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 September 26, 2020

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: 333-124824

RBC BEARINGS INCORPORATED

(Exact name of registrant as specified in its charter)

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

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

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

Title of Each Class	Trading Symbol	Name of Each Exchange on Which Registered
Common Stock, par value $0.01 per share	ROLL	Nasdaq NMS

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	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
Emerging growth company	☐		

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

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

As of October 23, 2020, RBC Bearings Incorporated had 25,101,224 shares of Common Stock outstanding.

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PART I. FINANCIAL INFORMATION

ITEM 1. Consolidated Financial Statements

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

	September 26, 2020	March 28, 2020
	(Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 166,352	$ 103,255
Accounts receivable, net of allowance for doubtful accounts of $1,703 at September 26, 2020 and $1,627 at March 28, 2020	108,078	128,995
Inventory	371,546	367,494
Prepaid expenses and other current assets	15,038	12,262
Total current assets	661,014	612,006
Property, plant and equipment, net	214,347	219,846
Operating lease assets, net	29,686	28,953
Goodwill	277,784	277,776
Intangible assets, net of accumulated amortization of $58,408 at September 26, 2020 and $55,732 at March 28, 2020	159,034	162,747
Other assets	26,020	20,584
Total assets	$ 1,367,885	$ 1,321,912
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 39,600	$ 51,038
Accrued expenses and other current liabilities	36,468	40,580
Current operating lease liabilities	5,808	5,708
Current portion of long-term debt	6,634	6,429
Total current liabilities	88,510	103,755
Deferred income taxes	20,700	16,560
Long-term debt, less current portion	13,758	16,583
Long-term operating lease liabilities	24,160	23,396
Other non-current liabilities	48,653	43,619
Total liabilities	195,781	203,913
Stockholders' equity:		
Preferred stock, $.01 par value; authorized shares: 10,000,000 at September 26, 2020 and March 28, 2020, respectively; none issued or outstanding	—	—
Common stock, $.01 par value; authorized shares: 60,000,000 at September 26, 2020 and March 28, 2020, respectively; issued shares: 25,970,673 and 25,881,415 at September 26, 2020 and March 28, 2020, respectively	260	259
Additional paid-in capital	425,488	412,400
Accumulated other comprehensive loss	(4,593)	(6,898)
Retained earnings	812,329	769,219
Treasury stock, at cost, 870,223 shares and 838,982 shares at September 26, 2020 and March 28, 2020, respectively	(61,380)	(56,981)
Total stockholders' equity	1,172,104	1,117,999
Total liabilities and stockholders' equity	$ 1,367,885	$ 1,321,912

See accompanying notes.

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

	Three Months Ended		Six Months Ended	
	September 26, 2020	**September 28, 2019**	**September 26, 2020**	**September 28, 2019**
Net sales	$ 146,335	$ 181,909	$ 302,828	$ 364,599
Cost of sales	89,739	110,795	186,779	222,791
Gross margin	56,596	71,114	116,049	141,808
Operating expenses:				
Selling, general and administrative	26,023	30,774	52,852	60,861
Other, net	4,210	3,031	8,020	5,148
Total operating expenses	30,233	33,805	60,872	66,009
Operating income	26,363	37,309	55,177	75,799
Interest expense, net	343	473	768	1,020
Other non-operating expense	211	195	253	364
Income before income taxes	25,809	36,641	54,156	74,415
Provision for income taxes	5,388	5,371	11,046	12,646
Net income	$ 20,421	$ 31,270	$ 43,110	$ 61,769
Net income per common share:				
Basic	$ 0.82	$ 1.27	$ 1.74	$ 2.52
Diluted	$ 0.82	$ 1.26	$ 1.73	$ 2.49
Weighted average common shares:				
Basic	24,823,658	24,584,369	24,793,245	24,543,038
Diluted	24,957,158	24,905,173	24,944,608	24,856,561

See accompanying notes.

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

	Three Months Ended		Six Months Ended	
	September 26, 2020	**September 28, 2019**	**September 26, 2020**	**September 28, 2019**
Net income	$ 20,421	$ 31,270	$ 43,110	$ 61,769
Pension and postretirement liability adjustments, net of taxes (1)	259	178	519	356
Foreign currency translation adjustments	1,377	(1,869)	1,786	673
Total comprehensive income	$ 22,057	$ 29,579	$ 45,415	$ 62,798

(1) These adjustments were net of tax expense of $79 and $55 for the three-month periods ended September 26, 2020 and September 28, 2019, respectively and $158 and $109 for the six-month periods ended September 26, 2020 and September 28, 2019, respectively.

See accompanying notes.

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

	Common Stock		Additional Paid-in	Accumulated Other Comprehensive	Retained	Treasury Stock		Total Stockholders'
	Shares	Amount	Capital	Income/(Loss)	Earnings	Shares	Amount	Equity
Balance at March 28, 2020	25,881,415	$ 259	$ 412,400	$ (6,898)	$ 769,219	(838,982)	$ (56,981)	$ 1,117,999
Net income	—	—	—	—	22,689	—	—	22,689
Share-based compensation	—	—	5,438	—	—	—	—	5,438
Repurchase of common stock	—	—	—	—	—	(31,179)	(4,391)	(4,391)
Exercise of equity awards	4,200	—	231	—	—	—	—	231
Change in net prior service cost and actuarial losses, net of taxes of $79	—	—	—	260	—	—	—	260
Issuance of restricted stock, net of forfeitures	56,157	—	—	—	—	—	—	—
Currency translation adjustments	—	—	—	409	—	—	—	409
Balance at June 27, 2020	25,941,772	$ 259	$ 418,069	$ (6,229)	$ 791,908	(870,161)	$ (61,372)	$ 1,142,635
Net income	—	—	—	—	20,421	—	—	20,421
Share-based compensation	—	—	5,231	—	—	—	—	5,231
Repurchase of common stock	—	—	—	—	—	(62)	(8)	(8)
Exercise of equity awards	31,200	1	2,188	—	—	—	—	2,189
Change in net prior service cost and actuarial losses, net of taxes of $79	—	—	—	259	—	—	—	259
Issuance of restricted stock, net of forfeitures	(2,299)	—	—	—	—	—	—	—
Currency translation adjustments	—	—	—	1,377	—	—	—	1,377
Balance at September 26, 2020	25,970,673	$ 260	$ 425,488	$ (4,593)	$ 812,329	(870,223)	$ (61,380)	$ 1,172,104

See accompanying notes.

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

	Common Stock		Additional Paid-in	Accumulated Other Comprehensive	Retained	Treasury Stock		Total Stockholders'
	Shares	Amount	Capital	Income/(Loss)	Earnings	Shares	Amount	Equity
Balance at March 30, 2019	25,607,196	$ 256	$ 378,655	$ (7,467)	$ 641,894	(752,913)	$ (44,772)	$ 968,566
Net income	—	—	—	—	30,499	—	—	30,499
Share-based compensation	—	—	4,802	—	—	—	—	4,802
Repurchase of common stock	—	—	—	—	—	(69,877)	(9,514)	(9,514)
Exercise of equity awards	4,356	1	275	—	—	—	—	276
Change in net prior service cost and actuarial losses, net of taxes of $54	—	—	—	178	—	—	—	178
Issuance of restricted stock, net of forfeitures	86,490	—	—	—	—	—	—	—
Impact from adoption of ASU 2018-02	—	—	—	(1,289)	1,289	—	—	—
Currency translation adjustments	—	—	—	2,542	—	—	—	2,542
Balance at June 29, 2019	25,698,042	$ 257	$ 383,732	$ (6,036)	$ 673,682	(822,790)	$ (54,286)	$ 997,349
Net income	—	—	—	—	31,270	—	—	31,270
Share-based compensation	—	—	5,059	—	—	—	—	5,059
Repurchase of common stock	—	—	—	—	—	(2,048)	(334)	(334)
Exercise of equity awards	138,898	1	10,184	—	—	—	—	10,185
Change in net prior service cost and actuarial losses, net of taxes of $55	—	—	—	178	—	—	—	178
Issuance of restricted stock, net of forfeitures	5,677	—	—	—	—	—	—	—
Currency translation adjustments	—	—	—	(1,869)	—	—	—	(1,869)
Balance at September 28, 2019	25,842,617	$ 258	$ 398,975	$ (7,727)	$ 704,952	(824,838)	$ (54,620)	$ 1,041,838

See accompanying notes.

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

	Six Months Ended	
	September 26, 2020	**September 28, 2019**
Cash flows from operating activities:		
Net income	$ 43,110	$ 61,769
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	11,744	10,729
Deferred income taxes	4,051	898
Amortization of intangible assets	5,089	4,593
Amortization of deferred financing costs	259	207
Share-based compensation	10,669	9,861
Other non-cash charges	3,004	75
Changes in operating assets and liabilities, net of acquisitions:		
Accounts receivable	21,267	2,303
Inventory	(4,981)	(13,125)
Prepaid expenses and other current assets	(2,812)	(5,617)
Other non-current assets	(6,885)	(1,777)
Accounts payable	(11,554)	678
Accrued expenses and other current liabilities	(4,137)	(5,760)
Other non-current liabilities	5,655	(216)
Net cash provided by operating activities	74,479	64,618
Cash flows from investing activities:		
Purchase of property, plant and equipment	(6,008)	(20,216)
Proceeds from sale of assets	10	300
Acquisition of business	245	(33,842)
Net cash used in investing activities	(5,753)	(53,758)
Cash flows from financing activities:		
Proceeds received from revolving credit facilities	-	9,435
Proceeds received from term loans	-	15,383
Repayments of revolving credit facilities	-	(30,000)
Repayments of term loans	(3,287)	-
Repayments of notes payable	(249)	(235)
Finance fees paid in connection with credit facilities and term loans	-	(276)
Exercise of stock options	2,420	10,461
Repurchase of common stock	(4,399)	(9,848)
Net cash used in financing activities	(5,515)	(5,080)
Effect of exchange rate changes on cash	(114)	734
Cash and cash equivalents:		
Increase during the period	63,097	6,514
Cash and cash equivalents, at beginning of period	103,255	29,884
Cash and cash equivalents, at end of period	$ 166,352	$ 36,398
Supplemental disclosures of cash flow information:		
Cash paid for:		
Income taxes	$ 6,559	$ 17,147
Interest	516	759

See accompanying notes.

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 interim financial statements included with this report 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 March 28, 2020. 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 (U.S. 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 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 the Annual Report on Form 10-K.

The results of operations for the three- and six-month periods ended September 26, 2020 are not necessarily indicative of the operating results for the entire fiscal year ending April 3, 2021. The three- and six-month periods ended September 26, 2020 and September 28, 2019 each include 13 weeks and 26 weeks, respectively. The amounts shown are in thousands, unless otherwise indicated.

2. Significant Accounting Policies

The Company’s significant accounting policies are detailed in “Note 2 - Summary of Significant Accounting Policies” of our Annual Report on Form 10-K for the year ended March 28, 2020. Significant changes to our accounting policies as a result of adopting new accounting standards are discussed below.

Recent Accounting Standards Adopted

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

In January 2017, the FASB issued ASU No. 2017-04, *Intangibles – Goodwill and Other (Topic 350)*: *Simplifying the Test for Goodwill Impairment*. The objective of this standard update is to simplify the subsequent measurement of goodwill, eliminating Step 2 from the goodwill impairment test. Under this ASU, an entity should perform its annual goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. An entity would recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value, assuming the loss recognized does not exceed the total amount of goodwill for the reporting unit. The standard update is effective for fiscal years beginning after December 15, 2019. Early adoption is permitted. The adoption of this ASU did not have a material impact on the Company's consolidated financial statements.

Recent Accounting Standards Yet to Be Adopted

In December 2019, the FASB issued ASU No. 2019-12, *Income Taxes (Topic 740)*: *Simplifying the Accounting for Income Taxes*. The objective of this standard update is to simplify the accounting for income taxes by removing certain exceptions to the general principles in Topic 740. This ASU also attempts to improve consistent application of and simplify GAAP for other areas of Topic 740 by clarifying and amending existing guidance. This standard update is effective for fiscal years beginning after December 15, 2020, including interim periods within those fiscal years. The Company is currently evaluating the effect that the adoption of this ASU will have on the Company's consolidated financial statements.

Other new pronouncements issued but not effective until after April 3, 2021 are not expected to have a material impact on our financial position, results of operations or liquidity.

3. Revenue from Contracts with Customers

Disaggregation of Revenue

The Company operates in four business segments with similar economic characteristics, including nature of the products and production processes, distribution patterns and classes of customers. Revenue is disaggregated within these business segments by our two principal end markets: aerospace and industrial. Comparative information of the Company's overall revenues for the three- and six-month periods ended September 26, 2020 and September 28, 2019 are as follows:

Principal End Markets

	Three Months Ended					
	September 26, 2020			September 28, 2019		
	Aerospace	Industrial	Total	Aerospace	Industrial	Total
Plain	$ 51,040	$ 20,013	$ 71,053	$ 70,287	$ 19,720	$ 90,007
Roller	10,674	10,905	21,579	17,643	14,942	32,585
Ball	7,311	13,788	21,099	5,086	12,338	17,424
Engineered Products	18,116	14,488	32,604	24,368	17,525	41,893
	$ 87,141	$ 59,194	$ 146,335	$ 117,384	$ 64,525	$ 181,909

	Six Months Ended					
	September 26, 2020			September 28, 2019		
	Aerospace	Industrial	Total	Aerospace	Industrial	Total
Plain	$ 110,392	$ 39,536	$ 149,928	$ 137,593	$ 39,903	$ 177,496
Roller	23,904	20,575	44,479	36,956	32,488	69,444
Ball	14,333	25,606	39,939	10,516	24,618	35,134
Engineered Products	37,494	30,988	68,482	48,638	33,887	82,525
	$ 186,123	$ 116,705	$ 302,828	$ 233,703	$ 130,896	$ 364,599

Remaining Performance Obligations

Remaining performance obligations represent the transaction price of orders meeting the definition of a contract under Accounting Standards Codification (ASC) 606 for which work has not been performed or has been partially performed and excludes unexercised contract options. The duration of many of our contracts, as defined by ASC 606, is less than one year. The Company has elected to apply the practical expedient that allows companies to exclude remaining performance obligations with an original expected duration of one year or less. Performance obligations having a duration of more than one year are concentrated in contracts for certain products and services provided to the U.S. government or its contractors. 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 $259,351 at September 26, 2020. The Company expects to recognize revenue on approximately 59% and 88% 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.

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

Contract 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.

These assets and liabilities are reported on the consolidated balance sheets at the end of each reporting period. As of September 26, 2020 and March 28, 2020, accounts receivable with customers, net, were $108,078 and $128,995, respectively. The tables below represent a roll-forward of contract assets and contract liabilities for the six-month period ended September 26, 2020:

Contract Assets - Current [(1)]

Balance at March 28, 2020	$	2,604
Additional revenue recognized in excess of billings		3,732
Less: amounts billed to customers		(1,732)
Balance at September 26, 2020	$	4,604

(1) Included within prepaid expenses and other current assets on the consolidated balance sheets.

Contract Liabilities – Current [2]

Balance at March 28, 2020	$	11,116
Payments received prior to revenue being recognized		6,611
Revenue recognized		(9,326)
Reclassification (to)/from noncurrent		(498)
Balance at September 26, 2020	$	7,903

(2) Included within accrued expenses and other current liabilities on the consolidated balance sheets. During the first six months of fiscal 2021, the Company recognized revenues of $7,765 that were included within contract liabilites at March 28, 2020.

Contract Liabilities – Noncurrent [3]

Balance at March 28, 2020	$	2,427
Payments received prior to revenue being recognized		395
Reclassification (to)/from current		498
Balance at September 26, 2020	$	3,320

(3) Included within other non-current liabilities on the consolidated balance sheets.

As of September 26, 2020, the Company did not have any contract assets classified as noncurrent on the consolidated balance sheet.

4. Accumulated Other Comprehensive Income (Loss)

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

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

	Currency Translation	Pension and Postretirement Liability	Total
Balance at March 28, 2020	$ (582)	$ (6,316)	$ (6,898)
Other comprehensive income before reclassifications	1,786	—	1,786
Amounts reclassified from accumulated other comprehensive income	—	519	519
Net current period other comprehensive income	1,786	519	2,305
Balance at September 26, 2020	$ 1,204	$ (5,797)	$ (4,593)

5. Net Income Per Common Share

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

Diluted net income per common share is computed by dividing net income by the sum of the weighted-average number of common shares and dilutive common share equivalents then outstanding using the treasury stock method. Common share equivalents consist of the incremental common shares issuable upon the vesting or exercise of stock awards.

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

	Three Months Ended		Six Months Ended	
	September 26, 2020	September 28, 2019	September 26, 2020	September 28, 2019
Net income	$ 20,421	$ 31,270	$ 43,110	$ 61,769
Denominator for basic net income per common share — weighted-average shares outstanding	24,823,658	24,584,369	24,793,245	24,543,038
Effect of dilution due to employee stock awards	133,500	320,804	151,363	313,523
Denominator for diluted net income per common share — weighted-average shares outstanding	24,957,158	24,905,173	24,944,608	24,856,561
Basic net income per common share	$ 0.82	$ 1.27	$ 1.74	$ 2.52
Diluted net income per common share	$ 0.82	$ 1.26	$ 1.73	$ 2.49

At September 26, 2020, 502,861 employee stock options and 115,185 restricted shares have been excluded from the calculation of diluted earnings per share. At September 28, 2019, 209,040 employee stock options and no restricted shares have been excluded from the calculation of diluted earnings per share. The inclusion of these employee stock options and restricted shares would be anti-dilutive.

6. Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Short-term investments, if any, are comprised of equity securities and are measured at fair value by using quoted prices in active markets and are classified as Level 1 of the valuation hierarchy.

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:

	September 26, 2020	March 28, 2020
Raw materials	$ 52,807	$ 51,362
Work in process	89,310	97,286
Finished goods	229,429	218,846
	$ 371,546	$ 367,494

8. Debt

The balances payable under all borrowing facilities are as follows:

	September 26, 2020	March 28, 2020
Revolver and term loan facilities	$ 15,818	$ 18,593
Debt issuance costs	(1,430)	(1,687)
Other	6,004	6,106
Total debt	20,392	23,012
Less: current portion	6,634	6,429
Long-term debt	$ 13,758	$ 16,583

The current portion of long-term debt as of September 26, 2020 includes the current portion of the foreign term loan, foreign revolving facility and the Schaublin mortgage, all of which are discussed below in further detail.

Domestic Credit Facility

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

Amounts outstanding under the Revolver generally bear interest at (a) a base rate determined by reference to the higher of (1) Wells Fargo's prime lending rate, (2) the federal funds effective rate plus 1/2 of 1% and (3) the one-month LIBOR rate plus 1%, or (b) LIBOR plus a specified margin, depending on the type of borrowing being made. The applicable margin is based on the Company's consolidated ratio of total net debt to consolidated EBITDA at each measurement date. Currently, the Company's margin is 0.00% for base rate loans and 0.75% for LIBOR loans.

The Credit Agreement requires the Company to comply with various covenants, including among other things, a financial covenant to maintain a ratio of consolidated net debt to adjusted EBITDA not greater than 3.50 to 1. The Credit Agreement allows the Company to, among other things, make distributions to shareholders, repurchase its stock, incur other debt or liens, or acquire or dispose of assets provided that the Company complies with certain requirements and limitations of the Credit Agreement. As of September 26, 2020, the Company was in compliance with all such covenants.

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

Approximately $3,700 of the Revolver is being utilized to provide letters of credit to secure the Company's obligations relating to certain insurance programs. As of September 26, 2020, $1,319 in unamortized debt issuance costs remain. The Company has the ability to borrow up to an additional $246,300 under the Revolver as of September 26, 2020.

Foreign Term Loan and Revolving Credit Facility

On August 15, 2019, one of our foreign subsidiaries, Schaublin SA ("Schaublin"), entered into two separate credit agreements (the "Foreign Credit Agreements") with Credit Suisse (Switzerland) Ltd. to finance the acquisition of Swiss Tool and provide future working capital. The Foreign Credit Agreements provided Schaublin with a CHF 15,000 (approximately $15,383) term loan (the "Foreign Term Loan"), which expires on July 31, 2024 and a CHF 15,000 (approximately $15,383) revolving credit facility (the "Foreign Revolver"), which continues in effect until terminated by either Schaublin or Credit Suisse. Debt issuance costs associated with the Foreign Credit Agreements totaled CHF 270 (approximately $277) and will be amortized throughout the life of the Foreign Credit Agreements.

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

The Foreign Credit Agreements require Schaublin to comply with various covenants, which are tested annually on March 31. These covenants include, among other things, a financial covenant to maintain a ratio of consolidated net debt to adjusted EBITDA not greater than 3.00 to 1 as of March 31, 2020 and not greater than 2.50 to 1 as of March 31, 2021 and thereafter. Schaublin is also required to maintain an economic equity of CHF 20,000 at all times. The Foreign Credit Agreements allow Schaublin to, among other things, incur other debt or liens and acquire or dispose of assets provided that Schaublin complies with certain requirements and limitations of the Foreign Credit Agreements. As of March 31, 2020, Schaublin was in compliance with all such covenants.

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

As of September 26, 2020, there was approximately $2,906 outstanding under the Foreign Revolver and approximately $12,912 outstanding under the Foreign Term Loan. These borrowings have been classified as Level 2 of the valuation hierarchy. As of September 26, 2020, approximately $111 in unamortized debt issuance costs remain. Schaublin has the ability to borrow up to an additional $13,235 under the Foreign Revolver as of September 26, 2020.

Schaublin's required future annual principal payments are approximately $6,134 for the next twelve months and approximately $3,228 for each year for the next three years.

Other Notes Payable

On October 1, 2012, Schaublin purchased the land and building that it occupied and had been leasing for approximately $14,910. Schaublin obtained a 20-year fixed-rate mortgage of approximately $9,857 at an interest rate of 2.9%. The balance of the purchase price of approximately $5,053 was paid from cash on hand. The balance on this mortgage as of September 26, 2020 was approximately $6,004 and has been classified as Level 2 of the valuation hierarchy.

The Company's required future annual principal payments are approximately $500 each year for the next five years and $3,504 thereafter.

9. 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 April 2, 2005. The Company is no longer subject to U.S. federal tax examination by the Internal Revenue Service for years ending before April 1, 2017.

The effective income tax rates for the three-month periods ended September 26, 2020 and September 28, 2019 were 20.9% and 14.7%, respectively. In addition to discrete items, the effective income tax rates for these periods are different from the U.S. statutory rates due to the foreign-derived intangible income provision and U.S. credit for increasing research activities, which decrease the rate, and state income taxes, which increase the rate.

The effective income tax rate for the three-month period ended September 26, 2020 of 20.9% includes $364 of tax benefits associated with share-based compensation. The effective income tax rate without discrete items for the three-month period ended September 26, 2020 would have been 22.0%. The effective income tax rate for the three-month period ended September 28, 2019 of 14.7% includes $2,529 of tax benefits associated with share-based compensation. The effective income tax rate without discrete items for the three-month period ended September 28, 2019 would have been 21.3%. The Company believes it is reasonably possible that some of its unrecognized tax positions may be effectively settled within the next twelve months due to the closing of audits and the statute of limitations expiring in varying 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 $1,524.

Income tax expense for the six-month period ended September 26, 2020 was $11,046 compared to $12,646 for the six-month period ended September 28, 2019. Our effective income tax rate for the six-month period ended September 26, 2020 was 20.4% compared to 17.0% for the six-month period ended September 28, 2019. The effective income tax rate for the six-month period ended September 26, 2020 of 20.4% includes $679 of tax benefits associated with share-based compensation. The effective income tax rate without these benefits and other items for the six-month period ended September 26, 2020 would have been 21.6%. The effective income tax rate for the six-month period ended September 28, 2019 of 17.0% included $3,039 of tax benefits associated with share-based compensation and $241 of tax benefits associated with other permanent adjustments from filing the Company's fiscal 2018 foreign tax returns. The effective income tax rate without these benefits and other items for the six-month period ended September 28, 2019 would have been 21.3%.

10. Reportable Segments

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

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

Plain Bearings. Plain bearings are produced with either self-lubricating or metal-to-metal designs and consists of several sub-classes, including rod end bearings, spherical plain bearings and journal bearings. Unlike ball bearings, which are used in high-speed rotational applications, plain bearings are primarily used to rectify inevitable misalignments in various mechanical components.

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

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

Engineered Products. Engineered Products consists of highly engineered hydraulics, fasteners, collets and precision components used in aerospace, marine and industrial applications.

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.

	Three Months Ended		Six Months Ended	
	September 26, 2020	September 28, 2019	September 26, 2020	September 28, 2019
Net External Sales				
Plain	$ 71,053	$ 90,007	$ 149,928	$ 177,496
Roller	21,579	32,585	44,479	69,444
Ball	21,099	17,424	39,939	35,134
Engineered Products	32,604	41,893	68,482	82,525
	$ 146,335	$ 181,909	$ 302,828	$ 364,599
Gross Margin				
Plain	$ 29,750	$ 35,700	$ 61,827	$ 69,814
Roller	6,236	13,396	14,643	27,920
Ball	9,129	7,503	17,056	15,302
Engineered Products	11,481	14,515	22,523	28,772
	$ 56,596	$ 71,114	$ 116,049	$ 141,808
Selling, General & Administrative Expenses				
Plain	$ 5,276	$ 6,534	$ 10,547	$ 13,048
Roller	1,162	1,647	2,401	3,261
Ball	1,289	1,574	2,635	3,207
Engineered Products	3,838	4,434	7,650	8,737
Corporate	14,458	16,585	29,619	32,608
	$ 26,023	$ 30,774	$ 52,852	$ 60,861
Operating Income				
Plain	$ 23,472	$ 28,255	$ 48,873	$ 55,080
Roller	4,481	11,734	11,580	24,304
Ball	7,803	5,907	14,354	12,044
Engineered Products	6,112	8,423	12,093	17,425
Corporate	(15,505)	(17,010)	(31,723)	(33,054)
	$ 26,363	$ 37,309	$ 55,177	$ 75,799
Intersegment Sales				
Plain	$ 1,212	$ 1,509	$ 2,774	$ 3,356
Roller	2,171	4,023	5,549	7,224
Ball	464	916	1,131	1,585
Engineered Products	6,832	10,751	17,481	21,573
	$ 10,679	$ 17,199	$ 26,935	$ 33,738

All intersegment sales are eliminated in consolidation.

11. Acquisition

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

12. Restructuring and Consolidation

In the second quarter of fiscal 2021, the Company made the decision to consolidate two of its manufacturing facilities. This resulted in $2,579 of non-cash restructuring charges comprised of $1,994 of inventory rationalization costs included within cost of sales and $585 of fixed asset disposals included within other operating expenses. These restructuring charges are included within the Roller segment.

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

Cautionary Statement as to Forward-Looking Information

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) our results are likely to be impacted by the COVID-19 pandemic; (d) 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; (e) future reductions or changes in U.S. government spending could negatively affect our business; (f) 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; (g) 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; (h) 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; (i) the retirement of commercial aircraft could reduce our revenues, cash flows and profitability; (j) work stoppages and other labor problems could materially reduce our ability to operate our business; (k) unexpected equipment failures, catastrophic events or capacity constraints could increase our costs and reduce our sales due to production curtailments or shutdowns; (l) we may not be able to continue to make the acquisitions necessary for us to realize our growth strategy; (m) businesses that we have acquired or that we may acquire in the future may have liabilities which are not known to us; (n) 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; (o) we depend heavily on our senior management and other key personnel, the loss of whom could materially affect our financial performance and prospects; (p) our international operations are subject to risks inherent in such activities; (q) currency translation risks may have a material impact on our results of operations; (r) we are subject to changes in legislative, regulatory and legal developments involving income and other taxes; (s) we may be required to make significant future contributions to our pension plan; (t) we may incur material losses for product liability and recall-related claims; (u) 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; (v) 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; (w) cancellation of orders in our backlog could negatively impact our revenues, cash flows and profitability; (x) 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; (y) litigation could adversely affect our financial condition; (z) changes in accounting standards or changes in the interpretations of existing standards could affect our financial results; (aa) risks associated with utilizing information technology systems could adversely affect our operations. 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 the Annual Report on Form 10-K for the year ended March 28, 2020. 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, which appears elsewhere in this Quarterly Report.

Overview

We are a well-known international manufacturer and maker of highly engineered precision bearings and components. Our precision solutions are integral to the manufacture and operation of most machines and mechanical systems, reduce wear to moving parts, facilitate proper power transmission, and reduce damage and energy loss caused by friction. While we manufacture products in all major 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 unique expertise has enabled us to garner leading positions in many of the product markets in which we primarily compete. With 42 facilities in 7 countries, of which 33 are manufacturing facilities, we have been able to significantly broaden our end markets, products, customer base and geographic reach. We currently operate under four reportable business segments: Plain Bearings, Roller Bearings, Ball Bearings, and Engineered Products. The following further describes these reportable segments:

Plain Bearings. Plain bearings are produced with either self-lubricating or metal-to-metal designs and consists of several sub-classes, including rod end bearings, spherical plain bearings and journal bearings. Unlike ball bearings, which are used in high-speed rotational applications, plain bearings are primarily used to rectify inevitable misalignments in various mechanical components.

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

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

Engineered Products. Engineered Products consists of highly engineered hydraulics, fasteners, collets and precision components used in aerospace, marine and industrial applications.

Purchasers of bearings and engineered products include industrial equipment and machinery manufacturers, producers of commercial and military aerospace equipment such as missiles and radar systems, agricultural machinery manufacturers, construction, energy, mining, marine and specialized equipment manufacturers, marine products, automotive and commercial truck manufacturers. The markets for our products are cyclical, and we have endeavored to mitigate this cyclicality by entering into sole-source relationships and long-term purchase agreements, through diversification across multiple market segments within the aerospace and defense and diversified industrial segments, by increasing sales to the aftermarket and by focusing on developing highly customized solutions.

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

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

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

- ***Increasing aftermarket sales.*** We believe that increasing our aftermarket sales of replacement parts will further enhance the continuity and predictability of our revenues and enhance our profitability. Such sales include sales to third party distributors and sales to OEMs for replacement products and aftermarket services. We will 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 September 26, 2020 decreased 19.6% compared to the same period last fiscal year. The decrease in net sales was a result of a 25.8% decrease in our aerospace markets and an 8.3% decrease in our industrial markets. The decrease in aerospace sales was primarily due to the commercial markets, both OEM and aftermarket, offset by increases in our defense business. The decrease in industrial sales was driven by decreases in the mining, energy, marine, and general industrial markets. Excluding $0.4 million of July sales associated with Swiss Tool, which was acquired in August fiscal 2020, overall net sales decreased 19.8% year over year. Our backlog, as of September 26, 2020, was $403.0 million compared to $473.2 million as of September 28, 2019.

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

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

Our production and sales in the second quarter of fiscal 2021 have been negatively affected by the economic implications of the pandemic. We expect that commercial aerospace OEM and aftermarket will continue to be impacted by the year-over-year decline in air travel and changes in aircraft production rates. Conversely, our sales to aerospace defense markets are expected to grow throughout fiscal 2021. Sales in these markets grew 24.1% during the second quarter of fiscal 2021 (17.8% for the first six months of fiscal 2021) as compared to the same period last year. Our sales to industrial markets will be adversely affected in the next quarter of fiscal 2021 due to the slowdown of economic activity compared to last year. Management is continuously evaluating the status of our orders and operations, and restructuring efforts are being implemented where necessary to align our cost structure to the new demand levels we experience in the marketplace.

We experienced solid cash flow generation during the second quarter of fiscal 2021 (as discussed in the section "Liquidity and Capital Resources" below). Management believes that these operating cash flows and available credit under all credit agreements will provide adequate resources to fund internal and external growth initiatives for the foreseeable future, including at least the next twelve months. As of September 26, 2020, we had cash and cash equivalents of $166.4 million of which approximately $13.1 million was cash held by our foreign operations.

The Company expects net sales to be approximately $140.0 million to $145.0 million in the third quarter of fiscal 2021.

Results of Operations
(dollars in millions)

	Three Months Ended			
	September 26, 2020	September 28, 2019	$ Change	% Change
Total net sales	$ 146.3	$ 181.9	$ (35.6)	(19.6)%
Net income	$ 20.4	$ 31.3	$ (10.9)	(34.7)%
Net income per common share: diluted	$ 0.82	$ 1.26		
Weighted average common shares: diluted	24,957,158	24,905,173		

Our net sales for the three-month period ended September 26, 2020 decreased 19.6% compared to the same period last fiscal year. The decrease in net sales was a result of a 25.8% decrease in our aerospace markets and an 8.3% decrease in our industrial markets. The decrease in aerospace sales was primarily due to the commercial markets, both OEM and aftermarket, which were down 36.7%, offset by increases in our defense business of 24.1%. The decrease in industrial sales was driven by decreases in the mining, energy, marine and general industrial markets partially offset by increases in the semiconductor, military vehicles, wind, nuclear, and a few other industrial markets. Excluding $0.4 million of July sales associated with Swiss Tool, which was acquired in August fiscal 2020, overall net sales decreased 19.8% year over year.

Net income for the second quarter of fiscal 2021 was $20.4 million compared to $31.3 million for the same period last year. Net income for the second quarter of fiscal 2021 was affected by $2.8 million of after-tax restructuring costs and related items primarily associated with the consolidation of two manufacturing facilities and $0.1 million of losses on foreign exchange partially offset by $0.4 million of tax benefits associated with share-based compensation and $0.1 million of other discrete tax benefits. Net income for the second quarter of fiscal 2020 was affected by $2.5 million of tax benefits associated with share-based compensation partially offset by $0.8 million of after-tax costs associated with the acquisition of Swiss Tool, $0.1 million of losses on foreign exchange and $0.1 million of other discrete tax losses.

	Six Months Ended			
	September 26, 2020	September 28, 2019	$ Change	% Change
Total net sales	$ 302.8	$ 364.6	$ (61.8)	(16.9)%
Net income	$ 43.1	$ 61.8	$ (18.7)	(30.2)%
Net income per common share: diluted	$ 1.73	$ 2.49		
Weighted average common shares: diluted	24,944,608	24,856,561		

Net sales decreased $61.8 million, or 16.9% for the six-month period ended September 26, 2020 over the same period last year. The decrease in net sales was mainly the result of a 20.4% decrease in aerospace sales and a 10.8% decrease in industrial sales. The decrease in aerospace sales was primarily due to the commercial markets, both OEM and aftermarket, which were down 29.2%, which was partially offset by defense OEM and aftermarket, which increased 17.8% year over year. The decrease in industrial sales was primarily due to mining, energy, and general industrial markets partially offset by increases in the semiconductor, military vehicles, wind, nuclear, and a few other industrial markets. Excluding $2.6 million of sales associated with Swiss Tool, overall net sales decreased 17.7% year over year.

Net income for the six months ended September 26, 2020 was $43.1 million compared to $61.8 million for the same period last year. Net income for the six month period in fiscal 2021 was affected by $3.7 million of after-tax restructuring costs and related items and $0.2 million of losses on foreign exchange partially offset by $0.7 million of tax benefits associated with share-based compensation and $0.1 million of other discrete tax benefits. The net income of $61.8 million in fiscal 2020 was impacted by $3.0 million of tax benefits associated with share-based compensation and $0.2 million of discrete tax benefits partially offset by $0.8 million of after-tax cost associated with the acquisition of Swiss Tool and $0.3 million of loss on foreign exchange.

Gross Margin

	Three Months Ended			
	September 26, 2020	September 28, 2019	$ Change	% Change
Gross Margin	$ 56.6	$ 71.1	$ (14.5)	(20.4)%
Gross Margin %	38.7%	39.1%		

Gross margin was 38.7% of net sales for the second quarter of fiscal 2021 compared to 39.1% for the second quarter of fiscal 2020. The decrease in gross margin as a percentage of net sales was primarily due to $2.0 million in inventory rationalization costs associated with the consolidation of two manufacturing facilities partially offset by product mix.

	Six Months Ended			
	September 26, 2020	September 28, 2019	$ Change	% Change
Gross Margin	$ 116.0	$ 141.8	$ (25.8)	(18.2)%
Gross Margin %	38.3%	38.9%		

Gross margin was 38.3% of net sales for the first six months of fiscal 2021 compared to 38.9% for the same period last year. Although gross margin dollars decreased year over year, resulting from current economic conditions, gross margin as a percentage of net sales is consistent due to product mix and cost containment efforts during the period. Gross margin for the first six months of fiscal 2021 was also impacted by $0.8 million of capacity inefficiencies driven by the decrease in volume and $2.0 million in inventory rationalization costs associated with the consolidation of two manufacturing facilities, partially offset by beneficial product mix.

Selling, General and Administrative

	Three Months Ended			
	September 26, 2020	September 28, 2019	$ Change	% Change
SG&A	$ 26.0	$ 30.8	$ (4.8)	(15.4)%
% of net sales	17.8%	16.9%		

SG&A for the second quarter of fiscal 2021 was $26.0 million, or 17.8% of net sales, as compared to $30.8 million, or 16.9% of net sales, for the same period of fiscal 2020. This reduction was due to decreases in personnel costs of $4.9 million partially offset by $0.1 million of other items.

	Six Months Ended			
	September 26, 2020	September 28, 2019	$ Change	% Change
SG&A	$ 52.9	$ 60.9	$ (8.0)	(13.2)%
% of net sales	17.5%	16.7%		

SG&A expenses decreased by $8.0 million to $52.9 million for the first six months of fiscal 2021 compared to $60.9 million for the same period last year. This decrease is primarily due to $8.7 million of reductions in personnel costs and $0.1 million of other items partially offset by $0.8 million of additional share-based compensation.

Other, Net

	Three Months Ended						
	September 26, 2020		September 28, 2019		$ Change		% Change
Other, net	$	4.2	$	3.0	$	1.2	38.9%
% of net sales		2.9%		1.7%			

Other operating expenses for the second quarter of fiscal 2021 totaled $4.2 million compared to $3.0 million for the same period last year. For the second quarter of fiscal 2021, other operating expenses included $1.5 million of restructuring costs and related items, $2.6 million of amortization of intangible assets and $0.1 million of other costs. Other operating expenses last year were comprised mainly of $2.3 million of amortization of intangible assets and $0.9 million of costs associated with the acquisition of Swiss Tool, partially offset by $0.2 million of other income.

	Six Months Ended						
	September 26, 2020		September 28, 2019		$ Change		% Change
Other, net	$	8.0	$	5.1	$	2.9	55.8%
% of net sales		2.6%		1.4%			

Other operating expenses for the first six months of fiscal 2021 totaled $8.0 million compared to $5.1 million for the same period last year. For the first six months of fiscal 2021, other operating expenses were comprised mainly of $5.1 million in amortization of intangibles, $2.6 million of restructuring and related items and $0.3 million of other items. For the first six months of fiscal 2020, other operating expenses were comprised mainly of $4.6 million in amortization of intangibles and $0.9 million of costs associated with the acquisition of Swiss Tool, partially offset by $0.4 million of other income.

Interest Expense, Net

	Three Months Ended						
	September 26, 2020		September 28, 2019		$ Change		% Change
Interest expense, net	$	0.3	$	0.5	$	(0.2)	(27.5)%
% of net sales		0.2%		0.3%			

Interest expense, net, generally consists of interest charged on the Company's debt agreements and amortization of deferred financing fees, offset by interest income (see "Liquidity and Capital Resources" below). Interest expense, net, was $0.3 million for the second quarter of fiscal 2021 compared to $0.5 million for the same period last year.

	Six Months Ended			
	September 26, 2020	September 28, 2019	$ Change	% Change
Interest expense, net	$ 0.8	$ 1.0	$ (0.2)	(24.7)%
% of net sales	0.3%	0.3%		

Interest expense, net was $0.8 million for the first six months of fiscal 2021 compared to $1.0 million for the first six months of fiscal 2020.

Other Non-Operating Expense

	Three Months Ended			
	September 26, 2020	September 28, 2019	$ Change	% Change
Other non-operating expense	$ 0.2	$ 0.2	$ 0.0	8.2%
% of net sales	0.1%	0.1%		

Other non-operating expenses were $0.2 million for the second quarter of fiscal 2021 compared to $0.2 million for the same period in the prior year. For the second quarter of fiscal 2021, other non-operating expenses were comprised of $0.1 million of foreign exchange loss and $0.1 million of other items. For the second quarter of fiscal 2020, other non-operating expenses were primarily comprised of $0.1 million of foreign exchange loss and $0.1 million of other items.

	Six Months Ended			
	September 26, 2020	September 28, 2019	$ Change	% Change
Other non-operating expense	$ 0.3	$ 0.4	$ (0.1)	(30.5)%
% of net sales	0.1%	0.1%		

Other non-operating expenses were $0.3 million for the first six months of fiscal 2021 compared to $0.4 million for the same period in the prior year. For the first six months of fiscal 2021, other non-operating expenses were comprised of $0.2 million of foreign exchange loss and $0.1 million of other items. For the first six months of fiscal 2020, other non-operating expenses were primarily comprised of $0.3 million of foreign exchange loss and $0.1 million of other items.

Income Taxes

	Three Months Ended	
	September 26, 2020	September 28, 2019
Income tax expense (benefit)	$ 5.4	$ 5.4
Effective tax rate	20.9%	14.7%

Income tax expense for the three-month period ended September 26, 2020 was $5.4 million compared to $5.4 million for the three-month period ended September 28, 2019. Our effective income tax rate for the three-month period ended September 26, 2020 was 20.9% compared to 14.7% for the three-month period ended September 28, 2019. The effective income tax rate for the three-month period ended September 26, 2020 of 20.9% includes $0.4 million of tax benefits associated with share-based compensation. The effective income tax rate without these benefits for the three-month period ended September 26, 2020 would have been 22.0%. The effective income tax rate for the three-month period ended September 28, 2019 of 14.7% includes $2.5 million of tax benefits associated with share-based compensation. The effective income tax rate without these benefits for the three-month period ended September 28, 2019 would have been 21.3%.

	Six Months Ended	
	September 26, 2020	September 28, 2019
Income tax expense (benefit)	$ 11.0	$ 12.6
Effective tax rate	20.4%	17.0%

Income tax expense for the six-month period ended September 26, 2020 was $11.0 million compared to $12.6 million for the six-month period ended September 28, 2019. Our effective income tax rate for the six-month period ended September 26, 2020 was 20.4% compared to 17.0% for the six-month period ended September 28, 2019. The effective income tax rate for the six-month period ended September 26, 2020 of 20.4% includes $0.7 million of tax benefits associated with share-based compensation. The effective income tax rate without these benefits for the six-month period ended September 26, 2020 would have been 21.6%. The effective income tax rate for the six-month period ended September 28, 2019 of 17.0% included $3.0 million of tax benefits associated with share-based compensation and $0.2 million of tax benefits associated with other permanent adjustments from filing the Company's fiscal 2018 foreign tax returns. The effective income tax rate without these benefits for the six-month period ended September 28, 2019 would have been 21.3%.

Segment Information

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

Plain Bearings Segment

	Three Months Ended			
	September 26, 2020	September 28, 2019	$ Change	% Change
Total net sales	$ 71.1	$ 90.0	$ (18.9)	(21.1)%
Gross margin	$ 29.8	$ 35.7	$ (5.9)	(16.7)%
Gross margin %	41.9%	39.7%		
SG&A	$ 5.3	$ 6.5	$ (1.2)	(19.3)%
% of segment net sales	7.4%	7.3%		

Net sales decreased $18.9 million, or 21.1%, for the three months ended September 26, 2020 compared to the same period last year. The 21.1% decrease was primarily driven by a decrease of 27.4% in our aerospace markets offset by a 1.5% increase in the industrial markets. The decrease in aerospace net sales was due to commercial aerospace OEM and aftermarket, partially offset by defense OEM. The increase in industrial net sales was mostly driven by the general industrial markets.

Gross margin as a percentage of net sales was 41.9% for the second quarter of fiscal 2021 compared to 39.7% for the same period last year. The increase in gross margin as a percentage of net sales was mainly due to product mix.

	Six Months Ended			
	September 26, 2020	September 28, 2019	$ Change	% Change
Total net sales	$ 149.9	$ 177.5	$ (27.6)	(15.5)%
Gross margin	$ 61.8	$ 69.8	$ (8.0)	(11.4)%
Gross margin %	41.2%	39.3%		
SG&A	$ 10.5	$ 13.0	$ (2.5)	(19.2)%
% of segment net sales	7.0%	7.4%		

Net sales decreased $27.6 million, or 15.5%, for the six months ended September 26, 2020 compared to the same period last year. The 15.5% decrease was primarily driven by a decrease of 19.8% in our aerospace markets and a 0.9% decrease in the industrial markets. The decrease in aerospace was primarily due to commercial OEM and aftermarket partially offset by defense OEM and aftermarket. The decrease in industrial sales was mostly driven by the general industrial markets.

Gross margin as a percentage of net sales increased to 41.2% for the first six months of fiscal 2021 compared to 39.3% for the same period last year. The increase is a result of product mix during the period.

Roller Bearings Segment

	Three Months Ended			
	September 26, 2020	September 28, 2019	$ Change	% Change
Total net sales	$ 21.6	$ 32.6	$ (11.0)	(33.8)%
Gross margin	$ 6.2	$ 13.4	$ (7.2)	(53.4)%
Gross margin %	28.9%	41.1%		
SG&A	$ 1.2	$ 1.6	$ (0.4)	(29.4)%
% of segment net sales	5.4%	5.1%		

Net sales decreased $11.0 million, or 33.8%, for the three months ended September 26, 2020 compared to the same period last year. Our aerospace markets decreased 39.5% while our industrial markets decreased by 27.0%. The decrease in aerospace was driven by the commercial OEM and commercial and defense aftermarkets. The decrease in industrial net sales was primarily due to mining market activity.

Gross margin for the three months ended September 26, 2020 was 28.9% of net sales, compared to 41.1% in the comparable period in fiscal 2020. This decrease in the gross margin as a percentage of net sales was primarily due to $2.0 million in inventory rationalization costs associated with the consolidation of two manufacturing facilities and decreased volumes during the period.

	Six Months Ended			
	September 26, 2020	September 28, 2019	$ Change	% Change
Total net sales	$ 44.5	$ 69.4	$ (24.9)	(35.9)%
Gross margin	$ 14.6	$ 27.9	$ (13.3)	(47.6)%
Gross margin %	32.9%	40.2%		
SG&A	$ 2.4	$ 3.3	$ (0.9)	(26.4)%
% of segment net sales	5.4%	4.7%		

Net sales decreased $24.9 million, or 35.9%, for the six months ended September 26, 2020 compared to the same period last year. Our industrial markets decreased 36.7% while our aerospace markets decreased by 35.3%. The decrease in industrial sales was primarily due to mining and general industrial market activity while the decrease in aerospace was driven by the commercial OEM and commercial and defense aftermarkets.

Gross margin for the six months ended September 26, 2020 was 32.9% of net sales, compared to 40.2% in the comparable period in fiscal 2020. This decrease in the gross margin as a percentage of net sales was primarily due to $2.0 million in inventory rationalization costs associated with the consolidation of two manufacturing facilities and decreased volumes during the period. During the first six months of fiscal 2021, gross margin was also impacted by approximately $0.3 million of capacity inefficiencies driven by the impact of the COVID-19 pandemic.

Ball Bearings Segment

	Three Months Ended			
	September 26, 2020	September 28, 2019	$ Change	% Change
Total net sales	$ 21.1	$ 17.4	$ 3.7	21.1%
Gross margin	$ 9.1	$ 7.5	$ 1.6	21.7%
Gross margin %	43.3%	43.1%		
SG&A	$ 1.3	$ 1.6	$ (0.3)	(18.1)%
% of segment net sales	6.1%	9.0%		

Net sales increased by $3.7 million for the second quarter of fiscal 2021 compared to the same period last year. Our aerospace markets increased 43.7% while our industrial sales increased 11.8%. The increase in aerospace net sales was primarily driven by the defense and space OEM market. The increase in industrial was primarily due to the semiconductor and general industrial markets.

Gross margin as a percentage of net sales was 43.3% for the second quarter of fiscal 2021 as compared to 43.1% for the same period last year. The increase in gross margin year over year is a result of additional sales during the period.

	Six Months Ended			
	September 26, 2020	September 28, 2019	$ Change	% Change
Total net sales	$ 39.9	$ 35.1	$ 4.8	13.7%
Gross margin	$ 17.1	$ 15.3	$ 1.8	11.5%
Gross margin %	42.7%	43.6%		
SG&A	$ 2.6	$ 3.2	$ (0.6)	(17.8)%
% of segment net sales	6.6%	9.1%		

Net sales increased $4.8 million, or 13.7% for the six months ended September 26, 2020 compared to the same period last year. Our industrial market sales increased 4.0% while sales to our aerospace markets increased 36.3%. The increase in industrial was primarily due to the semiconductor market. The increase in aerospace net sales was primarily driven by the defense and space OEM market.

Gross margin as a percentage of net sales decreased to 42.7% for the six months ended September 26, 2020 compared to 43.6% for the same period last year. The decrease was primarily due to product mix during the period.

Engineered Products Segment

	Three Months Ended			
	September 26, 2020	September 28, 2019	$ Change	% Change
Total net sales	$ 32.6	$ 41.9	$ (9.3)	(22.2)%
Gross margin	$ 11.5	$ 14.5	$ (3.0)	(20.9)%
Gross margin %	35.2%	34.6%		
SG&A	$ 3.8	$ 4.4	$ (0.6)	(13.4)%
% of segment net sales	11.8%	10.6%		

Net sales decreased $9.3 million, or 22.2%, for the second quarter of fiscal 2021 compared to the same period last year. Our aerospace markets decreased 25.7% while our industrial markets decreased 17.3%. Excluding $0.4 million of current year net sales associated with our Swiss Tool division, acquired in August of fiscal 2020, net sales decreased 23.2% for the second quarter of fiscal 2021 compared to the same period last year. The decrease in aerospace net sales were driven by the commercial OEM and aftermarket, partially offset by the defense OEM market. The decrease in our industrial net sales were driven by the marine and general industrial markets.

Gross margin as a percentage of net sales was 35.2% for the second quarter of fiscal 2021 compared to 34.6% for the same period last year. This increase was primarily attributable to product mix and cost reductions during the period.

	Six Months Ended			
	September 26, 2020	September 28, 2019	$ Change	% Change
Total net sales	$ 68.5	$ 82.5	$ (14.0)	(17.0)%
Gross margin	$ 22.5	$ 28.8	$ (6.3)	(21.7)%
Gross margin %	32.9%	34.9%		
SG&A	$ 7.7	$ 8.7	$ (1.0)	(12.4)%
% of segment net sales	11.2%	10.6%		

Net sales decreased $14.0 million, or 17.0%, for the six months ended September 26, 2020 compared to the same period last year. Our aerospace sales decreased 22.9% while industrial sales decreased 8.6%. Excluding $2.6 million of sales associated with the acquisition of Swiss Tool in fiscal 2020, overall sales decreased 20.2%. The decrease in aerospace sales was primarily driven by the commercial OEM and aftermarket partially offset by the defense OEM markets. The decrease in industrial sales was driven by the marine and general industrial markets.

Gross margin as a percentage of net sales decreased to 32.9% for the six months ended September 26, 2020 compared to 34.9% for the same period last year. This decrease is primarily due to lower sales volume and product mix. During the first half of fiscal 2021, gross margin was also impacted by approximately $0.5 million of capacity inefficiencies driven by the impact of the COVID-19 pandemic.

Corporate

	Three Months Ended			
	September 26, 2020	September 28, 2019	$ Change	% Change
SG&A	$ 14.5	$ 16.6	$ (2.1)	(12.8)%
% of total net sales	9.9%	9.1%		

Corporate SG&A decreased $2.1 million, or 12.8%, for the second quarter of fiscal 2021 compared to the same period last year. This was primarily due to a decrease of $2.7 million in personnel costs, partially offset by an increase of $0.2 million in professional fees, $0.2 million of share-based compensation expenses, and $0.2 million of other items.

	Six Months Ended			
	September 26, 2020	September 28, 2019	$ Change	% Change
SG&A	$ 29.6	$ 32.6	$ (3.0)	(9.2)%
% of total net sales	9.8%	8.9%		

Corporate SG&A decreased $3.0 million for the six months ended September 26, 2020 compared to the same period last year due to a decrease of $4.7 million in personnel costs and $0.1 million of other items, partially offset by $0.8 million of additional share-based compensation expenses and $1.0 million of additional professional costs.

Liquidity and Capital Resources

Our business is capital-intensive. Our capital requirements include manufacturing equipment and materials. In addition, we have historically fueled our growth, in part, through acquisitions. We have historically met our working capital, capital expenditure requirements and acquisition funding needs through our net cash flows provided by operations, various debt arrangements and sale of equity to investors. We believe that operating cash flows and available credit under the Revolver and Foreign Revolver (see below) will provide adequate resources to fund internal and external growth initiatives for the foreseeable future.

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

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

Liquidity

As of September 26, 2020, we had cash and cash equivalents of $166.4 million, of which, approximately $13.1 million was cash held by our foreign operations. We expect that our undistributed foreign earnings will be re-invested indefinitely for working capital, internal growth and acquisitions for and by our foreign entities.

Domestic Credit Facility

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

Amounts outstanding under the Revolver generally bear interest at (a) a base rate determined by reference to the higher of (1) Wells Fargo’s prime lending rate, (2) the federal funds effective rate plus 1/2 of 1% and (3) the one-month LIBOR rate plus 1%, or (b) LIBOR plus a specified margin, depending on the type of borrowing being made. The applicable margin is based on the Company’s consolidated ratio of total net debt to consolidated EBITDA at each measurement date. Currently, the Company’s margin is 0.00% for base rate loans and 0.75% for LIBOR loans.

The Credit Agreement requires the Company to comply with various covenants, including among other things, a financial covenant to maintain a ratio of consolidated net debt to adjusted EBITDA not greater than 3.50 to 1. The Credit Agreement allows the Company to, among other things, make distributions to shareholders, repurchase its stock, incur other debt or liens, or acquire or dispose of assets provided that the Company complies with certain requirements and limitations of the Credit Agreement. As of September 26, 2020, the Company was in compliance with all such covenants.

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

Approximately $3.7 million of the Revolver is being utilized to provide letters of credit to secure the Company's obligations relating to certain insurance programs. As of September 26, 2020, $1.3 million in unamortized debt issuance costs remain. The Company has the ability to borrow up to an additional $246.3 million under the Revolver as of September 26, 2020.

Foreign Term Loan and Revolving Credit Facility

On August 15, 2019, one of our foreign subsidiaries, Schaublin SA ("Schaublin"), entered into two separate credit agreements (the "Foreign Credit Agreements") with Credit Suisse (Switzerland) Ltd. to finance the acquisition of Swiss Tool and provide future working capital. The Foreign Credit Agreements provided Schaublin with a CHF 15.0 million (approximately $15.4 million) term loan (the "Foreign Term Loan"), which expires on July 31, 2024 and a CHF 15.0 million (approximately $15.4 million) revolving credit facility (the "Foreign Revolver"), which continues in effect until terminated by either Schaublin or Credit Suisse. Debt issuance costs associated with the Foreign Credit Agreements totaled CHF 0.3 million (approximately $0.3 million) and will be amortized throughout the life of the Foreign Credit Agreements.

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

The Foreign Credit Agreements require Schaublin to comply with various covenants, which are tested annually on March 31. These covenants include, among other things, a financial covenant to maintain a ratio of consolidated net debt to adjusted EBITDA not greater than 3.00 to 1 as of March 31, 2020 and not greater than 2.50 to 1 as of March 31, 2021 and thereafter. Schaublin is also required to maintain an economic equity of CHF 20.0 million at all times. The Foreign Credit Agreements allow Schaublin to, among other things, incur other debt or liens and acquire or dispose of assets provided that Schaublin complies with certain requirements and limitations of the Foreign Credit Agreements. As of March 31, 2020, Schaublin was in compliance with all such covenants.

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

As of September 26, 2020, there was approximately $2.9 million outstanding under the Foreign Revolver and approximately $12.9 million outstanding under the Foreign Term Loan. These borrowings have been classified as Level 2 of the valuation hierarchy. As of September 26, 2020, approximately $0.1 million in unamortized debt issuance costs remain. Schaublin has the ability to borrow up to an additional $13.2 million under the Foreign Revolver as of September 26, 2020.

Schaublin's required future annual principal payments are approximately $6.1 million for the next twelve months and approximately $3.2 million for each year for the next three years.

Other Notes Payable

On October 1, 2012, Schaublin purchased the land and building that it occupied and had been leasing for approximately $14.9 million. Schaublin obtained a 20-year fixed-rate mortgage of approximately $9.9 million at an interest rate of 2.9%. The balance of the purchase price of approximately $5.1 million was paid from cash on hand. The balance on this mortgage as of September 26, 2020 was approximately $6.0 million and has been classified as Level 2 of the valuation hierarchy.

The Company's required future annual principal payments are approximately $0.5 million each year for the next five years and $3.5 million thereafter.

Cash Flows

Six-month Period Ended September 26, 2020 Compared to the Six-month Period Ended September 28, 2019

The following table summarizes our cash flow activities:

	FY21	FY20	$ Change
Net cash provided by (used in):			
Operating activities	$ 74.5	$ 64.6	$ 9.9
Investing activities	(5.8)	(53.8)	48.0
Financing activities	(5.5)	(5.0)	(0.5)
Effect of exchange rate changes on cash	(0.1)	0.7	(0.8)
Increase in cash and cash equivalents	$ 63.1	$ 6.5	$ 56.6

During the first six months of fiscal 2021, we generated cash of $74.5 million from operating activities compared to $64.6 million of cash generated during the same period of fiscal 2020. The increase of $9.9 million for fiscal 2021 was mainly a result of the favorable impact of a net change in operating assets and liabilities of $20.1 million and a favorable change in non-cash charges of $8.5 million, offset by a decrease in net income of $18.7 million. The favorable change in operating assets and liabilities is detailed in the table below, while the increase in non-cash charges resulted from $0.5 million of amortization of intangible assets, $0.1 million of amortization of deferred financing costs, $3.2 million in deferred taxes, $1.0 million of depreciation, $0.8 million of share-based compensation charges, and $2.9 million of other non-cash charges related to restructuring efforts.

The following chart summarizes the favorable change in operating assets and liabilities of $20.1 million for fiscal 2021 versus fiscal 2020 and the favorable change of $3.8 million for fiscal 2020 versus fiscal 2019.

	FY21	FY20
Cash provided by (used in):		
Accounts receivable	$ 19.0	$ 5.4
Inventory	8.1	6.9
Prepaid expenses and other current assets	2.8	(0.5)
Other non-current assets	(5.1)	1.3
Accounts payable	(12.2)	(2.6)
Accrued expenses and other current liabilities	1.6	(6.2)
Other non-current liabilities	5.9	(0.5)
Total change in operating assets and liabilities:	$ 20.1	$ 3.8

During the first six months of fiscal 2021, we used $5.8 million for investing activities as compared to $53.8 million used during the first six months of fiscal 2020. This decrease in cash used was attributable to a $14.2 million decrease in capital expenditures and the use of $33.8 million in the prior year for the acquisition of Swiss Tool.

During the first six months of fiscal 2021, we used $5.5 million for financing activities compared to $5.0 million for the first six months of fiscal 2020. This increase in cash used was primarily attributable to $8.0 million less exercises of share-based awards offset by $2.1 million less payments made on outstanding debt and $5.4 million less treasury stock purchases.

Capital Expenditures

Our capital expenditures were $2.1 million and $6.0 million for the three- and six-month periods ended September 26, 2020, respectively. We expect to make additional capital expenditures of $6.0 to $8.0 million during the remainder of fiscal 2021 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.

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 fiscal 2020 Annual Report on Form 10-K describe the significant accounting estimates and policies used in preparation of the Consolidated Financial Statements. Actual results in these areas could differ from management's estimates. There have been no significant changes in our critical accounting estimates during the first six months of fiscal 2021 other than those described in Note 2 to the unaudited interim consolidated financial statements contained in this quarterly report.

Off-Balance Sheet Arrangements

As of September 26, 2020, we had no significant off-balance sheet arrangements other than $3.7 million of outstanding standby letters of credit, all of which were under the Revolver.

ITEM 3. Quantitative and Qualitative Disclosures About Market Risk

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

Interest Rates. We currently have variable rate debt outstanding under our credit agreements. 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.

Foreign Currency Exchange Rates. Our Swiss operations utilize the Swiss franc as the functional currency, our French and German operations utilize the euro as the functional currency and our Polish operations utilize the Polish zloty as the functional currency. As a result, we are exposed to risk associated with fluctuating currency exchange rates between the U.S. dollar and these currencies. Foreign currency transaction gains and losses are included in earnings. Approximately 8% of our net sales were impacted by foreign currency fluctuations for both the three- and six-month periods ended September 26, 2020 compared to 8% for both the three- and six-month periods ended September 28, 2019. We expect that this proportion is likely to increase as we seek to increase our penetration of foreign markets, particularly within the aerospace and defense markets. Foreign currency transaction exposure arises primarily from the transfer of foreign currency from one subsidiary to another within the group, and to foreign currency denominated trade receivables. Unrealized currency translation gains and losses are recognized upon translation of the foreign operations' balance sheets to U.S. dollars. Because our financial statements are denominated in U.S. dollars, changes in currency exchange rates between the U.S. dollar and other currencies have had, and will continue to have, an impact on our earnings. We periodically enter into derivative financial instruments in the form of forward exchange contracts to reduce the effect of fluctuations in exchange rates on certain third-party sales transactions denominated in non-functional currencies. Based on the accounting guidance related to derivatives and hedging activities, we record derivative financial instruments at fair value. For derivative financial instruments designated and qualifying as cash flow hedges, the effective portion of the gain or loss on these hedges is reported as a component of accumulated other comprehensive income, and is reclassified into earnings when the hedged transaction affects earnings. As of September 26, 2020, we had no derivatives.

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 September 26, 2020. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of September 26, 2020, our disclosure controls and procedures were (1) 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 U.S. Securities and Exchange Commission, and (2) 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 September 26, 2020 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

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

ITEM 1A. Risk Factors

There have been no material changes to our risk factors and uncertainties since the most recent filing of our Form 10-K. 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 the Company's Annual Report on Form 10-K for the fiscal year ended March 28, 2020.

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

Total share repurchases under the 2019 plan for the three months ended September 26, 2020 are as follows:

Period	Total number of shares purchased	Average price paid per share	Number of shares purchased as part of the publicly announced program	Approximate dollar value of shares still available to be purchased under the program (000's)
06/28/2020 – 07/25/2020	—	$ —	—	$ 90,033
07/26/2020 – 08/22/2020	62	122.42	62	90,026
08/23/2020 – 09/26/2020	—	—	—	$ 90,026
Total	62	$ 122.42	62	

ITEM 3. Defaults Upon Senior Securities

Not applicable.

ITEM 4. Mine Safety Disclosures

Not applicable.

ITEM 5. Other Information

Not applicable.

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	XBRL Instance Document.
101.SCH	XBRL Taxonomy Extension Schema Document.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.

* This certification 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 Securities Exchange Act of 1934, as amended (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.

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: October 30, 2020

By: /s/ Robert M. Sullivan
Name: Robert M. Sullivan
Title: Chief Financial Officer
Date: October 30, 2020

EXHIBIT INDEX

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101.SCH	XBRL Taxonomy Extension Schema Document.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.

* This certification 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 Securities Exchange Act of 1934, as amended (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.

Exhibit 31.01

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: October 30, 2020

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

Exhibit 31.02

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: October 30, 2020

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

Exhibit 32.01

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 September 26, 2020 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: October 30, 2020

/s/ Michael J. Hartnett

Michael J. Hartnett
President and Chief Executive Officer

Exhibit 32.02

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 September 26, 2020 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: October 30, 2020

/s/ Robert M. Sullivan

Robert M. Sullivan
Vice President and Chief Financial Officer