**UNITED STATES**
**SECURITIES AND EXCHANGE COMMISSION**
**Washington, DC 20549**

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# FORM 10-K

**(Mark One)**
**☑ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES AND EXCHANGE ACT OF 1934**

**for the fiscal year ended April 2, 2022**

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

**for the transition period from __________to _________**

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**Commission file number 001-40840**

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# RBC BEARINGS INCORPORATED

(Exact name of registrant as specified in its charter)

| **Delaware** | **95-4372080** |
|---|---|
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |
| **One Tribology Center, Oxford, CT** | **06478** |
| (Address of principal executive offices) | (Zip Code) |

**(203) 267-7001**
(Registrant's telephone number, including area code)

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

| Title of Each Class | Trading Symbol | Name of Each Exchange on Which Registered |
|---|---|---|
| Common Stock, par value $0.01 per share | ROLL | Nasdaq Global Select |
| 5.00% Series A Mandatory Convertible Preferred Stock, par value $0.01 per share | ROLLP | Nasdaq Global Select |

**Securities registered pursuant to Section 12(g) of the Act:** None

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Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☑ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☑

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or Section 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 and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☑ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company, or 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. (Check one):

| | | | | |
|---|---|---|---|---|
| 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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☑

The aggregate market value of the registrant's Common Stock held by non-affiliates of the registrant on October 2, 2021 (based on the October 1, 2021 closing sales price of $214.36 of the registrant's Common Stock, as reported by the Nasdaq Global Select Market) was approximately $6,188,676,826.

As of May 20, 2022, RBC Bearings Incorporated had 28,880,640 shares of Common Stock and 4,600,000 shares of Preferred Stock outstanding.

Documents Incorporated by Reference:

Portions of the registrant's proxy statement to be filed within 120 days of the close of the registrant's fiscal year in connection with the registrant's Annual Meeting of Shareholders to be held September 8, 2022, are incorporated by reference into Part III of this Form 10-K.

| | | |
|---|---|---|
| Auditor Firm ID: 00042 | Auditor Name: Ernst & Young LLP | Auditor Location: Stamford, CT |

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## PART I

## ITEM 1. BUSINESS

### RBC Bearings Incorporated

RBC Bearings Incorporated, together with its subsidiaries, is an international manufacturer and marketer of highly engineered precision bearings, components and essential systems for the industrial, defense and aerospace industries. Our precision solutions are integral to the manufacture and operation of most machines and mechanical systems, to reduce wear to moving parts, facilitate proper power transmission, reduce damage and energy loss caused by friction, and control pressure and flow. The terms “we,” “us,” “our,” “RBC” and the “Company” mean RBC Bearings Incorporated and its subsidiaries, unless the context indicates another meaning. While we manufacture products in all major categories, we focus primarily on the higher end of the bearing, gearing and engineered component markets where we believe our value-added engineering and manufacturing capabilities, and application expertise enable us to differentiate ourselves from our competitors and enhance profitability. We believe our expertise has enabled us to garner leading positions in many of the product markets in which we primarily compete. With 56 facilities in 10 countries, of which 37 are manufacturing facilities, we have been able to significantly broaden our end markets, products, customer base and geographic reach.

### The Bearing, Gearing and Engineered Component Industry

The bearing, gearing and engineered component industry is a fragmented multi-billion-dollar market. Purchasers of bearings, gearings and engineered components include producers of commercial and military aircraft, submarine and vehicle equipment, energy equipment, machinery manufacturers, industrial equipment and machinery manufacturers, construction machinery manufacturers, rail and train equipment manufacturers, packaging and canning machinery manufacturers, agriculture and mining equipment manufacturers, and specialized equipment manufacturers, as well as distributors who service the aftermarket for these products.

Demand for bearings, gearing and precision components in the diversified industrial market is influenced by growth factors in industrial machinery and equipment shipments, and construction, mining, energy, marine, food and beverage, packaging and canning, semiconductor, and general industrial activity. In addition, usage of existing machinery will impact aftermarket demand for replacement products. In the aerospace market, new aircraft build rates along with carrier traffic volume worldwide determines demand for our solutions. Activity in the defense market is influenced by modernization programs necessitating spending on new equipment, as well as continued utilization of deployed equipment supporting aftermarket demand for replacement bearings, gearing and engineered components.

### Customers and Markets

We serve a broad range of end markets where we can add value with our specialty precision bearings, essential systems and engineered components. We classify our customers into two principal categories: industrial and aerospace/defense. These principal end markets utilize a large number of both commercial and specialized bearings, gearings and engineered components. Although we provide a relatively small percentage of total bearings, gearings and engineered components supplied to each of our principal markets, we believe we have leading market positions in many of the specialized product markets in which we primarily compete. Financial information regarding geographic areas is set forth in Part II, Item 8, Note 18 of this Annual Report on Form 10-K.

*Industrial Market (60% of net sales for the fiscal year ended April 2, 2022)*

We manufacture bearings, gearing and engineered components for a wide range of diversified industrial markets, including construction and mining, oil and natural resource extraction, heavy truck, marine, rail and train, food and beverage, packaging and canning, semiconductor machinery, wind, and the general industrial markets. Our products target market applications in which our engineering and manufacturing capabilities provide us with a competitive advantage in the marketplace.

Our largest industrial customers include Caterpillar, Komatsu and Kurt Manufacturing and various aftermarket distributors including Motion Industries, Applied Industrial, BDI, Kaman and Purvis Industries. We believe that the diversification of our sales among the various segments of the industrial markets and channels reduces our exposure to downturns in any individual segment. We believe opportunities exist for growth and margin improvement in this market as a result of the introduction of new products, the expansion of aftermarket sales, and continued manufacturing process improvements. Our acquisition of Dodge Industrial on November 1, 2021, contributed $291.9 million of revenue from the industrial market in the second half of fiscal 2022.

*Aerospace/Defense Market (40% of net sales for the fiscal year ended April 2, 2022)*

We supply bearings and engineered components for use in commercial, private and military aircraft and aircraft engines, guided weaponry, space and satellites and vision and optical systems, and military marine and ground applications.

We supply precision products for many of the commercial aircraft currently operating worldwide and are the primary bearing supplier for many of the aircraft OEMs' product lines. Commercial aerospace customers generally require precision products, often of special materials, made to unique designs and specifications. Many of our aerospace bearings and engineered component products are designed and certified during the original development of the aircraft being served, which often makes us the primary bearing supplier for the life of that aircraft.

We manufacture bearings and engineered components used by the U.S. Department of Defense (the "DOD") and certain foreign governments for use in fighter jets, troop transports, naval vessels, helicopters, gas turbine engines, armored vehicles, guided weaponry, spaceflight and satellites. We manufacture an extensive line of standard products that conform to many domestic military application requirements, as well as customized products designed for unique applications. Our bearings and engineered components are manufactured to conform to U.S. military specifications and are typically custom-designed during the original product design phase, which often makes us the sole or primary supplier for the life of that product. Product approval for use on military equipment is often a lengthy process ranging from six months to six years.

Our largest aerospace and defense customers include the U.S. Department of Defense, Boeing, Airbus, Newport News Shipbuilding, Lockheed Martin, Northrop Grumman, Raytheon and various aftermarket distributors including National Precision Bearing, Jamaica Bearings, Wencor, and Wesco Aircraft. We believe our strong relationships with OEMs help drive our aftermarket sales since a portion of OEM sales are ultimately intended for use as replacement parts. We believe that growth and margin expansion in this market will be driven primarily by expanding our international presence, new commercial aircraft introductions, new products, share gains, and the refurbishment and maintenance of existing commercial and military aircraft.

In fiscal 2022, approximately 2% of our net sales were made directly, and we estimate that approximately an additional 16% of our net sales were made indirectly, to the U.S. government. The contracts or subcontracts for these sales may be subject to renegotiation of profit or termination at the election of the U.S. government. Based on experience, we believe that no material renegotiations or refunds will be required. See Part I, Item 1A. "Risk Factors – Future reductions or changes in U.S. government spending could negatively affect our business" of this Annual Report on Form 10-K.

Our two reportable business segments are aligned with the end-markets for our products. Operating results for the segments are evaluated regularly by our chief operating decision maker in determining resource allocation and assessing performance. The following table provides a summary of our two reportable business segments:

| Segment | Net Sales and Percent of Sales for the Fiscal Year Ended (Dollars in millions) April 2, 2022 | April 3, 2021 | March 28, 2020 | Representative Applications |
|---|---|---|---|---|
| Industrial | $ 561.4<br>60% | $ 212.8<br>35% | $ 220.1<br>30% | ● Mining, energy, construction, wind equipment and material handling<br>● Packaging and canning machinery<br>● Semiconductor equipment<br>● Hydraulics, valves and fasteners<br>● Industrial gears, components and collets |
| Aerospace/Defense | $ 381.5<br>40% | $ 396.2<br>65% | $ 507.4<br>70% | ● Airframe control and actuation<br>● Aircraft engine controls and landing gear<br>● Missile launchers<br>● Aircraft hydraulics<br>● Radar and night vision systems<br>● Space applications |

**Products**

Bearings, gearing and engineered components are employed to perform several functions including reduction of friction, transfer of motion, carriage of loads, and control of pressure and flows. We design, manufacture and market a broad portfolio of bearings, gearing and engineered components.

*Plain Bearings.* Plain bearings are primarily used to rectify inevitable misalignments in various mechanical components, such as aircraft controls, helicopter rotors, or heavy mining and construction equipment. Such misalignments are either due to machining inaccuracies or result when components change position relative to each other. Plain bearings are produced with either self-lubricating or metal-to-metal designs and consist of several sub-classes, including rod end bearings, spherical plain bearings and journal bearings.

*Roller Bearings.* Roller bearings are anti-friction products that utilize cylindrical rolling elements. We produce three main designs: tapered roller bearings, needle roller bearings and needle bearing track rollers and cam followers. We offer several needle roller bearing designs that are used in both industrial applications and certain U.S. military aircraft platforms where there are high loads and the design is constrained by space considerations. A significant portion of our sales of needle roller bearings is to the aftermarket rather than to OEMs. Needle bearing track rollers and cam followers have wide and diversified use in the industrial market and are often prescribed as a primary component in articulated aircraft wings.

*Ball Bearings.* Ball bearings are devices that utilize high precision ball elements to reduce friction in high-speed applications. We specialize in four main types of ball bearings: high precision aerospace, airframe control, thin section, and industrial ball bearings. High precision aerospace bearings are primarily sold to customers in the defense industry that require more technically sophisticated bearing products providing a high degree of fault tolerance given the criticality of the applications in which they are used. Airframe control ball bearings are precision ball bearings that are plated to resist corrosion and are qualified under a military specification. Thin section ball bearings are specialized bearings that use extremely thin cross sections and give specialized machinery manufacturers many advantages. We produce a general line of industrial ball bearings sold primarily to the aftermarket.

*Mounted Bearings*. Mounted bearings are fully assembled bearings with a wide range of shaft attachment methods, rolling elements, housing materials and configurations offering a variety of sealing solutions. Mounted bearing products include mounted ball bearings, mounted roller bearings and mounted plain bearings, and are used in light to heavy loads, and in clean, corrosive or harsh environments. Mounted roller bearings are pre-machined to allow field installation of the Dodge bearing sensor, adding remote monitoring capability in difficult to access applications and unsafe environments. Applications include unit and bulk material handling, industrial air handling, large rotor fans, food processing, roll-out tables, and forest pulp and paper processing equipment.

*Enclosed Gearing.* We provide a broad range of enclosed gearing product lines including Quantis Gearmotor (helical style gearing with modular configurations and a variety of mounting methods), Torque Arm (shaft-mount gearing with helical style gearing and v-belt input for first stage reduction), Tigear (single reduction, right angle gear reducers with worm style gearing), MagnaGear & Maxum (parallel reducers with helical and planetary style gearing) and Controlled Start Transmission (planetary style gearing with hydraulic clutch package used for soft starting large conveyors). Applications include unit and bulk handling, food processing, roll-out tables, and forest pulp and paper processing equipment.

*Motion Control Components*. Power transmission components are of three types: mechanical drive components (offering V belt sheaves, synchronous sprockets, bushings and belts) used to change rotational speed between two pieces of equipment; couplings used to transmit torque between two rotating pieces of equipment, such as a motor and a gearbox; and conveyor components, which transfer torque from the mechanical drive equipment to the conveyor belt in bulk material handling applications. Applications include unit and bulk material handling, industrial air handling, large rotor fans, food processing, roll-out tables, and forest pulp and paper processing equipment.

*Engineered Components.* Engineered components include highly engineered hydraulics and valves, fasteners, precision mechanical components and machine tool collets. Engineered hydraulics and valves are used in aircraft and submarine applications and aerospace and defense aftermarket services. Precision mechanical components are used in all general industrial applications where some form of movement is required. Machine tool collets are cone-shaped metal sleeves used for holding circular or rod-like pieces in a lathe or other machine that provide effective part holding and accurate part location during machining operations.

**Product Design and Development**

We produce specialized bearings and engineered components that are often tailored to the specifications of a customer or application. Our sales professionals are highly experienced engineers who collaborate with our customers to develop bearing and engineered component solutions. The product development cycle can follow many paths, which are dependent on the end market or sales channel. The process normally takes between three and six years from concept to sale depending upon the application and the market. A typical process for a major OEM project begins when our design engineers meet with the customer at the machine design conceptualization stage and work with them through the conclusion of the product development.

Often, at the early stage, a bearing or engineered component design is produced that addresses the expected demands of the application including load, stress, heat, thermal gradients, vibration, lubricant supply, pressure and flows, and corrosion resistance, with one or two of these environmental constraints being predominant in the design consideration. A bearing or engineered component design must perform reliably for the period of time required by the customer's product objectives.

Once a bearing or engineered component is designed, a mathematical simulation is created to replicate the expected application environment and thereby allow optimization with respect to these design variables. Upon conclusion of the design and simulation phase, samples are produced and laboratory testing commences at one of our test laboratories. The purpose of this testing phase is not only to verify the design and the simulation model but also to allow further design improvement where needed. The last phase is field testing by the customer, after which the product is ready for sale.

For many of our Aerospace/Defense products, the culmination of this lengthy process is the receipt of a product approval or certification, generally obtained from either the OEM, the DOD or the Federal Aviation Administration ("FAA"), which allows us to supply the product to the OEM customer and to the aftermarket. We currently have a significant number of such approvals, which often gives us a competitive advantage, and in many of these instances we are the only approved supplier of a given bearing or engineered component**.**

**Manufacturing and Operations**

Our manufacturing strategies are focused on product reliability, quality, safety and service. Custom and standard products are produced according to manufacturing schedules that ensure maximum availability of popular items for immediate sale while carefully considering the economies of lot production and special products. Capital programs and manufacturing methods development are focused on quality improvement, production costs, safety and service. A monthly review of product line production performance assures an environment of continuous attainment of profitability and quality goals.

*Capacity.* Our plants currently run on a full first shift with second and third shifts at select locations to meet the demands of our customers. We believe that current capacity levels and future annual estimated capital expenditures on equipment up to approximately 2.5% to 3.0% of net sales should permit us to effectively meet demand levels for the foreseeable future.

*Inventory Management.* We operate an inventory management program designed to balance customer delivery requirements with economically optimal inventory levels. In this program, each product is categorized based on characteristics including order frequency, number of customers and sales volume. Using this classification system, our primary goal is to maintain a sufficient supply of standard items while minimizing costs. In addition, production cost savings are achieved by optimizing plant scheduling around inventory levels and customer delivery requirements. This leads to more efficient utilization of manufacturing facilities and minimizes plant production changes while maintaining sufficient inventories to service customer needs.

**Sales, Marketing and Distribution**

Our marketing strategy is aimed at increasing sales within our two primary markets, targeting specific applications in which we can exploit our competitive strengths. To affect this strategy, we seek to expand into geographic areas not previously served by us and we continue to capitalize on new markets and industries for existing and new products. We employ a technically proficient sales force and utilize marketing managers, product managers, customer service representatives and product application engineers in our selling efforts.

We have developed our sales force through the hiring of sales personnel with prior industry experience, complemented by an in-house training program. We intend to continue to hire and develop expert sales professionals and strategically locate them to implement our expansion strategy. Today, our direct sales force is located to service North America, Europe, Asia and Latin America and is responsible for selling all of our products. This selling model leverages our relationship with key customers and provides opportunities to market multiple product lines to both established and potential customers. We also sell our products through a well-established, global network of industrial and aerospace distributors. This channel primarily provides our products to smaller OEM customers, aftermarket customers and the end users of bearings and engineered components that require local inventory and service. We intend to continue to focus on building distributor sales volume.

The sale of our products is supported by a well-trained and experienced customer service organization, which provides customers with instant access to key information regarding their purchases. We also provide customers with updated information through our website, and we have developed on-line integration with specific customers, enabling more efficient ordering and timely order fulfillment for those customers.

We store product inventory in warehouses located in the Midwest, Southwest and on the East and West coasts of the U.S. as well as in Australia, Canada, France, India, Mexico, the People's Republic of China and Switzerland. The inventory is located in these locations based on analysis of customer demand to provide superior service and product availability.

**Competition**

Our principal competitors include SKF, New Hampshire Ball Bearings, Regal Rexnord, Precision Castparts and Timken, although we compete with different companies for each of our product lines. We believe that for the majority of our products, the principal competitive factors affecting our business are product qualifications, product line breadth, service, quality and price. Although some of our current and potential competitors may have greater financial, marketing, personnel and other resources than us, we believe that we are well-positioned to compete with regard to each of these factors in each of the markets in which we operate.

*Product Qualifications.* Many of the products we produce are qualified for the application by the OEM, the DOD, the FAA, the user or a combination of these. These credentials have been achieved for thousands of distinct items after years of design, testing and improvement. Applicable Dodge products are compliant as required with related communications, safety, and Ex certifications for use in North America, Mexico, the EU, as well as other select international locations. This includes, but is not limited to, ATEX, IECEx, NYCE NOM, and C/US declarations of conformity. Several of our products are protected by patents, and we believe that in many cases we have strong brand identity or we are the sole source for products for a particular application.

*Product Line Breadth.* Our products encompass a broad range of designs which often create a critical mass of complementary bearings, essential systems and engineered components for our markets. This position provides many of our industrial and aerospace customers with a single manufacturer to provide the engineering service and product breadth needed to achieve a series of OEM design objectives and/or aftermarket requirements. This enhances our value to the OEM considerably while strengthening our overall market position.

*Service.* Product design, performance, reliability, availability, quality, and technical and administrative support are elements that define the service standard for this business. Our customers are sophisticated and demanding, as our products are fundamental and enabling components to the manufacturing or operation of their machinery. We maintain inventory levels of our most popular items for immediate sale and service. Our customers have high expectations regarding product availability and quality, and the primary emphasis of our service efforts is to provide the widest possible range of available products delivered on a timely basis.

*Price.* We believe our products are priced competitively in the markets we serve and we continually evaluate our manufacturing and other operations to maximize efficiencies in order to maintain competitive prices while maximizing our profit margins. We invest considerable effort to develop our price-to-value algorithms and we price to market levels where required by competitive pressures.

## Suppliers and Raw Materials

We obtain raw materials, component parts and supplies from a variety of sources and generally from more than one supplier. Our principal raw materials are steel and cast iron. Our suppliers and sources of raw materials are based in the U.S., Europe and Asia. We purchase steel at market prices, which fluctuate as a result of supply and demand driven by economic conditions in the marketplace. For further discussion of the possible effects of changes in the cost of raw materials on our business, see Part I, Item 1A. “Risk Factors” of this Annual Report on Form 10-K.

## Backlog

As of April 2, 2022, we had order backlog of $603.1 million compared to a backlog of $394.8 million in the prior fiscal year. Orders included in our backlog are subject to cancellation, delay or modifications by our customers prior to fulfillment. We sell many of our products pursuant to contractual agreements, single-source relationships or long-term purchase orders, each of which may permit early termination by the customer. However, we believe that the unique nature of many of our products prevents other suppliers from being able to satisfy customer orders on a timely or cost-effective basis, thereby making it impracticable for our customers to shift their purchase of these products to other suppliers.

## Human Capital

RBC employs 3,549 people at our 37 U.S. facilities, approximately 4% of which are exempt and 96% are non-exempt. In addition, we employ 1,343 people at our 19 facilities located in Canada, Mexico, France, Switzerland, Germany, Poland, India, Australia and China. Nearly all of our personnel are RBC employees rather than independent contractors, temporaries or third-party labor provider personnel.

Our human capital objective is to attract and retain high-performing people who can work in a culture that fosters innovation and continuous improvement. To achieve that objective, we maintain an aggressive talent recruitment program, a fair and competitive compensation program, an on-going training and development program, and an ethical and safe work environment.

*Talent Recruitment.* Critical to our success is that we have a deep and talented pool of engineers who oversee the production of our current products to the highest standards, work directly with customers on applications, and direct the research and development for new products. To maintain that talent pool, we actively recruit engineers from over 40 colleges and universities around the U.S. In addition, we have developed deep collaborative relationships with a select group of schools, including internship and trainee programs with several of these schools.

*Compensation.* We offer fair and competitive compensation to our employees. Our employee benefits package includes medical, dental and vision coverage, life insurance, supplemental disability coverage, and 401(k) and supplemental employee retirement plans. In addition, participation in our long-term equity incentive plan goes very deep in our organization, providing employees with equity compensation/awards that they might not receive if they worked for one of our competitors.

*Training.* An important part of achieving our human capital objective is our in-house training programs – RBC University, Materials University, Mechanical Engineering Training and the Dodge Customer, Application, Product Training (CAPT) Program. These programs provide our employees with a uniform foundation regarding how we do business, expand their subject matter expertise, and develop the various leadership positions across our organization, including plant management and general management. We also offer a tuition reimbursement program for many employees wishing to further their classroom education in their chosen field.

*Ethics.* We expect our personnel to conduct the business of RBC in a legal and ethical manner. To ensure that they do that, our people are required to comply at all times with our corporate Code of Conduct, which among other things requires them to:

- deal fairly with their coworkers and RBC's customers, suppliers and competitors,
- comply with all applicable laws,
- protect RBC's proprietary information and other assets, and
- avoid conflicts of interest with RBC.

*Workplace Safety.* Safety is of paramount importance to RBC and so we go to great lengths in striving for a zero-incident workplace that is consistent with our mandate to produce the highest quality, highly engineered components for our customers. Our general managers and operations managers are charged with creating and maintaining the highest standards of safety for employees, visitors and the local community through the use of industry best practices at their facilities. Monthly, each of our facilities reports to senior leadership on key safety metrics and we maintain a proactive approach in assessing and mitigating risk through root cause analysis, communication, training and teamwork.

As part of the nation's critical infrastructure sectors (defense industrial base sector and critical manufacturing sector) RBC was required to operate our manufacturing facilities during the COVID-19 pandemic using a mostly in-person workforce. We implemented strict cleaning, social distancing, quarantining and other safety measures to minimize the risk to our employees of contracting COVID-19 at work.

**Intellectual Property**

We own U.S. and foreign patents and trademark registrations and U.S. copyright registrations and have U.S. trademark and patent applications pending. We file patent applications and maintain patents to protect certain technology, inventions and improvements that are important to the development of our business, and we file trademark applications and maintain trademark registrations to protect product names that have achieved brand-name recognition among our customers. We also rely upon trade secrets, know-how and continuing technological innovation to develop and maintain our competitive position. Many of our brands are well recognized by our customers and are considered valuable assets of our business. We do not believe, however, that any individual item of intellectual property is material to our business.

**Regulation**

*Product Approvals.* Essential to servicing the aerospace and defense markets is the ability to obtain product approvals. We have a substantial number of product approvals in the form of OEM approvals or Parts Manufacturer Approvals, or "PMAs," from the FAA. We also have a number of active PMA applications in process. These approvals enable us to provide products used in virtually all domestic aircraft platforms presently in production or operation.

We are subject to various other federal laws, regulations and standards. New laws, regulations or standards or changes to existing laws, regulations or standards could subject us to significant additional costs of compliance or liabilities, and could result in material reductions to our results of operations, cash flow or revenues.

**Environmental Matters**

We are subject to federal, state and local environmental laws and regulations, including those governing discharges of pollutants into the air and water, the storage, handling and disposal of wastes and the health and safety of employees. We also may be liable under the Comprehensive Environmental Response, Compensation, and Liability Act or similar state laws for the costs of investigation and clean-up of contamination at facilities currently or formerly owned or operated by us, or at other facilities at which we have disposed of hazardous substances. In connection with such contamination, we may also be liable for natural resource damages, U.S. government penalties and claims by third parties for personal injury and property damage. Agencies responsible for enforcing these laws have authority to impose significant civil or criminal penalties for non-compliance. We believe we are currently in material compliance with all applicable requirements of environmental laws. We do not anticipate material capital expenditures for environmental compliance in fiscal year 2023.

**Available Information**

We file our annual, quarterly and current reports, proxy statements, and other documents with the Securities Exchange Commission ("SEC") under the Securities Exchange Act of 1934. The public may read and copy any materials filed with the SEC at the SEC's Office of Investor Education and Advocacy at 100F Street, NE, Washington, D.C. 20549. The public may obtain information on the operation of the Office of Investor Education and Advocacy by calling the SEC at 1–800–SEC–0330. Also, the SEC maintains an Internet website that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. The public can obtain any documents that are filed by us at http://www.sec.gov.

In addition, this Annual Report on Form 10-K, as well as our quarterly reports on Form 10-Q, current reports on Form 8-K and any amendments to any of the foregoing reports, and our governance documents, are made available free of charge on our website (http://www.rbcbearings.com) as soon as reasonably practicable after such reports are electronically filed with or furnished to the SEC. Copies of the above filings will also be provided free of charge upon written request to us.

**ITEM 1A. RISK FACTORS**

**Cautionary Statement as to Forward-Looking Information**

This report includes "forward-looking statements" within the meaning of the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995. All statements other than statements of historical fact are "forward-looking statements" for purposes of federal and state securities laws, including: projections of earnings, cash flows, revenue or other financial items; statements of the plans, strategies and objectives of management for future operations; statements concerning proposed new services or developments; statements regarding future economic conditions or performance or future growth rates in the markets we serve; statements regarding future raw material costs or supply; statements of belief; and statements of assumptions underlying any of the foregoing. Forward-looking statements may include the words "may," "could," "estimate," "intend," "plan," "continue," "believe," "expect," "anticipate" or other comparable terminology, or the negative of such terms.

Although we believe that the expectations and assumptions reflected in any of our forward-looking statements are reasonable, actual results could differ materially from those projected or assumed in any of our forward-looking statements. Our future financial condition, results of operations, and cash flows, as well as any forward-looking statements, are subject to change and to inherent risks and uncertainties, such as those disclosed in this Annual Report on Form 10-K. Factors that could cause our actual results, performance and achievements or industry results to differ materially from estimates or projections contained in forward-looking statements include, among others, the following:

- Effects of the COVID-19 pandemic;
- Weaknesses or cyclicality in any of the industries in which our customers operate;
- Changes in marketing, product pricing and sales strategies, or development of new products by us or our competitors;
- Future reductions in U.S. governmental spending or changes in governmental programs, particularly military equipment procurement programs;
- Conditions that adversely affect the business of any of our significant customers;
- Our ability to obtain and retain product approvals;
- Supply and costs of raw materials (particularly steel) and energy resources, the imposition of import tariffs, and our ability to pass through these costs on a timely basis;
- Our ability to acquire and integrate complementary businesses;
- Unanticipated liabilities of acquired businesses;
- Unexpected equipment failures or catastrophic events;
- Our ability to attract and retain our management team and other highly skilled personnel;
- Work stoppages and other labor problems affecting us or our customers or suppliers;
- Changes in trade agreements or treaties and the imposition of tariffs on our goods exported to other countries;

- Regulatory changes or developments in the U.S. or in foreign countries where we produce or sell products;
- Developments or disputes concerning patents or other proprietary rights;
- Risks associated with utilizing information technology systems;
- Risks associated with operating internationally, including currency translation risks;
- Investors' perceptions of us and our industry;
- Risks associated with the Dodge acquisition including the possible failure to realize the anticipated benefits from the acquisition and problems with the integration of Dodge with our legacy business;
- Risks associated with the substantial amount of debt we incurred to finance the Dodge acquisition; and
- Other risks and uncertainties including but not limited to those described from time to time in our current and quarterly reports filed with the SEC.

These and additional factors that could cause actual results to differ materially from our forward-looking statements are set forth in this Annual Report on Form 10-K under Part I, Item 1. "Business," Part I, Item 1A. "Risk Factors," Part II, Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations," and Part II, Item 8. "Financial Statements and Supplementary Data." All forward-looking statements contained in this report and any subsequently filed reports are expressly qualified in their entirety by these cautionary statements.

We have no duty to update any forward-looking statements after the date of this report to conform such statements to actual results or to changes in our expectations. You are advised, however, to review any disclosures we make on related subjects in our future periodic filings with the SEC.

**Risk Factors Relating to Our Company**

Our business, operating results, cash flows or financial condition could be materially adversely affected by any of the following risks. The trading price of our common stock or preferred stock could decline due to any of these risks, and you could lose all or part of your investment. You should carefully consider these risks before investing in shares of our common stock or preferred stock.

***The bearings, engineered components and essential systems industries are highly competitive, and competition could reduce our profitability or limit our ability to grow.***

The global bearings, engineered components and essential systems industries are highly competitive, and we compete with many U.S. and non-U.S. companies, some of which benefit from lower labor costs and fewer regulatory burdens than us. We compete primarily based on product qualifications, product line breadth, service and price. Certain competitors may be better able to manage costs than us or may have greater financial resources than we have. Due to the competitiveness in the bearings, engineered components and essential systems industries we may not be able to increase prices for our products to cover increases in our costs, and we may face pressure to reduce prices, which could materially reduce our revenues, cash flows and profitability. Competitive factors, including changes in market penetration, increased price competition and the introduction of new products and technology by existing and new competitors, could result in a material reduction in our revenues, cash flows and profitability.

***The loss of a major customer, or a material adverse change in a major customer's business, could result in a material reduction in our revenues, cash flows and profitability.***

Our top ten customers generated approximately 36%, 36% and 34% of our net sales during fiscal 2022, 2021 and 2020, respectively. Accordingly, the loss of one or more of those customers or a substantial decrease in those customers' purchases from us could result in a material reduction in our revenues, cash flows and profitability. If one of our major customers were to experience an adverse change in its business, that customer could reduce its purchases from us. For example, due to Boeing's 737 MAX production temporary shutdown, we experienced the suspension or cancellation of orders for product used in the 737 MAX airframe and engines over the last 24 months. In addition, in fiscal 2021 and fiscal 2022 we experienced reduced purchasing from customers whose businesses were constrained by the COVID-19 pandemic.

The consolidation and combination of manufacturers could eliminate customers and/or put downward pricing pressures on sales of component parts. For example, the consolidation that has occurred in the defense industry in recent years has significantly reduced the overall number of defense contractors. In addition, if one of our customers is acquired or merged with another entity, the new entity may discontinue using us as a supplier because of an existing business relationship between one of our competitors and the acquiring company, or because it may be more efficient to consolidate certain suppliers within the newly formed enterprise. The significance of the impact that such consolidations could have on our business is difficult to predict because we do not know when or if one or more of our customers will engage in merger or acquisition activity. However, if such activity involved our material customers it could materially impact our revenues, cash flows and profitability.

***Our results have been and are likely to continue to be impacted by the COVID-19 pandemic.***

The public health issues resulting from COVID-19 and the precautionary measures instituted by governments and businesses to mitigate its spread have caused, and are expected to continue to cause, world-wide business disruption, plant closures, inventory shortages, delivery delays, supply chain disruptions, and order cancellations and deferrals. As a result, the pandemic had an adverse effect on our financial results and business operations throughout fiscal 2021, which contributed to the 16.3% decline in our revenue from the prior fiscal year. The lower demand for our products made it necessary to reduce our workforce and consolidate certain of our production facilities. We continued to see the pandemic's adverse effect on our business during fiscal 2022, and expect it to continue during fiscal 2023 although the severity and duration depend on future developments that are highly uncertain and unpredictable.

While we have been able to keep our operations open for the most part during the pandemic and COVID-19 vaccines have become widely available, it remains possible that there could be future increases in the COVID-19 infection rate as new variants of the virus develop, which could result in governmental orders or COVID-19 outbreaks among the local workforce that necessitate the closure of any of our operations or those of any of our critical suppliers, which would adversely affect our production. In addition, operations that remain open may be adversely affected by personnel shortages, which could impair the operation's efficiency.

Demand for our products would be affected if the pandemic leads to the closure of any operations of our significant customers. For example, Boeing's temporary shut-down of its two primary production facilities in April 2020 led to the cancellation or deferral of various orders for our products that support Boeing production. In addition, demand for our commercial aerospace products was adversely affected by the significant reduction in commercial air travel during the pandemic.

***Weakness in any of the industries in which our customers operate, as well as the cyclical nature of our customers' businesses generally, could materially reduce our revenues, cash flows and profitability.***

The commercial aerospace, mining and construction equipment and other diversified industrial industries to which we sell our products are, to varying degrees, cyclical and tend to decline in response to overall declines in industrial production. Margins in those industries are highly sensitive to demand cycles, and our customers (or our customers' customers) in those industries historically have tended to delay large capital purchases and projects, including expensive maintenance and upgrades, during economic downturns. As a result, our business is also cyclical, and the demand for our products by these customers depends, in part, on overall levels of industrial production, general economic conditions, and business confidence levels. Many of our customers have historically experienced periodic downturns, which often have had a negative effect on demand for our products. Future downward economic cycles or customer downturns could reduce sales of our products resulting in reductions in our revenues, cash flows and profitability.

The COVID-19 pandemic caused a significant reduction in air travel, which lead various airlines to delay or cancel previously-scheduled aircraft purchases. This reduction in new aircraft purchases has had an adverse effect on our sales of bearings and component parts.

***Future reductions or changes in U.S. government spending could negatively affect our business.***

In fiscal 2022, approximately 2% of our net sales were made directly, and we estimate that approximately an additional 16% of our net sales were made indirectly, to the U.S. government to support military or other government projects. Our failure (or the failure of our customers that are prime contractors to the government) to obtain new government contracts, the cancellation of government contracts relating to our products, or reductions in federal budget appropriations for programs in which our products are used could materially reduce our revenues, cash flows and profitability. A reduction in federal budget appropriations relating to our products could result from a shift in government defense spending to other programs in which we are not involved or a reduction in U.S. government defense spending generally (due to budget reduction initiatives or a shift in government spending priorities).

***Fluctuating supply and costs of subcomponents, raw materials and energy resources, or the imposition of import tariffs, could materially reduce our revenues, cash flows and profitability.***

Our business is dependent on the availability and costs of subcomponents, raw materials, particularly steel (generally in the form of stainless and chrome steel, which are commodity steel products), and energy resources. The availability and prices of subcomponents, raw materials and energy resources may be subject to change due to, among other things, new laws or regulations, economic inflation, suppliers' allocations to other purchasers, interruptions in production or deliveries by suppliers (including interruption caused by the COVID-19 pandemic), and changes in exchange rates and supplier costs and profit expectations. The United States has imposed tariffs on steel and aluminum imports, and could impose tariffs on other items that we import, which could increase the cost of raw materials and decrease the available supply. Although we currently maintain alternative supply sources, our business is subject to the risk of price fluctuations and periodic delays in the delivery of certain subcomponents or raw materials. Disruptions in the supply of subcomponents, raw materials or energy resources could temporarily impair our ability to manufacture our products for our customers or require us to pay higher prices in order to obtain these items from other sources, which could thereby affect our net sales and profitability.

Where our customer contracts permit us to do so, we seek to pass through a significant portion of our additional costs to our customers through steel surcharges or price increases. However, many of our contracts are fixed-price contracts under which we are not able to pass these additional costs on to our customers. Even where we are able to pass these steel surcharges or price increases to our customers, there may be a lag of several months between the time we experience a cost increase and the time we are able to implement surcharges or price increases, particularly for orders already in our backlog. Competitive pressures and the terms of certain of our long-term contracts may require us to absorb at least part of these cost increases. As a result, our gross margin percentage could decline. We cannot provide assurances that we will be able to continue to pass these additional costs on to our customers at all or on a timely basis or that our customers will not seek alternative sources of supply if there are significant or prolonged increases in the price of subcomponents or other raw materials or energy resources.

***Our results could be impacted by governmental trade policies and tariffs relating to our supplies imported from foreign vendors or our finished goods exported to other countries.***

From time to time the U.S. government has imposed tariffs on the importation of various products that we use to produce our finished goods, and various foreign countries, including the People's Republic of China, have or could impose retaliatory tariffs on our products exported to those countries. While this situation has not had a material adverse effect on our business in the past, future tariffs on our foreign-sourced supplies and/or our finished goods exported to other countries could adversely impact our operating costs or demand for our products.

***Some of our products and operations are subject to certain approvals and government regulations and the loss of such approvals, or our failure to comply with such regulations, could materially reduce our revenues, cash flows and profitability.***

Essential to servicing the aerospace market is the ability to obtain product approvals. We have a substantial number of product approvals, which enable us to provide products used in virtually all domestic aircraft platforms presently in production or operation. Product approvals are typically issued by the FAA to designated OEMs who are Production Approval Holders of FAA-approved aircraft. These Production Approval Holders provide quality control oversight and generally limit the number of suppliers directly servicing the commercial aerospace market. Regulations enacted by the FAA provide for an independent process (the PMA process) that enables suppliers who currently sell their products to the Production Approval Holders to also sell products to the aftermarket. Our foreign sales may be subject to similar approvals or U.S. export control restrictions. We cannot assure you that we will not lose approvals for our aerospace products in the future. The loss or suspension of product approvals could result in lost sales and materially reduce our revenues, cash flows and profitability.

The repair and overhaul of aircraft parts and accessories throughout the world is highly regulated by government agencies, including the FAA. Our repair and overhaul operations are subject to certification pursuant to regulations established by the FAA and foreign government agencies, with regulations varying from country to country, although compliance with FAA requirements generally satisfies regulatory requirements in other countries. Our failure to comply with these regulations, or our compliance with new and more stringent government regulations, if enacted, could have an adverse effect on our business, financial condition and results of operations.

As a U.S. government contractor, we are subject to various procurement and other laws, regulations and contract terms applicable to our industry, including the FAR, the DFARS, the Truth in Negotiations Act, the False Claims Act, the Procurement Integrity Act, the International Traffic in Arms Regulations promulgated under the Arms Export Control Act, the Close the Contractor Fraud Loophole Act, the Foreign Corrupt Practices Act, and CAS, and we could be adversely affected by any negative finding by the U.S. government as to our compliance with them, including suspension or debarment from future government contracting.

***The retirement of commercial aircraft could reduce our revenues, cash flows and profitability.***

We sell replacement parts used in the repair and overhaul of jet engine and aircraft components, as well as provide such repair and overhaul services ourselves. As aircraft or engines for which we offer replacement parts or repair and overhaul services are retired, demand for these parts and services could decline and could reduce our revenue, cash flows and profitability.

***Risks associated with utilizing information technology systems could adversely affect our operations.***

We rely upon our information technology (“IT”) systems to process, transmit and store electronic information to manage and operate our business. Further, in the ordinary course of business we store sensitive data, including intellectual property, on our networks. The secure maintenance and transmission of this information is critical to our business operations.

We may face cyber events and other IT security threats, including malware, ransomware, phishing and other intrusions, to our IT infrastructure, attempts to gain unauthorized access to proprietary, classified or confidential information, and threats to the physical security of our IT systems. As a U.S. government contractor, our risk of cyber events may be greater than the risk faced by other companies that are not government contractors. In addition to security threats, our IT systems may also be subject to network, software or hardware failures. The unavailability of our IT systems, the failure of these systems to perform as anticipated, or any significant breach of data security could cause loss of data, disrupt our operations, require significant management attention and resources, subject us to liability to third parties, regulatory actions, or contract termination, and negatively impact our reputation among our customers and the public, which could have a negative impact on our financial and competitive position, results of operations and liquidity. In addition, our business with our customers and vendors could be impacted by cyber events on their IT systems.

To address the risk to our IT systems and data, we maintain an IT security program designed to resist cyber events and to mitigate the damage from successful events. A cyber event occurred during the last week of February 2021 that disrupted our IT systems. We took immediate steps to address the incident, including engaging two IT security and forensics experts to assess the impact to any affected data and to correct the security weakness that was exploited in the event. Based upon the forensic review, there was no evidence of data access or exfiltration and no material impact to the operations of the Company. Since the cyber event the Company has implemented a variety of measures to enhance and modernize our systems to guard against similar incidents in the future, and is also enhancing the Company’s recovery capabilities in the event of future incidents. We continue to evaluate the need to upgrade and/or replace our systems and network infrastructure to protect our IT environment, improve the effectiveness of our systems, and strengthen our cybersecurity program. However, these upgrades and replacements may not result in the protection or improvements anticipated.

***Work stoppages and other labor problems could materially reduce our ability to operate our business.***

We currently have three collective bargaining agreements covering employees at our Plymouth, Indiana, Fairfield, Connecticut and West Trenton, New Jersey facilities, representing approximately 8% of our U.S.-based hourly employees as of April 2, 2022. While we believe our relations with our employees are satisfactory, the inability to satisfactorily negotiate and enter into new collective bargaining agreements upon expiration, or a lengthy strike or other work stoppage at any of our facilities, particularly at some of our larger facilities, could materially reduce our ability to operate our business. In addition, any attempt by our employees not currently represented by a union to join a union could result in additional expenses, including with respect to wages, benefits and pension obligations.

In addition, work stoppages at one or more of our customers or suppliers (including suppliers of transportation services), many of which have large unionized workforces, could also cause disruptions to our business that we cannot control, and these disruptions could materially reduce our revenues, cash flows and profitability.

***Unexpected equipment failures or catastrophic events could increase our costs and reduce our sales due to production curtailments or shutdowns.***

Our manufacturing processes are dependent upon critical pieces of turning, milling, grinding, and electrical equipment, and this equipment could, on occasion, be out of service as a result of unanticipated failures. In addition to equipment failures, our facilities are also subject to the risk of catastrophic loss due to unanticipated events such as fires, explosions, earthquakes or violent weather conditions. In the future, we could experience material plant shutdowns or periods of reduced production as a result of these types of equipment failures or catastrophes. Interruptions in production capabilities would inevitably increase our production costs and reduce revenues, cash flows and profitability for the affected period.

***We may not be able to continue to make the acquisitions necessary for us to realize our growth strategy.***

The acquisition of businesses that complement or expand our operations is an important element of our business strategy. We frequently engage in evaluations of potential acquisitions and negotiations for possible acquisitions, some of which, if consummated, could be significant to us. We cannot assure you that we will be successful in identifying attractive acquisition candidates or completing acquisitions on favorable terms in the future. Our inability to acquire businesses, or to operate them profitably once acquired, could have a material adverse effect on our business, financial position, cash flow and growth.

Our ability to realize anticipated benefits and synergies from our acquisitions could be affected by a number of factors, including: the need for greater than expected cash or other financial resources or management time in order to implement or integrate acquisitions; increases in other expenses related to an acquisition, including restructuring and other exit costs; the timing and impact of purchase accounting adjustments; difficulties in employee or management integration, including labor disruptions or disputes; and unanticipated liabilities associated with acquired businesses.

Any potential cost-saving opportunities may take several quarters following an acquisition to implement, and any results of these actions may not be realized for several quarters thereafter, if at all.

***Businesses that we acquire may have liabilities for which we are liable.***

In order to complete an acquisition, it may be necessary for us to assume the liabilities of the acquired business, which was the case in the Dodge acquisition. These liabilities may be known at the time of the acquisition, but could be underestimated by us, or they may not be known to us until after the acquisition. In the case of an acquisition in which we do not assume all the liabilities of the acquired business, we obtain indemnification from the seller against the unassumed liabilities, although no assurance can be given that such indemnification will be sufficient in amount, scope or duration to fully offset the risk of the unassumed liabilities. Liabilities of acquired businesses that ultimately are borne by us (either because we assume them or our indemnification right proves to be insufficient or unenforceable) could have a material adverse effect on our business, financial condition or results of operations. In addition, after we complete an acquisition we may learn of other matters that adversely affect us, such as issues relating to the acquired business’s compliance with applicable laws, or issues relating to its supply chain, customer relationships or order demand.

***Goodwill and indefinite-lived intangibles comprise a significant portion of our total assets, and if we determine that goodwill and indefinite-lived intangibles have become impaired in the future, our results of operations and financial condition in such years may be materially and adversely affected.***

Goodwill represents the excess of cost over the fair market value of net assets acquired in business combinations. Indefinite-lived intangibles represent repair station certifications obtained in business combinations and assumed to have indefinite lives. As of April 2, 2022, we had $1,902.1 million of goodwill and $24.3 million of indefinite-lived intangibles, representing approximately 40% of our total assets. We review goodwill and indefinite-lived intangibles at least annually for impairment and any excess in carrying value over the estimated fair value is charged to the results of operations. Our estimates of fair value are based on assumptions about the future operating cash flows, growth rates, discount rates applied to these cash flows, and current market estimates of value. If we are required to record a charge to earnings because of an impairment of goodwill or indefinite-lived intangibles, our results of operations and financial condition could be materially and adversely affected.

***We depend heavily on our senior management and other key personnel, the loss of whom could materially affect our financial performance and prospects.***

Our business is managed by a number of key personnel, including our CEO Dr. Michael J. Hartnett. Our future success will depend on, among other things, our ability to keep the services of these personnel and to hire their successors and other highly qualified employees at all levels.

***Our international operations are subject to risks inherent in such activities.***

We have operations in Australia, Canada, France, Germany India, Mexico, the Peoples Republic of China, Poland and Switzerland. Of our 56 facilities in ten countries, 19 are located outside the U.S., including 10 manufacturing facilities in four countries**.**

In fiscal 2022, approximately 12% of our net sales were generated by our international operations. We expect that this proportion is likely to increase as we seek to increase our penetration of foreign markets, including through acquisitions such as Dodge, which included operations in Australia, Canada, India, Mexico and China. Our foreign operations are subject to the risks inherent in such activities such as: currency devaluations, logistical and communication challenges, costs of complying with a variety of foreign laws and regulations, greater difficulties in protecting and maintaining our rights to intellectual property, difficulty in staffing and managing geographically diverse operations, acts of terrorism or war or other acts that may cause social disruption which are difficult to quantify or predict, and general economic conditions in these foreign markets. Our international operations may be negatively impacted by changes in government policies, such as changes in laws and regulations, restrictions on imports and exports, sources of supply, duties or tariffs, the introduction of measures to control inflation, and changes in the rate or method of taxation. To date we have not experienced significant difficulties with the foregoing risks associated with our international operations.

***Currency translation risks may have a material impact on our results of operations.***

Primarily, each of our foreign operations utilizes the local currency as their functional currency. Foreign currency transaction gains and losses are included in earnings. Foreign currency transaction exposure arises primarily from the transfer of foreign currency from one subsidiary to another within the group and to foreign currency-denominated trade receivables. Unrealized currency translation gains and losses are recognized upon translation of the foreign operations' balance sheets to U.S. dollars. Because our financial statements are denominated in U.S. dollars, changes in currency exchange rates between the U.S. dollar and the currencies used by our international operations have had, and will continue to have, an impact on our earnings. We periodically enter into derivative financial instruments such as forward exchange contracts to reduce the effect of fluctuations in exchange rates on certain third-party sales transactions denominated in non-functional currencies. Currency fluctuations may affect our financial performance in the future and we cannot predict the impact of future exchange rate fluctuations on our results of operations. See Part II, Item 7A. "Quantitative and Qualitative Disclosures about Market Risk—Foreign Currency Exchange Rates" of this Annual Report on Form 10-K.

***We may incur material losses for product liability and recall-related claims.***

We are subject to a risk of product and recall-related liability in the event that the failure, use or misuse of any of our products results in personal injury, death or property damage or our products do not conform to our customers' specifications. In particular, our products are installed in a number of types of vehicle fleets, including airplanes, trains, automobiles, heavy trucks and farm equipment, many of which may be subject to government-ordered recalls as well as voluntary recalls by the manufacturer. If one of our products is found to be defective, causes a fleet to be disabled or otherwise results in a product recall, significant claims may be brought against us. We currently maintain insurance coverage for product liability claims but not for recall-related claims. We cannot assure you that product liability claims, if made, would be covered by our insurance or would not exceed our insurance coverage limits. Claims that are not covered by insurance, or that exceed insurance coverage limits, could result in material losses. Claims that are covered by insurance could result in increased future insurance costs.

***Our intellectual property and proprietary information are valuable, and any inability to protect them could adversely affect our business and results of operations; in addition, we may be subject to infringement claims by third parties.***

Our ability to compete effectively is dependent upon our ability to protect and preserve the intellectual property and proprietary information owned, licensed or otherwise used by us. We have numerous U.S. and foreign trademark registrations and patents. We also have U.S. and foreign trademark and patent applications pending. We cannot assure you that our pending trademark and patent applications will result in trademark registrations and issued patents, and our failure to secure rights under these applications may limit our ability to protect the intellectual property rights that these applications were intended to cover. Although we have attempted to protect our intellectual property and proprietary information both in the United States and in foreign countries through a combination of patent, trademark, copyright and trade secret protection, and non-disclosure agreements, these steps may be insufficient to prevent unauthorized use of our intellectual property and proprietary information, particularly in foreign countries where the protection available for such intellectual property and proprietary information may be limited. We cannot assure you that any of our intellectual property rights will not be infringed upon or that our trade secrets will not be misappropriated or otherwise become known to or independently developed by competitors. We may not have adequate remedies available for any such infringement or other unauthorized use. We cannot assure you that any infringement claims asserted by us will not result in our intellectual property being challenged or invalidated, that our intellectual property will be held to be of adequate scope to protect our business, or that we will be able to deter current and former employees, contractors or other parties from breaching confidentiality obligations and misappropriating trade secrets.

We could become subject to litigation claiming that our intellectual property or proprietary information infringes the rights of a third party. In that event, we could incur substantial defense costs and, if such litigation is successful, we could be required to pay the claimant damages for our past use of such intellectual property or proprietary information, and we could either be required to pay royalties for our use of it in the future or be prohibited from using it in the future. Our inability to use our intellectual property and proprietary information on a cost-effective basis in the future could have a material adverse effect on our revenue, cash flow and profitability. See Part I, Item 1. “Business—Intellectual Property” of this Annual Report on Form 10-K.

***Cancellation of orders in our backlog could negatively impact our revenues, cash flows and profitability.***

As of April 2, 2022, we had an order backlog of $603.1 million. However, orders included in our backlog may be subject to cancellation, delay or other modifications by our customers and we cannot assure you that these orders will ultimately be fulfilled.

***Quarterly performance can be affected by the timing of government product inspections and approvals.***

A portion of our quarterly revenue is associated with contracts with the U.S. government that require onsite inspection and approval of the products by government personnel before we may ship the products, and we have no control over the timing of those inspections and approvals. If products scheduled for delivery in one quarter are not inspected or approved until the following quarter, the delay would adversely affect our sales and profitability for the quarter in which the shipments were scheduled.

***We may fail to realize some or all of the anticipated benefits of the Dodge acquisition or those benefits may take longer to realize than expected.***

We believe that there are significant benefits and synergies to be realized through leveraging the products, scale and combined enterprise customer bases of our legacy business and our new Dodge business. However, the efforts to realize these benefits and synergies will be a complex process and may disrupt operations if not implemented in a timely and efficient manner. The full benefits of the Dodge acquisition, including any anticipated sales or growth opportunities, may not be realized as expected or may not be achieved within the time frames we anticipate, or at all. Any data on the expected synergies from the Dodge acquisition included in the unaudited pro forma condensed combined financial information that was included in our Current Report on Form 8-K filed with the SEC on September 20, 2021 or in our purchase price allocation disclosed within Part II, Item 8, Note 8 of this report was based on various adjustments, assumptions and preliminary estimates made at that time. Failure to achieve the anticipated benefits of the acquisition could adversely affect our results of operations or cash flows.

***We may not be able to efficiently integrate Dodge into our operations.***

The success of the Dodge acquisition, including its anticipated benefits and cost savings, depends, in part, on our ability to optimize our operations and integrate Dodge, its systems, operations and personnel into our legacy business. These activities will require time and involve dedication of various resources of the Company that would otherwise be dedicated to our other operations. These integration efforts may accordingly adversely affect our other operations to the extent such efforts take resources or attention away from those operations. If we experience difficulties in the integration process, the anticipated benefits of the Dodge acquisition may not be realized fully or at all, or may take longer to realize than expected, which could have an adverse effect on us for an undetermined period. There can be no assurance that we will realize the operational or financial gains from the Dodge acquisition that we anticipated when we originally decided to acquire Dodge.

Additional challenges, risks and uncertainties we may encounter as part of the integration process include the following:

- we may face significant costs of integration and compliance with any laws or regulations applicable to Dodge or our combined company;
- we may experience delays in the integration of management teams, strategies, operations, products and services;
- differences in business backgrounds, corporate cultures and management philosophies may delay the successful integration of Dodge's management personnel into our operations;
- we may be unable to retain key Dodge employees;
- we may not be able to create and enforce uniform standards, controls, procedures, policies and information systems across our combined company;
- we may face challenges in integrating complex systems, technology, networks and other assets of Dodge into our operations in a seamless manner that minimizes any adverse impact on customers, suppliers, employees and other constituencies;
- there may be potential unknown liabilities and unforeseen increased expenses associated with the Dodge acquisition, including costs to integrate Dodge beyond current estimates; and
- we may experience disruptions of, or the loss of momentum in, our legacy business or the Dodge businesses or inconsistencies in standards, controls, procedures and policies.

Any of these factors could adversely affect our ability to maintain relationships with customers, suppliers, employees and other constituencies or our ability to achieve the anticipated benefits of the Dodge acquisition, which could reduce earnings or otherwise adversely affect our business and financial results.

***We incurred substantial debt in order to complete the Dodge acquisition, which could constrain our business and exposes us to the risk of defaults under our debt instruments.***

As of November 1, 2021, we had approximately $1,800.0 million of total debt as a result of the completion of the Dodge acquisition. As of April 2, 2022, our total debt was $1,688.3 million. This debt could or will have important consequences, including, but not limited to:

- this debt requires us to make significant interest and principal payments in the future;
- a substantial portion of our cash flow from operations will be used to repay the principal and interest on our debt, thereby reducing the funds available to us for other purposes including for strategic acquisitions, working capital, capital expenditures, and general corporate purposes;
- our flexibility in planning for and reacting to changes in our business, the competitive landscape and the markets in which we operate may be limited; and
- we may be placed at a competitive disadvantage relative to other companies in our industry with less debt or comparable debt on more favorable terms.

Our ability to make scheduled payments on and to refinance our indebtedness depends on and is subject to our financial and operating performance and no assurance can be given that our business will generate sufficient cash flow to service our debt.

Additionally, our ability to comply with the financial and other covenants contained in our debt instruments could be affected by, among other things, changes in our results of operations, the incurrence of additional indebtedness, the pricing of our products, our success at implementing cost reduction initiatives, our ability to successfully implement our overall business strategy, or changes in industry-specific or general economic conditions which are beyond our control. The breach of any of these covenants could result in a default or event of default under our debt instruments, which, if not cured or waived, could result in our being required to repay these borrowings before their due date. If we are forced to refinance these borrowings on less favorable terms or cannot refinance these borrowings, our prospects, business, financial condition, results of operations and cash flows could be materially and adversely affected and could cause us to become bankrupt or otherwise insolvent. In addition, these covenants may restrict our ability to engage in transactions that we believe would otherwise be in the best interests of our business and stockholders.

***Increases in interest rates would increase the cost of servicing our term loan and could reduce our profitability.***

Our $1,300.0 million term loan bears interest at a variable rate. As of April 2, 2022, $1,200.0 million remains outstanding on this term loan. As a result, increases in interest rates would increase the cost of servicing the term loan, and could materially reduce our profitability and cash flows. A 1% increase in interest rates would increase our annual interest expense by approximately $12.0 million whereas a 1% decrease in interest rates would decrease our annual interest expense by approximately $12.0 million (assuming no repayments on the principal balance during the period). We have not entered into interest rate cap agreements on the term loan. In addition, a transition away from the London Interbank Offered Rate (LIBOR) as a benchmark for establishing the applicable interest rate may affect the cost of servicing the term loan. The Financial Conduct Authority of the United Kingdom has announced that it plans to no longer persuade or compel banks to submit rates for the calculation of LIBOR in the coming years. Although the term loan provides for alternative base rates, such alternative base rates may or may not be related to LIBOR, and the consequences of the phase-out of LIBOR cannot be entirely predicted at this time.

## Risk Factors Related to our Capital Stock

***Provisions in our charter documents may prevent or hinder efforts to acquire a controlling interest in us.***

Provisions of our certificate of incorporation and bylaws may discourage, delay or prevent a merger, acquisition or other change in control that stockholders may consider favorable, including transactions that might benefit our stockholders or in which our stockholders might otherwise receive a premium for their shares. These provisions may also prevent or frustrate attempts by our stockholders to replace or remove our management.

Pursuant to our charter documents, our Board of Directors (the “Board”) consists of eight members serving staggered three-year terms and divided into three classes. As a result, two annual meetings are required to change a majority of the Board members.

Our certificate of incorporation authorizes the issuance of 10,000,000 shares of preferred stock, with such designations, rights and preferences as may be determined from time to time by the Board, without stockholder approval. We utilized this authorization to issue 4,600,000 shares of 5.00% Series A Mandatory Convertible Preferred Stock (“MCPS”) in fiscal 2022. Certain terms of the MCPS could make an attempt to acquire RBC more difficult or expensive. In the future the Board could authorize the issuance of additional preferred stock with rights, preferences and privileges that rank equally with the MCPS, or that could have the effect of discouraging, delaying or preventing a change in control of us, or that could impede our stockholders’ ability to approve a transaction they consider in their best interests. Although we have no present intention to issue any additional preferred stock, no assurance can be given that we will not do so in the future. Holders of our common stock do not have preemptive rights to subscribe for a pro rata portion of preferred stock or any other capital stock that we may issue in the future.

***We do not expect to pay cash dividends on our common stock in the foreseeable future and our ability to pay dividends on the MCPS is subject to various limitations.***

Except for a $2.00 per common share special dividend paid in 2014, we have not paid any cash dividends on our common stock and we do not expect to pay cash dividends on the common stock in the foreseeable future. Instead, we plan to apply earnings and excess cash, if any, to the service of our debt, the payment of quarterly dividends on the MCPS, and the expansion and development of our business. Thus, any return on an investment in our common stock would depend solely on an increase, if any, in the market value of the common stock.

Our ability to pay dividends on the MCPS depends on several factors including:

- The amount of cash we have on hand and cash generated by our business;
- Our anticipated financing needs, including our debt service obligations;
- The ability of our subsidiaries to distribute cash to our parent company, which issued the MCPS;
- Regulatory restrictions on our ability to pay dividends, including those under the Delaware General Corporation Law; and
- Contractual restrictions on our ability to pay dividends, including under our bank credit agreement with Wells Fargo.

## ITEM 1B. UNRESOLVED STAFF COMMENTS

None

## ITEM 2. PROPERTIES

Our principal executive office consists of 42,000 square feet located at One Tribology Center, Oxford, Connecticut, which we own, and our Dodge Industrial subsidiary has 74,970 square feet of office space in Greenville, South Carolina, which we lease. We also own or lease manufacturing facilities in the United States, China, Mexico, Switzerland and Poland as follows:

| Manufacturing Facility Location | Owned/Leased | Square Footage |
|---|---|---|
| Arizona: Tucson | owned | 155,000 |
| California: | | |
| Baldwin Park | leased | 30,000 |
| Garden Grove | leased | 18,000 |
| Rancho Dominguez | owned | 70,000 |
| San Diego | leased | 38,000 |
| Santa Ana | owned | 70,000 |
| Santa Fe Springs | leased | 40,000 |
| Torrance | leased | 72,000 |
| Connecticut: | | |
| Fairfield | owned | 80,000 |
| Middlebury | owned | 60,000 |
| Oxford | owned | 89,000 |
| Torrington | owned | 137,000 |
| Georgia: Ball Ground | owned | 40,000 |
| Indiana: | | |
| Bremen | owned | 50,000 |
| Franklin | owned | 30,000 |
| Plymouth | owned | 40,000 |
| New Jersey: West Trenton | leased | 86,000 |
| North Carolina: | | |
| Marion | owned | 271,000 |
| Weaverville | leased | 167,000 |
| Ohio: Mentor | leased | 57,000 |
| Oklahoma: Oklahoma City | leased | 75,000 |
| South Carolina: | | |
| Belton | owned | 187,000 |
| Greenville | leased | 264,000 |
| Greer | leased | 34,000 |
| Hartsville | owned | 148,000 |
| Westminster | owned | 78,000 |
| Tennessee: Rogersville | leased | 221,000 |
| China: Shanghai | leased | 62,000 |
| Mexico: | | |
| Guaymas, Sonora | leased | 70,000 |
| Reynosa, Tamaulipas | leased | 202,000 |
| Tecate, Baja | leased | 38,000 |
| Poland: Mielec | owned | 44,000 |
| Switzerland: | | |
| Bürglen | leased | 20,000 |
| Delémont | owned | 132,000 |

We also own or lease the following distribution centers:

| Distribution Center Location | Owned/Leased | Square Footage |
|---|---|---|
| California: Rancho Dominguez | owned | 4,000 |
| Illinois: Hoffman Estates | leased | 2,200 |
| South Carolina: Bishopville | owned | 77,000 |
| Texas: Grand Prairie | leased | 5,000 |
| Tennessee; Crossville | leased | 158,000 |
| Australia; Sydney | leased | 9,000 |
| Canada: | | |
| Burlington | leased | 7,000 |
| Edmonton | leased | 13,000 |
| Mississauga | leased | 40,000 |
| St. Hubert | leased | 7,000 |
| India: Pune | leased | 5,000 |

In addition, we lease several sales offices in various locations throughout the United States and in Les Ulis, France; Shanghai, China; and Langenselbold, Germany to support our sales activities.

We believe that as the term for each of our leased facilities expires we will be able to either secure a renewal or enter into a lease for an alternate location on market terms.

We believe that our existing facilities and equipment are generally in good condition, are well maintained and adequate to carry on our current operations. We also believe that our existing manufacturing facilities have sufficient capacity to meet increased customer demand.

## ITEM 3. LEGAL PROCEEDINGS

From time to time, we are involved in litigation and administrative proceedings that arise in the ordinary course of our business. We do not believe that any litigation or proceeding in which we are currently involved, either individually or in the aggregate, is likely to have a material adverse effect on our business, financial condition, operating results, cash flow or prospects.

## ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

## ITEM 4A. EXECUTIVE OFFICERS OF THE REGISTRANT

Our executive officers are appointed by the Board normally for a term of one year and/or until the appointment of their successors. All executive officers have been employed by the Company at their current positions during the past five-year period except as noted below. Our executive officers as of May 26, 2022 are as follows:

| Name | Age | Year Appointed | Current Position and Previous Positions During Last Five Years |
|---|---|---|---|
| Michael J. Hartnett | 76 | 1992 | Chairman, President and Chief Executive Officer. |
| Daniel A. Bergeron | 62 | 2017 | Director, Vice President and Chief Operating Officer. |
| Patrick S. Bannon | 57 | 2017 | Vice President and General Manager. |
| Richard J. Edwards | 66 | 1996 | Vice President and General Manager. |
| John J. Feeney | 53 | 2020 | Vice President, General Counsel and Secretary. Served as Assistant General Counsel from 2014 to 2020. |
| Robert M. Sullivan | 38 | 2020 | Vice President and Chief Financial Officer. Served as Corporate Controller from 2017 to 2020. |

## PART II

## ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

### Price range of our Common Stock and Preferred Stock

Our common stock is quoted on the Nasdaq National Market under the symbol "ROLL." As of May 20, 2022, there was one holder of record of our common stock.

The following table shows the high and low sales prices of our common stock as reported by the Nasdaq National Market during the periods indicated:

| | Fiscal 2022 | | Fiscal 2021 | |
|---|---|---|---|---|
| | High | Low | High | Low |
| First Quarter | $ 208.11 | $ 185.00 | $ 159.04 | $ 103.09 |
| Second Quarter | 250.52 | 179.60 | 145.55 | 113.40 |
| Third Quarter | 242.74 | 188.51 | 184.83 | 114.49 |
| Fourth Quarter | 214.80 | 165.99 | 206.64 | 160.51 |

The last reported sale price of our common stock on the Nasdaq National Market on May 20, 2022 was $157.36 per share.

Our preferred stock is quoted on the Nasdaq National Market under the symbol "ROLLP." As of May 20, 2022, there was one holder of record of our preferred stock.

The following table shows the high and low sales prices of our preferred stock as reported by the Nasdaq National Market during the periods indicated:

| | Fiscal 2022 | | Fiscal 2021 | |
|---|---|---|---|---|
| | High | Low | High | Low |
| First Quarter | $ — | $ — | $ — | $ — |
| Second Quarter | 126.88 | 101.00 | — | — |
| Third Quarter | 122.74 | 101.17 | — | — |
| Fourth Quarter | 109.76 | 91.35 | — | — |

The last reported sale price of our preferred stock on the Nasdaq National Market on May 20, 2022 was $84.55 per share.

### Issuer Purchases of Equity Securities

In 2019, our Board of Directors authorized us to repurchase up to $100.0 million of our common stock from time to time on the open market, in block trade transactions, and through privately negotiated transactions, in compliance with SEC Rule 10b-18 depending on market conditions, alternative uses of capital, and other relevant factors. Purchases may be commenced, suspended, or discontinued at any time without prior notice.

Total share repurchases under the 2019 plan for the three months ended April 2, 2022 are as follows:

| Period | Total number of shares purchased | Average price paid per share | Number of shares purchased as part of the publicly announced program | Approximate dollar value of shares still available to be purchased under the program (000's) |
|---|---|---|---|---|
| 01/02/2022 – 01/29/2022 | - | $ - | - | $ 79,923 |
| 01/30/2022 – 02/26/2022 | 4,982 | 174.65 | 4,982 | 79,053 |
| 02/27/2022 – 04/02/2022 | - | - | - | $ 79,053 |
| Total | 4,982 | $ 174.65 | 4,982 | |

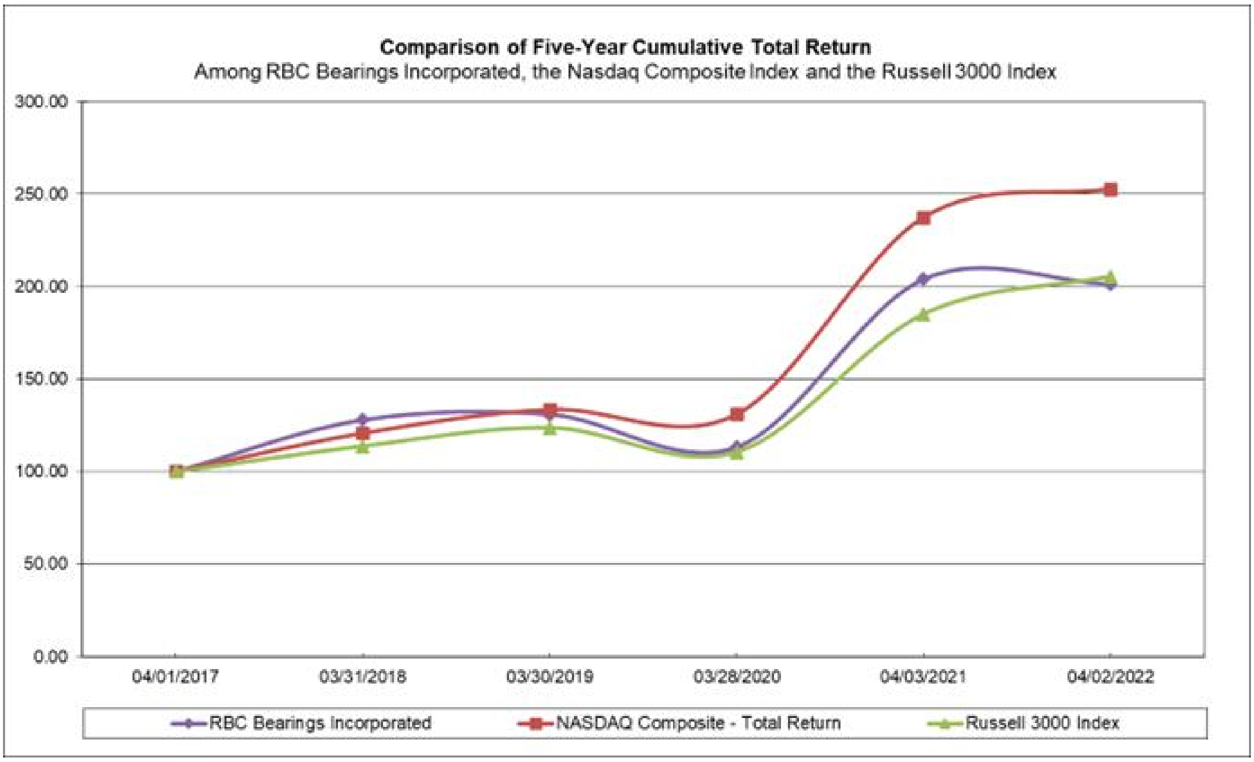
During the fourth quarter of fiscal 2022, we did not issue any common stock that was not registered under the Securities Act of 1933.

### Equity Compensation Plans

Information regarding equity compensation plans required to be disclosed pursuant to this Item is included in Part II, Item 8, Note 15 of this Annual Report on Form 10-K.

### Performance Graph

The following graph shows the total return to our stockholders compared to the Russell 3000 Index and the Nasdaq Composite Index over the period from April 1, 2017 to April 2, 2022. Because of the diversity of our markets and products, we do not believe that a combination of peer issuers can be selected on an industry or line-of-business basis to provide a meaningful basis for comparing shareholder return. Accordingly, the Russell 3000 Index, which is comprised of issuers with generally similar market capitalizations to that of the Company, is included in the graph as permitted by applicable regulations. Each line on the graph assumes that $100 was invested in our common stock or in the respective indices on April 1, 2017 based on the closing price on that date. The graph then presents the value of these investments, assuming reinvestment of dividends, through the close of trading on April 2, 2022.



| | April 1, 2017 | March 31, 2018 | March 30, 2019 | March 28, 2020 | April 3, 2021 | April 2, 2022 |
|---|---|---|---|---|---|---|
| RBC Bearings Incorporated | $ 100.00 | $ 127.92 | $ 130.98 | $ 113.30 | $ 204.08 | $ 201.41 |
| Nasdaq Composite Index | 100.00 | 120.76 | 133.60 | 131.04 | 237.37 | 252.78 |
| Russell 3000 Index | 100.00 | 113.81 | 123.79 | 110.70 | 185.17 | 205.53 |

The cumulative total return shown on the stock performance graph indicates historical results only and may not be indicative of future results.

## ITEM 6. SELECTED FINANCIAL DATA

Not applicable.

## ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The financial and business analysis below provides information which we believe is relevant to an assessment and understanding of our consolidated financial position, results of operations and cash flows. This financial and business analysis should be read in conjunction with the consolidated financial statements and related notes. All references to "Notes" in this Item 7 refer to the "Notes to Consolidated Financial Statements" included in Item 8 of this Annual Report on Form 10-K.

The following discussion contains statements reflecting our views about our future performance that constitute "forward-looking statements" within the meaning of the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995. See the information provided in Part I, Item 1A. "Risk Factors" of this Annual Report on Form 10-K under the heading "Cautionary Statement as to Forward-Looking Information."

We have omitted our discussion of fiscal 2020 from this section as permitted by Regulation S-K. Discussion and analysis of our financial condition and results of operations for fiscal 2020 can be found within Part II, Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" of our Annual Report on Form 10-K filed with the SEC on May 21, 2021.

### Overview

We are a well-known international manufacturer of highly engineered precision bearings, components and essential systems for the industrial, defense and aerospace industries. Our precision solutions are integral to the manufacture and operation of most machines and mechanical systems, reduce wear to moving parts, facilitate proper power transmission, and reduce damage and energy loss caused by friction. While we manufacture products in all major bearing categories, we focus primarily on the higher end of the bearing market where we believe our value-added manufacturing and engineering capabilities enable us to differentiate ourselves from our competitors and enhance profitability. We believe our unique expertise has enabled us to garner leading positions in many of the product markets in which we primarily compete. With 56 facilities in 10 countries, of which 37 are manufacturing facilities, we have been able to significantly broaden our end markets, products, customer base and geographic reach. We have a fiscal year consisting of 52 or 53 weeks, ending on the Saturday closest to March 31. Based on this policy, fiscal year 2022 had 52 weeks and fiscal year 2021 had 53 weeks. We currently operate under two reportable business segments – Aerospace/Defense and Industrial:

- ***Aerospace/Defense.*** This segment represents the end markets for the Company's highly engineered bearings and precision components used in commercial aerospace, defense aerospace, and marine and ground defense applications.

- ***Industrial.*** This segment represents the end markets for the Company's highly engineered bearings, gearings and precision components used in various industrial applications including: power transmission; construction, mining, energy and specialized equipment manufacturing; semiconductor production equipment manufacturing; agricultural machinery, commercial truck and automotive manufacturing; and tool holding.

The markets for our products are cyclical, and we have endeavored to mitigate this cyclicality by entering into single and sole-source relationships and long-term purchase agreements, through diversification across multiple market segments within the Aerospace/Defense and Industrial segments, by increasing sales to the aftermarket, and by focusing on developing highly customized solutions.

Currently, our strategy is built around maintaining our role as a leading manufacturer of highly-engineered bearings and precision components through the following efforts:

- ***Developing innovative solutions.*** By leveraging our design and manufacturing expertise and our extensive customer relationships, we continue to develop new products for markets in which there are substantial growth opportunities.

- ***Expanding customer base and penetrating end markets.*** We continually seek opportunities to access new customers, geographic locations and bearing platforms with existing products or profitable new product opportunities.

- ***Increasing aftermarket sales.*** We believe that increasing our aftermarket sales of replacement parts will further enhance the continuity and predictability of our revenues and enhance our profitability. Such sales include sales to third party distributors, and sales to OEMs for replacement products and aftermarket services. The acquisition of Dodge has had a profound impact on our sales volumes to distributors and other aftermarket customers. We will further increase the percentage of our revenues derived from the replacement market by continuing to implement several initiatives.

- ***Pursuing selective acquisitions.*** The acquisition of businesses that complement or expand our operations has been and continues to be an important element of our business strategy. We believe that there will continue to be consolidation within the industry that may present us with acquisition opportunities.

We have demonstrated expertise in acquiring and integrating bearing and precision engineered component manufacturers that have complementary products or distribution channels and have provided significant margin enhancement. We have consistently increased the profitability of acquired businesses through a process of methods and systems improvement coupled with the introduction of complementary and proprietary new products. Since 1992 we have completed 27 acquisitions, which have broadened our end markets, products, customer base and geographic reach.

**Recent Significant Events**

*Acquisition of Dodge*

On November 1, 2021, the Company purchased 100% of the capital stock of Dodge Mechanical Power Transmission Company Inc. (now known as Dodge Industrial, Inc.), and certain other assets relating to ABB Asea Brown Boveri Ltd’s mechanical power transmission business. Collectively, this acquired business is referred to as “Dodge.” The purchase price was approximately $2,908.2 million, net of cash acquired and subject to certain adjustments. The purchase price was paid with a mix of financing and cash on hand. Financing for the Dodge acquisition is discussed further within the “Liquidity and Capital Resources” section below.

With offices in Greenville, South Carolina, Dodge is a leading manufacturer of mounted bearings, gearings, motion control products and mechanical products with market-leading brand recognition. Dodge manufactures a complete line of mounted bearings, enclosed gearing and power transmission components across a diverse set of industrial end markets. Dodge primarily operates across the construction and mining aftermarket, and the food & beverage, warehousing and general machinery verticals, with sales predominately in the Americas.

**Outlook**

Our net sales increased 54.8% year over year due to an increase of 163.9% in Industrial sales partially offset by a 3.7% decrease in aerospace and defense sales. Approximately $291.9 million of the Industrial sales were from the Dodge business. Excluding those sales, Industrial sales increased 26.7% year over year, reflecting sustained growth across many different areas. Highlights included our mining business, which increased more than 50% year over year, oil and gas, semiconductor, and general industrial markets.

Aerospace and defense decreased 3.7% year over year. Commercial aerospace decreased 1.5%, despite demonstrating early signs of recovery during the second half of the year. Defense sales, which represent approximately 39.0% of segment sales during the year, were down more than 7% for the year, driven by marine and aerospace markets. The recovery in the commercial aerospace industry has proven slower than anticipated, but the order rate in recent months signals a positive sign as we look toward fiscal 2023.

For the twelve months ended April 2, 2022, approximately 60% of our net sales were attributable to the Industrial segment while the aerospace/defense segment contributed approximately 40% of our net sales. For the fourth quarter of fiscal 2022, approximately 71.0% of our net sales were attributable to the Industrial segment compared to approximately 29.0% for the aerospace/defense segment. This shift in mix is primarily due to $181.9 million of sales attributable to the Dodge business in the fourth quarter. Approximately 66.0% of Industrial sales in the fourth quarter were to distribution and aftermarket while approximately 34.0% were made directly to OEM's. Approximately 36.0% of our aerospace/defense sales were to the defense market. The Company expects net sales to be approximately $355.0 million to $365.0 million in the first quarter of fiscal 2023, compared to $156.2 million in the prior year, which represents a growth rate of 127.3% to 133.7%.

We ended fiscal 2022 with a backlog of $603.1 million compared to $394.8 million for the same period last year, representing a 53% increase year over year. This increase reflects the benefits of the acquisition of the Dodge business, as well as an increase in aerospace orders during the period.

We experienced solid operating cash flow generation during fiscal 2022 (as discussed in the section "Liquidity and Capital Resources" below). With the addition of Dodge, we expect this trend to continue during fiscal 2023 as customer demand continues to be significant. We believe that operating cash flows and available credit under the Revolving Credit Facility and Foreign Revolver will provide adequate resources to fund internal growth initiatives for the foreseeable future, including at least the next 12 months. For further discussion regarding the funding of the Dodge acquisition, refer to Part II, Item 8 – Notes 8, 11 and 15. As of April 2, 2022, we had cash and cash equivalents of $182.9 million, of which, approximately $34.9 million was cash held by our foreign operations.

**Sources of Revenue**

A contract with a customer exists when there is commitment and approval from both parties involved, the rights of the parties are identified, payment terms are defined, the contract has commercial substance and collectability of consideration is probable. The Company has determined that the contract with the customer is established when the customer purchase order is accepted or acknowledged. Long-term agreements (LTAs) are used by the Company and certain of its customers to reduce their supply uncertainty for a period of time, typically multiple years. While these LTAs define commercial terms including pricing, termination rights and other contractual requirements, they do not represent the contract with the customer for revenue recognition purposes.

Approximately 97% and 96% of the Company's revenue was generated from the sale of products to customers in the industrial and aerospace/defense markets for each of the years ended April 2, 2022 and April 3, 2021, respectively. During fiscal 2022, approximately 3% of the Company's revenue was derived from services performed for customers, which included repair and refurbishment work performed on customer-controlled assets as well as design and test work, compared to approximately 4% for fiscal 2021.

Refer to Note 2 – "Summary of Significant Accounting Policies" for further discussion regarding the Company's revenue policy.

**Cost of Sales**

Cost of sales includes employee compensation and benefits, raw materials, outside processing, depreciation of manufacturing machinery and equipment, supplies and manufacturing overhead.

Less than half of our factory costs, depending on product mix, are attributable to raw materials, purchased components and outside processing. When we experience raw material inflation, we attempt to offset these cost increases by changing our buying patterns, expanding our vendor network and passing through price increases when possible. Although we experienced cost inflation on raw material for this fiscal year, we were able to mitigate it through pricing and strategic sourcing efforts.

We monitor gross margin performance through a process of monthly operation reviews with all our divisions. We develop new products to target certain markets allied to our strategies by first understanding volume levels and product pricing and then constructing manufacturing strategies to achieve defined margin objectives. We only pursue product lines where we believe that the developed manufacturing process will yield the targeted margins. Management monitors gross margins of all product lines on a monthly basis to determine which manufacturing processes or prices should be adjusted.

***Fiscal 2022 Compared to Fiscal 2021***

**Results of Operations**

| | FY22 | FY21 | $ Change | % Change |
|---|---|---|---|---|
| Net sales | $ 942.9 | $ 609.0 | $ 333.9 | 54.8% |
| Net income available to common stockholders | $ 53.1 | $ 89.6 | $ (36.5) | (40.8)% |
| Net income per common share available to common stockholders: Diluted | $ 1.95 | $ 3.58 | | |
| Weighted average common shares available to common stockholders: Diluted | 27,214,232 | 25,048,451 | | |

Net sales for the twelve months ended April 2, 2022 increased $333.9 million, or 54.8%, for fiscal 2022 compared to fiscal 2021. This increase in net sales was the result of a 163.9% increase in our Industrial segment, while sales in our Aerospace/Defense segment declined 3.7% year over year. Included in the increase in our Industrial segment was the impact of the Dodge acquisition, which contributed $291.9 million of sales during the year. Excluding the impact of Dodge, total net sales increased 6.9%, and Industrial sales increased 26.7% year over year. The increase in industrial sales reflects a pattern of sustained growth during the year, led by results in semiconductor, mining, energy, and general industrial markets. Within Aerospace/Defense, total commercial aerospace decreased 1.5% and defense decreased 7.1% year over year. The decrease was mitigated during the second half of the year as conditions began to improve in the commercial aerospace business, driving increased sales.

Net income available to common stockholders decreased by $36.5 million to $53.1 million for fiscal 2022 compared to fiscal 2021. The net income available to common stockholders of $53.1 million in fiscal 2022 was impacted by $13.8 million of inventory purchase accounting adjustments associated with the Dodge acquisition, $30.6 million of other costs associated with the Dodge acquisition, $41.5 million of interest expense, $12.0 million of preferred stock dividends and $22.7 million of tax expense. The net income available to common stockholders of $89.6 million in fiscal 2021 was impacted by $7.3 million of pre-tax costs associated with restructuring, $1.5 million of costs associated with the cyber event, $0.2 million of losses on foreign exchange, and $20.4 million of tax expense.

***Gross Margin***

| | FY22 | FY21 | $ Change | % Change |
|---|---|---|---|---|
| Gross Margin | $ 357.1 | $ 234.1 | $ 123.0 | 52.5% |
| Gross Margin % | 37.9% | 38.4% | | |

Gross margin was 37.9% of sales for fiscal 2022 compared to 38.4% for the same period last year. Gross margin during fiscal 2022 included the unfavorable impact of $13.8 million of purchase accounting adjustments associated with the Dodge acquisition and $0.9 million of other inventory rationalization costs associated with consolidation efforts at one of our facilities. Gross margins in fiscal 2021 were impacted by $3.1 million of inventory rationalization costs associated with the consolidation of certain manufacturing facilities and $0.8 million of capacity inefficiencies driven by the decrease in volume.

***Selling, General and Administrative***

| | FY22 | FY21 | $ Change | % Change |
|---|---|---|---|---|
| SG&A | $ 158.6 | $ 106.0 | $ 52.6 | 49.7% |
| % of net sales | 16.8% | 17.4% | | |

SG&A expenses increased by $52.6 million to $158.6 million for fiscal 2022 compared to fiscal 2021. Included in the fiscal 2022 result is $34.6 million of costs from the Dodge business. The remainder of the increase is primarily associated with an increase in personnel costs year over year.

***Other, Net***

| | FY22 | FY21 | $ Change | % Change |
|---|---|---|---|---|
| Other, net | $ 68.4 | $ 16.7 | $ 51.7 | 310.7% |
| % of net sales | 7.3% | 2.7% | | |

Other operating expenses for fiscal 2022 totaled $68.4 million compared to $16.7 million for fiscal 2021. For fiscal 2022, other operating expenses were comprised of $30.6 million of costs associated with the Dodge acquisition, $34.7 million of amortization expense, $1.1 million of plant consolidation and restructuring costs, $0.5 million of bad debt expense, $0.3 million of losses on disposal of assets, and $1.2 million of other items. For fiscal 2021, other operating expenses were comprised of $10.2 million of amortization of intangible assets, $2.9 million of restructuring and consolidation costs, $1.5 million of forensic specialist and remediation costs related to a cyber event, $1.3 million loss on disposal of assets, $0.5 million of bad debt expense, and $0.3 million of other items.

***Interest Expense, Net***

| | FY22 | FY21 | $ Change | % Change |
|---|---|---|---|---|
| Interest expense | $ 41.5 | $ 1.4 | $ 40.1 | 2,802.8% |
| % of net sales | 4.4% | 0.2% | | |

Interest expense, net, generally consists of interest charged on our debt and amortization of debt issuance costs offset by interest income (see “Liquidity and Capital Resources – Liquidity” below). Interest expense, net was $41.5 million for fiscal 2022 compared to $1.4 million for fiscal 2021. This included amortization of debt issuance costs of $18.9 million for fiscal 2022 and $0.5 million for fiscal 2021. Included in the debt issuance cost amortization in fiscal 2022 was $16.6 million associated with the fees for a $2,800.0 million bridge commitment obtained in connection with the Dodge acquisition. The increase in interest expense is primarily attributable to the debt taken on by the Company to finance the acquisition of Dodge.

***Other Non-Operating Expense***

| | FY22 | FY21 | $ Change | % Change |
|---|---|---|---|---|
| Other non-operating expense | $ 0.8 | $ (0.0) | $ 0.8 | (2,790.3)% |
| % of net sales | 0.1% | (0.0)% | | |

Other non-operating expense for fiscal 2022 totaled $0.8 million, consisting primarily of costs associated with post-retirement benefit plans.

***Income Taxes***

| | FY22 | FY21 |
|---|---|---|
| Income tax expense | $ 22.7 | $ 20.4 |
| Effective tax rate with discrete items | 25.8% | 18.6% |
| Effective tax rate without discrete items | 27.5% | 20.6% |

Income tax expense for fiscal 2022 was $22.7 million compared to $20.4 million for fiscal 2021. Our effective income tax rate for fiscal 2022 was 25.8% compared to 18.6% for fiscal 2021. The effective income tax rates are different from the U.S. statutory rate due to the U.S. credits for increasing research activities and foreign-derived intangible income provision which decrease the rate and differences in foreign and state income taxes which increase the rate. Further, in fiscal 2022, the effective tax rate was negatively impacted by tax impacts associated with acquisition costs and increases in tax reserves associated with Section 162(m) of the Internal Revenue Code. The effective income tax rate for fiscal 2022 of 25.8% included discrete items of $1.5 million benefit which are comprised substantially of a benefit associated with share-based compensation and unrecognized tax benefits associated with the expiration of statutes of limitations partially offset by tax expense arising from an increase in the valuation allowance on a capital loss carryforward. The effective income tax rate for fiscal 2022 without these discrete items would have been 27.5%. The effective income tax rate for fiscal 2021 of 18.6% includes discrete items of $2.2 million benefit which are comprised substantially of a benefit associated with share-based compensation and unrecognized tax benefits associated with the expiration of statutes of limitations. The effective income tax rate for fiscal 2021 without these discrete items would have been 20.6%.

## Segment Information

We previously reported our financial results under four operating segments (Plain Bearings, Roller Bearings, Ball Bearings, and Engineered Products), but the Dodge acquisition has resulted in a change in the internal organization of the Company and how our chief operating decision maker makes operating decisions, assesses the performance of the business, and allocates resources. Accordingly, we now report our financial results under two operating segments: Aerospace/Defense and Industrial. Financial information for fiscal 2021 has been recast to conform to the new segment presentation. We use gross margin as the primary measurement to assess the financial performance of each reportable segment.

***Aerospace/Defense Segment:***

| | FY22 | FY21 | $ Change | % Change |
|---|---|---|---|---|
| Net sales | $ 381.5 | $ 396.2 | $ (14.7) | (3.7)% |
| | | | | |
| Gross margin | $ 155.1 | $ 161.2 | $ (6.1) | (3.8)% |
| Gross margin % | 40.7% | 40.7% | | |
| | | | | |
| SG&A | $ 29.0 | $ 29.1 | $ (0.1) | (0.5)% |
| % of segment net sales | 7.6% | 7.4% | | |

Net sales decreased $14.7 million, or 3.7%, for fiscal 2022 compared to fiscal 2021. Commercial aerospace decreased during the period 1.5% year over year. The commercial aerospace OEM component was flat while commercial distribution and aftermarket decreased approximately 6% year over year. The decrease was primarily experienced during the first half of fiscal 2022, with orders and shipments in the second half, demonstrating early signs of a recovery in the OEM markets. This was further evidenced by continuing expansion of our backlog during the period. Our defense markets, which represented about 39.0% of sales, decreased by approximately 7.1% during the period. Overall distribution and aftermarket sales, which represent a little less than 20.0% of segment sales, were down 13.5% year over year.

Gross margin was $155.1 million, or 40.7% of sales, in fiscal 2022 compared to $161.2 million, or 40.7% of sales, for the same period in fiscal 2021. Gross margin for fiscal 2022 was impacted by approximately $0.9 million of inventory rationalization costs associated with consolidation efforts at one of our facilities.

***Industrial Segment:***

| | FY22 | FY21 | $ Change | % Change |
|---|---|---|---|---|
| Net sales | $ 561.4 | $ 212.8 | $ 348.6 | 163.9% |
| | | | | |
| Gross margin | $ 202.0 | $ 72.9 | $ 129.1 | 177.0% |
| Gross margin % | 36.0% | 34.3% | | |
| | | | | |
| SG&A | $ 58.6 | $ 18.0 | $ 40.6 | 225.9% |
| % of segment net sales | 10.4% | 8.5% | | |

Net sales increased $348.6 million, or 163.9%, during fiscal 2022 compared to the same period last year. The increase was primarily due to the inclusion of five months of Dodge sales in fiscal 2022, as well as sustained strong performance across the majority of our legacy industrial markets. Excluding Dodge sales of $291.9 million, net sales increased $56.7 million, or 26.7%, period over period. This increase was driven by performance in semiconductor, energy, mining, and the general industrial markets. Sales to distribution and the aftermarket reflected more than 57.0% of our industrial sales during the year, which is expected to increase as we move into fiscal 2023. These distribution and aftermarket sales increased 309.4% compared to the same period in the prior year, and 26.1% on an organic basis.

Gross margin was $202.0 million, or 36.0% of sales, in fiscal 2022 compared to $72.9 million, or 34.3% of sales, for the same period in fiscal 2021. The gross margin for the fiscal 2022 included the unfavorable impact of $13.8 million of inventory purchase accounting adjustments associated with the Dodge acquisition. Gross margin for the fiscal 2021 was impacted by approximately $3.1 million of inventory rationalization costs associated with the consolidation of certain manufacturing facilities.

***Corporate:***

| | FY22 | FY21 | $ Change | % Change |
|---|---|---|---|---|
| SG&A | $ 71.0 | $ 58.9 | $ 12.1 | 20.6% |
| % of total net sales | 7.5% | 9.7% | | |

Corporate SG&A increased $12.1 million or 20.6% for fiscal 2022 compared to fiscal 2021. This was due to increases in personnel-related costs, professional fees, and share based compensation expense during the period.

**Liquidity and Capital Resources**

Our business is capital-intensive. Our capital requirements include manufacturing equipment and materials. In addition, we have historically fueled our growth, in part, through acquisitions, including the Dodge acquisition completed on November 1, 2021. We have historically met our working capital, capital expenditure requirements and acquisition funding needs through our net cash flows provided by operations, various debt arrangements and sale of equity to investors. We believe that operating cash flows and available credit under the Revolving Credit Facility and Foreign Revolver will provide adequate resources to fund internal growth initiatives for the foreseeable future. For further discussion regarding the funding of the Dodge acquisition, refer to Part II, Item 8 – Notes 8, 11 and 15.

Our ability to meet future working capital, capital expenditures and debt service requirements will depend on our future financial performance, which will be affected by a range of economic, competitive and business factors, particularly interest rates, cyclical changes in our end markets and prices for steel and our ability to pass through price increases on a timely basis, many of which are outside of our control. In addition, future acquisitions could have a significant impact on our liquidity position and our need for additional funds.

From time to time, we evaluate our existing facilities and operations and their strategic importance to us. If we determine that a given facility or operation does not have future strategic importance, we may sell, relocate, consolidate or otherwise dispose of those operations. Although we believe our operations would not be materially impaired by such dispositions, relocations or consolidations, we could incur significant cash or non-cash charges in connection with them.

***Liquidity***

As of April 2, 2022, we had cash and cash equivalents of $182.9 million, of which, approximately $34.9 million was cash held by our foreign operations. We expect that our undistributed foreign earnings will be re-invested indefinitely for working capital, internal growth and acquisitions for and by our foreign subsidiaries. As discussed further below, we also have the ability to borrow up to approximately $512.7 million from our existing credit agreements.

***Domestic Credit Facility***

On November 1, 2021 RBC Bearings Incorporated, our top holding company, and our Roller Bearing Company of America, Inc. subsidiary (“RBCA”) entered into a Credit Agreement (the “New Credit Agreement”) with Wells Fargo Bank, National Association (“Wells Fargo”), as Administrative Agent, Collateral Agent, Swingline Lender and Letter of Credit Issuer and the other lenders party thereto, and terminated the Company’s prior Credit Agreement, which was entered into with Wells Fargo in 2015 (the “2015 Credit Agreement”). The New Credit Agreement provides the Company with (a) a $1,300.0 million term loan facility (the “Term Loan Facility”), which was used to fund a portion of the cash purchase price for the acquisition of Dodge and to pay related fees and expenses, and (b) a $500.0 million revolving credit facility (the “Revolving Credit Facility” and together with the Term Loan Facility, the “Facilities”). Debt issuance costs associated with the New Credit Agreement totaled $14.9 million and will be amortized over the life of the New Credit Agreement. When the 2015 Credit Agreement was terminated the Company wrote off $0.9 million of previously unamortized debt issuance costs.

Amounts outstanding under the Facilities generally bear interest at either, at the Company’s option, (a) a base rate determined by reference to the higher of (i) Wells Fargo’s prime lending rate, (ii) the federal funds effective rate plus 1/2 of 1.00% and (iii) the one-month LIBOR rate plus 1.00% or (b) the LIBOR rate plus a specified margin, depending on the type of borrowing being made. The applicable margin is based on the Company’s consolidated ratio of total net debt to consolidated EBITDA from time to time. Currently, the Company’s margin is 0.75% for base rate loans and 1.75% for LIBOR rate loans. The Facilities are subject to a “LIBOR” floor of 0.00% and contain “hard-wired” LIBOR replacement provisions as set forth in the New Credit Agreement. As of April 2, 2022, the Company’s commitment fee rate is 0.25% and the letter of credit fee rate is 1.75%.

The Term Loan Facility and the Revolving Credit Facility will mature on November 2, 2026. The Company can elect to prepay some or all of the outstanding balance from time to time without penalty. Commencing one full fiscal quarter after the execution of the New Credit Agreement, the Term Loan Facility will amortize in quarterly installments as set forth in Part II, Item 8 – Note 11, with the balance payable on the Maturity Date unless otherwise extended in accordance with the terms of the Term Loan Facility.

The New Credit Agreement requires the Company to comply with various covenants, including the following financial covenants beginning with the test period ending December 31, 2021: (a) a maximum Total Net Leverage Ratio of 5.50:1.00, which maximum Total Net Leverage Ratio shall decrease during certain subsequent test periods as set forth in the New Credit Agreement (provided that, no more than once during the term of the Facilities, such maximum ratio applicable at such time may be increased by the Borrower by 0.50:1.00 for a period of twelve (12) months after the consummation of a material acquisition), and (b) a minimum Interest Coverage Ratio of 2.00:1.00.

The New Credit Agreement allows the Company to, among other things, make distributions to shareholders, repurchase its stock, incur other debt or liens, or acquire or dispose of assets provided that the Company complies with certain requirements and limitations of the New Credit Agreement.

The Company's domestic subsidiaries have guaranteed the Company's obligations under the New Credit Agreement, and the Company's obligations and the domestic subsidiaries' guaranty are secured by a pledge of substantially all of the domestic assets of the Company and its domestic subsidiaries.

As of April 2, 2022, $1,200.0 million was outstanding under the Term Loan Facility and approximately $3.5 million of the Revolving Credit Facility was being utilized to provide letters of credit to secure the Company's obligations relating to certain insurance programs, and the Company had the ability to borrow up to an additional $496.5 million under the Revolving Credit Facility.

*Senior Notes*

On October 7, 2021, RBCA issued $500.0 million aggregate principal amount of 4.375% Senior Notes due 2029 (the "Senior Notes"). The net proceeds from the issuance of the Senior Notes were approximately $492.0 million after deducting initial purchasers' discounts and commissions and offering expenses. On November 1, 2021, the Company used the proceeds to fund a portion of the cash purchase price for the acquisition of Dodge.

The Senior Notes were issued pursuant to an indenture with Wilmington Trust, National Association, as trustee (the "Indenture"). The Indenture contains covenants limiting the ability of the Company to (i) incur additional indebtedness or guarantee indebtedness, (ii) declare or pay dividends, redeem stock or make other distributions to stockholders, (iii) make investments, (iv) create liens or use assets as security in other transactions, (v) merge or consolidate, or sell, transfer, lease or dispose of substantially all of its assets, (vi) enter into transactions with affiliates, and (vii) sell or transfer certain assets. These covenants contain various exceptions, limitations and qualifications. At any time that the Senior Notes are rated investment grade, certain of these covenants will be suspended.

The Senior Notes are guaranteed jointly and severally on a senior unsecured basis by RBC Bearings and certain of RBCA's existing and future wholly-owned domestic subsidiaries that also guarantee the New Credit Agreement.

Interest on the Senior Notes accrues at a rate of 4.375% and will be payable semi–annually in cash in arrears on April 15 and October 15 of each year, commencing April 15, 2022.

The Senior Notes will mature on October 15, 2029. The Company may redeem some or all of the Senior Notes at any time on or after October 15, 2024 at the redemption prices set forth in the Indenture, plus accrued and unpaid interest, if any, to, but excluding, the redemption date. The Company may also redeem up to 40% of the Senior Notes using the proceeds of certain equity offerings completed before October 15, 2024, at a redemption price equal to 104.375% of the principal amount thereof, plus accrued and unpaid interest, if any, to, but excluding, the redemption date. In addition, at any time prior to October 15, 2024, the Company may redeem some or all of the Senior Notes at a price equal to 100% of the principal amount, plus a "make–whole" premium, plus accrued and unpaid interest, if any, to, but excluding, the redemption date. If the Company sells certain of its assets or experiences specific kinds of changes in control, the Company must offer to purchase the Senior Notes.

*Foreign Term Loan and Revolving Credit Facility*

On August 15, 2019, one of our foreign subsidiaries, Schaublin SA ("Schaublin"), entered into two separate credit agreements (the "Foreign Credit Agreements") with Credit Suisse (Switzerland) Ltd. to (i) finance the acquisition of Swiss Tool, and (ii) provide future working capital. The Foreign Credit Agreements provided Schaublin with a CHF 15.0 million (approximately $15.4 million) term loan (the "Foreign Term Loan"), which was extinguished in February 2022 and a CHF 15.0 million (approximately $15.4 million) revolving credit facility (the "Foreign Revolver"), which continues in effect until terminated by either Schaublin or Credit Suisse. Debt issuance costs associated with the Foreign Credit Agreements totaled CHF 0.3 million (approximately $0.3 million). When the Foreign Term Loan was extinguished, Schaublin wrote off $0.1 million of previously unamortized debt issuance costs.

Amounts outstanding under the Foreign Term Loan and the Foreign Revolver generally bear interest at LIBOR plus a specified margin. The applicable margin is based on Schaublin's ratio of total net debt to consolidated EBITDA at each measurement date. Currently, Schaublin's margin is 1.00%.

The Foreign Credit Agreements require Schaublin to comply with various covenants, which are tested annually on March 31. These covenants include, among other things, a financial covenant to maintain a ratio of consolidated net debt to adjusted EBITDA not greater than 2.50 to 1 as of March 31, 2021 and thereafter. Schaublin is also required to maintain an economic equity of CHF 20.0 million at all times. The Foreign Credit Agreements allow Schaublin to, among other things, incur other debt or liens and acquire or dispose of assets provided that Schaublin complies with certain requirements and limitations of the Foreign Credit Agreements. As of April 2, 2022, Schaublin was in compliance with all such covenants.

Schaublin's parent company, Schaublin Holding, has guaranteed Schaublin's obligations under the Foreign Credit Agreements. Schaublin Holding's guaranty and the Foreign Credit Agreements are secured by a pledge of the capital stock of Schaublin. In addition, the Foreign Term Loan is secured with pledges of the capital stock of the top company and the three operating companies in the Swiss Tool System group of companies.

As of April 2, 2022, the Foreign Term Loan has been paid, with no balance outstanding. There were no amounts outstanding under the Foreign Revolver. Schaublin has the ability to borrow up to an additional $16.2 million under the Foreign Revolver as of April 2, 2022.

***Cash Flows***

*Fiscal 2022 Compared to Fiscal 2021*

The following table summarizes our cash flow activities:

| | FY22 | FY21 | $ Change |
|---|---|---|---|
| Net cash provided by (used in): | | | |
| Operating activities | $ 180.3 | $ 152.4 | $ 27.9 |
| Investing activities | (2,847.5) | (101.5) | (2,746.0) |
| Financing activities | 2,698.5 | (3.4) | 2,701.9 |
| Effect of exchange rate changes on cash | 0.5 | 0.3 | 0.2 |
| Increase in cash and cash equivalents | $ 31.8 | $ 47.8 | $ (16.0) |

During fiscal 2022 we generated cash of $180.3 million from operating activities compared to $152.4 million for fiscal 2021. The increase of $27.9 million for fiscal 2022 was mainly the result of a $51.1 million increase in non-cash charges and a net favorable change in operating assets and liabilities of $1.4 million, partially offset by a $24.6 million decrease in net income. The favorable change in operating assets and liabilities is detailed in the table below. The change in non-cash charges was primarily driven by $32.8 million more depreciation and amortization, $18.5 million more amortization of deferred financing costs and debt discount, $2.6 million more share-based compensation, and $1.0 million in debt extinguishment costs, partially offset by a $2.7 million decrease in deferred taxes, $1.0 million decrease in net loss on asset disposals, and $0.1 million decrease in consolidation and restructuring charges.

The following chart summarizes the favorable change in operating assets and liabilities of $1.4 million for fiscal 2022 versus fiscal 2021 and $31.1 million for fiscal 2021 versus fiscal 2020.

| | FY22 | FY21 |
|---|---|---|
| Cash provided by (used in): | | |
| Accounts receivable | $ (72.5) | $ 15.7 |
| Inventory | (17.1) | 26.3 |
| Prepaid expenses and other current assets | (1.4) | 3.5 |
| Other noncurrent assets | 8.5 | (7.0) |
| Accounts payable | 67.2 | (15.7) |
| Accrued expenses and other current liabilities | 19.5 | 2.6 |
| Other noncurrent liabilities | (2.8) | 5.7 |
| Total change in operating assets and liabilities | $ 1.4 | $ 31.1 |

During fiscal 2022, we used $2,847.5 million for investing activities as compared to $101.5 million for fiscal 2021. This increase in cash used was attributable to $2,908.5 million used for the acquisition of Dodge during fiscal 2022 and $18.0 million increase in capital expenditures. This was partially offset by a $110.4 million increase in proceeds received from the sale of marketable securities in the current year and $70.1 million less cash used in the purchase of marketable securities in the current year.

During fiscal 2022, we generated cash of $2,698.5 million from financing activities compared to $3.4 million cash used in fiscal 2021. This increase in cash generated was primarily attributable to fiscal 2022 proceeds received from term loans net of financing costs $1,285.8 million, fiscal 2022 proceeds received from issuance of common stock $605.5 million, fiscal 2022 proceeds received from senior notes net of financing costs $494.2 million, fiscal 2022 proceeds received from issuance of preferred stock $445.3 million, $6.7 million more exercises of stock options and warrants, and $3.0 million less payments made on revolving credit facilities. These cash generating activities were primarily offset by $108.7 million more payments made on term loans, $19.5 million more financing fees paid in connection with credit facilities, $7.1 million cash dividends paid to preferred shareholders in fiscal 2022, $1.7 million more treasury stock purchases, and $1.6 million in principal repayments on finance lease obligations during fiscal 2022.

***Capital Expenditures***

Our capital expenditures in fiscal 2022 were $29.8 million compared to $11.8 million in fiscal 2021. We expect to make capital expenditures of approximately 2.5% to 3.0% of net sales during fiscal 2023 in connection with our existing business. We funded our fiscal 2022 capital expenditures, and expect to fund fiscal 2023 capital expenditures, principally through existing cash and internally generated funds. We may also make substantial additional capital expenditures in connection with acquisitions.

**Quarterly Results of Operations**

| | Quarter Ended (3) | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **Apr. 2, 2022** | **Jan. 1, 2022** | **Oct. 2, 2021** | **Jul. 3, 2021** | **Apr. 3, 2021** | **Dec. 26, 2020** | **Sep. 26, 2020** | **Jun. 27, 2020** |
| | **(Unaudited) (in thousands, except per share data)** | | | | | | | |
| Net sales | $ 358,879 | $ 266,953 | $ 160,900 | $ 156,205 | $ 160,295 | $ 145,861 | $ 146,335 | $ 156,493 |
| Gross margin | 137,486 | 93,345 | 62,464 | 63,773 | 62,469 | 55,588 | 56,596 | 59,453 |
| Operating income | 57,846 | 14,371 | 27,123 | 30,723 | 29,740 | 26,541 | 26,363 | 28,814 |
| Net income/(loss) available to common stockholders | $ 26,450 | $ (5,814) | $ 6,419 | $ 25,999 | $ 24,954 | $ 21,569 | $ 20,421 | $ 22,689 |
| Net income/(loss) per common share available to common stockholders: | | | | | | | | |
| Basic(1)(2) | $ 0.92 | $ (0.20) | $ 0.25 | $ 1.04 | $ 1.00 | $ 0.87 | $ 0.82 | $ 0.92 |
| Diluted(1)(2) | $ 0.92 | $ (0.20) | $ 0.25 | $ 1.03 | $ 0.99 | $ 0.86 | $ 0.82 | $ 0.91 |

(1) See Note 2.

(2) Net income per common share is computed independently for each of the quarters presented. Therefore, the sum of the quarterly earnings per share may not necessarily equal the total for the year.

(3) Dodge was acquired on November 1, 2021 and is included within the quarters ended April 2, 2022 and January 1, 2022 within the table above.

**Critical Accounting Policies and Estimates**

Our discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with U.S. generally accepted accounting principles. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities. We evaluate our estimates on an on-going basis. Estimates are used for, but not limited to, the accounting for the allowance for doubtful accounts, valuation of inventories, goodwill and intangible assets, depreciation and amortization, income taxes and tax reserves, the valuation of options and the valuation of business combinations. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. We believe our judgments related to these accounting estimates are appropriate. Actual results may differ from these estimates under different assumptions or conditions.

*Revenue Recognition.* The performance obligations for the majority of RBC's product sales are satisfied at the point in time in which the products are shipped, consistent with the pattern of revenue recognition under the previous accounting standard. The Company has determined that the customer obtains control upon shipment of the product based on the shipping terms (either when it ships from RBC's dock or when the product arrives at the customer's dock) and recognizes revenue accordingly. Once a product has shipped, the customer is able to direct the use of, and obtain substantially all of the remaining benefits from, the asset. Approximately 97% of the Company's revenue was recognized in this manner based on sales for the year ended April 2, 2022 compared to approximately 96% for the year ended April 3, 2021.

The Company has determined performance obligations are satisfied over time for customer contracts where RBC provides services to customers and also for a limited number of product sales. RBC has determined revenue recognition over time is appropriate for our service revenue contracts as they create or enhance an asset that the customer controls throughout the duration of the contract. Approximately 3% of the Company's revenue was recognized in this manner based on sales for the year ended April 2, 2022 compared to approximately 4% for the year ended April 3, 2021. Revenue recognition over time is appropriate for customer contracts with product sales in which the product sold has no alternative use to RBC without significant economic loss and an enforceable right to payment exists, including a normal profit margin from the customer, in the event of contract termination. These types of contracts comprised less than 1% of total sales for the year ended April 2, 2022 and the year ended April 3, 2021. For both of these types of contracts, revenue is recognized over time based on the extent of progress towards completion of the performance obligation. The Company utilizes the cost-to-cost measure of progress for over-time revenue recognition contracts as we believe this measure best depicts the transfer of control to the customer, which occurs as we incur costs on contracts. Revenues, including profits, are recorded proportionally as costs are incurred. Costs to fulfill include labor, materials, subcontractors' costs, and other direct and indirect costs.

Pursuant to the over-time revenue recognition model, revenue may be recognized prior to the customer being invoiced. An unbilled receivable is recorded to reflect revenue that is recognized when (1) the cost-to-cost method is applied and (2) such revenue exceeds the amount invoiced to the customer. Contract assets are included within prepaid expenses and other current assets or other assets on the consolidated balance sheets.

*Accounts Receivable.* We are required to estimate the collectability of our accounts receivable, which requires a considerable amount of judgment in assessing the ultimate realization of these receivables, including the current credit-worthiness of each customer. Changes in required reserves may occur in the future as conditions in the marketplace change.

*Inventory.* Inventories are stated at the lower of cost or net realizable value. Cost is determined by the first-in, first-out method. We account for inventory under a full absorption method. We record adjustments to the value of inventory based upon past sales history and forecasted plans to sell our inventories. The physical condition, including age and quality, of the inventories is also considered in establishing its valuation. These adjustments are estimates, which could vary significantly, either favorably or unfavorably, from actual requirements if future economic conditions, customer inventory levels or competitive conditions differ from our expectations.

*Goodwill and Indefinite-Lived Intangible Assets.* Goodwill (representing the excess of the amount paid to acquire a company over the estimated fair value of the net assets acquired) and indefinite lived intangible assets are not amortized but instead are tested for impairment annually, or when events or circumstances indicate that the carrying value of such asset may not be recoverable. Separate tests are performed for goodwill and indefinite lived intangible assets. We completed a quantitative test of impairment on the indefinite lived intangible assets with no impairment noted in the current year. In addition, we also completed a quantitative test of impairment on goodwill as of November 1, 2021 in connection with the allocation of existing goodwill amongst our newly defined business reporting segments. No impairment was noted as a result of that interim impairment test. The determination of any goodwill impairment is made at the reporting unit level. The Company determines the fair value of a reporting unit and compares it to its carrying amount. If the carrying amount of the reporting unit exceeds its fair value, an impairment loss is recognized for any amount by which the carrying amount exceeds the reporting unit's fair value up to the value of goodwill. The Company applies the income approach (discounted cash flow method) in testing goodwill for impairment. The key assumptions used in the discounted cash flow method used to estimate fair value include discount rates, revenue growth rates, terminal growth rates and cash flow projections. Discount rates, revenue growth rates and cash flow projections are the most sensitive and susceptible to change as they require significant management judgment. Discount rates are determined by using a weighted average cost of capital ("WACC"). The WACC considers market and industry data as well as Company-specific risk factors for each reporting unit in determining the appropriate discount rate to be used. The discount rate utilized for each reporting unit for our fiscal 2022 test was 9.5% and is indicative of the return an investor would expect to receive for investing in such a business. Terminal growth rate determination follows common methodology of capturing the present value of perpetual cash flow estimates beyond the last projected period assuming a constant WACC and long-term growth rates. The terminal growth rate used for our fiscal 2022 test was 2.5%. The Company has determined that, to date, no impairment of goodwill exists and fair value of the reporting units exceeded the carrying value in total by approximately 53.9%. The fair value of the reporting units exceeds the carrying value by a minimum of 24.9% at each of the two reporting units. A decrease of 1.0% in our terminal growth rate would not result in impairment of goodwill for any of our reporting units. An increase of 1.0% in our discount rate would not result in impairment of goodwill for any of our reporting units. The Company performs the annual impairment testing during the fourth quarter of each fiscal year. Although no changes are expected, if the actual results of the Company are less favorable than the assumptions the Company makes regarding estimated cash flows, the Company may be required to record an impairment charge in the future.

*Valuation of Business Combinations.* We allocate the amounts we pay for each acquisition to the assets we acquire and liabilities we assume based on their fair values at the date of acquisition, including identifiable intangible assets, which either arise from a contractual or legal right or are separable from goodwill. We base the fair value of identifiable intangible assets acquired in a business combination on detailed valuations which are prepared with the assistance of a specialist and consider our best estimates of inputs and assumptions that a market participant would use. We utilize a specialist for these valuations due to the complexity and estimation uncertainty involved in determining the fair value given the significant assumptions involved. Significant assumptions utilized in the valuation models include discount rates, revenue growth rates and cash flow projections. We allocate to goodwill any excess purchase price over the fair value of the net tangible and identifiable intangible assets acquired. Transaction costs associated with these acquisitions are expensed as incurred through other, net on the consolidated statements of operations.

*Income Taxes.* As part of the process of preparing the consolidated financial statements, we are required to estimate the income taxes in each jurisdiction in which we operate. This process involves estimating the actual current tax liabilities together with assessing temporary differences resulting from the differing treatment of items for tax and financial reporting purposes. These differences result in deferred tax assets and liabilities, which are included in the consolidated balance sheets. We must then assess the likelihood that the deferred tax assets will be recovered, and to the extent that we believe that recovery is not more than likely, we are required to establish a valuation allowance. If a valuation allowance is established or increased during any period, we are required to include this amount as an expense within the tax provision in the consolidated statements of operations. Significant judgment is required in determining our provision for income taxes, deferred tax assets and liabilities, accrual for uncertain tax positions and any valuation allowance recognized against net deferred tax assets.

*Stock-Based Compensation*. We recognize compensation cost relating to all share-based payment transactions in the financial statements based upon the grant-date fair value of the instruments issued over the requisite service period.

The fair value for our options was estimated at the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions:

| | Fiscal Year Ended | | |
|---|---|---|---|
| | April 2, 2022 | April 3, 2021 | March 28, 2020 |
| Dividend yield | 0.00% | 0.00% | 0.00% |
| Expected weighted-average life (yrs.) | 5.0 | 5.0 | 5.0 |
| Risk-free interest rate | 0.95% | 0.35% | 1.82% |
| Expected volatility | 43.43% | 41.35% | 26.93% |

The Black-Scholes option pricing model was developed for use in estimating the fair value of traded options which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions, including the expected stock price volatility. Because our options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, the existing models do not necessarily provide a reliable single measure of the fair value of our options.

**Recent Accounting Pronouncements**

For a discussion of recent accounting pronouncements, see Note 2 - "Summary of Significant Accounting Policies – Recent Accounting Pronouncements."

**Impact of Inflation, Changes in Prices of Raw Materials and Interest Rate Fluctuations**

In fiscal 2022, the economy experienced inflation. We purchase steel at market prices, which fluctuate as a result of supply and demand in the marketplace. To date, we have managed price increases by changing our buying patterns, expanding our vendor network, and passing increases on to our customers through price increases on our products, the assessment of steel surcharges on our customers, or entry into long-term agreements with our customers containing escalator provisions tied to our invoiced price of steel. However, even if we are able to pass these steel surcharges or price increases to our customers, there may be a time lag of several months between the time a price increase goes into effect and our ability to implement surcharges or price increases, particularly for orders already in our backlog. As a result, our gross margin percentage may decline.

Competitive pressures and the terms of certain of our long-term contracts may require us to absorb at least part of these cost increases, particularly during periods of high inflation. Our principal raw materials are stainless and 52100 wire and rod steel (types of high alloy steel), which have historically been readily available. We have never experienced a work stoppage due to a supply shortage. We maintain multiple sources for raw materials including steel and have various supplier agreements. Through sole-source arrangements, supplier agreements and pricing, we have been able to minimize our exposure to fluctuations in raw material prices.

Our suppliers and sources of raw materials are based in the U.S., Europe and Asia. We believe that our sources are adequate for our needs in the foreseeable future, that there exist alternative suppliers for our raw materials and that in most cases readily available alternative materials can be used for most of our raw materials.

**Off-Balance Sheet Arrangements**

As of April 2, 2022, we had no significant off-balance sheet arrangements other than $3.5 million of outstanding standby letters of credit, all of which were under the Revolver.

## ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to market risks, which arise during the normal course of business from changes in interest rates and foreign currency exchange rates.

*Interest Rates.* We have exposure to risk associated with interest rates on the Revolver. See "Liquidity and Capital Resources" in Item 7 of this Annual Report on Form 10-K.

*Foreign Currency Exchange Rates.* Our operations in the following countries utilize the following currencies as their functional currency:

- Australia – Australian dollar
- Canada – Canadian dollar
- China – Chinese yuan
- France – euro
- Germany – euro
- India – rupee
- Mexico – peso
- Poland – zloty
- Switzerland – Swiss franc

As a result, we are exposed to risk associated with fluctuating currency exchange rates between the U.S. dollar and these currencies. Foreign currency transaction gains and losses are included in earnings. Approximately 11% of our net sales were impacted by foreign currency fluctuations in fiscal 2022 compared to approximately 9% of our net sales in fiscal 2021. We expect that this proportion is likely to increase as we seek to increase our penetration of foreign markets, particularly within the aerospace and defense markets. Foreign currency transaction exposure arises primarily from the transfer of foreign currency from one subsidiary to another within the group, and to foreign-currency-denominated trade receivables. Unrealized currency translation gains and losses are recognized upon translation of the foreign operations' balance sheets to U.S. dollars. Because our financial statements are denominated in U.S. dollars, changes in currency exchange rates between the U.S. dollar and other currencies have had, and will continue to have, an impact on our earnings. We periodically enter into derivative financial instruments in the form of forward exchange contracts to reduce the effect of fluctuations in exchange rates on certain third-party sales transactions denominated in non-functional currencies. Based on the accounting guidance related to derivatives and hedging activities, we record derivative financial instruments at fair value. For derivative financial instruments designated and qualifying as cash flow hedges, the effective portion of the gain or loss on these hedges is reported as a component of accumulated other comprehensive income, and is reclassified into earnings when the hedged transaction affects earnings. As of April 2, 2022, we had no derivatives.

## ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

### Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of RBC Bearings Incorporated

**Opinion on the Financial Statements**

We have audited the accompanying consolidated balance sheets of RBC Bearings Incorporated (the Company) as of April 2, 2022 and April 3, 2021, the related consolidated statements of operations, comprehensive income, stockholders' equity and cash flows for each of the three years in the period ended April 2, 2022, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at April 2, 2022 and April 3, 2021, and the results of its operations and its cash flows for each of the three years in the period ended April 2, 2022, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of April 2, 2022, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated May 26, 2022 expressed an unqualified opinion thereon.

**Basis for Opinion**

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

**Critical Audit Matters**

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

| | |
|---|---|
| | ***Business Combination – Dodge Acquisition*** |
| *Description of the Matter* | As discussed in Note 8 to the consolidated financial statements, on November 1, 2021, the Company completed its acquisition of Dodge for consideration of approximately $2.9 billion, net of cash acquired. The transaction was accounted for as a business combination. The consideration transferred was allocated to the various assets acquired and liabilities assumed based on their fair values as of the acquisition date, with the residual of the consideration being allocated to goodwill.<br><br>Auditing the Company’s accounting for its acquisition of Dodge was complex and required the involvement of specialists due to the significant estimation uncertainty involved in determining the fair value of the identified intangible assets for acquired customer relationships and trade name. The significant estimation uncertainty was primarily due to the judgmental nature of the inputs to the valuation models used to measure the fair value of these assets as well as the sensitivity of the respective fair values to the underlying significant assumptions. The significant assumptions used to estimate the fair value of the acquired assets included discount rates, revenue growth rates and cash flow projections. These significant assumptions are forward-looking and could be affected by future economic and market conditions. |
| *How We Addressed the Matter in Our Audit* | We obtained an understanding, evaluated the design, and tested the operating effectiveness of the Company’s controls over the Company’s accounting for the business combination, including controls over management’s review of the valuation models and the significant assumptions used to develop the estimate.<br><br>To test the estimated fair value of the acquired assets, we performed audit procedures that included, among others, assessing the appropriateness of the valuation methodologies and testing the significant assumptions discussed above and the completeness and accuracy of the underlying data used by the Company. We compared the financial projections to current industry and economic trends, the historic financial performance of the acquired business, the Company’s history with other acquisitions, and forecasted performance of guideline public companies. In addition, we involved internal valuation specialists to assist in our evaluation of the valuation methodologies and certain significant assumptions used by the Company. Our internal valuation specialists’ procedures included, among others, developing a range of independent estimates for the discount rates and comparing those to the discount rates selected by management. |

***Valuation of Goodwill – Interim***

| | |
|---|---|
| *Description of the Matter* | At April 2, 2022, the Company's goodwill was $1.9 billion. As discussed in Note 2 of the consolidated financial statements, goodwill is tested for impairment at the reporting unit level annually, or when events or circumstances indicate that the carrying value of such asset may not be recoverable. As a result of the change in reportable segments during the third quarter of fiscal year 2022, goodwill was reallocated to the new reporting units using a relative fair value approach and management conducted an interim goodwill impairment analysis. The estimates of fair value of a reporting unit are determined using an income approach, specifically a discounted cash flow analysis.<br><br>Auditing management's reallocation of goodwill and the related interim impairment assessment was complex and highly judgmental due to the significant estimation required to determine the fair value of the reporting units. The significant assumptions used to estimate the fair value of the reporting units included discount rates, revenue growth rates and cash flow projections. These significant assumptions are forward-looking and could be affected by future economic and market conditions. |
| *How We Addressed the Matter in Our Audit* | We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over the Company's goodwill impairment review process, including controls over management's review of the significant assumptions described above.<br><br>To test the estimated fair value of the Company's reporting units, we performed audit procedures, with the assistance of our valuation specialists, that included, among others, assessing the methodologies utilized, testing the significant assumptions discussed above and the underlying data used by the Company in its analysis. We compared the significant assumptions used by management to current industry and economic trends and evaluated whether changes to the Company's business model, customers, products, or other factors would affect the significant assumptions. We assessed the historical accuracy of management's estimates and performed sensitivity analyses of significant assumptions to evaluate the changes in the fair value of the reporting units that would result from changes in the underlying assumptions. In addition, we evaluated the reconciliation of the fair value of the reporting units to the market capitalization of the Company. |

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2002.

Stamford, Connecticut
May 26, 2022

**RBC Bearings Incorporated**
**Consolidated Balance Sheets**
**(dollars in thousands, except share and per share data)**

| | April 2, 2022 | April 3, 2021 |
|---|---|---|
| **ASSETS** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 182,862 | $ 151,086 |
| Marketable securities | — | 90,249 |
| Accounts receivable, net of allowance for doubtful accounts of $2,737 at April 2, 2022 and $1,792 at April 3, 2021 | 247,487 | 110,472 |
| Inventory | 516,140 | 364,147 |
| Prepaid expenses and other current assets | 15,748 | 12,248 |
| Total current assets | 962,237 | 728,202 |
| Property, plant and equipment, net | 386,732 | 208,264 |
| Operating lease assets, net | 44,535 | 35,664 |
| Goodwill | 1,902,104 | 277,536 |
| Intangible assets, net | 1,511,515 | 154,399 |
| Other assets | 38,294 | 30,195 |
| Total assets | $ 4,845,417 | $ 1,434,260 |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | |
| Current liabilities: | | |
| Accounts payable | $ 158,606 | $ 36,336 |
| Accrued expenses and other current liabilities | 145,252 | 43,564 |
| Current operating lease liabilities | 8,059 | 5,726 |
| Current portion of long-term debt | 1,543 | 2,612 |
| Total current liabilities | 313,460 | 88,238 |
| Long-term debt, less current portion | 1,686,798 | 13,495 |
| Noncurrent operating lease liabilities | 36,680 | 29,982 |
| Deferred income taxes | 316,224 | 17,178 |
| Other noncurrent liabilities | 120,408 | 55,416 |
| Total liabilities | 2,473,570 | 204,309 |
| Commitments and contingencies (Note 16) | | |
| Stockholders' equity: | | |
| Preferred stock, $.01 par value; authorized shares: 10,000,000 as of April 2, 2022 and April 3, 2021, respectively; issued shares: 4,600,000 and 0 as of April 2, 2022 and April 3, 2021, respectively | 46 | — |
| Common stock, $.01 par value; authorized shares: 60,000,000 at April 2, 2022 and April 3, 2021, respectively; issued shares: 29,807,208 and 26,110,320 at April 2, 2022 and April 3, 2021, respectively | 298 | 261 |
| Additional paid-in capital | 1,537,749 | 445,073 |
| Accumulated other comprehensive income/(loss) | (5,800) | (10,409) |
| Retained earnings | 911,906 | 858,852 |
| Treasury stock, at cost, 928,322 shares and 884,701 shares at April 2, 2022 and April 3, 2021, respectively | (72,352) | (63,826) |
| Total stockholders' equity | 2,371,847 | 1,229,951 |
| Total liabilities and stockholders' equity | $ 4,845,417 | $ 1,434,260 |

See accompanying notes.

**RBC Bearings Incorporated**
**Consolidated Statements of Operations**
**(dollars in thousands, except share and per share data)**

| | Fiscal Year Ended | | |
|---|---|---|---|
| | April 2, 2022 | April 3, 2021 | March 28, 2020 |
| Net sales | $ 942,937 | $ 608,984 | $ 727,461 |
| Cost of sales | 585,869 | 374,878 | 438,358 |
| Gross margin | 357,068 | 234,106 | 289,103 |
| Operating expenses: | | | |
| Selling, general and administrative | 158,634 | 106,000 | 122,565 |
| Other, net | 68,371 | 16,648 | 9,753 |
| Total operating expenses | 227,005 | 122,648 | 132,318 |
| Operating income | 130,063 | 111,458 | 156,785 |
| Interest expense, net | 41,510 | 1,430 | 1,885 |
| Other non-operating expense/(income) | 834 | (31) | 761 |
| Income before income taxes | 87,719 | 110,059 | 154,139 |
| Provision for income taxes | 22,654 | 20,426 | 28,103 |
| Net income | $ 65,065 | $ 89,633 | $ 126,036 |
| Preferred stock dividends | 12,011 | — | — |
| Net income available to common stockholders | $ 53,054 | $ 89,633 | $ 126,036 |
| Net income per common share available to common stockholders: | | | |
| Basic | $ 1.97 | $ 3.61 | $ 5.12 |
| Diluted | $ 1.95 | $ 3.58 | $ 5.06 |
| Weighted average common shares: | | | |
| Basic | 26,946,355 | 24,851,344 | 24,632,637 |
| Diluted | 27,214,232 | 25,048,451 | 24,922,631 |

See accompanying notes.

**RBC Bearings Incorporated**
**Consolidated Statements of Comprehensive Income**
**(dollars in thousands)**

| | Fiscal Year Ended | | |
|---|---|---|---|
| | April 2, 2022 | April 3, 2021 | March 28, 2020 |
| Net income | $ 65,065 | $ 89,633 | $ 126,036 |
| Pension and postretirement liability adjustments, net of taxes [1] | 4,194 | (4,538) | (861) |
| Foreign currency translation adjustments | 415 | 1,027 | 2,719 |
| Total comprehensive income | $ 69,674 | $ 86,122 | $ 127,894 |

(1) These adjustments were net of a tax expense of $1,110, tax benefit of $911 and tax benefit of $262 in fiscal 2022, 2021 and 2020, respectively.

See accompanying notes.

**RBC Bearings Incorporated**
**Consolidated Statements of Stockholders' Equity**
**(dollars in thousands)**

| | Common Stock | | Preferred Stock | | Additional Paid-in Capital | Accumulated Other Comprehensive Income/(Loss) | Retained Earnings | Treasury Stock | | Total Stockholders' Equity |
|---|---|---|---|---|---|---|---|---|---|---|
| | Shares | Amount | Shares | Amount | | | | Shares | Amount | |
| Balance at March 30, 2019 | 25,607,196 | $ 256 | — | $ — | $ 378,655 | $ (7,467) | $ 641,894 | (752,913) | $ (44,772) | 968,566 |
| Net income | — | — | — | — | — | — | 126,036 | — | — | 126,036 |
| Share-based compensation | — | — | — | — | 20,150 | — | — | — | — | 20,150 |
| Repurchase of common stock | — | — | — | — | — | — | — | (86,069) | (12,209) | (12,209) |
| Exercise of equity awards | 179,897 | 3 | — | — | 13,595 | — | — | — | — | 13,598 |
| Change in net prior service cost and actuarial losses, net of tax benefit of $262 | — | — | — | — | — | (861) | — | — | — | (861) |
| Issuance of restricted stock, net of forfeitures | 94,322 | — | — | — | — | — | — | — | — | — |
| Impact from adoption of ASU 2018-02 | — | — | — | — | — | (1,289) | 1,289 | — | — | — |
| Currency translation adjustments | — | — | — | — | — | 2,719 | — | — | — | 2,719 |
| Balance at March 28, 2020 | 25,881,415 | $ 259 | — | $ — | $ 412,400 | $ (6,898) | $ 769,219 | (838,982) | $ (56,981) | $ 1,117,999 |
| Net income | — | — | — | — | — | — | 89,633 | — | — | 89,633 |
| Share-based compensation | — | — | — | — | 21,299 | — | — | — | — | 21,299 |
| Repurchase of common stock | — | — | — | — | — | — | — | (45,719) | (6,845) | (6,845) |
| Exercise of equity awards | 141,767 | 2 | — | — | 11,374 | — | — | — | — | 11,376 |
| Change in net prior service cost and actuarial losses, net of tax benefit of $911 | — | — | — | — | — | (4,538) | — | — | — | (4,538) |
| Issuance of restricted stock, net of forfeitures | 87,138 | — | — | — | — | — | — | — | — | — |
| Currency translation adjustments | — | — | — | — | — | 1,027 | — | — | — | 1,027 |
| Balance at April 3, 2021 | 26,110,320 | $ 261 | — | $ — | $ 445,073 | $ (10,409) | $ 858,852 | (884,701) | $ (63,826) | $ 1,229,951 |
| Net income | — | — | — | — | — | — | 65,065 | — | — | 65,065 |
| Share-based compensation | — | — | — | — | 23,925 | — | — | — | — | 23,925 |
| Preferred stock dividends | — | — | — | — | — | — | (12,011) | — | — | (12,011) |
| Repurchase of common stock | — | — | — | — | — | — | — | (43,621) | (8,526) | (8,526) |
| Exercise of | 149,896 | 2 | — | — | 18,021 | — | — | — | — | 18,023 |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| equity awards | | | | | | | | | | |
| Change in net prior service cost and actuarial losses, net of tax expense of $1,110 | — | — | — | — | — | 4,194 | — | — | — | 4,194 |
| Issuance of restricted stock, net of forfeitures | 96,992 | — | — | — | — | — | — | — | — | — |
| Preferred stock issuance, net of issuance costs | — | — | 4,600,000 | 46 | 445,273 | — | — | — | — | 445,319 |
| Common stock issuance, net of issuance costs | 3,450,000 | 35 | — | — | 605,457 | — | — | — | — | 605,492 |
| Currency translation adjustments | — | — | — | — | — | 415 | — | — | — | 415 |
| Balance at April 2, 2022 | 29,807,208 | $ 298 | 4,600,000 | $ 46 | $ 1,537,749 | $ (5,800) | $ 911,906 | (928,322) | $ (72,352) | $ 2,371,847 |

See accompanying notes.

**RBC Bearings Incorporated**
**Consolidated Statements of Cash Flows**
**(dollars in thousands)**

| | Fiscal Year Ended | | |
|---|---|---|---|
| | **April 2, 2022** | **April 3, 2021** | **March 28, 2020** |
| **Cash flows from operating activities:** | | | |
| Net income | $ 65,065 | $ 89,633 | $ 126,036 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Depreciation and amortization | 65,532 | 32,744 | 31,420 |
| Deferred income taxes | (1,201) | 1,509 | 6,502 |
| Amortization of deferred financing costs | 18,930 | 472 | 506 |
| Consolidation and restructuring charges | 2,378 | 2,510 | 358 |
| Loss on extinguishment of debt | 963 | — | — |
| Stock-based compensation | 23,925 | 21,299 | 20,150 |
| Loss/(gain) on disposition of assets | 347 | 1,314 | (1,227) |
| Changes in operating assets and liabilities, net of acquisitions: | | | |
| Accounts receivable | (53,484) | 18,969 | 3,305 |
| Inventory | (16,150) | 905 | (25,371) |
| Prepaid expenses and other current assets | (1,803) | (353) | (3,878) |
| Other noncurrent assets | (2,444) | (10,904) | (3,946) |
| Accounts payable | 52,372 | (14,836) | 837 |
| Accrued expenses and other current liabilities | 22,067 | 2,573 | (14) |
| Other noncurrent liabilities | 3,796 | 6,618 | 943 |
| Net cash provided by operating activities | 180,293 | 152,453 | 155,621 |
| **Cash flows from investing activities:** | | | |
| Purchase of property, plant and equipment | (29,759) | (11,772) | (37,297) |
| Acquisition of businesses, net of cash acquired | (2,908,241) | 245 | (33,842) |
| Purchase of marketable securities | (29,982) | (100,075) | — |
| Proceeds from sale of marketable securities | 120,483 | 10,020 | — |
| Proceeds from sale of assets | 22 | 58 | 8,354 |
| Net cash used in investing activities | (2,847,477) | (101,524) | (62,785) |
| **Cash flows from financing activities:** | | | |
| Proceeds from issuance of common stock, net of issuance costs | 605,492 | — | — |
| Proceeds from issuance of preferred stock, net of issuance costs | 445,319 | — | — |
| Proceeds received from revolving credit facilities, net of financing costs | — | — | 9,435 |
| Proceeds from term loans, net of financing costs | 1,285,761 | — | 15,383 |
| Proceeds from senior notes, net of financing costs | 494,200 | — | — |
| Finance fees paid in connection with credit facilities and senior notes | (19,532) | — | (276) |
| Repayments of revolving credit facilities | — | (3,028) | (45,821) |
| Repayments of term loans | (113,038) | (4,362) | — |
| Repayments of notes payable | (505) | (504) | (477) |
| Principal payments on finance lease obligations | (1,646) | — | — |
| Preferred stock dividends paid | (7,092) | — | — |
| Repurchase of common stock | (8,526) | (6,845) | (12,209) |
| Exercise of stock options | 18,023 | 11,376 | 13,598 |
| Net cash provided by/(used in) financing activities | 2,698,456 | (3,363) | (20,367) |
| | | | |
| Effect of exchange rate changes on cash | 504 | 265 | 902 |
| **Cash and cash equivalents:** | | | |
| Increase during the year | 31,776 | 47,831 | 73,371 |
| Cash and cash equivalents, at beginning of year | 151,086 | 103,255 | 29,884 |
| Cash and cash equivalents, at end of year | $ 182,862 | $ 151,086 | $ 103,255 |
| | | | |
| **Supplemental disclosures of cash flow information:** | | | |
| Cash paid for: | | | |
| Income taxes | $ 17,117 | $ 16,692 | $ 27,071 |
| Interest | 11,611 | 1,080 | 1,288 |

See accompanying notes.

## 1. Organization and Business

RBC Bearings Incorporated, together with its subsidiaries, is an international manufacturer and marketer of highly engineered precision bearings, components and essential systems for the industrial, defense and aerospace industries, which are integral to the manufacture and operation of most machines, aircraft and mechanical systems, to reduce wear to moving parts, facilitate proper power transmission, reduce damage and energy loss caused by friction and control pressure and flow. The terms "we," "us," "our," "RBC" and the "Company" mean RBC Bearings Incorporated and its subsidiaries, unless the context indicates another meaning. While we manufacture products in all major categories, we focus primarily on highly technical or regulated bearing products and engineered products for specialized markets that require sophisticated design, testing and manufacturing capabilities. We believe our unique expertise has enabled us to garner leading positions in many of the product markets in which we primarily compete. Over the past 17 years, we have broadened our end markets, products, customer base and geographic reach. We currently have 56 facilities in 10 countries, of which 37 are manufacturing facilities.

The Company operates in two reportable business segments—aerospace/defense and industrial—in which it manufactures roller bearing components and assembled parts and designs and manufactures high-precision roller and ball bearings. The Company sells to a wide variety of original equipment manufacturers ("OEMs") and distributors who are widely dispersed geographically. No one customer accounted for more than 11% of the Company's net sales in fiscal 2022, 7% of net sales in fiscal 2021 and 9% of net sales in fiscal 2020. The Company's segments are further discussed in Note 18 "Reportable Segments."

## 2. Summary of Significant Accounting Policies

### General

The consolidated financial statements include the accounts of RBC Bearings Incorporated, Roller Bearing Company of America, Inc. ("RBCA") and its wholly-owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.

The Company has a fiscal year consisting of 52 or 53 weeks, ending on the Saturday closest to March 31. Based on this policy, fiscal year 2022 contained 52 weeks, fiscal year 2021 contained 53 weeks and fiscal year 2020 contained 52 weeks. The amounts are shown in thousands, unless otherwise indicated.

### Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates are used for, but not limited to, the accounting for the allowance for doubtful accounts, valuation of inventories, goodwill and intangible assets, depreciation and amortization, income taxes and tax reserves, purchase price allocation for acquired assets and liabilities, and the valuation of options.

### Revenue Recognition

A contract with a customer exists when there is commitment and approval from both parties involved, the rights of the parties are identified, payment terms are defined, the contract has commercial substance, and collectability of consideration is probable. The Company has determined that the contract with the customer is established when the customer purchase order is accepted or acknowledged. Long-term agreements (LTAs) are used by the Company and certain of its customers to reduce their supply uncertainty for a period of time, typically multiple years. While these LTAs define commercial terms including pricing, termination rights and other contractual requirements, they do not represent the contract with the customer for revenue recognition purposes.

When the Company accepts or acknowledges the customer purchase order, the type of good or service is defined on a line-by-line basis. Individual performance obligations are established by virtue of the individual line items identified on the sales order acknowledgment at the time of issuance. The majority of the Company's revenue relates to the sale of goods and contains a single performance obligation for each distinct good. The remainder of the Company's revenue from customers is generated from services performed. These services include repair and refurbishment work performed on customer-controlled assets as well as design and test work. The performance obligations for these services are also identified on the sales order acknowledgement at the time of issuance on a line-by-line basis.

Transaction price reflects the amount of consideration that the Company expects to be entitled to in exchange for transferred goods or services. A contract's transaction price is allocated to each distinct performance obligation and revenue is recognized as the performance obligation is satisfied. For the majority of our contracts, the Company either provides distinct goods or services. Where both distinct goods and services are provided, we separate the contract into more than one performance obligation (i.e., a good or service is individually listed in a contract or sold individually to a customer). The Company generally sells products and services with observable standalone selling prices.

The performance obligations for the majority of RBC's product sales are satisfied at the point in time in which the products are shipped. The Company has determined that the customer obtains control upon shipment of the product based on the shipping terms (either when it ships from RBC's dock or when the product arrives at the customer's dock) and recognizes revenue accordingly. Once a product has shipped, the customer is able to direct the use of, and obtain substantially all of the remaining benefits from, the asset.

The Company has determined performance obligations are satisfied over time for customer contracts where RBC provides services to customers and also for a limited number of product sales. RBC has determined revenue recognition over time is appropriate for our service revenue contracts as they create or enhance an asset that the customer controls throughout the duration of the contract. Revenue recognition over time is appropriate for customer contracts with product sales in which the product sold has no alternative use to RBC without significant economic loss and an enforceable right to payment exists, including a normal profit margin from the customer, in the event of contract termination. These types of contracts comprised less than 1% of total sales for the years ended April 2, 2022, April 3, 2021 and March 28, 2020, respectively. For both of these types of contracts, revenue is recognized over time based on the extent of progress towards completion of the performance obligation. The Company utilizes the cost-to-cost measure of progress for over-time revenue recognition contracts as we believe this measure best depicts the transfer of control to the customer, which occurs as we incur costs on contracts. Revenues, including profits, are recorded proportionally as costs are incurred. Costs to fulfill include labor, materials, subcontractors' costs, and other direct and indirect costs.

Contract costs are the incremental costs of obtaining and fulfilling a contract (i.e., costs that would not have been incurred if the contract had not been obtained) to provide goods and services to customers. Contract costs largely consist of design and development costs for molds, dies and other tools that RBC will own and that will be used in producing the products under the supply arrangements. These contract costs are amortized to expense on a systematic and rational basis over a period consistent with the transfer to the customer of the goods or services to which the asset relates. Costs incurred to obtain a contract are primarily related to sales commissions and are expensed as incurred as they are generally not tied to specific customer contracts. These costs are included within selling, general and administrative costs on the consolidated statements of operations.

In certain contracts, the Company facilitates shipping and handling activities after control has transferred to the customer. The Company has elected to record all shipping and handling activities as costs to fulfill a contract. In situations where the shipping and handling costs have not been incurred at the time revenue is recognized, the estimated shipping and handling costs are accrued.

**Cash and Cash Equivalents and Marketable Securities**

The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. The Company maintains its cash accounts with various banks and has not experienced any losses in such accounts.

**Accounts Receivable, Net and Concentration of Credit Risk**

Accounts receivable include amounts billed and currently due from customers. The amounts due are stated at their estimated net realizable value. The Company maintains an allowance for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments. The Company uses an expected credit loss model to estimate the credit losses expected over the life of an exposure (or pool of exposures). The estimate of expected credit losses considers historical information, current information and reasonable and supportable forecasts, including estimates of prepayments. Financial instruments with similar risk characteristics are grouped together when estimating expected credit losses. The Company will write-off accounts receivable after reasonable collection efforts have been made and the accounts are deemed uncollectible.

The Company sells to a large number of OEMs and distributors who service the aftermarket. The Company's credit risk associated with accounts receivable is minimized due to its customer base and wide geographic dispersion. The Company performs ongoing credit evaluations of its customers' financial condition and generally does not require collateral or charge interest on outstanding amounts. The Company had no concentrations of credit risk with any one customer greater than approximately 15% of accounts receivables at April 2, 2022 and 7% at April 3, 2021.

**Inventory**

Inventories are stated at the lower of cost or net realizable value. Cost is determined by the first-in, first-out method. The Company accounts for inventory under a full absorption method, and records adjustments to the value of inventory based upon past sales history and forecasted plans to sell our inventories. The physical condition, including age and quality, of the inventories is also considered in establishing its valuation. These adjustments are estimates, which could vary significantly, either favorably or unfavorably, from actual requirements if future economic conditions, customer inventory levels or competitive conditions differ from our expectations.

**Contract Assets (Unbilled Receivables)**

Pursuant to the over-time revenue recognition model, revenue may be recognized prior to the customer being invoiced. An unbilled receivable is recorded to reflect revenue that is recognized when (1) the cost-to-cost method is applied and (2) such revenue exceeds the amount invoiced to the customer. Contract assets are included within prepaid expenses and other current assets or other assets on the consolidated balance sheets.

**Property, Plant and Equipment**

Property, plant and equipment are recorded at cost. Depreciation and amortization of property, plant and equipment, is provided for by the straight-line method over the estimated useful lives of the respective assets. Depreciation of assets is reported within depreciation and amortization. Expenditures for normal maintenance and repairs are charged to expense as incurred.

The estimated useful lives of the Company's property, plant and equipment are as follows:

| | |
|---|---|
| Buildings and improvements | 20-30 years |
| Machinery and equipment | 3-15 years |
| Leasehold improvements | Shorter of the term of lease or estimated useful life |

**Leases**

The Company adopted ASC 842, Leases, on March 31, 2019. The Company has elected not to apply the recognition requirements to short-term leases, and recognizes lease payments in the income statement on a straight-line basis over the lease term and variable payments in the period in which the obligation for those payments is incurred. The Company has elected the following practical expedients (which must be elected as a package and applied consistently to all leases): an entity need not reassess whether any expired or existing contracts are or contain leases; an entity need not reassess the lease classification for any expired or existing leases; and an entity need not reassess initial direct costs for any existing leases. The Company has also elected the practical expedient that permits the inclusion of lease and nonlease components as a single component and accounts for it as a lease; this election has been made for all asset classes. We also elected the hindsight practical expedient to determine the reasonably certain lease term for existing leases, which resulted in the extension of lease terms for certain existing leases.

The Company determines if an arrangement is a lease at contract inception. For leases where the Company is the lessee, it recognizes lease assets and related lease liabilities at the lease commencement date based on the present value of lease payments over the lease term. The lease term is the noncancellable period for which a lessee has the right to use an underlying asset, including periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option and periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option. For renewal options, the Company performs an assessment at commencement if it is reasonably likely to exercise the option. The assessment is based on the Company's intentions, past practices, estimates and factors that create an economic incentive for the Company. Generally, the Company is not reasonably certain to exercise the renewal option in a lease contract, with the exception of some of our leased manufacturing facilities. While some of the Company's leases include options allowing early termination of the lease, the Company historically has not terminated its lease agreements early unless there is an economic, financial or business reason to do so; therefore, the Company does not typically consider the termination option in its lease term at commencement.

Most of the Company’s leases do not provide an implicit interest rate. As a result, the Company uses its incremental borrowing rate based on the information available at the commencement date in determining the present value of lease payments.

Lease expense for operating leases is recognized on a straight-line basis over the lease term as an operating expense while the expense for finance leases is recognized as depreciation expense and interest expense using the accelerated interest method of recognition.

Subsequent to the initial measurement, the right-of-use asset for a finance lease is equivalent to the initial measurement less accumulated amortization and any accumulated impairment losses. Generally, amortization of finance leases is recorded to cost of sales or selling, general and administrative expenses on a straight-line basis over the lease term.

**Goodwill and Indefinite-Lived Intangible Assets**

Goodwill (representing the excess of the amount paid to acquire a company over the estimated fair value of the net assets acquired) and indefinite-lived intangible assets are not amortized but instead are tested for impairment annually, or when events or circumstances indicate that the carrying value of such asset may not be recoverable. Separate tests are performed for goodwill and indefinite lived intangible assets. We completed a quantitative test of impairment on the indefinite lived intangible assets in February 2022 with no impairment noted in the current year. In addition, we also completed a quantitative test of impairment on goodwill as of November 1, 2021 in connection with the allocation of existing goodwill amongst our newly defined business reporting segments. No impairment was noted as a result of that interim impairment test. The determination of any goodwill impairment is made at the reporting unit level. The Company determines the fair value of a reporting unit and compares it to its carrying amount. If the carrying amount of the reporting unit exceeds its fair value, an impairment loss is recognized for any amount by which the carrying amount exceeds the reporting unit's fair value up to the value of goodwill. The Company applies the income approach (discounted cash flow method) in testing goodwill for impairment. The key assumptions used in the discounted cash flow method used to estimate fair value include discount rates, revenue growth rates, terminal growth rates and cash flow projections. Discount rates, revenue growth rates and cash flow projections are the most sensitive and susceptible to change as they require significant management judgment. Discount rates are determined by using a weighted average cost of capital (“WACC”). The WACC considers market and industry data as well as Company-specific risk factors for each reporting unit in determining the appropriate discount rate to be used. The discount rate utilized for each reporting unit for our fiscal 2022 test was 9.5% and is indicative of the return an investor would expect to receive for investing in such a business. Terminal growth rate determination follows common methodology of capturing the present value of perpetual cash flow estimates beyond the last projected period assuming a constant WACC and long-term growth rates. The terminal growth rate used for our fiscal 2022 test was 2.5%. The Company has determined that, to date, no impairment of goodwill exists and fair value of the reporting units exceeded the carrying value in total by approximately 53.9%. The fair value of the reporting units exceeds the carrying value by a minimum of 24.9% at each of the two reporting units.

**Contract Liabilities (Deferred Revenue)**

The Company may receive a customer advance or deposit, or have an unconditional right to receive a customer advance, prior to revenue being recognized. Since the performance obligations related to such advances may not have been satisfied, a contract liability is established. Contract liabilities are included within accrued expenses and other current liabilities or other noncurrent liabilities on the consolidated balance sheets until the respective revenue is recognized. Advance payments are not considered a significant financing component as the timing of the transfer of the related goods or services is at the discretion of the customer.

**Income Taxes**

The Company accounts for income taxes using the liability method, which requires it to recognize a current tax liability or asset for current taxes payable or refundable and a deferred tax liability or asset for the estimated future tax effects of temporary differences between the financial statement and tax reporting bases of assets and liabilities to the extent that they are realizable. Deferred tax expense (benefit) results from the net change in deferred tax assets and liabilities during the year. A valuation allowance is recorded to reduce deferred tax assets to the amount that is more likely than not to be realized. The Company is exposed to certain tax contingencies in the ordinary course of business and records those tax liabilities in accordance with the guidance for accounting for uncertain tax positions.

Temporary differences relate primarily to the timing of deductions for depreciation, stock-based compensation, goodwill amortization relating to the acquisition of operating divisions, basis differences arising from acquisition accounting, pension and retirement benefits, and various accrued and prepaid expenses. Deferred tax assets and liabilities are recorded at the rates expected to be in effect when the temporary differences are expected to reverse.

**Net Income Per Common Share Available to Common Stockholders**

Basic net income per share available to common stockholders is computed by dividing net income available to common stockholders by the weighted-average number of common shares outstanding.

Diluted net income per share available to common stockholders is computed by dividing net income available to common stockholders by the sum of the weighted-average number of common shares and dilutive common share equivalents then outstanding using the treasury stock method. Common share equivalents consist of the incremental common shares issuable upon the exercise of stock options and the conversion of MCPS to common shares.

We exclude outstanding stock options, stock awards and the MCPS from the calculations if the effect would be anti-dilutive. The dilutive effect of the MCPS is calculated using the if-converted method. The if-converted method assumes that these securities were converted to shares of common stock at the later of the September 24, 2021 issuance date or the beginning of the reporting period to the extent that the effect is dilutive. If the effect is anti-dilutive, we calculate net income per share available to common stockholders by adjusting net income in the numerator for the effect of the cumulative MCPS dividends for the respective period.

For the twelve months ended April 2, 2022, the effect of assuming the conversion of the 4,600,000 shares of MCPS into shares of common stock was anti-dilutive, and therefore excluded from the calculation of diluted earnings per share available to common stockholders. Accordingly, net income was reduced by cumulative MCPS dividends, as presented in our consolidated statement of operations, for purposes of calculating net income available to common stockholders.

For the twelve months ended April 2, 2022, 179,289 employee stock options and 325 restricted shares were excluded from the calculation of diluted earnings per share available to common stockholders. For the twelve months ended April 3, 2021, 457,324 employee stock options and 35,780 restricted shares have been excluded from the calculation of diluted earnings per share available to common stockholders. At March 28, 2020, 350,540 employee stock options and 1,350 restricted shares have been excluded from the calculation of diluted earnings per share available to common stockholders. The inclusion of these employee stock options and restricted shares would have been anti-dilutive.

The table below reflects the calculation of weighted-average shares outstanding for each period presented as well as the computation of basic and diluted net income per share available to common stockholders.

| | Fiscal Year Ended | | |
|---|---|---|---|
| | **April 2, 2022** | **April 3, 2021** | **March 28, 2020** |
| Net income | $ 65,065 | $ 89,633 | $ 126,036 |
| Preferred stock dividends | 12,011 | — | — |
| Net income available to common stockholders | $ 53,054 | $ 89,633 | $ 126,036 |
| Denominator: | | | |
| Denominator for basic net income per share available to common stockholders — weighted-average shares outstanding | 26,946,355 | 24,851,344 | 24,632,637 |
| Effect of dilution due to employee stock awards | 267,877 | 197,107 | 289,994 |
| Denominator for diluted net income per share available to common stockholders — weighted-average shares outstanding | 27,214,232 | 25,048,451 | 24,922,631 |
| Basic net income per share available to common stockholders | $ 1.97 | $ 3.61 | $ 5.12 |
| Diluted net income per share available to common stockholders | $ 1.95 | $ 3.58 | $ 5.06 |

**Impairment of Long-Lived Assets**

The Company assesses the net realizable value of its long-lived assets and evaluates such assets for impairment whenever indicators of impairment are present. For amortizable long-lived assets to be held and used, if indicators of impairment are present, management determines whether the sum of the estimated undiscounted future cash flows is less than the carrying amount. The amount of asset impairment, if any, is based on the excess of the carrying amount over its fair value, which is estimated based on projected discounted future operating cash flows using a discount rate reflecting the Company's average cost of funds. To date, no indicators of impairment exist other than those resulting in the restructuring charges already recorded.

Long-lived assets to be disposed of by sale or other means are reported at the lower of carrying amount or fair value, less costs to sell.

**Foreign Currency Translation and Transactions**

Assets and liabilities of the Company's foreign operations are translated into U.S. dollars using the exchange rate in effect at the balance sheet date. Results of operations are translated using the average exchange rate prevailing throughout the period. The effects of exchange rate fluctuations on translating foreign currency assets and liabilities into U.S. dollars are included in accumulated other comprehensive income (loss), while gains and losses resulting from foreign currency transactions are included in other non-operating expense (income).

**Fair Value of Measurements**

Fair value is 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). Inputs used to measure fair value are within a hierarchy consisting of three levels. Level 1 inputs represent unadjusted quoted prices in active markets for identical assets or liabilities. Level 2 inputs represent 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 inputs represent unobservable inputs for the asset or liability. 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 carrying amounts reported in the balance sheet for cash and cash equivalents, short-term investments, accounts receivable, prepaids and other current assets, and accounts payable and accruals, and other current liabilities approximate their fair value due to their short-term nature.

The carrying amounts of the Company's borrowings under the Revolver, the Term Loan, Foreign Revolver and Foreign Term Loan approximate fair value, as these obligations have interest rates which vary in conjunction with current market conditions. The carrying value of the mortgage on our Schaublin building approximates fair value as the rates since entering into the mortgage in fiscal 2013 have not significantly changed. All borrowings have been classified as Level 2 in the valuation hierarchy. The Senior Notes are reported at carrying value on the consolidated balance sheets. The fair value of the Senior Notes as of April 2, 2022 was $463,750 and was computed based on quoted market prices (observable inputs). The Senior Notes are classified within Level 2 of the fair value hierarchy.

**Accumulated Other Comprehensive Income (Loss)**

The components of comprehensive income (loss) that relate to the Company are net income, foreign currency translation adjustments and pension plan and postretirement benefits, all of which are presented in the consolidated statements of stockholders' equity and comprehensive income (loss).

The following summarizes the activity within each component of accumulated other comprehensive income (loss), net of taxes:

| | Currency Translation | Pension and Postretirement Liability | Total |
|---|---|---|---|
| Balance at April 3, 2021 | $ 445 | $ (10,854) | $ (10,409) |
| Other comprehensive income before reclassifications | 415 | — | 415 |
| Amounts recorded in/ reclassified from accumulated other comprehensive loss | — | 4,194 | 4,194 |
| Net current period other comprehensive income | 415 | 4,194 | 4,609 |
| Balance at April 2, 2022 | $ 860 | $ (6,660) | $ (5,800) |

**Share-Based Compensation**

The Company recognizes compensation cost relating to all share-based payment transactions in the financial statements based upon the grant-date fair value of the instruments issued over the requisite service period. The fair value of each option grant was estimated on the date of grant using the Black-Scholes pricing model.

**Recent Accounting Pronouncements**

*Recent Accounting Standards Adopted*

In December 2019, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2019-12, *Income Taxes (Topic 740)*: *Simplifying the Accounting for Income Taxes*. The objective of this standard update is to simplify the accounting for income taxes by removing certain exceptions to the general principles in Topic 740. This ASU also attempts to improve consistent application of and simplify U.S. GAAP for other areas of Topic 740 by clarifying and amending existing guidance. This standard update is effective for fiscal years beginning after December 15, 2020, including interim periods within those fiscal years. The Company adopted this ASU effective April 4, 2021 and the impact of adoption was not material to the Company's financial position, results of operations or liquidity.

In August 2020, the FASB issued ASU No. 2020-06, Debt - *Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging - Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity*. The amendments in this ASU simplify the complexity associated with applying U.S. GAAP for certain financial instruments with characteristics of liabilities and equity. More specifically, the amendments focus on the guidance for convertible instruments and derivative scope exception for contracts in an entity's own equity. This ASU is effective for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. Early adoption is permitted. The Company early adopted this ASU in fiscal 2022. The adoption of this ASU did not have a material impact on our financial position, results of operations or liquidity. Adoption of this ASU did simplify the accounting of the 5.00% Series A Mandatory Convertible Preferred Stock ("MCPS") referred to in Note 15 by removing the requirement to assess the financial instrument for beneficial conversion features and clarifying how diluted EPS should be calculated using the "if-converted" method. Refer to Note 2 for further details regarding the "if-converted" method.

In October 2021, the FASB issued ASU No. 2021-08, *Business Combinations (Topic 840)*: *Accounting for Contract Assets and Contract Liabilities from Contracts with Customers.* The amendments in this ASU require that an entity (acquirer) recognize and measure contract assets and contract liabilities acquired in a business combination in accordance with Topic 606. At the acquisition date, an acquirer should account for the related revenue contracts in accordance with Topic 606 as if it had originated the contracts. Generally, this should result in an acquirer recognizing and measuring the acquired contract assets and contract liabilities consistent with how they were recognized and measured in the acquiree's financial statements in accordance with U.S. GAAP. This ASU is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. Early adoption is permitted. The Company early adopted this ASU in fiscal 2022 and the impact of adoption was not material to the Company's financial position, results of operations or liquidity.

*Recent Accounting Standards Yet to Be Adopted*

In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform* (Topic 848) - *Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. The objective of the standard is to address operational challenges likely to arise in accounting for contract modifications and hedge accounting due to reference rate reform. The amendments in this ASU provide optional expedients and exceptions for applying GAAP to contracts, hedging relationships and other transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform. The standard update is effective for all entities as of March 12, 2020 through December 31, 2022. This guidance is available immediately and may be implemented in any period prior to the guidance expiration on December 31, 2022. The Company is currently assessing which of its various contracts will require an update for a new reference rate and will determine the timing for implementation of this guidance after completing that analysis.

Other new pronouncements issued but not effective until after April 2, 2022 are not expected to have a material impact on our financial position, results of operations or liquidity.

## 3. Revenue from Contracts with Customers

*Disaggregation of Revenue*

The following table disaggregates total revenue by end market which is how we view our reportable segments (see Note 18):

| | Fiscal Year Ended | | |
|---|---|---|---|
| | April 2, 2022 | April 3, 2021 | March 28, 2020 |
| Aerospace/Defense | $ 381,468 | $ 396,222 | $ 507,417 |
| Industrial | 561,469 | 212,762 | 220,044 |
| | $ 942,937 | $ 608,984 | $ 727,461 |

The following table disaggregates total revenue by geographic origin:

| | Fiscal Year Ended | | |
|---|---|---|---|
| | April 2, 2022 | April 3, 2021 | March 28, 2020 |
| United States | $ 833,409 | $ 546,018 | $ 651,381 |
| International | 109,528 | 62,966 | 76,080 |
| | $ 942,937 | $ 608,984 | $ 727,461 |

The following table illustrates the approximate percentage of revenue recognized for performance obligations satisfied over time versus the amount of revenue recognized for performance obligations satisfied at a point in time:

| | Fiscal Year Ended | | |
|---|---|---|---|
| | April 2, 2022 | April 3, 2021 | March 28, 2020 |
| Point-in-time | 97% | 96% | 95% |
| Over time | 3% | 4% | 5% |
| | 100% | 100% | 100% |

*Remaining Performance Obligations*

Remaining performance obligations represent the transaction price of orders meeting the definition of a contract in the new revenue standard for which work has not been performed or has been partially performed and excludes unexercised contract options. The duration of the majority of our contracts, as defined by ASC Topic 606, is less than one year. The Company has elected to apply the practical expedient, which allows companies to exclude remaining performance obligations with an original expected duration of one year or less. The aggregate amount of the transaction price allocated to remaining performance obligations for such contracts with a duration of more than one year was approximately $283,612 at April 2, 2022. The Company expects to recognize revenue on approximately 61% and 87% of the remaining performance obligations over the next 12 and 24 months, respectively, with the remainder recognized thereafter.

*Contract Balances*

The timing of revenue recognition, invoicing and cash collections affect accounts receivable, unbilled receivables (contract assets) and customer advances and deposits (contract liabilities) on the consolidated balance sheets. These assets and liabilities are reported on the consolidated balance sheets on an individual contract basis at the end of each reporting period.

*Contract Assets (Unbilled Receivables)* - Pursuant to the over-time revenue recognition model, revenue may be recognized prior to the customer being invoiced. An unbilled receivable is recorded to reflect revenue that is recognized when (1) the cost-to-cost method is applied and (2) such revenue exceeds the amount invoiced to the customer.

As of April 2, 2022 and April 3, 2021, current contract assets were $3,882 and $5,584, respectively, and included within prepaid expenses and other current assets on the consolidated balance sheets. The decrease in contract assets was primarily due to the recognition of revenue related to the satisfaction or partial satisfaction of performance obligations prior to billing partially offset by amounts billed to customers during the period. As of April 2, 2022 and April 3, 2021, the Company did not have any contract assets classified as noncurrent on the consolidated balance sheets.

*Contract Liabilities (Deferred Revenue)* - The Company may receive a customer advance or deposit, or have an unconditional right to receive a customer advance, prior to revenue being recognized. Since the performance obligations related to such advances may not have been satisfied, a contract liability is established. Advance payments are not considered a significant financing component as the timing of the transfer of the related goods or services is at the discretion of the customer.

As of April 2, 2022 and April 3, 2021, current contract liabilities were $19,556 and $16,998, respectively, and included within accrued expenses and other current liabilities on the consolidated balance sheets. The increase in current contract liabilities was primarily due to advance payments received and the reclassification of a portion of advance payments received from the noncurrent portion of contract liabilities partially offset by revenue recognized on customer contracts. $2,205 of contract liabilities were acquired during the year as part of the Dodge acquisition (see Note 8). For the year ended April 2, 2022, the Company recognized revenues of $13,586 that were included in the contract liability balance as of April 3, 2021. For the year ended April 3, 2021, the Company recognized revenues of $10,355 that were included in the contract liability balance at March 28, 2020.

As of April 2, 2022 and April 3, 2021, noncurrent contract liabilities were $10,401 and $3,754, respectively, and included within other noncurrent liabilities on the consolidated balance sheets. The increase in noncurrent contract liabilities was primarily due to advance payments received partially offset by the reclassification of a portion of advance payments received to the current portion of contract liabilities.

*Variable Consideration*

The amount of consideration to which the Company expects to be entitled in exchange for the goods and services is not generally subject to significant variations. However, the Company does offer certain customers rebates, prompt payment discounts, end-user discounts, the right to return eligible products, and/or other forms of variable consideration. The Company estimates this variable consideration using the expected value amount, which is based on historical experience. The Company includes estimated amounts in the transaction price to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is resolved. The Company adjusts the estimate of revenue at the earlier of when the amount of consideration the Company expects to receive changes or when the consideration becomes fixed. Accrued customer rebates were $35,234 and $2,674 at April 2, 2022 and April 3, 2021, respectively, and are included within accrued expenses and other current liabilities on the consolidated balance sheets.

## 4. Allowance for Doubtful Accounts

The activity in the allowance for doubtful accounts consists of the following:

| Fiscal Year Ended | Balance at Beginning of Year | Additions | Other* | Write-offs | Balance at End of Year |
|---|---|---|---|---|---|
| April 2, 2022 | $ 1,792 | $ 1,436 | $ (140) | $ (351) | $2,737 |
| April 3, 2021 | 1,627 | 480 | (86) | (229) | 1,792 |
| March 28, 2020 | 1,430 | 263 | 13 | (79) | 1,627 |

* Foreign currency, price discrepancies, customer returns, disposition and acquisition transactions.

## 5. Inventory

Inventories are summarized below:

| | April 2, 2022 | April 3, 2021 |
|---|---|---|
| Raw materials | $ 112,651 | $ 57,764 |
| Work in process | 122,983 | 86,183 |
| Finished goods | 280,506 | 220,200 |
| | $ 516,140 | $ 364,147 |

## 6. Property, Plant and Equipment

Property, plant and equipment consist of the following:

| | April 2, 2022 | April 3, 2021 |
|---|---|---|
| Land | $ 24,188 | $ 17,658 |
| Buildings and improvements | 170,131 | 90,668 |
| Machinery and equipment | 444,719 | 322,949 |
| | 639,038 | 431,275 |
| Less: accumulated depreciation | (252,306) | (223,011) |
| | $ 386,732 | $ 208,264 |

Depreciation expense was $30,840, $22,527 and $21,808 for the twelve-month periods ended April 2, 2022, April 3, 2021 and March 28, 2020, respectively.

**Finance Leases**

For the year ended April 2, 2022, $50,371 of assets included in buildings and improvements and $1,220 of assets included in machinery and equipment were accounted for as finance leases. These finance leases were acquired as part of the Dodge acquisition discussed in Note 8. The Company did not have any finance leases as of April 3, 2021. At April 2, 2022, the Company had accumulated amortization of $1,310 associated with these assets. Amortization expense associated with these finance leases was $1,310 and is included within depreciation expense as mentioned above.

## 7. Leases

The Company enters into leases for manufacturing facilities, warehouses, sales offices, information technology equipment, plant equipment, vehicles and certain other equipment with varying end dates from April 2022 to November 2041, including renewal options.

The following table represents the impact of leasing on the consolidated balance sheets:

| **Assets:** | **Balance Sheet Classification** | April 2, 2022 | April 3, 2021 |
|---|---|---|---|
| Operating lease assets, net | Operating lease assets, net | $ 44,535 | $ 35,664 |
| Finance lease right of use assets, net | Property, plant and equipment, net | 51,591 | — |
| Total leased assets, net | | $ 96,126 | $ 35,664 |
| **Liabilities:** | | | |
| Current operating lease liabilities | Current operating lease liabilities | 8,059 | 5,726 |
| Current finance lease liabilities | Accrued expenses and other current liabilities | 3,863 | — |
| Noncurrent operating lease liabilities | Noncurrent operating lease liabilities | 36,680 | 29,982 |
| Noncurrent finance lease liabilities | Other noncurrent liabilities | 48,049 | — |
| Total lease liabilities | | $ 96,651 | $ 35,708 |

Cash paid included in the measurement of operating lease liabilities was $7,826 and $6,869 for the twelve-month periods ended April 2, 2022 and April 3, 2021, respectively, all of which were included within the operating cash flow section of the consolidated statements of cash flows. Lease assets obtained in exchange for new operating lease liabilities were $11,639 and $1,637 for the twelve-month periods ended April 2, 2022 and April 3, 2021, respectively. Of the $11,639 of operating lease assets obtained for new operating lease liabilities during fiscal 2022, $9,768 were obtained on November 1, 2021 as part of the Dodge acquisition. Lease modifications which resulted in newly obtained lease assets in exchange for new operating lease liabilities were $3,338 for the twelve-month period ended April 2, 2022 and were $11,110 for the twelve-month period ended April 3, 2021.

Cash paid included in the measurement of finance lease liabilities was $1,646 for the twelve-month periods ended April 2, 2022 and was included within the financing cash flow section of the consolidated statements of cash flows. Lease assets obtained in exchange for new finance lease liabilities were $52,902 for the twelve- month period ended April 2, 2022, of which, $39,030 were obtained on November 1, 2021 as part of the Dodge acquisition. Lease modifications which resulted in newly obtained lease assets in exchange for new finance lease liabilities were $0 for the twelve-month period ended April 2, 2022.

Total operating lease expense was $8,282, $7,647 and $7,079 for the twelve-month periods ended April 2, 2022, April 3, 2021 and March 28, 2020, respectively. Short-term and variable lease expense were immaterial.

Total finance lease expense was $1,967 for the twelve-month period ended April 2, 2022, of which, $1,310 was related to amortization expense of finance lease assets and $657 was related to interest expense.

Future undiscounted lease payments for the remaining lease terms as of April 2, 2022, including renewal options reasonably certain of being exercised, are as follows:

| | Operating Leases |
|---|---|
| Within one year | $ 8,214 |
| One to two years | 6,663 |
| Two to three years | 5,123 |
| Three to four years | 4,521 |
| Four to five years | 4,559 |
| Thereafter | 24,075 |
| Total future undiscounted lease payments | 53,155 |
| Less: imputed interest | (8,416) |
| Total operating lease liabilities | $ 44,739 |

| | Finance Leases |
|---|---|
| Within one year | $ 3,927 |
| One to two years | 3,813 |
| Two to three years | 3,905 |
| Three to four years | 3,906 |
| Four to five years | 4,019 |
| Thereafter | 49,316 |
| Total future undiscounted lease payments | 68,886 |
| Less: imputed interest | (16,974) |
| Total finance lease liabilities | $ 51,912 |

The weighted-average remaining lease term on April 2, 2022 for our operating leases is 10.3 years. The weighted-average discount rate on April 2, 2022 for our operating leases is 3.7%.

The weighted-average remaining lease term on April 2, 2022 for our finance leases is 17.1 years. The weighted-average discount rate on April 2, 2022 for our finance leases is 3.3%.

## 8. Dodge Acquisition

On November 1, 2021, the Company completed the acquisition of Dodge for approximately $2,908,241, net of cash acquired and subject to certain adjustments. The purchase price was paid with (i) $1,285,761 of borrowing under the Term Loan Facility, net of issuance costs, (ii) $1,050,811 of net proceeds from the common stock and MCPS offerings, (iii) $494,200 of net proceeds from the Senior Notes offering, and (iv) approximately $77,469 of cash on hand. In the acquisition, the Company purchased 100% of the capital stock of certain entities, including Dodge Mechanical Power Transmission Company Inc. (now known as Dodge Industrial, Inc.), and certain other assets relating to ABB Asea Brown Boveri Ltd's mechanical power transmission business.

With offices in Greenville, South Carolina, Dodge is a leading manufacturer of mounted bearings, gearings and mechanical products with market-leading brand recognition. Dodge manufactures a complete line of mounted bearings, enclosed gearing and power transmission components across a diverse set of industrial end markets. Dodge primarily operates across the construction and mining aftermarket, and the food & beverage, warehousing and general machinery verticals, with sales predominately in the Americas.

When the Company entered into the Dodge acquisition agreement in July 2021, its obligation to pay the purchase price was supported by a $2,800,000 bridge financing commitment (the "Bridge Commitment"), which was replaced prior to the closing of the acquisition by the equity and debt financings described in Notes 15 and 11 and cash on hand.

Acquisition costs incurred for the fiscal year ended April 2, 2022 totaled $22,598 and were recorded as period expenses and included within other, net within the consolidated statements of operations. This acquisition was accounted for as a purchase transaction. The preliminary purchase price allocation is subject to change pending a final valuation of the assets and liabilities acquired. The assets acquired and liabilities assumed were recorded based on their fair values at the date of acquisition as follows:

| | November 1, 2021 |
|---|---|
| Cash and cash equivalents | $ 81,868 |
| Accounts receivable | 83,532 |
| Inventory | 136,376 |
| Prepaid expenses and other current assets | 1,261s |
| Property, plant and equipment | 165,109 |
| Operating lease assets | 9,768 |
| Goodwill | 1,624,793 |
| Other intangible assets | 1,385,082 |
| Other noncurrent assets | 3,672 |
| Accounts payable | 69,757 |
| Accrued rebates | 30,184 |
| Accrued expenses and other current liabilities | 46,699 |
| Deferred tax liabilities | 299,711 |
| Other noncurrent liabilities | 57,001 |
| Net assets acquired | 2,990,109 |
| Less cash received | 81,868 |
| Net consideration | $ 2,908,241 |

The goodwill associated with this acquisition is the result of expected synergies from combining the operations of the acquired business with the Company's operations and intangible assets that do not qualify for separate recognition, such as an assembled workforce. $44,952 of the acquired goodwill is deductible for tax purposes.

The fair value of the identifiable intangible assets of $1,385,082, consisting primarily of customer relationships and trade names, was determined using the income approach. Specifically, a multi-period, excess earnings method was utilized for the customer relationships and the relief-from-royalty method was utilized for the trade name. The fair value of the customer relationships, $1,185,000, is being amortized based on the economic pattern of benefit over a period of 24 years; the fair value of the trade name, $200,000, is being amortized on a straight-line basis over a 26-year term. These amortization periods represent the estimated useful lives of the assets.

The results of operations for Dodge have been included in the Company's financial statements for the period subsequent to the completion of the acquisition on November 1, 2021. Dodge contributed $291,873 of revenue and $29,260 of operating income for the fiscal year ended April 2, 2022. The following table reflects the unaudited pro forma operating results of the Company for the twelve month periods ended April 2, 2022, April 3, 2021 and March 28, 2020, which gives effect to the acquisition of Dodge as if the Company had been acquired on March 31, 2019. The pro forma results are based on assumptions that the Company believes are reasonable under the circumstances. The pro forma results are not necessarily indicative of the operating results that would have occurred had the acquisitions been effective March 31, 2019, nor are they intended to be indicative of results that may occur in the future. The underlying pro forma information includes the historical financial results of the Company and the acquired business adjusted for certain items such as amortization of acquired intangible assets and acquisition costs incurred. The pro forma information does not include the effects of any synergies, cost reduction initiatives or anticipated integration costs related to the acquisitions.

| | Fiscal Year Ended | | |
|---|---|---|---|
| | April 2, 2022 | April 3, 2021 | March 28, 2020 |
| Net sales | $ 1,327,559 | $ 1,182,017 | $ 1,322,910 |
| Net income | $ 123,418 | $ 99,438 | $ 104,980 |
| Basic net income per share available to common stockholders | $ 3.52 | $ 2.69 | $ 2.92 |
| Diluted net income per share available to common stockholders | $ 3.48 | $ 2.67 | $ 2.89 |

Upon closing, the Company entered into a transition services agreement ("TSA") with ABB, pursuant to which ABB agreed to support the information technology, human resources and benefits, finance, tax and treasury functions of the Dodge business for six to twelve months. The Company has the option to extend the support period for up to a maximum of an additional year for certain IT services. RBC has the right to terminate individual services at any point over the renewal term. All services are expected to be terminated by the end of the second quarter of fiscal 2023. Since the purchase of the Dodge business, costs associated with the TSA were $8,003 through April 2, 2022 and were included in other, net on the Company's consolidated statement of operations.

## 9. Goodwill and Intangible Assets

***Goodwill***

Goodwill balances, by segment, consist of the following:

| | Plain | Roller | Ball | Engineered Products | Aerospace/ Defense | Industrial | Total |
|---|---|---|---|---|---|---|---|
| March 28, 2020 | $ 79,597 | $ 16,007 | $ 5,623 | $ 176,549 | — | — | $ 277,776 |
| Acquisition (3) | — | — | — | (383) | — | — | (383) |
| Translation adjustments | — | — | — | 143 | — | — | 143 |
| April 3, 2021 | $ 79,597 | $ 16,007 | $ 5,623 | $ 176,309 | — | — | $ 277,536 |
| Allocation in the third quarter of fiscal 2022 (1) | (79,597) | (16,007) | (5,623) | (176,309) | 194,124 | 83,412 | — |
| Acquisition (2) | — | — | — | — | — | 1,624,793 | 1,624,793 |
| Translation adjustments | — | — | — | — | — | (225) | (225) |
| April 2, 2022 | — | — | — | — | $ 194,124 | $ 1,707,980 | $ 1,902,104 |

(1) Represents reallocation of goodwill as a result of our change in segments in the third quarter of fiscal 2022. See Note 18 for further details.
(2) Goodwill associated with the acquisition of Dodge discussed further in Note 8.
(3) Includes a reduction of goodwill recognized due to opening balance sheet adjustments made during the measurement period of the Company's acquisition of Vianel Holding AG ("Swiss Tool") on August 15, 2019.

***Intangible Assets***

| | Weighted Average Useful Lives | April 2, 2022 Gross Carrying Amount | April 2, 2022 Accumulated Amortization | April 3, 2021 Gross Carrying Amount | April 3, 2021 Accumulated Amortization |
|---|---|---|---|---|---|
| Product approvals | 24 | $ 50,878 | $ 16,680 | $ 50,878 | $ 14,691 |
| Customer relationships and lists [(1)] | 24 | 1,294,577 | 53,376 | 109,762 | 28,253 |
| Trade names [(1)] | 25 | 216,340 | 15,073 | 16,333 | 10,392 |
| Distributor agreements | 5 | 722 | 722 | 722 | 722 |
| Patents and trademarks | 16 | 12,342 | 6,607 | 11,612 | 6,211 |
| Domain names | 10 | 437 | 437 | 437 | 437 |
| Other [(1)] | 3 | 9,720 | 4,887 | 3,745 | 2,665 |
| | | 1,585,016 | 97,782 | 193,489 | 63,371 |
| Non-amortizable repair station certifications | n/a | 24,281 | — | 24,281 | — |
| Total | 24 | $ 1,609,297 | $ 97,782 | $ 217,770 | $ 63,371 |

(1) Includes $1,185,000 of customer relationships, $200,000 of trade names and $82 of software intangibles resulting from the Dodge acquisition.

Amortization expense for definite-lived intangible assets during fiscal years 2022, 2021 and 2020 was $34,692, $10,217 and $9,612, respectively. Estimated amortization expense for the five succeeding fiscal years and thereafter is as follows:

| | |
|---|---|
| 2023 | $ 68,324 |
| 2024 | 68,318 |
| 2025 | 67,854 |
| 2026 | 64,700 |
| 2027 | 63,664 |
| 2028 and thereafter | 1,154,374 |

**10. Accrued Expenses and Other Current Liabilities**

The significant components of accrued expenses and other current liabilities are as follows:

| | April 2, 2022 | April 3, 2021 |
|---|---|---|
| Employee compensation and related benefits | $ 34,697 | $ 11,846 |
| Taxes | 11,706 | 2,896 |
| Contract liabilities | 19,556 | 16,998 |
| Accrued rebates | 35,234 | 2,674 |
| Workers compensation and insurance | 1,144 | 2,915 |
| Acquisition costs | 4,568 | — |
| Current finance lease liabilities | 3,863 | — |
| Accrued preferred stock dividends | 4,919 | — |
| Interest | 10,987 | 37 |
| Audit fees | 599 | 89 |
| Legal | 450 | 380 |
| Other | 17,529 | 5,729 |
| | $ 145,252 | $ 43,564 |

**11. Debt**

*Domestic Credit Facility*

On November 1, 2021 RBCA entered into the New Credit Agreement with Wells Fargo as Administrative Agent, Collateral Agent, Swingline Lender and Letter of Credit Issuer and the other lenders party thereto, and terminated the 2015 Credit Agreement. The New Credit Agreement provides the Company with (a) a $1,300,000 term loan facility (the “Term Loan Facility”), which was used to fund a portion of the cash purchase price for the acquisition of Dodge and to pay related fees and expenses, and (b) a $500,000 revolving credit facility (the “Revolving Credit Facility” and together with the Term Loan Facility, the “Facilities”). Debt issuance costs associated with the New Credit Agreement totaled $14,947 and will be amortized over the life of the New Credit Agreement using the effective interest method. When the 2015 Credit Agreement was terminated the Company wrote off $890 of previously unamortized debt issuance costs.

Amounts outstanding under the Facilities generally bear interest at either, at the Company’s option, (a) a base rate determined by reference to the higher of (i) Wells Fargo’s prime lending rate, (ii) the federal funds effective rate plus 1/2 of 1.00% and (iii) the one-month LIBOR rate plus 1.00% or (b) the LIBOR rate plus a specified margin, depending on the type of borrowing being made. The applicable margin is based on the Company’s consolidated ratio of total net debt to consolidated EBITDA from time to time. Currently, the Company’s margin is 0.75% for base rate loans and 1.75% for LIBOR rate loans. The Facilities are subject to a “LIBOR” floor of 0.00% and contain “hard-wired” LIBOR replacement provisions as set forth in the New Credit Agreement. We are also required to pay a commitment fee on the unutilized portion of the Revolving Credit Facility as well as letter of credit fees on any amounts secured by the revolver. As of April 2, 2022, the Company’s commitment fee rate is 0.25% and the letter of credit fee rate is 1.75%.

The Term Loan Facility and the Revolving Credit Facility will mature on November 2, 2026 (the “Maturity Date”). The Company can elect to prepay some or all of the outstanding balance from time to time without penalty. Commencing one full fiscal quarter after the execution of the New Credit Agreement, the Term Loan Facility will amortize in quarterly installments with the balance payable on the Maturity Date unless otherwise extended in accordance with the terms of the Term Loan Facility. The required future principal payments are approximately $0 for fiscal 2023, $30,000 for fiscal 2024, $97,500 for fiscal 2025, $130,000 for fiscal 2026, and $942,500 for fiscal 2027.

The New Credit Agreement requires the Company to comply with various covenants, including the following financial covenants beginning with the test period ending December 31, 2021: (a) a maximum Total Net Leverage Ratio of 5.50:1.00, which maximum Total Net Leverage Ratio shall decrease during certain subsequent test periods as set forth in the New Credit Agreement (provided that, no more than once during the term of the Facilities, such maximum ratio applicable at such time may be increased by the Borrower by 0.50:1.00 for a period of 12 months after the consummation of a material acquisition), and (b) a minimum Interest Coverage Ratio of 2.00:1.00.

The New Credit Agreement allows the Company to, among other things, make distributions to shareholders, repurchase its stock, incur other debt or liens, or acquire or dispose of assets provided that the Company complies with certain requirements and limitations of the New Credit Agreement.

The Company’s domestic subsidiaries have guaranteed the Company’s obligations under the New Credit Agreement, and the Company’s obligations and the domestic subsidiaries’ guaranty are secured by a pledge of substantially all of the domestic assets of the Company and its domestic subsidiaries.

As of April 2, 2022, $1,200,000 was outstanding under the Term Loan Facility and approximately $3,550 of the Revolving Credit Facility was being utilized to provide letters of credit to secure the Company’s obligations relating to certain insurance programs, and the Company had the ability to borrow up to an additional $496,450 under the Revolving Credit Facility. The Term Loan is reported at carrying value on the consolidated balance sheets.

*Senior Notes*

On October 7, 2021, RBCA issued $500,000 aggregate principal amount of 4.375% Senior Notes due 2029. The net proceeds from the issuance of the Senior Notes were approximately $491,992 after deducting initial purchasers’ discounts and commissions and offering expenses. On November 1, 2021, the Company used the proceeds to fund a portion of the cash purchase price for the acquisition of Dodge. Debt issuance cost associated with the Senior Notes totaled $8,008 and will be amortized over the life of the Senior Notes using the effective interest method.

The Senior Notes were issued pursuant to an indenture, dated as of October 7, 2021 (the “Indenture”), between RBCA and Wilmington Trust, National Association, as trustee. The Indenture contains covenants limiting the ability of the Company to (i) incur additional indebtedness or guarantee indebtedness, (ii) declare or pay dividends, redeem stock or make other distributions to stockholders, (iii) make investments, (iv) create liens or use assets as security in other transactions, (v) merge or consolidate, or sell, transfer, lease or dispose of substantially all of its assets, (vi) enter into transactions with affiliates, and (vii) sell or transfer certain assets. These covenants contain various exceptions, limitations and qualifications. At any time that the Senior Notes are rated investment grade, certain covenants will be suspended.

The Senior Notes are guaranteed jointly and severally on a senior unsecured basis by RBC Bearings and certain of RBCA's existing and future wholly-owned domestic subsidiaries that also guarantee the New Credit Agreement.

Interest on the Senior Notes accrues from October 7, 2021 at a rate of 4.375% and will be payable semi–annually in cash in arrears on April 15 and October 15 of each year, commencing April 15, 2022.

The Senior Notes will mature on October 15, 2029. The Company may redeem some or all of the Senior Notes at any time on or after October 15, 2024 at the redemption prices set forth in the Indenture, plus accrued and unpaid interest, if any, to, but excluding, the redemption date. The Company may also redeem up to 40% of the Senior Notes using the proceeds of certain equity offerings completed before October 15, 2024, at a redemption price equal to 104.375% of the principal amount thereof, plus accrued and unpaid interest, if any, to, but excluding, the redemption date. In addition, at any time prior to October 15, 2024, the Company may redeem some or all of the Senior Notes at a price equal to 100% of the principal amount, plus a "make–whole" premium, plus accrued and unpaid interest, if any, to, but excluding, the redemption date. If the Company sells certain of its assets or experiences specific kinds of changes in control, the Company must offer to purchase the Senior Notes.

*Foreign Term Loan and Revolving Credit Facility*

On August 15, 2019, one of our foreign subsidiaries, Schaublin, entered into two separate credit agreements (the "Foreign Credit Agreements") with Credit Suisse (Switzerland) Ltd. to (i) finance the acquisition of Swiss Tool, and (ii) provide future working capital. The Foreign Credit Agreements provided Schaublin with a CHF 15,000 (approximately $15,383) term loan (the "Foreign Term Loan"), which was extinguished in February 2022 and a CHF 15,000 (approximately $15,383) revolving credit facility (the "Foreign Revolver"), which continues in effect until terminated by either Schaublin or Credit Suisse. Debt issuance costs associated with the Foreign Credit Agreements totaled CHF 270 (approximately $277). When the Foreign Term Loan was extinguished, Schaublin wrote off $73 of previously unamortized debt issuance costs.

Amounts outstanding under the Foreign Term Loan and the Foreign Revolver generally bear interest at LIBOR plus a specified margin. The applicable margin is based on Schaublin's ratio of total net debt to consolidated EBITDA at each measurement date. Currently, Schaublin's margin is 1.00%.

The Foreign Credit Agreements require Schaublin to comply with various covenants, which are tested annually on March 31. These covenants include, among other things, a financial covenant to maintain a ratio of consolidated net debt to adjusted EBITDA not greater than 2.50 to 1 as of March 31, 2021 and thereafter. Schaublin is also required to maintain an economic equity of CHF 20,000 at all times. The Foreign Credit Agreements allow Schaublin to, among other things, incur other debt or liens and acquire or dispose of assets provided that Schaublin complies with certain requirements and limitations of the Foreign Credit Agreements. As of April 2, 2022, Schaublin was in compliance with all such covenants.

Schaublin's parent company, Schaublin Holding, has guaranteed Schaublin's obligations under the Foreign Credit Agreements. Schaublin Holding's guaranty and the Foreign Credit Agreements are secured by a pledge of the capital stock of Schaublin. In addition, the Foreign Term Loan is secured with pledges of the capital stock of the top company and the three operating companies in the Swiss Tool System group of companies.

As of April 2, 2022, the Foreign Term Loan has been paid, with no balance outstanding. There were no amounts outstanding under the Foreign Revolver. Schaublin has the ability to borrow up to an additional $16,202 under the Foreign Revolver as of April 2, 2022.

The balances payable under all borrowing facilities are as follows:

| | April 2, 2022 | April 3, 2021 |
|---|---|---|
| Revolver and term loan facilities | $ 1,200,000 | $ 11,657 |
| Senior notes | 500,000 | — |
| Debt issuance cost | (20,895) | (1,216) |
| Other | 9,236 | 5,666 |
| Total debt | 1,688,341 | 16,107 |
| Less: current portion | 1,543 | 2,612 |
| Long-term debt | $ 1,686,798 | $ 13,495 |

**12. Other Noncurrent Liabilities**

The significant components of other noncurrent liabilities consist of:

| | April 2, 2022 | April 3, 2021 |
|---|---|---|
| Other postretirement benefits | $ 16,306 | $ 7,807 |
| Noncurrent income tax liability | 18,054 | 18,658 |
| Deferred compensation | 26,380 | 25,189 |
| Contract liabilities | 10,401 | 3,754 |
| Noncurrent finance lease liabilities | 48,049 | — |
| Other | 1,219 | 8 |
| | $ 120,409 | $ 55,416 |

**13. Employee Benefit Plans**

At April 2, 2022, the Company has one consolidated noncontributory defined benefit pension plan covering union employees in its Heim division plant in Fairfield, Connecticut, its Plymouth subsidiary plant in Plymouth, Indiana and former union employees of the Tyson subsidiary in Glasgow, Kentucky and the Nice subsidiary in Kulpsville, Pennsylvania.

Plan assets are comprised primarily of equity and fixed income investments. As of April 2, 2022 and April 3, 2021, plan assets were $26,022 and $27,238, respectively.

The fair value of the above investments is determined using quoted market prices of identical instruments. Therefore, the valuation inputs within the fair value hierarchy established by ASC 820 are classified as Level 1 of the valuation hierarchy.

Benefits under the union plans are not a function of employees' salaries; thus, the accumulated benefit obligation equals the projected benefit obligation. At April 2, 2022 and April 3, 2021, the projected benefit obligation was $22,838 and $25,380, respectively.

The discount rates used in determining the funded status as of April 2, 2022 and April 3, 2021 were 3.30% and 2.70%, respectively.

The funded status of the Company's defined benefit pension plan and the amount recognized in the balance sheet at April 2, 2022 and April 3, 2021 were $3,184 and $1,858, respectively. These overfunded amounts are included within noncurrent assets on the consolidated balance sheets.

Net periodic benefit cost for fiscal years 2022, 2021 and 2020 was $42, $529 and $276, respectively. The discount rate used to determine net periodic benefit cost for fiscal years 2022, 2021 and 2020 was 2.70%, 2.80% and 3.50%, respectively.

Two of the Company's foreign operations, Schaublin and Swiss Tool, sponsor pension plans for their approximately 143 and 31 employees, respectively, in conformance with Swiss pension law. The Schaublin plan is funded with an independent semi-autonomous collective provident foundation whereas the Swiss Tool plan is funded with a reputable Swiss insurer. The unfunded liabilities of these plans at April 2, 2022 were $3,073. For fiscal years 2022, 2021 and 2020, net periodic benefit cost for these plans was $1,660, $1,123 and $1,101, respectively.

The Company has defined contribution plans under Section 401(k) of the Internal Revenue Code for all of its employees not covered by a collective bargaining agreement. Employer contributions under this plan, ranging from 10%-100% of eligible amounts contributed by employees, amounted to $4,601, $2,162 and $2,212 in fiscal 2022, 2021 and 2020, respectively.

The Company maintains a non-qualified Supplemental Executive Retirement Plan ("SERP") for a select group of senior management employees. When the SERP was initially adopted in 1996, it allowed eligible employees to elect to defer, until termination of their employment, the receipt of up to 25% of their salary. In August 2008, the plan was modified to allow eligible employees to elect to defer up to 75% of their current salary and up to 100% of bonus compensation. As of April 2, 2022 and April 3, 2021, the SERP assets were $29,020 and $27,856, respectively, and are included within other assets on the consolidated balance sheets. As of April 2, 2022 and April 3, 2021, the SERP liabilities were $24,861 and $24,178, respectively, and are included within accrued expenses and other current liabilities and other noncurrent liabilities on the balance sheets. The Company also maintains a similar SERP for employees of the newly acquired Dodge division with SERP assets as of April 2, 2022 of $1,486 and SERP liabilities of $1,519. These amounts are included within the same balance sheet line items as the other SERP maintained by the Company.

The Company, for the benefit of employees at its Heim, West Trenton, Plymouth and PIC facilities and former union employees of its Tyson and Nice subsidiaries, sponsors contributory defined benefit health care plans that provide postretirement medical and life insurance benefits to union employees who have attained certain age and/or service requirements while employed by the Company. The plans are unfunded and costs are paid as incurred. Postretirement benefit obligations were $2,291and $2,646 at April 2, 2022 and April 3, 2021, respectively. Of these amounts, $151 and $174 are considered current and are included within accrued expenses and other current liabilities on the consolidated balance sheets as of April 2, 2022 and April 3, 2021, respectively. The remainder of the balances are included in other noncurrent liabilities in the consolidated balance sheets. The Company also maintains a frozen defined benefit heath care plan for employees of the newly acquired Dodge division with postretirement benefit obligations of $10,000, of which, $1,168 was considered current. The amounts are included within the same balance sheet line items as other postretirement health care plans maintained by the Company.

**14. Income Taxes**

Income before income taxes for the Company's domestic and foreign operations is as follows:

| | Fiscal Year Ended | | |
|---|---|---|---|
| | **April 2, 2022** | **April 3, 2021** | **March 28, 2020** |
| Domestic | $ 77,773 | $ 105,434 | $ 148,154 |
| Foreign | 9,946 | 4,625 | 5,985 |
| Total income before income taxes | $ 87,719 | $ 110,059 | $ 154,139 |

The provision for income taxes consists of the following:

| | Fiscal Year Ended | | |
|---|---|---|---|
| | **April 2, 2022** | **April 3, 2021** | **March 28, 2020** |
| Current tax expense: | | | |
| Federal | $ 18,329 | $ 15,171 | $ 16,370 |
| State | 2,593 | 1,100 | 2,578 |
| Foreign | 2,933 | 2,646 | 2,653 |
| | 23,855 | 18,917 | 21,601 |
| Deferred tax expense: | | | |
| Federal | (1,892) | 336 | 6,210 |
| State | (278) | 1,210 | 1,076 |
| Foreign | 969 | (37) | (784) |
| | (1,201) | 1,509 | 6,502 |
| Total income taxes | $ 22,654 | $ 20,426 | $ 28,103 |

An analysis of the difference between the provision for income taxes and the amount computed by applying the U.S. statutory income tax rate to pre-tax income follows:

| | Fiscal Year Ended | | |
|---|---|---|---|
| | **April 2, 2022** | **April 3, 2021** | **March 28, 2020** |
| Income taxes using U.S. federal statutory rate | $ 18,421 | $ 23,113 | $ 32,369 |
| State income taxes, net of federal benefit | 1,931 | 2,083 | 2,851 |
| Stock-based compensation | (2,646) | (2,056) | (3,834) |
| Foreign rate differential | 1,603 | 1,638 | 613 |
| Transition tax | — | — | 135 |
| Research and development credits | (1,492) | (1,258) | (1,737) |
| Company-owned life insurance | (37) | (1,173) | 334 |
| Foreign derived intangible income (FDII) | (1,489) | (1,088) | (1,569) |
| U.S. unrecognized tax positions | 2,142 | 4 | (146) |
| Acquisition costs | 1,654 | — | — |
| Valuation allowance | 2,273 | 200 | 147 |
| Other - net | 294 | (1,037) | (1,060) |
| | $ 22,654 | $ 20,426 | $ 28,103 |

Net deferred tax assets (liabilities) are comprised of the following:

| | April 2, 2022 | April 3, 2021 |
|---|---|---|
| Deferred tax assets: | | |
| Pension and postretirement benefits | $ 2,725 | $ 1,021 |
| Employee compensation accruals | 8,186 | 7,080 |
| Inventory | 14,121 | 9,269 |
| Operating lease liabilities | 8,839 | 8,527 |
| Finance lease liabilities | 7,676 | — |
| Stock compensation | 3,462 | 6,132 |
| Tax loss and credit carryforwards | 12,121 | 10,942 |
| State tax | 1,377 | 1,441 |
| Other accrued liabilities | 11,422 | 1,233 |
| Other | 2,344 | 919 |
| Total gross deferred tax assets | 72,273 | 46,564 |
| Valuation allowance | (8,655) | (6,292) |
| Total deferred tax assets | $ 63,618 | $ 40,272 |
| | | |
| Deferred tax liabilities: | | |
| Property, plant and equipment | $ (42,702) | $ (20,744) |
| Operating lease assets | (8,884) | (8,492) |
| Other | (2,860) | (2,657) |
| Intangible assets | (324,431) | (25,557) |
| Total deferred tax liabilities | $ (378,877) | $ (57,450) |
| | | |
| Total net deferred liabilities | $ (315,259) | $ (17,178) |

The Company evaluates deferred tax assets to ensure that the estimated future taxable income will be sufficient in character (i.e. capital versus ordinary income treatment), amount and timing to result in their recovery. After considering the positive and negative evidence, a valuation allowance has been recorded on foreign tax credits and on certain state and foreign credits and net operating losses as it is more likely than not (i.e. greater than a 50% likelihood) that these items will not be utilized. For the Company's fiscal year ended April 2, 2022 the valuation allowance increased by $2,363, which primarily pertained to a capital loss carryforward and an increase of U.S. federal and state credits. For the Company's fiscal year ended April 3, 2021 the valuation allowance increased by $2,042, which pertained to an increase of U.S. federal and state credits. These valuation allowances are required because management has determined, based on financial projections and available tax strategies, that it is unlikely the net operating losses and credits will be utilized before they expire. If events or circumstances change, valuation allowances are adjusted at that time resulting in an income tax benefit or charge.

At April 2, 2022, the Company had state net operating loss carryovers in different jurisdictions at varying amounts up to $7,332, which expire at various dates through 2036. At April 2, 2022, the Company had foreign net operating loss carryovers in different jurisdictions at varying amounts up to $3,367 which will expire at various dates through fiscal 2040. At April 2, 2022, the Company had U.S. federal and state credits in different jurisdictions at varying amounts up to $9,359 which will expire at various dates through 2036. At April 2, 2022, the Company had Canadian investment tax credits up to $210 which will expire at various dates through 2037.

Under accounting standards (ASC 740) a deferred tax liability is not recorded for the excess of the tax basis over the financial reporting (book) basis of an investment in a foreign subsidiary if the indefinite reinvestment criteria is met. The Tax Cuts and Jobs Act (TCJA) required a mandatory deemed repatriation of certain undistributed earnings of the Company’s foreign subsidiaries as of December 31, 2017, and income taxes were accrued accordingly. If these deemed repatriated earnings were distributed in the form of cash dividends, the Company would not be subject to additional U.S. income taxes, other than tax arising from the movement of foreign exchange rates on previously taxed earnings, but could be subject to foreign income and withholding taxes. A provision has not been made for additional U.S. and foreign taxes at April 2, 2022 on approximately $40,711 of undistributed earnings of foreign subsidiaries or for any additional tax on the deemed repatriated earnings because the Company intends to reinvest these funds indefinitely to support foreign growth opportunities. Due to the inherent complexity of the multinational tax environment in which the company operates, it is not practicable to estimate the unrecognized deferred tax liability on these undistributed earnings. These earnings could become subject to additional tax under certain circumstances including, but not limited to, loans to the Company, or upon sale or pledging of the foreign subsidiary’s stock.

*Uncertain Tax Positions*

Unrecognized income tax benefits represent income tax positions taken on income tax returns but not yet recognized in the consolidated financial statements. If recognized, substantially all of the unrecognized tax benefits for the Company’s fiscal years ended April 2, 2022 and April 3, 2021 would affect the effective income tax rate.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

| | April 2, 2022 | April 3, 2021 | March 28, 2020 |
|---|---|---|---|
| Balance, beginning of year | $ 14,617 | $ 14,212 | $ 13,479 |
| Gross increases (decreases) – tax positions taken during a prior period | 415 | (166) | 123 |
| Gross increases – tax positions taken during the current period | 3,888 | 2,016 | 1,702 |
| Reductions due to lapse of the applicable statute of limitations | (1,764) | (1,445) | (1,092) |
| Balance, end of year | $ 17,156 | $ 14,617 | $ 14,212 |

The Company recognizes the interest and penalties accrued related to unrecognized tax benefits in income tax expense. The Company recognized expense of $61, $86 and $213 of interest and penalties on its statement of operations for the fiscal years ended April 2, 2022, April 3, 2021 and March 28, 2020, respectively. The Company had approximately $1,431 and $1,492 of accrued interest and penalties at April 2, 2022 and April 3, 2021, respectively.

The Company believes it is reasonably possible that some of its unrecognized tax positions may be effectively settled by the end of the Company’s fiscal year ending April 1, 2023 due to the closing of audits and the statute of limitations expiring in various jurisdictions. The decrease, pertaining primarily to federal and state credits and state tax, is estimated to be $1,734.

The Company files income tax returns in numerous U.S. and foreign jurisdictions, with returns subject to examination for varying periods, but generally back to and including the year ending March 30, 2019, although certain tax credits generated in earlier years are open under statute from April 2, 2005. The Company is no longer subject to U.S. federal tax examination by the Internal Revenue Service for years ending before March 31, 2019.

**15. Stockholders’ Equity**

*Preferred Stock*

We are authorized to issue 10,000,000 shares of preferred stock, $0.01 par value per share, in one or more series and to fix the powers, designations, preferences and relative participating, option or other rights thereof, including dividend rights, conversion rights, voting rights, redemption terms, liquidation preferences and the number of shares constituting any series, without any further vote or action by our stockholders.

On September 24, 2021, we completed an offering of 4,600,000 shares of 5.00% Series A Mandatory Convertible Preferred Stock (“MCPS”) in a public offering registered under the Securities Act of 1933, as amended (the “Securities Act”), including 600,000 shares issued pursuant to the full exercise of the option granted to the underwriters of the MCPS offering to purchase additional shares solely to cover over-allotments. The trading symbol for the MCPS is “ROLLP.” The net proceeds from the offering were approximately $445,319 after deducting underwriting discounts and commissions and offering expenses. On November 1, 2021, the Company used the proceeds to fund a portion of the cash purchase price for the acquisition of Dodge.

Holders of MCPS are entitled to receive, when, as and if declared by our Board of Directors, or an authorized committee thereof, out of funds legally available for payment, cumulative dividends at the annual rate of 5.00% of the liquidation preference of $100 per share, payable in cash or, subject to certain limitations, by delivery of shares of common stock or any combination of cash and shares of common stock, at our election; provided, however, that any unpaid dividends on the MCPS will continue to accumulate as described in the Certificate of Designations that sets forth the rights, preferences and privileges of the MCPS. The Company made a $7,092 dividend payment on January 15, 2022 and had accrued $4,919 as of April 2, 2022 for dividends to be paid out on April 15, 2022.

The MCPS has a liquidation preference of $100 per share plus accrued and unpaid dividends. As of April 2, 2022, the MCPS had an aggregate liquidation preference of $464,919.

Subject to certain exceptions, no dividend or distribution will be declared or paid on shares of our common stock, and no common stock will be purchased, redeemed or otherwise acquired for consideration by us or any of our subsidiaries unless, in each case, all accumulated and unpaid dividends for all preceding dividend periods have been declared and paid, or a sufficient amount of cash or number of shares of common stock has been set apart for the payment of such dividends, on all outstanding shares of MCPS. In the event of our voluntary or involuntary liquidation, winding-up or dissolution, no distribution of our assets may be made to holders of our common stock until we have paid holders of MCPS, each of which will be entitled to receive a liquidation preference in the amount of $100 per share plus accumulated and unpaid dividends.

Unless earlier converted or redeemed, each share of MCPS will automatically convert, for settlement on or about October 15, 2024, into between 0.4413 and 0.5405 shares of common stock, subject to customary anti-dilution adjustments. The conversion rate that will apply to mandatory conversions will be determined based on the average of the daily volume-weighted average prices over the 20 consecutive trading days beginning on, and including, the 21st scheduled trading day immediately before October 15, 2024. The conversion rate applicable to mandatory conversions may in certain circumstances be increased to compensate holders of the MCPS for certain unpaid accumulated dividends.

*Common Stock*

We are authorized to issue 60,000,000 shares of common stock, $0.01 par value per share. Holders of common stock are entitled to one vote per share. Holders of common stock are entitled to receive dividends, if and when declared by our Board of Directors, and to share ratably in our assets legally available for distribution to our stockholders in the event of liquidation after giving effect to any liquidation preference for the benefit of the MCPS or any other preferred stock then outstanding. Holders of common stock have no preemptive, subscription, redemption, or conversion rights. The holders of common stock do not have cumulative voting rights. The holders of a majority of the shares of common stock can elect all of the directors and can control our management and affairs.

On September 24, 2021, we completed an offering of 3,450,000 shares of common stock in a public offering registered under the Securities Act at an offering price of $185 per share, including 450,000 shares issued pursuant to the full exercise of the option granted to the underwriters of the offering to purchase additional shares. The net proceeds from the offering were approximately $605,492 after deducting underwriting discounts and commissions and offering expenses. On November 1, 2021, the Company used the proceeds to fund a portion of the cash purchase price for the acquisition of Dodge.

**Long-Term Equity Incentive Plans**

***2013 Long-Term Incentive Plan***

The 2013 Long-Term Incentive Plan provides for grants of stock options, stock appreciation rights, restricted stock and performance awards. The purpose of the Plan is to provide our directors, officers and other employees and persons who engage in services for us with incentives to maximize stockholder value and otherwise contribute to our success and to enable us to attract, retain and reward the best available persons for positions of responsibility.

1,500,000 shares of common stock were authorized for issuance under the Plan, subject to adjustment in the event of a reorganization, stock split, merger or similar change in the Company’s corporate structure or in the outstanding shares of common stock. The Company may grant shares of restricted stock to its employees and directors in the future under the Plan. The Company’s Compensation Committee administers the Plan. The Company’s Board also has the authority to administer the Plan and to take all actions that the Compensation Committee is otherwise authorized to take under the Plan. The terms and conditions of each award made under the Plan, including vesting requirements, is set forth consistent with the Plan in a written agreement with the grantee.

***2017 Long-Term Incentive Plan***

The 2017 Long-Term Incentive Plan provides for grants of stock options, stock appreciation rights, restricted stock and performance awards. Directors, officers and other employees and persons who engage in services for the Company are eligible for grants under the Plan. The purpose of the Plan is to provide these individuals with incentives to maximize stockholder value and otherwise contribute to the Company’s success and to enable the Company to attract, retain and reward the best available persons for positions of responsibility.

1,500,000 shares of common stock were authorized for issuance under the Plan, subject to adjustment in the event of a reorganization, stock split, merger or similar change in the Company’s corporate structure or in the outstanding shares of common stock. The Company may grant shares of restricted stock to its employees and directors in the future under the Plan. The Company’s Compensation Committee administers the Plan. The Company’s Board also has the authority to administer the Plan and to take all actions that the Compensation Committee is otherwise authorized to take under the Plan. The terms and conditions of each award made under the Plan, including vesting requirements, is set forth consistent with the Plan in a written agreement with the grantee.

***2021 Long-Term Incentive Plan***

The 2021 Long-Term Incentive Plan provides for grants of stock options, stock appreciation rights, restricted stock and performance awards. Directors, officers and other employees and persons who engage in services for the Company are eligible for grants under the Plan. The purpose of the Plan is to provide these individuals with incentives to maximize stockholder value and otherwise contribute to the Company's success and to enable the Company to attract, retain and reward the best available persons for positions of responsibility.

1,500,000 shares of common stock were authorized for issuance under the Plan, subject to adjustment in the event of a reorganization, stock split, merger or similar change in the Company's corporate structure or in the outstanding shares of common stock. The Company may grant shares of restricted stock to its employees and directors in the future under the Plan. The Company's Compensation Committee administers the Plan. The Company's Board also has the authority to administer the Plan and to take all actions that the Compensation Committee is otherwise authorized to take under the Plan. The terms and conditions of each award made under the Plan, including vesting requirements, is set forth consistent with the Plan in a written agreement with the grantee.

*Stock Options.* Under the Plans, the Compensation Committee or the Board may approve the award of grants of incentive stock options and other non-qualified stock options. The Compensation Committee also has the authority to approve the grant of options that will become fully vested and exercisable automatically upon a change in control. The Compensation Committee may not, however, approve an award to any one person in any calendar year for options to purchase common stock equal to more than 10% of the total number of shares authorized under the relevant Plan, and it may not approve an award of incentive options first exercisable in any calendar year whose underlying shares have a fair market value greater than $100 determined at the time of grant. The Compensation Committee will approve the exercise price and term of any option in its discretion; however, the exercise price may not be less than 100% of the fair market value of a share of common stock on the date of grant. Under the 2013 and 2017 Plans, any incentive stock option must be exercised within seven years of the date of grant. Under the 2021 Plan, any incentive stock option must be exercised within ten years of the date of grant. Under the Plans, the exercise price of an incentive option awarded to a person who owns stock constituting more than 10% of the Company's voting power may not be less than 110% of such fair market value on such date and the option must be exercised within five years of the date of grant. There were 177,512 outstanding options to purchase shares of common stock granted under the 2013 Long-Term Incentive Plan, 138,052 of which were exercisable. There were 518,375 outstanding options to purchase shares of common stock granted under the 2017 Long-Term Incentive Plan, 92,461 of which were exercisable. There were no outstanding options to purchase shares of common stock granted under the 2021 Long-Term Incentive Plan.

*Restricted Stock.* Under the Plans, the Compensation Committee may approve the award of restricted stock subject to the conditions and restrictions, and for the duration that it determines in its discretion. Under the 2017 and 2021 Long-Term Incentive Plans, the number of shares that may be used for restricted stock or restricted unit grants under the Plan may not exceed 50% of the total authorized number of shares under the Plan. As of April 2, 2022, there were 11,170, 217,479 and zero shares of restricted stock outstanding under the 2013, 2017 and 2021 Long-Term Incentive Plans, respectively.

*Stock Appreciation Rights.* The Compensation Committee may approve the grant of stock appreciation rights, or SARs, subject to the terms and conditions contained in the Plans. The exercise price of a SAR must equal the fair market value of a share of the Company's common stock on the date the SAR was granted. Upon exercise of a SAR, the grantee will receive an amount in shares of our common stock equal to the difference between the fair market value of a share of common stock on the date of exercise and the exercise price of the SAR, multiplied by the number of shares as to which the SAR is exercised. There were no SARs issued or outstanding under the Plans as of April 2, 2022.

*Performance Awards.* The Compensation Committee may approve the grant of performance awards contingent upon achievement by the grantee or by the Company, of set goals and objectives regarding specified performance criteria, over a specified performance cycle. Awards may include specific dollar-value target awards, performance units, the value of which is established at the time of grant, and/or performance shares, the value of which is equal to the fair market value of a share of common stock on the date of grant. The value of a performance award may be fixed or fluctuate on the basis of specified performance criteria. A performance award may be paid out in cash and/or shares of common stock or other securities. There were no performance awards issued or outstanding under the Plans as of April 2, 2022.

*Amendment and Termination of the Plans.* The Board may amend or terminate the Plans at its discretion, except that no amendment will become effective without prior approval of the Company's stockholders if such approval is necessary for continued compliance with the performance-based compensation exception of Section 162(m) of the Internal Revenue Code or any stock exchange listing requirements. Subject to the provisions of an Award Agreement, which may be more restrictive, no termination of the Plan shall materially and adversely affect any of the rights or obligations of any person, without his or her written consent, under any grant of options or other incentives theretofore granted under the Plan.

A summary of the status of the Company's stock options outstanding as of April 2, 2022 and changes during the year then ended is presented below. All cashless exercises of options and warrants are handled through an independent broker.

| | Number Of Common Stock Options | Weighted Average Exercise Price | Weighted Average Contractual Life (Years) | Intrinsic Value |
|---|---|---|---|---|
| Outstanding, April 3, 2021 | 695,402 | $ 124.24 | 4.4 | $ 51,391 |
| Awarded | 155,150 | 197.78 | | |
| Exercised | (149,896) | 120.24 | | |
| Forfeitures | (4,682) | 145.20 | | |
| Expirations | (87) | 128.00 | | |
| Outstanding, April 2, 2022 | 695,887 | $ 141.36 | 4.1 | $ 38,257 |
| | | | | |
| Exercisable, April 2, 2022 | 230,513 | $ 109.17 | 2.7 | $ 19,911 |

The fair value for the Company's options was estimated at the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions, which are updated to reflect current expectations of the dividend yield, expected life, risk-free interest rate and using historical volatility to project expected volatility:

| | Fiscal Year Ended | | |
|---|---|---|---|
| | April 2, 2022 | April 3, 2021 | March 28, 2020 |
| Dividend yield | 0.00% | 0.00% | 0.00% |
| Expected weighted-average life (yrs.) | 5.0 | 5.0 | 5.0 |
| Risk-free interest rate | 0.95% | 0.35% | 1.82% |
| Expected volatility | 43.43% | 41.35% | 26.93% |

The weighted average fair value per share of options granted was $76.65 in fiscal 2022, $52.78 in fiscal 2021 and $39.34 in fiscal 2020.

The Company recorded $5,456 (net of taxes of $1,640) in compensation in fiscal 2022 related to option awards. As of April 2, 2022, there was $19,658 of unrecognized compensation costs related to options which is expected to be recognized over a weighted average period of 3.4 years. The total intrinsic value of options exercised in fiscal 2022, 2021 and 2020 was $11,915, $12,726 and $15,273, respectively.

Of the total awards outstanding at April 2, 2022, 687,857 were either fully vested or are expected to vest. These shares have a weighted average exercise price of $141.03, an intrinsic value of $38,033 and a weighted average contractual term of 4.1 years.

A summary of the status of the Company's restricted stock outstanding as of April 2, 2022 and the changes during the year then ended is presented below.

| | Number Of Restricted Stock Shares | Weighted-Average Grant Date Fair Value |
|---|---|---|
| Non-vested, April 3, 2021 | 246,850 | $ 140.39 |
| Granted | 101,465 | 198.04 |
| Vested | (115,193) | 132.91 |
| Forfeitures | (4,473) | 142.68 |
| Non-vested, April 2, 2022 | 228,649 | $ 169.69 |

The weighted average fair value per share of restricted stock awards granted was $198.04 in fiscal 2022, $153.70 in fiscal 2021 and $145.72 in fiscal 2020.

The Company recorded $12,939 (net of taxes of $3,890) in compensation in fiscal 2022 related to restricted stock awards. These awards were valued at the fair market value of the Company's common stock on the date of issuance and are being amortized as expense over the applicable vesting period. The total fair value of restricted stock awards that vested during fiscal 2022, 2021, and 2020 was $22,094, $19,470 and $19,916, respectively. Unrecognized expense for restricted stock was $27,475 at April 2, 2022. This cost is expected to be recognized over a weighted average period of approximately 2.5 years.

**16. Commitments and Contingencies**

As of April 2, 2022, approximately 6% of the Company's hourly employees in the U.S. and abroad were represented by labor unions.

The Company enters into U.S. government contracts and subcontracts that are subject to audit by the U.S. government. In the opinion of the Company's management, the results of such audits, if any, are not expected to have a material impact on the cash flows, financial condition or results of operations of the Company.

For fiscal 2022, 2021 and 2020, there were no audits by the U.S. government, the results of which, in the opinion of the Company's management, had a material impact on the cash flows, financial condition or results of operations of the Company.

The Company is subject to federal, state and local environmental laws and regulations, including those governing discharges of pollutants into the air and water, the storage, handling and disposal of wastes and the health and safety of employees. The Company also may be liable under the Comprehensive Environmental Response, Compensation, and Liability Act or similar state laws for the costs of investigation and cleanup of contamination at facilities currently or formerly owned or operated by the Company, or at other facilities at which the Company may have disposed of hazardous substances. In connection with such contamination, the Company may also be liable for natural resource damages, U.S. government penalties and claims by third parties for personal injury and property damage. Agencies responsible for enforcing these laws have authority to impose significant civil or criminal penalties for non-compliance. The Company believes it is currently in material compliance with all applicable requirements of environmental laws. The Company does not anticipate material capital expenditures for environmental compliance in fiscal years 2023 or 2024.

Investigation and remediation of contamination is ongoing at some of the Company's sites. In particular, state agencies have been overseeing groundwater monitoring activities at the Company's facility in Hartsville, South Carolina and a corrective action plan at the Company's property in Clayton, Georgia. At Hartsville, the Company is monitoring low levels of contaminants in the groundwater caused by former operations. Plans are currently underway to conclude remediation and monitoring activities. In connection with the purchase of the Fairfield, Connecticut facility in 1996, the Company agreed to assume responsibility for completing clean-up efforts previously initiated by the prior owner. The Company submitted data to the state that the Company believes demonstrates that no further remedial action is necessary, although the state may require additional clean-up or monitoring. In connection with the purchase of the Company's Clayton, Georgia property, the Company agreed to take assignment of the hazardous waste permit covering such facility and to assume certain responsibilities to implement a corrective action plan concerning the remediation of certain soil and groundwater contamination present at that facility. The corrective action plan is ongoing. Although there can be no assurance, the Company does not expect the costs associated with the above sites to be material.

From time to time, we are involved in litigation and administrative proceedings which arise in the ordinary course of our business. We do not believe that any litigation or proceeding in which we are currently involved, either individually or in the aggregate, is likely to have a material adverse effect on our business, financial condition, operating results, cash flow or prospects.

**17. Other, Net**

Other, net is comprised of the following:

| | Fiscal Year Ended | | |
|---|---|---|---|
| | April 2, 2022 | April 3, 2021 | March 28, 2020 |
| Plant consolidation and restructuring costs | $ 1,061 | $ 2,862 | $ 1,087 |
| Acquisition costs | 30,601 | — | 901 |
| Provision for doubtful accounts | 460 | 480 | 263 |
| Amortization of intangibles | 34,692 | 10,217 | 9,612 |
| Loss (gain) on disposal of assets | 347 | 1,314 | (1,227) |
| Other expense (income) | 1,210 | 1,775 | (883) |
| | $ 68,371 | $ 16,648 | $ 9,753 |

**18. Reportable Segments**

The Company previously reported its financial results under four operating segments: Plain Bearings; Roller Bearings; Ball Bearings; and Engineered Products. During the third quarter of fiscal 2022, the Company completed the acquisition of Dodge, which has resulted in a change in the internal organization of the Company and how its chief operating decision maker makes operating decisions, assesses the performance of the business, and allocates resources. Accordingly, the Company's financial results are now reported in two new reportable operating segments: Aerospace/Defense and Industrial:

***Aerospace/Defense.*** This segment represents the end markets for the Company’s highly engineered bearings and precision components used in commercial aerospace, defense aerospace, and sea and ground defense applications.

***Industrial.*** This segment represents the end markets for the Company’s highly engineered bearings, gearings and precision components used in various industrial applications including: power transmission; construction, mining, energy and specialized equipment manufacturing; semiconductor production equipment manufacturing; agricultural machinery, commercial truck and automotive manufacturing; and tool holding.

Financial information for fiscal 2021 and fiscal 2020 have been recast to conform to the new segment presentation.

The accounting policies of the reportable segments are the same as those described in Note 2 “Summary of Significant Accounting Policies.” Segment performance is evaluated based on segment net sales and gross margin. Items not allocated to segment operating income include corporate administrative expenses and certain other amounts. Identifiable assets by reportable segment consist of those directly identified with the segment’s operations.

| | Fiscal Year Ended | | |
|---|---|---|---|
| | April 2, 2022 | April 3, 2021 | March 28, 2020 |
| **Net External Sales** | | | |
| Aerospace/Defense | $ 381,468 | $ 396,222 | $ 507,417 |
| Industrial | 561,469 | 212,762 | 220,044 |
| | $ 942,937 | $ 608,984 | $ 727,461 |
| **Gross Margin** | | | |
| Aerospace/Defense | $ 155,127 | $ 161,190 | $ 210,442 |
| Industrial | 201,941 | 72,916 | 78,661 |
| | $ 357,068 | $ 234,106 | $ 289,103 |
| **Selling, General and Administrative Expenses** | | | |
| Aerospace/Defense | $ 28,997 | $ 29,134 | $ 36,597 |
| Industrial | 58,603 | 17,982 | 20,238 |
| Corporate | 71,034 | 58,884 | 65,730 |
| | $ 158,634 | $ 106,000 | $ 122,565 |
| **Operating Income** | | | |
| Aerospace/Defense | $ 117,858 | $ 122,402 | $ 165,698 |
| Industrial | 107,478 | 52,911 | 56,665 |
| Corporate | (95,273) | (63,855) | (65,578) |
| | $ 130,063 | $ 111,458 | $ 156,785 |
| **Total Assets** | | | |
| Aerospace/Defense | $ 776,505 | $ 792,280 | $ 788,060 |
| Industrial | 3,920,957 | 357,353 | 390,363 |
| Corporate | 147,955 | 284,627 | 143,489 |
| | $ 4,845,417 | $ 1,434,260 | $ 1,321,912 |
| **Capital Expenditures** | | | |
| Aerospace/Defense | $ 7,510 | $ 8,672 | $ 25,993 |
| Industrial | 19,312 | 2,951 | 11,129 |
| Corporate | 2,937 | 149 | 175 |
| | $ 29,759 | $ 11,772 | $ 37,297 |
| **Depreciation & Amortization** | | | |
| Aerospace/Defense | $ 19,055 | $ 19,855 | $ 19,262 |
| Industrial | 43,127 | 9,659 | 8,948 |
| Corporate | 3,350 | 3,230 | 3,210 |
| | $ 65,532 | $ 32,744 | $ 31,420 |
| **Geographic External Sales** | | | |
| Domestic | $ 833,409 | $ 546,018 | $ 651,381 |
| Foreign | 109,528 | 62,966 | 76,080 |
| | $ 942,937 | $ 608,984 | $ 727,461 |
| **Geographic Long-Lived Assets** | | | |
| Domestic | $ 372,995 | $ 188,366 | $ 190,215 |
| Foreign | 58,272 | 55,562 | 58,584 |
| | $ 431,267 | $ 243,928 | $ 248,799 |

## ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

## ITEM 9A. CONTROLS AND PROCEDURES

The Company’s management is responsible for establishing and maintaining effective disclosure controls and procedures, as defined under Rule 13a-15(e) of the Securities Exchange Act of 1934. As of the end of the period covered by this report, the Company performed an evaluation, under the supervision and with the participation of the Company’s management, including its Chief Executive Officer and Chief Financial Officer, of the effectiveness of the Company’s disclosure controls and procedures. Based upon that evaluation, the Company’s Chief Executive Officer and Chief Financial Officer concluded that the Company’s disclosure controls and procedures provide reasonable assurance that the material information required to be disclosed by the Company in the reports that it files or submits to the Securities and Exchange Commission under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the Commission’s rules and forms. No changes were made to the Company’s internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934) during the last fiscal quarter that materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting. The Company’s management believes that its disclosure controls and procedures were effective as of April 2, 2022.

As mentioned in Management’s Report on Internal Control Over Financial Reporting, we acquired Dodge on November 1, 2021. As part of our ongoing integration of the Dodge business, we continue to incorporate our controls and procedures into the business and to expand our company-wide controls to reflect the risks inherent in an acquisition of this size and complexity.

**Management's Report on Internal Control Over Financial Reporting**

Management of RBC Bearings Incorporated is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Securities Exchange Act of 1934.

The Company's internal control over financial reporting is supported by written policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the Company's assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of the Company's management and directors; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of the Company's internal control over financial reporting as of April 2, 2022 as required by Securities Exchange Act of 1934. In making this assessment, we used the criteria set forth in the framework in *Internal Control-Integrated Framework* (2013 Framework) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation under the framework in *Internal Control-Integrated Framework*, our management concluded that our internal control over financial reporting was effective as of April 2, 2022.

Management excluded an assessment of the effectiveness of the Company's internal control over financial reporting related to the Dodge business. The Company acquired the Dodge business on November 1, 2021. The Dodge business represented approximately 39% of the Company's consolidated total assets (excluding goodwill and intangibles which were included in management's assessment of internal control over financial reporting as of April 2, 2022) and 31% of the consolidated total revenues as of and for the year ended April 2, 2022. The Company's assessment did not include the internal control over financial reporting for the Dodge business.

The effectiveness of our internal control over financial reporting as of April 2, 2022 has been audited by Ernst & Young LLP, an independent registered public accounting firm, as stated in their report which appears on the following page.

/s/ RBC Bearings Incorporated

Oxford, Connecticut
May 26, 2022

## Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of RBC Bearings Incorporated

**Opinion on Internal Control Over Financial Reporting**

We have audited RBC Bearings Incorporated's internal control over financial reporting as of April 2, 2022, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), (the COSO criteria). In our opinion, RBC Bearings Incorporated (the Company) maintained, in all material respects, effective internal control over financial reporting as of April 2, 2022, based on the COSO criteria.

As indicated in the accompanying Management's Report on Internal Control Over Financial Reporting, management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of the Dodge business, which is included in the 2022 consolidated financial statements of the Company and constituted 39% of total assets (excluding goodwill and intangible assets, net) as of April 2, 2022 and 31% of revenues for the year then ended. Our audit of internal control over financial reporting of the Company also did not include an evaluation of the internal control over financial reporting of the Dodge business.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of April 2, 2022 and April 3, 2021, the related consolidated statements of operations, comprehensive income, stockholders' equity and cash flows for each of the three years in the period ended April 2, 2022 and the related notes and our report dated May 26, 2022 expressed an unqualified opinion thereon.

**Basis for Opinion**

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

**Definition and Limitations of Internal Control Over Financial Reporting**

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP
Stamford, Connecticut
May 26, 2022

**ITEM 9B. OTHER INFORMATION**

**Board Committee Assignments**

Audit Committee *

Edward D. Stewart, Chairman
Michael H. Ambrose
Richard R. Crowell

Compensation Committee

Dolores J. Ennico, Chairman
Dr. Steven H. Kaplan
Dr. Amir Faghri

Nominating and Governance Committee

Edward D. Stewart
Dr. Steven H. Kaplan

* At least one member of the Audit Committee qualifies as an "audit committee financial expert" as defined by applicable SEC rules.

## PART III

The information called for by Part III, Items 10, 11, 12, 13 and 14 of Form 10-K, will be included in the Company's Proxy Statement for its 2022 Annual Meeting of Shareholders, which the Company intends to file within 120 days after the close of its fiscal year ended April 2, 2022 and which is incorporated herein by reference.

## PART IV

### ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) (1) Financial Statements

The following Consolidated Financial Statements and Supplementary Data of the Company are included in Item 8, “Financial Statements and Supplementary Data” of this Annual Report on Form 10-K:

- Report of Independent Registered Public Accounting Firm;
- Consolidated Balance Sheets at April 2, 2022 and April 3, 2021;
- Consolidated Statements of Operations for the years ended April 2, 2022, April 3, 2021 and March 28, 2020;
- Consolidated Statements of Comprehensive Income for the years ended April 2, 2022, April 3, 2021 and March 28, 2020;
- Consolidated Statements of Stockholders’ Equity for the years ended April 2, 2022, April 3, 2021 and March 28, 2020;
- Consolidated Statements of Cash Flows for the years ended April 2, 2022, April 3, 2021 and March 28, 2020; and
- Notes to Consolidated Financial Statements.

(a) (2) Financial Statement Schedules

See Financial Statement Schedules under Item 15(c) of this Annual Report on Form 10-K

(a) (3) See Item 15(b) of this Annual Report on Form 10-K.

(b) The Exhibits required by Item 601 of Regulation S-K are filed as exhibits to this Annual Report on Form 10-K and indexed below immediately following Item 15(c), which index is incorporated herein by reference.

(c) All Financial Statement Schedules are included in the Financial Statements and Supplementary Data under Item 15(a)(1) of this Annual Report on Form 10-K and incorporated herein by reference.

Exhibit Index

The following exhibits are filed as part of this Annual Report on Form 10-K. The exhibits that are indicated below as having been previously filed by RBC Bearings Incorporated with the SEC are incorporated herein by reference. Our Commission file number is 001-40840.

| Number | Description of Document |
|---|---|
| 3.1 | Amended and Restated Certificate of Incorporation of RBC Bearings Incorporated dated August 13, 2005 (filed with Amendment No. 4 to Registration Statement on Form S-1 dated August 8, 2005). |
| 3.2 | Amended and Restated Bylaws of RBC Bearings Incorporated (filed as Exhibit 3.1 to Current Report on Form 8-K dated September 15, 2017). |
| 4.1 | Description of Capital Stock. |
| 4.2 | Form of stock certificate for common stock (filed as Exhibit 4.3 to Amendment No. 3 to Registration Statement on Form S-1 dated August 4, 2005). |
| 4.3 | Certificate of Designation for 5.00% Series A Mandatory Convertible Preferred Stock (filed as Exhibit 3.1 to Current Report on Form 8-K dated September 24, 2021). |
| 4.4 | Form of stock certificate for 5.00% Series A Mandatory Convertible Preferred Stock (filed as Exhibit 4.1 to Current Report on Form 8-K dated September 24, 2021) |
| 4.5 | Indenture, dated as of October 7, 2021, by and among Roller Bearing Company of America, Inc. and Wilmington Trust, National Association for 4.375% Senior Notes due 2029 (filed as Exhibit 4.1 to Current Report on Form 8-K dated October 7, 2021). |
| 4.6 | Form of 4.375% Senior Notes due 2029 (filed as Exhibit 4.2 to Current Report on Form 8-K dated October 7, 2021). |
| 10.1 | Restated and Amended Employment Agreement, effective April 2, 2017, between RBC Bearings Incorporated and Michael J. Hartnett, Ph.D. (filed as Exhibit 10.1 to Current Report on Form 8 K dated June 7, 2017). |
| 10.2 | Employment Agreement, effective April 2, 2017, between RBC Bearings Incorporated and Daniel A. Bergeron (filed as Exhibit 10.2 to Current Report on Form 8 K dated June 7, 2017). |
| 10.3 | Form of Change in Control Letter Agreement for Named Executive Officers (filed as Exhibit 10.1 to Quarterly Report on Form 10-Q dated February 1, 2010). |
| 10.4 | Change in Control Letter Agreement for Patrick S. Bannon (filed as Exhibit 10.1 to Current Report on Form 8-K dated November 3, 2017). |
| 10.5 | RBC Bearings Incorporated Executive Officer Performance Based Compensation Plan (filed as Exhibit 10.1 to Current Report on Form 8-K dated July 27, 2017). |
| 10.6 | RBC Bearings Incorporated Amended and Restated 2013 Long Term Incentive Plan (filed as Exhibit 10.1 to Current Report on Form 8-K dated August 21, 2013). |
| 10.7 | RBC Bearings Incorporated 2017 Long-Term Equity Incentive Plan (filed as Exhibit 10.2 to Current Report on Form 8-K dated July 27, 2017). |
| 10.8 | RBC Bearings Incorporated 2021 Long-Term Equity Incentive Plan (filed as Exhibit  to Current Report on Form 8-K dated July 27, 2017). |

| | |
|---|---|
| 10.9 | Credit Agreement, dated November 1, 2021, by and among Roller Bearing Company of America, Inc. as Borrower, RBC Bearings Incorporated, Wells Fargo Bank, National Association, as Administrative Agent, Collateral Agent, Swingline Lender, and Letter of Credit Issuer, and various lenders signatory thereto (filed as Exhibit 10.1 to Current Report on Form 8-K dated November 2, 2021). |
| 10.10 | Guarantee, dated November 1, 2021, by and among RBC Bearings Incorporated and the subsidiary guarantors party thereto in favor of Wells Fargo Bank, National Association, as Collateral Agent (filed as Exhibit 10.2 to Current Report on Form 8-K dated November 2, 2021). |
| 10.11 | Security Agreement, dated November 1, 2021, by and between Roller Bearing Company of America, Inc., RBC Bearings Incorporated, the subsidiary grantors party thereto and Wells Fargo Bank, National Association, as Collateral Agent for its benefit and the benefit of the Secured Parties (filed as Exhibit 10.3 to Current Report on Form 8-K dated November 2, 2021). |
| 10.12 | Pledge Agreement, dated November 1, 2021, by and between Roller Bearing Company of America, Inc., RBC Bearings Incorporated, the subsidiary pledgors party thereto and Wells Fargo Bank, National Association, as Collateral Agent for the benefit of the Secured Parties (filed as Exhibit 10.4 to Current Report on Form 8-K dated November 2, 2021). |
| 10.13 | Stock and Asset Purchase Agreement, dated as of July 24, 2021, by and between ABB Asea Brown Boveri Ltd as Seller and RBC Bearings Incorporated as Purchaser (filed as Exhibit 2.1 to Current Report on Form 8-K dated July 26, 2021). |
| 21 | Subsidiaries of the Registrant. |
| 23 | Consent of Ernst & Young LLP. |
| 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 | Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.* |
| 32.2 | Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.* |
| 101.INS | Inline XBRL Instance Document. |
| 101.SCH | Inline XBRL Taxonomy Extension Schema Document. |
| 101.CAL | Inline XBRL Taxonomy Extension Calculation Linkbase Document. |
| 101.DEF | Inline XBRL Taxonomy Extension Definition Linkbase Document. |
| 101.LAB | Inline XBRL Taxonomy Extension Label Linkbase Document. |
| 101.PRE | Inline XBRL Taxonomy Extension Presentation Linkbase Document. |
| 104 | Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101). |

* This certification is not deemed filed with the SEC and is not to be incorporated by reference into any of our filings under the Securities Act of 1933 or the Securities Exchange Act of 1934 (whether made before or after the date of this Annual Report on Form 10-K) irrespective of any general incorporation language contained in such filing.

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

RBC Bearings Incorporated
(Registrant)

By: /s/ Michael J. Hartnett
Name: Michael J. Hartnett
Title: Chief Executive Officer
Date: May 26, 2022

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

| Signature | Title |
|---|---|
| /s/ Michael J. Hartnett<br>Michael J. Hartnett<br>Date: May 26, 2022 | Chairman, President and Chief Executive Officer<br>(principal executive officer and chairman) |
| /s/ Daniel A. Bergeron<br>Daniel A. Bergeron<br>Date: May 26, 2022 | Chief Operating Officer |
| /s/ Robert M. Sullivan<br>Robert M. Sullivan<br>Date: May 26, 2022 | Chief Financial Officer<br>(principal financial officer) |
| /s/ Matthew J. Tift<br>Matthew J. Tift<br>Date: May 26, 2022 | Corporate Controller |
| /s/ Richard R. Crowell<br>Richard R. Crowell<br>Date: May 26, 2022 | Director |
| /s/ Dolores J. Ennico<br>Dolores J. Ennico<br>Date: May 26, 2022 | Director |
| /s/ Edward D. Stewart<br>Edward D. Stewart<br>Date: May 26, 2022 | Director |
| /s/ Dr. Steven H. Kaplan<br>Dr. Steven H. Kaplan<br>Date: May 26, 2022 | Director |
| /s/ Michael H. Ambrose<br>Michael H. Ambrose<br>Date: May 26, 2022 | Director |
| /s/ Dr. Amir Faghri<br>Dr. Amir Faghri<br>Date: May 26,2022 | Director |

**Exhibit 4.1**

# RBC BEARINGS INCORPORATED

## DESCRIPTION OF CAPITAL STOCK

The certificate of incorporation of RBC Bearings Incorporated, a Delaware corporation, authorizes the issuance of (i) 60,000,000 shares of Common Stock, par value $0.01 per share, and (ii) 10,000,000 shares of Preferred Stock, $0.01 par value per share. References herein to “RBC,” “we,” “us” or “our” refer to RBC Bearings Incorporated.

## COMMON STOCK

### Voting Rights

Each outstanding share of Common Stock is entitled to one vote on all matters submitted to a vote of RBC’s stockholders. Shares of Common Stock are not entitled to cumulative voting. RBC has a staggered Board of Directors divided into three classes, each of which is up for election every third year so that each director serves a three-year term until their class comes up for election. Directors are elected by a majority of the votes cast.

### Dividends

Subject to the dividend rights of the holders of any outstanding Preferred Stock, the holders of shares of Common Stock are entitled to receive ratably dividends out of assets legally available therefor at such times and in such amounts as RBC’s Board of Directors may from time to time determine. RBC does not currently pay regular dividends on the Common Stock.

### Liquidation Rights

Upon the liquidation, dissolution or winding up of RBC’s affairs and subject to the liquidation rights of the holders of any outstanding Preferred Stock, the holders of shares of Common Stock are entitled to share ratably in RBC’s assets that are legally available for distribution after payment of all RBC’s debts and liabilities.

### No Other Rights

The Common Stock is not convertible or redeemable, has no sinking fund rights, and is not entitled to preemptive rights to purchase, subscribe for or otherwise acquire any unissued or treasury shares or other securities. Delaware law does not require stockholder approval for any issuance of authorized shares. However, the listing requirements of Nasdaq (which would apply so long as the Common Stock is listed on Nasdaq) require stockholder approval of certain issuances equal to or exceeding 20% of the then-outstanding voting power or then-outstanding number of shares of Common Stock.

### Miscellaneous

Shares of Common Stock are listed on the Nasdaq Global Select Market under the symbol “ROLL.”

The transfer agent for the Common Stock is Computershare Trust Company, N.A.

## PREFERRED STOCK GENERALLY

The Preferred Stock may be issued from time to time in one or more series. RBC’s Board of Directors, without further action by the stockholders, has the authority to determine or alter the powers, preferences, rights, qualifications, limitations and restrictions granted to or imposed on unissued shares of Preferred Stock, and to determine the number of shares constituting any series of Preferred Stock. Preferred Stock terms that the Board of Directors could establish include those relating to voting, dividends, redemption, conversion, exchange, sinking fund, preemption, liquidation and other rights, preferences and privileges.

RBC has not established the terms of, or issued any shares of, any series of Preferred Stock except for the 5.00% Series A Mandatory Convertible Preferred Stock described below.

**<u>5.00% SERIES A MANDATORY CONVERTIBLE PREFERRED STOCK</u>**

RBC has filed with the Delaware Secretary of State a certificate of designations establishing the powers, preferences, rights, qualifications, limitations and restrictions of a series of Preferred Stock designated 5.00% Series A Mandatory Convertible Preferred Stock (the “Series A Preferred Stock”), and has issued 4,600,000 shares of Series A Preferred Stock. The following description of the Series A Preferred Stock is a summary only and is qualified in its entirety by reference to such certificate of designations, which has been filed with the Securities and Exchange Commission as Exhibit 3.1 to RBC’s Current Report on Form 8-K dated September 24, 2021.

**Dividends**

The Series A Preferred Stock accumulates cumulative dividends at a rate per annum equal to 5.00% (such rate per annum, the “stated dividend rate”) on the liquidation preference thereof, regardless of whether or not declared or funds are legally available for their payment. Subject to the other provisions described below, such dividends are payable when, as and if declared by the RBC Board of Directors out of funds legally available for their payment to the extent paid in cash, quarterly in arrears on each “dividend payment date” (see *Definitions* below). Dividends on the Series A Preferred Stock accumulate from the last date to which dividends have been paid and dividends will cease to accumulate from and after October 15, 2024.

Declared dividends are payable, at our election, in cash, shares of Common Stock or a combination of cash and shares of Common Stock, provided that in no event may the total number of shares of Common Stock issuable per share of Series A Preferred Stock as payment for a declared dividend exceed an amount equal to (i) the total dollar amount of such declared dividend per share of Series A Preferred Stock, *divided by* (ii) the “floor price” (see *Definitions* below) in effect on the last “VWAP trading day” (see *Definitions* below) of the related “dividend stock price observation period” (see *Definitions* below). The initial floor price for the Series A Preferred Stock is $64.75 per share of Common Stock, but is subject to adjustment (as provided in the definition of floor price) whenever the “boundary conversion rates” are adjusted (see *Conversion to Common Stock – Mandatory Conversion*).

RBC’s ability to pay dividends on “dividend parity stock” (see *Definitions* below) at any time that all accumulated dividends on the Series A Preferred Stock have not been paid is subject to certain limitations. Cash dividends may not be paid on “junior stock” (see *Definitions* below) while the Series A Preferred Stock is outstanding.

**Ranking**

The Series A Preferred Stock ranks as follows:

- senior to (i) “dividend junior stock” (see *Definitions* below) with respect to the payment of dividends, and (ii) ”liquidation junior stock” (see *Definitions* below) with respect to the distribution of assets upon our liquidation, dissolution or winding up;

- equally with (i) dividend parity stock with respect to the payment of dividends, and (ii) ”liquidation parity stock” (see *Definitions* below) with respect to the distribution of assets upon our liquidation, dissolution or winding up;

- junior to (i) ”dividend senior stock” (see *Definitions* below) with respect to the payment of dividends; and (ii) ”liquidation senior stock” (as defined below under the caption “Definitions”) with respect to the distribution of assets upon our liquidation, dissolution or winding up;

- junior to our existing and future indebtedness and other liabilities; and

- structurally junior to all of our subsidiaries’ existing and future indebtedness and other liabilities, including trade payables.

**Voting Rights**

The Series A Preferred Stock has no voting rights except as described below or as provided by the Delaware General Corporation Law.

*Right to Designate Two Directors*

If a “dividend non-payment event” (see *Definitions* below) occurs, then we will cause the authorized number of our directors to be increased by two and the Series A Preferred stockholders, voting together as a single class with the holders of each class or series of “voting parity stock” (see *Definitions* below), if any, will have the right to elect two directors to fill such two new directorships (the “preferred stock directors”) until such dividend non-payment event has been cured, at which time such right will terminate with respect to the Series A Preferred Stock until and unless a subsequent dividend non-payment event occurs. However, as a condition to the election of any such director, such election must not cause us to violate any applicable securities exchange rule requiring that a majority of our directors be independent.

*Voting Rights With Respect to Certain Matters*

Each of the following events will require, and cannot be effected without, the affirmative vote the holders of the Series A Preferred Stock, and holders of each class or series of voting parity stock, if any, with similar voting rights with respect to such event, representing at least two-thirds of the combined outstanding voting power of the Series A Preferred Stock and such voting parity stock, if any:

- any amendment or modification of our certificate of incorporation to authorize or create, or to increase the authorized number of shares of, any class or series of dividend senior stock or liquidation senior stock;

- any amendment, modification or repeal of any provision of our certificate of incorporation or the certificate of designations that, individually or in the aggregate with all other such amendments, modifications or repeals made pursuant to the provision described in this bullet, materially and adversely affects the rights, preferences or voting powers of the Series A Preferred Stock (other than as provided below); or

- our consolidation or combination with, or merger with or into, another person, or any binding or statutory share exchange or reclassification involving the Series A Preferred Stock, in each case unless:

  - the Series A Preferred Stock either: (i) remains outstanding after such consolidation, combination, merger, share exchange or reclassification; or (ii) is converted or reclassified into, or is exchanged for, or represents solely the right to receive, preference securities of the continuing, resulting or surviving person of such consolidation, combination, merger, share exchange or reclassification, or the parent thereof;

  - the Series A Preferred Stock that remains outstanding or such preference securities, as applicable, have rights, preferences and voting powers that, taken as a whole, are not materially less favorable to the holders thereof than the rights, preferences and voting powers, taken as a whole, of the Series A Preferred Stock immediately before the consummation of such consolidation, combination, merger, share exchange or reclassification; and

  - if not us, the issuer of the Series A Preferred Stock that remains outstanding or such preference securities, as applicable, is a corporation duly organized and existing under the laws of the United States of America, any State thereof or the District of Columbia (who, if not us, will, for the avoidance of doubt, succeed us under the certificate of designations);

provided that none of the following will be deemed to adversely affect the rights, preferences or voting powers of the Series A Preferred Stock and will not require any vote or consent of the Series A Preferred Stock:

- any increase in the number of the authorized but unissued shares of our undesignated preferred stock;

- any increase in the number of authorized or issued shares of Series A Preferred Stock; and

- the creation and issuance, or increase in the authorized or issued number, of any class or series of stock that is neither dividend senior stock nor liquidation senior stock.

**Rights Upon Liquidation, Dissolution or Winding Up**

If we liquidate, dissolve or wind up, whether voluntarily or involuntarily, then, subject to the rights of any of our creditors or holders of any outstanding liquidation senior stock, each share of Series A Preferred Stock will entitle the holder thereof to receive payment of the following amount out of our assets or funds legally available for distribution to our stockholders, before any assets or funds are distributed to, or set aside for the benefit of, any liquidation junior stock:

- the $100 liquidation preference per share of Series A Preferred Stock; and

- all unpaid dividends that will have accumulated on such share.

Upon payment of such amount in full, holders of the Series A Preferred Stock will have no rights to our remaining assets or funds, if any. If such assets or funds are insufficient to pay such amount in full on all outstanding shares of Series A Preferred Stock and the corresponding amounts payable in respect of all outstanding shares of liquidation parity stock, if any, then, subject to the rights of any of our creditors or holders of any outstanding liquidation senior stock, such assets or funds will be distributed ratably on the outstanding shares of Series A Preferred Stock and liquidation parity stock in proportion to the full accumulated and unpaid respective distributions to which such shares would otherwise be entitled.

## Conversion to Common Stock

*Mandatory Conversion*

The Series A Preferred Stock will automatically convert at the "mandatory conversion rate" (see *Definitions* below) on October 15, 2024. The mandatory conversion rate will be determined based on the average of the daily VWAPs for each VWAP trading day in the "mandatory conversion observation period" (see *Definitions* below), which is the 20 VWAP trading days immediately before October 15, 2024. This average is referred to as the mandatory conversion stock price. The mandatory conversion rate will be no less than the "minimum conversion rate" (see *Definitions* below) and no more than the "maximum conversion rate" (see *Definitions* below), which are initially 0.4413 and 0.5405 shares of Common Stock, respectively, per share of Series A Preferred Stock. Each of the minimum conversion rate and the maximum conversion rate (which are collectively referred to as the boundary conversion rates) is subject to adjustment pursuant to certain provisions of the certificate of designations. The initial "minimum conversion price" and "maximum conversion price" are $185.00 and $226.63, respectively, and the initial maximum conversion price represents a premium of approximately 22.5% over the initial minimum conversion price. Each of the minimum conversion price and the maximum conversion price (which are collectively referred to as the boundary conversion prices) is subject to adjustment pursuant to certain provisions of the certificate of designations whenever the boundary conversion rates are adjusted.

If, as of the conversion date for the mandatory conversion of any share of Series A Preferred Stock, an "unpaid accumulated dividend amount" exists for such share, then the conversion rate applicable to such conversion will be increased by a number of shares equal to (i) such unpaid accumulated dividend amount, *divided by* (ii) the greater of (x) the floor price in effect on such conversion date and (y) the "dividend make-whole stock price" (see *Definitions* below) for such conversion. However, if such unpaid accumulated dividend amount exceeds the product of such dividend make-whole stock price and such number of shares added to the mandatory conversion rate, then we will, to the extent we are legally able to do so, declare and pay such excess amount in cash to the holder of such share of Series A Preferred Stock being converted.

*Optional Conversion*

Preferred stockholders will have the right to convert all or any portion of their shares of Series A Preferred Stock at any time until the close of business on the mandatory conversion date, at the minimum conversion rate. This is referred to as an early conversion. However, if the conversion date for any early conversion occurs during a "make-whole fundamental change conversion period" (see *Definitions* below), which is referred to as a make-whole fundamental change conversion, then such early conversion will be at the "make-whole fundamental change conversion rate" (see *Conversion During a Make-Whole Fundamental Change Conversion Period* below) instead of the minimum conversion rate.

If, as of the conversion date for the early conversion of any share of Series A Preferred Stock, other than a make-whole fundamental change conversion, an unpaid accumulated dividend amount exists for such share, then the conversion rate applicable to such conversion will be increased by a number of shares equal to (i) such unpaid accumulated dividend amount, *divided by* (ii) the greater of (x) the floor price in effect on such conversion date and (y) the dividend make-whole stock price for such conversion. If such unpaid accumulated dividend amount exceeds the product of such dividend make-whole stock price and such number of shares added to the mandatory conversion rate, then we will have no obligation to pay such excess in cash or any other consideration.

*Conversion During a Make-Whole Fundamental Change Conversion Period*

If a "make-whole fundamental change" (see *Definitions* below) occurs and the conversion date for the early conversion of any share of Series A Preferred Stock occurs during the related make-whole fundamental change conversion period, then such early conversion will be settled at the conversion rate (the "make-whole fundamental change conversion rate") set forth in the table contained in the certificate of designations corresponding to the effective date and the "make-whole fundamental change stock price" (see *Definitions* below) of such make-whole fundamental change: If the minimum conversion rate is adjusted, the make-whole fundamental change stock price will be adjusted by multiplying such make-whole fundamental change stock price by a fraction whose numerator is the minimum conversion rate immediately before such adjustment and whose denominator is the minimum conversion rate immediately after such adjustment.

If any share of Series A Preferred Stock is to be converted pursuant to a make-whole fundamental change conversion and, as of the effective date of the relevant make-whole fundamental change, an unpaid accumulated dividend amount exists for such share, then we will pay such unpaid accumulated dividend amount upon settlement of such conversion, in the manner, and subject to the provisions, described below. In addition, if a "future dividend present value amount" (see *Definitions* below) exists for such share as of such effective date, then we will also pay such future dividend present value amount upon such settlement, in the manner, and subject to the provisions, described below.

Each of the unpaid accumulated dividend amount and the future dividend present value amount will be paid in cash, to the extent we are legally able to do so, unless we elect to pay all or any portion thereof in shares of our Common Stock. To the extent that we are not legally able to pay any portion of the unpaid accumulated dividend amount or the future dividend present value amount in cash, we will elect to pay the same in shares of our Common Stock.

If we elect to pay all or any portion of the unpaid accumulated dividend amount or future dividend present value amount relating to a make-whole fundamental change conversion in shares of Common Stock, then:

- the conversion rate applicable to such conversion will be increased by a number of shares equal to (i) the dollar amount of such unpaid accumulated dividend amount or future dividend present value amount, as applicable, to be paid in shares of Common Stock, *divided by* (ii) the greater of (x) the floor price in effect on the conversion date for such conversion, and (y) the dividend make-whole stock price for such conversion; and

- if the dollar amount of such unpaid accumulated dividend amount or future dividend present value amount, as applicable, to be paid in shares of Common Stock exceeds the product of such dividend make-whole stock price and such number of shares added to the make-whole fundamental change conversion rate in respect thereof, then we will, to the extent we are legally able to do so, declare and pay such excess amount in cash to the holders of the relevant Series A Preferred Stock being converted (and, if we declare less than all of such excess for payment, then such payment will be made pro rata on all shares to be converted with a conversion date occurring during the related make-whole fundamental change conversion period).

**Miscellaneous**

The Series A Preferred Stock does not have any preemptive rights to subscribe for or purchase any of our securities.

Shares of Series A Preferred Stock are listed on the Nasdaq Global Select Market under the symbol “ROLLP.”

The transfer, conversion and paying agent for the Series A Preferred Stock is Computershare Trust Company, N.A.

**Definitions**

“*Boundary conversion rates*” mean the minimum conversion rate and the maximum conversion rate.

“*Dividend junior stock*” means any class or series of our stock whose terms do not expressly provide that such class or series will rank senior to, or equally with, the Series A Preferred Stock with respect to the payment of dividends (without regard to whether or not dividends accumulate cumulatively). Dividend junior stock includes our Common Stock.

“*Dividend make-whole stock price*” means with respect to the conversion of any share of Series A Preferred Stock: (i) if such conversion is a mandatory conversion, 97% of the mandatory conversion stock price; (ii) if such conversion is a make-whole fundamental change conversion, 97% of the make-whole fundamental change stock price for the relevant make-whole fundamental change; and (iii) if such conversion is an early conversion that is not a make-whole fundamental change conversion, the average of the daily VWAPs per share of Common Stock for each of the five consecutive VWAP trading days immediately before the conversion date for such conversion.

“*Dividend non-payment event*” occurs when accumulated dividends on the outstanding Series A Preferred Stock have not been declared and paid in an aggregate amount corresponding to six or more dividend periods, whether or not consecutive.

“*Dividend parity stock*” means any class or series of our stock (other than the Series A Preferred Stock) whose terms expressly provide that such class or series will rank equally with the Series A Preferred Stock with respect to the payment of dividends (without regard to whether or not dividends accumulate cumulatively).

“*Dividend payment date*” means each January 15, April 15, July 15 and October 15 of each year, beginning on January 15, 2022 and ending on, and including, October 15, 2024.

“*Dividend stock price observation period*” means, with respect to any declared dividend on the Series A Preferred Stock, the five consecutive VWAP trading days immediately before the dividend payment date for such dividend.

"*Floor price*" means, as of any time, an amount equal to 35% of the minimum conversion price in effect at such time.

"*Future dividend present value amount*" means, with respect to the make-whole fundamental change conversion of any share of Series A Preferred Stock, an amount equal to the present value, as of the effective date of the related make-whole fundamental change, of all regularly scheduled dividend payments on such share on each dividend payment date occurring after such effective date and on or before October 15, 2024, such present value to be computed using a discount rate equal to the stated dividend rate per annum.

"*Junior stock*" means any dividend junior stock or liquidation junior stock.

"*Liquidation junior stock*" means any class or series of our stock whose terms do not expressly provide that such class or series will rank senior to, or equally with, the Series A Preferred Stock with respect to the distribution of assets upon our liquidation, dissolution or winding up. Liquidation junior stock includes our Common Stock.

"*Liquidation parity stock*" means any class or series of our stock (other than the Series A Preferred Stock) whose terms expressly provide that such class or series will rank equally with the Series A Preferred Stock with respect to the distribution of assets upon our liquidation, dissolution or winding up.

"*Liquidation senior stock*" means any class or series of our stock whose terms expressly provide that such class or series will rank senior to the Series A Preferred Stock with respect to the distribution of assets upon our liquidation, dissolution or winding up.

"*Make-whole fundamental change*" means any of the following events:

(i) a person or group, other than RBC, files a Schedule TO or any other schedule, form or report under the Securities Exchange Act disclosing that such person or group has become the direct or indirect beneficial owner of shares of our Common Stock representing more than 50% of the voting power of all of our then-outstanding Common Stock;

(ii) the consummation of (x) any sale, lease or other transfer, in one transaction or a series of transactions, of all or substantially all of the assets of RBC to any person, other than one of our wholly owned subsidiaries, or (y) any transaction or series of related transactions in connection with which (whether by means of merger, consolidation, share exchange, combination, reclassification, recapitalization, acquisition, liquidation or otherwise) all of our Common Stock is exchanged for, converted into, acquired for, or constitutes solely the right to receive, other securities, cash or other property (other than solely as a result of a subdivision or combination of our Common Stock); or

(iii) our Common Stock ceases to be listed on any of the New York Stock Exchange, the Nasdaq Global Market or the Nasdaq Global Select Market (or any of their respective successors);

provided, however, that a transaction or event or series of transactions or events described in clause (i) or (ii) above will not constitute a make-whole fundamental change if at least 90% of the consideration received or to be received by the holders of our Common Stock in connection with such transaction or event or series of transactions or events consists of shares of common stock listed on any of the New York Stock Exchange, the Nasdaq Global Market or the Nasdaq Global Select Market (or any of their respective successors), or that will be so listed when issued or exchanged in connection with such transaction or event or series of transactions or events, and such transaction or event or series of transactions or events constitutes a common stock change event whose reference property consists of such consideration.

"*Make-whole fundamental change conversion*" means an early conversion of any share of Series A Preferred Stock with a conversion date that occurs during the related make-whole fundamental change conversion period.

"*Make-whole fundamental change conversion period*" means, with respect to a make-whole fundamental change, the period from, and including, the effective date of such make-whole fundamental change to, and including, the 20th calendar day after such effective date.

"*Mandatory conversion observation period*" means the 20 consecutive VWAP trading days immediately before October 15, 2024.

"*Mandatory conversion rate*" has the following meaning with respect to any mandatory conversion:

(i) if the mandatory conversion stock price is equal to or greater than the maximum conversion price as of the mandatory conversion date, then the mandatory conversion rate is the minimum conversion rate as of the mandatory conversion date;

(ii) if the mandatory conversion stock price is less than the maximum conversion price as of the mandatory conversion date, but greater than the minimum conversion price as of the mandatory conversion date, then the mandatory conversion rate is an amount equal to (x) the liquidation preference per share of Series A Preferred Stock, *divided by* (y) the mandatory conversion stock price; and

(iii) if the mandatory conversion stock price is equal to or less than the minimum conversion price as of the mandatory conversion date, then the mandatory conversion rate is the maximum conversion rate as of the mandatory conversion date.

"*Maximum conversion rate*" initially means 0.5405 shares of our Common Stock per share of Series A Preferred Stock, which amount is subject to adjustment under certain circumstances as provided in the certificate of designations.

"*Minimum conversion price*" means, as of any time, an amount equal to (i) the liquidation preference per share of Series A Preferred Stock, *divided by* (ii) the maximum conversion rate in effect at such time.

"*Minimum conversion rate*" initially means 0.4413 shares of our Common Stock per share of Series A Preferred Stock, which amount is subject to adjustment under certain circumstances as provided in the certificate of designations.

"*VWAP market disruption event*" means, with respect to any date, (i) the failure by the principal U.S. national or regional securities exchange on which our Common Stock is then listed, or, if our Common Stock is not then listed on a U.S. national or regional securities exchange, the principal other market on which our Common Stock is then traded, to open for trading during its regular trading session on such date, or (ii) the occurrence or existence, for more than one-half hour period in the aggregate, of any suspension or limitation imposed on trading (by reason of movements in price exceeding limits permitted by the relevant exchange or otherwise) in our Common Stock or in any options contracts or futures contracts relating to our Common Stock, and such suspension or limitation occurs or exists at any time before 1:00 p.m., New York City time, on such date.

"*VWAP trading day*" means a day on which (i) there is no VWAP market disruption event; and (ii) trading in our Common Stock generally occurs on the principal U.S. national or regional securities exchange on which our Common Stock is then listed or, if our Common Stock is not then listed on a U.S. national or regional securities exchange, on the principal other market on which our Common Stock is then traded. If our Common Stock is not so listed or traded, then "VWAP trading day" means a business day.

**Exhibit 21**

## Subsidiaries of the Registrant*

Airtomic LLC – Delaware
All Power de Mexico, S. de R.L. de C.V. – Mexico
All Power Manufacturing Co. – California
Bär und Mettler AG – Switzerland
Beck Bühler Mutschler Capital AG – Switzerland
Climax Metal Products Company – Ohio
Dodge Industrial Australia Pty Ltd – Australia
Dodge Industrial Canada Inc. – Canada
Dodge Industrial, Inc. – Delaware
Dodge Industrial India Private Limited – India
Dodge Industrial (Shanghai) Company Limited – Hong Kong
Dodge Mechanical Power Transmission Mexico, S. de R.L. de C.V. – Mexico
Industrial Tectonics Bearings Corporation – Delaware
RBC Aerostructures LLC – South Carolina
RBC Aircraft Products, Inc. – Delaware
RBC Bearings Polska sp. z o.o. – Poland
RBC de Mexico, S. de R.L. de C.V. – Mexico
RBC France SAS – France
RBC Lubron Bearing Systems, Inc. – Delaware
RBC Nice Bearings, Inc. – Delaware
RBC Oklahoma, Inc. – Delaware
RBC Precision Products, Inc. – Delaware
RBC Southwest Products, Inc. – Delaware
RBC Turbine Components LLC – Delaware
Roller Bearing Company of America, Inc. – Delaware
Sargent Aerospace and Defense LLC – Delaware
Schaublin GmbH – Germany
Schaublin Holding SA – Switzerland
Schaublin SA – Switzerland
Shanghai ABB Power Transmission Company Ltd. – People’s Republic of China
Shanghai representative office of Roller Bearing Company of America, Inc. – People’s Republic of China
Sonic Industries, Inc. – California
Swiss Tool Systems AG - Switzerland
Vianel Holding AG – Switzerland
Western Precision Aero LLC – California

* All of which are, directly or indirectly, wholly-owned by the registrant.

**Exhibit 23**

**Consent of Independent Registered Public Accounting Firm**

We consent to the incorporation by reference in the following Registration Statements:

(1) Registration Statement (Form S-3 No. 333-259669) pertaining to the RBC Bearings Incorporated Common Stock and Preferred Stock;

(2) Registration Statement (Form S-8 No. 333-221329) pertaining to the RBC Bearings Incorporated 2017 Long-Term Equity Incentive Plan; and;

(3) Registration Statement (Form S-8 No. 333-192164) pertaining to the RBC Bearings Incorporated 2013 Long-Term Equity Incentive Plan;

of our reports dated May 26, 2022, with respect to the consolidated financial statements of RBC Bearings Incorporated and the effectiveness of internal control over financial reporting of RBC Bearings Incorporated included in this Annual Report (Form 10-K) of RBC Bearings Incorporated for the year ended April 2, 2022.

/s/ Ernst & Young LLP

Stamford, Connecticut
May 26, 2022

**Exhibit 31.1**

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER**
**PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Dr. Michael J. Hartnett, certify that:

1. I have reviewed this Report on Form 10-K of RBC Bearings Incorporated;

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 any 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; and

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 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.

Date: May 26, 2022

By: /s/ Michael J. Hartnett
Michael J. Hartnett
President and Chief Executive Officer

**Exhibit 31.2**

**CERTIFICATION OF CHIEF FINANCIAL OFFICER**
**PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Robert M. Sullivan, certify that:

1. I have reviewed this Report on Form 10-K of RBC Bearings Incorporated;

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 any 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; and

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 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.

Date: May 26, 2022

By: /s/ Robert M. Sullivan
Robert M. Sullivan
Vice President and Chief Financial Officer

**Exhibit 32.1**

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER**
**PURSUANT TO**
**18 U.S.C SECTION 1350**

In connection with the Annual Report of RBC Bearings Incorporated (the “Company”) Form 10-K for the year ended April 2, 2022, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), the undersigned, Dr. Michael J. Hartnett, the President and Chief Executive Officer of the Company, pursuant to 18 U.S.C. §1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, hereby certifies to the best of his knowledge that:

(i) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 26, 2022

/s/ Michael J. Hartnett

Michael J. Hartnett
President and Chief Executive Officer

**Exhibit 32.2**

**CERTIFICATION OF CHIEF FINANCIAL OFFICER**
**PURSUANT TO**
**18 U.S.C. SECTION 1350**

In connection with the Annual Report of RBC Bearings Incorporated (the "Company") Form 10-K for the year ended April 2, 2022, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Robert M. Sullivan, Chief Financial Officer, of the Company, pursuant to 18 U.S.C. §1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, hereby certifies to the best of his knowledge that:

(i) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 26, 2022

/s/ Robert M. Sullivan
Robert M. Sullivan
Vice President and Chief Financial Officer