31, 2024, the Company had no standby letters of credit issued under the Multicurrency Revolving Facility, and $1,553.5 million $1,543.6 million of available borrowing capacity. For the three months ended September 30, 2023 March 31, 2024 and September 30, 2022 March 31, 2023 under the Multicurrency Revolving Facility, the average daily balance in borrowings was $123.9 million $98.5 million and $600.5 million $580.6 million, respectively, and the weighted average interest rate was 7.2% and 3.5%, respectively. For the nine months ended September 30, 2023 and September 30, 2022 under the Multicurrency Revolving Facility, the average daily balance in borrowings was $320.0 million and $719.0 million, respectively, and the weighted average interest rate was 6.6% and 2.2% 5.8%, respectively. The Company paid a non-use fee of 0.25% as of September 30, 2023 March 31, 2024 on the aggregate unused amount of the Multicurrency Revolving Facility at a rate determined by reference to its consolidated funded debt to consolidated EBITDA ratio.

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Private Placement Notes

On April 7, 2022, the Company entered into a Note Purchase Agreement for the issuance and sale of $500.0 million aggregate principal amount of 3.90% senior notes due April 7, 2032 (the "Private Placement Notes"). Following the issuance of the Senior Notes discussed below, on January 27, 2023, the Company repaid the Private Placement Notes in full with no make-whole payments.

Bridge Facility

In connection with the Altra Transaction, on October 26, 2022, the Company entered into a commitment letter pursuant to which JPMorgan Chase Bank, N.A. committed to provide the Company approximately $5,500.0 million in aggregate principal amount of senior bridge loans under a 364-day senior unsecured bridge term loan facility (the “Bridge Facility”) to, among other things, fund, in part, the Altra Transaction. The Bridge Facility was terminated upon issuance of the Senior Notes in January 2023. The Company paid $27.5 million in Bridge Facility fees in fiscal 2022, of which $10.5 million were recognized in Interest Expense in the fourth quarter of 2022 and zero and $17.0 million were recognized in Interest Expense during the three and nine months ended September 30, 2023, respectively.

Senior Notes

On January 24, 2023, the Company issued $1,100.0 million aggregate principal amount of its 6.05% senior notes due 2026 (the “2026 Senior Notes”), $1,250.0 million aggregate principal amount of its 6.05% senior notes due 2028 (the “2028 Senior Notes”), $1,100.0 million aggregate principal amount of its 6.30% senior notes due 2030 (the “2030 Senior Notes”) and $1,250.0 million aggregate principal amount of its 6.40% senior notes due 2033 (the “2033 Senior Notes” and, together with the 2026 Senior Notes, 2028 Senior Notes and 2030 Senior Notes, collectively, the “Senior Notes”). The 2026 Senior Notes are scheduled to mature on February 15, 2026, the 2028 Senior Notes are scheduled to mature on April 15, 2028, the 2030 Senior Notes are scheduled to mature on February 15, 2030, and the 2033 Senior Notes are scheduled to mature on April 15, 2033.

The rate of interest on each series of the Senior Notes is subject to an increase of up to 2.00% in the event of certain downgrades in the debt rating of the Senior Notes. Interest on the 2026 Senior Notes and the 2030 Senior Notes will be is payable semi-annually on February 15 and August 15 of each year, beginning on August 15, 2023. Interest on the 2028 Senior Notes and the 2033 Senior Notes will be is payable semi-annually on April 15 and October 15 of each year, beginning on April 15, 2023.

The Senior Notes were issued and sold in a private offering to persons reasonably believed to be qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933 and persons outside the United States in accordance with Regulation S under the Securities Act. Pursuant to a registration rights agreement, the Company will exchange the Senior Notes with registered notes with terms substantially identical to the Senior Notes within 540 days from the date of issuance.

The Company received $4,647.0 million in net proceeds from the sale of the Senior Notes, after deducting the initial purchasers' discounts and estimated offering expenses. The Company used a portion of the net proceeds to repay the Company's outstanding Private Placement Notes and used the remaining net proceeds, together with the incremental term loan commitments under the Term Facility and cash on hand, to fund the consideration for the Altra Transaction, repay certain of Altra's outstanding indebtedness, and pay certain fees and expenses.

Prior to the consummation of the Altra Transaction, the Company used a portion of the proceeds to repay the outstanding borrowings under the Multicurrency Revolving Facility in January 2023 and invested the remaining net proceeds of approximately $3.6 billion in interest bearing accounts. The Company recognized zero and $29.4 million $29.4 million in Interest Income during from the three and nine months ended September 30, 2023, respectively. investment in interest bearing accounts prior to the close of the Altra Transaction.

The Senior Notes were issued and sold in a private offering to persons reasonably believed to be qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933, as amended (the "Securities Act") and persons outside the United States in accordance with Regulation S under the Securities Act. Pursuant to a registration rights agreement, the Company agreed to exchange the Senior Notes with registered notes with terms substantially identical to those of the Senior Notes of the corresponding series (the "New Notes") within 540 days from the date of issuance. The Company and certain subsidiaries that guarantee the Senior Notes filed a registration statement on Form S-4 with the SEC on March 26, 2024, registering an offer to exchange the Senior Notes validly tendered for New Notes of the corresponding series (the "Exchange Offer"). In May 2024, the Company and the guarantor subsidiaries completed the Exchange Offer, exchanging approximately $4,697.1 million in aggregate principal amount of Senior Notes for approximately $4,697.1 million in aggregate principal amount of New Notes of the corresponding series. The aggregate principal amount of Senior Notes not exchanged, approximately $2.9 million, remained outstanding across the four series of Senior Notes. The New Notes consist of approximately $1,099.0 million aggregate principal amount of 6.050% senior notes due 2026, $1,249.4 million aggregate principal amount of 6.050% senior notes due 2028, $1,099.4 million aggregate principal amount of 6.300% senior notes due 2030 and $1,249.3 million aggregate principal amount of 6.400% senior notes due 2033.

Altra Notes

On March 27, 2023, in connection with the Altra Transaction, the Company assumed $18.1 million aggregate principal amount of 6.125% senior notes due 2026 (the "Altra Notes"). The Company purchased 95.28% of the outstanding Altra Notes for total consideration of $382.7 million. See Note 3 – Held for Sale, Acquisitions and Divestitures for more information.

The Altra Notes will mature on October 1, 2026. The Altra Notes may be redeemed at the option of the issuer on or after October 1, 2023. The Notes are guaranteed on a senior unsecured basis by certain of the Company's domestic subsidiaries.

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Compliance with Financial Covenants

The Credit Agreement Senior Notes, and Altra Notes require requires the Company to meet specified financial ratios and to satisfy certain financial condition tests. The Company was in compliance with all financial covenants as of September 30, 2023 March 31, 2024.

Other Notes Payable

These amounts consist of finance 21

Finance leases as well as certain long-term fixed rate term loans entered into by subsidiaries in Europe that are generally secured by the local property, plant and equipment.

The weighted average interest discount rate on other notes payable for associated with the three months ended September 30, 2023 Company's finance leases was 5.2% as of March 31, 2024 and September 30, 2022 were 4.9% and 5.1%, respectively. The weighted average interest rate on other notes payable for the nine months ended September 30, 2023 and September 30, 2022 were 4.9% and 5.1%, respectively. March 31, 2023.

Other Disclosures

Based on rates for instruments with comparable maturities and credit quality, which are classified as Level 2 inputs (see also Note 14 - Fair Value), the approximate fair value of the Senior Notes is $4,564.4 million was $4,791.7 million and $4,802.4 million as of March 31, 2024 and December 31, 2023, respectively, compared to a carrying value of $4,700.0 million as of September 30, 2023 March 31, 2024 and December 31, 2023. The Company believes that the fair value of all other debt instruments approximates their carrying value.

Maturities of long-term debt outstanding as of September 30, 2023, excluding debt issuance costs, are as follows:

Year	Amount of Maturity
2023	$ 0.9
2024	21.1
2025	73.5

2026	1,191.6
2027	1,605.4
Thereafter	3,661.3
Total	$ 6,553.8

8. RETIREMENT PLANS

The following table presents the Company's net periodic benefit income cost (income) components:

		Three Months Ended		Nine Months Ended	
		September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
Service Cost	Service Cost	$ 0.6	$ 0.2	$ 1.5	$ 1.0
Service Cost					
Service Cost					
Interest Cost					
Interest Cost					
Interest Cost	Interest Cost	5.8	3.5	17.1	10.6
Expected Return on Plan Assets	Expected Return on Plan Assets	(6.8)	(4.9)	(20.2)	(15.2)
Amortization of Prior Service Cost and Net Actuarial Loss		(0.5)	0.2	(1.6)	0.6
Net Periodic Benefit Income		$ (0.9)	$ (1.0)	$ (3.2)	$ (3.0)
Expected Return on Plan Assets					
Expected Return on Plan Assets					
Amortization of Prior Service Cost and Net Actuarial Loss (Gain)					
Amortization of Prior Service Cost and Net Actuarial Loss (Gain)					
Amortization of Prior Service Cost and Net Actuarial Loss (Gain)					
Special Termination Benefits					
Special Termination Benefits					
Special Termination Benefits					
Net Periodic Benefit Expense (Income)					
Net Periodic Benefit Expense (Income)					
Net Periodic Benefit Expense (Income)					

The service cost component is included in Cost of Sales and Operating Expenses. All other components of net periodic benefit costs are included in Other Income, Expense (Income), Net on the Company's Condensed Consolidated Statements of Income (Loss).

For the three months ended September 30, 2023 March 31, 2024 and September 30, 2022 March 31, 2023, the Company contributed $1.9 million $1.8 million and $1.5 million, respectively, to post retirement plans. For the nine months ended September 30, 2023 and September 30, 2022, the Company contributed $5.4 million and $4.5 million, respectively. The Company expects to make total contributions of $6.5 million $17.8 million in 2023. 2024. The Company contributed a total of $8.3 million in fiscal 2022.

2023.

For the three months ended September 30, 2023 March 31, 2024 and September 30, 2022 March 31, 2023, the Company contributed $10.5 million $11.6 million and $5.9 million, $6.2 million, respectively, to defined contribution plans. For the nine months ended September 30, 2023 and September 30, 2022, the Company contributed $28.0 million and $18.2 million, respectively.

In connection with the Altra Transaction, $30.5 million of plan benefit obligations and $13.8 million of plan assets included in the Altra business were transferred to the Company on March 27, 2023.

9. SHAREHOLDERS' EQUITY

Share-Based Compensation

The Company recognized approximately $12.9 million $9.1 million and $5.8 million $21.7 million in share-based compensation expense for the three months ended September 30, 2023 March 31, 2024 and September 30, 2022, respectively, and approximately $49.1 million and $17.0 million for the nine months ended September 30, 2023 and September 30, 2022 March 31, 2023, respectively. The $49.1 million expense for the three months ended March 31, 2023 includes $15.7 million related to the accelerated vesting of awards for certain former Altra employees. The total income tax benefit recognized in the Condensed Consolidated Statements of Income (Loss) for share-based compensation expense was $2.6 million $2.1 million and $1.3 million $1.4 million for the three months ended September 30, 2023 March 31, 2024 and September 30, 2022, respectively, and $6.3 million and $4.0 million for the nine months ended September 30, 2023 and September 30, 2022 March 31, 2023, respectively. The Company recognizes compensation expense on grants of share-based compensation awards on a straight-line basis over the vesting period of each award.

During the nine three months ended September 30, 2023 March 31, 2024, the Company granted the following share-based incentive awards:

Award Type	Number of Awards	Weighted Average Grant-Date Fair Value
Options and SARs[1]	147,174	$ 54.96
Restricted Stock Awards[1]	31,605	$ 134.57
Restricted Stock Units[1]	257,560	$ 141.73
Performance Share Units	59,101	$ 235.77

Award Type	Number of Awards	Weighted Average Grant-Date Fair Value
Options and SARs	99,566	$ 62.85
Restricted Stock Units	107,395	$ 167.43
Performance Share Units	53,206	$ 245.81

[1] Certain outstanding equity-based awards held by employees of Altra that related to shares of Altra Common Stock were replaced by equity-based awards of the Company Common Stock with substantially similar terms and conditions. These awards include 32,419 options with a weighted-average grant date fair value of $57.64, 20,114 restricted stock awards with a weighted-average grant date fair value of $138.11 and 161,414 restricted stock units with a weighted-average grant date fair value of $135.50 issued as replacement awards for Altra unvested awards outstanding at close of the Altra Transaction on March 27, 2023.

10. INCOME TAXES

The effective tax rate for the three months ended September 30, 2023 March 31, 2024 was (10.1)% 34.8% versus 21.4% 180.9% for the three months ended September 30, 2022. The effective tax rate for the nine months ended September 30, 2023 and September 30, 2022 was (45.9)% and 21.9% March 31, 2023, respectively. The effective tax rate for the three months ended September 30, 2023 was lower than the same period in the prior year due to the loss before taxes, which was primarily driven by the non-deductible goodwill impairment and loss on assets held for sale associated with the anticipated sale of the industrial motors and generators businesses. The effective tax rate for the nine months ended September 30, 2023 was lower than the same period in the prior year due to the loss before taxes, which was primarily driven by the non-deductible goodwill impairment and loss on assets held for sale associated with the anticipated sale of the industrial motors and generators businesses and the non-deductible transaction costs associated with the Altra Transaction. Transaction incurred in 2023.

As of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, the Company had approximately $9.2 million $5.6 million and $5.7 million, respectively, $8.5 million of unrecognized tax benefits, all of which would impact the effective income tax rate if recognized. Potential interest and penalties related to unrecognized tax benefits are recorded in income tax expense. The Company had approximately $1.2 million and $1.1 million of accrued interest as of September 30, 2023 March 31, 2024 and December 31, 2022. December 31, 2023, respectively.

11. EARNINGS (LOSS) PER SHARE

Diluted earnings (loss) earnings per share share is calculated based upon earnings applicable to common shares divided by the weighted-average number of common shares outstanding during the period adjusted for the effect of other dilutive securities. The amount of the anti-dilutive shares were was 0.3 million and 0.3 million 0.4 million for the three months ended September 30, 2023 March 31, 2024 and September 30, 2022, respectively. The amount of the anti-dilutive shares were 0.3 million and 0.2 million for the nine months ended September 30, 2023 and September 30, 2022 March 31, 2023, respectively. The following table reconciles the basic and diluted shares used in earnings (loss) earnings per share calculations calculations for the three and nine months ended September 30, 2023 March 31, 2024 and September 30, 2022 March 31, 2023:

		Three Months Ended		Nine Months Ended	
		September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
Denominator for Basic Earnings Per Share	Denominator for Basic Earnings Per Share	66.3	66.3	66.3	66.8
Denominator for Basic Earnings Per Share					
Denominator for Basic Earnings Per Share					
Effect of Dilutive Securities					
Effect of Dilutive Securities					
Effect of Dilutive Securities	Effect of Dilutive Securities	—	0.4	—	0.4
Denominator for Diluted Earnings Per Share	Denominator for Diluted Earnings Per Share	66.3	66.7	66.3	67.2
Denominator for Diluted Earnings Per Share					
Denominator for Diluted Earnings Per Share					

12. CONTINGENCIES

One of the Company's subsidiaries that it acquired in 2007 is subject to numerous claims filed in various jurisdictions relating to certain sub-fractional motors that were primarily manufactured through 2004 and that were included as components of residential and commercial ventilation units manufactured and sold in high volumes by a third party. These ventilation units are subject to product safety requirements and other potential regulation of their performance by government agencies such as the US Consumer Product Safety Commission (“CPSC”). The claims generally allege that the ventilation units were the cause of fires. The Company has recorded an estimated liability for incurred claims. Based on the current facts, the Company cannot assure that these claims, individually or in the aggregate, will not have a material adverse effect on its subsidiary's financial condition. The Company's subsidiary cannot reasonably predict the outcome of these claims, the nature or extent of any CPSC or other remedial actions, if any, that the Company's subsidiary may need to undertake with respect to motors that remain in the field, or the costs that may be incurred, some of which could be significant.

As a result of the Company's acquisition of the Rexnord PMC business, it is entitled to indemnification from third parties to agreements with the Rexnord PMC business against certain contingent liabilities of the Rexnord PMC business, including certain pre-closing environmental liabilities.

The Company believes that, pursuant to the transaction documents related to the Rexnord PMC business' acquisition of the Stearns business from Invensys plc ("Invensys"), Invensys (now known as Schneider Electric) is obligated to defend and indemnify us with respect to the matters described below relating to the Ellsworth Industrial Park Site and to various asbestos claims. The indemnity obligations relating to the matters described below are subject, together with indemnity obligations relating to other matters, to an overall dollar cap equal to the purchase price, which is an amount in excess of $900.0 million. In the event that the Company is unable to recover from Invensys with respect to the matters below, it may be entitled to indemnification from Zurn Water Solutions Corporation (formerly known as Rexnord Corporation) ("Zurn"), subject to certain limitations. The following paragraphs summarize the most significant actions and proceedings:

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- In 2002, the Company's subsidiary, Rexnord Industries, LLC ("Rexnord Industries") was named as a potentially responsible party ("PRP"), together with at least ten other companies, at the Ellsworth Industrial Park Site, Downers Grove, DuPage County, Illinois (the "Site"), by the United States Environmental Protection Agency ("USEPA"), and the Illinois Environmental Protection Agency ("IEPA"). Rexnord Industries' Downers Grove property is situated within the Ellsworth Industrial Complex. The USEPA and IEPA allege there have been one or more releases or threatened releases of chlorinated solvents and other hazardous substances, pollutants or contaminants at the Site, allegedly including but not limited to a release or threatened release on or from Rexnord Industries' property. The relief sought by the USEPA and IEPA includes further investigation and potential remediation of the Site and reimbursement of USEPA's past costs. In early 2020, Rexnord Industries entered into an administrative order with the USEPA to do remediation work on its Downers Grove property. The soil excavation work and transporting and disposing of the excavated material was completed in October 2020. An AS/SVE system construction was completed in February 2022 and is anticipated to operate for three years. All previously pending property damage and personal injury lawsuits against Rexnord Industries related to the Site have been settled or dismissed. Pursuant to its indemnity obligation, Invensys continues to defend Rexnord Industries in known matters related to the Site, including the costs of the remediation work pursuant to the 2020 administrative order, and has paid 100% of the costs to date. This

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indemnification right would not protect Rexnord Industries against liabilities related to environmental conditions that were unknown to Invensys at the time of the acquisition of the Stearns business from Invensys.

- Multiple lawsuits (with approximately 372 over 350 claimants) are pending in state or federal court in numerous jurisdictions relating to alleged personal injuries due to the alleged presence of asbestos in certain brakes and clutches previously manufactured by the Rexnord PMC business' Stearns brand of brakes and clutches and/or its predecessor owners. Invensys and FMC, prior owners of the Stearns business, have paid 100% of the costs to date related to the Stearns lawsuits. Similarly, the Rexnord PMC business' Prager subsidiary is the subject of claims by multiple claimants alleging personal injuries due to the alleged presence of asbestos in a product allegedly manufactured by Prager. However, all these claims are currently on the Texas Multi-district Litigation inactive docket, and the Company does not believe that they will become active in the future. To date, the Rexnord PMC business' insurance providers have paid 100% of the costs related to the Prager asbestos matters. We believe that the combination of the Company's insurance coverage and the Invensys indemnity obligations will cover any future costs of these matters.

In connection with the Company's acquisition of the Rexnord PMC business, transaction documents related to the Rexnord PMC business' acquisition of The Falk Corporation from Hamilton Sundstrand Corporation were assigned to Rexnord Industries, and provide Rexnord Industries with indemnification against certain product related asbestos exposure liabilities. The Company believes that, pursuant to such indemnity obligations, Hamilton Sundstrand is obligated to defend and indemnify Rexnord Industries with respect to asbestos claims described below, and that, with respect to these claims, such indemnity obligations are not subject to any time or dollar limitations.

The following paragraph summarizes the most significant actions and proceedings for which Hamilton Sundstrand has accepted responsibility:

- Rexnord Industries is a defendant in multiple lawsuits pending in state or federal court in numerous jurisdictions relating to alleged personal injuries due to the alleged presence of asbestos in certain clutches and drives previously manufactured by The Falk Corporation. The ultimate outcome of these lawsuits cannot presently be determined. Hamilton Sundstrand is defending Rexnord Industries in these lawsuits pursuant to its indemnity obligations and has paid 100% of the costs to date.

The Company is, from time to time, party to litigation and other legal or regulatory proceedings that arise in the normal course of its business operations and the outcomes of which are subject to significant uncertainty, including product warranty and liability claims, contract disputes and environmental, asbestos, intellectual property, employment and other litigation matters. The Company's products are used in a variety of industrial, commercial and residential applications that subject the Company to claims that the use of its products is alleged to have resulted in injury or other damage. Many of these matters will only be resolved when one or more future events occur or fail to occur. Management conducts regular reviews, including updates from legal counsel, to assess the need for accounting recognition or disclosure of these contingencies, and such assessment inherently involves an exercise in judgment. The Company accrues for exposures in amounts that it believes are adequate, and the Company does not believe that the outcome of any such lawsuit individually or collectively will have a material effect on the Company's financial position, its results of operations or its cash flows.

The Company recognizes the cost associated with its standard warranty on its products at the time of sale. The amount recognized is based on historical experience. The following table presents a reconciliation of the changes in accrued warranty costs for the three and nine months ended September 30, 2023 March 31, 2024 and September 30, 2022 March 31, 2023:

		Three Months Ended		Nine Months Ended	
		September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
Beginning Balance	Beginning Balance	$ 39.3	$ 23.4	$ 28.8	$ 23.0
Beginning Balance					
Beginning Balance					
Less: Payments					
Less: Payments					
Less: Payments	Less: Payments	(5.5)	(6.3)	(15.8)	(19.6)
Provisions	Provisions	6.3	9.1	16.3	23.1
Provisions					
Provisions					
Acquisitions	Acquisitions	—	—	9.8	—
Reclassification to Liabilities Held for Sale		(3.4)	—	(3.4)	—
Acquisitions					
Acquisitions					
Translation Adjustments					

Translation Adjustments					
Translation Adjustments	Translation Adjustments	(0.3)	(0.4)	0.7	(0.7)
Ending Balance	Ending Balance	$ 36.4	$ 25.8	$ 36.4	$ 25.8
Ending Balance					
Ending Balance					

These liabilities are included in Other Accrued Expenses and Other Noncurrent Liabilities on the Condensed Consolidated Balance Sheets.

13. **DERIVATIVE FINANCIAL INSTRUMENTS**

The Company is exposed to certain risks relating to its ongoing business operations. The primary risks managed using derivative instruments are commodity price risk, currency exchange risk, and interest rate risk. Forward contracts on certain commodities are entered into to manage the price risk associated with forecasted purchases of materials used in the Company's manufacturing process. Forward contracts on certain currencies are entered into to manage forecasted cash flows in certain foreign currencies. Interest rate swaps are utilized to manage interest rate risk associated with the Company's floating rate borrowings.

The Company is exposed to credit losses in the event of non-performance by the counterparties to various financial agreements, including its commodity hedging transactions, foreign currency exchange contracts and interest rate swap agreements. Exposure to counterparty credit risk is managed by limiting counterparties to major international banks and financial institutions meeting established credit guidelines and continually monitoring their compliance with the credit guidelines. The Company does not obtain collateral or other security to support financial instruments subject to credit risk. The Company does not anticipate non-performance by its counterparties, but cannot provide assurances.

The Company recognizes all derivative instruments as either assets or liabilities at fair value on the Condensed Consolidated Balance Sheets. The Company designates commodity forward contracts as cash flow hedges of forecasted purchases of commodities, currency forward contracts as cash flow hedges of forecasted foreign currency cash flows and interest rate swaps as cash flow hedges of forecasted SOFR-based interest payments. There were no significant collateral deposits on derivative financial instruments as of September 30, 2023 March 31, 2024 or September 30, 2022 March 31, 2023.

Cash flow hedges

The effective portion of the gain or loss on the derivative is reported as a component of AOCI and reclassified into the same line within the Condensed Consolidated Statement of Income (Loss) as theearnings effect of the hedged item in the same period or periods during which the hedged transaction affects earnings. Gains and losses on the derivative representing either hedge ineffectiveness or changes in market value of derivatives not designated as hedges are recognized in current earnings.

As of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, the Company had $18.4 $14.2 million and $11.9 million $15.1 million, respectively, net of tax, of derivative gains on closed hedge instruments in AOCI that will be realized in earnings when the hedged items impact earnings.

The Company has currency forward contracts with maturities extending through February 2025. March 2027. The notional amounts expressed in terms of the dollar value of the hedged currency were as follows:

		September 30, 2023	December 31, 2022	March 31, 2024	December 31, 2023
Chinese Renminbi	Chinese Renminbi	$ 377.9	$ 173.8		
Mexican Peso	Mexican Peso	138.3	215.2		
Euro	Euro	623.3	159.6		
Indian Rupee	Indian Rupee	41.2	33.1		
Australian Dollar		0.3	—		
Swedish Krona		1.6	—		
British Pound	British Pound	6.7	2.1		
British Pound					
British Pound					

The Company has commodity forward contracts to hedge forecasted purchases of commodities with maturities extending through February 2025. The notional amounts expressed in terms of the dollar value of the hedged item were as follows:

		September 30, 2023	December 31, 2022	March 31, 2024	December 31, 2023
Copper	Copper	$ 47.5	$ 89.4		
Aluminum	Aluminum	3.7	4.0		

The Company entered into two receive variable/pay-fixed forward starting non-amortizing interest rate swaps in June 2020, with a total notional amount of $250.0 million, which were subsequently terminated in March 2022. The cash proceeds of $16.2 million received to settle the terminated swaps is being recognized as a reduction of interest expense via the effective interest rate method through July 2025 when the terminated swaps were scheduled to expire. The Company entered into two additional receive variable/pay-fixed forward starting non-amortizing interest rate swaps in May 2022, with a total notional amount of $250.0 million. These swaps will expire in March 2027.

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Fair values of derivative instruments as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023 were:

		September 30, 2023				March 31, 2024
		Prepaid Expenses and Other Current Assets	Other Noncurrent Assets	Other Accrued Expenses	Other Noncurrent Liabilities	
Designated as Hedging Instruments:	Designated as Hedging Instruments:					
Designated as Hedging Instruments:						
Designated as Hedging Instruments:						
Interest Rate Swap Contracts						
Interest Rate Swap Contracts						
Interest Rate Swap Contracts	Interest Rate Swap Contracts	$ —	$ 12.2	$ —	$ —	
Currency Contracts	Currency Contracts	14.1	0.7	3.5	0.6	
Currency Contracts						
Currency Contracts						
Commodity Contracts						
Commodity Contracts						
Commodity Contracts	Commodity Contracts	0.6	0.1	2.1	0.3	
Not Designated as Hedging Instruments:	Not Designated as Hedging Instruments:					
Not Designated as Hedging Instruments:						
Not Designated as Hedging Instruments:						
Currency Contracts						
Currency Contracts						

Currency Contracts	Currency Contracts	15.9	—	1.4	—
Total Derivatives	Total Derivatives	$ 30.6	$ 13.0	$ 7.0	$ 0.9
Total Derivatives					
Total Derivatives					

		December 31, 2022				December 31, 2023
		Prepaid Expenses and Other Current Assets	Other Noncurrent Assets	Other Accrued Expenses	Other Noncurrent Liabilities	
Designated as Hedging Instruments:	Designated as Hedging Instruments:					
Designated as Hedging Instruments:						
Designated as Hedging Instruments:						
Interest Rate Swap Contracts						
Interest Rate Swap Contracts						
Interest Rate Swap Contracts	Interest Rate Swap Contracts	$ —	$ 7.9	$ —	$ —	
Currency Contracts	Currency Contracts	12.3	0.9	4.8	—	
Currency Contracts						
Currency Contracts						
Commodity Contracts						
Commodity Contracts						
Commodity Contracts	Commodity Contracts	0.9	0.3	10.2	—	
Not Designated as Hedging Instruments:	Not Designated as Hedging Instruments:					
Not Designated as Hedging Instruments:						
Not Designated as Hedging Instruments:						
Currency Contracts	Currency Contracts	0.7	—	—	—	
Commodity Contracts		—	—	0.4	—	
Currency Contracts						
Currency Contracts						
Total Derivatives	Total Derivatives	$ 13.9	$ 9.1	$ 15.4	$ —	
Total Derivatives						
Total Derivatives						

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Derivatives Designated as Cash Flow Hedging Instruments Instruments:

The effect of derivative instruments designated as cash flow hedges on the Condensed Consolidated Statements of Income (Loss) and Condensed Consolidated Statements of Comprehensive Income (Loss) were:

	Three Months Ended							
	September 30, 2023				September 30, 2022			
	Commodity Forwards	Currency Forwards	Interest Rate Swaps	Total	Commodity Forwards	Currency Forwards	Interest Rate Swaps	Total
(Loss) Gain Recognized in Other Comprehensive Income (Loss)	$ (0.9)	$ (3.7)	$ 2.2	$ (2.4)	$ (12.3)	$ (2.4)	$ 10.1	$ (4.6)
Amounts Reclassified from Other Comprehensive Income (Loss):								
(Loss) Gain Recognized in Cost of Sales	(3.1)	4.6	—	1.5	(0.7)	2.7	—	2.0
Gain Recognized in Interest Expense	—	—	1.6	1.6	—	—	0.1	0.1

	Nine Months Ended							
	September 30, 2023				September 30, 2022			
	Commodity Forwards	Currency Forwards	Interest Rate Swaps	Total	Commodity Forwards	Currency Forwards	Interest Rate Swaps	Total
(Loss) Gain Recognized in Other Comprehensive Income (Loss)	$ (0.7)	$ 21.0	$ 4.3	$ 24.6	$ (34.5)	$ 2.0	$ 18.9	$ (13.6)
Amounts Reclassified from Other Comprehensive Income (Loss):								
Gain Recognized in Net Sales	—	—	—	—	—	0.1	—	0.1
(Loss) Gain Recognized in Cost of Sales	(10.9)	8.6	—	(2.3)	8.9	8.1	—	17.0
Gain (Loss) Recognized in Interest Expense	—	—	4.4	4.4	—	—	(0.2)	(0.2)

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	Three Months Ended							
	March 31, 2024				March 31, 2023			
	Commodity Forwards	Currency Forwards	Interest Rate Swaps	Total	Commodity Forwards	Currency Forwards	Interest Rate Swaps	Total
Gain (Loss) Recognized in Other Comprehensive Income (Loss)	$ 2.2	$ 4.0	$ 3.2	$ 9.4	$ 5.5	$ 20.3	$ (3.7)	$ 22.1
Amounts Reclassified from Other Comprehensive Income (Loss):								
(Loss) Gain Recognized in Cost of Sales	(0.3)	8.7	—	8.4	(5.0)	2.0	—	(3.0)
Gain Recognized in Interest Expense	—	—	1.5	1.5	—	—	1.3	1.3

Derivatives Not Designated as Cash Flow Hedging Instruments:

The effect of derivative instruments not designated as cash flow hedges on the Condensed Consolidated Statements of Income (Loss) were:

	Three Months Ended			
	September 30, 2023		September 30, 2022	
	Commodity Forwards	Currency Forwards	Commodity Forwards	Currency Forwards
Gain (Loss) recognized in Cost of Sales	$ 0.1	$ —	$ (0.3)	$ —

	Nine Months Ended			
Gain (Loss) recognized in Operating Expenses	—	27.4	—	(2.9)
	September 30, 2023		September 30, 2022	
	Commodity Forwards	Currency Forwards	Commodity Forwards	Currency Forwards
Gain (Loss) recognized in Cost of Sales	$ 0.2	$ —	$ (0.9)	$ —
Gain recognized in Operating Expenses	—	14.9	—	2.1

	Three Months Ended			
	March 31, 2024		March 31, 2023	
	Commodity Forwards	Currency Forwards	Commodity Forwards	Currency Forwards
Gain recognized in Cost of Sales	$ —	$ —	$ 0.2	$ —
Gain recognized in Operating Expenses	—	10.1	—	1.9

The AOCI balance related to hedging activities consists of a $34.4 million $28.4 million gain net of tax as of September 30, 2023 March 31, 2024 which includes $21.5 million $20.6 million of net current deferred gains expected to be reclassified to the Consolidated Statement of Comprehensive Income (Loss) in the next twelve months. There were no gains or losses reclassified from AOCI to earnings based on the probability that the forecasted transaction would not occur.

The Company's commodity and currency derivative contracts are subject to master netting agreements with the respective counterparties which allow the Company to net settle transactions with a single net amount payable by one party to another party. The Company has elected to present the derivative assets and derivative liabilities on the Condensed Consolidated Balance Sheets on a gross basis as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023.

The following table presents on a net basis the derivative assets and liabilities that are subject to right of offset under enforceable master netting agreements:

	September 30, 2023		
	Gross Amounts as Presented on the Condensed Consolidated Balance Sheet	Derivative Contract Amounts Subject to Right of Offset	Derivative Contracts as Presented on a Net Basis
Prepaid Expenses and Other Current Assets:			
Derivative Currency Contracts	$ 30.0	$ (4.2)	$ 25.8
Derivative Commodity Contracts	0.6	(0.5)	0.1
Other Noncurrent Assets:			
Derivative Currency Contracts	0.7	(0.2)	0.5
Derivative Commodity Contracts	0.1	(0.1)	—
Other Accrued Expenses:			
Derivative Currency Contracts	4.9	(4.2)	0.7
Derivative Commodity Contracts	2.1	(0.5)	1.6
Other Noncurrent Liabilities:			
Derivative Currency Contracts	0.6	(0.2)	0.4
Derivative Commodity Contracts	0.3	(0.1)	0.2

	March 31, 2024		
	Gross Amounts as Presented on the Condensed Consolidated Balance Sheet	Derivative Contract Amounts Subject to Right of Offset	Derivative Contracts as Presented on a Net Basis
Assets	$ 21.2	$ (1.4)	$ 19.8
Liabilities	2.0	(1.4)	0.6

	December 31, 2022		
	Gross Amounts as Presented on the Condensed Consolidated Balance Sheet	Derivative Contract Amounts Subject to Right of Offset	Derivative Contracts as Presented on a Net Basis
Prepaid Expenses and Other Current Assets:			
Derivative Currency Contracts	$ 13.0	$ (2.5)	$ 10.5
Derivative Commodity Contracts	0.9	(0.9)	—
Other Noncurrent Assets:			
Derivative Currency Contracts	0.9	—	0.9
Derivative Commodity Contracts	0.3	—	0.3
Other Accrued Expenses:			
Derivative Currency Contracts	4.8	(2.5)	2.3
Derivative Commodity Contracts	10.6	(0.9)	9.7

	December 31, 2023		
	Gross Amounts as Presented on the Condensed Consolidated Balance Sheet	Derivative Contract Amounts Subject to Right of Offset	Derivative Contracts as Presented on a Net Basis
Assets	$ 15.7	$ (2.6)	$ 13.1
Liabilities	7.5	(2.6)	4.9

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14. FAIR VALUE

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). The inputs used to measure fair value are classified into the following hierarchy:

Level 1	Unadjusted quoted prices in active markets for identical assets or liabilities
Level 2	Unadjusted quoted prices in active markets for similar assets or liabilities, or
	Unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or
	Inputs other than quoted prices that are observable for the asset or liability
Level 3	Unobservable inputs for the asset or liability

The Company uses the best available information in measuring fair value. Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

The fair values of cash equivalents and short-term deposits approximate their carrying values as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, due to the short period of time to maturity and are classified using Level 1 inputs. The fair values of trade receivables and accounts payable approximate the carrying values due to the short period of time to maturity. See Note 7 - Debt and Bank Credit Facilities for disclosure of the approximate fair value of the Company's debt as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023.

The following table sets forth the Company's financial assets and liabilities that were accounted for at fair value on a recurring basis as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023:

	September 30, 2023	December 31, 2022	Classification
Assets:			

March 31, 2024	March 31, 2024	December 31, 2023	Classification
Assets:			

Prepaid Expenses and Other Current Assets:	Prepaid Expenses and Other Current Assets:											
Prepaid Expenses and Other Current Assets:												
Prepaid Expenses and Other Current Assets:												
Derivative Currency Contracts												
Derivative Currency Contracts												
Derivative Currency Contracts	Derivative Currency Contracts	$ 30.0	$ 13.0	Level 2 $		11.5	$	$ 14.4	Level 2		Level 2	
Derivative Commodity Contracts	Derivative Commodity Contracts	0.6	0.9	Level 2	Derivative Commodity Contracts	1.1	1.0		1.0	Level 2		Level 2
Other Noncurrent Assets:	Other Noncurrent Assets:											
Other Noncurrent Assets:												
Other Noncurrent Assets:												
Assets Held in Rabbi Trust												
Assets Held in Rabbi Trust												
Assets Held in Rabbi Trust	Assets Held in Rabbi Trust	12.7	6.4	Level 1		14.9	12.7	12.7		Level 1	Level 1	
Derivative Currency Contracts	Derivative Currency Contracts	0.7	0.9	Level 2	Derivative Currency Contracts	—	0.2		0.2	Level 2		Level 2
Derivative Commodity Contracts	Derivative Commodity Contracts	0.1	0.3	Level 2	Derivative Commodity Contracts	—	0.1		0.1	Level 2		Level 2
Interest Rate Swap	Interest Rate Swap	12.2	7.9	Level 2	Interest Rate Swap	8.6	5.3		5.3	Level 2		Level 2
Liabilities:	**Liabilities:**											
Other Accrued Expenses:	Other Accrued Expenses:											
Other Accrued Expenses:												
Other Accrued Expenses:												
Derivative Currency Contracts	Derivative Currency Contracts	4.9	4.8	Level 2								
Derivative Commodity Contracts		2.1	10.6	Level 2								
Other Noncurrent Liabilities:												
Derivative Currency Contracts												
Derivative Currency Contracts	Derivative Currency Contracts	0.6	—	Level 2		1.7	6.9	6.9		Level 2	Level 2	
Derivative Commodity Contracts	Derivative Commodity Contracts	0.3	—	Level 2	Derivative Commodity Contracts	0.3	0.6		0.6	Level 2		Level 2

Level 1 fair value measurements for assets held in a Rabbi Trust are unadjusted quoted prices.

Level 2 fair value measurements for derivative assets and liabilities are measured using quoted prices in active markets for similar assets and liabilities. Interest rate swaps are valued based on the discounted cash flows using the SOFR forward yield curve for an instrument with similar contractual terms. Foreign currency forwards are valued based on exchange rates quoted by domestic and foreign banks for similar instruments. Commodity forwards are valued based on observable market transactions of forward commodity prices. Debt instruments Senor Notes are valued based on quoted prices in active markets rates for instruments with similar contractual terms. comparable maturities and credit quality. See Note 7 - Debt and Bank Credit Facilities for further information.

15. RESTRUCTURING ACTIVITIES

The Company incurred restructuring and restructuring-related costs on projects during the three and nine months ended September 30, 2023 March 31, 2024 and September 30, 2022 March 31, 2023. The Company has initiated restructuring plans to achieve cost synergies from procurement, distribution efficiencies, footprint rationalization and other general cost savings measures. Restructuring costs include employee termination and plant relocation costs. Restructuring-related costs also include costs directly associated with actions resulting from the Company's simplification initiatives, such as asset write-downs or accelerated depreciation due to shortened useful lives in connection with site closures, discretionary employment benefit costs and other facility rationalization costs. Restructuring costs for employee termination expenses are generally recognized when the severance liability is determined to be probable of being paid and reasonably estimable while plant relocation costs and related costs are generally required to be expensed as incurred.

The following table presents a reconciliation of provisions and payments for the restructuring projects for the three and nine months ended September 30, 2023 March 31, 2024 and September 30, 2022 March 31, 2023:

		Three Months Ended		Nine Months Ended	
		September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
		Three Months Ended			
		Three Months Ended			
		Three Months Ended			
		March 31, 2024			
		March 31, 2024			
		March 31, 2024			
Beginning Balance					
Beginning Balance					
Beginning Balance	Beginning Balance	$ 18.3	$ 6.4	$ 15.1	$ 5.0
Acquisition(1)	Acquisition(1)	—	—	0.2	—
Acquisition(1)					
Acquisition(1)					
Provision(2)					
Provision(2)					
Provision(2)	Provision(2)	7.1	20.9	26.1	36.7
Less: Payments/ Other		4.6	13.0	20.6	27.4
Less: Payments					
Less: Payments					
Less: Payments					
Ending Balance	Ending Balance	$ 20.8	$ 14.3	$ 20.8	$ 14.3
Ending Balance					
Ending Balance					

(1) Excludes $12.4 million of severance related to the Altra Transaction, which was paid in the second quarter 2023.
(2) Excludes $7.5 million $1.5 million of accelerated depreciation equipment related write-offs incurred in the third first quarter of 2023. 2024.

The following table presents a reconciliation of restructuring costs for restructuring projects for the three and nine months ended September 30, 2023 March 31, 2024 and September 30, 2022, respectively: March 31, 2023:

	Three Months Ended	
	September 30, 2023	September 30, 2022

Restructuring Costs:	Cost of Sales	Operating Expenses	Total	Cost of Sales	Operating Expenses	Total
Employee Termination Expenses	$ 0.4	$ 2.0	$ 2.4	$ 13.4	$ 1.2	$ 14.6
Facility Related Costs	9.4	0.1	9.5	5.9	0.1	6.0
Other Expenses	2.8	(0.1)	2.7	0.3	—	0.3
Total Restructuring Costs	$ 12.6	$ 2.0	$ 14.6	$ 19.6	$ 1.3	$ 20.9

	Nine Months Ended					
	September 30, 2023			September 30, 2022		
Restructuring Costs:	Cost of Sales	Operating Expenses	Total	Cost of Sales	Operating Expenses	Total
Employee Termination Expenses	$ 10.1	$ 4.9	$ 15.0	$ 19.6	$ 3.8	$ 23.4
Facility Related Costs	12.4	0.3	12.7	11.9	0.6	12.5
Other Expenses	5.9	—	5.9	0.4	0.4	0.8
Total Restructuring Costs	$ 28.4	$ 5.2	$ 33.6	$ 31.9	$ 4.8	$ 36.7

	Three Months Ended					
	March 31, 2024			March 31, 2023		
Restructuring Costs:	Cost of Sales	Operating Expenses	Total	Cost of Sales	Operating Expenses	Total
Employee Termination Expenses	$ 4.1	$ 0.7	$ 4.8	$ 2.3	$ 0.6	$ 2.9
Facility Related Costs	2.7	—	2.7	0.9	—	0.9
Other Expenses	1.6	0.2	1.8	1.2	—	1.2
Total Restructuring Costs	$ 8.4	$ 0.9	$ 9.3	$ 4.4	$ 0.6	$ 5.0

The following table presents restructuring costs by segment for the three and nine months ended September 30, 2023 March 31, 2024 and September 30, 2022 March 31, 2023:

Restructuring Costs - Three Months Ended	Total	Industrial Powertrain Solutions	Power Efficiency Solutions	Automation & Motion Control	Industrial Systems
September 30, 2023	$ 14.6	$ 5.9	$ 7.5	$ 1.2	$ —
September 30, 2022	$ 20.9	$ 3.7	$ 8.6	$ 8.3	$ 0.3

Restructuring Costs - Nine Months Ended	Total	Industrial Powertrain Solutions	Power Efficiency Solutions	Automation & Motion Control	Industrial Systems
September 30, 2023	$ 33.6	$ 7.5	$ 22.7	$ 2.7	$ 0.7
September 30, 2022	$ 36.7	$ 13.1	$ 10.3	$ 12.8	$ 0.5

Restructuring Costs - Three Months Ended	Total	Industrial Powertrain Solutions	Power Efficiency Solutions	Automation & Motion Control	Industrial Systems
March 31, 2024	$ 9.3	$ 3.1	$ 4.9	$ 1.2	$ 0.1
March 31, 2023	$ 5.0	$ (0.4)	$ 4.7	$ 0.5	$ 0.2

The Company's current restructuring activities are expected to continue through 2023. 2024. The Company expects to record aggregate future charges of approximately $24 $32 million during in the fourth quarter remainder of 2023. 2024. The Company continues to evaluate operating efficiencies and anticipates incurring additional costs in future periods in connection with these activities.

16. SUBSEQUENT EVENTS

See Note 3 – Held for Sale, Acquisitions and Divestitures for information on the sale of the industrial motors and generators businesses, which closed on April 30, 2024.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(Dollars In Millions Except Per Share Data, Unless Otherwise Noted)

Overview

Regal Rexnord Corporation (NYSE: RRX) ("we," "us," "our" or the "Company") is a global leader in the engineering and manufacturing of factory automation sub-systems, industrial powertrain solutions, automation and mechanical power transmission components, electric motors and electronic controls, air moving products, and specialty electrical components and systems, serving customers its associates around the world. Through longstanding technology leadership and an intentional focus on producing more energy-efficient products and systems, we world help create a better tomorrow – for our customers by providing sustainable solutions that power, transmit and for control motion. The Company's electric motors and air moving subsystems provide the planet. power to create motion. A portfolio of highly engineered power transmission components and subsystems efficiently transmit motion to power industrial applications. Our automation offering, comprised of controls, actuators, drives, and small, precision motors control motion in applications ranging from factory automation to providing precision control in surgical tools. We are headquartered in Milwaukee, Wisconsin and have manufacturing, sales and service facilities worldwide.

Our As of March 31, 2024, our company is comprised of four operating segments: Industrial Powertrain Solutions (IPS) ("IPS"), Power Efficiency Solutions (PES) ("PES"), Automation & Motion Control (AMC) ("AMC") and Industrial Systems. Effective during the first quarter of 2023, in conjunction with the Altra Transaction (as defined in Note 3 - Held for Sale, Acquisitions and Divestitures), we realigned our four operating segments with the change to our management structure and operating model. See Note 6 - Segment Information of the Notes to the Condensed Consolidated Financial Statements for further information.

A description of our four operating segments is as follows:

- IPS consists of the majority of our previous Motion Control Solutions (MCS) segment, excluding the conveying and aerospace business units, plus Altra's Power Transmission Technologies segment. The IPS segment designs, produces and services a broad portfolio of highly-engineered transmission products, including mounted and unmounted bearings, couplings, mechanical power transmission drives and components, gearboxes and gear motors, clutches, brakes, special components products and industrial powertrain components and solutions. Increasingly, the segment produces industrial powertrain solutions, serving which are integrated sub-systems comprised of Regal Rexnord motors plus the critical power transmission components that efficiently transmit motion to power industrial applications. The segment serves a broad range of markets including that include general industrial, metals and mining, agricultural and construction, food and beverage, bulk handling, eCommerce/warehouse distribution, energy, agriculture machinery, turf & garden alternative energy, and general industrial. other markets.

- PES consists of our previous Climate Solutions and Commercial Systems segments. The PES segment designs and produces fractional to approximately 5 horsepower AC and DC motors, electronic variable speed controls, electronic drives, fans and blowers, for commercial applications and small motors, electronic variable speed controls and air moving solutions serving markets including as well as integrated subsystems comprised of two or more of these components. The segment's products are used in residential and light commercial HVAC, water heaters, commercial refrigeration, commercial building ventilation, pool and spa, irrigation, dewatering, agriculture, agricultural and general commercial equipment other applications.

- AMC consists of our previous MCS aerospace and conveying business units, Altra's Automation & Specialty segment and the Thomson Power Systems business that was previously in our Industrial Systems segment. The AMC segment designs, produces and services conveyor products, conveying automation subsystems, aerospace components, rotary

precision motion control solutions, high-efficiency miniature servo motors, controls, drives and motion control linear actuators, as well as power management products that include automatic transfer switches switchgear for and paralleling switchgear. The segment sells into markets that include industrial applications automation, robotics, food and automation systems that enable beverage, aerospace, medical, agricultural and control the transition of rotary motion to linear motion. These products are used in advanced material handling, aerospace and defense, factory automation, construction, general industrial, data centers, medical device, packaging, printing, semiconductor, robotic, industrial power tool, mobile off-highway, food & beverage processing center, and other applications. markets.

- Industrial Systems consists of our previous Industrial Systems segment excluding the Thomson Power Systems business. The Industrial Systems segment designs and produces integral motors and alternators for industrial applications, along with aftermarket parts and kits to support such products. These products primarily serve markets including agriculture, marine, the general industrial, metals and mining, oil and gas, food and beverage data centers, prime and standby power, and general industrial equipment. end markets.

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On September 23, 2023, we signed an agreement to sell our industrial motors and generators businesses which represent the substantial majority the Industrial Systems operating segment segment. The transaction closed on April 30, 2024 for a preliminary purchase price of $400 million, approximately 17% of which is deferred and will be paid upon the completion of the China Business transfer, as defined below. The total consideration of $400 million plus cash transferred at close, remains subject to taxes, transaction expenses, working capital adjustments and other customary purchase price post-closing adjustments. This transaction The Company anticipates that aggregate net proceeds will approximate $355 million. Due to administrative requirements, the transfer of the Chinese subsidiaries of the industrial motors and generators business, (the “China Business”) remains in progress and is expected to close occur following completion of customary local filings and transfer documentation. The Company expects the deferred transfer of the China Business will occur in mid second quarter of 2024, at which time it anticipates it will receive the first half portion of 2024. the purchase price allocated to the China Business. The assets and liabilities related to these businesses have been reclassified to are classified as Assets Held for Sale, Noncurrent Assets Held for Sale, Liabilities Held for Sale and Noncurrent Liabilities Held for Sale on the Company's Condensed Consolidated Balance Sheet as of September 30, 2023 March 31, 2024. The sale of the industrial motors and generators businesses does not represent a strategic shift that will have a major effect on our operations and financial results and, therefore, did not qualify for presentation as discontinued operations. See Note 3 - Held for Sale, Acquisitions and Divestitures of the Notes to the Condensed Consolidated Financial Statements for further information.

Components of Profit and Loss

Net Sales. We sell our products to a variety of manufacturers, distributors and end users. Our customers consist of a large cross-section of businesses, ranging from Fortune 100 companies to small businesses. A number of our products are sold to Original Equipment Manufacturers ("OEMs"), who incorporate our products, such as electric motors, into products they manufacture, and many of our products are built to the requirements of our customers. The majority of our sales derive from direct sales to customers by sales personnel employed by the Company, however, a significant portion of our sales are derived from sales made by manufacturer’s representatives, who are paid exclusively on commission. Our product sales are made via purchase order, long-term contract, and, in some instances, one-time purchases. Many of our products have broad customer bases, with levels of revenue concentration by customer varying widely across our business units.

Our level of net sales for any given period is dependent upon a number of factors, including (i) the demand for our products and for the products in which our products are components; (ii) the strength of the economy generally and the end markets in which we compete; (iii) our customers’ perceptions of our product quality at any given time; (iv) our quote, lead and delivery times; (v) the selling price of our products; (vi) inventory levels in the channels through which our products are sold; and (vii) the weather. As a result, our total revenue has tended to experience quarterly variations and our total revenue for any particular quarter may not be indicative of future results.

We use the term “organic sales" to refer to sales from existing operations excluding (i) sales from acquired businesses recorded prior to the first anniversary of the acquisition (“Acquisition Sales”), (ii) less the amount of sales attributable to any businesses divested/to be exited, and (iii) the impact of foreign currency translation. The impact of foreign currency translation is determined by translating the respective period’s organic sales using the same 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. We use the term “acquisition growth” to refer to the increase in our sales between periods that is attributable to Acquisition Sales. Organic sales, organic sales growth and acquisition growth are non-GAAP financial measures. See reconciliation for these measures to GAAP net sales in Non-GAAP Measures below.

Gross Profit. Our gross profit is impacted by our levels of net sales and cost of sales. Our cost of sales consists of costs for, among other things (i) raw materials, including copper, steel and aluminum; (ii) components such as castings, bars, tools, bearings and electronics; (iii) wages and related personnel expenses for fabrication, assembly and logistics personnel; (iv) manufacturing facilities, including depreciation on our manufacturing facilities and equipment, insurance and utilities; and (v) shipping. The majority of our cost of sales consists of raw materials and components. The price we pay for commodities and components can be subject to commodity price fluctuations. We attempt to mitigate this through fixed-price agreements with suppliers and our hedging strategies. When we experience commodity price increases, we have tended to announce price increase increases to our customers who purchase via purchase order, with such increases generally taking effect a period of time after the public announcements. For those sales we make under long-term contracts, we tend to include material price formulas that specify quarterly or semi-annual price adjustments based on a variety of factors, including commodity prices.

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Outside of general economic cyclicality, our business units experience different levels of variation in gross profit from quarter to quarter based on factors specific to each business. For Generally our PES segment, IPS segment, AMC segment and Industrial Systems segment each have broad customer base and a variety of applications for their products, thereby helping to mitigate large quarter-to-quarter fluctuations outside of general economic conditions. However, for example, a portion of our PES

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segment manufactures products that are used in air conditioning applications. As a result, our sales for that business tend to may be lower in the first and fourth quarters and higher in the second and third quarters. In contrast, a portion of our PES segment, IPS segment, AMC segment and Industrial Systems segment and have a broad customer base and a variety of applications, thereby helping to mitigate large quarter-to-quarter fluctuations outside of general economic conditions.

Operating Expenses. Our operating expenses consist primarily of (i) general and administrative expenses; (ii) sales and marketing expenses; (iii) general engineering and research and development expenses; and (iv) handling costs incurred in conjunction with distribution activities. Personnel related costs are our largest operating expense.

Our general and administrative expenses consist primarily of costs for (i) salaries, benefits and other personnel expenses related to our executive, finance, human resource, information technology, legal and operations functions; (ii) occupancy expenses; (iii) technology related costs; (iv) depreciation and amortization; and (v) corporate-related travel. The majority of our general and administrative costs are for salaries and related personnel expenses. These costs can vary by business given the location of our different manufacturing operations.

Our sales and marketing expenses consist primarily of costs for (i) salaries, benefits and other personnel expenses related to our sales and marketing function; (ii) internal and external sales commissions and bonuses; (iii) travel, lodging and other out-of-pocket expenses associated with our selling efforts; and (iv) other related overhead.

Our general engineering and research and development expenses consist primarily of costs for (i) salaries, benefits and other personnel expenses; (ii) the design and development of new energy efficiency products and enhancements; (iii) quality assurance and testing; and (iv) other related overhead. Our research and development efforts tend to be targeted toward developing new products that would allow us to maintain or gain additional market share, whether in new or existing applications. In particular, a large driver of our research and development efforts in those three segments is to raise the energy efficiency, which generally means using less electrical power to produce more mechanical power. and lower the environmental impact of our products and sub-systems.

Income from Operations. Our income from operations consists of the segment gross profit less the segment operating expenses. In addition, there are shared operating costs that cover corporate, engineering and IT expenses that are consistently allocated to the operating segments and are included in the segment operating expenses. Income from operations is a key metric used to measure year-over-year improvement performance of the segments.

Altra Transaction

On March 27, 2023, in accordance with the terms and conditions of the Altra Merger Agreement, by and among us, Altra, and Merger Sub, pursuant to the satisfaction of specified conditions, Merger Sub merged with and into Altra, with Altra surviving the Altra Merger as our wholly owned subsidiary. See Note 3 - Held for Sale, Acquisitions and Divestitures of the Notes to the Condensed Consolidated Financial Statements for further information regarding the Altra Transaction.
In connection with the Altra Transaction, we entered into certain financing arrangements, which are described below under “Liquidity and Capital Resources”. Resources.”

2023 2024 Outlook

We now expect a mid-single digit percentage decline in organic sales, and a loss
The Company has updated its annual guidance for diluted earnings per share for fiscal 2023, driven by to a range of $3.97 to $4.77. The change reflects impacts tied to closing the $112.7 million loss on assets held for sale and the $57.3 million goodwill impairment following the announced sale of the industrial motors and generators businesses. We expect benefits from merger and acquisition synergies, improving new product mix, ongoing 80/20 initiatives and various productivity initiatives to be more than offset by headwinds from lower volumes, material and non-material inflation, strategic growth investments, a higher tax rate, higher net interest expense and higher depreciation expense.

Results of Operations

		Three Months Ended		Nine Months Ended	
		September 30, 2023	**September 30, 2022**	**September 30, 2023**	**September 30, 2022**
		Three Months Ended			
		Three Months Ended			
		Three Months Ended			
		March 31, 2024			
		March 31, 2024			
		March 31, 2024			
Net Sales:					
Net Sales:					
Net Sales:	Net Sales:				
Industrial Powertrain Solutions	Industrial Powertrain Solutions	$ 640.7	$ 415.6	$ 1,753.8	$ 1,254.0
Industrial Powertrain Solutions					
Industrial Powertrain Solutions					

Power Efficiency Solutions											
Power Efficiency Solutions											
Power Efficiency Solutions	Power Efficiency Solutions		461.3			569.1			1,390.9		1,731.7
Automation & Motion Control	Automation & Motion Control		419.8			192.6			1,096.1		571.0
Automation & Motion Control											
Automation & Motion Control											
Industrial Systems	Industrial Systems		128.0			148.0			401.7		416.5
Industrial Systems											
Industrial Systems											
Consolidated											
Consolidated											
Consolidated	Consolidated	$	1,649.8		$	1,325.3		$	4,642.5	$	3,973.2
Gross Profit as a Percent of Net Sales:	Gross Profit as a Percent of Net Sales:										
Gross Profit as a Percent of Net Sales:											
Gross Profit as a Percent of Net Sales:											
Industrial Powertrain Solutions											
Industrial Powertrain Solutions											
Industrial Powertrain Solutions	Industrial Powertrain Solutions		33.7	%		40.8	%		35.2 %		39.2 %
Power Efficiency Solutions	Power Efficiency Solutions		29.9	%		24.5	%		28.0 %		27.3 %
Power Efficiency Solutions											
Power Efficiency Solutions											
Automation & Motion Control											
Automation & Motion Control											
Automation & Motion Control	Automation & Motion Control		38.4	%		33.4	%		37.7 %		34.7 %
Industrial Systems	Industrial Systems		21.3	%		23.2	%		21.0 %		24.0 %
Industrial Systems											
Industrial Systems											
Consolidated											
Consolidated											
Consolidated	Consolidated		32.9	%		30.8	%		32.4 %		31.8 %
Operating Expenses as a Percent of Net Sales:	Operating Expenses as a Percent of Net Sales:										
Operating Expenses as a Percent of Net Sales:											
Operating Expenses as a Percent of Net Sales:											
Industrial Powertrain Solutions											
Industrial Powertrain Solutions											
Industrial Powertrain Solutions	Industrial Powertrain Solutions		27.5	%		23.5	%		29.2 %		24.3 %
Power Efficiency Solutions	Power Efficiency Solutions		15.8	%		12.0	%		15.8 %		12.3 %

Power Efficiency Solutions													
Power Efficiency Solutions													
Automation & Motion Control													
Automation & Motion Control													
Automation & Motion Control	Automation & Motion Control		28.1	%		23.4	%		29.8	%		25.2	%
Industrial Systems	Industrial Systems		152.4	%		15.2	%		61.3	%		15.2	%
Industrial Systems													
Industrial Systems													
Consolidated													
Consolidated													
Consolidated	Consolidated		34.1	%		17.6	%		28.1	%		18.2	%
Income (Loss) from Operations as a Percent of Net Sales:	Income (Loss) from Operations as a Percent of Net Sales:												
Income (Loss) from Operations as a Percent of Net Sales:													
Income (Loss) from Operations as a Percent of Net Sales:													
Industrial Powertrain Solutions													
Industrial Powertrain Solutions													
Industrial Powertrain Solutions	Industrial Powertrain Solutions		6.1	%		17.3	%		6.0	%		14.9	%
Power Efficiency Solutions	Power Efficiency Solutions		14.1	%		12.5	%		12.2	%		15.1	%
Power Efficiency Solutions													
Power Efficiency Solutions													
Automation & Motion Control													
Automation & Motion Control													
Automation & Motion Control	Automation & Motion Control		10.3	%		10.0	%		7.9	%		9.4	%
Industrial Systems	Industrial Systems		(131.2)	%		8.0	%		(40.4)	%		8.8	%
Industrial Systems													
Industrial Systems													
Consolidated													
Consolidated													
Consolidated	Consolidated		(1.2)	%		13.1	%		4.3	%		13.6	%
(Loss) Income from Operations		$	(20.4)		$	173.9		$	200.1		$	538.7	
Income from Operations													
Income from Operations													
Income from Operations													
Interest Expense													
Interest Expense													
Interest Expense	Interest Expense		111.5			21.4			323.3			43.8	
Interest Income	Interest Income		(3.5)			(1.3)			(40.5)			(3.2)	
Other Income, Net			(2.5)			(1.3)			(6.7)			(4.1)	
(Loss) Income before Taxes			(125.9)			155.1			(76.0)			502.2	
Interest Income													
Interest Income													
Other Expense (Income), Net													

Other Expense (Income), Net					
Other Expense (Income), Net					
Income before Taxes					
Income before Taxes					
Income before Taxes					
Provision for Income Taxes	Provision for Income Taxes	12.7	33.2	34.9	110.0
Net (Loss) Income		(138.6)	121.9	(110.9)	392.2
Provision for Income Taxes					
Provision for Income Taxes					
Net Income (Loss)					
Net Income (Loss)					
Net Income (Loss)					
Less: Net Income Attributable to Noncontrolling Interests	Less: Net Income Attributable to Noncontrolling Interests	0.9	2.1	2.4	4.8
Net (Loss) Income Attributable to Regal Rexnord Corporation		$ (139.5)	$ 119.8	$ (113.3)	$ 387.4
Less: Net Income Attributable to Noncontrolling Interests					
Less: Net Income Attributable to Noncontrolling Interests					
Net Income (Loss) Attributable to Regal Rexnord Corporation					
Net Income (Loss) Attributable to Regal Rexnord Corporation					
Net Income (Loss) Attributable to Regal Rexnord Corporation					

Three Months Ended September 30, 2023 March 31, 2024 Compared to September 30, 2022 March 31, 2023

Net sales increased $324.5 million $323.6 million or 24.5% 26.4% for the third first quarter 2023 2024 compared to the third first quarter 2022. 2023. The increase consisted of acquisition growth of 34.9% 36.1%, partially offset by an organic sales decline of 9.6% and positive negative foreign currency translation of 0.4% offset 0.1%. The acquisition-related growth was driven by $442.5 million from the acquisition of Altra, and the negative organic sales was driven by lower net sales of 10.8%. $84.2 million within the Power Efficiency Solutions segment and $18.2 million within the Industrial Systems segment. Gross profit increased $155.0 million or 38.9% for the first quarter 2024 as compared to the first

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quarter 2023. The increase from the prior year was primarily driven by $175.2 million from the acquisition of Altra, along with acquisition related cost synergies, partially offset by a decrease of $17.3 million within the Power Efficiency Solutions segment. Operating expenses for the first quarter 2024 increased $90.0 million or 27.3% as compared to the first quarter 2023. The increase was primarily driven by the acquisition of Altra partially offset by lower net sales within the Power Efficiency Solutions and Industrial Systems segments. Gross profit increased $134.5 million or 33.0% for the third quarter 2023 as compared a $122.0 million increase related to the third quarter 2022. The increase in gross profit was driven by the acquisition of Altra and lower

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restructuring costs partially offset by lower gross profit within the Power Efficiency Solutions and Industrial Systems segments. Total operating expenses for the third quarter 2023 increased $328.8 million or 140.6% as compared to the third quarter 2022 primarily due to the acquisition of Altra including transaction costs and the a loss on assets held for sale and goodwill impairment resulting from of $21.5 million related to the announced sale of the industrial motors and generators businesses. business, partially offset by a decrease in transaction and integration costs of $60.5 million.

Industrial Powertrain Solutions segment net sales for the third first quarter 2023 2024 were $640.7 million $643.4 million, an increase of $225.1 million $229.0 million or 54.2% 55.3% as compared to the third first quarter 2022. 2023. The increase consisted of acquisition growth of 59.1% and positive foreign currency translation of 1.3% partially 58.7%, offset by negative an organic sales decline of 6.2% 3.4%. The increase acquisition-related growth was primarily driven by $243.2 million from the acquisition of Altra. Gross profit increased $46.1 million $87.4 million or 27.2% 49.3% as compared to the third first quarter 2022. 2023. The increased gross profit was driven by $92.4 million from the acquisition of Altra, along with acquisition related cost synergies, partially offset by an increase in restructuring expenses. Operating expenses for the first quarter 2024 were $182.7 million compared to $151.5 million in the first quarter 2023. The $31.2 million or 20.6% increase was primarily driven by the acquisition of Altra. Total operating expenses for the third quarter 2023 increased $78.6 million or 80.4% as compared to the third quarter 2022 primarily due a $60.0 million increase related to the acquisition of Altra, including partially offset by a decrease in transaction and integration costs and higher employee compensation. of $37.6 million.

Power Efficiency Solutions segment net sales for the third first quarter 2023 2024 were $461.3 million $385.3 million, a decrease of $107.8 million $84.2 million or 18.9% 17.9% as compared to the third first quarter 2022. 2023. The decrease consisted of negative an organic sales decline of 19.1% offset by positive 17.8% and negative foreign currency translation of 0.1%. The decrease was primarily driven by lower volumes primarily resulting stemming from slowing lower end market demand in the North America pool pump, residential and light commercial HVAC and general industrial market. across all regions. Gross profit decreased $1.4 million $18.4 million or 1.0% 15.6% as compared to the third first quarter 2022. 2023. The decrease in gross profit was primarily driven by a decrease of $21.6 million related to lower volumes and labor inflation partially offset by management's control over discretionary spending and lower freight costs and improved product mix. Total operating costs. Operating expenses for the third first quarter 2024 and 2023 increased were $70.8 million and $72.3 million, respectively. The decrease in operating expenses was primarily driven by $4.5 million or 6.6% as compared to the third quarter 2022 primarily due to favorable foreign exchange gains in 2022. various cost reduction measures.

Automation & Motion Control segment net sales were $419.8 million $400.2 million, an increase of $227.2 million $197.0 million or 118.0% 96.9% as compared to the third first quarter 2022. 2023. The increase consisted of acquisition growth of 112.5% 98.1% and positive foreign currency translation of 0.5%, partially offset by an organic sales decline of 5.5% 1.5%. The increase acquisition growth was primarily due to driven by $199.3 million from the acquisition of Altra, price increases and share gains in aerospace. Altra. Gross profit increased $96.9 million $84.5 million or 150.7% 112.1% compared to the third first quarter 2022. 2023. The increase in gross profit was primarily driven by an increase of $82.8 million from the acquisition of Altra, and higher price realization. Total operating along with acquisition related cost synergies. Operating expenses for the third first quarter 2023 increased by $73.1 million or 162.4% as 2024 were $119.7 million compared to $80.6 million in the third first quarter 2022 2023. The increase was primarily due driven by a $62.0 million increase related to the acquisition of Altra, including offset by a decrease in transaction costs. and integration costs of $23.2 million.

Industrial Systems segment net sales for the third first quarter 2023 2024 were $128.0 million $118.8 million, a decrease of $20.0 million $18.2 million or 13.5% 13.3% compared to third first quarter 2022. 2023 net sales. The decrease consisted of negative an organic sales decline of 13.2% 12.6% and negative foreign currency translation of 0.3% 0.7%. The decrease organic sales decline was primarily driven by a decrease in demand in the softer North American motors market and slowing economic activity in the Chinese motors and generators markets, demand, partially offset by growth strength in the European motors market. generators demand. Gross profit for the third first quarter 2023 decreased $7.1 million 2024 increased $1.5 million or 20.7% 5.4%. The decrease increase was driven by volume declines. Total operating improvements in material and manufacturing costs, partially offset by lower volumes. Operating expenses for the third first quarter 2023 2024 increased $172.6 $21.2 million as compared to the third first quarter 2022 2023, primarily due to the $112.7 million a loss on assets held for sale and of $21.5 million related to the $57.3 million goodwill impairment following the announced sale of the industrial motors and generators businesses.

Nine Months Ended September 30, 2023 Compared to September 30, 2022

Net sales increased $669.3 million or 16.8% for the nine months ended September 30, 2023 compared to the nine months ended September 30, 2022. The increase consisted of acquisition growth of 25.5%, offset by negative organic sales of 8.0% and negative foreign currency translation of 0.6%. The increase was primarily driven by the acquisition of Altra and price increases, partially offset by lower net sales within the Power Efficiency Solutions and Industrial Systems segments. Gross profit increased $241.0 million or 19.1% for the nine months ended September 30, 2023 as compared to the nine months ended September 30, 2022. The increase in gross profit was driven by the acquisition of Altra, higher price realization and lower freight costs partially offset by lower gross profit within the Power Efficiency Solutions and Industrial Systems segments. Total operating expenses for the nine months ended September 30, 2023 increased $579.6 million or 80.0% as compared to the nine months ended September 30, 2022 primarily due to the acquisition of Altra including transaction costs, higher employee compensation costs and the loss on assets held for sale and goodwill impairment following the announced sale of the industrial motors and generators businesses.

Industrial Powertrain Solutions segment net sales for the nine months ended September 30, 2023 were $1,753.8 million, an increase of $499.8 million or 39.9% as compared to the nine months ended September 30, 2022. The increase consisted of acquisition growth of 42.2%, offset by negative foreign currency translation of 0.3% and negative organic sales of 2.1%. The increase was primarily driven by the acquisition of Altra. Gross profit increased $125.9 million or 25.6% as compared to the nine months ended September 30, 2022. The increased gross profit was primarily driven by the acquisition of Altra and lower restructuring costs. Total operating expenses for the nine months ended September 30, 2023 increased $207.4 million or 68.1% as compared to the nine months ended September 30, 2022 primarily due to the acquisition of Altra including transaction costs and higher employee compensation costs.

business.

Power Efficiency Solutions segment net sales for the nine months ended September 30, 2023 were $1,390.9 million, a decrease of $340.8 million or 19.7% as compared to the nine months ended September 30, 2022. The decrease consisted of negative organic sales of 19.1% and negative foreign currency translation of 0.6%. The decrease was primarily driven by lower volumes resulting from slowing market demand in the North America pool pump, residential and light commercial HVAC and general industrial markets. Gross profit decreased $84.1 million or 17.8% as compared to the nine months ended September 30, 2022. The decrease in gross profit was primarily driven by lower volume, higher restructuring costs and labor inflation partially offset by lower freight costs and improved product mix. Total operating expenses for the nine months ended September 30, 2023 increased $7.0 million or 3.3% as compared to the nine months ended September 30, 2022 primarily due to favorable foreign exchange rates in 2022.

Automation & Motion Control segment net sales were $1,096.1 million, an increase of $525.1 million or 92.0% as compared to the nine months ended September 30, 2022. The increase consisted of acquisition growth of 84.7% and positive organic sales of 8.0%, offset by negative foreign currency translation of 0.7%. The increase was primarily due to the acquisition of Altra, price increases and share gains in aerospace and conveying. Gross profit increased $214.9 million or 108.6% compared to the nine months ended September 30, 2022. The increase in gross profit was primarily driven by the acquisition of Altra, higher price realization and lower restructuring costs. Total operating expenses for the nine months ended September 30, 2023 increased $182.2 million as compared to the nine months ended September 30, 2022 primarily due to the acquisition of Altra including transaction costs and higher employee compensation costs.

Industrial Systems segment net sales for the nine months ended September 30, 2023 were $401.7 million, a decrease of $14.8 million or 3.6% compared to nine months ended September 30, 2022 net sales of $416.5 million. The decrease consisted of negative organic sales of 1.8% and negative foreign currency translation of 1.8%. The decrease was primarily driven by softness in demand in the North American motors market and weakness in the Chinese motors and generators markets, partially offset by strength in demand in the North American generators market and European motors market. Gross profit for the nine months ended September 30, 2023 decreased $15.7 million or 15.7%. The decrease was driven by foreign exchange losses and material inflation, partially offset by price realization. Total operating expenses for the nine months ended September 30, 2023 increased $183.0 million as compared to the nine months ended September 30, 2022 primarily due to the $112.7 million loss on assets held for sale and the $57.3 million goodwill impairment following the announced sale of the industrial motors and generators businesses in addition to increased employee compensation costs, commissions and foreign exchange losses.

The effective tax rate for the three months ended September 30, 2023 March 31, 2024 was (10.1)% 34.8% versus 21.4% 180.9% for the three months ended September 30, 2022. The effective tax rate for the nine months ended September 30, 2023 was (45.9)% versus 21.9% for the nine months ended September 30, 2022 March 31, 2023. The effective tax rate for the three months ended September 30, 2023 March 31, 2024 was lower than the same period in the prior year due to the loss before taxes, which was primarily driven by the non-deductible goodwill impairment and loss on assets held for sale associated with the anticipated sale of the industrial motors and generators businesses. The effective tax rate for the nine months ended September 30, 2023 was lower than the same period in the prior year due to the loss before taxes, which was primarily driven by the non-deductible goodwill impairment and loss on assets held for sale associated with the anticipated sale of the industrial motors and generators businesses and the non-deductible transaction costs associated with the Altra Transaction. transaction incurred in the prior year.

Non-GAAP Measures

We prepare our financial statements in accordance with accounting principles generally accepted in the United States of America ("GAAP"). As noted above, in this Quarterly Report on Form 10-Q, we also disclose organic sales, organic sales growth and acquisition growth, which are considered non-GAAP financial measures. We use the term "organic sales growth" to refer to its increase in sales between periods that is attributable to sales. "Organic sales" refers to GAAP sales from existing operations excluding any sales from acquired businesses recorded prior to the first anniversary of the acquisition and excluding any 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 reconcile these non-GAAP measures in the table below to GAAP net sales. 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. This additional non-GAAP information is

not meant to be considered in isolation or as a substitute for the Company's results of operations prepared and presented in accordance with GAAP.

	Industrial Powertrain Solutions	Power Efficiency Solutions	Automation & Motion Control	Industrial Systems	Total
Net Sales for Three Months Ended March 31, 2024	$ 643.4	$ 385.3	$ 400.2	$ 118.8	$ 1,547.7
Net Sales from Businesses Acquired	(243.2)	—	(199.3)	—	(442.5)
Impact from Foreign Currency Exchange Rates	0.1	0.7	(0.8)	0.9	0.9
Organic Sales for Three Months Ended March 31, 2024	$ 400.3	$ 386.0	$ 200.1	$ 119.7	$ 1,106.1
Organic Sales Growth for Three Months Ended March 31, 2024	(3.4)%	(17.8)%	(1.5)%	(12.6)%	(9.6)%
Acquisition Growth for Three Months ended March 31, 2024	58.7 %	— %	98.1 %	— %	36.1 %
Net Sales for Three Months Ended March 31, 2023	$ 414.4	$ 469.5	$ 203.2	$ 137.0	$ 1,224.1

	Industrial Powertrain Solutions	Power Efficiency Solutions	Automation & Motion Control	Industrial Systems	Total

Net Sales for Three Months Ended September 30, 2023	$ 640.7	$ 461.3	$ 419.8	$ 128.0	$ 1,649.8
Net Sales from Businesses Acquired	(245.5)	—	(216.6)	—	(462.1)
Impact from Foreign Currency Exchange Rates	(5.5)	(0.7)	—	0.5	(5.7)
Organic Sales for Three Months Ended September 30, 2023	$ 389.7	$ 460.6	$ 203.2	$ 128.5	$ 1,182.0
Organic Sales Growth for Three Months Ended September 30, 2023	(6.2)%	(19.1)%	5.5 %	(13.2)%	(10.8)%
Acquisition Growth for Three Months ended September 30, 2023	59.1 %	— %	112.5 %	— %	34.9 %
Impact from Foreign Currency Exchange Rates	1.3 %	0.1 %	— %	(0.3)%	0.4 %
Net Sales for Three Months Ended September 30, 2022	$ 415.6	$ 569.1	$ 192.6	$ 148.0	$ 1,325.3

	Industrial Powertrain Solutions	Power Efficiency Solutions	Automation & Motion Control	Industrial Systems	Total
Net Sales for Nine Months Ended September 30, 2023	$ 1,753.8	$ 1,390.9	$ 1,096.1	$ 401.7	$ 4,642.5
Net Sales from Businesses Acquired	(529.6)	—	(483.9)	—	(1,013.5)
Impact from Foreign Currency Exchange Rates	3.4	10.2	4.2	7.4	25.2
Organic Sales for Nine Months Ended September 30, 2023	$ 1,227.6	$ 1,401.1	$ 616.4	$ 409.1	$ 3,654.2
Organic Sales Growth for Nine Months Ended September 30, 2023	(2.1)%	(19.1)%	8.0 %	(1.8)%	(8.0)%
Acquisition Growth for Nine Months ended September 30, 2023	42.2 %	— %	84.7 %	— %	25.5 %
Impact from Foreign Currency Exchange Rates	(0.3)%	(0.6)%	(0.7)%	(1.8)%	(0.6)%
Net Sales for Nine Months Ended September 30, 2022	$ 1,254.0	$ 1,731.7	$ 571.0	$ 416.5	$ 3,973.2

Liquidity and Capital Resources

General

Our principal source of liquidity is cash flow provided by operating activities. In addition to operating income, other significant factors affecting our cash flow include working capital levels, capital expenditures, dividends, share repurchases, acquisitions and divestitures, availability of debt financing and the ability to attract long-term capital at acceptable terms.

Cash flow provided by operating activities was $514.0 million $83.1 million for the nine three months ended September 30, 2023 March 31, 2024, a $276.0 million increase $23.1 million decrease from the nine three months ended September 30, 2022 March 31, 2023. This increase decrease was driven primarily by improvements in lower cash flows related to generated by working capital, partially offset by payments for certain acquisition costs. capital.

Cash flow used in investing activities was $4,952.6 million $17.5 million for the nine three months ended September 30, 2023 March 31, 2024 as compared to cash flow used in investing activities of $84.1 million $4,865.5 million for the nine three months ended September 30, 2022 March 31, 2023. The change decrease was driven primarily by $4,870.2 million the use of $4,852.9 of cash paid for to acquire Altra in during the current prior year and higher capital additions. period.

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In the remainder of fiscal 2023, 2024, we anticipate capital spending for property, plant and equipment to be approximately $40 million. $132 million. We believe that our present manufacturing facilities will be sufficient to provide adequate capacity for our operations for the remainder of fiscal 2023. 2024. We anticipate funding remaining fiscal 2023 2024 capital spending with operating cash flows.

Cash flow used in financing activities was $168.0 million for the three months ended March 31, 2024, compared to $5,203.6 million provided by financing activities was $4,354.7 million for the nine three months ended September 30, 2023, compared to $41.4 million used in financing activities for the nine months ended September 30, 2022 March 31, 2023. We had net debt borrowings payments of $4,492.2 million $137.5 million during the nine three months ended September 30, 2023 March 31, 2024, compared to net debt borrowings of $282.2 million $5,284.1 million during the nine three months ended September 30, 2022 March 31, 2023. The increase was net debt payments in the current year primarily driven by resulted from payments of $60.0 million on the term loan and $71.7 million net repayments made on the revolver during the three months ended March 31, 2024. The net debt borrowings in the prior year were primarily the result of the $4.7 billion of Senior Notes issued in January 2023 and $840.0 million upsize of the unsecured term loan facility in March 2023, partially offset by the repayment of the $500.0 million of Private Placement Notes in January 2023, payments of $122.1 million on the term loan and $412.5 million net repayments made on the revolver during the nine months ended September 30, 2023. 2023. There were no share repurchases for the nine three months ended September 30, 2023, compared to $239.2 million shares repurchases for the nine months ended September 30, 2022 March 31, 2024 and March 31, 2023. There were $69.6 million $23.3 million of dividends paid for the nine three months ended September 30, 2023 March 31, 2024, compared to $67.9 million $23.2 million of dividends paid in the prior year. There were $51.1 million in no financing fees paid for in the nine three months ended September 30, 2023 March 31, 2024, compared to $6.5 million $50.0 million of fees paid in the prior year. There were $8.4 million of distributions paid to noncontrolling interests for the nine months ended September 30, 2023 compared to $6.2 million for the nine months ended September 30, 2022.

Our working capital was $2,066.6 million $2,017.1 million (inclusive of assets and liabilities assumed from the Altra Transaction and assets and liabilities classified as held for sale) as of September 30, 2023 March 31, 2024, compared to $1,998.3 million $2,057.6 million as of December 31, 2022 December 31, 2023. As of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, our current ratio (which

is the ratio of our current assets to current liabilities) was 2.6:1 and 3.0:1, respectively. 1. Our working capital increased decreased primarily as a result of assets lower cash on hand, due to the Company prioritizing debt reduction and liabilities assumed as part of the Altra Transaction. using excess cash to do so.

The following table presents selected financial information and statistics as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023:

		September 30, 2023	December 31, 2022			
		March 31, 2024			March 31, 2024	December 31, 2023
Cash and Cash Equivalents	Cash and Cash Equivalents	$ 540.6	$ 688.5			
Trade Receivables, Net	Trade Receivables, Net	918.7	797.4			
Inventories	Inventories	1,302.8	1,336.9			
Working Capital	Working Capital	2,066.6	1,998.3			
Current Ratio	Current Ratio	2.6:1	3.0:1	Current Ratio	2.6:1	

As of September 30, 2023 March 31, 2024, $585.8 $506.8 million of our cash, which includes cash in assets held for sale, was held by foreign subsidiaries and could be used in our domestic operations if necessary. We anticipate being able to support our liquidity and operating needs largely through cash generated from operations and the available capacity under the revolver. operations. We regularly assess our cash needs and the available sources to fund these needs which includes repatriation of foreign earnings which may be subject to withholding taxes. Under current law, we do not expect restrictions or taxes on repatriation of cash held outside of the United States to have a material effect on our overall liquidity, financial condition or the results of operations for the foreseeable future. As of September 30, 2023 March 31, 2024, we have repatriated approximately $759.6 $140.8 million of foreign cash in fiscal 2023 2024 to support the repayment of debt. We are continuing to evaluate opportunities to repatriate additional foreign cash in the fourth quarter of fiscal 2023. 2024.

We will, from time to time, maintain excess cash balances which may be used to (i) fund operations, (ii) repay outstanding debt, (iii) fund acquisitions, (iv) pay dividends, (v) make investments in new product development programs, (vi) repurchase our common stock, or (vii) fund other corporate objectives.

Financing Agreement

During the nine months ended September 30, 2023, the Company made the following updates to its financing agreements primarily in connection with the Altra Transaction:

•*Issued Senior Notes on January 24, 2023 and received $4,647.0 million in net proceeds*
- Incurred additional term loans under the Term Facility of $840.0 million on March 27, 2023
- Increased the commitments under the Multicurrency Revolving Facility by $570.0 million on March 27, 2023
- Assumed the Altra Notes of $18.1 million
- Repaid in full the Private Placement Notes of $500.0 million

The In May, 2024, the Company will incur significant incremental interest expense as a result of completed transactions to exchange the debt issuances above. unregistered Senior Notes for the registered New Notes, which are described within Note 7 - Debt and Bank Credit Facilities.

The Company plans to use cash generated from operations to fund its interest obligations and reduce the principal balance of its debt over time. The Company also plans to use the net proceeds from the proposed sale of its industrial motors and generators businesses to repay outstanding debt.

As of September 30, 2023 March 31, 2024, the Company had no standby letters of credit issued under the Multicurrency Revolver Facility, and $1,553.5 million $1,543.6 million of available borrowing capacity. For the three months ended September 30, 2023 March 31, 2024 and September 30, 2022 March 31, 2023 under the Multicurrency Revolving Facility, the average daily balance in borrowings was $123.9 million $98.5 million and $600.5 million $580.6 million, respectively, and the weighted average interest rate was 7.2% and 3.5%, respectively. For the nine months ended September 30, 2023 and September 30, 2022 under the Multicurrency Revolving Facility, the average daily balance in borrowings was $320.0 million and $719.0 million, respectively, and the weighted average interest rate was 6.6% and 2.2% 5.8%, respectively. The Company pays a non-use fee on the aggregate unused amount of the Multicurrency Revolving Facility at a rate determined by reference to its consolidated funded debt to consolidated EBITDA ratio.

See Note 7 - Debt and Bank Credit Facilities and Note 3 – Held for Sale, Acquisitions and Divestitures for more information.

Guarantor Information

Regal Rexnord Corporation (the “Parent”) is the issuer of the Senior Notes and the New Notes, which are guaranteed by each of its direct and indirect wholly-owned subsidiaries that is a borrower or guarantor under the Credit Agreement (the “Guarantor Subsidiaries” and, each, a “Guarantor Subsidiary”). The Senior Notes and the New Notes are jointly and severally unconditionally guaranteed on a senior unsecured basis by the Guarantor Subsidiaries. The guarantees are subject to release in limited circumstances upon the occurrence of certain customary conditions. For example, a Guarantor Subsidiary may be released from its guarantee of the Senior Notes and the New Notes under certain circumstances, including following the Parent achieving certain corporate or similar credit ratings. In addition, the guarantee of a Guarantor Subsidiary will automatically terminate under certain circumstances, including if such Guarantor Subsidiary is permanently released from its guarantee of, and is not a borrower under, the Credit Agreement.

If any of the Parent’s subsidiaries that do not guarantee the Senior Notes and the New Notes (the “Non-Guarantor Subsidiaries”) becomes insolvent, liquidates, reorganizes, dissolves or otherwise winds up, holders of its indebtedness and its trade creditors generally will be entitled to payment on their claims from the assets of such subsidiary before any of those assets would be made available to the Parent or any Guarantor Subsidiary. Consequently, the claims of holders of the Senior Notes and the New Notes are structurally subordinated to all of the existing and future liabilities, including trade payables, of the Non-Guarantor Subsidiaries.

The following tables set forth financial information attributable to the Parent and the Guarantor Subsidiaries (collectively the “Obligor Group”). The financial information of the Obligor Group is presented on a combined basis, excluding intercompany balances and transactions between entities in the Obligor Group which have been eliminated. The financial information of the Obligor Group excludes equity investments in, and equity income or loss from, subsidiaries that are not in the Obligor Group. Material amounts due from, due to, and transactions with Non-Guarantor Subsidiaries which are included in the condensed financial information of the Obligor Group are presented with each table.

The following table sets forth summarized balance sheet information of the Obligor Group as of March 31, 2024 and December 31, 2023, and includes balances of the industrial motors and generators businesses which are classified as held for sale in the Condensed Consolidated Balance Sheets:

	March 31, 2024	**December 31, 2023**
Total Current Assets	1,264.2	1,285.0
Goodwill	4,255.9	4,262.6
Intangible Assets, Net of Amortization	2,323.0	2,374.0
Other Noncurrent Assets	1,047.9	1,062.8
Total Assets	7,626.8	7,699.4
Total Current Liabilities	633.3	697.0
Long-Term Debt	6,216.6	6,351.3
Other Noncurrent Liabilities	3,409.5	4,246.1
Total Liabilities	9,626.1	10,597.4
Due from Non-Guarantor Subsidiaries	538.0	526.4

Due to Non-Guarantor Subsidiaries	2,640.9	3,453.1

The following table sets forth summarized income statement information of the Obligor Group for the three months ended March 31, 2024:

	Three Months Ended March 31, 2024
Net Sales	829.2
Gross Profit	315.7
Income from Operations	39.6
Interest Expense	125.4
Net Loss	(69.6)
Net Loss Attributable to Regal Rexnord Corporation	(69.6)
Net Sales to Non-Guarantor Subsidiaries	67.5
Interest Expense Due to Non-Guarantors	20.5

Critical Accounting Estimates

Our critical accounting policies and estimates, which are discussed in our Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023, have not materially changed since that report was filed.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to market risk relating to our operations due to changes in interest rates, foreign currency exchange rates and commodity prices of purchased raw materials. We manage the exposure to these risks through a combination of normal operating and financing activities and derivative financial instruments such as interest rate swaps, commodity cash flow hedges and foreign currency forward exchange contracts. All hedging transactions are authorized and executed pursuant to clearly defined policies and procedures, which prohibit the use of financial instruments for speculative purposes.

Generally, hedges are recorded on the balance sheet at fair value and are accounted for as cash flow hedges, with changes in fair value recorded in Accumulated Other comprehensive Comprehensive Income (Loss) ("AOCI") in each accounting period. An ineffective portion of the hedges hedges' change in fair value, if any, is recorded in earnings in the period of change.

Interest Rate Risk

We are exposed to interest rate risk on certain of our outstanding debt obligations used to finance our operations and acquisitions. Loans under the Credit Agreement bear interest at variable rates plus a margin, based on our consolidated net leverage ratio. As of September 30, 2023 March 31, 2024, excluding the impact of interest rate swaps, we had $4,796.4 $4,794.9 million of fixed rate debt and $1,757.4 $1,501.9 million of variable rate debt. We utilize interest rate swaps to manage fluctuations in cash flows resulting from exposure to interest rate risk on forecasted variable rate interest payments.

We have floating Our variable rate borrowings, which expose debt exposes us to variability fluctuations in required interest payments due to changes in interest rates. A hypothetical 10% change in our weighted average borrowing rate on outstanding variable rate debt as of September 30, 2023 March 31, 2024 would result in a $12.7 $8.2 million change in after-tax annualized earnings. We entered into two forward starting pay fixed/receive floating non-amortizing interest rate swaps in June 2020, with a total notional amount of $250.0 million to manage fluctuations in cash flows from interest rate risk related to floating variable rate interest. These swaps were terminated in March 2022 upon closing the Credit Agreement. The cash proceeds of $16.2 million received to settle the terminated swaps is being recognized into interest expense via the effective interest rate method through July 2025 when the terminated swaps were scheduled to expire. We also entered into two forward starting pay fixed/receive floating non-amortizing interest rate swaps in May 2022, with a total notional amount of $250.0 million to manage fluctuations in cash flows from interest rate risk related to floating variable rate

interest. Upon inception, the swaps were designated as a cash flow hedges against forecasted interest payments with gains and losses, net of tax, measured on an ongoing basis, recorded in AOCI.

Details regarding the instruments as of September 30, 2023 March 31, 2024 are as follows:

Instrument	Instrument	Notional Amount	Maturity	Rate Paid	Rate Received	Fair Value	Instrument	Notional Amount	Maturity	Rate Paid	Rate Received	Fair Value
Swap	Swap	$250.0	March 2027	3.0%	SOFR (3 Month)	$12.2						

As of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, a $12.2 million and $7.9 million an interest rate swap asset of $8.6 million and $5.3 million, respectively, was included in Other Noncurrent Assets, respectively. Assets. There was an unrealized gain of $16.8 million $11.8 million (a $7.6 million $5.3 million gain on the terminated swaps and a $9.2 million $6.5 million gain on the active swaps) and $17.0 million $10.6 million, net of tax, as of September 30, 2023 March 31, 2024 and December 31, 2022, 2023, respectively, that was recorded in AOCI for the effective portion of the hedges.

Foreign Currency Risk

We are exposed to foreign currency risks that arise from normal business operations. These risks include the translation of local currency balances of foreign subsidiaries, intercompany loans with foreign subsidiaries and transactions denominated in foreign currencies. Our objective is to minimize our exposure to these risks through a combination of normal operating activities and the utilization of foreign currency exchange contracts to manage our exposure on the forecasted transactions denominated in currencies other than the applicable functional currency. Contracts are executed with credit worthy banks and are denominated in currencies of major industrial countries. We do not hedge our exposure to the translation of reported results of foreign subsidiaries from local currency to United States dollars.

As of September 30, 2023 March 31, 2024, derivative currency assets (liabilities) of $30.0 million, $0.7 million, $(4.9) $11.5 million and $(0.6) $(1.7) million are recorded in Prepaid Expenses and Other Current Assets Other Noncurrent Assets, and Other Accrued Expenses, and Other Noncurrent Liabilities, respectively. As of December 31, 2022 December 31, 2023, derivative currency assets (liabilities) of $13.0 million, $0.9 million $14.4 million, $0.2 million and $(4.8) $(6.9) million, are recorded in Prepaid Expenses and Other Current Assets, Other Noncurrent Assets and Other Accrued Expenses, respectively. The unrealized gains on the effective portions of the hedges of $8.1 $7.1 million net of tax, and $6.3 $9.3 million net of tax, as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023 respectively, were recorded in AOCI. As of September 30, 2023 March 31, 2024 and December 31, 2022, 2023, we had $12.9 $8.8 million and $5.3 $10.2 million, respectively, net of tax, of currency gains on closed hedge instruments in AOCI that will be realized in earnings when the hedged items impact earnings.

The following table quantifies the outstanding foreign exchange contracts intended to hedge non-US dollar denominated receivables and payables and the corresponding impact on the value of these instruments assuming a hypothetical 10% appreciation/depreciation of their counter currency on September 30, 2023 March 31, 2024:

				Gain (Loss) From					Gain (Loss) From	
Currency	Currency	Notional Amount	Fair Value	10% Appreciation of Counter Currency	10% Depreciation of Counter Currency	Currency	Notional Amount	Fair Value	10% Appreciation of Counter Currency	10% Depreciation of Counter Currency
Chinese Renminbi	Chinese Renminbi	$ 377.9	$ 0.5	$ 37.8	$ (37.8)					
Mexican Peso	Mexican Peso	138.3	13.7	13.8	(13.8)					
Euro	Euro	623.3	11.1	62.3	(62.3)					
Indian Rupee	Indian Rupee	41.2	(0.1)	4.1	(4.1)					
Australian Dollar		0.3	—	—	—					
Swedish Krona		1.6	—	0.2	(0.2)					
British Pound	British Pound	6.7	—	0.7	(0.7)					
British Pound										
British Pound										

Gains and losses indicated in the sensitivity analysis would be offset by gains and losses on the underlying forecasted non-US dollar denominated cash flows.

Commodity Price Risk

We periodically enter into commodity hedging transactions to reduce the impact of changing prices for certain commodities such as copper and aluminum based upon forecasted purchases of such commodities. The contract terms of commodity hedge instruments generally mirror those of the hedged item, providing a high degree of risk reduction and correlation.

Derivative commodity assets (liabilities) of $0.6 million, $0.1 million, $(2.1) million $1.1 million and $(0.3) million were recorded in Prepaid Expenses and Other Current Assets Other Noncurrent Assets, and Other Accrued Expenses, and Other Noncurrent

Liabilities. respectively, as of September 30, 2023 March 31, 2024. Derivative commodity assets (liabilities) of $0.9 million, $0.3 million $1.0 million, $0.1 million and $(10.6) $(0.6) million were recorded in Prepaid Expenses and Other Current Assets, Other Noncurrent Assets and Other Accrued Expenses, respectively as of December 31, 2022 December 31, 2023. The unrealized loss gain on the effective portion of the hedges of $1.3 $0.7 million net of tax and the unrealized loss gain on the effective portion of the hedges of $6.9 $0.3 million net of tax, as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively, was recorded in AOCI. As of September 30, 2023 March 31, 2024, we had $2.1 million, net of tax, of no derivative commodity gains or losses on closed hedge instruments in AOCI that will be realized in earnings when the hedged items impact earnings. instruments. As of December 31, 2022 December 31, 2023, there was an additional $4.4 we had $1.6 million, net of tax, derivative commodity loss on closed hedge instruments in AOCI that were realized in earnings when the hedged items impacted earnings.

The following table quantifies the outstanding commodity contracts intended to hedge raw material commodity prices and the corresponding impact on the value of these instruments assuming a hypothetical 10% appreciation/depreciation of their prices on September 30, 2023 March 31, 2024:

				Gain (Loss) From					Gain (Loss) From	
Commodity	Commodity	Notional Amount	Fair Value	10% Appreciation of Commodity Prices	10% Depreciation of Commodity Prices	Commodity	Notional Amount	Fair Value	10% Appreciation of Commodity Prices	10% Depreciation of Commodity Prices
Copper	Copper	$ 47.5	$(1.5)	$ 4.8	$ (4.8)					
Aluminum	Aluminum	3.7	(0.3)	0.4	(0.4)					

Gains and losses indicated in the sensitivity analysis would be offset by the actual prices of the commodities.

The net AOCI hedging component balance consists of $34.4 million $28.4 million of gains as of September 30, 2023 March 31, 2024 which includes $21.5 million $20.6 million of net current deferred gains that are expected to be realized in the next twelve months. The gain/loss reclassified from AOCI into earnings on such derivatives will be recognized in the same period in which the related item affects earnings.

Counterparty Risk

We are exposed to credit losses in the event of non-performance by the counterparties to various financial agreements, including our interest rate swap agreements, foreign currency exchange contracts and commodity hedging transactions. We manage exposure to counterparty credit risk by limiting our counterparties to major international banks and financial institutions meeting established credit guidelines and continually monitoring their compliance with the credit guidelines. We do not obtain collateral or other security to support financial instruments subject to credit risk. We do not anticipate non-performance by our counterparties, but cannot provide assurances.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this report. Based on such evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of such period, our disclosure controls and procedures were effective to ensure that (a) information required to be disclosed in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission, and (b) information required to be disclosed by us in the reports we file or submit under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and our Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the fiscal quarter to which this report relates that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

As discussed above, on March 27, 2023, we completed the Altra Transaction. As part of our ongoing integration of Altra, we continue to incorporate our controls and procedures into Altra operations and to expand our company-wide controls to reflect the risks inherent in an acquisition of this size and complexity.

PART II—OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

There have been no material changes in the legal matters described in Part I, Item 3 in our Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023, which is incorporated herein by reference. See also Note 12 - Contingencies for more information.

ITEM 1A. RISK FACTORS

Our business and financial results are subject to numerous risks and uncertainties. These risks and uncertainties have not changed materially from those reported in Part I, Item 1A - Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2022 2023, which is incorporated herein by reference. For additional information regarding risks and uncertainties facing the Company, please also see the information provided under the header "Cautionary Statement" contained in this Quarterly Report on Form 10-Q.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS AND ISSUER PURCHASES OF EQUITY SECURITIES

During the quarter ended March 31, 2024, we did not acquire any shares in connection with transactions pursuant to equity incentive plans. Under our equity incentive plans, participants may pay the exercise price or satisfy all or a portion of the federal, state and local withholding tax obligations arising in connection with plan awards by electing to (a) have the Company withhold shares of common stock otherwise issuable under the award, (b) tender back shares received in connection with such award or (c) deliver other previously owned shares of common stock, in each case having a value equal to the exercise price or the amount to be withheld. During the quarter ended September 30, 2023, we did not acquire any shares in connection with transactions pursuant to equity incentive plans.

At a meeting of the Board of Directors on October 26, 2021, the Company's Board of Directors approved the authorization to purchase up to $500.0 million of shares under the Company's share repurchase program. The new authorization has no expiration date. There were no repurchases of common stock during the current quarter. The maximum value of shares of our common stock remaining available to be purchased as of September 30, 2023 March 31, 2024 is $195.0 million.

ITEM 5. OTHER INFORMATION

During our last fiscal quarter, no director or officer of the Company, as defined in Rule 16a-1(f), adopted or terminated a “Rule 10b5-1 trading arrangement” or “non-Rule 10b5-1 trading arrangement,” each as defined in Item 408 of Regulation S-K.

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ITEM 6. EXHIBITS

Exhibit Number	Exhibit Description
22	List of Guarantor Subsidiaries of Guaranteed Securities.
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certifications of the Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350.
101.INS	XBRL Instance Document - The instance document does not appear in the interactive data file because its XBRL tags are embedded within the inline XBRL document.
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as iXBRL and contained in Exhibit 101).

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

REGAL REXNORD CORPORATION
(Registrant)

/s/ Robert J. Rehard

Robert J. Rehard
Executive Vice President
Chief Financial Officer
(Principal Financial Officer)

Date: November 3, 2023 May 7, 2024

REGAL REXNORD CORPORATION
(Registrant)

/s/ Alexander P. Scarpelli

Alexander P. Scarpelli
Vice President
Chief Accounting Officer
(Principal Accounting Officer)

Date: November 3, 2023 May 7, 2024

List of Guarantor Subsidiaries

The following series of senior unsecured debt securities issued by Regal Rexnord Corporation are jointly and severally unconditionally guaranteed on a senior unsecured basis by certain of its direct and indirect wholly-owned subsidiaries (the “Guarantor Subsidiaries”):

Description
6.05% senior notes due 2026 (the “2026 Senior Notes”)
6.05% senior notes due 2028 (the “2028 Senior Notes”)
6.30% senior notes due 2030 (the “2030 Senior Notes”)
6.40% senior notes due 2033 (the “2033 Senior Notes”)

Guarantor Subsidiary	State of Incorporation
Regal Beloit America, Inc.	Wisconsin
Rexnord Industries, LLC	Delaware
Land Newco, Inc.	Delaware
Altra Industrial Motion Corp.	Delaware
American Precision Industries Inc.	Delaware
Ameridrives International, LLC	Delaware
AS Motion North America Inc.	Delaware
Boston Gear LLC	Delaware
Formsprag LLC	Delaware
Guardian Couplings LLC	Delaware
Inertia Dynamics, LLC	Delaware
Kilian Manufacturing Corporation	Delaware
Kollmorgen Corporation	New York
Nook Industries, LLC	Nevada
PacSci Motion Control, Inc.	Massachusetts
TB Wood’s Corporation	Delaware
TB Wood’s Incorporated	Pennsylvania
Thomson Industries, Inc.	Delaware
Thomson Linear LLC	Delaware
Warner Electric LLC	Delaware

EXHIBIT 31.1

CERTIFICATIONS

I, Louis V. Pinkham, certify that:

1 I have reviewed this quarterly report on Form 10-Q of Regal Rexnord Corporation;

2 Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3 Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4 The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5 The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Louis V. Pinkham

Louis V. Pinkham
Chief Executive Officer

Date: November 3, 2023 May 7, 2024

EXHIBIT 31.2

CERTIFICATIONS

I, Robert J. Rehard, certify that:

1 I have reviewed this quarterly report on Form 10-Q of Regal Rexnord Corporation;

2 Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3 Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4 The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5 The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Robert J. Rehard
Robert J. Rehard
Executive Vice President
Chief Financial Officer
(Principal Financial Officer)

Date: November 3, 2023 May 7, 2024

EXHIBIT 32.1

CERTIFICATIONS of the
Chief Executive Officer and Chief Financial Officer
Pursuant to 18 U.S.C. Section 1350

Solely for the purposes of complying with 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, we, the undersigned Chief Executive Officer and Chief Financial Officer of Regal Rexnord Corporation (the "Company"), hereby certify, based on our knowledge, that the Quarterly Report on Form 10-Q of the Company for the three and nine months ended September 30, 2023 March 31, 2024 (the "Report") fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 and that information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Louis V. Pinkham
Louis V. Pinkham
Chief Executive Officer

/s/ Robert J. Rehard
Robert J. Rehard
Executive Vice President
Chief Financial Officer
(Principal Financial Officer)

Date: November 3, 2023 May 7, 2024

DISCLAIMER

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