

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

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

For the quarterly period ended December 30, 2023

OR

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

For the transition period from to .

Commission File Number: 001-40840

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 | RBC | The New York Stock Exchange |
| 5.00% Series A Mandatory Convertible Preferred Stock, par value \$0.01 per share | RBCP | The New York Stock Exchange |

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, 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 and post such files). Yes ☒ No ☐

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

| | | | |
|-------------------------|-------------------------------------|---------------------------|--------------------------|
| Large accelerated filer | <input checked="" type="checkbox"/> | Accelerated filer | <input type="checkbox"/> |
| Non-accelerated filer | <input type="checkbox"/> | Smaller reporting company | <input type="checkbox"/> |
| Emerging growth company | <input type="checkbox"/> | | |

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

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

As of February 2, 2024, RBC Bearings Incorporated had 29,181,921 shares of Common Stock and 4,600,000 shares of Preferred Stock outstanding.

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PART I. FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements

RBC Bearings Incorporated Consolidated Balance Sheets (dollars in millions, except per-share data)

| | December 30, 2023 (Unaudited) | April 1, 2023 |
|--|-------------------------------------|-------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 71.6 | \$ 65.4 |
| Accounts receivable, net of allowance for doubtful accounts of \$ 3.9 as of December 30, 2023 and \$3.7 as of April 1, 2023 | 229.8 | 239.6 |
| Inventory | 629.6 | 587.2 |
| Prepaid expenses and other current assets | 26.3 | 21.1 |
| Total current assets | 957.3 | 913.3 |
| Property, plant and equipment, net | 365.0 | 375.3 |
| Operating lease assets, net | 42.4 | 41.4 |
| Goodwill | 1,876.7 | 1,869.8 |
| Intangible assets, net | 1,411.6 | 1,452.9 |
| Other noncurrent assets | 41.2 | 37.7 |
| Total assets | <u>\$ 4,694.2</u> | <u>\$ 4,690.4</u> |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable | \$ 123.7 | \$ 146.8 |
| Accrued expenses and other current liabilities | 158.9 | 153.4 |
| Current operating lease liabilities | 7.4 | 7.6 |
| Current portion of long-term debt | 1.6 | 1.5 |
| Total current liabilities | 291.6 | 309.3 |
| Long-term debt, less current portion | 1,262.8 | 1,393.5 |
| Long-term operating lease liabilities | 35.9 | 33.9 |
| Deferred income taxes | 284.3 | 295.1 |
| Other noncurrent liabilities | 123.0 | 122.7 |
| Total liabilities | 1,997.6 | 2,154.5 |
| Stockholders' equity: | | |
| Preferred stock, \$.01 par value; authorized shares: 10,000,000 as of December 30, 2023 and April 1, 2023; issued shares: 4,600,000 as of December 30, 2023 and April 1, 2023 | 0.0 | 0.0 |
| Common stock, \$.01 par value; authorized shares: 60,000,000 as of December 30, 2023 and April 1, 2023; issued shares: 30,173,650 and 29,989,948 as of December 30, 2023 and April 1, 2023, respectively | 0.3 | 0.3 |
| Additional paid-in capital | 1,615.4 | 1,589.9 |
| Accumulated other comprehensive income/(loss) | 7.7 | (4.1) |
| Retained earnings | 1,160.9 | 1,029.9 |
| Treasury stock, at cost; 1,002,465 shares and 966,398 shares as of December 30, 2023 and April 1, 2023, respectively | (87.7) | (80.1) |
| Total stockholders' equity | 2,696.6 | 2,535.9 |
| Total liabilities and stockholders' equity | <u>\$ 4,694.2</u> | <u>\$ 4,690.4</u> |

See accompanying notes.

RBC Bearings Incorporated Consolidated Statements of Operations (dollars in millions, except per-share data) (Unaudited)

| | Three Months Ended | | Nine Months Ended | |
|-------------------------------------|----------------------|----------------------|----------------------|----------------------|
| | December 30, 2023 | December 31, 2022 | December 30, 2023 | December 31, 2022 |
| Net sales | \$ 373.9 | \$ 351.6 | \$ 1,146.6 | \$ 1,074.9 |
| Cost of sales | 215.9 | 205.6 | 654.4 | 636.6 |
| Gross margin | 158.0 | 146.0 | 492.2 | 438.3 |
| Operating expenses: | | | | |
| Selling, general and administrative | 63.9 | 56.8 | 189.1 | 170.1 |

| | | | | |
|--|---------|---------|----------|----------|
| Other, net | 18.9 | 18.8 | 55.1 | 61.3 |
| Total operating expenses | 82.8 | 75.6 | 244.2 | 231.4 |
| Operating income | 75.2 | 70.4 | 248.0 | 206.9 |
| Interest expense, net | 19.3 | 20.9 | 59.9 | 55.0 |
| Other non-operating (income)/expense | (0.9) | 1.5 | 0.4 | 2.5 |
| Income before income taxes | 56.8 | 48.0 | 187.7 | 149.4 |
| Provision for income taxes | 10.2 | 11.7 | 39.4 | 31.9 |
| Net income | 46.6 | 36.3 | 148.3 | 117.5 |
| Preferred stock dividends | 5.8 | 5.7 | 17.3 | 17.1 |
| Net income attributable to common stockholders | \$ 40.8 | \$ 30.6 | \$ 131.0 | \$ 100.4 |

Net income per common share attributable to common stockholders:

| | | | | |
|---------|---------|---------|---------|---------|
| Basic | \$ 1.41 | \$ 1.06 | \$ 4.53 | \$ 3.49 |
| Diluted | \$ 1.39 | \$ 1.05 | \$ 4.49 | \$ 3.45 |

Weighted average common shares:

| | | | | |
|---------|------------|------------|------------|------------|
| Basic | 28,924,073 | 28,805,305 | 28,885,453 | 28,744,732 |
| Diluted | 29,204,570 | 29,120,318 | 29,153,469 | 29,053,608 |

See accompanying notes.

RBC Bearings Incorporated
Consolidated Statements of Comprehensive Income
(dollars in millions)
(Unaudited)

| | Three Months Ended | | Nine Months Ended | |
|---|--------------------|-------------------|-------------------|-------------------|
| | December 30, 2023 | December 31, 2022 | December 30, 2023 | December 31, 2022 |
| Net income | \$ 46.6 | \$ 36.3 | \$ 148.3 | \$ 117.5 |
| Pension and postretirement liability adjustments, net of taxes ⁽¹⁾ | 0.2 | 0.5 | 0.7 | 1.5 |
| Change in fair value of derivative, net of taxes ⁽²⁾ | (3.2) | (1.1) | 2.1 | (1.1) |
| Foreign currency translation adjustments | 10.9 | 8.1 | 9.0 | (7.3) |
| Total comprehensive income | \$ 54.5 | \$ 43.8 | \$ 160.1 | \$ 110.6 |

(1) These adjustments were net of tax expense of \$0.1 and \$0.1 for the three-month periods ended December 30, 2023, and December 31, 2022, respectively and net of tax expense of \$0.3 and \$0.4 for the nine-month periods ended December 30, 2023, and December 31, 2022, respectively.

(2) These adjustments were net of tax benefit of \$1.0 and tax expense of \$0.5 for the three and nine-month periods ended December 30, 2023, respectively.

See accompanying notes.

RBC Bearings Incorporated
Consolidated Statements of Stockholders' Equity
(dollars in millions)
(Unaudited)

| | Common Stock | | Preferred Stock | | Additional Paid-in Capital | Accumulated Other Comprehensive Income/(Loss) | Retained Earnings | Treasury Stock | | Total Stockholders' Equity |
|---|--------------|--------|-----------------|--------|----------------------------|---|-------------------|----------------|-----------|----------------------------|
| | Shares | Amount | Shares | Amount | | | | Shares | Amount | |
| Balance at April 1, 2023 | 29,989,948 | \$ 0.3 | 4,600,000 | \$ 0.0 | \$ 1,589.9 | \$ (4.1) | \$ 1,029.9 | (966,398) | \$ (80.1) | \$ 2,535.9 |
| Net income | — | — | — | — | — | — | 50.0 | — | — | 50.0 |
| Stock-based compensation | — | — | — | — | 4.9 | — | — | — | — | 4.9 |
| Preferred stock dividends | — | — | — | — | — | — | (5.7) | — | — | (5.7) |
| Repurchase of common stock | — | — | — | — | — | — | — | (32,804) | (6.8) | (6.8) |
| Exercise of equity awards | 11,772 | — | — | — | 1.0 | — | — | — | — | 1.0 |
| Change in pension and post-retirement plan benefit adjustments, net of tax expense of \$0.2 | — | — | — | — | — | 0.5 | — | — | — | 0.5 |
| Issuance of restricted stock, net of forfeitures | 54,627 | — | — | — | — | — | — | — | — | — |
| Change in fair value of derivative, net of tax expense of \$1.4 | — | — | — | — | — | 4.8 | — | — | — | 4.8 |

| | | | | | | | | | | |
|---|------------|--------|-----------|--------|------------|----------|------------|-------------|-----------|------------|
| Currency translation adjustments | — | — | — | — | — | 3.1 | — | — | — | 3.1 |
| Balance at July 1, 2023 | 30,056,347 | \$ 0.3 | 4,600,000 | \$ 0.0 | \$ 1,595.8 | \$ 4.3 | \$ 1,074.2 | (999,202) | \$ (86.9) | \$ 2,587.7 |
| Net income | — | — | — | — | — | — | 51.7 | — | — | 51.7 |
| Stock-based compensation | — | — | — | — | 3.3 | — | — | — | — | 3.3 |
| Preferred stock dividends | — | — | — | — | — | — | (5.8) | — | — | (5.8) |
| Repurchase of common stock | — | — | — | — | — | — | — | (736) | (0.2) | (0.2) |
| Exercise of equity awards | 14,013 | — | — | — | 2.0 | — | — | — | — | 2.0 |
| Change in pension and post-retirement plan benefit adjustments, net of tax benefit of \$0.0 | — | — | — | — | — | (0.0) | — | — | — | (0.0) |
| Issuance of restricted stock, net of forfeitures | 13,885 | — | — | — | — | — | — | — | — | — |
| Change in fair value of derivative, net of tax expense of \$0.1 | — | — | — | — | — | 0.5 | — | — | — | 0.5 |
| Currency translation adjustments | — | — | — | — | — | (5.0) | — | — | — | (5.0) |
| Balance at September 30, 2023 | 30,084,245 | \$ 0.3 | 4,600,000 | \$ 0.0 | \$ 1,601.1 | \$ (0.2) | \$ 1,120.1 | (999,938) | \$ (87.1) | \$ 2,634.2 |
| Net income | — | — | — | — | — | — | 46.6 | — | — | 46.6 |
| Stock-based compensation | — | — | — | — | 3.5 | — | — | — | — | 3.5 |
| Preferred stock dividends | — | — | — | — | — | — | (5.8) | — | — | (5.8) |
| Repurchase of common stock | — | — | — | — | — | — | — | (2,527) | (0.6) | (0.6) |
| Exercise of equity awards | 87,577 | — | — | — | 10.8 | — | — | — | — | 10.8 |
| Change in pension and post-retirement plan benefit adjustments, net of tax expense of \$0.1 | — | — | — | — | — | 0.2 | — | — | — | 0.2 |
| Issuance of restricted stock, net of forfeitures | 1,828 | — | — | — | — | — | — | — | — | — |
| Change in fair value of derivative, net of tax benefit of \$1.0 | — | — | — | — | — | (3.2) | — | — | — | (3.2) |
| Currency translation adjustments | — | — | — | — | — | 10.9 | — | — | — | 10.9 |
| Balance at December 30, 2023 | 30,173,650 | \$ 0.3 | 4,600,000 | \$ 0.0 | \$ 1,615.4 | \$ 7.7 | \$ 1,160.9 | (1,002,465) | \$ (87.7) | \$ 2,696.6 |

See accompanying notes.

RBC Bearings Incorporated
Consolidated Statements of Stockholders' Equity (continued)
(dollars in millions)
(Unaudited)

| | Common Stock | | Preferred Stock | | Additional Paid-in Capital | Accumulated Other Comprehensive Income/(Loss) | Retained Earnings | Treasury Stock | | Total Stockholders' Equity |
|----------------------------|--------------|--------|-----------------|--------|----------------------------|---|-------------------|----------------|-----------|----------------------------|
| | Shares | Amount | Shares | Amount | | | | Shares | Amount | |
| Balance at April 2, 2022 | 29,807,208 | \$ 0.3 | 4,600,000 | \$ 0.0 | \$ 1,564.3 | \$ (5.8) | \$ 886.1 | (928,322) | \$ (72.4) | \$ 2,372.5 |
| Net income | — | — | — | — | — | — | 37.4 | — | — | 37.4 |
| Stock-based compensation | — | — | — | — | 3.8 | — | — | — | — | 3.8 |
| Preferred stock dividends | — | — | — | — | — | — | (5.7) | — | — | (5.7) |
| Repurchase of common stock | — | — | — | — | — | — | — | (30,469) | (6.0) | (6.0) |
| Exercise of equity awards | 13,713 | — | — | — | 1.5 | — | — | — | — | 1.5 |

| | | | | | | | | | | |
|---|------------|--------|-----------|--------|------------|-----------|----------|-----------|-----------|------------|
| Change in pension and post-retirement plan benefit adjustments, net of tax expense of \$0.2 | — | — | — | — | — | 0.5 | — | — | — | 0.5 |
| Issuance of restricted stock, net of forfeitures | 56,955 | — | — | — | — | — | — | — | — | — |
| Currency translation adjustments | — | — | — | — | — | (6.4) | — | — | — | (6.4) |
| Balance at July 2, 2022 | 29,877,876 | \$ 0.3 | 4,600,000 | \$ 0.0 | \$ 1,569.6 | \$ (11.7) | \$ 917.8 | (958,791) | \$ (78.4) | \$ 2,397.6 |
| Net income | — | — | — | — | — | — | 43.8 | — | — | 43.8 |
| Stock-based compensation | — | — | — | — | 4.4 | — | — | — | — | 4.4 |
| Preferred stock dividends | — | — | — | — | — | — | (5.7) | — | — | (5.7) |
| Repurchase of common stock | — | — | — | — | — | — | — | (63) | (0.0) | (0.0) |
| Exercise of equity awards | 89,509 | 0.0 | — | — | 8.5 | — | — | — | — | 8.5 |
| Change in pension and post-retirement plan benefit adjustments, net of tax expense of \$0.1 | — | — | — | — | — | 0.5 | — | — | — | 0.5 |
| Issuance of restricted stock, net of forfeitures | 8,529 | — | — | — | — | — | — | — | — | — |
| Currency translation adjustments | — | — | — | — | — | (9.0) | — | — | — | (9.0) |
| Balance at October 1, 2022 | 29,975,914 | \$ 0.3 | 4,600,000 | \$ 0.0 | \$ 1,582.5 | \$ (20.2) | \$ 955.9 | (958,854) | \$ (78.4) | \$ 2,440.1 |
| Net income | — | — | — | — | — | — | 36.3 | — | — | 36.3 |
| Stock-based compensation | — | — | — | — | 2.9 | — | — | — | — | 2.9 |
| Preferred stock dividends | — | — | — | — | — | — | (5.7) | — | — | (5.7) |
| Repurchase of common stock | — | — | — | — | — | — | — | (2,520) | (0.5) | (0.5) |
| Exercise of equity awards | 3,714 | — | — | — | 0.3 | — | — | — | — | 0.3 |
| Change in pension and post-retirement plan benefit adjustments, net of tax expense of \$0.1 | — | — | — | — | — | 0.5 | — | — | — | 0.5 |
| Issuance of restricted stock, net of forfeitures | 642 | — | — | — | — | — | — | — | — | — |
| Change in fair value of derivatives | — | — | — | — | — | (1.1) | — | — | — | (1.1) |
| Currency translation adjustments | — | — | — | — | — | 8.1 | — | — | — | 8.1 |
| Balance at December 31, 2022 | 29,980,270 | \$ 0.3 | 4,600,000 | \$ 0.0 | \$ 1,585.7 | \$ (12.7) | \$ 986.5 | (961,374) | \$ (78.9) | \$ 2,480.9 |

See accompanying notes.

RBC Bearings Incorporated
Consolidated Statements of Cash Flows
(dollars in millions)
(Unaudited)

| | Nine Months Ended | |
|---|-------------------|-------------------|
| | December 30, 2023 | December 31, 2022 |
| Cash flows from operating activities: | | |
| Net income | \$ 148.3 | \$ 117.5 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 89.6 | 85.8 |
| Deferred income taxes | (10.8) | (10.5) |
| Amortization of deferred financing costs | 2.3 | 6.2 |
| Stock-based compensation | 13.3 | 11.0 |
| Noncash operating lease expense | 5.1 | 5.4 |
| Loss on disposition of assets | 0.8 | 0.1 |
| Consolidation, restructuring, and other noncash charges | 0.6 | 0.3 |
| Changes in operating assets and liabilities, net of acquisitions: | | |
| Accounts receivable | 13.0 | 32.3 |
| Inventory | (36.0) | (62.8) |

| | | |
|---|---------|---------|
| Prepaid expenses and other current assets | (4.8) | (12.2) |
| Other noncurrent assets | (4.1) | 2.1 |
| Accounts payable | (23.3) | (21.0) |
| Accrued expenses and other current liabilities | 1.4 | (9.7) |
| Other noncurrent liabilities | (0.2) | 4.8 |
| Net cash provided by operating activities | 195.2 | 149.3 |
| Cash flows from investing activities: | | |
| Capital expenditures | (23.7) | (29.6) |
| Proceeds from sale of assets | 0.3 | 0.5 |
| Acquisition of business/purchase price adjustments for acquisition | (19.3) | 27.5 |
| Net cash used in investing activities | (42.7) | (1.6) |
| Cash flows from financing activities: | | |
| Finance fees paid in connection with credit facilities and senior notes | - | (0.1) |
| Proceeds received from revolving credit facility | 18.0 | - |
| Repayments of term loans | (150.0) | (230.0) |
| Repayments of notes payable | (1.4) | (0.3) |
| Principal payments on finance lease obligations | (2.5) | (3.2) |
| Preferred stock dividends paid | (17.3) | (17.2) |
| Exercise of stock options | 13.8 | 10.3 |
| Repurchase of common stock | (7.6) | (6.5) |
| Net cash used in financing activities | (147.0) | (247.0) |
| Effect of exchange rate changes on cash | 0.7 | (1.6) |
| Cash and cash equivalents: | | |
| Increase/(decrease) during the period | 6.2 | (100.9) |
| Cash and cash equivalents, at beginning of period | 65.4 | 182.9 |
| Cash and cash equivalents, at end of period | \$ 71.6 | \$ 82.0 |
| Supplemental disclosures of cash flow information: | | |
| Cash paid for: | | |
| Income taxes | \$ 55.2 | \$ 47.7 |
| Interest | 63.2 | 54.9 |

See accompanying notes.

RBC Bearings Incorporated
Notes to Unaudited Interim Consolidated Financial Statements
(dollars in millions, except per-share data)

1. Basis of Presentation

The interim consolidated financial statements included herein have been prepared by RBC Bearings Incorporated, a Delaware corporation (collectively with its subsidiaries, the "Company"), without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC"). The interim financial statements included with this Quarterly Report on Form 10-Q have been prepared on a consistent basis with the Company's audited financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended April 1, 2023 (our "Annual Report"). We condensed or omitted certain information and footnote disclosures normally included in our annual audited financial statements, which we prepared in accordance with U.S. Generally Accepted Accounting Principles ("GAAP"). As used in this report, the terms "we," "us," "our," "RBC" and the "Company" mean RBC Bearings Incorporated and its subsidiaries, unless the context indicates another meaning.

These financial statements reflect all adjustments, accruals, and estimates, consisting only of items of a normal recurring nature, that are, in the opinion of management, necessary for the fair presentation of the consolidated financial condition and consolidated results of operations for the interim periods presented. These financial statements should be read in conjunction with the Company's audited financial statements and notes thereto included in our Annual Report.

The results of operations for the three- and nine-month periods ended December 30, 2023 are not necessarily indicative of the operating results for the entire fiscal year ending March 30, 2024. The three-month periods ended December 30, 2023 and December 31, 2022 each included 13 weeks. All dollar amounts contained in these footnotes are stated in millions, except for per-share data.

2. Significant Accounting Policies

The Company's significant accounting policies are detailed in "Note 2 - Summary of Significant Accounting Policies" of our Annual Report.

Significant changes to our accounting policies as a result of adopting new accounting standards are discussed below.

Recent Accounting Standards Adopted

Not applicable.

Recent Accounting Standards Yet to Be Adopted

In November 2023, Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*. The amendments in ASU 2023-07 improve the disclosures about a public entity's reportable segments and address requests from investors for additional, more detailed information about a reportable segment's expenses. Following the release of ASU 2023-07 in November 2023, the effective date will be annual reporting periods beginning after December 15, 2024. As of December 30, 2023, the Company is evaluating the impact on its consolidated financial statements.

In December 2023, the FASB issued ASU 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures. The amendments in ASU 2023-09 address investor requests for more transparency about income tax information through improvements to income tax disclosures primarily related to the rate reconciliation and income taxes paid information. Following the release of ASU 2023-09 in December 2023, the effective date will be annual reporting periods beginning after December 15, 2024. As of December 30, 2023, the Company is evaluating the impact on its consolidated financial statements.

3. Revenue from Contracts with Customers

Disaggregation of Revenue

The following table disaggregates total revenue by end market, which is how we view our reportable segments (see Note 12):

| | Three Months Ended | | Nine Months Ended | |
|-------------------|--------------------|-------------------|-------------------|-------------------|
| | December 30, 2023 | December 31, 2022 | December 30, 2023 | December 31, 2022 |
| Aerospace/Defense | \$ 129.2 | \$ 105.5 | \$ 377.0 | \$ 308.5 |
| Industrial | 244.7 | 246.1 | 769.6 | 766.4 |
| Total | \$ 373.9 | \$ 351.6 | \$ 1,146.6 | \$ 1,074.9 |

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The following table disaggregates total revenue by geographic origin:

| | Three Months Ended | | Nine Months Ended | |
|---------------|--------------------|-------------------|-------------------|-------------------|
| | December 30, 2023 | December 31, 2022 | December 30, 2023 | December 31, 2022 |
| United States | \$ 329.0 | \$ 311.5 | \$ 1,012.3 | \$ 946.9 |
| International | 44.9 | 40.1 | 134.3 | 128.0 |
| Total | \$ 373.9 | \$ 351.6 | \$ 1,146.6 | \$ 1,074.9 |

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

| | Three Months Ended | | Nine Months Ended | |
|---------------|--------------------|-------------------|-------------------|-------------------|
| | December 30, 2023 | December 31, 2022 | December 30, 2023 | December 31, 2022 |
| Point-in-time | 98% | 98% | 98% | 98% |
| Over time | 2% | 2% | 2% | 2% |
| Total | 100% | 100% | 100% | 100% |

Remaining Performance Obligations

Remaining performance obligations represent the transaction price of orders meeting the definition of a contract 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 the Company 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 \$429.9 at December 30, 2023. The Company expects to recognize revenue on approximately 65% and 93% 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 affects 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 December 30, 2023 and April 1, 2023, current contract assets were \$ 6.1 and \$4.5, 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 December 30, 2023 and April 1, 2023, the Company did not have any contract assets classified as noncurrent on the consolidated balance sheets.

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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 December 30, 2023 and April 1, 2023, current contract liabilities were \$ 22.4 and \$20.6, 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 offset by revenue recognized on customer contracts. For the three and nine months ended December 30, 2023, the Company recognized revenues of \$4.2 and \$13.5,

respectively, that were included in the contract liability balance as of April 1, 2023. For the three and nine months ended December 31, 2022, the Company recognized revenues of \$2.6 and \$10.1, respectively, that were included in the contract liability balance at April 2, 2022.

As of December 30, 2023 and April 1, 2023, noncurrent contract liabilities were \$ 20.3 and \$19.8, respectively, and included within other noncurrent liabilities on the consolidated balance sheets. The increase in noncurrent contract liabilities was primarily due to advance payments received, partially offset by the reclassification of a portion of advance payments received to the current portion of contract liabilities.

Variable Consideration

The amount of consideration to which the Company expects to be entitled in exchange for goods and services is not generally subject to significant variations. However, the Company does offer certain customers rebates, prompt payment discounts, end-user discounts, and the right to return eligible products. The Company estimates this variable consideration using the expected value amount, which is based on historical experience. The Company includes estimated amounts in the transaction price to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is resolved. The Company adjusts the estimate of revenue at the earlier of when the amount of consideration the Company expects to receive changes or when the consideration becomes fixed. Accrued customer rebates were \$43.2 and \$39.6 at December 30, 2023 and April 1, 2023, respectively, and are included within accrued expenses and other current liabilities on the consolidated balance sheets.

4. Accumulated Other Comprehensive Income/(Loss)

The components of comprehensive income/(loss) that relate to the Company are net income, foreign currency translation adjustments, changes in fair value of derivative, and pension plan and postretirement benefits.

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

| | Currency Translation | Change in Fair Value of Derivative | Pension and Postretirement Liability | Total |
|---|-------------------------|--|--|----------|
| Balance at April 1, 2023 | \$ (4.6) | \$ (2.2) | \$ 2.7 | \$ (4.1) |
| Reclassification to net income | — | 3.3 | — | 3.3 |
| Net loss on foreign currency translation | 9.0 | — | — | 9.0 |
| Amortization of net loss, net of tax expense of \$ 0.3 | — | — | 0.7 | 0.7 |
| Gain on derivative instrument, net of tax expense of \$ 0.5 | — | (1.2) | — | (1.2) |
| Net current period other comprehensive income, net of tax | 9.0 | 2.1 | 0.7 | 11.8 |
| Balance at December 30, 2023 | \$ 4.4 | \$ (0.1) | \$ 3.4 | \$ 7.7 |

5. Net Income Per Share Attributable to Common Stockholders

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

Diluted net income per share attributable to common stockholders is computed by dividing net income attributable to common stockholders by the sum of the weighted-average number of common shares and dilutive common share equivalents then outstanding using the treasury stock method. Common share equivalents consist of the incremental common shares issuable upon the exercise of stock options and the conversion of the outstanding 5.00% Series A Mandatory Convertible Preferred Stock ("MCPS") to common shares.

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

For the three-month and nine-month periods ended December 30, 2023 and December 31, 2022, respectively, the effect of assuming the conversion of the 4,600,000 shares of MCPS into shares of common stock was antidilutive, and therefore excluded from the calculation of diluted earnings per share attributable to common stockholders. Accordingly, net income was reduced by cumulative MCPS dividends, as presented in our consolidated statement of operations, for purposes of calculating the numerator in the diluted net income per share attributable to common stockholders.

For the three months ended December 30, 2023, 106,247 employee stock options and no restricted shares were excluded from the calculation of diluted earnings per share attributable to common stockholders. For the nine months ended December 30, 2023, 141,829 employee stock options and 2,000 restricted shares were excluded from the calculation of diluted earnings per share attributable to common stockholders. The inclusion of these employee stock options and restricted shares would have been antidilutive.

For the three months ended December 31, 2022, 91,816 employee stock options and 1,085 restricted shares were excluded from the calculation of diluted earnings per share attributable to common stockholders. For the nine months ended December 31, 2022, 111,446 employee stock options and 1,085 restricted shares were excluded from the calculation of diluted earnings per share attributable to common stockholders. The inclusion of these employee stock options and restricted shares would have been anti-dilutive.

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

| Three Months Ended | | Nine Months Ended | |
|----------------------|----------------------|----------------------|----------------------|
| December 30, 2023 | December 31, 2022 | December 30, 2023 | December 31, 2022 |

| | | | | |
|--|-------------------|-------------------|-------------------|-------------------|
| Net income | \$ 46.6 | \$ 36.3 | \$ 148.3 | \$ 117.5 |
| Preferred stock dividends | 5.8 | 5.7 | 17.3 | 17.1 |
| Net income attributable to common stockholders | <u>\$ 40.8</u> | <u>\$ 30.6</u> | <u>\$ 131.0</u> | <u>\$ 100.4</u> |
| Denominator for basic net income per share attributable to common stockholders — weighted-average shares outstanding | 28,924,073 | 28,805,305 | 28,885,453 | 28,744,732 |
| Effect of dilution due to employee stock awards | <u>280,497</u> | <u>315,013</u> | <u>268,016</u> | <u>308,876</u> |
| Denominator for diluted net income per share attributable to common stockholders — weighted-average shares outstanding | <u>29,204,570</u> | <u>29,120,318</u> | <u>29,153,469</u> | <u>29,053,608</u> |
| Basic net income per share attributable to common stockholders | \$ 1.41 | \$ 1.06 | \$ 4.53 | \$ 3.49 |
| Diluted net income per share attributable to common stockholders | \$ 1.39 | \$ 1.05 | \$ 4.49 | \$ 3.45 |

6. Fair Value

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

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 – Unadjusted quoted prices in active markets for similar assets or liabilities, or unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are observable for the asset or liability.

Level 3 – Unobservable inputs for the asset or liability.

Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

As a result of the occurrence of triggering events such as purchase accounting for acquisitions, the Company measures certain assets and liabilities based on Level 3 inputs.

Financial Instruments

The Company's financial instruments consist primarily of cash and cash equivalents, accounts receivable, trade accounts payable, accrued expenses, short-term borrowings, long-term debt, and a derivative in the form of an interest rate swap. Due to their short-term nature, the carrying value of cash and cash equivalents, accounts receivable, trade accounts payable, accrued expenses and short-term borrowings are a reasonable estimate of their fair value. Long-term assets held on our balance sheets related to benefit plan obligations are measured at fair value. The fair value of the Company's long-term fixed-rate debt, based on quoted market prices, was \$465.2 and \$450.0 at December 30, 2023 and April 1, 2023, respectively. The carrying value of this debt was \$493.9 at December 30, 2023 and \$493.3 at April 1, 2023. The fair value of long-term fixed-rate debt was measured using Level 1 inputs. Due to the nature of fair value calculations for variable-rate debt, the carrying value of the Company's long-term variable-rate debt is a reasonable estimate of its fair value. The fair value of the interest rate swap was \$0.1 and \$2.8 at December 30, 2023 and April 1, 2023, respectively, and was measured using Level 2 inputs. The amount was included in other noncurrent liabilities on the Company's consolidated balance sheets. The interest rate swap, net of taxes, was \$0.1 and \$2.2 as of December 30, 2023 and April 1, 2023, and was included in accumulated other comprehensive income on the Company's consolidated balance sheets, and in the Company's consolidated statements of comprehensive income.

The Company does not believe it has significant concentrations of risk associated with the counterparties to its financial instruments.

7. Inventory

Inventories are stated at the lower of cost or net realizable value, using the first-in, first-out method, and are summarized below:

| | December 30, 2023 | April 1, 2023 |
|-----------------|----------------------|------------------|
| Raw materials | \$ 143.2 | \$ 132.4 |
| Work in process | 137.9 | 132.5 |
| Finished goods | 348.5 | 322.3 |
| | <u>\$ 629.6</u> | <u>\$ 587.2</u> |

8. Goodwill and Intangible Assets

Goodwill

Goodwill balances, by segment, consist of the following:

| | Aerospace/ Defense | Industrial | Total |
|----------------------------------|-----------------------|-------------------|-------------------|
| April 1, 2023 | \$ 194.1 | \$ 1,675.7 | \$ 1,869.8 |
| Acquisition ⁽¹⁾ | 4.6 | — | 4.6 |
| Currency translation adjustments | — | 2.3 | 2.3 |
| December 30, 2023 | <u>\$ 198.7</u> | <u>\$ 1,678.0</u> | <u>\$ 1,876.7</u> |

(1) Goodwill associated with the acquisition of the business assets of Specline, Inc. discussed further in Note 14.

Intangible Assets

| | Weighted Average Useful Lives (Years) | December 30, 2023 | | April 1, 2023 | |
|---|---|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| | | Gross Carrying Amount | Accumulated Amortization | Gross Carrying Amount | Accumulated Amortization |
| Product approvals | 24 | \$ 50.7 | \$ 19.8 | \$ 50.7 | \$ 18.4 |
| Customer relationships and lists | 24 | 1,301.8 | 147.4 | 1,293.7 | 106.5 |
| Trade names | 25 | 217.1 | 30.3 | 215.4 | 23.3 |
| Patents and trademarks | 16 | 13.9 | 7.6 | 13.4 | 7.2 |
| Domain names | 10 | 0.4 | 0.4 | 0.4 | 0.4 |
| Internal-use software | 3 | 16.1 | 7.7 | 15.2 | 4.4 |
| Other | 5 | 1.6 | 1.1 | 1.1 | 1.1 |
| | | 1,601.6 | 214.3 | 1,589.9 | 161.3 |
| Non-amortizable repair station certifications | n/a | 24.3 | — | 24.3 | — |
| Total | 24 | \$ 1,625.9 | \$ 214.3 | \$ 1,614.2 | \$ 161.3 |

Amortization expense for definite-lived intangible assets during the three-month periods ended December 30, 2023 and December 31, 2022 was \$17.7 and \$17.4, respectively. Amortization expense for definite-lived intangible assets during the nine-month periods ended December 30, 2023 and December 31, 2022 was \$52.8 and \$51.5, respectively. These amounts are included in other, net on the Company's consolidated statements of operations. Estimated amortization expense for the remainder of fiscal 2024 and for the five succeeding fiscal years and thereafter is as follows:

| | |
|----------------------------|---------|
| Remainder of Fiscal 2024 | \$ 17.7 |
| Fiscal 2025 | 70.7 |
| Fiscal 2026 | 67.8 |
| Fiscal 2027 | 66.1 |
| Fiscal 2028 | 65.6 |
| Fiscal 2029 | 65.1 |
| Fiscal 2030 and thereafter | 1,034.3 |

9. Accrued Expenses and Other Current Liabilities

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

| | December 30, 2023 | April 1, 2023 |
|--|----------------------|------------------|
| Employee compensation and related benefits | \$ 41.3 | \$ 34.7 |
| Taxes | 11.9 | 17.5 |
| Contract liabilities | 22.4 | 20.6 |
| Accrued rebates | 43.2 | 39.6 |
| Current finance lease liabilities | 5.5 | 5.2 |
| Accrued preferred stock dividends | 4.9 | 4.9 |
| Interest | 4.9 | 10.6 |
| Returns and warranties | 8.6 | 7.5 |
| Other | 16.2 | 12.8 |
| | <u>\$ 158.9</u> | <u>\$ 153.4</u> |

10. Debt

Domestic Credit Facility

In 2021 RBC Bearings Incorporated, our top holding company, and our Roller Bearing Company of America, Inc. subsidiary ("RBCA") entered into a Credit Agreement (the "Credit Agreement") with Wells Fargo Bank, National Association ("Wells Fargo"), as Administrative Agent, Collateral Agent, Swingline Lender and Letter of Credit Issuer and the other lenders party thereto. The Credit Agreement provides the Company with (a) a \$1,300.0 term loan (the "Term Loan"), which was used to fund a portion of the cash purchase price for the acquisition of Dodge Industrial, Inc. ("Dodge") and to pay related fees and expenses, and (b) a \$500.0 revolving credit facility (the "Revolving Credit Facility") and together with the Term Loan, the "Facilities"). Debt issuance costs associated with the Credit Agreement totaled \$14.9 and are being amortized over the life of the Credit Agreement.

Prior to December 2022, amounts outstanding under the Facilities generally bore interest at either, at the Company's option, (a) a base rate determined by reference to the higher of (i) Wells Fargo's prime lending rate, (ii) the federal funds effective rate plus 1/2 of 1.00% and (iii) the one-month LIBOR rate plus 1.00% or (b) the LIBOR rate plus a specified margin, depending on the type of borrowing being made. The applicable margin was based on the Company's consolidated ratio of total net debt to consolidated EBITDA (as defined within the Credit Agreement) from time to time. In December 2022, the Credit Agreement was amended to replace LIBOR with the secured overnight financing rate administered by the Federal Reserve Bank of New York ("SOFR") so that borrowings under the Facilities denominated in U.S. dollars bear interest at a rate per annum equal to Term SOFR (as defined in the Credit Agreement) plus a credit spread adjustment of 0.10% plus a margin ranging from 0.75% to 2.00% depending on the Company's consolidated ratio of total net debt to consolidated EBITDA. The Facilities are subject to a SOFR floor of 0.00%. As of December 30, 2023, the Company's margin was 1.25% for SOFR loans, the commitment fee rate was 0.20%, and the letter of credit fee rate was 1.25%. A portion of the Term Loan is subject to a fixed-rate interest swap as discussed in Note 13.

The Term Loan matures in November 2026 and amortizes in quarterly installments with the balance payable on the maturity date. The Company can elect to prepay some or all of the outstanding balance from time to time without penalty, which will offset future quarterly amortization installments. Due to prepayments previously made, the required future principal payments on the Term Loan are \$0 for fiscal 2024, \$0 for fiscal 2025, \$0 for fiscal 2026, and \$750.0 for fiscal 2027. The Revolving Credit Facility expires in November 2026, at which time all amounts outstanding under the Revolving Credit Facility will be payable.

The Credit Agreement requires the Company to comply with various covenants, including the following financial covenants: (a) a maximum Total Net Leverage Ratio (as defined within the Credit Agreement) of 5.00:1.00, which maximum Total Net Leverage Ratio shall decrease during certain subsequent test periods as set forth in the Credit Agreement (provided that, no more than once during the term of the Facilities, such maximum ratio applicable at such time may be increased by the Company by 0.50:1.00 for a period of twelve (12) months after the consummation of a material acquisition); and (b) a minimum Interest Coverage Ratio of 2.00:1.00. As of December 30, 2023, the Company was in compliance with all debt covenants.

The Credit Agreement allows the Company to, among other things, make distributions to stockholders, 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.

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

As of December 30, 2023, \$750.0 was outstanding under the Term Loan, \$3.7 of the Revolving Credit Facility was being utilized to provide letters of credit to secure the Company's obligations relating to certain insurance programs, and \$18.0 of the Revolving Credit Facility had been used to fund the purchase of the business assets of Specline, Inc. which is discussed in Note 14. The Company had the ability to borrow up to an additional \$478.3 under the Revolving Credit Facility as of December 30, 2023.

Senior Notes

In 2021, RBCA issued \$500.0 aggregate principal amount of 4.375% Senior Notes due 2029 (the "Senior Notes"). The net proceeds from the issuance of the Senior Notes were approximately \$492.0 after deducting initial purchasers' discounts and commissions and offering expenses.

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

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

Interest on the Senior Notes accrues at a rate of 4.375% and is payable semi-annually in cash in arrears on April 15 and October 15 of each year.

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

Foreign Borrowing Arrangements

One of our foreign subsidiaries, Schaublin SA ("Schaublin"), entered into a credit agreement in 2019 with Credit Suisse (Switzerland) Ltd. to provide Schaublin with a CHF 15.0 (approximately \$15.4 USD) revolving credit facility, which was terminated in October 2022. Schaublin now has a CHF 5.0 (approximately \$5.8 USD) revolving credit facility with Credit Suisse to provide future working capital, if necessary. As of December 30, 2023, \$ 0.1 of the new facility was being utilized to provide a bank guarantee. Fees associated with the new facility are nominal.

Debt Balances

The balances payable under all our borrowing facilities are as follows:

| | December 30, 2023 | April 1, 2023 |
|-----------------------------------|----------------------|------------------|
| Revolver and term loan facilities | \$ 768.0 | \$ 900.0 |
| Senior notes | 500.0 | 500.0 |
| Debt issuance costs | (11.4) | (13.7) |
| Other | 7.8 | 8.7 |
| Total debt | 1,264.4 | 1,395.0 |
| Less: current portion | 1.6 | 1.5 |
| Long-term debt | \$ 1,262.8 | \$ 1,393.5 |

11. Income Taxes

The Company files income tax returns in numerous U.S. and foreign jurisdictions, with returns subject to examination for varying periods, but generally back to and including the year ending March 28, 2020, although certain tax credits generated in earlier years are open under statute from March 29, 2008. The Company is no longer subject to U.S. federal tax examination by the Internal Revenue Service for years ending before March 28, 2020.

Income tax expense for the three-month period ended December 30, 2023 was \$ 10.2 compared to \$11.7 for the three-month period ended December 31, 2022. The effective income tax rates for the three-month periods ended December 30, 2023 and December 31, 2022, were 18.1% and

24.4%, respectively. In addition to discrete items, the effective income tax rates for both these periods were different from the U.S. statutory rates due to the foreign-derived intangible income provision and U.S. credit for increasing research activities, which decreased the rate, and state income taxes, foreign income taxes, and nondeductible stock-based compensation, which increased the rate.

The effective income tax rate for the three-month period ended December 30, 2023 of 18.1% included \$1.9 of discrete tax benefits associated with stock-based compensation partially offset by \$0.2 of other items; the effective income tax rate without these net benefits would have been 21.2%. The effective income tax rate for the three-month period ended December 31, 2022 of 24.4% includes \$0.3 of discrete tax benefits associated with stock-based compensation partially offset by \$0.2 of other items; the effective income tax rate without these benefits would have been 24.5%. The Company believes it is reasonably possible that some of its unrecognized tax positions may be effectively settled within the next 12 months due to the closing of audits and the statute of limitations expiring in various jurisdictions. The decrease in the Company's unrecognized tax positions, pertaining primarily to federal and state credits and state tax, is estimated to be approximately \$2.1.

Income tax expense for the nine-month period ended December 30, 2023 was \$39.4 compared to \$31.9 for the nine-month period ended December 31, 2022. Our effective income tax rate for the nine-month period ended December 30, 2023 was 21.0% compared to 21.3% for the nine-month period ended December 31, 2022. The effective income tax rate for the nine-month period ended December 30, 2023 of 21.0% includes \$2.4 of discrete tax benefits associated with stock-based compensation partially offset by \$0.2 of other items; the effective income tax rate without these net benefits would have been 22.2%. The effective income tax rate for the nine-month period ended December 31, 2022 of 21.3% includes \$3.2 of discrete tax benefits associated with stock-based compensation partially offset by \$0.1 of other items; the effective income tax rate without these net benefits and other items would have been 23.5%.

12. Reportable Segments

The Company operates through operating segments and reports its financial results based on how its chief operating decision maker makes operating decisions, assesses the performance of the business, and allocates resources. These reportable operating segments are Aerospace/Defense and Industrial and are described below.

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

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

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.

| | Three Months Ended | | Nine Months Ended | |
|---|----------------------|----------------------|------------------------------|--------------------------|
| | December 30, 2023 | December 31, 2022 | December 30, 2023 | December 31, 2022 |
| Net External Sales | | | | |
| Aerospace/Defense | \$ 129.2 | \$ 105.5 | \$ 377.0 | \$ 308.5 |
| Industrial | 244.7 | 246.1 | 769.6 | 766.4 |
| | <u>\$ 373.9</u> | <u>\$ 351.6</u> | <u>\$ 1,146.6</u> | <u>\$ 1,074.9</u> |
| Gross Margin | | | | |
| Aerospace/Defense | \$ 53.3 | \$ 41.7 | \$ 151.2 | \$ 121.3 |
| Industrial | 104.7 | 104.3 | 341.0 | 317.0 |
| | <u>\$ 158.0</u> | <u>\$ 146.0</u> | <u>\$ 492.2</u> | <u>\$ 438.3</u> |
| Selling, General & Administrative Expenses | | | | |
| Aerospace/Defense | \$ 9.9 | \$ 7.7 | \$ 28.1 | \$ 22.7 |
| Industrial | 32.6 | 29.1 | 98.4 | 89.2 |
| Corporate | 21.4 | 20.0 | 62.6 | 58.2 |
| | <u>\$ 63.9</u> | <u>\$ 56.8</u> | <u>\$ 189.1</u> | <u>\$ 170.1</u> |
| Operating Income | | | | |
| Aerospace/Defense | \$ 38.6 | \$ 32.1 | \$ 115.1 | \$ 93.1 |
| Industrial | 59.3 | 59.2 | 199.9 | 172.6 |
| Corporate | (22.7) | (20.9) | (67.0) | (58.8) |
| | <u>\$ 75.2</u> | <u>\$ 70.4</u> | <u>\$ 248.0</u> | <u>\$ 206.9</u> |
| | | | December 30, 2023 | April 1, 2023 |
| Total Assets | | | | |
| Aerospace/Defense | | | \$ 797.1 | \$ 749.8 |
| Industrial | | | 3,803.6 | 3,845.7 |
| Corporate | | | 93.5 | 94.9 |
| | | | <u>\$ 4,694.2</u> | <u>\$ 4,690.4</u> |

13. Derivative Financial Instruments

The Company is exposed to certain risks relating to its ongoing business operations, including market risks relating to fluctuations in interest rates. Derivative financial instruments are recognized on the consolidated balance sheets as either assets or liabilities and are measured at fair value.

Changes in the fair values of the derivative are recorded each period in earnings or accumulated other comprehensive income, depending on whether a derivative is effective as part of a hedged transaction. Gains and losses on derivative instruments reported in accumulated other comprehensive income (loss) are subsequently included in earnings in the periods in which earnings are affected by the hedged item. The Company does not use derivative instruments for speculative purposes.

On October 28, 2022, the Company entered into a three-year USD-denominated interest rate swap (the "Swap") with a third-party financial counterparty under the Credit Agreement (see Note 10). The Swap was executed to protect the Company from interest rate volatility on our variable-rate Term Loan. The Swap became effective December 30, 2022 and is comprised of a \$600.0 notional with a maturity of three years. We receive a variable rate based on one-month Term SOFR and pay a fixed rate of 4.455%. As of December 30, 2023 and giving effect to the Swap, approximately 70.9% of our debt bears interest at a fixed rate. The notional on the Swap amortizes as follows:

Year 1: \$600.0
Year 2: \$400.0
Year 3: \$100.0

The Swap has been designated as a cash flow hedge of the variability of the first unhedged interest payments (the hedged transactions) paid over the hedging relationship's specified time period of three years attributable to the borrowing's contractually specified interest index on the hedged principal of its general borrowing program or replacement or refinancing thereof. The fair value of the Swap has been disclosed in Note 6. The accumulated other comprehensive income/(loss) derivative component balance was a \$0.1 loss at December 30, 2023 and a \$ 2.2 loss at April 1, 2023, net of taxes. The gain/loss reclassified from accumulated other comprehensive income/(loss) into earnings will be recorded as interest income/expense on the Swap and will be included in the operating section of the Company's consolidated statements of cash flows.

14. Specline Acquisition

On August 18, 2023, RBC acquired the business assets of Specline, Inc. ("Specline") for \$ 18.7. The Company accounted for the transaction as a business combination for accounting purposes. Specline, which is based in Carson City, Nevada, is a manufacturer of precision bearings for the commercial and defense aerospace markets. The preliminary purchase price allocation is as follows: \$1.6 of accounts receivable, \$4.0 of inventory, \$1.5 of fixed assets, \$0.8 of operating lease assets, \$9.1 of intangible assets, \$2.0 of earnout liability, and \$ 0.8 of operating lease liabilities. Goodwill of \$ 4.6 resulting from the purchase price allocation is not deductible for tax purposes and is subject to change pending a final valuation of the assets and liabilities. Specline is included in the Aerospace/Defense segment.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

All dollar amounts in this MD&A presentation are stated in millions except for per-share amounts.

Cautionary Statement as to Forward-Looking Information

The objective of the discussion and analysis is to provide material information relevant to an assessment of the financial condition and results of operations of the Company including an evaluation of the amounts and certainty of cash flows from operations and from outside sources.

The information in this discussion contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 which are subject to the "safe harbor" created by those sections. All statements, other than statements of historical facts, included in this Quarterly Report on Form 10-Q regarding our strategy, future operations, future financial position, future revenues, projected costs, prospects, and plans and objectives of management are "forward-looking statements" as the term is defined in the Private Securities Litigation Reform Act of 1995.

The words "anticipates," "believes," "estimates," "expects," "intends," "may," "plans," "projects," "will," "would" and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. We may not actually achieve the plans, intentions or expectations disclosed in our forward-looking statements and you should not place undue reliance on our forward-looking statements. Actual results or events could differ materially from the plans, intentions and expectations disclosed in the forward-looking statements that we make. These forward-looking statements involve risks and uncertainties that could cause our actual results to differ materially from those in the forward-looking statements, including, without limitation: (a) the bearing and engineered products industries are highly competitive, and this competition could reduce our profitability or limit our ability to grow; (b) 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; (c) 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; (d) future reductions or changes in U.S. government spending could negatively affect our business; (e) 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; (f) 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; (g) some of 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; (h) the retirement of commercial aircraft could reduce our revenues, cash flows and profitability; (i) work stoppages and other labor problems could materially reduce our ability to operate our business; (j) unexpected equipment failures, catastrophic events or capacity constraints could increase our costs and reduce our sales due to production curtailments or shutdowns; (k) we may not be able to continue to make the acquisitions necessary for us to realize our growth strategy; (l) businesses that we have acquired (such as Dodge) or that we may acquire in the future may have liabilities that are not known to us; (m) 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; (n) we depend heavily on our senior management and other key personnel, the loss of whom could materially affect our financial performance and prospects; (o) our international operations are subject to risks inherent in such activities; (p) currency translation risks may have a material impact on our results of operations; (q) we are subject to changes in legislative, regulatory and legal developments involving income and other taxes; (r) we may be required to make significant future contributions to our pension plan; (s) we may incur material losses for product liability and recall-related claims; (t) environmental and health and safety laws and regulations impose substantial costs and limitations on our operations, and environmental compliance may be more costly than we expect; (u) 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; (v) cancellation of orders in our backlog could negatively impact our revenues, cash flows and profitability; (w) if we fail to maintain an effective system of internal controls, we may not be able to accurately report our financial results or prevent fraud; (x) litigation could adversely affect our financial condition; (y) changes in accounting standards or changes in the interpretations of existing standards could affect our financial results; (z) risks associated with utilizing information technology systems could adversely affect our operations; (aa) our quarterly performance can be affected by the timing of government product inspections and approvals; (bb) we may fail to realize some of the anticipated benefits of the Dodge acquisition or those benefits may take longer to realize than expected; (cc) we incurred substantial debt in order to complete the Dodge acquisition, which could constrain our business and exposes us to the risk of defaults under our debt instruments; and (dd) increases in interest rates would increase the cost of servicing the Term Loan and could reduce our profitability. Additional information regarding these and other risks and uncertainties is contained in our periodic filings with the SEC, including, without limitation, the risks identified under the heading "Risk

Factors” set forth in our Annual Report. Our forward-looking statements do not reflect the potential impact of any future acquisitions, mergers, dispositions, joint ventures or investments we may make. We do not intend, and undertake no obligation, to update or alter any forward-looking statement. The following section is qualified in its entirety by the more detailed information, including our financial statements and the notes thereto, that appears elsewhere in this Quarterly Report.

Overview

We are a well-known international manufacturer and maker of highly engineered bearings and precision 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 bearings categories, we focus primarily on the higher end of the bearing and engineered component markets where we believe our value-added manufacturing and engineering capabilities enable us to differentiate ourselves from our competitors and enhance profitability. We believe our expertise has enabled us to garner leading positions in many of the product markets in which we primarily compete. With 53 facilities in 11 countries, of which 36 are manufacturing facilities, we have been able to significantly broaden our end markets, products, customer base and geographic reach.

Our chief operating decision maker makes operating decisions, assesses the performance of the business, and allocates resources under two reportable business segments – Aerospace/Defense and Industrial:

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

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

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

- **Developing innovative solutions.** By leveraging our design and manufacturing expertise and our extensive customer relationships, we continue to develop new products for markets in which there are substantial growth opportunities.
- **Expanding customer base and penetrating end markets.** We continually seek opportunities to access new customers, geographic locations and bearing platforms with existing products or profitable new product opportunities.
- **Increasing aftermarket sales.** We believe that increasing our aftermarket sales of replacement parts will further enhance the continuity and predictability of our revenues and enhance our profitability. Such sales include sales to third party distributors and sales to OEMs for replacement products and aftermarket services. We will work to further increase the percentage of our revenues derived from the replacement market by continuing to implement several initiatives.
- **Pursuing selective acquisitions.** The acquisition of businesses that complement or expand our operations has been and continues to be an important element of our business strategy. We believe that there will continue to be consolidation within the industry that may present us with acquisition opportunities.

Outlook

Our net sales for the three-month period ended December 30, 2023 increased 6.3% compared to the same period last fiscal year. The increase in net sales was a result of a 22.5% increase in our Aerospace/Defense segment partially offset by a 0.6% decrease in our Industrial segment.

Our backlog, as of December 30, 2023, was \$652.1 compared to \$663.8 as of April 1, 2023. These figures exclude orders from our Sargent marine and Sargent aerospace businesses that are expected to be fulfilled more than 12 months after the balance sheet dates. Including all orders from our Sargent marine and Sargent aerospace businesses, our backlog as of December 30, 2023 was \$770.7 compared to \$759.4 as of April 1, 2023.

We are continuing to see the recovery of the commercial aerospace business, which experienced a 19.9% increase in net sales for the three-month period ended December 30, 2023 over the same period last fiscal year. We anticipate this growth to continue through at least the rest of the current fiscal year. Orders have continued to grow as evidenced by our aerospace backlog. Defense sales, which represented approximately 33.2% of segment sales during the quarter, were up 28.2% year over year. We expect this growth to continue as we are gearing up to fulfill the substantial number of marine orders in our backlog.

Our core industrial business during the quarter remained relatively steady when compared to the same period in the prior fiscal year.

The Company expects net sales to be approximately \$405.0 to \$415.0 in the fourth quarter of fiscal 2024 compared to \$394.4 for the fourth quarter of the prior fiscal year, a growth rate of 2.7% to 5.2%.

We believe that operating cash flows and available credit under the Revolving Credit Facility will provide adequate resources to fund internal growth initiatives for the foreseeable future, including at least the next 12 months. As of December 30, 2023, we had cash and cash equivalents of \$71.6, of which approximately \$39.4 was cash held by our foreign operations.

Results of Operations (dollars in millions)

Three Months Ended

| | December 30, 2023 | December 31, 2022 | \$ Change | % Change |
|---|------------------------------|------------------------------|----------------------|---------------------|
| Total net sales | \$ 373.9 | \$ 351.6 | \$ 22.3 | 6.3% |
| Net income attributable to common stockholders | \$ 40.8 | \$ 30.6 | \$ 10.2 | 33.2% |
| Net income per share attributable to common stockholders: diluted | \$ 1.39 | \$ 1.05 | | |
| Weighted average common shares: diluted | 29,204,570 | 29,120,318 | | |

Our net sales for the three-month period ended December 30, 2023 increased 6.3% compared to the same period last fiscal year. Net sales in our Industrial segment decreased 0.6% year over year. While stable overall, we saw strength in food and beverage and mining and metals offset by weakness in semiconductor. Net sales in our Aerospace/Defense segment increased 22.5% year over year, led by commercial aerospace, which was up 19.9% compared to the same period in the prior fiscal year. Defense sales increased 28.2% compared to the same period in the prior fiscal year, driven by marine. The increase in commercial aerospace reflected growth in orders from large OEMs as build rates escalate and our expansion in the aftermarket.

Net income attributable to common stockholders for the third quarter of fiscal 2024 was \$40.8 compared to \$30.6 for the same period last fiscal year. Net income for the third quarter of fiscal 2023 was affected by approximately \$1.2 of pre-tax transition services costs and other costs associated with the Dodge acquisition.

Nine Months Ended

| | December 30, 2023 | December 31, 2022 | \$ Change | % Change |
|---|------------------------------|------------------------------|----------------------|---------------------|
| Total net sales | \$ 1,146.6 | \$ 1,074.9 | \$ 71.7 | 6.7% |
| Net income attributable to common stockholders | \$ 131.0 | \$ 100.4 | \$ 30.6 | 30.6% |
| Net income per share attributable to common stockholders: diluted | \$ 4.49 | \$ 3.45 | | |
| Weighted average common shares: diluted | 29,153,469 | 29,053,608 | | |

Our net sales for the nine-month period ended December 30, 2023 increased 6.7% compared to the same period last fiscal year. Net sales in our Industrial segment increased 0.4% year over year. This reflected a pattern of sustained strong performance in areas including the food and beverage, mining and energy. Net sales in our Aerospace/Defense segment increased 22.2% year over year, led by commercial aerospace which was up 23.8% compared to the same period in the prior year while sales to the defense sector were up 19.1%. The increase in commercial aerospace reflects the recovery in build rates from large OEMs and stability in the aftermarket. We are continuing to ramp up shipments on many of our defense orders, most notably, for the Virginia-class and Columbia-class submarines.

Net income attributable to common stockholders for the nine months ended December 30, 2023 was \$131.0 compared to \$100.4 for the same period last fiscal year. Net income for the nine-month period in fiscal 2023 was affected by approximately \$8.9 of pre-tax transition services costs and other costs associated with the Dodge acquisition.

Gross Margin

Three Months Ended

| | December 30, 2023 | December 31, 2022 | \$ Change | % Change |
|----------------|------------------------------|------------------------------|----------------------|---------------------|
| Gross Margin | \$ 158.0 | \$ 146.0 | \$ 12.0 | 8.2% |
| % of net sales | 42.3% | 41.5% | | |

Gross margin was 42.3% of net sales for the third quarter of fiscal 2024 compared to 41.5% for the third quarter of fiscal 2023. The increase in gross margin as a percentage of net sales was driven by increased volumes, manufacturing efficiencies and product mix.

Nine Months Ended

| | December 30, 2023 | December 31, 2022 | \$ Change | % Change |
|----------------|------------------------------|------------------------------|----------------------|---------------------|
| Gross Margin | \$ 492.2 | \$ 438.3 | \$ 53.9 | 12.3% |
| % of net sales | 42.9% | 40.8% | | |

Gross margin was 42.9% of net sales for the first nine months of fiscal 2024 compared to 40.8% for the same period last fiscal year. The increase in gross margin as a percentage of net sales was driven by increased volumes, manufacturing efficiencies and product mix.

Selling, General and Administrative

Three Months Ended

| | December 30, 2023 | December 31, 2022 | \$ Change | % Change |
|----------------|------------------------------|------------------------------|----------------------|---------------------|
| SG&A | \$ 63.9 | \$ 56.8 | \$ 7.1 | 12.5% |
| % of net sales | 17.1% | 16.1% | | |

SG&A for the third quarter of fiscal 2024 was \$63.9, or 17.1% of net sales, as compared to \$56.8, or 16.1% of net sales, for the same period of fiscal 2023. The increase in SG&A was primarily driven by personnel costs, IT costs and other professional fees.

| | Nine Months Ended | | \$ Change | % Change |
|----------------|----------------------|----------------------|--------------|-------------|
| | December 30, 2023 | December 31, 2022 | | |
| SG&A | \$ 189.1 | \$ 170.1 | \$ 19.0 | 11.2% |
| % of net sales | 16.5% | 15.8% | | |

SG&A expenses increased by \$19.0 to \$189.1 for the first nine months of fiscal 2024 compared to \$170.1 for the same period last year. The increase in SG&A for the first nine months of fiscal 2024 was primarily related to increases in professional fees and personnel costs.

Other, Net

| | Three Months Ended | | \$ Change | % Change |
|----------------|----------------------|----------------------|--------------|-------------|
| | December 30, 2023 | December 31, 2022 | | |
| Other, net | \$ 18.9 | \$ 18.8 | \$ 0.1 | 0.0% |
| % of net sales | 5.0% | 5.4% | | |

Other operating expenses for the third quarter of fiscal 2024 totaled \$18.9 compared to \$18.8 for the same period last fiscal year. For the third quarter of fiscal 2024, other operating expenses included \$17.7 of amortization of intangible assets, \$0.1 of restructuring costs and \$1.1 of other items. For the third quarter of fiscal 2023, other operating expenses included \$1.2 of transition services costs and other costs associated with the Dodge acquisition, \$17.4 of amortization of intangible assets, and \$0.2 of other items.

| | Nine Months Ended | | \$ Change | % Change |
|----------------|----------------------|----------------------|--------------|-------------|
| | December 30, 2023 | December 31, 2022 | | |
| Other, net | \$ 55.1 | \$ 61.3 | \$ (6.2) | (10.2)% |
| % of net sales | 4.8% | 5.7% | | |

Other operating expenses for the first nine months of fiscal 2024 totaled \$55.1 compared to \$61.3 for the same period last fiscal year. For the first nine months of fiscal 2024, other operating expenses were comprised primarily of \$52.8 of amortization of intangible assets, \$0.7 of restructuring costs, and \$1.6 of other items. For the first nine months of fiscal 2023, other operating expenses were comprised mainly of \$8.9 of transition services costs and other costs associated with the Dodge acquisition, \$51.5 of amortization of intangible assets, and \$0.9 of other items.

Interest Expense, Net

Interest expense, net, consists of interest charged on the Company's debt agreements and amortization of deferred financing fees, offset by interest income. The rise in interest rates since 2022 has resulted in additional interest expense on our variable-rate debt. As discussed in the "Liquidity and Capital Resources" section below, we have fixed the majority of our variable-rate debt with an interest rate swap.

| | Three Months Ended | | \$ Change | % Change |
|-----------------------|----------------------|----------------------|--------------|-------------|
| | December 30, 2023 | December 31, 2022 | | |
| Interest expense, net | \$ 19.3 | \$ 20.9 | \$ (1.6) | (7.6)% |
| % of net sales | 5.2% | 5.9% | | |

Interest expense, net, was \$19.3 for the third quarter of fiscal 2024 compared to \$20.9 for the same period last fiscal year. Though interest rates have increased since 2022, our interest expense for the third quarter of fiscal 2024 has decreased compared to the third quarter of fiscal 2023 due to the commencement of the Swap on December 30, 2022.

| | Nine Months Ended | | \$ Change | % Change |
|-----------------------|----------------------|----------------------|--------------|-------------|
| | December 30, 2023 | December 31, 2022 | | |
| Interest expense, net | \$ 59.9 | \$ 55.0 | \$ 4.9 | 8.9% |
| % of net sales | 5.2% | 5.1% | | |

Interest expense, net, was \$59.9 for the first nine months of fiscal 2024 compared to \$55.0 for the same period last fiscal year. The Swap has allowed us to effectively manage our interest expense throughout fiscal 2024 as interest rates have continued to climb.

Other Non-Operating Expense/(Income)

| | Three Months Ended | | \$ Change | % Change |
|---------------------------------------|----------------------|----------------------|--------------|-------------|
| | December 30, 2023 | December 31, 2022 | | |
| Other non-operating expense /(income) | \$ (0.9) | \$ 1.5 | \$ (2.4) | (157.1)% |
| % of net sales | (0.2)% | 0.4% | | |

Other non-operating income was \$0.9 for the third quarter of fiscal 2024 and consisted primarily of \$1.6 of insurance proceeds received partially offset by post-retirement benefit costs and foreign exchange gains/losses. Other non-operating expense for the third quarter of fiscal 2023 was \$1.5 and consisted primarily of post-retirement benefit costs and foreign exchange gains and losses.

| | Nine Months Ended | | | |
|-----------------------------|----------------------|----------------------|--------------|-------------|
| | December 30, 2023 | December 31, 2022 | \$ Change | % Change |
| Other non-operating expense | \$ 0.4 | \$ 2.5 | \$ (2.1) | (83.0)% |
| % of net sales | 0.0% | 0.2% | | |

Other non-operating expense was \$0.4 for the nine months ended December 30, 2023 and consisted primarily of post-retirement benefit costs and foreign exchange gains/losses partially offset by \$1.6 of insurance proceeds received. Other non-operating expense for the nine months ended December 31, 2022 was \$2.5 and consisted primarily of post-retirement benefit costs and foreign exchange gains and losses.

Income Taxes

| | Three Months Ended | |
|--------------------|----------------------|----------------------|
| | December 30, 2023 | December 31, 2022 |
| Income tax expense | \$ 10.2 | \$ 11.7 |
| Effective tax rate | 18.1% | 24.4% |

Income tax expense for the third quarter of fiscal 2024 was \$10.2 compared to \$11.7 for the same period in the prior fiscal year. Our effective income tax rate for the third quarter of fiscal 2024 was 18.1% compared to 24.4% for the same period in the prior fiscal year.

The effective income tax rate for the third quarter of fiscal 2024 of 18.1% included \$1.9 of discrete tax benefits associated with stock-based compensation partially offset by \$0.2 of other items; the effective income tax rate without these net benefits would have been 21.2%. The effective income tax rate for the third quarter of fiscal 2023 of 24.4% included \$0.3 of discrete tax benefits associated with stock-based compensation and \$0.2 of other items; the effective income tax rate without these net benefits and items would have been 24.5%. In addition to these discrete items, the effective income tax rate for fiscal 2024 was impacted by a decrease in the forecasted state tax liability and a favorable change in investment earnings related to our company-owned life insurance investments.

| | Nine Months Ended | |
|--------------------|----------------------|----------------------|
| | December 30, 2023 | December 31, 2022 |
| Income tax expense | \$ 39.4 | \$ 31.9 |
| Effective tax rate | 21.0% | 21.3% |

Income tax expense for the first nine months of fiscal 2024 was \$39.4 compared to \$31.9 for the same period in the prior fiscal year. Our effective income tax rate for the first nine months of fiscal 2024 was 21.0% compared to 21.3% for the same period in the prior fiscal year. The effective income tax rate for the first nine months of fiscal 2024 of 21.0% included \$2.4 of discrete tax benefits associated with stock-based compensation partially offset by \$0.2 of other items; the effective income tax rate without these net benefits would have been 22.2%. The effective income tax rate for the first nine months of fiscal 2023 of 21.3% included \$3.2 of discrete tax benefits associated with stock-based compensation partially offset by \$0.1 of other items; the effective income tax rate without these net benefits and items would have been 23.5%.

Segment Information

Our chief operating decision maker makes operating decisions, assesses the performance of the business, and allocates resources under two operating segments: Aerospace/Defense; and Industrial. We use segment net sales and gross margin as the primary measurements to assess the financial performance of each reportable segment.

Aerospace/Defense Segment

| | Three Months Ended | | | |
|------------------------|----------------------|----------------------|--------------|-------------|
| | December 30, 2023 | December 31, 2022 | \$ Change | % Change |
| Total net sales | \$ 129.2 | \$ 105.5 | \$ 23.7 | 22.5% |
| Gross margin | \$ 53.3 | \$ 41.7 | \$ 11.6 | 28.0% |
| % of segment net sales | 41.2% | 39.5% | | |
| SG&A | \$ 9.9 | \$ 7.7 | \$ 2.2 | 26.5% |
| % of segment net sales | 7.6% | 7.4% | | |

Net sales increased \$23.7, or 22.5%, for the third quarter of fiscal 2024 compared to the same period last fiscal year. Commercial aerospace, which consisted of \$67.2 of OEM and \$19.1 of distribution and aftermarket, increased by 19.9% compared to fiscal 2023 when OEM net sales were \$57.6 and distribution and aftermarket net sales were \$14.4. This was driven by a continuing recovery as build rates and orders escalate in the OEM markets and the aftermarket begins to pick up. Our defense markets, which consisted of \$35.9 of OEM and \$7.0 of distribution and aftermarket, increased by 28.2% compared to fiscal 2023 when OEM net sales were \$27.1 and distribution and aftermarket net sales were \$6.4. Sales in our marine business have been strong and we are starting to ramp up shipments on many of our defense orders, most notably, for the Virginia-class and Columbia-class submarines.

fiscal year. The increase in gross margin as a percentage of net sales was driven by increased sales volumes, notably in the defense aftermarket, product mix and efficiencies achieved at the plants in part due to increased sales volumes.

| | Nine Months Ended | | \$ Change | % Change |
|------------------------|----------------------|----------------------|--------------|-------------|
| | December 30, 2023 | December 31, 2022 | | |
| Total net sales | \$ 377.0 | \$ 308.5 | \$ 68.5 | 22.2% |
| Gross margin | \$ 151.2 | \$ 121.3 | \$ 29.9 | 24.7% |
| % of segment net sales | 40.1% | 39.3% | | |
| SG&A | \$ 28.1 | \$ 22.7 | \$ 5.4 | 23.7% |
| % of segment net sales | 7.5% | 7.4% | | |

Net sales increased \$68.5, or 22.2%, for the first nine months of fiscal 2024 compared to the same period last fiscal year. The 22.2% increase was primarily driven by a 23.8% increase in our commercial aerospace market, both OEM and aftermarket, while our defense market was up 19.1% year over year due to the timing of shipments related to our marine business. Commercial aerospace, which consisted of \$200.3 of OEM and \$55.6 of distribution and aftermarket, increased by 23.8% compared to fiscal 2023 when OEM net sales were \$165.6 and distribution and aftermarket net sales were \$41.2. During the year, we have noted improvement in the sales and orders to our commercial aerospace customers as build rates continue to grow. Our backlog and recent results reflect this trend, which we expect to continue to see in upcoming quarters. Our defense markets, which consisted of \$101.1 of OEM and \$20.0 of distribution and aftermarket, increased by 19.1% compared to fiscal 2023 when OEM net sales were \$82.1 and distribution and aftermarket net sales were \$19.6.

Gross margin as a percentage of net sales increased to 40.1% for the first nine months of fiscal 2024 compared to 39.3% for the same period last fiscal year. The increase in gross margin percentage was due to increased volumes, manufacturing efficiencies, and product mix.

Industrial Segment

| | Three Months Ended | | \$ Change | % Change |
|------------------------|----------------------|----------------------|--------------|-------------|
| | December 30, 2023 | December 31, 2022 | | |
| Total net sales | \$ 244.7 | \$ 246.1 | \$ (1.4) | (0.6)% |
| Gross margin | \$ 104.7 | \$ 104.3 | \$ 0.4 | 0.3% |
| % of segment net sales | 42.8% | 42.4% | | |
| SG&A | \$ 32.6 | \$ 29.1 | \$ 3.5 | 11.7% |
| % of segment net sales | 13.3% | 11.8% | | |

Net sales decreased \$1.4, or 0.6%, for the third quarter of fiscal 2024 compared to the same period last fiscal year. While stable overall, we saw strength in food and beverage and mining and metals offset by weakness in semiconductor. Industrial OEM sales were \$79.4 and \$79.4 for the three month periods ended December 30, 2023 and December 31, 2022, respectively. Industrial sales to distribution and the aftermarket were \$165.3 and \$166.7 for the three month periods ended December 30, 2023 and December 31, 2022, respectively.

Gross margin for the third quarter of fiscal 2024 was 42.8% of net sales, compared to 42.4% in the same period last fiscal year. The improved gross margin was due to product mix and better manufacturing efficiencies.

| | Nine Months Ended | | \$ Change | % Change |
|------------------------|----------------------|----------------------|--------------|-------------|
| | December 30, 2023 | December 31, 2022 | | |
| Total net sales | \$ 769.6 | \$ 766.4 | \$ 3.2 | 0.4% |
| Gross margin | \$ 341.0 | \$ 317.0 | \$ 24.0 | 7.6% |
| % of segment net sales | 44.3% | 41.4% | | |
| SG&A | \$ 98.4 | \$ 89.2 | \$ 9.2 | 10.3% |
| % of segment net sales | 12.8% | 11.6% | | |

Net sales increased \$3.2, or 0.4%, for the first nine months of fiscal 2024 compared to the same period last fiscal year. Net sales were stable due to solid performance across our industrial markets. The overall segment increase was driven by performance in food and beverage, energy, mining, and the general industrial markets. Industrial OEM sales were \$248.8 and \$260.4 for the nine month periods ended December 30, 2023 and December 31, 2022, respectively. Industrial sales to distribution and the aftermarket were \$520.8 and \$506.0 for the nine month periods ended December 30, 2023 and December 31, 2022, respectively.

Gross margin for the first nine months of fiscal 2024 was 44.3% of net sales, compared to 41.4% in the same period last fiscal year. The increase in gross margin was driven by product mix and manufacturing efficiencies.

Corporate

| | Three Months Ended | | \$ Change | % Change |
|----------------------|----------------------|----------------------|--------------|-------------|
| | December 30, 2023 | December 31, 2022 | | |
| SG&A | \$ 21.4 | \$ 20.0 | \$ 1.4 | 7.0% |
| % of total net sales | 5.7% | 5.6% | | |

Corporate SG&A was \$21.4, or 5.7% of net sales, for the third quarter of fiscal 2024, which was relatively flat compared to \$20.0, or 5.6% of net

sales, for the same period last fiscal year.

| | Nine Months Ended | | \$ Change | % Change |
|----------------------|----------------------|----------------------|--------------|-------------|
| | December 30, 2023 | December 31, 2022 | | |
| SG&A | \$ 62.6 | \$ 58.2 | \$ 4.4 | 7.6% |
| % of total net sales | 5.5% | 5.4% | | |

Corporate SG&A increased \$4.4 for the first nine months of fiscal 2024 compared to the same period last fiscal year due to increases in personnel costs and professional fees.

Liquidity and Capital Resources

Our capital requirements include manufacturing equipment and materials. In addition, we have historically fueled our growth, in part, through acquisitions, including the Dodge acquisition completed in fiscal 2022 and the Specline acquisition completed in fiscal 2024. We have historically met our working capital, capital expenditure and acquisition funding needs through our net cash flows provided by operations, various debt arrangements and sales of equity to investors. We believe that operating cash flows and available credit under the Revolving Credit Facility (which expires in November 2026) will provide adequate resources to fund internal growth initiatives for the foreseeable future.

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

From time to time, we evaluate our existing facilities and operations and their strategic importance to us. If we determine that a given facility or operation does not have future strategic importance, we may sell, relocate, consolidate or otherwise dispose of that facility or 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 December 30, 2023, we had cash and cash equivalents of \$71.6, of which approximately \$39.4 was cash held by our foreign operations. We expect that our undistributed foreign earnings will be reinvested indefinitely for working capital, internal growth, and acquisitions for and by our foreign subsidiaries.

Domestic Credit Facility

The Credit Agreement, which was entered into in 2021 with Wells Fargo and the other lenders party thereto, provides the Company with (a) the \$1,300.0 Term Loan, which was used to fund a portion of the cash purchase price for the acquisition of Dodge and to pay related fees and expenses, and (b) the \$500.0 Revolving Credit Facility. Debt issuance costs associated with the Credit Agreement totaled \$14.9 and are being amortized over the life of the Credit Agreement.

Prior to December 2022, amounts outstanding under the Facilities (i.e., the Term Loan and the Revolving Credit Facility) generally bore interest at either, at the Company's option, (a) a base rate determined by reference to the higher of (i) Wells Fargo's prime lending rate, (ii) the federal funds effective rate plus 1/2 of 1.00% and (iii) the one-month LIBOR rate plus 1.00% or (b) the LIBOR rate plus a specified margin, depending on the type of borrowing being made. The applicable margin was based on the Company's consolidated ratio of total net debt to consolidated EBITDA (as defined within the Credit Agreement) from time to time. In December 2022 the Credit Agreement was amended to replace LIBOR with SOFR (i.e., the secured overnight financing rate administered by the Federal Reserve Bank of New York) so that borrowings under the Facilities denominated in U.S. dollars bear interest at a rate per annum equal to Term SOFR (as defined in the Credit Agreement) plus a credit spread adjustment of 0.10% plus a margin ranging from 0.75% to 2.00% depending on the Company's consolidated ratio of total net debt to consolidated EBITDA. The Facilities are subject to a SOFR floor of 0.00%. As of December 30, 2023, the Company's margin was 1.25% for SOFR loans, the commitment fee rate was 0.20%, and the letter of credit fee rate was 1.25%. A portion of the Term Loan is subject to a fixed-rate interest swap as discussed under "Interest Rate Swap" below.

The Term Loan matures in November 2026 and amortizes in quarterly installments with the balance payable on the maturity date. The Company can elect to prepay some or all of the outstanding balance from time to time without penalty, which will offset future quarterly amortization installments. Due to prepayments previously made, the required future principal payments on the Term Loan are \$0 for fiscal 2024, \$0 for fiscal 2025, \$0 for fiscal 2026, and \$750.0 for fiscal 2027. The Revolving Credit Facility expires in November 2026, at which time all amounts outstanding under the Revolving Credit Facility will be payable.

The Credit Agreement requires the Company to comply with various covenants, including the following financial covenants: (a) a maximum Total Net Leverage Ratio (as defined within the Credit Agreement) of 5.00:1.00, which maximum Total Net Leverage Ratio shall decrease during certain subsequent test periods as set forth in the Credit Agreement (provided that, no more than once during the term of the Facilities, such maximum ratio applicable at such time may be increased by the Company by 0.50:1.00 for a period of twelve (12) months after the consummation of a material acquisition); and (b) a minimum Interest Coverage Ratio of 2.00:1.00. As of December 30, 2023, the Company was in compliance with all debt covenants.

The Credit Agreement allows the Company to, among other things, make distributions to stockholders, 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.

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

As of December 30, 2023, \$750.0 was outstanding under the Term Loan, \$3.7 of the Revolving Credit Facility was being utilized to provide letters of credit to secure the Company's obligations relating to certain insurance programs, and \$18.0 of the Revolving Credit Facility had been used to fund the purchase of the business assets of Specline. The Company had the ability to borrow up to an additional \$478.3 under the Revolving Credit

Facility as of December 30, 2023.

Senior Notes

In 2021, RBCA issued \$500.0 aggregate principal amount of 4.375% Senior Notes due 2029. The net proceeds from the issuance of the Senior Notes were approximately \$492.0 after deducting initial purchasers' discounts and commissions and offering expenses.

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

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

Interest on the Senior Notes accrues at a rate of 4.375% and is payable semi-annually in cash in arrears on April 15 and October 15 of each year.

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

Foreign Borrowing Arrangements

One of our foreign subsidiaries, Schaublin, entered into a credit agreement in 2019 with Credit Suisse (Switzerland) Ltd. to provide Schaublin with a CHF 15.0 (approximately \$15.4 USD) revolving credit facility, which was terminated in October 2022. Schaublin now has a CHF 5.0 (approximately \$5.8 USD) revolving credit facility with Credit Suisse to provide future working capital, if necessary. As of December 30, 2023, \$0.1 of the new facility was being utilized to provide a bank guarantee. Fees associated with the new facility are nominal.

Interest Rate Swap

The Company is exposed to market risks relating to fluctuations in interest rates.

To hedge against this risk, on October 28, 2022, the Company entered into the Swap with a third-party financial counterparty under the Credit Agreement. The Swap was executed to protect the Company from interest rate volatility on our variable-rate Term Loan. The Swap became effective on December 30, 2022 and is comprised of a \$600.0 notional with a maturity of three years. RBC receives a variable rate based on one-month Term SOFR and pays a fixed rate of 4.455%. The notional on the Swap amortizes as follows:

Year 1: \$600.0
Year 2: \$400.0
Year 3: \$100.0

The Swap has been designated as a cash flow hedge of the variability of the first unhedged interest payments (the hedged transactions) paid over the hedging relationship's specified time period of three years attributable to the borrowing's contractually specified interest index on the hedged principal of its general borrowing program or replacement or refinancing thereof.

Cash Flows

Nine-month Period Ended December 30, 2023 Compared to the Nine-month Period Ended December 31, 2022

The following table summarizes our cash flow activities:

| | FY24 | FY23 | \$ Change |
|--|----------|------------|--------------|
| Net cash provided by/(used in): | | | |
| Operating activities | \$ 195.2 | \$ 149.3 | \$ 45.9 |
| Investing activities | (42.7) | (1.6) | (41.1) |
| Financing activities | (147.0) | (247.0) | 100.0 |
| Effect of exchange rate changes on cash | 0.7 | (1.6) | 2.3 |
| Increase/(decrease) in cash and cash equivalents | \$ 6.2 | \$ (100.9) | \$ 107.1 |

During the first nine months of fiscal 2024, we generated cash of \$195.2 from operating activities compared to \$149.3 during the same period of fiscal 2023. The increase of \$45.9 was the result of an increase in net income of \$30.8, a favorable change in non-cash activity of \$2.6, and the favorable impact of the net change in operating assets and liabilities of \$12.5. The unfavorable change in operating assets and liabilities is detailed in the table below. The change in non-cash activity was driven by a \$2.3 increase in stock-based compensation, a \$3.8 increase in depreciation and amortization, a \$0.3 increase in consolidation and restructuring charges, and a \$0.7 increase in loss on asset dispositions, partially offset by \$3.9 less amortization of deferred financing costs, \$0.3 less noncash operating lease expense and an unfavorable change in deferred taxes of \$0.3.

The following table summarizes the impact of operating assets and liabilities for fiscal 2024 versus fiscal 2023.

| | Nine Months Ended | | \$ Change |
|-----------------------------|----------------------|----------------------|--------------|
| | December 30, 2023 | December 31, 2022 | |
| Cash provided by/(used in): | | | |

| | | | | | | |
|---|----|--------|----|--------|----|--------|
| Accounts receivable | \$ | 13.0 | \$ | 32.3 | \$ | (19.3) |
| Inventory | | (36.0) | | (62.8) | | 26.8 |
| Prepaid expenses and other current assets | | (4.8) | | (12.2) | | 7.4 |
| Other noncurrent assets | | (4.1) | | 2.1 | | (6.2) |
| Accounts payable | | (23.3) | | (21.0) | | (2.3) |
| Accrued expenses and other current liabilities | | 1.4 | | (9.7) | | 11.1 |
| Other noncurrent liabilities | | (0.2) | | 4.8 | | (5.0) |
| Total change in operating assets and liabilities: | \$ | (54.0) | \$ | (66.5) | \$ | 12.5 |

During the first nine months of fiscal 2024, we used \$42.7 for investing activities as compared to \$1.6 in the first nine months of fiscal 2023. This increase in cash used was primarily attributable to \$18.7 of cash used to acquire the business assets of Specline during fiscal 2024 and \$28.3 of favorable Dodge acquisition purchase price adjustment during the first nine months of fiscal 2023, partially offset by a \$5.9 decrease in capital expenditures during fiscal 2024.

During the first nine months of fiscal 2024, we used cash of \$147.0 for financing activities compared to \$247.0 in the first nine months of fiscal 2023. This decrease in cash used was primarily attributable to \$80.0 less repayment of outstanding debt, \$18.0 of proceeds received from our Revolving Credit Facility, \$0.1 less finance fees paid in connection with credit facilities, \$0.7 less payment of principal on finance leases and \$3.5 more received from the exercises of stock-based awards, partially offset by a \$1.1 increase in repurchases of common stock, a \$0.1 increase in preferred stock dividends paid and a \$1.1 increase in repayments of notes payable.

Capital Expenditures

Our capital expenditures were \$23.7 for the first nine months of fiscal 2024 compared to \$29.6 for the same period in the prior fiscal year. We expect to make additional capital expenditures of \$10.0 to \$15.0 during the remainder of fiscal 2024 in connection with our existing business. We expect to fund these capital expenditures principally through existing cash and internally generated funds. We may also make substantial additional capital expenditures in connection with acquisitions.

Obligations and Commitments

The Company's fixed contractual obligations and commitments are primarily comprised of our debt obligations disclosed in Part I, Item 1 - Note 10 of this report. We also have lease obligations which are materially consistent with what we disclosed in our Annual Report.

Other Matters

Critical Accounting Policies and Estimates

Preparation of our financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. We believe the most complex and sensitive judgments, because of their significance to the consolidated financial statements, result primarily from the need to make estimates about the effects of matters that are inherently uncertain. Management's Discussion and Analysis of Financial Condition and Results of Operations and the Notes to the Consolidated Financial Statements in our Annual Report describe the significant accounting estimates and policies used in preparation of our consolidated financial statements. Actual results in these areas could differ from management's estimates. There were no significant changes in our critical accounting estimates during the first nine months of fiscal 2024.

Off-Balance Sheet Arrangements

The Company has \$3.7 of outstanding standby letters of credit, all of which are under the Revolving Credit Facility. We also have a contractual obligation for licenses related to the implementation and upgrade of an enterprise resource planning (ERP) system for Dodge. These license costs of \$10.5 for the ERP system are being incurred over the five-year period from the execution of the license agreement in May 2022.

Other than the items noted above, we had no significant off-balance sheet arrangements as of December 30, 2023.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

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

Interest Rates. We currently have variable rate debt outstanding under the Term Loan. We regularly evaluate the impact of interest rate changes on our net income and cash flow and take action to limit our exposure when appropriate. As discussed in Note 13 in Part I, Item I of this report, we have utilized an interest rate swap to fix a portion of the variable rate interest expense associated with the Term Loan.

Foreign Currency Exchange Rates. As an international company, our operations transact in the following foreign currencies:

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

As a result, we are exposed to risk associated with fluctuating currency exchange rates between the U.S. dollar and these currencies. Foreign currency transaction gains and losses are included in earnings. Approximately 12% of our net sales were impacted by foreign currency fluctuations for the three-month period ended December 30, 2023 compared to approximately 11% for the three-month period ended December 31, 2022. Approximately 12% of our net sales were impacted by foreign currency fluctuations for both the nine-month period ended December 30, 2023 and the nine-month period ended December 31, 2022. For those countries outside the U.S. where we have sales, a strengthening in the U.S. dollar or devaluation in the local currency would reduce the value of our local inventory as presented in our consolidated financial statements. In addition, a

stronger U.S. dollar or a weaker local currency would result in reduced net sales, operating profit and shareholders' equity due to the impact of foreign exchange translation on our consolidated financial statements. Fluctuations in foreign currency exchange rates may make our products more expensive or increase our operating costs, affecting our competitiveness and our profitability.

Changes in exchange rates between the U.S. dollar and other currencies and volatile economic, political and market conditions in emerging market countries have in the past adversely affected our financial performance and may in the future adversely affect the value of our assets located outside the United States and our results of operations.

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. As of December 30, 2023, the Company had no forward exchange contracts.

Item 4. Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act")) as of December 30, 2023. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of December 30, 2023, our disclosure controls and procedures were (a) designed to ensure that information relating to our Company required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported to our Chief Executive Officer and Chief Financial Officer within the time periods specified in the rules and forms of the SEC, and (b) effective, in that they 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.

Changes in Internal Control over Financial Reporting

No change in our internal control over financial reporting occurred during the three-month period ended December 30, 2023 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act).

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

No legal proceeding became a reportable event during the quarter and there were no material developments during the quarter with respect to any legal proceedings previously disclosed.

Item 1A. Risk Factors

There have been no material changes to our risk factors and uncertainties since the filing of our Annual Report with the SEC on May 19, 2023. For a discussion of the risk factors, refer to Part I, Item 2, "Cautionary Statement as to Forward-Looking Information" contained in this quarterly report and Part I, Item 1A, "Risk Factors," contained in our Annual Report.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Unregistered Sales of Equity Securities

None.

Use of Proceeds

Not applicable.

Issuer Purchases of Equity Securities

In 2019, our Board of Directors authorized us to repurchase up to \$100.0 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. Our share repurchases are generally related to tax withholdings on the vesting of restricted stock awards.

Total share repurchases under the 2019 plan for the three months ended December 30, 2023 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 (in millions) |
|-------------------------|----------------------------------|------------------------------|--|--|
| 10/01/2023 – 10/28/2023 | 134 | \$ 234.59 | 134 | \$ 64.3 |
| 10/29/2023 – 11/25/2023 | 162 | 225.21 | 162 | 64.3 |
| 11/26/2023 – 12/30/2023 | 2,231 | 275.37 | 2,231 | \$ 63.7 |
| Total | 2,527 | \$ 269.99 | 2,527 | |

During the third quarter of fiscal 2024, we did not issue any common stock that was not registered under the Securities Act of 1933.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Not applicable.

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Item 6. Exhibits

| Exhibit Number | Exhibit Description |
|-----------------------|--|
| 31.01 | Certification of Chief Executive Officer Pursuant to Securities Exchange Act Rule 13a-14(a). |
| 31.02 | Certification of Chief Financial Officer Pursuant to Securities Exchange Act Rule 13a-14(a). |
| 32.01 | Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350 and Securities Exchange Act Rule 13a-14(b).* |
| 32.02 | Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350 and Securities Exchange Act Rule 13a-14(b).* |
| 101.INS | Inline XBRL Instance Document. |
| 101.SCH | Inline XBRL Taxonomy Extension Schema Document. |
| 101.CAL | Inline XBRL Taxonomy Extension Calculation Linkbase Document. |
| 101.DEF | Inline XBRL Taxonomy Extension Definition Linkbase Document. |
| 101.LAB | Inline XBRL Taxonomy Extension Label Linkbase Document. |
| 101.PRE | Inline XBRL Taxonomy Extension Presentation Linkbase Document. |
| 104 | Cover Page Interactive Data File, formatted in iXBRL and contained in Exhibit 101 . |

* This certification accompanies this Quarterly Report on Form 10-Q, is not deemed filed with the SEC and is not to be incorporated by reference into any filing of the Company under the Securities Act of 1933, as amended, or the Exchange Act (whether made before or after the date of this Quarterly Report on Form 10-Q), irrespective of any general incorporation language contained in such filing.

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SIGNATURES

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

RBC BEARINGS INCORPORATED
(Registrant)

By: /s/ Michael J. Hartnett
Name: Michael J. Hartnett
Title: Chief Executive Officer
Date: February 8, 2024

By: /s/ Robert M. Sullivan
Name: Robert M. Sullivan
Title: Chief Financial Officer
Date: February 8, 2024

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

I, Michael J. Hartnett, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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: February 8, 2024

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

**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 quarterly report on Form 10-Q 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: February 8, 2024

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

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

The undersigned, Michael J. Hartnett, the President and Chief Executive Officer of RBC Bearings Incorporated (the "Company"), pursuant to 18 U.S.C. §1350, hereby certifies that:

- (i) the Quarterly Report on Form 10-Q for the period ended December 30, 2023 of the Company (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 8, 2024

/s/ Michael J. Hartnett

Michael J. Hartnett

President and Chief Executive Officer

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

The undersigned, Robert M. Sullivan, Chief Financial Officer, of RBC Bearings Incorporated (the "Company"), pursuant to 18 U.S.C. §1350, hereby certifies:

- (i) the Quarterly Report on Form 10-Q for the period ended December 30, 2023 of the Company (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: February 8, 2024

/s/ Robert M. Sullivan

Robert M. Sullivan

Vice President and Chief Financial Officer