



SunTrust Robinson Humphrey  
2019 Industrials and Services Summit  
December 10, 2019

# Safe Harbor Statement



This document contains “forward-looking statements” within the meaning of the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995. All statements other than statements of historical fact are “forward looking statements” for purposes of federal and state securities laws, including: projections of earnings, cash flows, revenue or other financial items; statement of the plans, strategies and objectives of management for future operations; statements concerning proposed new services or developments; statements regarding future economic or market conditions or performance; future growth rates in the markets we serve; statements regarding future raw materials costs or supply; statements of belief; and statements of assumptions underlying any of the foregoing. Forward-looking statements may include the words “may,” “estimate,” “intend,” “plan,” “continue,” “believe,” “expect,” “anticipate” or other comparable terminology, or the negative of such terms. Although RBC believes that the expectations and assumptions reflected in any forward-looking statements are reasonable, actual results could differ materially from those projected or assumed in any of our forward-looking statements. Our future financial condition, results of operations, and cash flows, as well as any forward-looking statements, are subject to change and to inherent risks and uncertainties beyond our control. These risks and uncertainties include those identified under the heading “Risk Factors” contained in our annual reports on Form 10-K filed with the SEC. RBC does not intend, and undertakes no obligation, to update or alter any forward-looking statement.

Defensible, competitive industry position with stability and long-term growth opportunity

- Market Leader: Over two-thirds of sales from products with #1 or #2 market positions
- Diversified and Balanced Customer Base: Serving large, industry-leading customers in a wide array of end markets
- Significant Barriers to Entry Include: Designs, patents, processes, brands
- Predictable Revenue Stream: Recurring revenue base driven by OEM and replacement parts
- Proven Execution: Strong fundamentals
  - Net sales CAGR of 10% over the past twenty-four years
  - 25 acquisitions since 1990
  - Strong cash generation and flexible capital structure

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# RBC Bearings Overview

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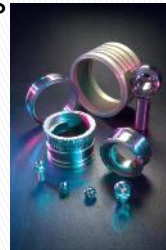
# RBC Bearings Inc. Overview



Leading international manufacturer of highly-engineered, custom configuration, performance-critical bearings and components

## RBC Bearings Fast Facts

- NASDAQ: ROLL (IPO August 2005)
- Founded 1919
- Based in Oxford, CT
- 3,841 employees worldwide
- 43 facilities, of which 33 are manufacturing worldwide
- Proprietary product designs for diverse markets
- Sales, 10.0% CAGR Growth Rate
- FY2019 organic sales growth 6.8%
- FY2020 Q2 YTD organic sales growth 6.6%



# Core End Markets Served



## Industrial



Newport News  
Shipbuilding



Kaman Industrial Technologies

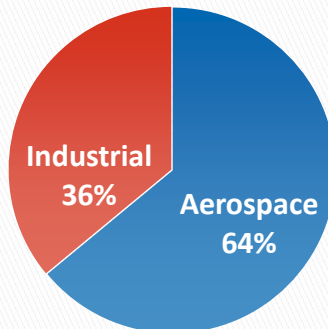


APPLIED  
Industrial Technologies



GENERAL DYNAMICS  
Electric Boat

PERCENT OF SALES FOR  
Q2 FY2020 YTD OF  
\$364.6 MILLION



## Aerospace



Pratt & Whitney

A United Technologies Company



LOCKHEED MARTIN



Helicopter  
A Textron Company



EMBRAER



SAFRAN  
Messier-Bugatti-Dowty



Rolls-Royce

ShinMaywa  
Brighten Your Future



Lufthansa Technik



American Airlines



Jamaica Bearings Company

# Precision Airframe Bearings and Components



- Servicing Boeing, Airbus, Embraer, Bombardier and most all major aircraft builders
- Working with hundreds of vendors supporting the aircraft builders worldwide





# Precision Engine Bearings and Components



- Principle Products for:
  - Commercial and defense engines and turbines
    - GE, Pratt, SNECMA, Rolls Royce
- Principle Applications:
  - Main Bearing Oil Seals
  - Fluid Transfer Tube Seals
  - Bleed Air Manifolds
  - Gearbox Bushings
  - Bellcrank Assemblies
  - Decoupler bearings
  - Ducting systems
  - Afterburner nozzle actuation
  - Crankshaft support
  - Engine mounts



Engine Gear box  
Hanger Bearings



Bleed Valve Bell Crank  
Next Level Assembly  
(with 4 separate bearings)



Engine Mounts,  
Links, Brackets





# Precision Aerospace Defense Applications



- Principal Products For:

Fighter Jets	Satellites
Helicopters	Guided Weaponry
Engines	Vision Systems
Missile Systems	Optical Systems

- Technically sophisticated bearing and component products for demanding mission-critical applications
- Long expensive development cycle
- Multiple approvals needed



# Precision Aerospace Defense Applications



Bushings,  
Retract Fins



Guidance  
(Gimbal) Load  
Slot



Fin  
Actuation  
Ball



Rocket Anti-Spin  
Bearing



Star Fire



Ultra-  
Media



# Precision Industrial Defense Applications



## Virginia Class and Columbia Class Nuclear Submarines

### ■ Technology leader

- Valve technology: Supplier on many submarine hydraulic valves
  - Selected supplier on the current Virginia Class, and new Virginia Payload Module, and Columbia Class (Ohio Replacement Program) submarines
- Leader in locking actuators, utilizing tog-lock, dog lock and ramp lock mechanisms
- Self Lubricating Bearings: Only supplier that passed qualification and was selected for new bearing specification for U.S. nuclear submarines

#### Los Angeles Class

- 96 Designs
- 256 Valves

#### Seawolf Class

- 185 Designs
- 785 Valves

#### Ohio Class

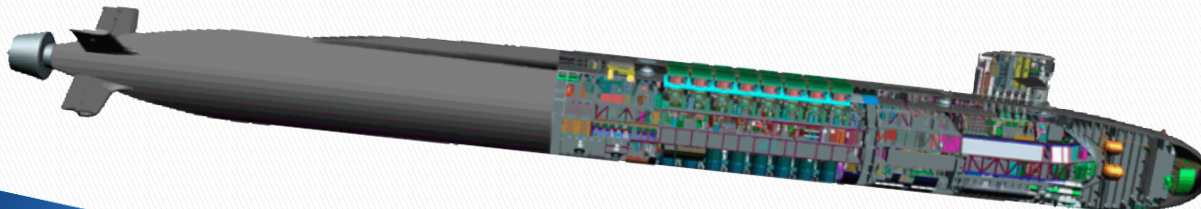
- 128 Designs
- 516 Valves

#### Virginia Class

- 107 Designs
- 374 Valves

#### Columbia Class

- 130 Designs
- 488 Valves



# Precision Industrial Defense Applications



Bradley



HIMARS



JLTV



M88



M109A7 Paladin



MRAP



M1A1 Abrams

# Precision Industrial OEM Applications

Diverse industrial end markets with varying levels of cyclicity

- Applications:
  - Construction
  - Mining
  - High Speed Rail
  - Low Speed Rail
  - Semiconductor Manufacture
  - Material Handling
  - Oil & Gas Development
  - Hydraulic Equipment
  - Auto and Truck Drive Train Bearings
- Industrial customers require specialized products with diverse uses
- Service, quality, and innovation allows for greater access to aftermarket





# Precision Industrial Distribution Applications



## ■ Applications:

- Food processing
- Bottling
- Material handling
- Packaging
- Refuse & recycling
- Metal working
- Roads/bridges infrastructure
- Oil & gas
- Mining
- Consumable machine tools

## ■ Distribution model important market driver



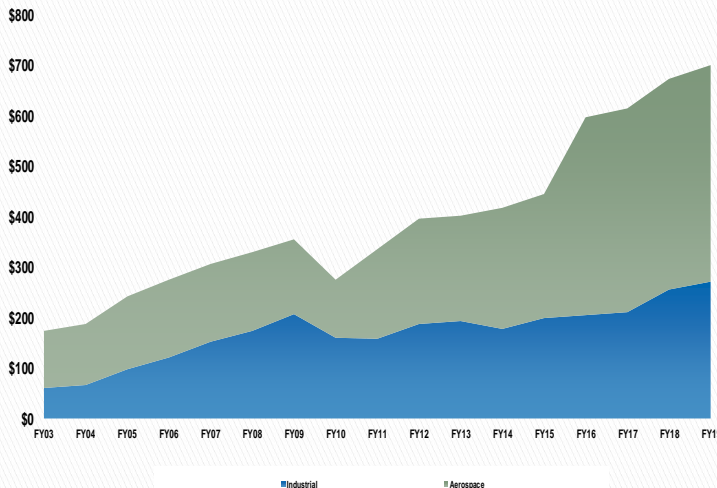


# Stable Recurring Revenue Base – “The Franchise”

Long-term customer relationships and frequent replacement cycles ensure a steady stream of recurring revenue

- Extensive installed base of proprietary products with recurring aftermarket sales
  - Aftermarket sales represent approximately 37% of revenues by design
- Strong, long-term customer relationships
  - Long-term contractual agreements provide stability and predictability of revenue
  - Approximately 65% of FY 2019 revenue under long-term contracts
  - Satisfied customers – high awards for on-time delivery and quality
- Backlog of \$473.2 million as of September 2019 vs \$429.9 last year
- Total customer reach over 20,000 accounts
- Strong direct international sales force technical and qualified – “feet on the street”

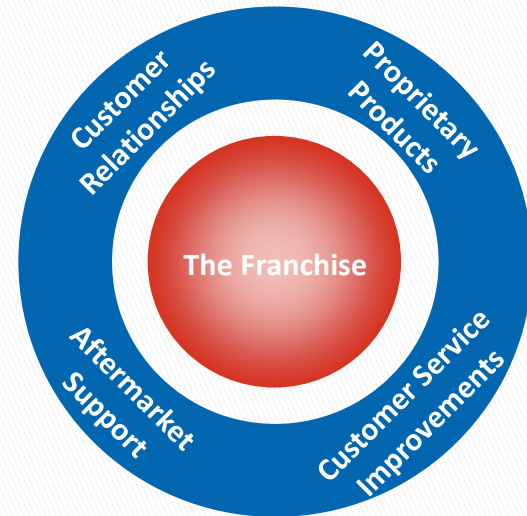
Revenue by Industry



# Significant Barriers to Entry – “The Moat”

Positioning RBC Bearings in markets with sustainable growth where opportunities for profitable expansion and defensible franchises exist

- Strong customer relationships; long-term contracts
- Highly-specialized products require:
  - High service levels – Boeing Gold/Silver, Airbus, Embraer, Lockheed Martin, Caterpillar, Komatsu
  - Extensive technical support
  - Short lead times
  - Small production runs
- Product development life cycle of 3-10 years
- High switching costs
  - Stringent and lengthy certification process for many OEM, FAA, and defense market products
- Approximately 60% net sales from sole/single-source or proprietary products requiring lengthy and difficult approval process
- Strategic inventory management to better respond and support both OEM and distributor demand



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# Strategy

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# Strategic Growth Objectives

## Go-to-Market Strategy OEM:

- Build large pipeline of important new platforms
- Prioritize programs with substantial economic scale for example:

### Aerospace

Boeing 787, 777X, 797  
Boeing 737MAX  
Airbus A350, A320 NEO  
GE Engines – Leap, Gen X, GE9X, Passport  
SNECMA  
Embraer  
Bombardier  
Space

### Defense

Military Jets (JSF)  
Missile Systems  
Optical Systems  
Military Vehicles  
Helicopter (expanded content)  
Marine (Next Gen)  
Drones  
Space

### Industrial

Distribution  
Construction and Mining Aftermarket  
Pumps and Hydraulics  
Diesel Engines  
Semi Conductor  
Rail – High Speed/Low Speed  
Material Handling  
Energy

- Develop new products for existing platforms– solve the problem
  - Is it economics?
  - Is it technical performance?
  - Is it service?
- Increase aftermarket penetration of existing offerings
- Continue search for acquisition opportunities in both industrial and aerospace.

**RBC Bearings has opportunities to increase penetration within new and existing markets**

# Continuous Improvement

- Highly coordinated plants
- Frequent and ongoing review of cost structure to assess profitability of product line by facility—monthly process reviews
  - Re-budget monthly
  - Strong cash flow allows for capital to be allocated to improve operations as needed

## “Financial Architecture of Product Economics”

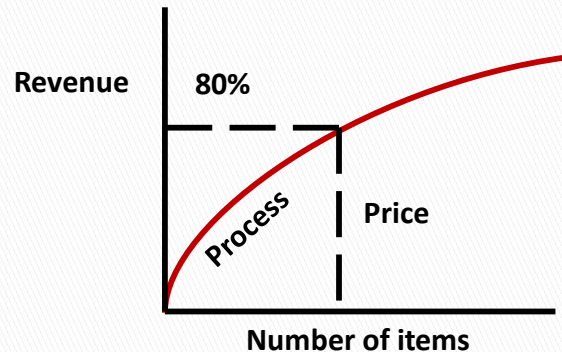


**An ongoing commitment to process engineering excellence allows us to manufacture cost effectively many proprietary products that other providers find challenging**

# Gross Margin Optimization

- Gross margin expansion of 1120 bps Fiscal 2005 through March 2019
- The process mechanics:
  - Long term agreements are the highway to profitability
    - Protect yourself, understand your position, slow and steady wins the race
  - Process improvement based on the “Pareto Principle”
    - Prioritize the highest ranking items (revenue) with the lowest margins (80%/20% principle)
    - Redesign process methods and overheads to achieve margin target
    - Price challenge the lower ranked items

**“It’s just that simple!”**



**We have established a proven strategy for sustained margin improvement of the business**

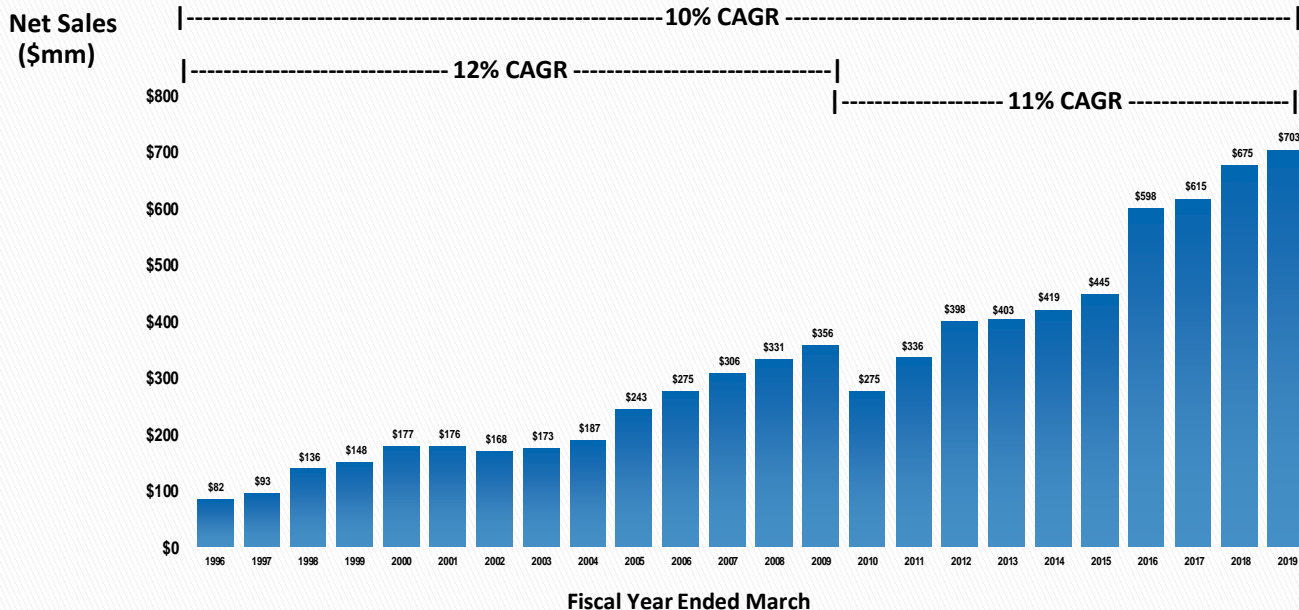


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# Financial Overview

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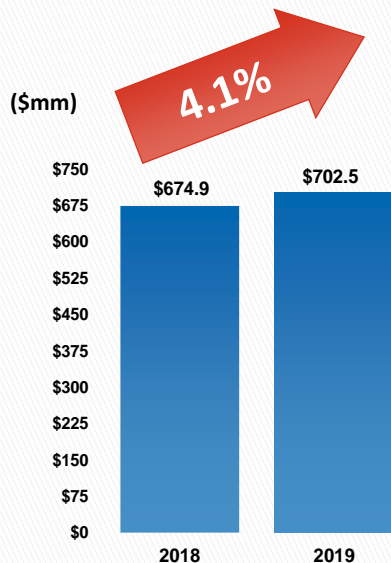
# A Track Record of Growth



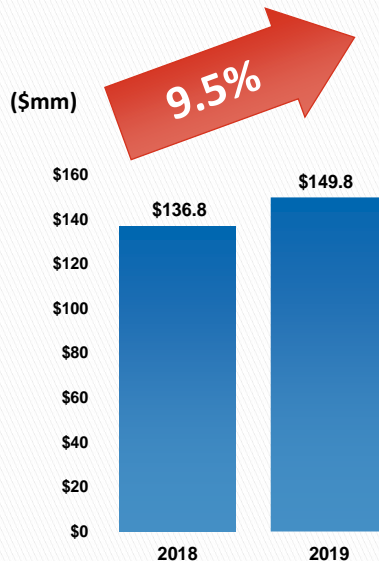
**RBC Bearings has demonstrated its ability to grow the business at a 10% CAGR over the last 24 years**

# Results for Fiscal 2019

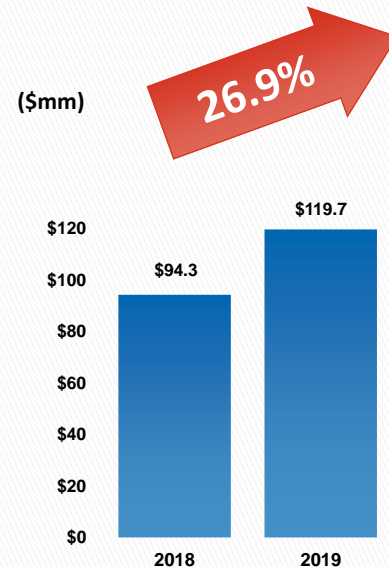
## Revenue



## Adjusted Operating Income



## Adjusted Net Income

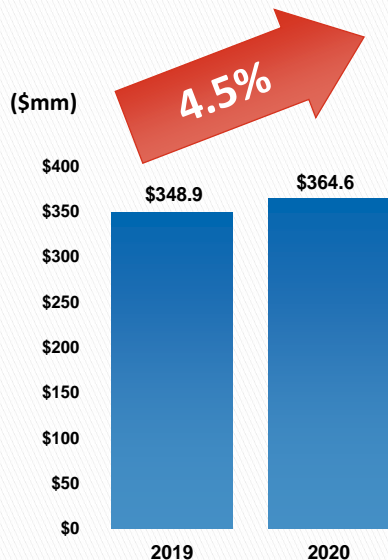


Recent performance has been on track with our internal goals and expectations

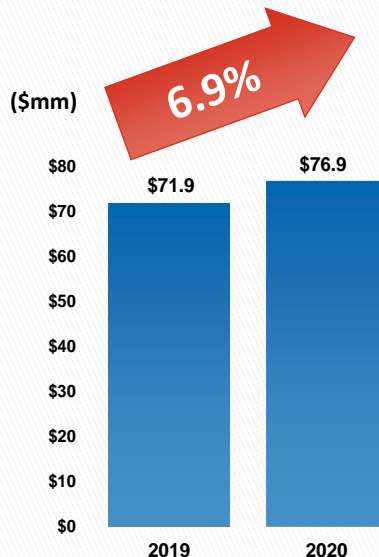
- (1) Refer to page 32 for Adjusted Operating Income and Adjusted Net Income reconciliation.
- (2) Organic sales Fiscal 2019 grew 6.8% year over year.

# Results for Q2 YTD Fiscal 2020

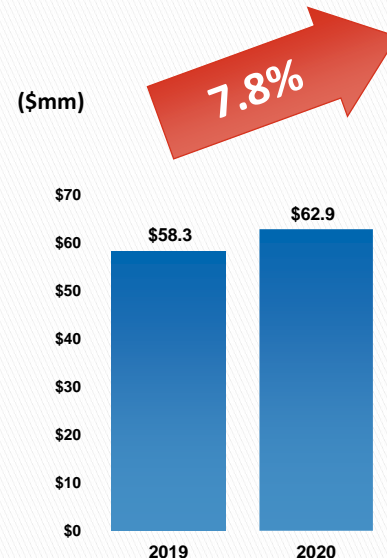
## Revenue



## Adjusted Operating Income



## Adjusted Net Income



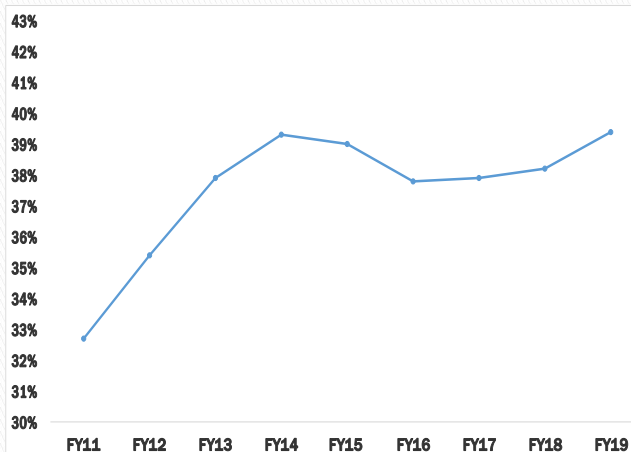
Recent performance has been on track with our internal goals and expectations

- (1) Refer to page 34 for Adjusted Operating Income and Adjusted Net Income reconciliation.
- (2) Organic sales Q2 Fiscal 2020 YTD grew 6.6% year over year

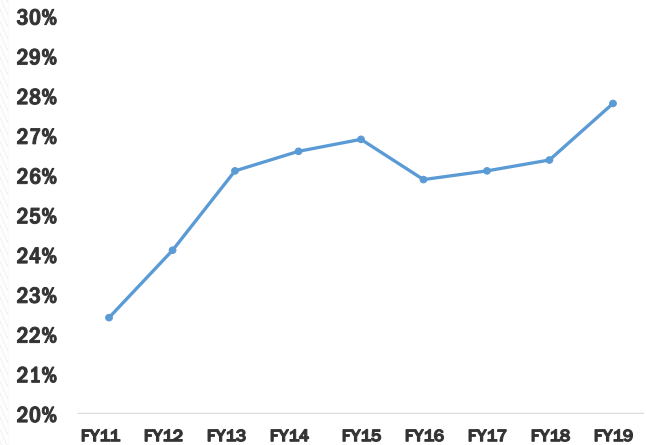
# Gross Margin & Operating Margin Momentum



## Gross Margin



## EBITDA



- (1) Gross Margin equals reported gross margin adjusted for acquisition inventory adjustment
- (2) EBITDA equals Adjusted Operating Income plus Depreciation, Amortization and Incentive Stock Compensation. Refer to page 32 for Adjusted Operating Income, Adjusted Gross Margin and Adjusted Net Income

# RBC Cash Flow Conversion



\$ in millions	Q2 YTD				
	FY2020	FY2019	FY2018	FY2017	FY2016
Cash provided by operating activities	\$ 64.6	\$ 108.5	\$ 130.3	\$ 101.2	\$ 83.4
Capital expenditures	20.2	41.3	28.0	20.9	20.9
Free cash flow	44.4	67.2	102.3	80.3	62.5
Adjusted net income (1)	\$ 62.9	\$ 105.2	\$ 94.3	\$ 75.4	\$ 73.8
<i>Cash flow conversion</i>	70.6%	63.9%	108.5%	106.5%	84.7%
<i>Capital expenditures as a % of net sales</i>	5.5%	5.9%	4.1%	3.4%	3.5%

(1) Refer to pages 32 and 34 for adjusted net income reconciliation.



# RBC Balance Sheet



\$ in millions

	Q2 FY2020	FY2019	FY2018	FY2017	FY2016
Cash and S/T investments	\$ 36.4	\$ 29.9	\$ 54.2	\$ 38.9	\$ 39.2
Other current assets	497.6	473.4	429.5	409.1	389.7
	<u>534.0</u>	<u>503.3</u>	<u>483.7</u>	<u>448.0</u>	<u>428.9</u>
Long-term assets	712.6	644.1	659.1	660.8	669.6
Total Assets	<u>\$ 1,246.6</u>	<u>\$ 1,147.4</u>	<u>\$ 1,142.8</u>	<u>\$ 1,108.8</u>	<u>\$ 1,098.5</u>
Current liabilities	\$ 103.9	\$ 90.1	\$ 105.2	\$ 93.1	\$ 88.3
Long-term debt	25.0	43.2	154.1	255.6	353.2
Other long-term liabilities	75.9	45.5	48.9	43.1	36.1
Total Liabilities	<u>204.8</u>	<u>178.8</u>	<u>308.2</u>	<u>391.8</u>	<u>477.6</u>
Stockholders' Equity	1,041.8	968.6	834.6	717.0	620.9
Total Liabilities and Equity	<u>\$ 1,246.6</u>	<u>\$ 1,147.4</u>	<u>\$ 1,142.8</u>	<u>\$ 1,108.8</u>	<u>\$ 1,098.5</u>
Cash and S/T investments	\$ 36.4	\$ 29.9	\$ 54.2	\$ 38.9	\$ 39.2
Debt	\$ 37.8	\$ 43.2	\$ 173.3	\$ 269.8	\$ 363.7
Net debt (1)/capital	0.1%	1.4%	12.5%	24.4%	34.3%
ROI (2)	12.2%	12.8%	10.5%	8.6%	8.5%

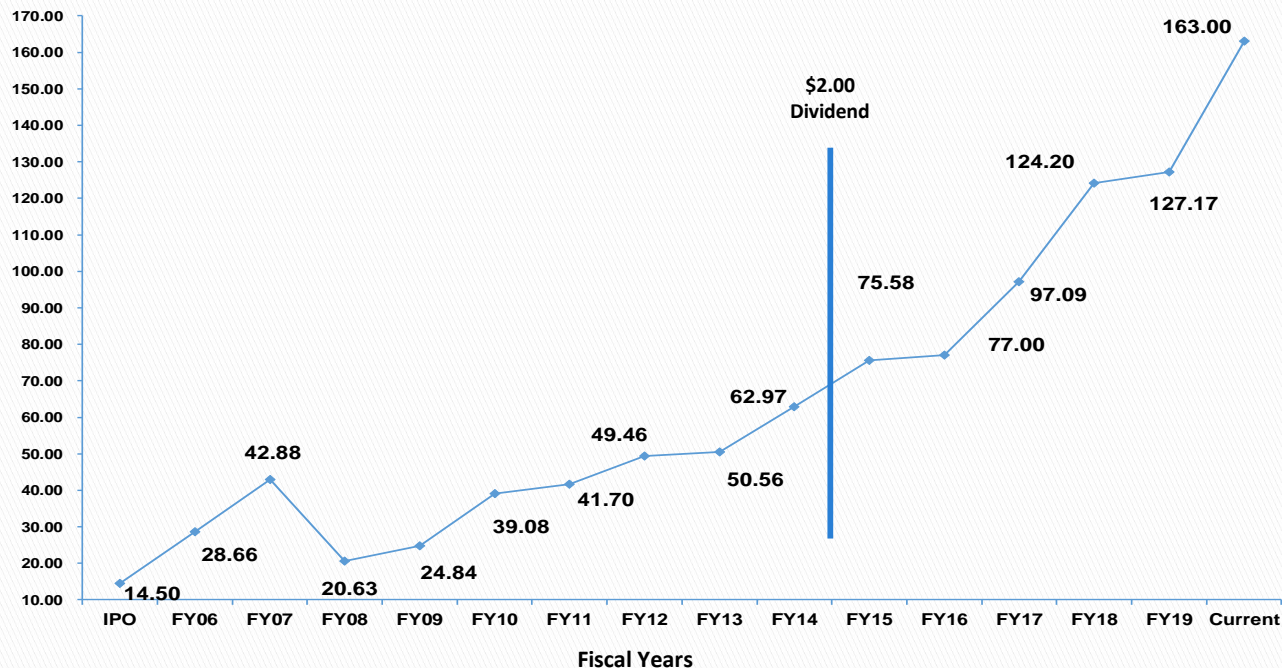
**We have demonstrated prudent capital management with a strong historical ROI and free cash flow**

- (1) Net Debt = Total debt minus cash and short-term investments  
 (2) ROI = Tax affected adjusted LTM operating income/total capitalization

# Track Record of Solid Shareholder Return



Closing Price per Share (\$)



IPO – August 2005

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# Appendix

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# Non-GAAP Financial Measures



In addition to disclosing results of operations that are determined in accordance with generally accepted accounting principles ("GAAP"), this document also discloses non-GAAP results of operations that exclude certain charges. These non-GAAP measures adjust for charges that Management believes are unusual. Management believes that the presentation of these non-GAAP measures provides useful information to investors regarding the Company's results of operations, as these non-GAAP measures allow investors to better evaluate ongoing business performance. Investors should consider non-GAAP measures in addition to, not as a substitute for, financial measures prepared in accordance with GAAP. Reconciliations of the non-GAAP measures disclosed in this document with the most comparable GAAP measures are included in this Appendix and can be found on the Company's website at [www.rbcbearings.com](http://www.rbcbearings.com).

# Reconciliation of Non-GAAP Financial Measures



	<u>FY2019</u>	<u>FY2018</u>	<u>Growth</u> %
<b>Reconciliation of GAAP Net Sales to</b>			
<b>Organic Net Sales:</b>			
Reported GAAP net sales	\$702,516	\$674,949	4.1%
Net sales from divestitures (1)	<u>-</u>	<u>(16,890)</u>	
Organic net sales	\$702,516	\$658,059	6.8%

- (1) Exclude net sales for FY2018 (\$10,933) for RBC Canada, divested in FY2018 and (\$5,957) for Sargent Miami, divested in December FY2019.

# Reconciliation of Non-GAAP Financial Measures



	<u>FY2019</u>	<u>FY2018</u>
<b>Reconciliation of Reported Operating Income to Adjusted Operating Income:</b>		
Reported operating income	\$132,035	\$128,774
Net loss on sale of Miami Division	16,544	-
Integration and restructuring	<u>1,180</u>	<u>7,982</u>
Adjusted operating income	\$149,759	\$136,756
<b>Reconciliation of Reported Net Income to Adjusted Net Income:</b>		
Reported net income	\$105,193	\$87,141
Net loss on sale of Miami Division (1)	12,496	-
Integration and restructuring (1)	1,012	6,991
Foreign exchange translation (gain) loss (1)	(111)	408
TCJA repatriation transition tax	-	9,166
TCJA revaluation of deferred tax liabilities	-	(8,981)
Loss on extinguishment of long term debt (1)	815	-
Withholding tax associated with repatriation of cash	943	-
Discrete tax benefit	<u>(667)</u>	<u>(406)</u>
Adjusted net income	\$119,681	\$94,319

(1) Item was tax effected at the effective tax rate.



# Reconciliation of Non-GAAP Financial Measures



	Q2 YTD FY2020	Q2 YTD FY2019	Growth %
<b>Reconciliation of GAAP Net Sales to</b>			
<b>Organic Net Sales:</b>			
<b>Reported GAAP net sales</b>	<b>\$364,599</b>	<b>\$348,901</b>	<b>4.5%</b>
<b>Net sales from divestitures (1)</b>	<b>-</b>	<b>(8,387)</b>	
<b>Net sales from acquisitions (2)</b>	<b>(1,460)</b>	<b>-</b>	
<b>Organic net sales</b>	<b>\$363,139</b>	<b>\$340,514</b>	<b>6.6%</b>

(1) Exclude net sales for Sargent Miami, divested in December FY2019.

(2) Exclude net sales for Swiss Tool, acquired in August FY2020.

# Reconciliation of Non-GAAP Financial Measures



	Q2 YTD FY2020	Q2 YTD FY2019
<b>Reconciliation of Reported Gross Margin to Adjusted Gross Margin:</b>		
Reported gross margin	\$141,808	\$135,558
Inventory purchase accounting adjustment	84	-
Adjusted gross margin	<u>\$141,892</u>	<u>\$135,558</u>
<b>Reconciliation of Reported Operating Income to Adjusted Operating Income:</b>		
Reported operating income	\$75,799	\$71,882
Inventory purchase accounting adjustment	84	-
Acquisition costs	901	-
Integration and restructuring	84	-
Adjusted operating income	<u>\$76,868</u>	<u>\$71,882</u>
<b>Reconciliation of Reported Net Income to Adjusted Net Income:</b>		
Reported net income	\$61,769	\$57,578
Loss on extinguishment of long term debt(1)	-	815
Inventory purchase accounting adjustment(1)	72	-
Acquisition costs(1)	769	-
Integration and restructuring (1)	72	-
Foreign exchange translation (gain) loss (1)	348	10
Discrete tax benefit	(151)	(73)
Adjusted net income	<u>\$62,879</u>	<u>\$58,330</u>

(1) Item was tax effected at the effective tax rate.