

RBC Bearings Investor Presentation

Morgan Stanley –
September 15, 2022



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

RBC Bearings at a Glance

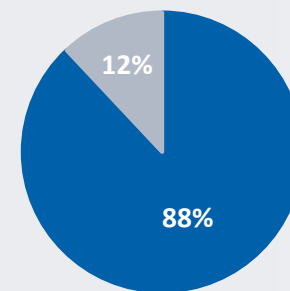
Leading international manufacturer of highly engineered precision bearings, components and essential systems for the industrial, aerospace & defense industries

Key Figures

ROLL Founded in 1919 and NASDAQ listed since 2005	6.9B Market Capitalization	HQ Oxford, Connecticut	~5.4K Employees worldwide
56 Facilities in 10 different counties	Segments Industrial and Aerospace/ Defense	Sales ~10% CAGR over the past twenty-six years	Dodge Recent acquisition to add \$676M+ in annual sales ²

FY 2022	Q1 2023	
\$942.9M	\$354.1M	Net Sales
39.4%	39.9%	Adj. Gross Margin %
\$168.0M	\$68.3M	Adj. Operating Income
\$151.8M	\$51.8M	Adj. Net Income Available to Common Stockholders
\$5.56	\$1.79 (3 mos.)	Adj. Diluted EPS

Net Sales Metrics¹



(1) As of April 2, 2022 (Fiscal Year 2022) based on geographic origin, five months with Dodge. Net sales for the quarter ended July 2, 2022 (Fiscal Year 2023) produced the same proportions.

(2) Pro forma 10K

RBC Bearings provides a balanced investment proposition to growth and value investors, supported by a long history of delivering strong top line growth and total shareholder returns

- 1 Market Leader:** Significant sales from products with #1 or #2 market positions
- 2 Diversified and Balanced Customer Base:** Serving large, industry-leading customers in a wide array of end markets and channels
- 3 Significant Barriers to Entry:** Includes designs, patents, process, brands, qualifications, preference, installed base, and service
- 4 Predictable Revenue Stream:** Strong recurring revenue driven by OEM demand and “like for like” replacement market requirements
- 5 Proven Execution & Strong Fundamentals:** Net sales CAGR of 10% over the past twenty-six years; 28 acquisitions since 1992; strong cash generation and disciplined capital allocation

Highly Engineered Proprietary Product Designs for Diverse Markets

Aerospace & Defense (28% of Sales) ¹		Industrial (72% of Sales) ¹	
Commercial Aerospace and Space	Defense	Industrial OEM	Industrial Distribution
			
Significant content per platform, engine & airframe, qualified products	Demanding mission-critical functions with long expensive development cycle	Specialized designs with diverse uses for Industrial customers	Large base of “like for like” replacement

For more details on our full suite of products, please visit rbcbearings.com/products

(1) Based on results of Q1 FY23

Diverse Customer Portfolio

Leading international manufacturer of highly engineered precision bearings, components and essential systems for the industrial, aerospace & defense industries

Aerospace & Defense



Industrial

StanleyBlack&Decker



McMASTER-CARR

MOTION



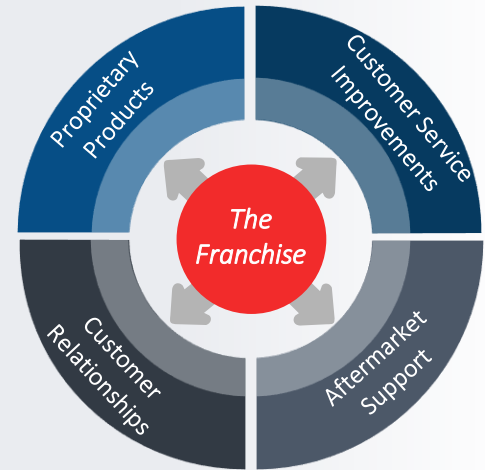
Significant Barriers to Entry- “The Moat”

1 **Proprietary Products:** Significant portion of net sales from sole/single-source

2 **Customer Service:** Customer-focused technical sales organization with long-term relationships and award-winning service levels

3 **Aftermarket Support:** Proprietary products serving Industrial, Aerospace & Defense programs, providing “like for like” replacement & certified products

4 **Strategic Inventory:** Constant evaluation and adjustments of working capital levels to ensure ability to respond to changing demands of OEM and immediate availability to distributor customers



Stable Recurring Revenue Base – “The Franchise”

Long-Term customer relationships and frequent replacement cycles ensure a steady stream of recurring “like for like” revenue

1

Aftermarket: Stable aftermarket sales with “like for like” replacement cycle supporting topline stability

2

Long-Term Customer Relationships: History of long-term relationships with customers. Supported through multi-year contracts

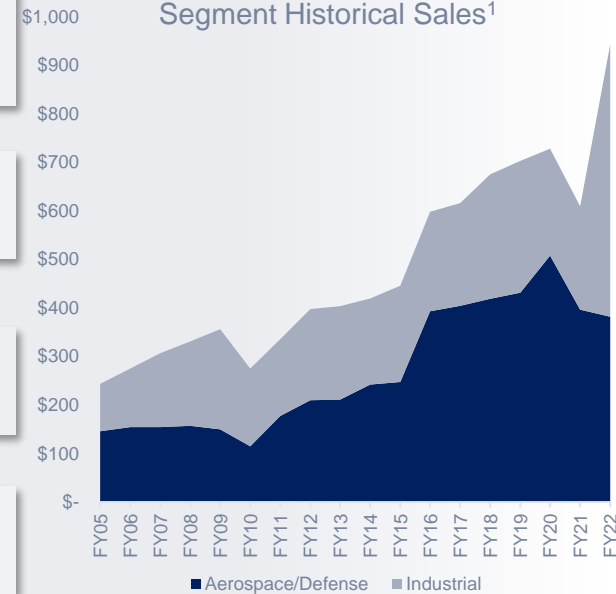
3

Backlog: Backlog of >\$600 million as of April 2, 2022; up 53% year over year, \$636 million as of July 2, 2022

4

Global Sales Team: Strong direct international sales force that is technical, qualified, and customer-focused

Segment Historical Sales¹



(1) Segment sales were recast starting in FY20. Prior periods reflect historical methodology.

Introduction to: Dodge Acquisition

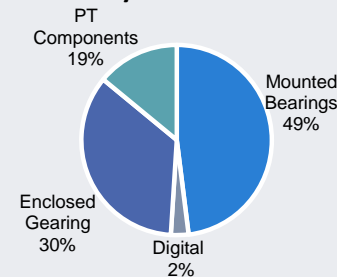
RBC Bearings completed the acquisition of the DODGE mechanical power transmission division of Asea Brown Boveri Ltd. on November 1, 2021

Acquisition Overview

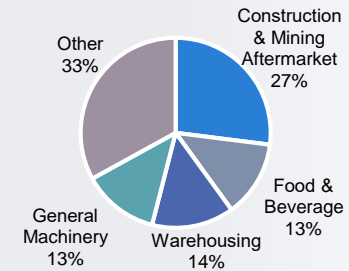
- Acquired for approximately \$2.9 billion in cash
- Substantially increased industrial distribution market scale, product depth and customer reach
- Strong brand recognition for premium performance critical bearing and motion control products
- Well-known Dodge brand with world class U.S. centric manufacturing capabilities
- Cash flow of the combined business expected to eliminate indebtedness within 5 years

Acquisition Overview¹

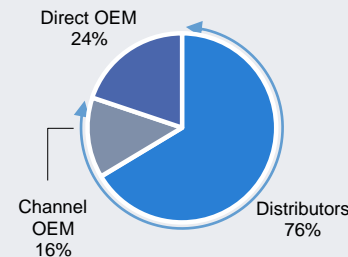
By Products



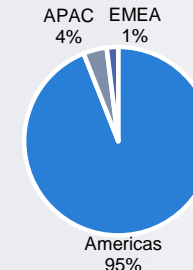
By End-market



By Channel



By Geography



(1) Based on Dodge Full Year FY22 Estimate

Mounted Bearings

Designed to improve safety, increase production, and lower operating costs



Enclosed Gearing

Engineered for maximum up time and less maintenance



Mechanical Drives, Couplings, & Conveyor Components

Known worldwide for reliability and quality



IIoT Technologies

Designed to increase safety and enable predictive maintenance



Why customers buy from Dodge



- Like for like replacement to service large installed North American market created over a generation
- Industry's broadest line of power transmission products
- Industry leading service levels
- Reputation for product durability, ease of installation and safety innovations
- Real time on site problem solving and design consultation

Driving our strategy to our customers and markets



Bulk Material Handling

Bucket elevator/drag
Screw conveyor
Belt conveyor

Driving our strategy to our customers and markets



Food & Beverage

Protein
Vegetables, fruit, nuts

Industrial Segment

Rail



Construction and mining



Energy



Semiconductors



Warehousing



March 2022, Twelve Months

\$561.4 Million¹

26.7%

38.4%

June 2022, Three Months

\$254.7 Million

17.3%

40.3%

Segment Revenue

Organic Growth

Adjusted Gross Margin

(1) Includes five months of Dodge Industrial

Aerospace and Defense Segment



March 2022, Twelve Months

\$381.5 Million

-3.7%

40.9%

June 2022, Three Months

\$99.4 Million

10.0%

38.8%

Segment Revenue

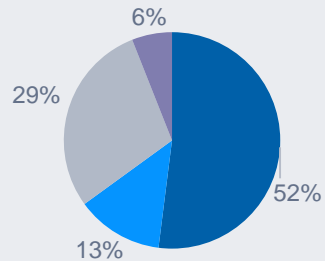
Organic Growth

Adjusted Gross Margin

Demand Drivers:

- Substantial content per aircraft (Boeing/Airbus/Embraer)
- Certified products
- Increasing build rates
- New product introductions
- Valued supplier awards

Channel Sales¹



■ Commercial OEM

■ Commercial Aftermarket

■ Defense OEM

■ Defense Aftermarket

¹ Based on Q1 FY23 sales. End markets are based on internal definitions and metrics considered by management and are periodically reviewed and updated when evaluating the performance of the business.



Strategic Growth Priorities

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

1

Go-to-Market Strategy OEM

2

Develop new products for
existing platforms

3

Increase aftermarket
penetration of existing
offerings

4

Continue to evaluate attractive
M&A opportunities

Financial Highlights

March 2022, Twelve Months

\$942.9 Million¹

Total Revenue

6.9%

Organic Growth

39.4%

Adjusted Gross Margin

28.3%

Adjusted EBITDA

June 2022, Three Months

\$354.1 Million

Total Revenue

13.1%

Organic Growth

39.9%

Adjusted Gross Margin

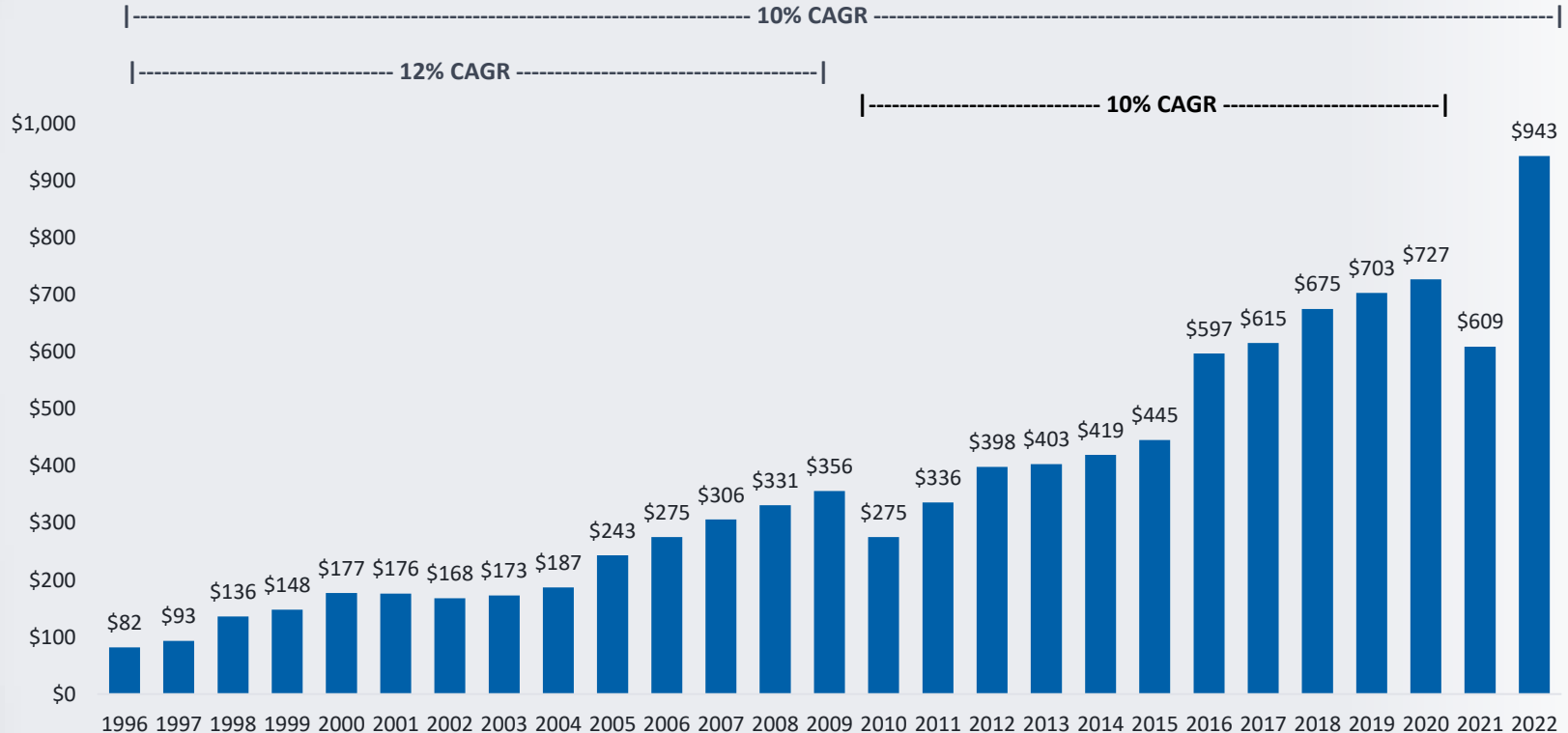
28.4%

Adjusted EBITDA

(1) Includes five months of Dodge Industrial

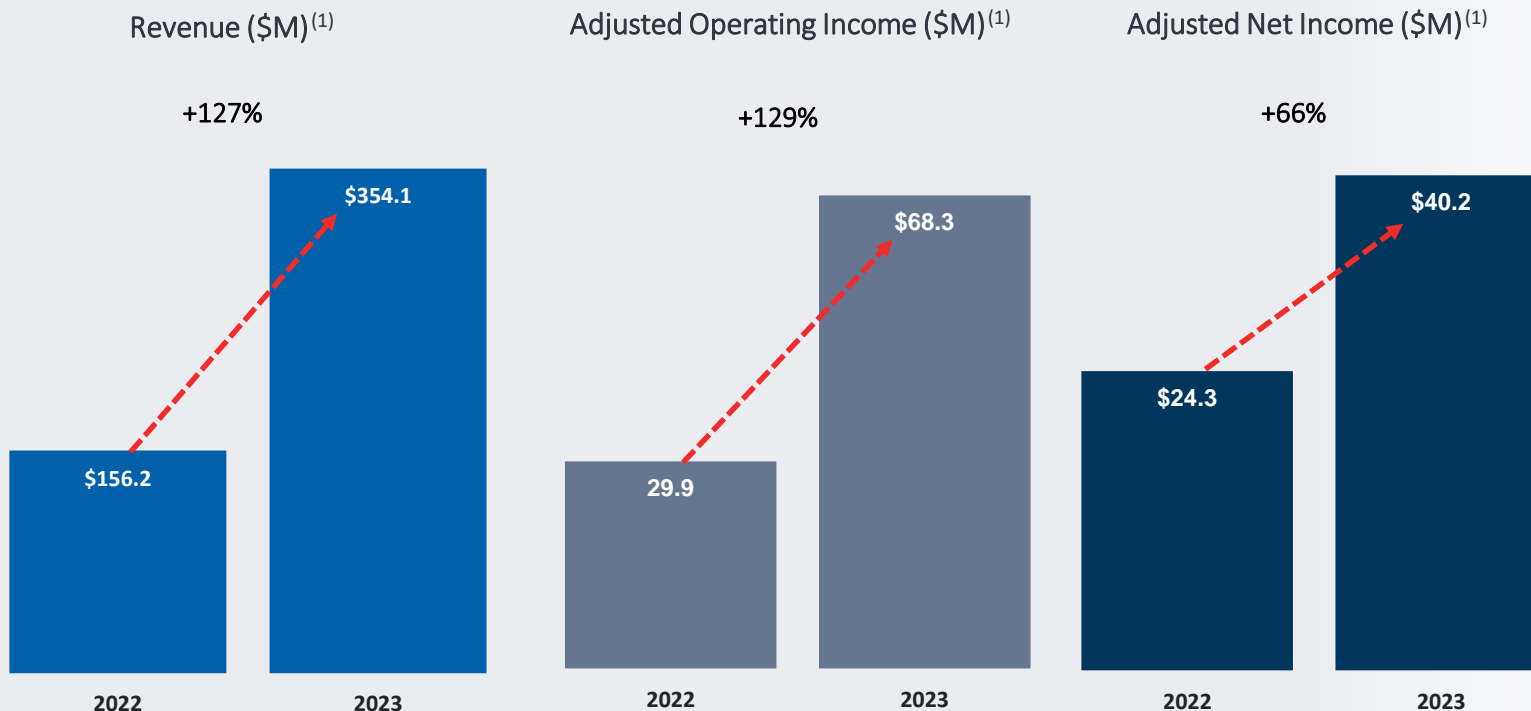
A Track Record of Growth

RBC Bearings has demonstrated its ability to grow the business at a 10% CAGR over the last twenty-six years million⁽¹⁾



(1) Fiscal 2022 includes 5 months of Dodge Industrial

Results for Q1 Fiscal 2023



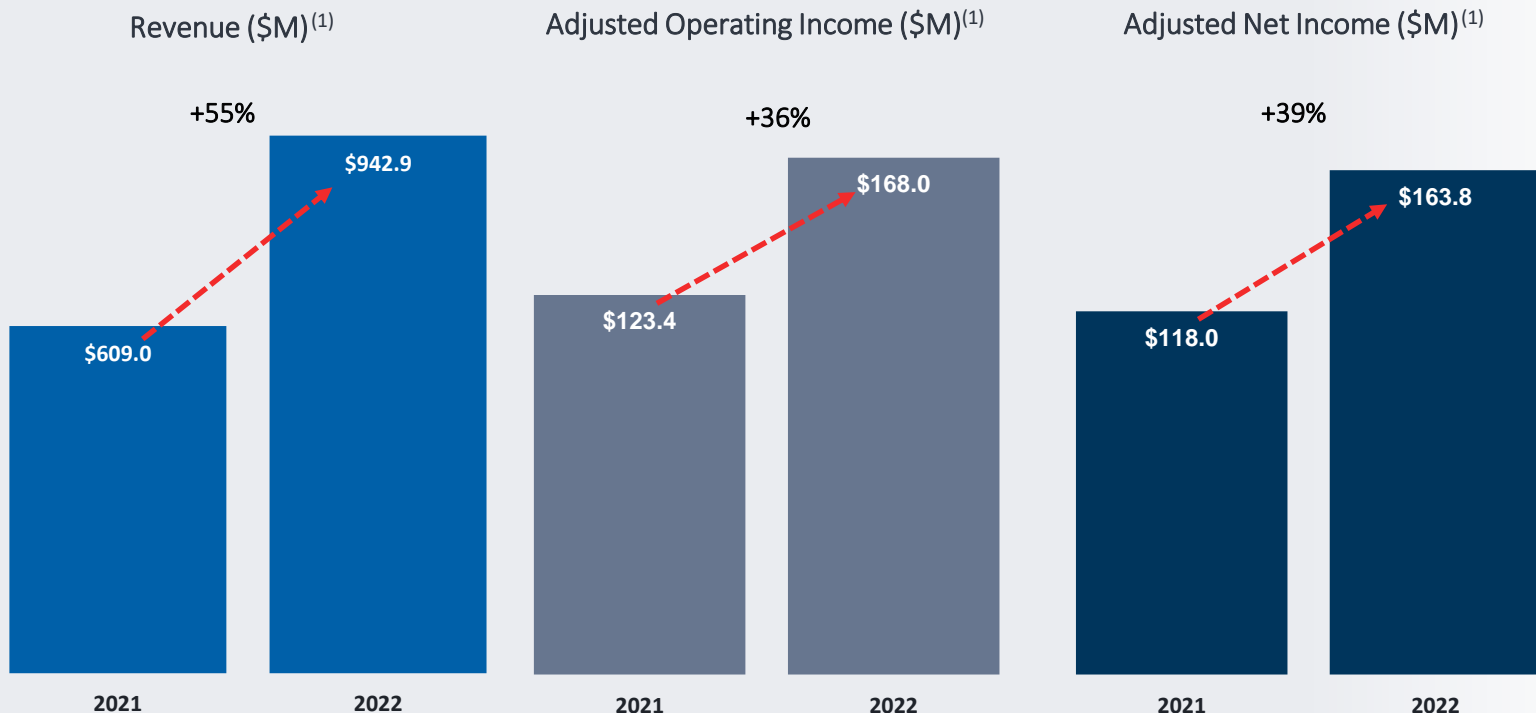
Adjusted Diluted EPS of \$1.79 for Q1 FY23 vs \$1.22 for Q1 FY22 ⁽²⁾

(1) Organic revenue growth of 13.1% year over year. Refer to the appendix to this Presentation for Adjusted Operating Income and Adjusted Net Income reconciliation.

(2) Adjusted diluted EPS defined as adjusted net income available to common stockholders divided by diluted weighted average shares. Refer to appendix for reconciliation of adjusted net income available to common stockholders.

Results for Fiscal 2022

Organic and acquisition driven activity led to transformational growth in FY2022

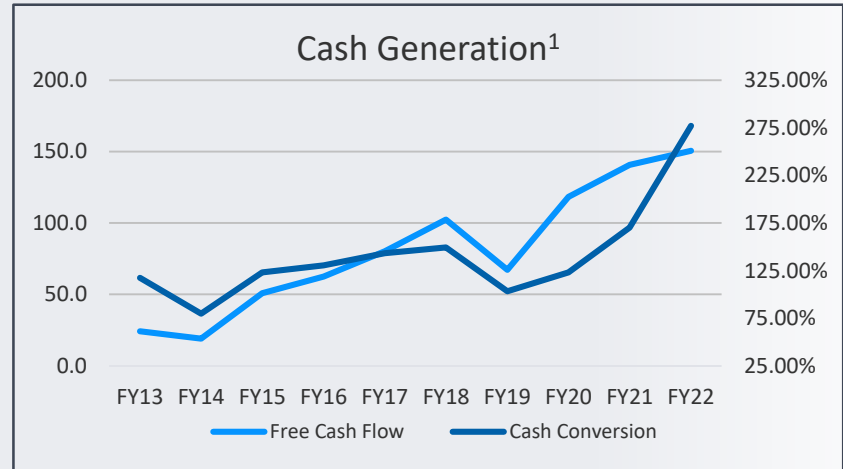


Adjusted Diluted EPS of \$5.56 for FY22 vs \$4.69 for FY21⁽²⁾

(1) FY2022 results includes five months of Dodge. Organic revenue growth of 6.9% year over year. Refer to the appendix to this Presentation for Adjusted Operating Income and Adjusted Net Income reconciliation.

(2) Adjusted diluted EPS defined as adjusted net income available to common stockholders divided by diluted weighted average shares. Refer to appendix for reconciliation of adjusted net income available to common stockholders.

- Cash generation a primary focus of our management team
- Profitability and working capital management has led to long-term growth in free cash flow and improved cash conversion over the last ten years
- Cash conversion over 100% of net income last three fiscal years
- Modest capital expenditures
 - 2.5-3.0% Target Annually
- FY2022 Adjusted EBITDA⁽²⁾ of \$266.5 million (28.3%)



(1) Free Cash Flow defined as Cash from Operations less Purchase of Property, Plant and Equipment. Cash conversion defined as Cash from Operations / Net Income

(2) Adjusted EBITDA equals Adjusted Operating Income plus Depreciation, Amortization and Share-Based Stock Compensation. Refer to the appendix for reconciliation of Adjusted Operating Income

1

Debt reduction through smart capital allocation

2

Deleverage toward 2x EBITDA target over the next three years

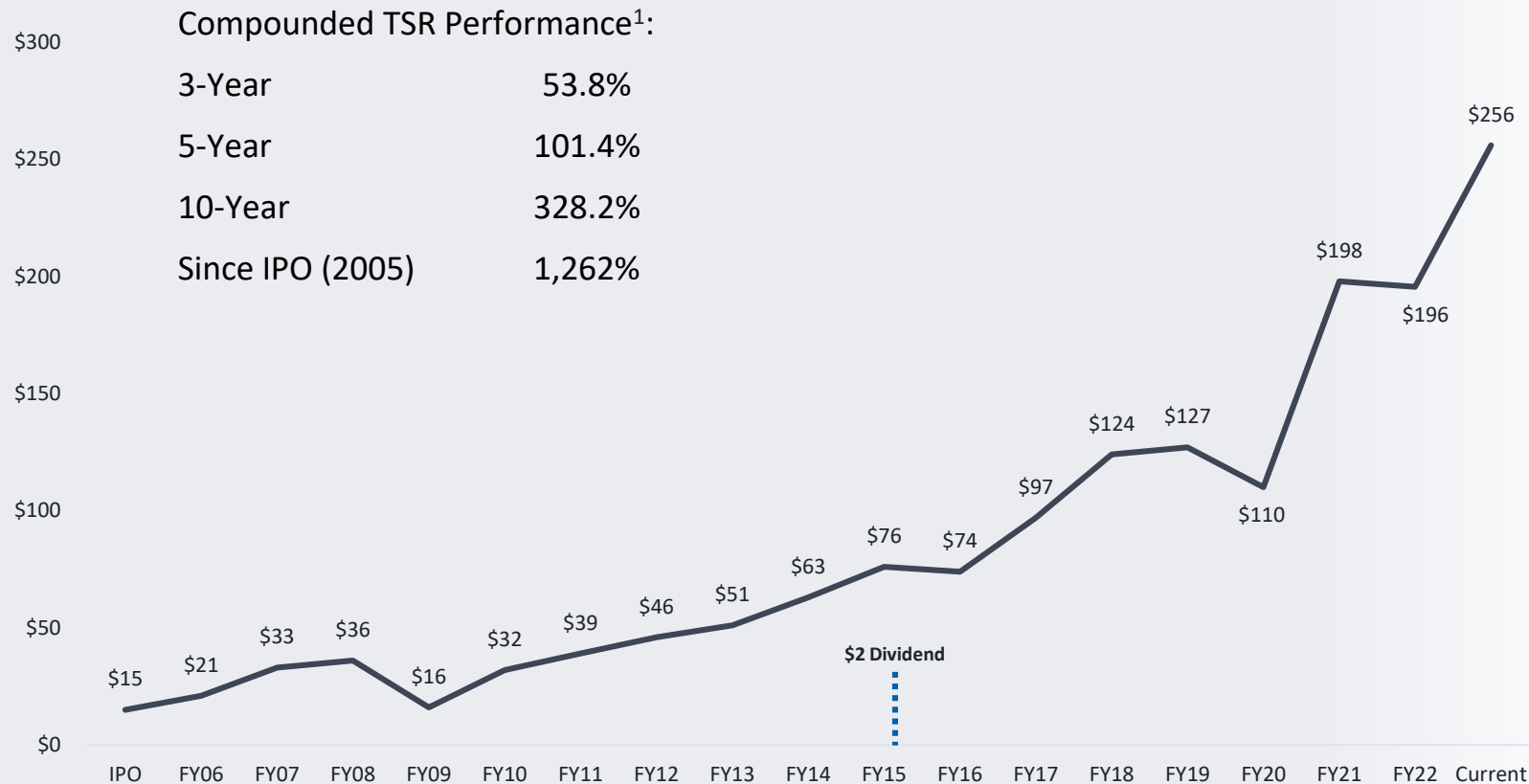
3

Invest in innovation and drive organic growth – “Green Shoots”

4

Pursue strategic acquisitions while maintaining price discipline

Track Record of Strong Shareholder Return (Ticker: ROLL)



¹ As of April 2, 2022. Equals { (current price - purchase price) + dividends } ÷ purchase price

Appendix

In addition to disclosing results of operations that are determined in accordance with U.S. generally accepted accounting principles (GAAP), this press release also discloses non-GAAP results of operations that exclude certain items. These non-GAAP measures adjust for items that management believes are unusual. Management believes that the presentation of these non-GAAP measures provides useful information to investors regarding the Company's results of operations, as these non-GAAP measures allow investors to better evaluate ongoing business performance. Investors should consider non-GAAP measures in addition to, not as a substitute for, financial measures prepared in accordance with GAAP. A reconciliation of the non-GAAP measures disclosed in this press release with the most comparable GAAP measures are included in the financial table attached to this press release.

Adjusted Gross Margin and Adjusted Operating Income

Adjusted gross margin excludes the impact of acquisition related fair value adjustments to inventory. Adjusted operating income excludes acquisition expenses including the impact of acquisition-related fair value adjustments in connection with purchase, restructuring and other similar charges, gains or losses on extinguishment of debt, and other non-operational, non-cash or non-recurring losses. We believe that adjusted gross margin and adjusted operating income are useful in assessing our financial performance by excluding items that are not indicative of our core operating performance or that may obscure trends useful in evaluating our continuing results of operations.

Adjusted Net Income and Adjusted Earnings Per Share

Adjusted net income and adjusted earnings per share exclude acquisition expenses including the impact of acquisition-related fair value adjustments in connection with purchase, restructuring and other similar charges, gains or losses on divestitures, discontinued operations, gains or losses on extinguishment of debt, and other non-operational, non-cash or non-recurring losses, non-cash expenses for amortization related to acquired intangible assets, stock compensation and amortization of deferred finance fees, net of their income tax impact. We believe that adjusted net income and adjusted earnings per share are useful in assessing our financial performance by excluding items that are not indicative of our core operating performance or that may obscure trends useful in evaluating our continuing results of operations.

EBITDA

EBITDA represents earnings from continuing operations before interest and other debt related activities, taxes, depreciation and amortization and stock compensation expense. EBITDA is presented because it is an important supplemental measure of performance and it is frequently used by analysts, investors and other interested parties in the evaluation of companies in our industry. EBITDA is also presented and compared by analysts and investors in evaluating our ability to meet debt service obligations. Other companies in our industry may calculate EBITDA differently. EBITDA is not a measurement of financial performance under GAAP and should not be considered as an alternative to cash flow from operating activities or as a measure of liquidity or an alternative to net income as indicators of operating performance or any other measures of performance derived in accordance with GAAP. Because EBITDA is calculated before recurring cash charges, including interest expense and taxes, and is not adjusted for capital expenditures or other recurring cash requirements of the business, it should not be considered as a measure of discretionary cash available to invest in the growth of the business.

Adjusted EBITDA

Adjusted EBITDA is the term we use to describe EBITDA adjusted for the items summarized in the Reconciliation of GAAP to Non-GAAP Financial Measures table below. Adjusted EBITDA is intended to show our unleveraged, pre-tax operating results and therefore reflects our financial performance based on operational factors, excluding non-operational, non-cash or non-recurring losses or gains. In view of our debt level, it is also provided to aid investors in understanding our compliance with our debt covenants. Adjusted EBITDA is not a presentation made in accordance with GAAP, and our use of the term Adjusted EBITDA varies from others in our industry. Adjusted EBITDA should not be considered as an alternative to net income, income from operations or any other performance measures derived in accordance with GAAP. Adjusted EBITDA has important limitations as an analytical tool, and you should not consider it in isolation, or as a substitute for, analysis of our results as reported under GAAP. For example, Adjusted EBITDA does not reflect: (a) our capital expenditures, future requirements for capital expenditures or contractual commitments; (b) changes in, or cash requirements for, our working capital needs; (c) the significant interest expenses, or the cash requirements necessary to service interest or principal payments, on our debt; (d) tax payments that represent a reduction in cash available to us; (e) any cash requirements for the assets being depreciated and amortized that may have to be replaced in the future; or (f) the impact of earnings or charges resulting from matters that we and the lenders under our credit agreement may not consider indicative of our ongoing operations. In particular, our definition of Adjusted EBITDA allows us to add back certain non-cash, non-operating or non-recurring charges that are deducted in calculating net income, even though these are expenses that may recur, vary greatly and are difficult to predict and can represent the effect of long-term strategies as opposed to short-term results. In addition, certain of these expenses can represent the reduction of cash that could be used for other corporate purposes. Further, although not included in the calculation of Adjusted EBITDA below, the measure may at times allow us to add estimated cost savings and operating synergies related to operational changes ranging from acquisitions to dispositions to restructurings and/or exclude one-time transition expenditures that we anticipate we will need to incur to realize cost savings before such savings have occurred. Further, management and various investors use the ratio of total debt less cash to Adjusted EBITDA (which includes a full pro-forma last-twelve-month impact of acquisitions), or "net debt leverage", as a measure of our financial strength and ability to incur incremental indebtedness when making key investment decisions and evaluating us against peers. Lastly, management and various investors use the ratio of the change in Adjusted EBITDA divided by the change in net sales (referred to as "incremental margin" in the case of an increase in net sales or "decremental margin" in the case of a decrease in net sales) as an additional measure of our financial performance and is utilized when making key investment decisions and evaluating us against peers.

Reconciliation of Non-GAAP Financial Measures

Adjusted EBITDA

\$ in thousands

	Q1 FY2023	Q1 FY2022
<u>Reconciliation of Adjusted EBITDA:</u>		
Reported operating income	\$ 64,470	\$ 29,313
Transaction and related costs	82	--
Transition services	3,705	--
Restructuring and consolidation	--	557
Adjusted operating income	\$ 68,257	\$ 29,870
Depreciation and amortization	28,642	8,212
Stock compensation expense	3,819	7,182
Adjusted EBITDA	\$ 100,718	\$ 45,264

Reconciliation of Non-GAAP Financial Measures

Adjusted EBITDA

\$ in thousands

	FY2022	FY2021
<u>Reconciliation of Adjusted EBITDA:</u>		
Reported operating income	\$ 121,094	\$ 114,675
Acquisition costs	44,404	--
Cyber event	--	1,507
Restructuring and consolidation	2,544	7,247
Adjusted operating income	\$ 168,042	\$ 123,429
Depreciation and amortization	65,532	32,744
Stock compensation expense	32,894	18,082
Adjusted EBITDA	\$ 266,468	\$ 174,255

Reconciliation of Non-GAAP Financial Measures

Adjusted Net Income Available to Common Stockholders

	Q1 FY2023	Q1 FY2022
Reconciliation of Adjusted Net Income:		
Reported net income	\$ 37,438	24,038
Transaction and related costs	82	--
Transition services	3,705	--
Restructuring and consolidation	--	557
Foreign exchange translation loss/(gain)	(163)	13
M&A related amortization	16,411	2,081
Stock compensation expense	3,819	7,182
Amortization of deferred finance fees	2,298	106
Tax impact of adjustments	(6,038)	(2,953)
Adjusted Net Income	\$57,552	\$ 31,024
Preferred stock dividends	5,750	--
Adjusted net income available to common stockholders	\$ 51,802	\$ 31,024
Adjusted net income per common share:		
Basic	\$1.81	\$1.24
Diluted	\$1.79	\$1.22

Reconciliation of Non-GAAP Financial Measures

Adjusted Net Income Available to Common Stockholders

	FY2022	FY2021
Reconciliation of Adjusted Net Income:		
Reported net income	\$ 54,710	\$ 90,143
Inventory step-up	13,803	--
Transaction and related costs	40,144	--
Transition services	8,003	--
Restructuring and consolidation	2,544	7,247
Cyber event	--	1,507
Foreign exchange translation loss	126	240
M&A related amortization	31,956	8,297
Stock compensation expense	32,894	18,082
Amortization of deferred finance fees	2,315	472
Tax impact of adjustments	(22,730)	(7,971)
Adjusted Net Income	\$ 163,765	\$ 118,017
Preferred stock dividends	12,011	--
Adjusted net income available to common stockholders	\$ 151,754	\$ 118,017
Adjusted net income per common share:		
Basic	\$5.63	\$4.75
Diluted	\$5.56	\$4.69

Reconciliation of Non-GAAP Financial Measures

Free Cash Flow

\$ in thousands

	Q1 FY2023	Q1 FY2022
<u>Reconciliation of Free Cash Flow:</u>		
Cash provided by operating activities	\$ 59,035	\$ 53,293
Capital expenditures	(7,857)	(3,367)
Free Cash Flow	\$ 51,178	\$ 49,926

Reconciliation of Non-GAAP Financial Measures

Free Cash Flow

\$ in thousands

	<u>FY2022</u>	<u>FY2021</u>
<u>Reconciliation of Free Cash Flow:</u>		
Cash provided by operating activities	\$ 180,293	\$ 152,453
Capital expenditures	(29,759)	(11,772)
Free Cash Flow	\$ 150,534	\$ 140,681

Reconciliation of Non-GAAP Financial Measures

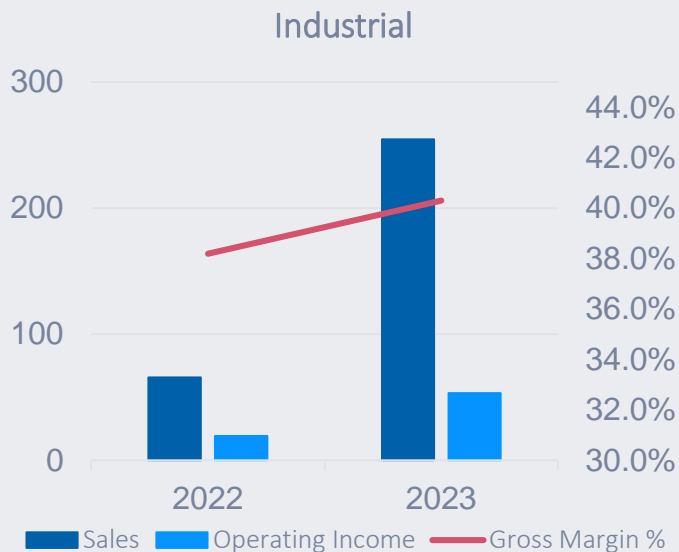
Adjusted Gross Margin

\$ in thousands

	<u>FY2022</u>	<u>FY2021</u>
<u>Reconciliation of Adjusted Gross Margin</u>		
Reported Gross Margin	\$ 357,068	\$ 234,106
Transaction and related costs	13,803	--
Restructuring and consolidation	929	3,071
Adjusted Gross Margin	\$ 371,800	\$ 237,177

Segment Performance

Amounts have been recast to reflect current reporting segments



Sales

Aerospace/Defense
Industrial
Total

FY2023

Q1

99,399
254,681
354,080

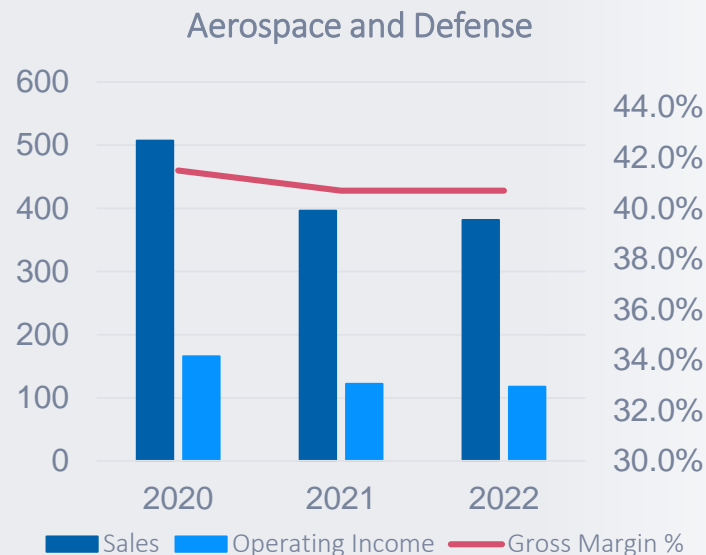
Gross Margin

Aerospace/Defense
Industrial
Total

38,600
102,552
141,152

Segment Performance

Amounts have been recast to reflect current reporting segments



Sales

	Q1	Q2	Q3	Q4	YTD
Aerospace/Defense	90,365	92,915	93,203	104,985	381,468
Industrial	65,840	67,985	173,750	253,894	561,469
Total	156,205	160,900	266,953	358,879	942,937

Gross Margin

	Q1	Q2	Q3	Q4	YTD
Aerospace/Defense	38,632	36,548	37,486	42,461	155,127
Industrial	25,141	25,916	55,859	95,025	201,941
Total	63,773	62,464	93,345	137,486	357,068