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

**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 3, 2021**

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

**for the transition period from __________to _________**

**Commission file number 333-124824**

**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)

**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 NMS |

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

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 September 26, 2020 (based on the September 25, 2020 closing sales price of $119.31 of the registrant's Common Stock, as reported by the Nasdaq National Market) was approximately $2,994,734,690.

Number of shares outstanding of the registrant's Common Stock at May 14, 2021:
25,226,055 Shares of Common Stock, par value $0.01 per share.

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, 2021 are incorporated by reference into Part III of this Form 10-K.

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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 and products, 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 several years, we have broadened our end markets, products, customer base and geographic reach. We currently have 43 facilities in seven countries, of which 31 are manufacturing facilities.

### The Bearing and Engineered Products Industry

The bearing and engineered products industry is a fragmented multi-billion dollar market. Purchasers of bearings and engineered products 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, and mining and specialized equipment manufacturers.

Demand for bearings and precision components in the diversified industrial market is influenced by growth factors in industrial machinery and equipment shipments, and construction, mining, energy, marine 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. Lastly, activity in the defense market is being influenced by modernization programs necessitating spending on new equipment, as well as continued utilization of deployed equipment supporting aftermarket demand for replacement bearings and engineered products.

### Customers and Markets

We serve a broad range of end markets where we can add value with our specialty precision bearings and engineered products, components, and applications. We classify our customers into two principal categories: industrial and aerospace. These principal end markets utilize a large number of both commercial and specialized bearings and engineered products. Although we provide a relatively small percentage of total bearing and engineered products 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. "Financial Statements and Supplementary Data," Note 19 – "Reportable Segments" of this Annual Report on Form 10-K.

***Industrial Market (42% of net sales for the fiscal year ended April 3, 2021)***

We manufacture bearings and engineered products for a wide range of diversified industrial markets, including construction and mining, oil and natural resource extraction, heavy truck, marine, rail and train, packaging, semiconductor machinery, wind, canning 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, LM Wind, Newport News Shipbuilding, Komatsu and various aftermarket distributors including Applied Industrial, BDI, Kaman, McMaster Carr, and Motion Industries. We believe that the diversification of our sales among the various segments of the industrial market 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.

***Aerospace Market (58% of net sales for the fiscal year ended April 3, 2021)***

We supply bearings and engineered products for use in commercial, private and military aircraft and aircraft engines, guided weaponry, space and satellites and vision and optical systems. 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 products 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 products 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 customers include the U.S. Department of Defense, Airbus, Boeing, Precision Castparts, Lockheed Martin, Safran, Raytheon Technologies Corp 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 2021, approximately 5.8% of our net sales were made directly, and we estimate that approximately an additional 25.5% 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.

**Products**

Bearings and engineered products 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 and engineered products. We operate through operating segments for which separate financial information is available, and for which operating results are evaluated regularly by our chief operating decision maker in determining resource allocation and assessing performance. Those operating segments that have similar economic characteristics and meet all other required criteria, including nature of the products and production processes, distribution patterns and classes of customers, are aggregated as reportable segments.

The following table provides a summary of our four reportable product segments: Plain Bearings; Roller Bearings; Ball Bearings; and Engineered Products:

| | Net Sales and Percent of Sales for the Fiscal Year Ended | | | |
|---|---|---|---|---|
| **Segment** | **April 3, 2021** | **March 28, 2020** | **March 30, 2019** | **Representative Applications** |
| Plain Bearings | $ 293,990<br>48.3% | $ 358,291<br>49.3% | $ 323,251<br>46.0% | • Aircraft engine controls and landing gear<br>• Missile launchers<br>• Mining, energy, construction and wind equipment |
| Roller Bearings | $ 91,657<br>15.1% | $ 132,642<br>18.2% | $ 143,832<br>20.5% | • Aircraft hydraulics<br>• Military and commercial truck chassis<br>• Packaging machinery and canning |
| Ball Bearings | $ 83,704<br>13.7% | $ 74,231<br>10.2% | $ 72,307<br>10.3% | • Radar and night vision systems<br>• Airframe control and actuation<br>• Semiconductor equipment |
| Engineered Products | $ 139,633<br>22.9% | $ 162,297<br>22.3% | $ 163,126<br>23.2% | • Hydraulics, valves, fasteners and engines<br>• Industrial gears, components and collets |

*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.

*Engineered Products.* Engineered products consist primarily of 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 products 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 product 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 product 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 product design must perform reliably for the period of time required by the customer’s product objectives.

Once a bearing or engineered product 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 the majority of our 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 product.

**Manufacturing and Operations**

Our manufacturing strategies are focused on product reliability, quality 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 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 3.0% to 3.5% 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 and the end users of bearings and engineered products 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 France 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, 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 or a combination of these. These credentials have been achieved for thousands of distinct items after years of design, testing and improvement. 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 and engineered products 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 construction 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 material is steel. 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 3, 2021, we had order backlog of $394.8 million compared to a backlog of $478.6 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 2,990 people at our 31 U.S. facilities, approximately 5% of which are exempt and 95% are non-exempt. In addition, we employ 895 people at our 12 facilities located in Mexico, France, Switzerland, Germany, Poland 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, and Mechanical Engineering Training. 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 products 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 has been 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 and these measures have proved thus far to be very successful as the infection rate among our workforce has been very low.

**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. Although we are not presently aware of any pending legal or regulatory changes that may have a material impact on us, 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 2022.

**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; 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 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.

***The bearing and engineered products industries are highly competitive, and competition could reduce our profitability or limit our ability to grow.***

The global bearing and engineered products 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 bearing and engineered products 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%, 34% and 35% of our net sales during fiscal 2021, 2020 and 2019, 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 shutdown that began in 2019 we experienced the suspension or cancellation of orders for product used in the 737 MAX airframe and engines. In addition, in fiscal 2021 we experienced reduced purchasing from customers whose businesses were constrained by the COVID-19 pandemic.

The consolidation and combination of defense or other manufacturers could eliminate customers from the industry 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 the industry. 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 consolidation 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. It is expected that the pandemic will continue to adversely affect our business during fiscal 2022, 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 are now being administered throughout the world, it remains possible that there could be a future increase in the COVID-19 infection rate that results 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 has been 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 has caused a significant reduction in air travel, which has lead to various airlines delaying or cancelling previously-scheduled aircraft purchases as they reassess their fleet needs and/or take advantage of opportunities to purchase aircraft that have become available in the used aircraft market. 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 2021, approximately 5.8% of our net sales were made directly, and we estimate that approximately an additional 25.5% 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, 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.***

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, could impose retaliatory tariffs on our products exported to those countries. While this situation has not had a material adverse effect on our business, a further escalation of tariffs on our foreign-sourced supplies and/or the imposition of tariffs on our finished goods exported to other countries could adversely impact our operating costs or demand for our products.

***Our products 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 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.

Our U.S. government business is subject to specific procurement regulations and other requirements that increase our performance and compliance costs. These costs might increase in the future, reducing our profitability. Although we have procedures designed to assure compliance with these regulations and requirements, failure to do so under certain circumstances could lead to suspension or debarment from future government contracting or subcontracting for a period of time, which would result in lost sales and reduce our revenues, cash flows and profitability and could adversely impact our reputation.

***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 is no evidence of data access or exfiltration and no material impact to the operations of the Company. The Company has implemented a variety of measures to enhance and modernize its 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 8.2% of our hourly employees as of April 3, 2021. 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 will 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 has been and continues to be 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 have acquired or that we may acquire in the future may have liabilities which are not known to us.***

In certain cases, we have assumed liabilities of acquired businesses and may assume liabilities of businesses that we acquire in the future. There may be liabilities or risks that we are required to assume in order to complete an acquisition, or that we do not discover, or that we underestimate, in the course of performing our due diligence investigations of the acquired business. Additionally, businesses that we have acquired or may acquire in the future may have made previous acquisitions, and we could be subject to certain liabilities and risks relating to these prior acquisitions as well. We cannot assure you that our rights to indemnification contained in definitive acquisition agreements that we have entered or may enter into will be sufficient in amount, scope or duration to fully offset the risk of liabilities relating to acquired businesses. Any such liabilities, individually or in the aggregate, could have a material adverse effect on our business, financial condition or results of operations. As we begin to operate acquired businesses, we may learn additional information about them that adversely affects us, such as unknown or contingent liabilities, issues relating to compliance with applicable laws, or issues related to ongoing supply chain or 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. 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 Mexico, France, Switzerland, Poland, China and Germany. Of our 43 facilities in seven countries, 12 are located outside the U.S., including ten manufacturing facilities in three countries.

In fiscal 2021, 10.3% 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. 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.***

Our Swiss operation utilizes the Swiss franc as the functional currency, our French and German operations utilize the euro as the functional currency and our Polish operation utilizes the Polish zloty as the 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 are 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 and royalties for our past and future use of such intellectual property or proprietary information, or we could 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 3, 2021, we had an order backlog of $394.8 million. However, orders included in our backlog are subject to cancellation, delay or other modifications by our customers and we cannot assure you that these orders will ultimately be fulfilled.

## Risk Factors Related to our Common 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. In addition, our certificate of incorporation authorizes the issuance of preferred stock, with such designations, rights and preferences as may be determined from time to time by the Board, without stockholder approval. If we were to issue preferred stock in the future, it could be utilized, under certain circumstances, as a method of discouraging, delaying or preventing a change in control of us, or could impede our stockholders’ ability to approve a transaction they consider in their best interests. Although we have no present intention to issue any preferred stock, we may 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 may not pay cash dividends in the foreseeable future.***

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 may not pay cash dividends in the future. Instead, we plan to apply earnings and excess cash, if any, to the expansion and development of our business. Thus, the return on your investment, if any, could depend solely on an increase, if any, in the market value of our common stock.

## 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. We also own or lease manufacturing facilities in the United States, Mexico, Switzerland and Poland as follows:

| Manufacturing Facility Location | Owned/Leased | Square Footage |
|---|---|---|
| Arizona: Tucson | owned | 155,000 |
| California: | | |
| Baldwin Park | leased | 30,000 |
| Fountain Valley | leased | 22,000 |
| 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 |
| Ohio: Mentor | leased | 57,000 |
| Oklahoma: Oklahoma City | leased | 75,000 |
| South Carolina: | | |
| Hartsville | owned | 148,000 |
| Westminster | owned | 78,000 |
| 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 |

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 14, 2021 are as follows:

| Name | Age | Year Appointed | Current Position and Previous Positions During Last Five Years |
|---|---|---|---|
| Michael J. Hartnett | 75 | 1992 | Chairman, President and Chief Executive Officer. |
| Daniel A. Bergeron | 61 | 2003 | Director, Vice President and Chief Operating Officer. Prior thereto, served as the Company's Vice President, Chief Operating Officer and Chief Financial Officer from 2017 to 2020. Prior thereto, served as Vice President and Chief Financial Officer from 2003 to 2017. |
| Patrick S. Bannon | 56 | 2017 | Appointed Vice President and General Manager in 2017. Prior thereto, served as the Company's General Manager of its Aircraft Products, Mexico and AeroStructures operations and has been with the Company in various positions for 26 years. |
| Richard J. Edwards | 65 | 1996 | Vice President and General Manager. |
| John J. Feeney | 52 | 2020 | Appointed Vice President, General Counsel and Secretary in October 2020. Prior thereto, served as the Company's Assistant General Counsel from 2014 to 2020. |
| Robert M. Sullivan | 37 | 2020 | Appointed Vice President and Chief Financial Officer in October 2020. Prior thereto, served as Corporate Controller from 2017 to 2020. Prior thereto, served as the Company's Assistant Corporate Controller from 2016 to 2017. |

## 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**

Our common stock is quoted on the Nasdaq National Market under the symbol "ROLL." As of May 14, 2021, 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 2021 | | Fiscal 2020 | |
|---|---|---|---|---|
| | High | Low | High | Low |
| First Quarter | $ 159.04 | $ 103.09 | $ 167.47 | $ 125.30 |
| Second Quarter | 145.55 | 113.40 | 171.54 | 149.98 |
| Third Quarter | 184.83 | 114.49 | 174.94 | 152.55 |
| Fourth Quarter | 206.64 | 160.51 | 185.06 | 77.63 |

The last reported sale price of our common stock on the Nasdaq National Market on May 14, 2021 was $196.87 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 3, 2021 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) |
|---|---|---|---|---|
| 12/27/2020 – 01/30/2021 | - | $ - | - | $ 88,218 |
| 01/31/2021 – 02/27/2021 | 3,575 | 177.01 | 3,575 | 87,585 |
| 02/28/2021 – 04/3/2021 | 30 | 193.93 | 30 | $ 87,579 |
| Total | 3,605 | $ 177.15 | 3,605 | |

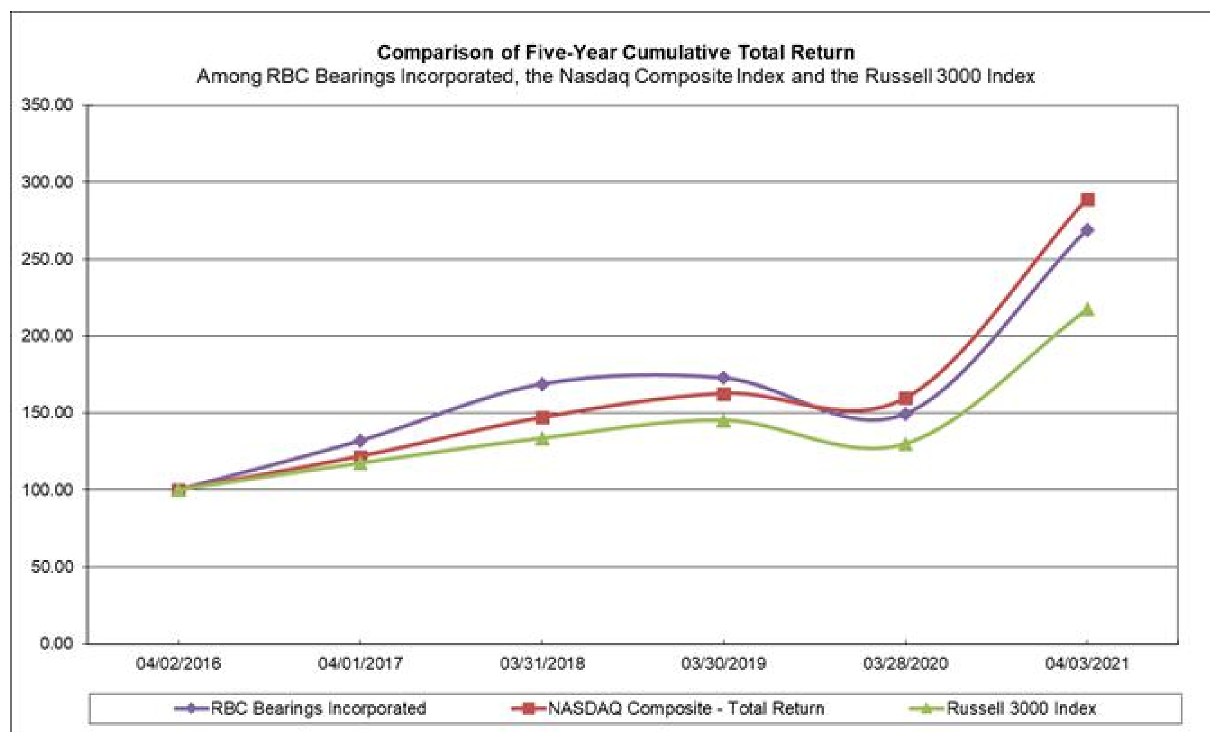
During the fourth quarter of fiscal 2021, we did not issue any common stock that was not registered under the Securities Act of 1933.

**Equity Compensation Plans**

Information regarding equity compensation plans required to be disclosed pursuant to this Item is included in Part II, Item 8. "Financial Statements and Supplementary Data," Note 16 "Stockholders' Equity-Stock Option Plans" 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 2, 2016 to April 3, 2021. 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 2, 2016 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 3, 2021.




| | April 2, 2016 | April 1, 2017 | March 31, 2018 | March 30, 2019 | March 28, 2020 | April 3, 2021 |
|---|---|---|---|---|---|---|
| RBC Bearings Incorporated | $ 100.00 | $ 131.83 | $ 168.64 | $ 172.67 | $ 149.36 | $ 269.03 |
| Nasdaq Composite Index | 100.00 | 121.76 | 147.04 | 162.67 | 159.56 | 289.02 |
| Russell 3000 Index | 100.00 | 117.38 | 133.59 | 145.30 | 129.94 | 217.35 |

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 2019 from this section as permitted by Regulation S-K. Discussion and analysis of our financial condition and results of operations for fiscal 2019 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 20, 2020.

**Overview**

We are a well-known international manufacturer of highly engineered precision bearings and components. 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 43 facilities in seven countries, of which 31 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 2021 had 53 weeks and fiscal year 2020 had 52 weeks. We currently operate under four reportable business segments: Plain Bearings; Roller Bearings; Ball Bearings; and Engineered Products. The following further describes these reportable segments:

***Plain Bearings.*** 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. Unlike ball bearings, which are used in high-speed rotational applications, plain bearings are primarily used to rectify inevitable misalignments in various mechanical components.

***Roller Bearings.*** Roller bearings are anti-friction bearings that use rollers instead of balls. We manufacture four basic types of roller bearings: heavy duty needle roller bearings with inner rings, tapered roller bearings, track rollers and aircraft roller bearings.

***Ball Bearings***. We manufacture four basic types of ball bearings: high precision aerospace, airframe control, thin section and commercial ball bearings which are used in high-speed rotational applications.

***Engineered Products.*** Engineered Products consist of highly engineered hydraulics, fasteners, collets, tool holders and precision components used in aerospace, marine and industrial applications.

Purchasers of bearings and engineered products include industrial equipment and machinery manufacturers, producers of commercial and military aerospace equipment, agricultural machinery manufacturers, construction, energy, mining and specialized equipment manufacturers, and marine products, automotive and commercial truck manufacturers. The markets for our products are cyclical, and we have endeavored to mitigate this cyclicality by entering into sole-source relationships and long-term purchase agreements, through diversification across multiple market segments within the aerospace 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 precision bearings and 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. We expect to 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 26 acquisitions, which have broadened our end markets, products, customer base and geographic reach.

**Recent Significant Events**

*Acquisition*

On August 15, 2019, the Company, through its Schaublin SA subsidiary, acquired all of the outstanding shares of Swiss Tool for a purchase price of approximately $33.6 million (CHF 32.8 million). We have finalized the purchase price allocation with no material adjustments subsequent to March 28, 2020.

*Restructuring and Consolidation*

Throughout fiscal 2021, the Company consolidated certain manufacturing facilities to increase efficiencies of our operations. This resulted in $7.2 million of restructuring charges incurred during the year, including $3.1 million of inventory rationalization costs included within cost of sales, $2.0 million of which were attributable to the Roller segment and $1.1 million of which were attributable to the Plain segment. The restructuring charges also included $1.3 million of fixed asset disposals included within other operating costs, a $0.1 million lease impairment charge, $0.7 million of personnel-related costs and $2.0 million of other items. Of these $4.1 million of other operating costs, $1.5 million are related to the Plain segment, $0.8 million are related to the Roller segment, less than $0.1 million are related to the Ball segment, $1.1 million are related to the Engineered Products segment and $0.6 million are Corporate costs. The Company secured operating lease assets obtained in exchange for new operating lease liabilities of $7.7 million as part of this restructuring. The Company anticipates additional costs associated with these consolidation efforts of $0.3 million to $0.5 million to be incurred in the first quarter of fiscal 2022.

**Outlook**

We ended fiscal 2021 with a backlog of $394.8 million compared to $478.6 million for the same period last fiscal year. Our net sales decreased 16.3% year over year due to a 24.8% decrease in sales in the aerospace markets and a 0.9% decrease in sales to the industrial markets.

The COVID-19 health crisis, which was declared a pandemic in March 2020, has led to governments around the world implementing measures to reduce the spread. These measures include quarantines, “shelter in place” orders, travel restrictions, and other measures and have resulted in a slowdown of worldwide economic activity.

Our business is operating as an essential business, and as such, our facilities have remained open, with the exception of a few temporary closures at some of our international locations. The COVID-19 pandemic impacted our commercial aerospace and industrial sales in fiscal 2021. Our commercial aerospace sales continue to face headwinds associated with build rate changes within the industry, while the general decline in global economic activity has had an impact on the industrial markets.

Our production and sales have been negatively affected by the economic implications of the pandemic. We anticipate that our production and sales in fiscal 2022 will continue to be affected by the economic implications of the pandemic. The commercial aerospace OEM and aftermarket will continue to be impacted by reduced air travel and changes in production rates in the first half of fiscal 2022, but are expected to grow over the next year. Our sales to defense markets are expected to continue to improve in the second half of the fiscal year. Our sales to industrial markets have begun to show signs of recovery, growing 12.9% in the fourth quarter of fiscal 2021 as compared to the same period last year, and are expected to continue to improve throughout the course of the next fiscal year. We expect to see demand increasing as “shelter in place” directives are eliminated. Management is continuously evaluating the status of our orders and operations, and restructuring efforts have been implemented where necessary to align our cost structure to the new demand levels we experience in the marketplace.

We experienced strong cash flow generation during fiscal 2021 (as discussed in the section “Liquidity and Capital Resources” below). We expect this trend to continue during fiscal 2022. Management believes that these operating cash flows and available credit under all credit agreements will provide adequate resources to fund internal and external growth initiatives for the foreseeable future, including at least the next 12 months. As of April 3, 2021, we had cash and cash equivalents and highly liquid marketable securities of $241.3 million of which approximately $13.9 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 96% and 95% of the Company’s revenue was generated from the sale of products to customers in the industrial and aerospace markets for each of the years ended April 3, 2021 and March 28, 2020, respectively. During fiscal 2021, approximately 4% 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 5% for fiscal 2020.

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.

Approximately 20% to 30% of our costs, depending on product mix, are attributable to raw materials, purchased components and outside processing. When we experience raw material inflation, we offset these cost increases by changing our buying patterns, expanding our vendor network and passing through price increases when possible. The overall impact on raw material costs for this fiscal year was not material as a percent change on a year-over-year basis.

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 2021 Compared to Fiscal 2020*

**Results of Operations**

| | FY21 | FY20 | $ Change | % Change |
|---|---|---|---|---|
| Net sales | $ 609.0 | $ 727.5 | $ (118.5) | (16.3)% |
| Net income | $ 89.6 | $ 126.0 | $ (36.4) | (28.9)% |
| Net income per common share: Diluted | $ 3.58 | $ 5.06 | | |
| Weighted average common shares: Diluted | 25,048,451 | 24,922,631 | | |

Net sales for the twelve months ended April 3, 2021 decreased $118.5 million, or 16.3%, for fiscal 2021 compared to fiscal 2020. This was mainly the result of a 24.8% decrease in net sales to the aerospace markets and a decrease of 0.9% in the industrial markets. The decrease in aerospace sales during the year was primarily driven by reduced air travel and changes to production rates within the industry. This reduction in commercial aerospace was partially offset by increases in our defense OEM and aftermarket business. The slight decrease in industrial sales year over year was due primarily to mining and energy markets, which was partially offset by increases in semiconductor, military vehicles, wind, nuclear, and our marine business. Further, our industrial sales evidenced growth during the fourth quarter of fiscal 2021, which provides a positive indication of recovery in the market.

Net income decreased by $36.4 million to $89.6 million for fiscal 2021 compared to fiscal 2020. The year-over-year decrease was primarily driven by decreased sales volume during fiscal 2021. The net income of $89.6 million in fiscal 2021 was impacted by $5.8 million of after-tax costs associated with restructuring, $1.3 million of after-tax costs associated with the cyber event, and $0.2 million of losses on foreign exchange, partially offset by $3.1 million of tax benefits associated with share-based compensation. The net income of $126.0 million in fiscal 2020 was impacted by $1.1 million of after-tax gain on the sale of our Houston facility, and $5.9 million of discrete tax benefits including share-based compensation, partially offset by $1.1 million of after-tax costs associated with the acquisition of Swiss Tool, $0.8 million of restructuring and integration costs, and $0.7 million of loss on foreign exchange.

***Gross Margin***

| | FY21 | FY20 | $ Change | % Change |
|---|---|---|---|---|
| Gross Margin | $ 234.1 | $ 289.1 | $ (55.0) | (19.0)% |
| Gross Margin % | 38.4% | 39.7% | | |

Gross margin decreased $55.0 million, or 19.0%, for fiscal 2021 compared to the same period last fiscal year. The decrease in gross margin was mainly driven by decreased volume, partially offset by cost efficiencies achieved during the current period related to restructuring and consolidation efforts. 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. Gross margins in fiscal 2020 were impacted by $0.4 million of purchase accounting adjustments associated with the acquisition of Swiss Tool.

***Selling, General and Administrative***

| | FY21 | FY20 | $ Change | % Change |
|---|---|---|---|---|
| SG&A | $ 106.0 | $ 122.6 | $ (16.6) | (13.5)% |
| % of net sales | 17.4% | 16.8% | | |

SG&A expenses decreased by $16.6 million to $106.0 million for fiscal 2021 compared to fiscal 2020. This decrease was primarily due to $16.5 million of reduced personnel-related costs and $0.1 million of other items.

***Other, Net***

| | FY21 | FY20 | $ Change | % Change |
|---|---|---|---|---|
| Other, net | $ 16.7 | $ 9.8 | $ 6.9 | 70.7% |
| % of net sales | 2.7% | 1.3% | | |

Other operating expenses for fiscal 2021 totaled $16.7 million compared to $9.8 million for fiscal 2020. 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. For fiscal 2020, other operating expenses were comprised of $9.6 million of amortization of intangible assets, $0.9 million of acquisition costs, and $1.0 million of restructuring costs, partially offset by $1.2 million of gain on disposal of assets and $0.5 million of other income.

***Interest Expense, Net***

| | FY21 | FY20 | $ Change | % Change |
|---|---|---|---|---|
| Interest expense | $ 1.4 | $ 1.9 | $ (0.5) | (24.1)% |
| % of net sales | 0.2% | 0.3% | | |

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 $1.4 million for fiscal 2021 compared to $1.9 million for fiscal 2020. This included amortization of debt issuance costs of $0.5 million for fiscal 2021 and $0.5 million for fiscal 2020. The decrease in interest expense is a result of the Company having substantially less outstanding debt throughout fiscal 2021 compared to 2020.

***Other Non-Operating Expense***

| | FY21 | FY20 | $ Change | % Change |
|---|---|---|---|---|
| Other non-operating expense | $ (0.0) | $ 0.8 | $ (0.8) | (104.1)% |
| % of net sales | (0.0)% | 0.1% | | |

Other non-operating expense for fiscal 2020 totaled $0.8 million, consisting primarily of $1.0 million associated with loss on foreign exchange partially offset by $0.2 million of other non-operating income.

***Income Taxes***

| | FY21 | FY20 |
|---|---|---|
| Income tax expense | $ 20.4 | $ 28.1 |
| Effective tax rate with discrete items | 18.6% | 18.2% |
| Effective tax rate without discrete items | 20.6% | 22.1% |

Income tax expense for fiscal 2021 was $20.4 million compared to $28.1 million for fiscal 2020. Our effective income tax rate for fiscal 2021 was 18.6% compared to 18.2% for fiscal 2020. 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. The effective income tax rate for fiscal 2021 of 18.6% included 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%. The effective income tax rate for fiscal 2020 of 18.2% includes discrete items of $5.9 million benefit which are comprised substantially of a benefit associated with share-based compensation, tax benefit of other permanent adjustments from filing the Company’s tax returns and unrecognized tax benefits associated with the expiration of statutes of limitations. The effective income tax rate for fiscal 2020 without these discrete items would have been 22.1%.

**Segment Information**

We have four reportable product segments: Plain Bearings, Roller Bearings, Ball Bearings and Engineered Products. We use net sales and gross margin as the primary measurement to assess the financial performance of each reportable segment.

***Plain Bearing Segment:***

| | FY21 | FY20 | $ Change | % Change |
|---|---|---|---|---|
| Net sales | $ 294.0 | $ 358.3 | $ (64.3) | (17.9)% |
| | | | | |
| Gross margin | $ 118.5 | $ 145.0 | $ (26.5) | (18.2)% |
| Gross margin % | 40.3% | 40.5% | | |
| | | | | |
| SG&A | $ 21.6 | $ 26.3 | $ (4.7) | (17.6)% |
| % of segment net sales | 7.4% | 7.3% | | |

Net sales decreased $64.3 million, or 17.9%, for fiscal 2021 compared to fiscal 2020. Total industrial sales were $83.8 million, which increased 3.9% from $80.7 million in fiscal 2020. The increase was driven by energy and certain general industrial markets. Aerospace sales were $210.2 million, down 24.3% from sales of $277.6 million in fiscal 2020. The decrease was driven by reductions in our commercial aerospace OEM and aftermarket business, offset by year over year increases in our defense OEM business.

Gross margin was $118.5 million, or 40.3% of sales, in fiscal 2021 compared to $145.0 million, or 40.5% of sales, for the same period in fiscal 2020. Approximately $1.1 million of inventory rationalization costs associated with the consolidation of certain manufacturing facilities impacted gross margin during fiscal 2021.

***Roller Bearing Segment:***

| | FY21 | FY20 | $ Change | % Change |
|---|---|---|---|---|
| Net sales | $ 91.7 | $ 132.6 | $ (40.9) | (30.9)% |
| | | | | |
| Gross margin | $ 31.6 | $ 55.5 | $ (23.9) | (43.1)% |
| Gross margin % | 34.5% | 41.9% | | |
| | | | | |
| SG&A | $ 4.7 | $ 6.4 | $ (1.7) | (25.4)% |
| % of segment net sales | 5.2% | 4.8% | | |

Net sales decreased $40.9 million, or 30.9%, during fiscal 2021 compared to the same period last year. Total industrial sales were $48.2 million, which were down 21.4% from sales of $61.2 million in fiscal 2020. The decrease in industrial sales was driven primarily by the energy and mining markets. Total aerospace sales were $43.5 million as compared to $71.4 million in fiscal 2020. The 39.1% reduction was driven primarily by reduced air travel and the impact of changes in the build rates of commercial aircraft.

The Roller Bearings segment achieved a gross margin of $31.6 million, or 34.5% of sales, in fiscal 2021 compared to $55.5 million, or 41.9% of sales, in fiscal 2020. Approximately $2.0 million of inventory rationalization costs associated with the consolidation of certain manufacturing facilities and $0.3 million of capacity inefficiencies driven by the impact of the COVID-19 pandemic impacted gross margins during fiscal 2021. The remaining decrease in gross margin was due to decreased volume and product mix during the period.

***Ball Bearing Segment:***

| | FY21 | FY20 | $ Change | % Change |
|---|---|---|---|---|
| Net sales | $ 83.7 | $ 74.2 | $ 9.5 | 12.8% |
| | | | | |
| Gross margin | $ 37.1 | $ 33.0 | $ 4.1 | 12.2% |
| Gross margin % | 44.3% | 44.5% | | |
| | | | | |
| SG&A | $ 5.4 | $ 6.5 | $ (1.1) | (17.4)% |
| % of segment net sales | 6.4% | 8.7% | | |

Net sales increased $9.5 million, or 12.8%, for fiscal 2021 compared to fiscal 2020. Total industrial sales were $55.5 million, which increased 9.2% from sales of $50.8 million in fiscal 2020. The increase in industrial sales was driven primarily by the semiconductor and general industrial markets. Total aerospace sales were $28.2 million, which increased 20.5% from sales of $23.4 million in fiscal 2020. The increase in aerospace sales was driven by strength in the defense OEM market during the year.

Gross margin for the year was $37.1 million, or 44.3% of sales, compared to $33.0 million, or 44.5% of sales, during fiscal 2020. This change resulted from cost efficiencies achieved during the year.

***Engineered Products Segment:***

| | FY21 | FY20 | $ Change | % Change |
|---|---|---|---|---|
| Net sales | $ 139.6 | $ 162.3 | $ (22.7) | (14.0)% |
| | | | | |
| Gross margin | $ 46.9 | $ 55.6 | $ (8.7) | (15.6)% |
| Gross margin % | 33.6% | 34.2% | | |
| | | | | |
| SG&A | $ 15.4 | $ 17.7 | $ (2.3) | (13.3)% |
| % of segment net sales | 11.0% | 10.9% | | |

Net sales decreased $22.7 million, or 14.0%, in fiscal 2021 compared to the same period last fiscal year. Total industrial sales were $68.4 million, an increase of 4.5% as compared to sales of $65.5 million in fiscal 2020. The increase in sales year over year was driven by growth in the marine market. Total aerospace sales were $71.2 million as compared to $96.8 million in fiscal 2020. The decrease, year over year, was driven by reduced air travel and the impact of changes in production schedules of commercial aircraft.

Gross margin for the year was $46.9 million, or 33.6% of sales compared to $55.6 million or 34.2% of sales during fiscal 2020. Gross margin in fiscal 2021 was impacted by approximately $0.5 million of capacity inefficiencies driven by the impact of the COVID-19 pandemic.

***Corporate:***

| | FY21 | FY20 | $ Change | % Change |
|---|---|---|---|---|
| SG&A | $ 58.9 | $ 65.7 | $ (6.8) | (10.4)% |
| % of total net sales | 9.7% | 9.0% | | |

Corporate SG&A decreased $6.8 million or 10.4% for fiscal 2021 compared to fiscal 2020. This was due to reductions in personnel-related costs of $8.2 million and other costs of $0.4 million partially offset by increases in share-based compensation expense of $1.1 million and professional fees of $0.7 million.

## 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. 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 Revolver and Foreign Revolver (see below) will provide adequate resources to fund internal and external growth initiatives for the foreseeable future.

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 the COVID-19 pandemic, 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, partially or completely, relocate production lines, 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 3, 2021, we had cash and cash equivalents and highly liquid marketable securities of $241.3 million, of which, approximately $13.9 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.

### *Domestic Credit Facility*

The Company’s credit agreement with Wells Fargo Bank, National Association, as Administrative Agent, Collateral Agent, Swingline Lender and Letter of Credit Issuer, and the other lenders party thereto (the “Credit Agreement”) provides the Company with a $250.0 million revolving credit facility (the “Revolver”), which expires on January 31, 2024. Debt issuance costs associated with the Credit Agreement totaled $0.9 million and will be amortized through January 31, 2024 along with the unamortized debt issuance costs remaining from the Company’s prior credit agreement. As of April 3, 2021, $1.1 million in unamortized debt issuance costs remain.

Amounts outstanding under the Revolver generally bear interest at (a) a base rate determined by reference to the higher of (1) Wells Fargo’s prime lending rate, (2) the federal funds effective rate plus 1/2 of 1% and (3) the one-month LIBOR rate plus 1%, or (b) LIBOR 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 at each measurement date. Currently, the Company’s margin is 0.00% for base rate loans and 0.75% for LIBOR loans.

The Credit Agreement requires the Company to comply with various covenants including, among other things, a financial covenant to maintain a ratio of consolidated net debt to adjusted EBITDA not greater than 3.50 to 1. The 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 Credit Agreement. As of April 3, 2021, the Company was in compliance with all such covenants.

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

Approximately $3.5 million of the Revolver is being utilized to provide letters of credit to secure the Company’s obligations relating to certain insurance programs. The Company has the ability to borrow up to an additional $246.5 million under the Revolver as of April 3, 2021.

***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 finance the acquisition of Swiss Tool and 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 expires on July 31, 2024 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) and will be amortized throughout the life of the Foreign Credit Agreements. As of April 3, 2021, approximately $0.1 million in unamortized debt issuance costs remain.

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 3, 2021, 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 group of companies.

As of April 3, 2021, there was approximately $11.7 million outstanding under the Foreign Term Loan and no amounts outstanding under the Foreign Revolver. These borrowings have been classified as Level 2 of the valuation hierarchy. Schaublin has the ability to borrow up to an additional $15.9 million under the Foreign Revolver as of April 3, 2021.

Schaublin's required future annual principal payments are approximately $2.1 million for fiscal 2022, $3.2 million for both fiscal 2023 and fiscal 2024 and $3.2 million for fiscal 2025.

*Other Notes Payable*

On October 1, 2012, Schaublin purchased the land and building that it occupied and had been leasing for approximately $14.9 million. Schaublin obtained a 20-year fixed-rate mortgage of approximately $9.9 million at an interest rate of 2.9%. The balance of the purchase price of approximately $5.1 million was paid from cash on hand. The balance on this mortgage as of April 3, 2021 was approximately $5.7 million.

The Company's required future annual principal payments for the next five years are $0.5 million for each year from fiscal 2022 through fiscal 2026 and $3.2 million thereafter.

***Cash Flows***

*Fiscal 2021 Compared to Fiscal 2020*

The following table summarizes our cash flow activities:

| | FY21 | FY20 | $ Change |
|---|---|---|---|
| Net cash provided by (used in): | | | |
| Operating activities | $ 152.4 | $ 155.6 | $ (3.2) |
| Investing activities | (101.5) | (62.8) | (38.7) |
| Financing activities | (3.4) | (20.3) | 16.9 |
| Effect of exchange rate changes on cash | 0.3 | 0.9 | (0.6) |
| Increase in cash and cash equivalents | $ 47.8 | $ 73.4 | $ (25.6) |

During fiscal 2021 we generated cash of $152.4 million from operating activities compared to $155.6 million for fiscal 2020. The decrease of $3.2 million for fiscal 2021 was mainly the result of a $36.4 million decrease in net income partially offset by a net change in operating assets and liabilities of $31.1 million and $2.1 million fewer non-cash charges. The favorable change in operating assets and liabilities is detailed in the table below. The change in non-cash charges were primarily driven by a $2.5 million favorable change related to the disposal of assets, $2.2 million favorable change in consolidation and restructuring charges, an additional $1.1 million in share-based compensation, $0.7 million more depreciation and $0.6 million more amortization of intangible assets. This was partially offset by a $5.0 million decrease in deferred taxes.

The following chart summarizes the favorable change in operating assets and liabilities of $31.1 million for fiscal 2021 versus fiscal 2020 and $29.1 million for fiscal 2020 versus fiscal 2019.

| | FY21 | FY20 |
|---|---|---|
| Cash provided by (used in): | | |
| Accounts receivable | $ 15.7 | $ 20.6 |
| Inventory | 26.3 | 12.5 |
| Prepaid expenses and other current assets | 3.5 | (3.4) |
| Other noncurrent assets | (7.0) | 2.4 |
| Accounts payable | (15.7) | (5.0) |
| Accrued expenses and other current liabilities | 2.6 | 2.5 |
| Other noncurrent liabilities | 5.7 | (0.5) |
| Total change in operating assets and liabilities | $ 31.1 | $ 29.1 |

During fiscal 2021, we used $101.5 million for investing activities as compared to $62.8 million for fiscal 2020. This increase in cash used was attributable to the purchase of $100.1 million of highly liquid marketable securities during the current period and $8.2 million fewer proceeds from the sale of assets compared to the prior year when we sold a building in Houston, Texas. This was partially offset by a $25.5 million decrease in capital expenditures, $10.0 million in proceeds received from the sale of marketable securities in the current year, the use of $33.8 million in the prior year for the acquisition of Swiss Tool and a purchase price adjustment in the current year related to the Swiss Tool acquisition of $0.3 million.

During fiscal 2021, we used $3.4 million for financing activities compared to $20.3 million in fiscal 2020. This decrease in cash used was primarily attributable to $38.3 million less payments made on outstanding debt, $0.3 million less financing fees paid in connection with credit facilities, and $5.3 million less treasury stock purchases, partially offset by proceeds received from borrowings of $24.8 million for the acquisition of Swiss Tool in the prior year and $2.2 million less exercises of share-based awards

***Capital Expenditures***

Our capital expenditures in fiscal 2021 were $11.8 million compared to $37.3 million in fiscal 2020. We expect to make capital expenditures of approximately $14.0 million to $16.0 million during fiscal 2022 in connection with our existing business. We funded our fiscal 2021 capital expenditures, and expect to fund fiscal 2022 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 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **Apr. 3, 2021** | **Dec. 26, 2020** | **Sep. 26, 2020** | **Jun. 27, 2020** | **Mar. 28, 2020** | **Dec. 28, 2019** | **Sep. 28, 2019** | **Jun. 29, 2019** |
| | (Unaudited) (in thousands, except per share data) | | | | | | | |
| Net sales | $ 160,295 | $ 145,861 | $ 146,335 | $ 156,493 | $ 185,843 | $ 177,019 | $ 181,909 | $ 182,690 |
| Gross margin | 62,469 | 55,588 | 56,596 | 59,453 | 76,584 | 70,711 | 71,114 | 70,694 |
| Operating income | 29,740 | 26,541 | 26,363 | 28,814 | 43,520 | 37,466 | 37,309 | 38,490 |
| Net income | $ 24,954 | $ 21,569 | $ 20,421 | $ 22,689 | $ 33,752 | $ 30,515 | $ 31,270 | $ 30,499 |
| Net income per common share: | | | | | | | | |
| Basic(1)(2) | $ 1.00 | $ 0.87 | $ 0.82 | $ 0.92 | $ 1.36 | $ 1.24 | $ 1.27 | $ 1.24 |
| Diluted(1)(2) | $ 0.99 | $ 0.86 | $ 0.82 | $ 0.91 | $ 1.35 | $ 1.22 | $ 1.26 | $ 1.23 |

(1) See Note 2 “Summary of Significant Accounting Policies-Net Income Per Common Share.”

(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.

**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 and the valuation of options. 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 96% of the Company’s revenue was recognized in this manner based on sales for the year ended April 3, 2021 compared to approximately 95% for the year ended March 28, 2020.

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 4% of the Company's revenue was recognized in this manner based on sales for the year ended April 3, 2021 compared to approximately 5% for the year ended March 28, 2020. 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 3, 2021 and the year ended March 28, 2020. 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. 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 2021 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 2021 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 137.4%. The fair value of the reporting units exceeds the carrying value by a minimum of 49.2% at each of the four 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.

*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 3, 2021** | **March 28, 2020** | **March 30, 2019** |
| Dividend yield | 0.00% | 0.00% | 0.00% |
| Expected weighted-average life (yrs.) | 5.0 | 5.0 | 5.0 |
| Risk-free interest rate | 0.35% | 1.82% | 2.77% |
| Expected volatility | 41.35% | 26.93% | 25.16% |

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 2021, inflation in the economy as a whole has not significantly affected our operations. We started to experience inflation in our fourth quarter. 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 3, 2021, 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 Swiss operations utilize the Swiss franc as the functional currency, our French and German operations utilize the euro as the functional currency, and our Polish operations utilize the Polish zloty as the functional currency. 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 9% of our net sales were impacted by foreign currency fluctuations in fiscal 2021 compared to approximately 9% of our net sales in fiscal 2020. 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 3, 2021, 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 3, 2021 and March 28, 2020, the related consolidated statements of operations, comprehensive income, stockholders' equity and cash flows for each of the three years in the period ended April 3, 2021, 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 3, 2021 and March 28, 2020 and the results of its operations and its cash flows for each of the three years in the period ended April 3, 2021, 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 3, 2021, 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 21, 2021 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 Matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of the critical audit matter 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 matter below, providing a separate opinion on the critical audit matter or on the account or disclosures to which it relates.

| | ***Valuation of Goodwill – Annual impairment evaluation*** |
|---|---|
| *Description of the Matter* | At April 3, 2021, the Company's goodwill was $277.5 million. As discussed in Notes 2 and 10 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. The estimates of fair value of a reporting unit are determined using an income approach, specifically a discounted cash flow analysis.<br>Auditing management's annual goodwill impairment test was complex and highly judgmental due to the significant estimation required to determine the fair value of the reporting units. The fair value estimates were sensitive to changes in significant assumptions such as the discount rates, revenue growth rates and cash flow projections which are affected by expectations about future market or economic 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>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 and 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 21, 2021

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

| | April 3, 2021 | March 28, 2020 |
|---|---|---|
| **ASSETS** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 151,086 | $ 103,255 |
| Marketable securities | 90,249 | — |
| Accounts receivable, net of allowance for doubtful accounts of $1,792 at April 3, 2021 and $1,627 at March 28, 2020 | 110,472 | 128,995 |
| Inventory | 364,147 | 367,494 |
| Prepaid expenses and other current assets | 12,248 | 12,262 |
| Total current assets | 728,202 | 612,006 |
| Property, plant and equipment, net | 208,264 | 219,846 |
| Operating lease assets, net | 35,664 | 28,953 |
| Goodwill | 277,536 | 277,776 |
| Intangible assets, net of accumulated amortization of $63,371 at April 3, 2021 and $55,732 at March 28, 2020 | 154,399 | 162,747 |
| Other assets | 30,195 | 20,584 |
| Total assets | $ 1,434,260 | $ 1,321,912 |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | |
| Current liabilities: | | |
| Accounts payable | $ 36,336 | $ 51,038 |
| Accrued expenses and other current liabilities | 43,564 | 40,580 |
| Current operating lease liabilities | 5,726 | 5,708 |
| Current portion of long-term debt | 2,612 | 6,429 |
| Total current liabilities | 88,238 | 103,755 |
| Long-term debt, less current portion | 13,495 | 16,583 |
| Long-term operating lease liabilities | 29,982 | 23,396 |
| Deferred income taxes | 17,178 | 16,560 |
| Other noncurrent liabilities | 55,416 | 43,619 |
| Total liabilities | 204,309 | 203,913 |
| Commitments and contingencies (Note 17) | | |
| Stockholders' equity: | | |
| Preferred stock, $.01 par value; authorized shares: 10,000,000 in fiscal 2021 and fiscal 2020; none issued or outstanding | — | — |
| Common stock, $.01 par value; authorized shares: 60,000,000 at April 3, 2021 and March 28, 2020, respectively; issued shares: 26,110,320 and 25,881,415 at April 3, 2021 and March 28, 2020, respectively | 261 | 259 |
| Additional paid-in capital | 445,073 | 412,400 |
| Accumulated other comprehensive income | (10,409) | (6,898) |
| Retained earnings | 858,852 | 769,219 |
| Treasury stock, at cost, 884,701 shares and 838,982 shares at April 3, 2021 and March 28, 2020, respectively | (63,826) | (56,981) |
| Total stockholders' equity | 1,229,951 | 1,117,999 |
| Total liabilities and stockholders' equity | $ 1,434,260 | $ 1,321,912 |

See accompanying notes.

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

| | Fiscal Year Ended | | |
|---|---|---|---|
| | **April 3, 2021** | **March 28, 2020** | **March 30, 2019** |
| Net sales | $ 608,984 | $ 727,461 | $ 702,516 |
| Cost of sales | 374,878 | 438,358 | 425,863 |
| Gross margin | 234,106 | 289,103 | 276,653 |
| Operating expenses: | | | |
| Selling, general and administrative | 106,000 | 122,565 | 117,504 |
| Other, net | 16,648 | 9,753 | 27,114 |
| Total operating expenses | 122,648 | 132,318 | 144,618 |
| Operating income | 111,458 | 156,785 | 132,035 |
| Interest expense, net | 1,430 | 1,885 | 5,173 |
| Other non-operating expense | (31) | 761 | 772 |
| Income before income taxes | 110,059 | 154,139 | 126,090 |
| Provision for income taxes | 20,426 | 28,103 | 20,897 |
| Net income | $ 89,633 | $ 126,036 | $ 105,193 |
| Net income per common share: | | | |
| Basic | $ 3.61 | $ 5.12 | $ 4.32 |
| Diluted | $ 3.58 | $ 5.06 | $ 4.26 |
| Weighted average common shares: | | | |
| Basic | 24,851,344 | 24,632,637 | 24,357,684 |
| Diluted | 25,048,451 | 24,922,631 | 24,716,213 |

See accompanying notes.

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

| | Fiscal Year Ended | | |
|---|---|---|---|
| | **April 3, 2021** | **March 28, 2020** | **March 30, 2019** |
| Net income | $ 89,633 | $ 126,036 | $ 105,193 |
| Pension and postretirement liability adjustments, net of taxes [(1)] | (4,538) | (861) | 332 |
| Foreign currency translation adjustments | 1,027 | 2,719 | (5,514) |
| Total comprehensive income | $ 86,122 | $ 127,894 | $ 100,011 |

(1) These adjustments were net of a tax benefit of $911, tax benefit of $262 and tax expense of $101 in fiscal 2021, 2020 and 2019, respectively.

See accompanying notes.

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

| | Common Stock | | Additional Paid-in | Accumulated Other Comprehensive | Retained | Treasury Stock | | Total Stockholders' |
|---|---|---|---|---|---|---|---|---|
| | Shares | Amount | Capital | Income/(Loss) | Earnings | Shares | Amount | Equity |
| Balance at March 31, 2018 | 25,123,694 | $ 251 | $ 339,148 | $ (2,285) | $ 536,978 | (713,687) | $ (39,540) | $ 834,552 |
| Net income | — | — | — | — | 105,193 | — | — | 105,193 |
| Share-based compensation | — | — | 16,087 | — | — | — | — | 16,087 |
| Repurchase of common stock | — | — | — | — | — | (39,226) | (5,232) | (5,232) |
| Exercise of equity awards | 352,552 | 5 | 23,266 | — | — | — | — | 23,271 |
| Change in net prior service cost and actuarial losses, net of taxes of $101 | — | — | — | 332 | — | — | — | 332 |
| Issuance of restricted stock, net of forfeitures | 130,950 | — | — | — | — | — | — | — |
| Other | — | — | 154 | — | — | — | — | 154 |
| Impact from adoption of ASU 2014-09 | — | — | — | — | (277) | — | — | (277) |
| Currency translation adjustments | — | — | — | (5,514) | — | — | — | (5,514) |
| 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 |

See accompanying notes.

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

| | Fiscal Year Ended | | |
|---|---|---|---|
| | April 3, 2021 | March 28, 2020 | March 30, 2019 |
| **Cash flows from operating activities:** | | | |
| Net income | $ 89,633 | $ 126,036 | $ 105,193 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Depreciation | 22,527 | 21,808 | 19,992 |
| Deferred income taxes | 1,509 | 6,502 | (4,904) |
| Amortization of intangible assets | 10,217 | 9,612 | 9,666 |
| Amortization of deferred financing costs | 472 | 506 | 921 |
| Consolidation and restructuring charges | 2,510 | 358 | 16,906 |
| Loss on extinguishment of debt | — | — | 987 |
| Stock-based compensation | 21,299 | 20,150 | 16,087 |
| Loss/(gain) on disposition of assets | 1,314 | (1,227) | 853 |
| Changes in operating assets and liabilities, net of acquisitions: | | | |
| Accounts receivable | 18,969 | 3,305 | (17,307) |
| Inventory | 905 | (25,371) | (37,841) |
| Prepaid expenses and other current assets | (353) | (3,878) | (506) |
| Other noncurrent assets | (10,904) | (3,946) | (6,331) |
| Accounts payable | (14,836) | 837 | 5,881 |
| Accrued expenses and other current liabilities | 2,573 | (14) | (2,475) |
| Other noncurrent liabilities | 6,618 | 943 | 1,425 |
| Net cash provided by operating activities | 152,453 | 155,621 | 108,547 |
| **Cash flows from investing activities:** | | | |
| Purchase of property, plant and equipment | (11,772) | (37,297) | (41,346) |
| Acquisition of businesses, net of cash acquired | 245 | (33,842) | — |
| Purchase of marketable securities | (100,075) | — | — |
| Proceeds from sale of marketable securities | 10,020 | — | — |
| Proceeds from sale of assets | 58 | 8,354 | 1,920 |
| Proceeds from sale of business | — | — | 22,284 |
| Net cash used in investing activities | (101,524) | (62,785) | (17,142) |
| **Cash flows from financing activities:** | | | |
| Proceeds from revolving credit facilities | — | 9,435 | 149,250 |
| Proceeds from term loans | — | 15,383 | — |
| Repayments of revolving credit facilities | (3,028) | (45,821) | (110,500) |
| Repayments of term loans | (4,362) | — | (168,750) |
| Finance fees paid in connection with credit facilities | — | (276) | (852) |
| Payments of notes payable | (504) | (477) | (471) |
| Repurchase of common stock | (6,845) | (12,209) | (5,232) |
| Exercise of stock options | 11,376 | 13,598 | 23,271 |
| Net cash used in financing activities | (3,363) | (20,367) | (113,284) |
| | | | |
| Effect of exchange rate changes on cash | 265 | 902 | (2,400) |
| **Cash and cash equivalents:** | | | |
| Increase/(decrease) during the year | 47,831 | 73,371 | (24,279) |
| Cash and cash equivalents, at beginning of year | 103,255 | 29,884 | 54,163 |
| Cash and cash equivalents, at end of year | $ 151,086 | $ 103,255 | $ 29,884 |
| | | | |
| **Supplemental disclosures of cash flow information:** | | | |
| Cash paid for: | | | |
| Income taxes | $ 16,692 | $ 27,071 | $ 22,141 |
| Interest | 1,080 | 1,288 | 4,228 |

See accompanying notes.

**RBC Bearings Incorporated**
**Notes to Consolidated Financial Statements**
**(dollars in thousands, except share and per share data)**

## 1. Organization and Business

RBC Bearings Incorporated, together with its subsidiaries, is an international manufacturer and marketer of highly engineered precision bearings and products, 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 16 years, we have broadened our end markets, products, customer base and geographic reach. We currently have 43 facilities in seven countries, of which 31 are manufacturing facilities.

The Company operates in four reportable business segments—roller bearings, plain bearings, ball bearings and engineered products—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 7% of the Company's net sales in fiscal 2021 and no more than 9% of net sales in fiscal 2020 or fiscal 2019. The Company's segments are further discussed in Note 19 "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, Industrial Tectonics Bearings Corporation ("ITB"), RBC Nice Bearings, Inc. ("Nice"), RBC Precision Products - Bremen, Inc. ("Bremen (MBC)"), RBC Precision Products - Plymouth, Inc. ("Plymouth"), RBC Lubron Bearing Systems, Inc. ("Lubron"), RBC Oklahoma, Inc. ("RBC Oklahoma"), RBC Aircraft Products, Inc. ("API"), RBC Southwest Products, Inc. ("SWP"), All Power Manufacturing Co. ("All Power"), RBC Aerostructures LLC ("AeroS"), Western Precision Aero LLC ("WPA"), Climax Metal Products Company ("CMP"), RBC Turbine Components LLC ("TCI"), Sonic Industries, Inc. ("Sonic"), Sargent Aerospace and Defense LLC ("Sargent"), Airtomic LLC ("Airtomic"), Schaublin Holding S.A. and its wholly-owned subsidiaries Schaublin SA, RBC Bearings Polska sp. Z.o.o., RBC France SAS, Vianel Holding AG, Beck Bühler Mutschler Capital AG, Bär und Mettler AG, MBM Monstein Bär Mettler Modulare Werkzeugsysteme AG, Swiss Tool Systems AG and Schaublin GmbH ("Schaublin"), RBC de Mexico S DE RL DE CV ("Mexico"), RBC Bearings U.K. Limited, Allpower de Mexico S DE RL DE CV ("Tecate") and RBC Bearings Canada, Inc. Divisions of RBCA include: RBC Corporate, RBC E-Shop, RBC Aerospace sales office and warehouse, Transport Dynamics ("TDC"), Heim ("Heim Bearings Company"), Engineered Components ("ECD"), RBC Aerocomponents ("AeroC"), PIC Design ("PIC Design"), RBC Hartsville, RBC West Trenton, RBC Bishopsville, RBC Eastern Distribution Center, Shanghai Representative office of Roller Bearing Company of America, Inc. ("RBC Shanghai") and RBC Grand Prarie TX location. U.S. Bearings ("USB") is a division of SWP and Schaublin USA is a division of Nice. 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 2021 contained 53 weeks and fiscal years 2020 and 2019 each 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 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, 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 96%, 95% and 94% of the Company's revenue was recognized in this manner based on sales for the years ended April 3, 2021, March 28, 2020 and March 30, 2019, respectively.

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 4%, 5% and 6% of the Company's revenue was recognized in this manner based on sales for the years ended April 3, 2021, March 28, 2020 and March 30, 2019, respectively. 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 3, 2021, March 28, 2020 and March 30, 2019, 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 primarily with Bank of America, N.A., Credit Suisse Group AG and Wells Fargo & Company. The domestic balances are insured by the Federal Deposit Insurance Company up to $250. The Company has not experienced any losses in such accounts.

At April 3, 2021, the Company held $90,249 of short-term marketable securities comprised of mutual funds as part of the Company's investment strategy. These investments are measured at fair value by using quoted prices in active markets and are classified as Level 1 of the valuation hierarchy. These mutual funds can be liquidated at the Company's discretion. They are held for investment and are not considered debt securities. Preservation of principal is the primary goal of our cash and investment policy. Pursuant to our established investment guidelines, we strive to achieve high levels of credit quality, liquidity and diversification. Our investment guidelines do not permit us to invest in puts, calls, strips, short sales, straddles, options, commodities, precious metals, futures or investments on margin.

**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 7% of accounts receivables at April 3, 2021 and 7% at March 28, 2020.

**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.

**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. 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 2021 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 2021 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 137.4%. The fair value of the reporting units exceeds the carrying value by a minimum of 49.2% at each of the four 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.

**Deferred Financing Costs**

Deferred financing costs are amortized on a straight-line basis over the lives of the related credit agreements.

**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**

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

Diluted net income per common share 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 vesting or exercise of stock awards.

The table below reflects the calculation of weighted-average shares outstanding for each year presented as well as the computation of basic and diluted net income per common share:

| | Fiscal Year Ended | | |
|---|---|---|---|
| | **April 3, 2021** | **March 28, 2020** | **March 30, 2019** |
| Net income | $ 89,633 | $ 126,036 | $ 105,193 |
| Denominator: | | | |
| Denominator for basic net income per common share—weighted-average shares | 24,851,344 | 24,632,637 | 24,357,684 |
| Effect of dilution due to employee stock options | 197,107 | 289,994 | 358,529 |
| Denominator for diluted net income per common share—adjusted weighted-average shares | 25,048,451 | 24,922,631 | 24,716,213 |
| Basic net income per common share | $ 3.61 | $ 5.12 | $ 4.32 |
| Diluted net income per common share | $ 3.58 | $ 5.06 | $ 4.26 |

At April 3, 2021, 457,324 employee stock options and 35,780 restricted shares have been excluded from the calculation of diluted earnings per share. 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. At March 30, 2019, 256,990 employee stock options and 1,500 restricted shares have been excluded from the calculation of diluted earnings per share. The inclusion of these employee stock options and restricted shares would be anti-dilutive.

**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, 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.

**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 March 28, 2020 | $ (582) | $ (6,316) | $ (6,898) |
| Amounts recorded in/ reclassified from accumulated other comprehensive loss | — | (4,538) | (4,538) |
| Net current period other comprehensive income | 1,027 | (4,538) | (3,511) |
| Balance at April 3, 2021 | $ 445 | $ (10,854) | $ (10,409) |

**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 September 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which changes how entities measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. The guidance replaces the former incurred loss approach with a new expected credit loss impairment model. The new model applies to most financial assets measured at amortized cost and certain other instruments, including trade and other receivables, loans, held-to-maturity debt instruments, net investments in leases, loan commitments and standby letters of credit. Upon initial recognition of the exposure, the expected credit loss model requires entities 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. ASU 2016-13 does not prescribe a specific method to make the estimate, so its application requires significant judgment. The Company adopted this accounting standard update in the first quarter of fiscal 2021 and it did not have a material impact on the Company's consolidated financial statements.

In January 2017, the FASB issued ASU No. 2017-04, *Intangibles – Goodwill and Other (Topic 350)*: *Simplifying the Test for Goodwill Impairment*. The objective of this standard update is to simplify the subsequent measurement of goodwill, eliminating Step 2 from the goodwill impairment test. Under this ASU, an entity should perform its annual goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. An entity would recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value, assuming the loss recognized does not exceed the total amount of goodwill for the reporting unit. The adoption of this ASU did not have a material impact on the Company's consolidated financial statements.

*Recent Accounting Standards Yet to Be Adopted*

In December 2019, the FASB issued 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 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 is currently evaluating the effect that the adoption of this ASU will have on the Company's consolidated financial statements.

Other new pronouncements issued but not effective until after April 3, 2021 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 Company operates in four business segments with similar economic characteristics, including nature of the products and production processes, distribution patterns and classes of customers. Revenue is disaggregated within these business segments by our two principal end markets: aerospace and industrial. Comparative information of the Company's overall revenues for the years ended April 3, 2021, March 28, 2020 and March 30, 2019 are as follows:

**Principal End Markets:**

| | For the Fiscal Year Ended April 3, 2021 | | |
|---|---|---|---|
| | **Aerospace** | **Industrial** | **Total** |
| Plain | $ 210,166 | $ 83,824 | $ 293,990 |
| Roller | 43,488 | 48,169 | 91,657 |
| Ball | 28,254 | 55,450 | 83,704 |
| Engineered Products | 71,173 | 68,460 | 139,633 |
| | $ 353,081 | $ 255,903 | $ 608,984 |

| | For the Fiscal Year Ended March 28, 2020 | | |
|---|---|---|---|
| | **Aerospace** | **Industrial** | **Total** |
| Plain | $ 277,601 | $ 80,690 | $ 358,291 |
| Roller | 71,386 | 61,256 | 132,642 |
| Ball | 23,453 | 50,778 | 74,231 |
| Engineered Products | 96,806 | 65,491 | 162,297 |
| | $ 469,246 | $ 258,215 | $ 727,461 |

| | For the Fiscal Year Ended March 30, 2019 | | |
|---|---|---|---|
| | **Aerospace** | **Industrial** | **Total** |
| Plain | $ 238,259 | $ 84,992 | $ 323,251 |
| Roller | 70,682 | 73,150 | 143,832 |
| Ball | 21,621 | 50,686 | 72,307 |
| Engineered Products | 100,571 | 62,555 | 163,126 |
| | $ 431,133 | $ 271,383 | $ 702,516 |

In addition to disaggregating revenue by segment and principal end markets, the Company believes information about the timing of transfer of goods or services, type of customer and distinguishing service revenue from product sales is also relevant. Refer to Note 2 – "Summary of Significant Accounting Policies – Revenue Recognition" for further details.

*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 $265,021 at April 3, 2021. The Company expects to recognize revenue on approximately 60% and 83% 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 3, 2021 and March 28, 2020, current contract assets were $5,584 and $2,604, respectively, and included within prepaid expenses and other current assets on the consolidated balance sheets. The increase 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 3, 2021 and March 28, 2020, the Company did not have any contract assets classified as noncurrent on the consolidated balance sheets. There were no impairment losses related to the Company’s contract assets during the year ended April 3, 2021.

*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 3, 2021 and March 28, 2020, current contract liabilities were $16,998 and $11,116, 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. For the year ended April 3, 2021, the Company recognized revenues of $10,355 that were included in the contract liability balance as of March 28, 2020. For the year ended March 28, 2020, the Company recognized revenues of $7,849 that were included in the contract liability balance at March 30, 2019.

As of April 3, 2021 and March 28, 2020, noncurrent contract liabilities were $3,754 and $2,427, 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.

*Accounts Receivable* - As of April 3, 2021 and March 28, 2020, accounts receivable with customers, net, were $110,472 and $128,995, respectively.

**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 3, 2021 | $ 1,627 | $ 480 | $ (86) | $ (229) | $ 1,792 |
| March 28, 2020 | 1,430 | 263 | 13 | (79) | 1,627 |
| March 30, 2019 | 1,326 | 203 | (85) | (14) | 1,430 |

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

**5. Inventory**

Inventories are summarized below:

| | April 3, 2021 | March 28, 2020 |
|---|---|---|
| Raw materials | $ 57,764 | $ 51,362 |
| Work in process | 86,183 | 97,286 |
| Finished goods | 220,200 | 218,846 |
| | $ 364,147 | $ 367,494 |

**6. Property, Plant and Equipment**

Property, plant and equipment consist of the following:

| | April 3, 2021 | March 28, 2020 |
|---|---|---|
| Land | $ 17,658 | $ 17,621 |
| Buildings and improvements | 90,668 | 90,834 |
| Machinery and equipment | 322,949 | 321,580 |
| | 431,275 | 430,035 |
| Less: accumulated depreciation and amortization | (223,011) | (210,189) |
| | $ 208,264 | $ 219,846 |

**7. Leases**

The Company enters into operating leases for manufacturing facilities, warehouses, sales offices, information technology equipment, plant equipment, vehicles and certain other equipment with varying end dates from April 2021 to March 2038, including renewal options.

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

| **Operating Leases:** | April 3, 2021 | March 28, 2020 |
|---|---|---|
| Lease assets: | | |
| Operating lease assets, net | $ 35,664 | $ 28,953 |
| | | |
| Lease liabilities: | | |
| Current operating lease liabilities | 5,726 | 5,708 |
| Long-term operating lease liabilities | 29,982 | 23,396 |
| Total operating lease liabilities | $ 35,708 | $ 29,104 |

The Company did not have any finance leases as of April 3, 2021 or March 28, 2020. Cash paid included in the measurement of lease liabilities was $6,869 and $5,771 for the twelve-month periods ended April 3, 2021 and March 28, 2020, respectively. Lease assets obtained in exchange for new operating lease liabilities were $1,637 and $5,586 for the twelve-month periods ended April 3, 2021 and March 28, 2020, respectively. Lease modifications which resulted in newly obtained lease assets in exchange for new operating lease liabilities were $11,110 for the twelve-month period ended April 3, 2021 and were immaterial for the twelve-month period ended March 28, 2020.

Total operating lease expense was $7,647, $7,079 and $7,172 for the twelve-month periods ended April 3, 2021, March 28, 2020 and March 30, 2019, respectively. Short-term and variable lease expense were immaterial.

Future undiscounted lease payments for the remaining lease terms as of April 3, 2021, including renewal options reasonably certain of being exercised, are as follows:

| | Operating Leases |
|---|---|
| Within one year | $ 5,841 |
| One to two years | 5,267 |
| Two to three years | 3,921 |
| Three to four years | 3,724 |
| Four to five years | 3,360 |
| Thereafter | 21,286 |
| Total future undiscounted lease payments | 43,399 |
| Less: imputed interest | (7,691) |
| Total operating lease liabilities | $ 35,708 |

The weighted-average remaining lease term on April 3, 2021 for our operating leases is 11.4 years. The weighted-average discount rate on April 3, 2021 for our operating leases is 4.0%.

## 8. Acquisition

On August 15, 2019, the Company, through its Schaublin SA subsidiary, acquired all of the outstanding shares of Swiss Tool for a purchase price of approximately $33,597 (CHF 32,768). We have finalized the purchase price allocation with no material adjustments subsequent to March 28, 2020.

## 9. Restructuring and Consolidation

Throughout fiscal 2021, the Company consolidated certain manufacturing facilities to increase efficiencies of our operations. This resulted in $7,247 of restructuring charges incurred during the year, including $3,071 of inventory rationalization costs included within cost of sales, $1,994 of which were attributable to the Roller segment and $1,077 of which were attributable to the Plain segment. The restructuring charges also included $1,314 of fixed asset disposals included within other operating costs, a $138 lease impairment charge, $681 of personnel-related costs and $2,043 of other items. Of these $4,176 of other operating costs, $1,595 are related to the Plain segment, $823 are related to the Roller segment, $21 are related to the Ball segment, $1,120 are related to the Engineered Products segment and $617 are Corporate costs. The Company secured operating lease assets obtained in exchange for new operating lease liabilities of $7,662 as part of this restructuring. The Company anticipates additional costs associated with these consolidation efforts of $250 to $500 to be incurred in the first quarter of fiscal 2022.

## 10. Goodwill and Intangible Assets

***Goodwill***

Goodwill balances, by segment, consist of the following:

| | Roller | Plain | Ball | Engineered Products | Total |
|---|---|---|---|---|---|
| March 28, 2020 | $ 16,007 | $ 79,597 | $ 5,623 | $ 176,549 | $ 277,776 |
| Acquisition [(1)] | — | — | — | (383) | (383) |
| Translation adjustments | — | — | — | 143 | 143 |
| April 3, 2021 | $ 16,007 | $ 79,597 | $ 5,623 | $ 176,309 | $ 277,536 |

(1) 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 3, 2021 Gross Carrying Amount | April 3, 2021 Accumulated Amortization | March 28, 2020 Gross Carrying Amount | March 28, 2020 Accumulated Amortization |
|---|---|---|---|---|---|
| Product approvals | 24 | $ 50,878 | $ 14,691 | $ 50,878 | $ 12,597 |
| Customer relationships and lists | 23 | 109,762 | 28,253 | 109,645 | 23,557 |
| Trade names | 10 | 16,333 | 10,392 | 16,330 | 8,906 |
| Distributor agreements | 5 | 722 | 722 | 722 | 722 |
| Patents and trademarks | 16 | 11,612 | 6,211 | 11,553 | 6,045 |
| Domain names | 10 | 437 | 437 | 437 | 437 |
| Other | 3 | 3,745 | 2,665 | 4,633 | 3,468 |
| | | 193,489 | 63,371 | 194,198 | 55,732 |
| Non-amortizable repair station certifications | n/a | 24,281 | — | 24,281 | — |
| Total | 21 | $ 217,770 | $ 63,371 | $ 218,479 | $ 55,732 |

Amortization expense for definite-lived intangible assets during fiscal years 2021, 2020 and 2019 was $10,217, $9,612 and $9,666, respectively. Estimated amortization expense for the five succeeding fiscal years and thereafter is as follows:

| | |
|---|---|
| 2022 | $ 9,658 |
| 2023 | 9,462 |
| 2024 | 9,332 |
| 2025 | 9,245 |
| 2026 | 7,112 |
| 2027 and thereafter | 85,309 |

## 11. Accrued Expenses and Other Current Liabilities

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

| | April 3, 2021 | March 28, 2020 |
|---|---|---|
| Employee compensation and related benefits | $ 11,846 | $ 16,275 |
| Taxes | 2,896 | 2,751 |
| Contract Liabilities | 16,998 | 11,116 |
| Workers compensation and insurance | 2,915 | 3,500 |
| Legal | 380 | 250 |
| Other | 8,529 | 6,688 |
| | $ 43,564 | $ 40,580 |

## 12. Debt

*Domestic Credit Facility*

The Company’s credit agreement with Wells Fargo Bank, National Association, as Administrative Agent, Collateral Agent, Swingline Lender and Letter of Credit Issuer, and the other lenders party thereto (the “Credit Agreement”) provides the Company with a $250,000 revolving credit facility (the “Revolver”), which expires on January 31, 2024. Debt issuance costs associated with the Credit Agreement totaled $852 and will be amortized through January 31, 2024 along with the unamortized debt issuance costs remaining from the Company’s prior credit Agreement. As of April 3, 2021, $1,121 in unamortized debt issuance costs remain.

Amounts outstanding under the Revolver generally bear interest at (a) a base rate determined by reference to the higher of (1) Wells Fargo’s prime lending rate, (2) the federal funds effective rate plus 1/2 of 1% and (3) the one-month LIBOR rate plus 1%, or (b) LIBOR 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 at each measurement date. Currently, the Company’s margin is 0.00% for base rate loans and 0.75% for LIBOR loans.

The Credit Agreement requires the Company to comply with various covenants including, among other things, a financial covenant to maintain a ratio of consolidated net debt to adjusted EBITDA not greater than 3.50 to 1. The 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 Credit Agreement. As of April 3, 2021, the Company was in compliance with all such covenants.

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

Approximately $3,550 of the Revolver is being utilized to provide letters of credit to secure the Company's obligations relating to certain insurance programs. The Company has the ability to borrow up to an additional $246,450 under the Revolver as of April 3, 2021.

*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, which is discussed in further detail in Note 8, 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 expires on July 31, 2024 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) and will be amortized throughout the life of the Foreign Credit Agreements. As of April 3, 2021, approximately $95 in unamortized debt issuance costs remain.

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 3, 2021, 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 3, 2021, there was approximately $11,657 outstanding under the Foreign Term Loan and no amounts outstanding under the Foreign Revolver. Schaublin has the ability to borrow up to an additional $15,896 under the Foreign Revolver as of April 3, 2021.

Schaublin's required future annual principal payments are approximately $2,119 for fiscal 2022, $3,179 for both fiscal 2023 and fiscal 2024 and $3,180 for fiscal 2025.

*Other Notes Payable*

In 2012 Schaublin purchased the land and building that it occupies for approximately $14,910. Schaublin obtained a 20-year fixed-rate mortgage of approximately $9,857 at an interest rate of 2.9%. The balance of the purchase price of approximately $5,053 was paid from cash on hand. The balance on this mortgage as of April 3, 2021 was approximately $5,666 and has been classified as Level 2 of the valuation hierarchy.

The Company's required future annual principal payments are approximately $493 for each year from fiscal 2022 through fiscal 2026 and $3,201 thereafter.

The balances payable under all borrowing facilities are as follows:

| | April 3, 2021 | March 28, 2020 |
|---|---|---|
| Revolver and term loan facilities | $ 11,657 | $ 18,593 |
| Debt issuance cost | (1,216) | (1,687) |
| Other | 5,666 | 6,106 |
| Total debt | 16,107 | 23,012 |
| Less: current portion | 2,612 | 6,429 |
| Long-term debt | $ 13,495 | $ 16,583 |

The current portion of long-term debt as of April 3, 2021 includes the current portion of the Foreign Term Loan and the Schaublin mortgage. The current portion of long-term debt as of March 28, 2020 includes the current portion of the Foreign Term Loan, Foreign Revolver and the Schaublin mortgage.

**13. Other Noncurrent Liabilities**

The significant components of other noncurrent liabilities consist of:

| | April 3, 2021 | March 28, 2020 |
|---|---|---|
| Other postretirement benefits | $ 7,807 | $ 2,485 |
| Noncurrent income tax liability | 18,658 | 19,936 |
| Deferred compensation | 25,189 | 18,275 |
| Contract liabilities | 3,754 | 2,427 |
| Other | 8 | 496 |
| | $ 55,416 | $ 43,619 |

**14. Employee Benefit Plans**

At April 3, 2021, 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 3, 2021 and March 28, 2020, plan assets were $27,238 and $26,381, 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 3, 2021 and March 28, 2020, the projected benefit obligation was $25,380 and $25,260, respectively.

The discount rates used in determining the funded status as of April 3, 2021 and March 28, 2020 were 2.70% and 2.80%, respectively.

The funded status of the Company's defined benefit pension plan and the amount recognized in the balance sheet at April 3, 2021 and March 28, 2020 were $1,858 and $1,121, respectively. These overfunded amounts are included within noncurrent assets on the consolidated balance sheets.

Net periodic benefit cost for fiscal years 2021, 2020 and 2019 was $529, $276 and $506, respectively. The discount rate used to determine net periodic benefit cost for fiscal years 2021, 2020 and 2019 was 2.80%, 3.50% and 3.70%, respectively.

Two of the Company's foreign operations, Schaublin and Swiss Tool, sponsor pension plans for their approximately 136 and 32 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 3, 2021 were $5,250. For fiscal years 2021, 2020 and 2019, net periodic benefit cost for these plans was $1,123, $1,101 and $887, 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 $2,162, $2,212 and $1,889 in fiscal 2021, 2020 and 2019, 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 3, 2021 and March 28, 2020, the SERP assets were $27,856 and $18,944, respectively, and are included within other assets on the consolidated balance sheets. As of April 3, 2021 and March 28, 2020, the SERP liabilities were $24,178 and $16,141, respectively, and are included within accrued expenses and other current liabilities and other noncurrent liabilities on the balance sheets.

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 $2,646 and $2,661 at April 3, 2021 and March 28, 2020, respectively. Of these amounts, $174 and $176 are considered current and are included within accrued expenses and other current liabilities on the consolidated balance sheets as of April 3, 2021 and March 28, 2020, respectively. The remainder of the balances are included in other noncurrent liabilities in the consolidated balance sheets.

**15. Income Taxes**

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

| | Fiscal Year Ended | | |
|---|---|---|---|
| | **April 3, 2021** | **March 28, 2020** | **March 30, 2019** |
| Domestic | $ 105,434 | $ 148,154 | $ 115,747 |
| Foreign | 4,625 | 5,985 | 10,343 |
| Total income before income taxes | $ 110,059 | $ 154,139 | $ 126,090 |

The provision for income taxes consists of the following:

| | Fiscal Year Ended | | |
|---|---|---|---|
| | **April 3, 2021** | **March 28, 2020** | **March 30, 2019** |
| Current tax expense: | | | |
| Federal | $ 15,171 | $ 16,370 | $ 18,200 |
| State | 1,100 | 2,578 | 2,908 |
| Foreign | 2,646 | 2,653 | 4,693 |
| | 18,917 | 21,601 | 25,801 |
| Deferred tax expense: | | | |
| Federal | 336 | 6,210 | (4,111) |
| State | 1,210 | 1,076 | (756) |
| Foreign | (37) | (784) | (37) |
| | 1,509 | 6,502 | (4,904) |
| Total income taxes | $ 20,426 | $ 28,103 | $ 20,897 |

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 3, 2021 | March 28, 2020 | March 30, 2019 |
| Income taxes using U.S. federal statutory rate | $ 23,113 | $ 32,369 | $ 26,479 |
| State income taxes, net of federal benefit | 2,083 | 2,851 | 1,714 |
| Revaluation of deferred tax liabilities due to federal rate change | — | — | 282 |
| Stock-based compensation | (2,056) | (3,834) | (5,155) |
| Foreign rate differential | 1,638 | 613 | 2,484 |
| Transition tax | — | 135 | (161) |
| Research and development credits | (1,258) | (1,737) | (1,765) |
| Company-owned life insurance | (1,173) | 334 | (13) |
| Foreign derived intangible income (FDII) | (1,088) | (1,569) | (1,772) |
| U.S. unrecognized tax positions | 4 | (146) | (951) |
| Other - net | (837) | (913) | (245) |
| | $ 20,426 | $ 28,103 | $ 20,897 |

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

| | April 3, 2021 | March 28, 2020 |
|---|---|---|
| Deferred tax assets: | | |
| Pension and postretirement benefits | $ 1,021 | $ 591 |
| Employee compensation accruals | 7,080 | 4,886 |
| Inventory | 9,269 | 9,479 |
| Operating lease liabilities | 8,527 | 7,252 |
| Stock compensation | 6,132 | 5,289 |
| Tax loss and credit carryforwards | 10,942 | 9,726 |
| State tax | 1,441 | 1,460 |
| Total gross deferred tax assets | 44,412 | 38,683 |
| Valuation allowance | (6,292) | (4,250) |
| Total deferred tax assets | $ 38,120 | $ 34,433 |
| Deferred tax liabilities: | | |
| Property, plant and equipment | $ (20,744) | $ (21,029) |
| Pension | — | (262) |
| Operating lease assets | (8,492) | (7,218) |
| Other | (505) | (603) |
| Intangible assets | (25,557) | (21,881) |
| Total deferred tax liabilities | $ (55,298) | $ (50,993) |
| Total net deferred liabilities | $ (17,178) | $ (16,560) |

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 3, 2021 the valuation allowance increased by $2,042, which pertained to an increase of U.S. federal and state credits. For the Company's fiscal year ended March 28, 2020 the valuation allowance increased by $607, 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 3, 2021, 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 3, 2021, the Company had foreign net operating loss carryovers in different jurisdictions at varying amounts up to $1,377 which will expire at various dates through fiscal 2026. At April 3, 2021, the Company had U.S. federal and state credits in different jurisdictions at varying amounts up to $7,364 which will expire at various dates through 2036. At April 3, 2021, the Company had foreign credits in different jurisdictions at varying amounts up to $936 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 3, 2021 on approximately $27,349 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 3, 2021 and March 28, 2020 would affect the effective income tax rate.

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

| | April 3, 2021 | March 28, 2020 | March 30, 2019 |
|---|---|---|---|
| Balance, beginning of year | $ 14,212 | $ 13,479 | $ 11,935 |
| Gross increases (decreases) – tax positions taken during a prior period | (166) | 123 | 624 |
| Gross increases – tax positions taken during the current period | 2,016 | 1,702 | 2,697 |
| Reductions due to lapse of the applicable statute of limitations | (1,445) | (1,092) | (1,777) |
| Balance, end of year | $ 14,617 | $ 14,212 | $ 13,479 |

The Company recognizes the interest and penalties accrued related to unrecognized tax benefits in income tax expense. The Company recognized expense of $86, $213 and $45 of interest and penalties on its statement of operations for the fiscal years ended April 3, 2021, March 28, 2020 and March 30, 2019, respectively. The Company had approximately $1,492 and $1,406 of accrued interest and penalties at April 3, 2021 and March 28, 2020, 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 2, 2022 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 $1,513.

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 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, 2018.

## 16. Stockholders’ Equity

### 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.

*Stock Options.* Under the 2013 and 2017 Long-Term Incentive 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 Long-Term Incentive Plan, any incentive stock option must be exercised within seven years of the date of grant. Under the 2017 Long-Term Incentive Plan, any incentive stock option must be exercised within seven years of the date of grant. Under both 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 237,228 outstanding options to purchase shares of common stock granted under the 2013 Long-Term Incentive Plan, 113,734 of which were exercisable. There were 458,174 outstanding options to purchase shares of common stock granted under the 2017 Long-Term Incentive Plan, 89,575 of which were exercisable.

*Restricted Stock.* Under the 2013 and 2017 Long-Term Incentive 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 Long-Term Incentive Plan, 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 3, 2021, there were 63,459 and 183,391 shares of restricted stock outstanding under the 2013 and 2017 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 Plan. Under the 2013 and 2017 Long-Term Incentive 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 2013 or 2017 Long-Term Incentive Plans as of April 3, 2021.

*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 2013 or 2017 Long-Term Incentive Plans as of April 3, 2021.

*Amendment and Termination of the Plans.* The Board may amend or terminate the 2013 and 2017 Long-Term Incentive 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 3, 2021 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, March 28, 2020 | 713,911 | $ 111.41 | 4.5 | $ 9,270 |
| Awarded | 137,210 | 145.59 | | |
| Exercised | (141,767) | 80.24 | | |
| Forfeitures | (13,952) | 124.90 | | |
| Outstanding, April 3, 2021 | 695,402 | $ 124.24 | 4.4 | $ 51,391 |
| Exercisable, April 3, 2021 | 203,309 | $ 110.77 | 3.6 | $ 17,763 |

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 3, 2021 | March 28, 2020 | March 30, 2019 |
| Dividend yield | 0.00% | 0.00% | 0.00% |
| Expected weighted-average life (yrs.) | 5.0 | 5.0 | 5.0 |
| Risk-free interest rate | 0.35% | 1.82% | 2.77% |
| Expected volatility | 41.35% | 26.93% | 25.16% |

The weighted average fair value per share of options granted was $52.78 in fiscal 2021, $39.34 in fiscal 2020 and $37.02 in fiscal 2019.

The Company recorded $4,494 (net of taxes of $1,351) in compensation in fiscal 2021 related to option awards. As of April 3, 2021, there was $15,079 of unrecognized compensation costs related to options which is expected to be recognized over a weighted average period of 3.3 years. The total intrinsic value of options exercised in fiscal 2021, 2020 and 2019 was $12,726, $15,273 and $26,060, respectively.

Of the total awards outstanding at April 3, 2021, 687,092 are either fully vested or are expected to vest. These shares have a weighted average exercise price of $124.06, an intrinsic value of $50,897 and a weighted average contractual term of 4.4 years.

A summary of the status of the Company's restricted stock outstanding as of April 3, 2021 and the changes during the year then ended is presented below.

| | Number Of Restricted Stock Shares | Weighted-Average Grant Date Fair Value |
|---|---|---|
| Non-vested, March 28, 2020 | 288,710 | $ 125.54 |
| Granted | 94,205 | 153.70 |
| Vested | (128,998) | 117.34 |
| Forfeitures | (7,067) | 131.72 |
| Non-vested, April 3, 2021 | 246,850 | $ 140.39 |

The weighted average fair value per share of restricted stock awards granted was $153.70 in fiscal 2021, $145.72 in fiscal 2020 and $133.05 in fiscal 2019.

The Company recorded $11,881 (net of taxes of $3,573) in compensation in fiscal 2021 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 2021, 2020, and 2019 was $19,470, $19,916 and $15,819, respectively. Unrecognized expense for restricted stock was $24,848 at April 3, 2021. This cost is expected to be recognized over a weighted average period of approximately 2.7 years.

**17. Commitments and Contingencies**

As of April 3, 2021, approximately 8.2% 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 2021, 2020 and 2019, 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 2022 or 2023.

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.

**18. Other, Net**

Other, net is comprised of the following:

| | Fiscal Year Ended | | |
|---|---|---|---|
| | **April 3, 2021** | **March 28, 2020** | **March 30, 2019** |
| Plant consolidation and restructuring costs | $ 2,862 | $ 1,087 | $ 16,906 |
| Acquisition costs | — | 901 | — |
| Provision for doubtful accounts | 480 | 263 | 203 |
| Amortization of intangibles | 10,217 | 9,612 | 9,666 |
| Loss (gain) on disposal of assets | 1,314 | (1,227) | 853 |
| Other expense (income) | 1,775 | (883) | (514) |
| | $ 16,648 | $ 9,753 | $ 27,114 |

**19. Reportable Segments**

The Company operates through operating segments for which separate financial information is available, and for which operating results are evaluated regularly by the Company's chief operating decision maker in determining resource allocation and assessing performance. Those operating segments with similar economic characteristics and that meet all other required criteria, including nature of the products and production processes, distribution patterns and classes of customers, are aggregated as reportable segments.

The Company has four reportable business segments, Plain Bearings, Roller Bearings, Ball Bearings and Engineered Products, which are described below.

***Plain Bearings.*** 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. Unlike ball bearings, which are used in high-speed rotational applications, plain bearings are primarily used to rectify inevitable misalignments in various mechanical components.

***Roller Bearings.*** Roller bearings are anti-friction bearings that use rollers instead of balls. The Company manufactures four basic types of roller bearings: heavy duty needle roller bearings with inner rings, tapered roller bearings, track rollers and aircraft roller bearings.

***Ball Bearings.*** The Company manufactures four basic types of ball bearings: high precision aerospace, airframe control, thin section and commercial ball bearings which are used in high-speed rotational applications.

***Engineered Products.*** Engineered Products consist of highly engineered hydraulics, fasteners, collets, tool holders and precision components used in aerospace, marine and industrial applications.

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 3, 2021 | March 28, 2020 | March 30, 2019 |
| **Net External Sales** | | | |
| Plain | $ 293,990 | $ 358,291 | $ 323,251 |
| Roller | 91,657 | 132,642 | 143,832 |
| Ball | 83,704 | 74,231 | 72,307 |
| Engineered Products | 139,633 | 162,297 | 163,126 |
| | $ 608,984 | $ 727,461 | $ 702,516 |
| **Gross Margin** | | | |
| Plain | $ 118,535 | $ 144,958 | $ 129,297 |
| Roller | 31,616 | 55,519 | 61,559 |
| Ball | 37,058 | 33,041 | 29,846 |
| Engineered Products | 46,897 | 55,585 | 55,951 |
| | $ 234,106 | $ 289,103 | $ 276,653 |
| **Selling, General and Administrative Expenses** | | | |
| Plain | $ 21,630 | $ 26,256 | $ 25,617 |
| Roller | 4,744 | 6,359 | 6,266 |
| Ball | 5,354 | 6,481 | 6,428 |
| Engineered Products | 15,388 | 17,739 | 19,664 |
| Corporate | 58,884 | 65,730 | 59,529 |
| | $ 106,000 | $ 122,565 | $ 117,504 |
| **Operating Income** | | | |
| Plain | $ 92,080 | $ 115,028 | $ 100,048 |
| Roller | 26,048 | 48,615 | 55,148 |
| Ball | 31,592 | 26,454 | 23,222 |
| Engineered Products | 25,593 | 32,266 | 16,183 |
| Corporate | (63,855) | (65,578) | (62,566) |
| | $ 111,458 | $ 156,785 | $ 132,035 |
| **Total Assets** | | | |
| Plain | $ 415,222 | $ 423,925 | $ 393,014 |
| Roller | 152,323 | 179,711 | 166,733 |
| Ball | 68,126 | 70,138 | 66,443 |
| Engineered Products | 513,962 | 504,649 | 458,058 |
| Corporate | 284,627 | 143,489 | 63,119 |
| | $ 1,434,260 | $ 1,321,912 | $ 1,147,367 |
| | | | |
| **Capital Expenditures** | | | |
| Plain | $ 4,530 | $ 13,695 | $ 13,185 |
| Roller | 2,099 | 6,362 | 5,328 |
| Ball | 1,375 | 2,420 | 3,276 |
| Engineered Products | 3,619 | 14,645 | 18,715 |
| Corporate | 149 | 175 | 842 |
| | $ 11,772 | $ 37,297 | $ 41,346 |
| **Depreciation & Amortization** | | | |
| Plain | $ 10,518 | $ 10,230 | $ 9,849 |
| Roller | 4,161 | 4,339 | 4,029 |
| Ball | 2,351 | 2,199 | 1,971 |
| Engineered Products | 12,484 | 11,442 | 10,412 |
| Corporate | 3,230 | 3,210 | 3,397 |
| | $ 32,744 | $ 31,420 | $ 29,658 |
| **Geographic External Sales** | | | |
| Domestic | $ 546,018 | $ 651,381 | $ 633,381 |
| Foreign | 62,966 | 76,080 | 69,135 |
| | $ 608,984 | $ 727,461 | $ 702,516 |

| | Fiscal Year Ended | | |
|---|---|---|---|
| | April 3, 2021 | March 28, 2020 | March 30, 2019 |
| **Geographic Long-Lived Assets** | | | |
| Domestic | $ 188,366 | $ 190,215 | $ 165,533 |
| Foreign | 55,562 | 58,584 | 42,362 |
| | $ 243,928 | $ 248,799 | $ 207,895 |
| **Intersegment Sales** | | | |
| Plain | $ 5,547 | $ 6,687 | $ 6,292 |
| Roller | 8,812 | 15,579 | 14,650 |
| Ball | 2,554 | 2,947 | 3,363 |
| Engineered Products | 32,687 | 44,964 | 38,948 |
| | $ 49,600 | $ 70,177 | $ 63,253 |

The net loss of $16,544 related to the sale of the Miami division during fiscal 2019 was included within the Engineered Products segment and was recognized within other, net on the consolidated statements of operations. All intersegment sales are eliminated in consolidation.

**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 3, 2021.

**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 3, 2021 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 3, 2021.

The effectiveness of our internal control over financial reporting as of April 3, 2021 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 21, 2021

**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 3, 2021, 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 3, 2021, based on the COSO criteria.

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 3, 2021 and March 28, 2020, the related consolidated statements of operations, comprehensive income, stockholders' equity and cash flows for each of the three years in the period ended April 3, 2021 and the related notes and our report dated May 21, 2021 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 21, 2021

## ITEM 9B. OTHER INFORMATION

**Board Committee Assignments**

Audit Committee *

Alan B. Levine, Chairman
Michael H. Ambrose
Edward D. Stewart

Compensation Committee

Richard R. Crowell, Chairman
Alan B. Levine
Dolores J. Ennico

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 2020 Annual Meeting of Shareholders, which the Company intends to file within 120 days after the close of its fiscal year ended April 3, 2021 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; | 35 |
| Consolidated Balance Sheets at April 3, 2021 and March 28, 2020; | 36 |
| Consolidated Statements of Operations for the years ended April 3, 2021, March 28, 2020 and March 30, 2019; | 37 |
| Consolidated Statements of Comprehensive Income for the years ended April 3, 2021, March 28, 2020 and March 30, 2019; | 38 |
| Consolidated Statements of Stockholders' Equity for the years ended April 3, 2021, March 28, 2020 and March 30, 2019; | 39 |
| Consolidated Statements of Cash Flows for the years ended April 3, 2021, March 28, 2020 and March 30, 2019; and | 40 |
| Notes to Consolidated Financial Statements. | 41 |


(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 333-124824.

| Exhibit 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 | 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). |
| 4.2 | Description of Capital Stock (filed as Exhibit 4.1 to Quarterly Report on Form 10-Q dated November 1, 2019). |
| 10.1 | 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). |
| 10.2 | 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). |
| 10.3 | 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). |
| 10.4 | Credit Agreement, dated April 24, 2015, among Roller Bearing Company of America, Inc. as Borrower, RBC Bearings Incorporated and various lenders signatory thereto (filed as Exhibit 10.1 to Current Report on Form 8-K dated April 24, 2015). |
| 10.5 | Guarantee, dated April 24, 2015, by and between RBC Bearings Incorporated, the subsidiary guarantors party thereto and Wells Fargo Bank, National Association, as Administrative Agent (filed as Exhibit 10.2 to Current Report on Form 8-K dated April 24, 2015). |
| 10.6 | Security Agreement, dated April 24, 2015 by and between Roller Bearing Company of America, Inc., RBC Bearing Incorporated, the subsidiary grantors party thereto and Wells Fargo Bank, National Association, as Collateral Agent for the benefit of the Secured Creditors (filed as Exhibit 10.4 to Current Report on Form 8-K dated April 24, 2015). |
| 10.7 | Pledge Agreement, dated April 24, 2015, 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 Creditors (filed as Exhibit 10.4 to Current Report on Form 8-K dated April 24, 2015). |
| 10.8 | Amendment No. 1 to Credit Agreement, dated as of January 31, 2019, among Roller Bearing Company of America, Inc., RBC Bearings Incorporated, the subsidiary guarantors party thereto, the lenders party thereto, and Wells Fargo Bank, National Association, as administrative agent for the lenders (filed as Exhibit 10.1 to Quarterly Report on Form 10-Q dated February 5, 2019). |

| | |
|---|---|
| 10.9 | 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). |
| 10.10 | 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). |
| 10.11 | 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). |
| 10.12 | 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). |
| 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 | XBRL Instance Document. |
| 101.SCH | XBRL Taxonomy Extension Schema Document. |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase Document. |
| 101.DEF | XBRL Taxonomy Extension Definition Linkbase Document. |
| 101.LAB | XBRL Taxonomy Extension Label Linkbase Document. |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase Document. |

* 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: Date: May 21, 2021

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 21, 2021 | Chairman, President and Chief Executive Officer<br>(Principal Executive Officer and Chairman) |
| /s/ Daniel A. Bergeron<br>Daniel A. Bergeron<br>Date: May 21, 2021 | Chief Operating Officer |
| /s/ Robert M. Sullivan<br>Robert M. Sullivan<br>Date: May 21, 2021 | Chief Financial Officer<br>(Principal Financial Officer) |
| /s/ Richard R. Crowell<br>Richard R. Crowell<br>Date: May 21, 2021 | Director |
| /s/ Alan B. Levine<br>Alan B. Levine<br>Date: May 21, 2021 | Director |
| /s/ Dolores J. Ennico<br>Dolores J. Ennico<br>Date: May 21, 2021 | Director |
| /s/ Edward D. Stewart<br>Edward D. Stewart<br>Date: May 21, 2021 | Director |
| /s/ Dr. Steven H. Kaplan<br>Dr. Steven H. Kaplan<br>Date: May 21, 2021 | Director |
| /s/ Michael H. Ambrose<br>Michael H. Ambrose<br>Date: May 21, 2021 | Director |

**Subsidiaries of the Registrant***

Roller Bearing Company of America, Inc. – Delaware
RBC Precision Products—Plymouth, Inc. – Delaware
Industrial Tectonics Bearings Corporation – Delaware
RBC Precision Products—Bremen, Inc. – Delaware
RBC Nice Bearings, Inc. – Delaware
RBC Lubron Bearing Systems, Inc. – Delaware
RBC Oklahoma, Inc. – Delaware
RBC Aircraft Products, Inc. – Delaware
RBC Southwest Products, Inc. – Delaware
All Power Manufacturing Co. – California
RBC Aerostructures LLC – South Carolina
Western Precision Aero LLC – California
Climax Metal Products Company – Ohio
RBC Turbine Components LLC – Delaware
Sargent Aerospace and Defense LLC – Delaware
Airtomic LLC – Delaware
Sonic Industries, Inc. – California
RBC de Mexico S DE RL DE CV – Mexico
Schaublin Holding SA – Switzerland
Schaublin SA – Switzerland
RBC France SAS – France
Shanghai Representative Office of Roller Bearing Company of America, Inc. – People's Republic of China
RBC Bearings U.K. Limited – U.K.
RBC Bearings Polska sp. z o.o. – Poland
All Power de Mexico, S DE RL DE CV – Mexico
RBC Bearings Canada, Inc. – Canada
Schaublin GmbH – Germany
Vianel Holding AG – Switzerland
Beck Bühler Mutschler Capital AG – Switzerland
Bär und Mettler AG – Switzerland
MBM Monstein Bär Mettler Modulare Werkzeugsysteme AG – Switzerland
Swiss Tool Systems AG - Switzerland

* 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-8 No. 333-221329) pertaining to the RBC Bearings Incorporated 2017 Long-Term Equity Incentive Plan and

(2) 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 21, 2021, 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 3, 2021.

/s/ Ernst & Young LLP

Stamford, Connecticut
May 21, 2021

**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 21, 2021

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 21, 2021

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 3, 2021, 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.

Dated: May 21, 2021

/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 3, 2021, 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.

Dated: May 21, 2021

/s/ Robert M. Sullivan

Robert M. Sullivan
Vice President and Chief Financial Officer