

RBC Bearings INC
Form 424B4
April 13, 2006

[QuickLinks](#) -- Click here to rapidly navigate through this document

Filed Pursuant to Rule 424(b)3
Registration No. 333-132480

PROSPECTUS

7,817,000 Shares

Common Stock

We are selling 1,821,471 shares and certain of our stockholders are selling 5,995,529 shares.

Our shares are quoted on the Nasdaq National Market under the symbol "ROLL." On April 11, 2006, the last sale price of our shares as reported on the Nasdaq National Market was \$20.70 per share.

Investing in the common stock involves risks that are described in the "Risk Factors" section beginning on page 9 of this prospectus.

| | Per Share | Total |
|--|------------------|----------------|
| Public offering price | \$20.50 | \$ 160,248,500 |
| Underwriting discount | \$1.025 | \$8,012,425 |
| Proceeds, before expenses, to us | \$ 19.475 | \$35,473,148 |
| Proceeds, before expenses, to the selling stockholders | \$ 19.475 | \$ 116,762,927 |

The underwriters may also purchase up to an additional 1,172,550 shares from us at the public offering price, less the underwriting discount, within 30 days from the date of this prospectus to cover overallotments.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The shares will be ready for delivery on or about April 18, 2006.

Merrill Lynch & Co.

Sole Book-Running Manager

KeyBanc Capital Markets

Co-Lead Manager

Robert W. Baird & Co.

The date of this prospectus is April 11, 2006.

TABLE OF CONTENTS

| | Page |
|---|-------------|
| Prospectus Summary | 1 |
| Risk Factors | 9 |
| Disclosure Regarding Forward-Looking Statements | 20 |
| Use of Proceeds | 22 |
| Industry and Market Data | 23 |
| Price Range of Our Common Stock | 23 |
| Dividend Policy | 23 |
| Capitalization | 24 |
| Selected Consolidated Historical Financial Data | 25 |
| Management's Discussion and Analysis of Financial Condition and Results of Operations | 28 |
| Business | 55 |
| Management | 67 |
| Related Party Transactions | 79 |
| Principal and Selling Stockholders | 83 |
| Description of Capital Stock | 85 |
| Description of Certain Indebtedness | 87 |
| Shares Eligible for Future Sale | 90 |
| Material U.S. Federal Income Tax Considerations for Non-U.S. Holders | 92 |
| Underwriting | 96 |
| Legal Matters | 100 |
| Experts | 100 |
| Where You Can Find Additional Information | 101 |

You should rely only on the information contained in this prospectus. We have not, and the underwriters have not, authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus is accurate only as of the date on the front cover of this prospectus. Our business, financial condition, results of operations and prospects may have changed since that date.

In this prospectus, unless the context otherwise requires, "Company," "RBCI," "we," "our" and "us" refer to RBC Bearings Incorporated and our subsidiaries; "RBCA" refers to Roller Bearing Company of America, Inc., our wholly-owned subsidiary and principal operating company; and "Whitney" refers to Whitney & Co., LLC. Our fiscal year consists of 52 or 53 weeks, ending on the Saturday closest to March 31; therefore, references to "fiscal 2005," "fiscal 2004," "fiscal 2003," "fiscal 2002" and "fiscal 2001" refer to our fiscal years ended April 2, 2005, April 3, 2004, March 29, 2003, March 30, 2002 and March 31, 2001, respectively. The term Senior Credit Facility refers, collectively, to our existing \$55.0 million revolving credit facility, referred to as our Revolving Credit Facility, and our \$150.0 million term loan, referred to as our Term Loan.

This prospectus contains our registered and unregistered trademarks, service marks and trade names including: "Aerocres," "Heim," "Pitchlign," "Quadlube," "RBC Bearings," "RBC Roller," "RBC Southwest Products," "Schaublin" and "Unibal." This prospectus also contains trademarks, service marks, copyrights and trade names of other companies.

PROSPECTUS SUMMARY

This summary highlights information contained elsewhere in this prospectus. As a result, it does not contain all of the information that you should consider before investing in our common stock. You should read this entire prospectus, especially the section entitled "Risk Factors" and the consolidated financial statements and the related notes.

RBC Bearings Incorporated

We are a well known international manufacturer and marketer of highly engineered precision plain, roller and ball bearings. Bearings, which are integral to the manufacture and operation of most machines and mechanical systems, reduce wear to moving parts, facilitate proper power transmission and reduce damage and energy loss caused by friction. While we manufacture products in all major bearing categories, we focus primarily on highly technical or regulated bearing products for specialized markets that require sophisticated design, testing and manufacturing capabilities. We believe our unique expertise has enabled us to garner leading positions in many of the product markets in which we primarily compete. We estimate that over one-fourth of our net sales are derived from products for which we are the sole supplier and the only manufacturer able to provide the required bearing solution. We believe that being the sole supplier for these products provides us with a competitive advantage due to the lengthy and rigorous certification processes and/or approvals required by a majority of these customers or government agencies, which typically take anywhere from six months to six years to complete, and due to our long track record with most of these customers of delivering high quality and uniquely designed and engineered products in a timely manner. We estimate that approximately two-thirds of our net sales during fiscal 2005 and during the nine month period ended December 31, 2005 were generated by products for which we hold the number one or two market position. We have been providing bearing solutions to our customers since 1919. Over the past ten years, under the leadership of our current management team, we have significantly broadened our end markets, products, customer base and geographic reach. We currently operate 16 manufacturing facilities in three countries.

We design, manufacture and market a broad portfolio of bearing products. The following table provides a summary of our product segments:

| Segment | Net Sales for the Nine Month Period Ended December 31, 2005 | Representative Applications |
|-----------------|--|---|
| Plain Bearings | \$82,078 (41%) | Aircraft engine controls and landing gear Helicopter rotors and missile launchers Mining and construction equipment |
| Roller Bearings | \$71,193 (36%) | Aircraft hydraulics Military and commercial truck chassis Packaging machinery and gear pumps |
| Ball Bearings | \$33,239 (17%) | Radar and night vision systems Airframe control and actuation Semiconductor equipment |
| Other | \$12,248 (6%) | Precision ground ball screws for robotic handling and missile guidance Collets for machine tools |

Our End Markets

We serve a broad range of end markets where we can add value with our specialty, precision bearing applications. We classify our customers into two principal categories: diversified industrial and aerospace and defense.

Diversified Industrial (55% of net sales for the nine month period ended December 31, 2005). We manufacture bearing products for a wide range of diversified industrial markets, including construction and mining, oil and natural resource extraction, heavy truck, packaging and semiconductor machinery. Our diversified industrial products target specialized market applications in which our engineering and manufacturing capabilities provide us with unique competitive advantages. We believe opportunities exist for growth and margin expansion in this market as a result of increasing demand for industrial machinery, the introduction of new products and the expansion of aftermarket sales.

Aerospace and Defense (45% of net sales for the nine month period ended December 31, 2005). We manufacture bearing products for a wide range of aerospace applications, including commercial airframes, commercial aircraft engines and private aircraft applications. We supply bearings for many of the commercial aircraft currently operating world-wide and are the primary supplier for many of our product lines. Many of our aerospace bearing products are designed and certified during the original development of the aircraft being served, which often makes us the primary bearing supplier for the life of the aircraft. We believe that growth and margin expansion in this segment will be driven primarily by expanding our international presence, new aircraft builds and the refurbishment and maintenance of existing commercial aircraft. In addition, we manufacture bearing products used by the U.S. Department of Defense and certain foreign governments for use in fighter jets, troop transports, naval vessels, helicopters, gas turbine engines, armored vehicles, guided weaponry and satellites. Our bearing products are manufactured to conform to U.S. military specifications and are typically custom designed during the original product design phase which often makes us the sole or primary bearing supplier for the life of the product. We believe that our current installed base of bearing products and our sophisticated engineering and manufacturing capabilities position us to benefit from growing replacement part demand caused by increased equipment utilization as well as the introduction of new weapons and transport systems.

Our Competitive Strengths

Leading Market Positions. We compete in specialized markets where we believe we are often the only supplier with the manufacturing expertise, business plan and engineering resources required to provide the required bearing solution. We estimate that approximately two-thirds of our net sales during fiscal 2005 and during the nine month period ended December 31, 2005 were generated by products for which we hold the number one or two market position.

Diversified Revenue Base. We sell a wide array of bearing products to customers across many diverse end markets, each of which is influenced by different fundamental economic factors. Our products are sold to more than 6,700 customers, including original equipment manufacturers, or OEMs, and aftermarket distributors and service providers.

Large Installed Product Base with Recurring Aftermarket Revenue Stream. We provide bearings to a large and growing number of applications for which our products have been tested and certified. Our bearing products are approved for over 32,000 applications, many of which are part of aerospace, defense and industrial platforms that can be in service for as long as several decades, thereby requiring continuing aftermarket support. Aftermarket sales of replacement parts for existing equipment platforms represented approximately 56% of our net sales for fiscal 2005.

Proprietary Design and Manufacturing Capabilities. We believe that our design and manufacturing capabilities will allow us to maintain a leadership position as our customers continue to rely on us to develop new bearing solutions that can be manufactured cost effectively.

Disciplined Acquisition Program with History of Successful Integration. We have demonstrated expertise in acquiring and integrating bearing and precision-engineered component manufacturers that have complementary products or distribution channels and provide significant potential for margin enhancement. Since October 1992 we have completed 13 acquisitions which have significantly broadened our end markets, products, customer base and geographic reach. Most recently, in September 2005, we acquired the Southwest Products Company, a manufacturer of spherical bearings, journal bearings and push-pull controls for military weapon systems and military and commercial aerospace applications.

Experienced Management Team. Our management team possesses extensive managerial experience in the bearing industry, with our top five operating executives averaging over 20 years of bearing industry experience. We intend to retain and attract experienced professionals by leveraging our reputation as a premier provider of precision bearing solutions.

Our Growth Strategy

We intend to grow our business while continuing to focus on specialized markets for highly engineered bearing solutions. Key elements of our growth strategy include:

Continue to Develop Innovative Bearing Solutions. We intend to leverage our design and manufacturing expertise and our extensive customer relationships to continue to develop new products for markets where we believe there are substantial growth opportunities. Our ability to develop new custom engineered products strengthens existing customer relationships and creates new business opportunities for us.

Expand Customer Base and Penetrate End Markets. We continually seek opportunities to penetrate new customers, geographic locations and bearing platforms with existing products or profitable new product opportunities. We intend to continue to expand our sales force, customer base and end markets and have identified a number of attractive growth opportunities domestically and abroad, including current projects in semiconductor machinery, airframe controls and missile guidance systems. In addition, our OEM relationships, coupled with our design expertise, provide us with extensive cross-selling opportunities on platforms that we do not currently supply.

Increase Aftermarket Sales. We intend to increase the percentage of our revenues derived from the replacement market by continuing to implement several initiatives. First, we will continue to seek opportunities to increase our sales to key existing distributors as well as expand our base of third party customers. Second, our new product and new end market initiatives are focused on high-growth platforms, such as 300 millimeter semiconductor manufacturing systems and the U.S. government's Joint Strike Fighter program that we expect will be in service for long periods and therefore create significant demand for replacement parts. Additionally, we will seek opportunities to develop new products that can be used as replacement parts for existing platforms. We believe that increasing our aftermarket sales of replacement parts will further enhance the continuity and predictability of our revenues and increase our profitability.

Pursue Selective Acquisitions. We believe that there will continue to be consolidation within the bearing industry that may present us with acquisition opportunities, particularly within the industrial and aerospace markets. We regularly evaluate opportunities to acquire bearing and precision-engineered component manufacturers which have complementary products, customers or distribution

channels, provide significant potential for margin enhancement and further expand the breadth of our product portfolio.

Our Corporate Profile

RBC Bearings Incorporated is a Delaware corporation, and our principal executive offices are located at One Tribology Center, Oxford, CT 06478. Our telephone number is (203) 267-7001. Our website address is *www.rbcbearings.com*. Information on our website is not deemed to be a part of this prospectus.

Amendment or Replacement of Our Senior Credit Facility

In connection with this offering we expect to amend or replace our Senior Credit Facility to provide for lower borrowing costs. The amendment or replacement of the Senior Credit Facility is contingent upon the consummation of the primary portion of this offering, but this offering is not contingent upon the amendment or replacement of the Senior Credit Facility. We are in discussions with multiple lenders regarding alternatives for reducing borrowing costs under our Senior Credit Facility, including replacing or amending the facility. Based on discussions with lenders, we expect that after giving effect to the amendment or replacement of the Senior Credit Facility, we will reduce the interest rate on our LIBOR loans by at least 125 basis points. See "Description of Certain Indebtedness Senior Credit Facility."

The Offering

Common stock offered:

| | |
|-----------------------------|------------------|
| By us | 1,821,471 shares |
| By the selling stockholders | 5,995,529 shares |

Common stock outstanding after the offering 19,155,969 shares

Use of proceeds We estimate that the net proceeds to us from this offering without exercise of the overallotment option will be approximately \$34.4 million. We intend to use the net proceeds from this offering to prepay outstanding balances under our Term Loan under our Senior Credit Facility. We will not receive any of the proceeds from the sale of shares of common stock by the selling stockholders. See "Use of Proceeds."

Risk factors See "Risk Factors" and other information included in this prospectus for a discussion of factors you should carefully consider before deciding to invest in shares of the common stock.

Nasdaq National Market symbol "ROLL"

The number of shares of our common stock that will be outstanding after this offering as shown above is based on 16,976,381 shares outstanding on March 29, 2006, adjusted to give effect to the exercise of warrants for cash by certain selling stockholders and this offering, and excludes:

1,966,119 shares of our common stock issuable upon the exercise of stock options under our stock option plans and warrants to purchase common stock that will be outstanding and unexercised after the consummation of this offering, at a weighted average exercise price of \$7.94 per share; and

443,168 additional shares of our common stock reserved for future grants under our 2005 Long-Term Incentive Plan.

Unless otherwise specifically stated or the context otherwise requires, the information in this prospectus assumes no exercise of the underwriters' overallotment option in this offering to purchase from us an aggregate of 1,172,550 shares of our common stock. See "Use of Proceeds."

Summary Financial Data

The summary financial data for the fiscal years ended March 29, 2003, April 3, 2004 and April 2, 2005 have been derived from our historical consolidated financial statements audited by Ernst & Young LLP, independent registered public accounting firm. The summary financial data for the nine month periods ended January 1, 2005 and December 31, 2005 have been derived from our unaudited consolidated financial statements included elsewhere in this prospectus, which in our opinion contain all adjustments necessary for a fair presentation of the consolidated financial data. Results for interim periods are not necessarily indicative of results that may be expected for a full fiscal year. Historical results are not necessarily indicative of the results expected in the future. See "Use of Proceeds" and "Prospectus Summary The Offering."

You should read the data presented below together with, and qualified by reference to, "Selected Consolidated Historical Financial Data," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements included elsewhere in this prospectus.

| | Fiscal Year Ended | | | Nine Months Ended | |
|---|-------------------|------------------|------------------|--------------------|-------------------------------------|
| | March 29, 2003 | April 3, 2004 | April 2, 2005 | January 1, 2005 | December 31, 2005 ⁽⁶⁾ |
| (in thousands, except share and per share amounts) | | | | | |
| Statement of Operations Data: | | | | | |
| Net sales ⁽¹⁾ | \$ 172,860 | \$ 187,331 | \$243,016 | \$ 170,731 | \$198,758 |
| Cost of sales | 124,086 | 135,433 | 174,602 | 123,325 | 139,134 |
| Gross margin | 48,774 | 51,898 | 68,414 | 47,406 | 59,624 |
| Selling, general and administrative ⁽²⁾ | 26,647 | 28,107 | 32,749 | 23,261 | 32,325 |
| Other, net | 1,424 | 1,662 | 3,526 | 2,464 | 1,020 |
| Operating income | 20,703 | 22,129 | 32,139 | 21,681 | 26,279 |
| Interest expense, net | 21,023 | 20,380 | 19,669 | 14,335 | 12,582 |
| Loss (gain) on early extinguishment of debt ⁽³⁾ | (780) | | 6,950 | 6,956 | 3,771 |
| Other non-operating expense (income) | 298 | 16 | (355) | (98) | |
| Income before income taxes | 162 | 1,733 | 5,875 | 488 | 9,926 |
| Provision for (benefit from) income taxes | 113 | 1,070 | (1,385) | 180 | 3,442 |
| Net income | 49 | 663 | 7,260 | 308 | 6,484 |
| Preferred stock dividends | (1,313) | (2,144) | (2,280) | (1,693) | (893) |
| Participation rights of preferred stock in undistributed earnings | | | (1,142) | (687) | (630) |
| Net income (loss) available to common stockholders | \$ (1,264) | \$ (1,481) | \$ 3,838 | \$ (2,072) | \$ 4,961 |
| Net income (loss) per common share: ⁽⁴⁾ | | | | | |
| Basic | \$ (0.20) | \$ (0.24) | \$ 0.62 | \$ (0.33) | \$ 0.43 |
| Diluted | \$ (0.20) | \$ (0.24) | \$ 0.35 | \$ (0.33) | \$ 0.37 |
| Weighted average common shares: ⁽⁴⁾ | | | | | |
| Basic | 6,188,903 | 6,188,903 | 6,202,615 | 6,188,903 | 11,649,073 |
| Diluted | 6,188,903 | 6,188,903 | 10,854,584 | 6,188,903 | 13,307,181 |

Other Financial Data:

Edgar Filing: RBC Bearings INC - Form 424B4

| | Fiscal Year Ended | | | Nine Months Ended | | | | |
|-----------------------|-------------------|--------|----|-------------------|-----------|----|--------|-----------|
| | | | | | | | | |
| EBITDA ⁽⁵⁾ | \$ | 29,224 | \$ | 31,295 | \$ 41,279 | \$ | 29,123 | \$ 33,417 |
| Capital expenditures | | 6,522 | | 4,951 | 9,526 | | 6,604 | 7,772 |
| | | | 6 | | | | | |

Edgar Filing: RBC Bearings INC - Form 424B4

As of December 31, 2005⁽⁶⁾

| Actual | As Adjusted |
|----------------|-------------|
| (in thousands) | |

Balance Sheet Data:

| | | |
|----------------------------|-----------|-----------|
| Cash | \$ 10,312 | \$ 10,312 |
| Working capital | 148,386 | 148,386 |
| Total assets | 271,424 | 271,424 |
| Total debt | 169,030 | 134,506 |
| Total stockholders' equity | 61,972 | 96,496 |

- (1) Net sales were \$243.0 million in fiscal 2005 compared to \$187.3 million in fiscal 2004, an increase of \$55.7 million. Net sales in the compared periods included net sales of \$19.3 million in fiscal 2005 and \$6.1 million in fiscal 2004 for RBC-API, which was acquired in December 2003.
- (2) Selling, general and administrative expense for the nine months ended December 31, 2005 included non-recurring compensation expense of \$5.2 million. See "Related Party Transactions Dr. Hartnett Settlement Bonus."
- (3) Loss on early extinguishment of debt of \$7.0 million in fiscal 2005 included \$4.3 million for non-cash write-off of deferred financing fees associated with retired debt, \$1.8 million of redemption premium and \$0.9 million of accrued interest for the 30-day call period related to the early extinguishment of \$110.0 million of 9⁵/₈% senior subordinated notes in July 2004. Loss on early extinguishment of debt of \$3.8 million in the nine months ended December 31, 2005 included \$1.6 million for non-cash write-off of deferred financing fees and unamortized bond discount associated with retired debt, \$1.3 million of redemption premium associated with the retirement of all of our 13% discount debentures in September 2005, \$0.5 million of prepayment fees related to the prepayment of all of the outstanding balance under our second lien term loan in August 2005 and \$0.4 million in interest expense for the 30-day call period related to the early extinguishment of our 13% discount debentures.
- (4) Amounts shown for periods prior to August 15, 2005 include shares of both class A common stock and class B common stock, all of which were reclassified into common stock on a one-for-one basis in connection with our initial public offering as of such date.
- (5) EBITDA consists of net income (loss), plus interest expense, net, loss (gain) on early extinguishment of debt, provision for (benefit from) income taxes and depreciation and amortization. EBITDA is not a measure of operating performance under generally accepted accounting principles in the United States, or GAAP, and should not be considered as an alternative or substitute for GAAP profitability measures such as operating earnings (loss) from continuing operations, discontinued operations, extraordinary items and net income (loss). EBITDA as an operating performance measure has material limitations since it excludes, among other things, the statement of operations impact of depreciation and amortization expense, interest expense, net, loss (gain) on early extinguishment of debt and the provision for (benefit from) income taxes and therefore does not necessarily represent an accurate measure of profitability, particularly in situations where a company is highly leveraged or has a disadvantageous tax structure. We use a significant amount of capital assets and depreciation and amortization expense is a necessary element of our costs and ability to generate revenue and therefore its exclusion from EBITDA is a material limitation. We also have a significant amount of debt and interest expense is a necessary element of our costs and ability to generate revenue and therefore its exclusion from EBITDA is a material limitation. We generally incur significant U.S. federal, state and foreign income taxes each year and the provision for (benefit from) income taxes is a necessary element of the our costs and therefore its exclusion from EBITDA is a material limitation. As a result,

Edgar Filing: RBC Bearings INC - Form 424B4

EBITDA should be evaluated in conjunction with net income (loss) for a more complete analysis of our profitability, as net income (loss) includes the financial statement impact of these items and is the most directly comparable GAAP operating performance measure to EBITDA. As EBITDA is not defined by GAAP, our definition of EBITDA may differ from and therefore may not be comparable to similarly titled measures used by other companies, thereby limiting its usefulness as a comparative measure. Because of the limitations that EBITDA has as an analytical tool, investors should not consider it in isolation or as a substitute for analysis of our operating results as reported under GAAP.

We use EBITDA as a supplementary non-GAAP operating performance measure to assist with our overall evaluation of our and our subsidiaries' operating performance (including the performance of subsidiary management) relative to outside peer group companies. In addition, we use EBITDA as an operating performance measure in financial presentations to our board of directors, stockholders, the banks participating in our credit facility and rating agencies, among others, as a supplemental non-GAAP operating measure to assist them in their evaluation of our performance. We are also active in mergers, acquisitions and divestitures and use EBITDA as an additional operating performance measure to assess our, our subsidiaries' and potential acquisition target enterprise value and to assist in the overall evaluation of our, our subsidiaries' and potential acquisition target performance on an internal basis and relative to peer group companies. We use EBITDA in conjunction with traditional GAAP operating performance measures as part of our overall assessment of potential valuation and relative performance and therefore do not place undue reliance on EBITDA as our only measure of operating performance. We believe EBITDA is useful for our management and investors as it is a commonly used analytical measurement for comparing company profitability, which eliminates the effects of financing, differing valuations of fixed and intangible assets and tax structure decisions. We believe that EBITDA is specifically relevant to us, due to the different degrees of leverage among our competitors. We have included EBITDA as a supplemental operating performance measure, which should be evaluated by investors in conjunction with the traditional GAAP performance measures for a complete evaluation of our operating performance. The following table provides a reconciliation of net income, the most directly comparable GAAP measure, to EBITDA.

| | Fiscal Year Ended | | | Nine Months Ended | |
|---|-------------------|------------------|------------------|--------------------|----------------------|
| | March 29, 2003 | April 3, 2004 | April 2, 2005 | January 1, 2005 | December 31, 2005 |
| | (in thousands) | | | | |
| Net income | \$ 49 | \$ 663 | \$ 7,260 | \$ 308 | \$ 6,484 |
| Add: | | | | | |
| Provision for (benefit from) income taxes | 113 | 1,070 | (1,385) | 180 | 3,442 |
| Interest expense, net | 21,023 | 20,380 | 19,669 | 14,335 | 12,582 |
| Loss (gain) on early extinguishment of debt | (780) | | 6,950 | 6,956 | 3,771 |
| Depreciation and amortization | 8,819 | 9,182 | 8,785 | 7,344 | 7,138 |
| EBITDA | \$ 29,224 | \$ 31,295 | \$ 41,279 | \$ 29,123 | \$ 33,417 |

(6)

Amounts for the nine month period ended December 31, 2005 reflect the consummation of our initial public offering in August 2005, which included: (1) the sale by us of 7,034,516 shares at the offering price of \$14.50 per share, (2) the repayment of all of our \$38.6 million in aggregate principal amount of 13% senior subordinated discount debentures due 2009, (3) the repayment of all outstanding indebtedness under our \$45.0 million second lien term loan, (4) the addition of \$40.0 million to our Term Loan and (5) the redemption of all of our then outstanding Class C and Class D preferred stock for an aggregate redemption price of \$38.6 million. As adjusted amounts as of December 31, 2005 reflect this offering and the use of proceeds therefrom. See "Use of Proceeds" and "Capitalization."

RISK FACTORS

Our business, operating results or financial condition could be materially adversely affected by any of the following risks. The trading price of our common stock could decline due to any of these risks, and you may lose all or part of your investment. You should carefully consider these risks before investing in shares of our common stock.

Risk Factors Related to Our Company

The bearing industry is highly competitive, and this competition could reduce our profitability or limit our ability to grow.

The global bearing industry is highly competitive, and we compete with many U.S. and non-U.S. companies, some of which benefit from lower labor costs and fewer regulatory burdens than us. We compete primarily based on product qualifications, product line breadth, service and price. Certain competitors are larger than us or subsidiaries of larger entities and may be better able to manage costs than us or may have greater financial resources than we have. Due to the competitiveness in the bearing industry we may not be able to increase prices for our products to cover increases in our costs, or we may face pressure to reduce prices, which could materially reduce our revenues, gross margin and profitability. Competitive factors, including changes in market penetration, increased price competition and the introduction of new products and technology by existing and new competitors could result in a material reduction in our revenues and profitability.

The loss of a major customer could result in a material reduction in our revenues and profitability.

Our top ten customers generated 32% of our net sales during fiscal 2005 and 34% of our net sales during the nine month period ended December 31, 2005. Accordingly, the loss of one or more of those customers or a substantial decrease in such customers' purchases from us could result in a material reduction in our revenues and profitability.

In addition, the consolidation and combination of defense or other manufacturers may eliminate customers from the industry and/or put downward pricing pressures on sales of component parts. For example, the consolidation that has occurred in the defense industry in recent years has significantly reduced the overall number of defense contractors in the industry. In addition, if one of our customers is acquired or merged with another entity, the new entity may discontinue using us as a supplier because of an existing business relationship with the acquiring company or because it may be more efficient to consolidate certain suppliers within the newly formed enterprise. The significance of the impact that such consolidation may have on our business is difficult to predict because we do not know when or if one or more of our customers will engage in merger or acquisition activity. However, if such activity involved our material customers it could materially impact our revenues and profitability.

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 and profitability.

The commercial aerospace, mining and construction equipment and other diversified industrial industries to which we sell our products are, to varying degrees, cyclical and tend to decline in response to overall declines in industrial production. Margins in those industries are highly sensitive to demand cycles, and our customers in those industries historically have tended to delay large capital projects, including expensive maintenance and upgrades, during economic downturns. As a result, our business is also cyclical, and the demand for our products by these customers depends, in part, on overall levels of industrial production, general economic conditions and business confidence levels. Downward economic cycles have affected our customers and reduced sales of our products resulting in reductions in our revenues and net earnings. Any future material weakness in demand in any of these industries could materially reduce our revenues and profitability.

In addition, many of our customers have historically experienced periodic downturns, which often have had a negative effect on demand for our products. For example, the severe downturn in 2001 in the aerospace industry resulted in deferrals or cancellations in aircraft orders, which reduced the volume and price of orders placed for products used to manufacture commercial aircraft, including our bearings and other individual parts and components we manufacture. Previous industry downturns have negatively affected, and future industry downturns may negatively affect, our net sales, gross margin and net income.

Future reductions or changes in U.S. government spending could negatively affect our business.

In fiscal 2005, 8% of our net sales were made directly, and we estimate that approximately an additional 11% of our net sales were made indirectly, to the U.S. government to support military or other government projects. Our failure to obtain new government contracts, the cancellation of government contracts or reductions in federal budget appropriations regarding our products could result in materially reduced revenue. In addition, the funding of defense programs also competes with non-defense spending of the U.S. government. Our business is sensitive to changes in national and international priorities and the U.S. government budgets. A shift in government defense spending to other programs in which we are not involved or future reductions in U.S. government defense spending generally could materially reduce our revenues, cash flow from operations and profitability. If we, or our prime contractors for which we are a subcontractor, fail to win any particular bid, or we are unable to replace lost business as a result of a cancellation, expiration or completion of a contract, our revenues or cash flow could be reduced.

Fluctuating supply and costs of raw materials and energy resources could materially reduce our revenues, cash flow from operations and profitability.

Our business is dependent on the availability and costs of energy resources and raw materials, particularly steel, generally in the form of stainless and chrome steel, which are commodity steel products. Raw materials represented approximately 30% of our overall costs for fiscal 2005 and the nine month period ended December 31, 2005, the majority of which consisted of steel and related products. The availability and prices of raw materials and energy sources may be subject to curtailment or change due to, among other things, new laws or regulations, suppliers' allocations to other purchasers, interruptions in production by suppliers, changes in exchange rates and worldwide price levels. Although we currently maintain alternative sources for raw materials, our business is subject to the risk of price fluctuations and periodic delays in the delivery of certain raw materials. Disruptions in the supply of raw materials and energy resources could temporarily impair our ability to manufacture our products for our customers or require us to pay higher prices in order to obtain these raw materials or energy resources from other sources, which could thereby affect our net sales and profitability.

For example, we purchase steel at market prices, which during the past two years have increased to historical highs as a result of a relatively low level of supply and a relatively high level of demand. As a result, we are currently being assessed surcharges on certain of our purchases of steel, and under certain circumstances, we have experienced difficulty in identifying steel for purchase. If we are unable to purchase steel for our operations for a significant period of time, our operations would be disrupted, which could reduce or delay sales of our products, and, in turn, could result in a material reduction in our revenues, cash flow from operations and profitability. In addition, we may be unable to pass on the increased costs of raw materials to our customers, which could materially reduce our cash flow from operations and profitability.

We seek to pass through a significant portion of our additional costs to our customers through steel surcharges or price increases. However, even if we are able to pass these steel surcharges or price increases to our customers, there may be a time lag of up to 12 weeks or more between the time a cost increase goes into effect and our ability to implement surcharges or price increases, particularly for

orders already in our backlog. As a result our gross margin percentage may decline, and we may not be able to implement other price increases for our products. We cannot provide assurances that we will be able to continue to pass these additional costs on to our customers at all or on a timely basis or that our customers will not seek alternative sources of supply if there are significant or prolonged increases in the price of steel or other raw materials or energy resources.

We may not be able to address technological advances or maintain customer relationships which are necessary to remain competitive within our businesses.

We believe that our customers rigorously evaluate their suppliers on the basis of product quality, price competitiveness, technical expertise, new product innovation, reliability and timeliness of delivery, product design capability, manufacturing expertise, operational flexibility and customer service. Our success will depend on our ability to continue to meet our customers' changing specifications with respect to these criteria. We must remain committed to product research and development, advanced manufacturing techniques and service to remain competitive. We may not be able to address technological advances in metallurgy or in materials science or introduce new products that may be necessary to remain competitive within our businesses, or our competitors may develop products superior to our products. Furthermore, we may be unable to adequately protect any of our own technological developments to produce a sustainable competitive advantage.

Our products are subject to certain approvals, and the loss of such approvals could materially reduce our revenues and profitability.

Essential to servicing the aerospace market is the ability to obtain product approvals. We have in excess of 32,000 product approvals, which enable us to provide products used in virtually all domestic aircraft platforms presently in production or operation. Product approvals are typically issued by the Federal Aviation Administration, or FAA, to designated OEMs who are Production Approval Holders of FAA approved aircraft. These Production Approval Holders provide quality control oversight and generally limit the number of suppliers directly servicing the commercial aerospace aftermarket. Regulations enacted by the FAA provide for an independent process (the Parts Manufacturer Approval, or PMA, process), which enables suppliers who currently sell their products to the Production Approval Holders, to sell products to the aftermarket. We have received over 2,400 PMA application approvals to date. Our foreign sales may be subject to similar approvals. Although we have not lost any material product approvals in the past, we cannot assure you that we will not lose approvals for our products in the future. The loss of product approvals could result in lost sales and materially reduce our revenues and profitability.

Under certain circumstances, the U.S. government has the right to debar or suspend us from acting as a U.S. government contractor or subcontractor, and if we are suspended or debarred from acting as a government supplier for any reason, such an action would materially reduce our revenues and profitability.

In connection with our performance of government contracts, the federal government audits and reviews our performance, pricing practices and compliance with applicable laws, regulations and standards. It is possible that as a result of these audits, our revenues, cash flow or results of operations could be materially reduced as a result of lost sales or penalties. For example, the government could disallow certain costs that it originally reimbursed, and we may be required to refund cash already collected. It is also possible that a government audit, review or investigation could uncover improper or illegal activities that would subject us to civil, criminal and/or administrative sanctions, including, but not limited to, termination of contracts, reimbursement of payments received, fines, forfeiture of profits and suspension or debarment from doing business with federal government agencies. If any allegations of impropriety were made against us, whether or not true, our reputation could be adversely affected. If we were suspended or debarred from contracting with the federal government, or any specific agency, if our reputation was impaired or if the government ceased or significantly decreased the

amount of business it does with us, our revenues and cash flow could be reduced. As a government contractor, we are also subject to various federal laws, regulations and standards. New laws, regulations or standards or changes to existing laws, regulations or standards could subject us to additional costs of compliance or liabilities and could result in material reductions to our results of operations, cash flow or revenues.

We have outstanding debt, and may incur additional debt in the future for acquisitions or other purposes, which could materially impact our business.

As of December 31, 2005 we had total indebtedness of \$169.0 million. After giving effect to this offering and the use of estimated net proceeds therefrom, our total outstanding debt would have been approximately \$134.5 million. See "Use of Proceeds" and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

To service our debt, we will require a significant amount of cash. Our ability to generate cash, make scheduled payments or to refinance our obligations depends on our successful financial and operating performance. Our financial and operating performance, cash flow and capital resources depend upon prevailing economic conditions and certain financial, business and other factors, many of which are beyond our control.

We may incur additional indebtedness in the future for acquisitions and other purposes, and the significant debt servicing costs associated with that indebtedness could have significant effects on our operations, including:

limit our ability to obtain additional financing to operate our business;

require us to dedicate a substantial portion of our cash flow to payments on our debt, reducing our ability to use our cash flow to fund working capital, capital expenditures and other general operational requirements;

limit our flexibility to plan for and react to changes in our business or industry;

place us at a competitive disadvantage relative to some of our competitors that have less debt than us; and

increase our vulnerability to general adverse economic and industry conditions, including changes in interest rates or a downturn in our business or the economy.

The occurrence of any one of these events could materially impact our business, financial condition, results of operations and ability to grow our business.

Restrictions in our indebtedness agreements could limit our growth and our ability to respond to changing conditions.

The Senior Credit Facility and our Swiss franc 14.0 million Swiss credit facility (approximately \$4.8 million outstanding as of December 31, 2005), or Swiss Credit Facility, contain a number of restrictive covenants that limit our ability, among other things, to:

incur additional indebtedness and issue preferred stock and guarantee indebtedness;

create liens on our assets;

pay dividends or make other equity distributions;

purchase or redeem capital stock;

create restrictions on payments of dividends or other amounts to us by our restricted subsidiaries;

make investments;

merge, consolidate or sell assets;

engage in activities unrelated to our current business;

engage in transactions with our affiliates; and

sell or issue capital stock of certain subsidiaries.

In addition, the Senior Credit Facility contains other financial covenants requiring us to maintain a minimum fixed charge coverage ratio and maximum senior leverage ratios and to satisfy certain other financial conditions. Our Senior Credit Facility prohibits us from incurring capital expenditures of more than \$15 million per year. These restrictions could limit our ability to obtain future financings, make needed capital expenditures, withstand a future downturn in our business or the economy in general or otherwise conduct necessary corporate activities.

As of December 31, 2005, we had no outstanding borrowings and letters of credit of \$20.6 million under our \$55.0 million Revolving Credit Facility. Under the Revolving Credit Facility, we had borrowing availability of \$34.4 million as of December 31, 2005. Under the revolving credit facility under our Swiss Credit Facility, or Swiss Revolver, we had borrowing availability of approximately \$3.0 million (4.0 million SFr) as of December 31, 2005.

If we amend or replace our Senior Credit Facility in connection with this offering, we expect that we will be subject to substantially similar restrictive covenants as described above. See "Description of Certain Indebtedness Senior Credit Facility."

Work stoppages and other labor problems could materially reduce our ability to operate our business.

As of December 31, 2005, approximately 26% of our hourly employees in the U.S. and abroad were represented by labor unions. While we believe our relations with our employees are satisfactory, a lengthy strike or other work stoppage at any of our facilities, particularly at some of our larger facilities, could materially reduce our ability to operate our business. We most recently experienced a four-month work stoppage in calendar years 2003-2004 at our Nice Bearings facility. This strike did not materially impact our operations, but we cannot assure you that a work stoppage at one or more of our facilities will not materially impair our ability to operate our business in the future. In addition, any attempt by our employees not currently represented by a union to join a union could result in additional expenses, including with respect to wages, benefits and pension obligations. We currently have four collective bargaining agreements, one agreement covering approximately 53 employees will expire in June 2007, one agreement covering approximately 38 employees will expire in October 2009, one agreement covering approximately 72 employees will expire in January 2008 and one agreement covering approximately 113 employees will expire in June 2008. In February 2006 we entered into a shutdown agreement which effectively terminated one collective bargaining agreement covering approximately 43 employees. We expect that the facility will be shutdown in the first quarter of fiscal 2007. We expect that such shutdown will not be material to our operations or financial results.

Negotiations for the extension of these agreements may result in modifications to the terms of these agreements, and these modifications could cause us to incur increased costs relating to our labor force.

In addition, work stoppages at one or more of our customers or suppliers, including suppliers of transportation services, many of which have large unionized workforces, for labor or other reasons could also cause disruptions to our business that we cannot control, and these disruptions may materially reduce our revenues and profitability.

Our business is capital intensive and may consume cash in excess of cash flow from our operations.

Our ability to remain competitive, sustain our growth and expand our operations largely depends on our cash flow from operations and our access to capital. We intend to fund our cash needs through operating cash flow and borrowings under our Senior Credit Facility. We may require additional equity or debt financing to fund our growth and debt repayment obligations. In addition, we may need

additional capital to fund future acquisitions. Our business may not generate sufficient cash flow, and we may not be able to obtain sufficient funds to enable us to pay our debt obligations and capital expenditures or we may not be able to refinance on commercially reasonable terms, if at all. See "Management's Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Liquidity."

Unexpected equipment failures, catastrophic events or capacity constraints may increase our costs and reduce our sales due to production curtailments or shutdowns.

Our manufacturing processes are dependent upon critical pieces of equipment, such as furnaces, continuous casters and rolling equipment, as well as electrical equipment, such as transformers, and this equipment may, on occasion, be out of service as a result of unanticipated failures. In addition to equipment failures, our facilities are also subject to the risk of catastrophic loss due to unanticipated events such as fires, explosions, earthquakes or violent weather conditions. In the future, we may experience material plant shutdowns or periods of reduced production as a result of these types of equipment failures or catastrophes. Interruptions in production capabilities will inevitably increase our production costs and reduce sales and earnings for the affected period.

Certain of our facilities are operating at a single shift with light second and third shifts, and additional demand may require additional shifts and/or capital investments at these facilities. We cannot assure you that we will be able to add additional shifts as needed in a timely way and production constraints may result in lost sales. In certain markets we refrain from making additional capital investments to expand capacity where we believe market expansion in a particular end market is not sustainable or otherwise does not justify the expansion or capital investment. Our assumptions and forecasts regarding market conditions in these end markets may be erroneous and may result in lost earnings, potential sales going to competitors and inhibit our growth.

The occurrence of extraordinary events, such as a major terrorist attack in the U.S., may adversely affect our business, resulting in a decrease in our revenues.

Future terrorist attacks cannot be predicted, and their occurrence can be expected to negatively affect the economy of the U.S. and other countries in which we do business. Such attacks may have a material impact on the markets in which we operate, particularly commercial aerospace, as increased terrorist activity around the world is likely to cause a reduction in air travel. For example, in the period following September 11, 2001, aircraft orders declined significantly and materially reduced our sales to the aerospace market. Similar effects are likely to result if there is a significant increase in terrorist activity around the world, particularly if commercial airliners are again involved in one or more major terrorist incidents. Other kinds of significant terror incidents may also impair our ability to conduct our manufacturing and other business activities for extended periods depending on the nature and severity of the event.

We may not be able to continue to make the acquisitions necessary for us to realize our growth strategy.

The acquisition of businesses that complement or expand our operations has been and continues to be an important element of our business strategy. We cannot assure you that we will be successful in identifying attractive acquisition candidates or completing acquisitions on favorable terms in the future. Our inability to acquire businesses, or to operate them profitably once acquired, could have a material adverse effect on our business, financial position, cash flow and growth.

The costs and difficulties of integrating acquired businesses could impede our future growth.

We cannot assure you that any future acquisition will enhance our financial performance. Our ability to effectively integrate any future acquisitions will depend on, among other things, the adequacy of our implementation plans, the ability of our management to oversee and operate effectively the combined operations and our ability to achieve desired operating efficiencies and sales goals. The

integration of any acquired businesses might cause us to incur unforeseen costs, which would lower our future earnings and would prevent us from realizing the expected benefits of these acquisitions.

Even if we are able to integrate future acquired businesses with our operations successfully, we cannot assure you that we will realize all of the cost savings, synergies or revenue enhancements that we anticipate from such integration or that we will realize such benefits within the expected time frame.

We depend heavily on our senior management and other key personnel, the loss of whom could materially affect our financial performance and prospects.

Our business is managed by a small number of key executive officers, including Dr. Michael J. Hartnett. Our future success will depend on, among other things, our ability to keep the services of these executives and to hire other highly qualified employees at all levels. Dr. Hartnett is the only member of our senior management team with a long-term employment contract. The remainder of our key executives are at-will employees.

We compete with other potential employers for employees, and we may not be successful in hiring and retaining executives and other skilled employees that we need. Our ability to successfully execute our business strategy, market and develop our products and serve our customers could be adversely affected by a shortage of available skilled employees or executives.

Our international operations are subject to risks inherent in such activities.

We have established operations in certain countries outside the U.S., including Mexico, France and Switzerland. Of our 18 facilities, 4 are located outside the U.S., including 2 manufacturing facilities.

Approximately 21% of our net sales were derived directly or indirectly from sales outside the U.S. during fiscal year 2005 and during the nine month period ended December 31, 2005. We expect that this proportion is likely to increase as we seek to increase our penetration of foreign markets, including through acquisitions, particularly within the aerospace and defense markets. Our foreign operations are subject to the risks inherent in such activities such as: currency devaluations, logistical and communications challenges, costs of complying with a variety of foreign laws and regulations, greater difficulties in protecting and maintaining our rights to intellectual property, difficulty in staffing and managing geographically diverse operations, acts of terrorism or war or other acts that may cause social disruption which are difficult to quantify or predict and general economic conditions in these foreign markets. We are not aware of any proposed material regulatory changes, but our international operations may be negatively impacted by changes in government policies, such as changes in laws and regulations (or the interpretation thereof), restrictions on imports and exports, sources of supply, duties or tariffs, the introduction of measures to control inflation and changes in the rate or method of taxation. To date we have not experienced significant difficulties with the foregoing risks associated with our international operations, however, as the size of our international operations has continued to grow, we expect these risks to become increasingly important to our business operations.

Currency translation risks may have a material impact on our results of operations.

Our Swiss operations utilize the Swiss franc as the functional currency and our French operations utilize the Euro as the functional currency. Foreign currency transaction gains and losses are included in earnings. Foreign currency transaction exposure arises primarily from the transfer of foreign currency from one subsidiary to another within the group and to foreign currency denominated trade receivables. Unrealized currency translation gains and losses are recognized upon translation of the foreign subsidiaries' 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. While we monitor exchange rates, we currently do not have exchange rate hedges in place to reduce the risk of an adverse currency exchange movement. Although currency fluctuations have not had a material impact on our financial performance in the past, such fluctuations may affect our financial performance in the future. The impact of future

exchange rate fluctuations on our results of operations cannot be accurately predicted. See "Management's Discussion and Analysis of Financial Condition and Results of Operations Foreign Currency Exchange Rates."

Our pension plans are underfunded, and we may be required to make significant future contributions to the plans.

As of December 31, 2005, we maintained noncontributory defined benefit pension plans covering substantially all of our union employees in our Heim division plant in Fairfield, Connecticut, our Nice subsidiary plant in Kulpsville, Pennsylvania, our Bremen subsidiary plant in Plymouth, Indiana and our Tyson subsidiary plant in Glasgow, Kentucky. As of April 2, 2005, our plans were underfunded by \$3.4 million, which is the amount by which the accumulated benefit obligations exceed the sum of the fair market value of plans' assets. We are required to make cash contributions to our pension plans to the extent necessary to comply with minimum funding requirements imposed by employee benefit and tax laws. The amount of any such required contributions is determined based on annual actuarial valuation of the plans as performed by the plan's actuaries. The amount of future contributions will depend upon asset returns, then-current discount rates and a number of other factors, and, as a result, the amount we may elect or be required to contribute to our pension plans in the future may increase significantly. Additionally, there is a risk that if the Pension Benefit Guaranty Corporation concludes that its risk with respect to our pension plan may increase unreasonably if the plan continues to operate, if we are unable to satisfy the minimum funding requirement for the plans or if the plans become unable to pay benefits, then the Pension Benefit Guaranty Corporation could terminate the plans and take control of their assets. In such event, we may be required to make an immediate payment to the Pension Benefit Guaranty Corporation of all or a substantial portion of the underfunding as calculated by the Pension Benefit Guaranty Corporation based upon its own assumptions. The underfunding calculated by the Pension Benefit Guaranty Corporation could be substantially greater than the underfunding we have calculated because, for example, the Pension Benefit Guaranty Corporation may use a significantly lower discount rate. If such payment is not made, then the Pension Benefit Guaranty Corporation could place liens on a material portion of our assets and the assets of any members of our controlled group. Such action could result in a material increase in our pension related expenses and a corresponding reduction in our cash flow and net income. For additional information concerning our pension plans and plan liabilities, see Note 9 to our unaudited consolidated financial statements for the nine months ended December 31, 2005 and Note 13 to our consolidated financial statements for the fiscal year ended April 2, 2005 attached to this prospectus.

We may incur material losses for product liability and recall related claims.

We are subject to a risk of product and recall related liability in the event that the failure of any of our products results in personal injury or death, property damage or does not conform to our customers' specifications. In particular, our products are installed in a number of types of vehicle fleets, including airplanes, trains, automobiles, heavy trucks and farm equipment, many of which are subject to government ordered as well as voluntary recalls by the manufacturer. If one of our products is found to be defective, causes a fleet to be disabled or otherwise results in a product recall, significant claims may be brought against us. Although we have not had any material product liability or recall related claims made against us, and we currently maintain product liability insurance coverage for product liability, although not for recall related claims, we cannot assure you that product liability or recall related claims, if made, would not exceed our insurance coverage limits or would be covered by insurance which, in turn, may result in material losses related to these claims, increased future insurance costs and a corresponding reduction in our cash flow and net income.

Environmental regulations impose substantial costs and limitations on our operations, and environmental compliance may be more costly than we expect.

We are subject to various federal, state and local environmental laws and regulations, including those governing discharges of pollutants into the air and water, the storage, handling and disposal of wastes and the health and safety of employees. These laws and regulations could subject us to material costs and liabilities, including compliance costs, civil and criminal fines imposed for failure to comply with these laws and regulations and litigation costs. We also may be liable under the federal Comprehensive Environmental Response, Compensation, and Liability Act, or similar state laws, for the costs of investigation and clean-up of contamination at facilities currently or formerly owned or operated by us or at other facilities at which we have disposed of hazardous substances. In connection with such contamination, we may also be liable for natural resource damages, government penalties and claims by third parties for personal injury and property damage. Compliance with these laws and regulations may prove to be more limiting and costly than we anticipate. New laws and regulations, stricter enforcement of existing laws and regulations, the discovery of previously unknown contamination or the imposition of new clean-up requirements could require us to incur costs or become the basis for new or increased liabilities that could cause a material increase in our environmental related compliance costs and a corresponding reduction in our cash flow and net income. Investigation and remediation of contamination at some of our sites is ongoing. Actual costs to clean-up these sites may exceed our current estimates. Although we have indemnities for certain pre-closing environmental liabilities from the prior owners in connection with our acquisition of several of our facilities, we cannot assure you that the indemnities will be adequate to cover known or newly discovered pre-closing liabilities.

Our intellectual property and other proprietary rights are valuable, and any inability to protect them could adversely affect our business and results of operations; in addition, we may be subject to infringement claims by third parties.

Our ability to compete effectively is dependent upon our ability to protect and preserve the intellectual property and other proprietary rights and materials owned, licensed or otherwise used by us. We have numerous U.S. and foreign patents, U.S. trademark registrations and U.S. copyright registrations. Our issued patents are expected to expire by their own terms at various dates and most such patents will not expire for at least 5 years. We also have U.S. trademark and patent applications pending. We cannot assure you that our pending trademark and patent applications will result in trademark registrations and issued patents, and our failure to secure rights under these applications may limit our ability to protect the intellectual property rights that these applications were intended to cover. Although we have attempted to protect our intellectual property and other proprietary rights both in the United States and in foreign countries through a combination of patent, trademark, copyright and trade secret protection and non-disclosure agreements, these steps may be insufficient to prevent unauthorized use of our intellectual property and other proprietary rights, particularly in foreign countries where the protection available for such intellectual property and other proprietary rights may be limited. To date we are not currently engaged in and have not had any material infringement or other claims pertaining to our intellectual property brought by us or against us in recent years. We cannot assure you that any of our intellectual property rights will not be infringed upon or that our trade secrets will not be misappropriated or otherwise become known to or independently developed by competitors. We may not have adequate remedies available for any such infringement or other unauthorized use. We cannot assure you that any infringement claims asserted by us will not result in our intellectual property being challenged or invalidated, that our intellectual property will be held to be of adequate scope to protect our business or that we will be able to deter current and former employees, contractors or other parties from breaching confidentiality obligations and misappropriating trade secrets. In addition, we may become subject to claims against us which could require us to pay damages or limit our ability to use certain intellectual property and other proprietary rights found to be in violation of a third party's rights, and, in the event such litigation is

successful, we may be unable to use such intellectual property and other proprietary rights at all or on reasonable terms. Regardless of its outcome, any litigation, whether commenced by us or third parties, could be protracted and costly and could result in increased litigation related expenses, the loss of intellectual property rights or payment of money or other damages, which may result in lost sales and reduced cash flow and decrease our net income. See "Business Intellectual Property."

Cancellation of orders in our backlog of orders could negatively impact our revenues.

As of December 31, 2005, we had an order backlog of \$152.6 million, which we estimate will be fulfilled within the next 12 months. However, orders included in our backlog are subject to cancellation, delay or other modifications by our customers prior to fulfillment. For these reasons, we cannot assure you that orders included in our backlog will ultimately result in the actual receipt of revenues from such orders.

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.

Effective internal controls are necessary for us to provide reliable financial reports and effectively prevent fraud. Any inability to provide reliable financial reports or prevent fraud could harm our business. We are in the process of instituting changes to our internal procedures to satisfy the requirements of the Sarbanes-Oxley Act of 2002, which require management and our auditors to evaluate and assess the effectiveness of our internal controls by March 31, 2007. Implementing these changes may take a significant amount of time and may require specific compliance training of our directors, officers and other personnel. To date we have not detected any material weakness or significant deficiencies in our internal control over financial reporting. However, we are continuing to evaluate and, where appropriate, enhance our policies, procedures and internal controls. If we fail to maintain the adequacy of our internal controls, as such standards are modified, supplemented or amended from time to time, we could be subject to regulatory scrutiny, civil or criminal penalties or shareholder litigation. In addition, failure to maintain adequate internal controls could result in financial statements that do not accurately reflect our financial condition. Inferior internal controls could also cause investors to lose confidence in our reported financial information, which could have a negative effect on the trading price of our stock. We cannot assure you that we will be able to complete the work necessary to fully comply with the requirements of the Sarbanes-Oxley Act or that management or our auditors will conclude that our internal controls are effective.

We face new challenges and increased costs as a public company.

Prior to our initial public offering in August 2005, our management team had historically operated our business as a privately held company. We expect that the obligations of being a public company, including substantial public reporting and investor relations obligations, will require significant legal, accounting and other additional expenditures, as well as stock exchange listing requirements, which will place additional demands on our management and may require the hiring of additional personnel. These obligations and related expenses have increased our operating expenses since our initial public offering and will continue to do so and could divert our management's attention from our operations. These new rules and regulations may make it more difficult and more expensive for us to obtain director and officer liability insurance, and we may be required to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. As a result, it may be more difficult for us to attract and retain qualified individuals to serve on our board of directors or as executive officers. We are currently evaluating and monitoring developments with respect to these new rules, and we cannot accurately predict the amount of additional costs we may incur or the timing of such costs. For the nine month period ended December 31, 2005, we estimate that we have incurred approximately \$0.9 million of additional costs in connection with our operation as a public company. We can provide no assurance that such costs may not increase significantly in the future, particularly in

connection with the work required for our accountants to certify the adequacy of our internal controls over financial reporting.

Risk Factors Related to Our Common Stock

Provisions in our charter documents and under Delaware law may prevent or frustrate attempts by our stockholders to change our management and hinder efforts to acquire a controlling interest in us.

Provisions of our certificate of incorporation and bylaws may discourage, delay or prevent a merger, acquisition or other change in control that stockholders may consider favorable, including transactions in which you might otherwise receive a premium for your shares. These provisions may also prevent or frustrate attempts by our stockholders to replace or remove our management. These provisions include:

a classified board of directors;

advance notice requirements for stockholder proposals and nominations;

the inability of stockholders to act by written consent or to call special meetings; and

the ability of our board of directors to designate the terms of and issue new series of preferred stock without stockholder approval.

The affirmative vote of the holders of at least 66²/₃% of our shares entitled to vote is necessary to amend or repeal the above provisions of our certificate of incorporation. In addition, absent approval of our board of directors, many of our bylaw provisions may only be amended or repealed by the affirmative vote of the holders of at least 66²/₃% of our shares entitled to vote.

Our certificate of incorporation authorizes the issuance of "blank check" preferred stock with such designations, rights and preferences as may be determined from time to time by our board of directors. Accordingly, the board of directors is empowered, without stockholder approval, to issue preferred stock with dividend, liquidation, conversion, voting or other rights that could materially adversely affect the voting power or other rights of the holders of our common stock, including purchasers in this offering. Holders of the common stock will not have preemptive rights to subscribe for a pro rata portion of any capital stock which may be issued by us. In the event of issuance, such preferred stock could be utilized, under certain circumstances, as a method of discouraging, delaying or preventing a change in control of RBCI. Although we have no present intention to issue any new shares of preferred stock, we may do so in the future.

In addition, Section 203 of the Delaware General Corporation Law prohibits a publicly held Delaware corporation from engaging in a business combination with an interested stockholder, generally a person which together with its affiliates owns, or within the last three years has owned, 15% of our voting stock, for a period of three years after the date of the transaction in which the person became an interested stockholder, unless the business combination is approved in a prescribed manner. Accordingly, Section 203 may discourage, delay or prevent a change in control of our company.

If there are substantial sales of our common stock, our stock price could decline.

If our existing stockholders sell a large number of shares of our common stock or the public market perceives that existing stockholders might sell shares of our common stock, the market price of our common stock could decline significantly. All of our directors, executive officers and the selling stockholders will have executed 90-day lock-up agreements for their shares prior to the completion of this offering. Our other stockholders, including employee holders of warrants, options and restricted stock will not be executing lock-up agreements. The shares will be eligible for sale pursuant to Rule 144 or otherwise subject to the expiration of the lock-up agreements for those persons who are executing such agreements. See "Shares Eligible for Future Sale."

DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains "forward-looking statements." All statements other than statements of historical fact are "forward-looking statements" for purposes of federal and state securities laws, including any projections of earnings, revenue or other financial items; any statements of the plans, strategies and objectives of management for future operations; any statements concerning proposed new services or developments; any statements regarding future economic conditions or performance; future growth rates in the markets we serve; increases in foreign sales; supply and cost of raw materials, any statements of belief; and any statements of assumptions underlying any of the foregoing. Forward-looking statements may include the words "may," "estimate," "intend," "continue," "believe," "expect" or "anticipate" and other similar words.

Although we believe that the expectations reflected in any of our forward-looking statements are reasonable, actual results could differ materially from those projected or assumed in any of our forward-looking statements. Our future financial condition and results of operations, as well as any forward-looking statements, are subject to change and to inherent risks and uncertainties, such as those disclosed in this prospectus. Factors that could cause our actual results, performance and achievements or industry results to differ materially from estimates or projections contained in forward-looking statements include, among others, the following:

weakness and cyclicity in any of the industries in which our customers operate;

changes in marketing, product pricing and sales strategies or developments of new products by us or our competitors;

future reductions in U.S. governmental spending or changes in governmental programs, particularly military equipment procurement programs;

suspension or debarment from acting as a government supplier;

our ability to obtain and retain product approvals;

supply and costs of raw materials, particularly steel, and energy resources and our ability to pass through these costs on a timely basis;

our ability to address technological advances in metallurgy or in material advances and introduce new products to remain competitive;

our ability to acquire and integrate complementary businesses;

unexpected equipment failures, catastrophic events or capacity constraints;

development of new litigation;

our ability to attract and retain our management team and other highly-skilled personnel;

increases in interest rates;

work stoppages and other labor problems for us and our customers or suppliers;

Edgar Filing: RBC Bearings INC - Form 424B4

contractual limitations on our ability to expand our business;

regulatory developments in the U.S. and foreign countries;

developments or disputes concerning patents or other proprietary rights;

actual or anticipated changes in our earnings, fluctuations in our operating results or the failure to meet the expectations of financial market analysts and investors;

changes in accounting standards, policies, guidance, interpretation or principles;

risks associated with operating internationally, including currency translation risks;

the operating and stock performance of comparable companies;

acts of terrorism or major catastrophic events;

investors' perceptions of us and our industry; and

general economic, geopolitical, industry and market conditions.

Additional factors that could cause actual results to differ materially from our forward-looking statements are set forth in this prospectus, including under the headings "Prospectus Summary," "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Business" and in our "Summary Financial Data" and related notes. We do not intend, and undertake no obligation, to update any forward-looking statement. The Private Securities Litigation Reform Act of 1995 and Section 27A of the Securities Act do not protect forward-looking statements we make in connection with this offering.

Before deciding whether to invest in our common shares, you should carefully consider the matters set forth under the heading "Risk Factors" and all other information contained in this prospectus. All subsequent written and oral forward-looking statements attributable to us, or persons acting on our behalf, are expressly qualified in their entirety by the cautionary statements.

USE OF PROCEEDS

We estimate that the net proceeds to us from this offering without exercise of the overallotment option, after deducting the underwriting discount and estimated expenses of the offering, will be approximately \$34.4 million. If the underwriters' overallotment option is exercised in full, we estimate that we will receive net proceeds of approximately \$57.2 million. We will not receive any of the proceeds from the sale of shares of common stock by the selling stockholders.

We intend to use the full amount of the net proceeds from this offering described above to prepay outstanding balances under our Term Loan, which were \$147.6 million as of December 31, 2005. For a description of our Term Loan under our Senior Credit Facility, including interest rates and maturity with respect thereto, see "Description of Certain Indebtedness Senior Credit Facility" and "Capitalization." Any amounts borrowed under the Senior Credit Facility in the prior year were used to refinance or repay our then existing indebtedness.

INDUSTRY AND MARKET DATA

The data included in this prospectus regarding markets, product categories, ranking and percentage of our sales to the aftermarket, including, but not limited to, the size of certain markets, product categories and sales volumes and our position and the positions of our competitors within these markets and product categories, are based on our estimates and definitions, which have been derived from management's knowledge and experience in the areas in which the relevant businesses operate. Estimates for the anticipated rate of growth for the bearing industry have been obtained from a report titled *Freedonia Focus on Bearings* published in November 2004 by The Freedonia Group, Inc. and obtained by us after a payment by us to The Freedonia Group, Inc. of a licensing fee. We believe that these sources, in each case, provide reasonable estimates. However, market share data is subject to change and cannot always be verified with complete certainty due to limits on the availability and reliability of raw data, the voluntary nature of the data gathering process and other limitations and uncertainties inherent in any statistical survey of market shares. In addition, consumption patterns and customer preferences can and do change. In addition, we may define our markets in a way that may be different from how our competitors or others define their markets. References herein to our being a leader in a certain market or product category refer to our having a leading position based on sales in fiscal 2005 of bearing products in such market or product category, unless the context otherwise requires.

PRICE RANGE OF OUR COMMON STOCK

Our common stock is quoted on the Nasdaq National Market under the symbol "ROLL." The following table shows the high and low sales prices of our common stock as reported by the Nasdaq National Market during the periods indicated:

| | <u>High</u> | <u>Low</u> |
|---|-------------|------------|
| Fiscal year ended April 1, 2006 | | |
| Second Quarter (beginning on August 10, 2005) | \$ 17.68 | \$ 14.60 |
| Third Quarter | 18.27 | 14.20 |
| Fourth Quarter | 22.24 | 16.23 |
| Fiscal year ended March 31, 2007 | | |
| First Quarter (through April 11, 2006) | \$ 21.25 | \$ 19.33 |

The last reported sale price of our common stock on the Nasdaq National Market on April 11, 2006 was \$20.70 per share. As of March 13, 2006, there were 11 holders of record of our common stock.

DIVIDEND POLICY

We have never declared or paid any cash dividends on our common stock and do not expect to pay cash dividends for the foreseeable future. Our current policy is to retain all of our earnings to finance future growth. In addition, covenants in our credit facilities restrict our ability to pay dividends. Any future declaration of dividends will be determined by our board of directors, based upon our earnings, capital requirements, financial condition, debt covenants, tax consequences and other factors deemed relevant by our board of directors.

CAPITALIZATION

The following table sets forth our cash and capitalization as of December 31, 2005 on an actual basis and as adjusted to give effect to:

this offering at the public offering price of \$20.50 per share, after deducting the underwriting discount and estimated offering expenses payable by us; and

the prepayment of outstanding balances under our Term Loan.

This table should be read in conjunction with "Use of Proceeds," "Summary Financial Data," "Selected Consolidated Historical Financial Data" and the historical financial statements and related notes thereto included elsewhere in this prospectus. See also "Management's Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources" and "Description of Certain Indebtedness."

| | As of December 31, 2005 | |
|---------------------------------------|-------------------------|----------------------------|
| | Actual | As Adjusted ⁽³⁾ |
| | (in thousands) | |
| Cash | \$ 10,312 | \$ 10,312 |
| Debt: | | |
| Senior Credit Facility ⁽¹⁾ | \$ 147,625 | \$ 113,101 |
| Other debt ⁽²⁾ | 21,405 | 21,405 |
| Total debt | 169,030 | 134,506 |
| Stockholders' equity: | | |
| Common stock | 166 | 188 |
| Additional paid-in capital | 98,206 | 132,708 |
| Deferred compensation | (158) | (158) |
| Accumulated other comprehensive loss | (3,532) | (3,532) |
| Accumulated deficit | (32,710) | (32,710) |
| Total stockholders' equity | 61,972 | 96,496 |
| Total capitalization | \$ 231,002 | \$ 231,002 |

- (1) The amount shown for the Senior Credit Facility excludes \$20.6 million of letters of credit drawn under our \$25.0 million letter of credit subfacility under our Revolving Credit Facility.
- (2) Other debt consists of \$4.8 million outstanding under the Swiss Term Loan and \$16.7 million aggregate principal amount of our industrial revenue bonds.
- (3) As adjusted amounts reflect the exercise of warrants to purchase common stock for cash and subsequent sale of 358,117 shares of common stock received upon such exercise by the selling stockholders in connection with this offering.

SELECTED CONSOLIDATED HISTORICAL FINANCIAL DATA

The following table sets forth our selected consolidated historical financial and other data as of the dates and for the periods indicated. The selected financial data as of and for the years ended March 30, 2002, March 29, 2003, April 3, 2004 and April 2, 2005 have been derived from our historical consolidated financial statements audited by Ernst & Young LLP, independent registered public accounting firm. The selected financial data as of and for the fiscal year ended March 31, 2001 have been derived from our historical consolidated financial statements. The selected financial data for the nine month periods ended January 1, 2005 and December 31, 2005 have been derived from our unaudited consolidated financial statements included elsewhere in this prospectus, which in our opinion contain all adjustments necessary for a fair presentation of the consolidated financial data. Results for interim periods are not necessarily indicative of results that may be expected for a full fiscal year. Historical results are not necessarily indicative of the results expected in the future. You should read the data presented below together with, and qualified by reference to, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements included elsewhere in this prospectus.

| | Fiscal Year Ended | | | | | Nine Months Ended | |
|---|-------------------|-------------------|-------------------|------------------|------------------|--------------------|-------------------------------------|
| | March 31, 2001 | March 30, 2002 | March 29, 2003 | April 3, 2004 | April 2, 2005 | January 1, 2005 | December 31, 2005 ⁽⁶⁾ |
| (in thousands, except share and per share amounts) | | | | | | | |
| Statement of Operations Data: | | | | | | | |
| Net sales ⁽¹⁾ | \$176,435 | \$168,331 | \$172,860 | \$187,331 | \$243,016 | \$170,731 | \$198,758 |
| Cost of sales | 116,245 | 114,575 | 124,086 | 135,433 | 174,602 | 123,325 | 139,134 |
| Gross margin | 60,190 | 53,756 | 48,774 | 51,898 | 68,414 | 47,406 | 59,624 |
| Selling, general and administrative ⁽²⁾ | 27,043 | 25,641 | 26,647 | 28,107 | 32,749 | 23,261 | 32,325 |
| Other, net | 776 | 937 | 1,424 | 1,662 | 3,526 | 2,464 | 1,020 |
| Operating income | 32,371 | 27,178 | 20,703 | 22,129 | 32,139 | 21,681 | 26,279 |
| Interest expense, net | 23,335 | 23,440 | 21,023 | 20,380 | 19,669 | 14,335 | 12,582 |
| Financing costs | 3,600 | | | | | | |
| Loss (gain) on early extinguishment of debt ⁽³⁾ | | | (780) | | 6,950 | 6,956 | 3,771 |
| Other non-operating expense (income) | 16 | 17 | 298 | 16 | (355) | (98) | |
| Income before income taxes | 5,420 | 3,721 | 162 | 1,733 | 5,875 | 488 | 9,926 |
| Provision for (benefit from) income taxes | 2,326 | 2,052 | 113 | 1,070 | (1,385) | 180 | 3,442 |
| Income before extraordinary gain | 3,094 | 1,669 | 49 | 663 | 7,260 | 308 | 6,484 |
| Extraordinary gain, net | 521 | | | | | | |
| Net income | 3,615 | 1,669 | 49 | 663 | 7,260 | 308 | 6,484 |
| Preferred stock dividends | | | (1,313) | (2,144) | (2,280) | (1,693) | (893) |
| Participation rights of preferred stock in undistributed earnings | | | | | (1,142) | (687) | (630) |
| Net income (loss) available to common stockholders | \$ 3,615 | \$ 1,669 | \$ (1,264) | \$ (1,481) | \$ 3,838 | \$ (2,072) | \$ 4,961 |
| Net income (loss) per common share: ⁽⁴⁾ | | | | | | | |
| Basic | \$ 1.04 | \$ 0.27 | \$ (0.20) | \$ (0.24) | \$ 0.62 | \$ (0.33) | \$ 0.43 |
| Diluted | \$ 0.41 | \$ 0.19 | \$ (0.20) | \$ (0.24) | \$ 0.35 | \$ (0.33) | \$ 0.37 |
| Weighted average common shares: ⁽⁴⁾ | | | | | | | |
| Basic | 3,462,680 | 6,188,903 | 6,188,903 | 6,188,903 | 6,202,615 | 6,188,903 | 11,649,073 |
| Diluted | 8,820,763 | 8,891,645 | 6,188,903 | 6,188,903 | 10,854,584 | 6,188,903 | 13,307,181 |
| Other Financial Data: | | | | | | | |
| EBITDA ⁽⁵⁾ | \$ 37,917 | \$ 36,266 | \$ 29,224 | \$ 31,295 | \$ 41,279 | \$ 29,123 | \$ 33,417 |

Edgar Filing: RBC Bearings INC - Form 424B4

| | Fiscal Year Ended | | | | | Nine Months Ended | |
|----------------------|-------------------|-------|-------|-------|-------|-------------------|-------|
| Capital expenditures | 6,619 | 5,941 | 6,522 | 4,951 | 9,526 | \$ 6,604 | 7,772 |
| | | | 25 | | | | |

Edgar Filing: RBC Bearings INC - Form 424B4

| | As of | | | | | As of December 31, 2005 ⁽⁶⁾ | |
|--------------------------------------|-------------------|-------------------|-------------------|------------------|------------------|---|-------------|
| | March 31, 2001 | March 30, 2002 | March 29, 2003 | April 3, 2004 | April 2, 2005 | Actual | As Adjusted |
| (in thousands) | | | | | | | |
| Balance Sheet Data: | | | | | | | |
| Cash | \$ 4,071 | \$ 7,185 | \$ 3,553 | \$ 3,250 | \$ 2,635 | \$ 10,312 | \$ 10,312 |
| Working capital | 56,980 | 70,957 | 89,411 | 105,550 | 120,656 | 148,386 | 148,386 |
| Total assets | 209,372 | 219,376 | 232,356 | 234,746 | 250,169 | 271,424 | 271,424 |
| Total debt | 218,249 | 226,713 | 210,933 | 215,224 | 220,079 | 169,030 | 134,506 |
| Total stockholders' equity (deficit) | (38,134) | (37,567) | (17,649) | (16,285) | (7,759) | 61,972 | 96,496 |

- (1) Net sales were \$168.3 million in fiscal 2002 compared to \$176.4 million in fiscal 2001, a decrease of \$8.1 million, or 4.6%. Net sales related to the RBC Oklahoma acquisition, which was effective on August 20, 2001, were \$3.7 million in fiscal 2002. Net sales, excluding the RBC Oklahoma acquisition, decreased \$11.8 million or 6.7% from fiscal 2001, primarily due to softness in the OEM heavy truck market, the industrial aftermarkets and the aerospace market after September 11, 2001.
- Net sales were \$172.9 million in fiscal 2003 compared to \$168.3 million in fiscal 2002, an increase of \$4.6 million, or 2.7%. Net sales in the compared periods included net sales totaling \$2.1 million in fiscal 2003 for RBC France, which was acquired in December 2002, and \$5.2 million in fiscal 2003 and \$3.7 million in fiscal 2002 generated by RBC Oklahoma, which was acquired effective August 2001. Excluding RBC France and RBC Oklahoma's sales, our net sales increased \$1.0 million or 0.6% from period to period.
- Net sales were \$243.0 million in fiscal 2005 compared to \$187.3 million in fiscal 2004, an increase of \$55.7 million. Net sales in the compared periods included net sales of \$19.3 million in fiscal 2005 and \$6.1 million in fiscal 2004 for RBC-API, which was acquired in December 2003.
- (2) Selling, general and administrative expense for the nine months ended December 31, 2005 included non-recurring compensation expense of \$5.2 million. See "Related Party Transactions Dr. Hartnett Settlement Bonus."
- (3) Loss on early extinguishment of debt of \$7.0 million in fiscal 2005 included \$4.3 million for non-cash write-off of deferred financing fees associated with retired debt, \$1.8 million of redemption premium and \$0.9 million of accrued interest for the 30-day call period related to the early extinguishment of \$110.0 million of 9⁵/₈% senior subordinated notes in July 2004. Loss on early extinguishment of debt of \$3.8 million in the nine months ended December 31, 2005 included \$1.6 million for non-cash write-off of deferred financing fees and unamortized bond discount associated with retired debt, \$1.3 million of redemption premium associated with the retirement of all of our 13% discount debentures in September 2005, \$0.5 million of prepayment fees related to the repayment of all of the outstanding balance under our second lien term loan in August 2005 and \$0.4 million in interest expense for the 30-day call period related to the early extinguishment of our 13% discount debentures.
- (4) Amounts shown for periods prior to August 15, 2005 include shares of both class A common stock and class B common stock, all of which were reclassified into common stock on a one-for-one basis in connection with our initial public offering as of such date.
- (5) EBITDA consists of net income (loss), plus interest expense, net, loss (gain) on early extinguishment of debt, provision for (benefit from) income taxes and depreciation and amortization. EBITDA is not a measure of operating performance under generally accepted accounting principles in the United States, or GAAP, and should not be considered as an alternative or substitute for GAAP profitability measures such as operating earnings (loss) from continuing operations, discontinued operations, extraordinary items and net income (loss). EBITDA as an operating performance measure has material limitations since it excludes, among other things, the statement of operations impact of depreciation and amortization expense, interest expense, loss (gain) on early extinguishment of debt and the provision for (benefit from) income taxes and therefore does not necessarily represent an accurate measure of profitability, particularly in situations where a company is highly leveraged or has a disadvantageous tax structure. We use a significant amount of capital assets and depreciation and amortization expense is a necessary element of our costs and ability to generate revenue and therefore its exclusion from EBITDA is a material limitation. We also have a significant amount of debt and interest expense is a necessary element of our costs and ability to generate revenue and therefore its exclusion from EBITDA is a material limitation. We generally incur significant U.S. federal, state and foreign income taxes each year and the provision for (benefit from) income taxes is a necessary element of the our costs and therefore its exclusion from EBITDA is a material limitation. As a result, EBITDA should be evaluated in conjunction with net income (loss) for a more complete analysis of our profitability, as net income (loss) includes the financial statement impact of these items and is the most directly comparable GAAP operating performance measure to EBITDA. As EBITDA is not defined by GAAP, our definition of EBITDA may differ from and therefore may not be comparable to similarly titled measures used by other companies, thereby limiting its usefulness as a comparative measure. Because of the limitations that EBITDA has as an analytical tool, investors should not consider it in isolation or as a substitute for analysis of our operating results as reported under GAAP.

We

use EBITDA as a supplementary non-GAAP operating performance measure to assist with our overall evaluation of our and our subsidiaries' operating performance (including the performance of subsidiary management) relative to outside peer group companies. In addition, we use EBITDA as an operating performance measure in financial presentations to our board of directors, stockholders, the banks participating in our credit facility and rating agencies, among others, as a supplemental non-GAAP operating measure to assist them in their evaluation of our performance. We are also active in mergers, acquisitions and divestitures and use EBITDA as an additional operating performance measure to assess our, our subsidiaries' and potential acquisition target enterprise value and to assist in the overall evaluation of our, our subsidiaries' and potential acquisition target performance on an internal basis and relative to peer group companies. We use EBITDA in conjunction with traditional GAAP operating performance measures as part of our overall assessment of potential valuation and relative performance and therefore do not place undue reliance on EBITDA as our only measure of operating performance. We believe EBITDA is useful for our management and investors as it is a commonly used analytical measurement for comparing company profitability, which eliminates the effects of financing, differing valuations of fixed and intangible assets and tax structure decisions. We believe that EBITDA is specifically relevant to us, due to the different degrees of leverage among our competitors. We have included EBITDA as a supplemental operating performance measure, which should be evaluated by investors in conjunction with the traditional GAAP performance measures for a complete evaluation of our operating performance. The following table provides a reconciliation of net income, the most directly comparable GAAP measure, to EBITDA.

| | Fiscal Year Ended | | | | | Nine Months Ended | |
|---|-------------------|-------------------|-------------------|------------------|------------------|--------------------|----------------------|
| | March 31, 2001 | March 30, 2002 | March 29, 2003 | April 3, 2004 | April 2, 2005 | January 1, 2005 | December 31, 2005 |
| (in thousands) | | | | | | | |
| Net income | \$ 3,615 | \$ 1,669 | \$ 49 | \$ 663 | \$ 7,260 | \$ 308 | \$ 6,484 |
| Add: | | | | | | | |
| Provision for (benefit from) income taxes | 2,326 | 2,052 | 113 | 1,070 | (1,385) | 180 | 3,442 |
| Interest expense, net | 23,335 | 23,440 | 21,023 | 20,380 | 19,669 | 14,335 | 12,582 |
| Loss (gain) on early extinguishment of debt | | | (780) | | 6,950 | 6,956 | 3,771 |
| Depreciation and amortization | 8,641 | 9,105 | 8,819 | 9,182 | 8,785 | 7,344 | 7,138 |
| EBITDA | \$ 37,917 | \$ 36,266 | \$ 29,224 | \$ 31,295 | \$ 41,279 | \$ 29,123 | \$ 33,417 |

(6)

Amounts for the nine month period ended December 31, 2005 reflect the consummation of our initial public offering in August 2005, which included: (1) the sale by us of 7,034,516 shares at the offering price of \$14.50 per share, (2) the repayment of all of our \$38.6 million in aggregate principal amount of 13% senior subordinated discount debentures due 2009, (3) the repayment of all outstanding indebtedness under our \$45.0 million second lien term loan, (4) the addition of \$40.0 million to our Term Loan and (5) the redemption of all of our then outstanding Class C and Class D preferred stock for an aggregate redemption price of \$38.6 million. As adjusted amounts as of December 31, 2005 reflect this offering and the use of proceeds therefrom. See "Use of Proceeds" and "Capitalization."

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS**

The following discussion should be read in conjunction with the "Selected Consolidated Historical Financial Data," "Description of Certain Indebtedness" and our consolidated financial statements and the related notes included elsewhere in this prospectus. This prospectus contains, in addition to historical information, forward-looking statements that include risks, uncertainties and assumptions. See "Disclosure Regarding Forward-Looking Statements" for information about our presentation of forward-looking information in this prospectus. Factors that could cause such differences include those described under "Risk Factors."

Overview

We are a well known international manufacturer of highly engineered precision plain, roller and ball bearings. Our precision solutions are integral to the manufacture and operation of most machines and mechanical systems, reduce wear to moving parts, facilitate proper power transmission and reduce damage and energy loss caused by friction. While we manufacture products in all major bearing categories, we focus primarily on the higher end of the bearing market where we believe our value added manufacturing and engineering capabilities enable us to differentiate ourselves from our competitors and enhance profitability. We estimate that approximately two-thirds of our net sales during fiscal 2005 and during the nine month period ended December 31, 2005 were generated by products for which we hold the number one or two market position. We have been providing bearing solutions to our customers since 1919. Over the past ten years, under the leadership of our current management team, we have significantly broadened our end markets, products, customer base and geographic reach. We currently operate 16 manufacturing facilities in three countries.

Demand for bearings generally follows the market for products in which bearings are incorporated and the economy as a whole. Purchasers of bearings include industrial equipment and machinery manufacturers, producers of commercial and military aerospace equipment such as missiles and radar systems, agricultural machinery manufacturers, construction and specialized equipment manufacturers and automotive and commercial truck manufacturers. The markets for our products are cyclical, and general market conditions could negatively impact our operating results. We have endeavored to mitigate the cyclicity of our product markets by entering into sole-source relationships and long-term purchase orders, 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.

During fiscal 2005 and through the first nine months of fiscal 2006, the world economy continued to emerge from the slowdown experienced from 2000 to 2003, and we experienced favorable conditions across our two major markets: diversified industrial and aerospace and defense. In particular the economy of our diversified industrial market has been driven by strong requirements in non-residential construction, mining and the oil and gas sectors. These conditions have resulted in robust demand for bearings for both OEM and replacement markets. In the aerospace market a very strong recovery began, and we believe it is at its early to mid-stages. Expansion of the commercial aircraft sector, in response to increased passenger demand and the need of the carriers to upgrade the worldwide fleet, drove increased build schedules at Boeing and Airbus. In addition, demand for corporate aircraft remained strong in fiscal 2005 and through the first nine months of fiscal 2006. The defense sector continued to replace and develop its weapons and cargo platforms. This sector demonstrated increased requirements for replacement bearings for combat systems strained by extensive use in harsh environments over the past 4 years. For the nine month period ended December 31, 2005, approximately 21% of our revenues were derived from sales directly or indirectly outside the U.S. We expect this component of our business to increase in response to our emphasis on continued penetration of foreign markets, particularly those in aerospace and defense.

Edgar Filing: RBC Bearings INC - Form 424B4

Approximately 30% of our costs are attributable to raw materials, a majority of which are related to steel and related products. During the past two years, steel prices have increased to historically high levels, responding to unprecedented levels of world demand. To date, we have generally been able to pass through these costs to our customers through price increases and the assessment of surcharges, although there can be a time lag of up to 12 weeks or more.

Competition in specialized bearing markets is based on engineering design, brand, lead times and reliability of product and service. These markets are generally not as price sensitive as the markets for standard bearings.

We have demonstrated expertise in acquiring and integrating bearing and precision-engineered component manufacturers that have complementary products or distribution channels and provide significant potential for margin enhancement. We have consistently increased the profitability of acquired businesses through a process of methods and systems improvement coupled with the introduction of complementary and proprietary new products. Since October 1992 we have completed 13 acquisitions which have significantly broadened our end markets, products, customer base and geographic reach.

Sources of Revenue

Revenue is generated primarily from sales of bearings to the diversified industrial market and the aerospace and defense markets. Sales are often made pursuant to sole-source relationships, long-term agreements and purchase orders with our clients. We recognize revenues principally from the sale of products at the point of passage of title, which is at the time of shipment. In certain instances, however, we recognize revenues under the contract method of accounting.

Sales to the diversified industrial market accounted for 55% of our net sales for the nine month period ended December 31, 2005. Sales to the aerospace and defense markets accounted for 45% of our net sales for the same period. We anticipate that sales to the aerospace and defense markets will increase as a percentage of our net sales.

Aftermarket sales of replacement parts for existing equipment platforms represented approximately 56% of our net sales for fiscal 2005. We continue to develop our OEM relationships which have established us as a leading supplier on many important aerospace and defense platforms. Over the past several years, we have experienced increased demand from the replacement parts market, particularly within the aerospace and defense sectors; one of our business strategies has been to increase the proportion of sales derived from this segment. We believe these activities increase the stability of our revenue base, strengthen our brand identity and provide multiple paths for revenue growth.

Approximately 21% of our net sales were derived from sales directly or indirectly outside the U.S. for fiscal 2005 and for the first nine months of fiscal 2006, an increase from 19% from fiscal 2004. We expect that this proportion will increase as we seek to increase our penetration of foreign markets, particularly within the aerospace and defense sectors. In fiscal 2005 and for the nine month period ended December 31, 2005, our top ten customers, four of which were OEMs and the remaining six were distributors, generated 32% and 34% of our net sales, respectively. Out of the 34% of net sales generated by our top ten customers during the nine month period ended December 31, 2005, 22% of net sales was generated by our top four customers. No single customer was responsible for generating more than 6% of our net sales for the same period.

Cost of Revenues

Cost of sales includes employee compensation and benefits, materials, outside processing, depreciation of manufacturing machinery and equipment, supplies and manufacturing overhead.

During fiscal 2005 and during the first nine months of fiscal 2006, our gross margin was impacted by rising raw material prices, in particular, steel and related products. In response, we have, to date, managed to pass on the majority of these price increases of raw materials to our customers through steel surcharges assessed on, or price increases of, our bearing products. However, we have from time to time experienced a time lag of up to 12 weeks or more in our ability to pass through steel surcharges to our customers, which has negatively impacted our gross margin. We will continue to pass on raw material price increases as competitive conditions allow.

We have not been significantly impacted by recent increases in energy prices because energy costs, the most significant component of which is natural gas used in heat treating operations, represent less than 4% of our overall costs.

We monitor gross margin performance through a process of monthly operation management reviews. We will develop new products to target certain markets allied to our strategies by first understanding volume levels and product pricing and then constructing manufacturing strategies to achieve defined margin objectives. We only pursue product lines where we believe that the developed manufacturing process will yield the targeted margins. Management monitors gross margins of all product lines on a monthly basis to determine which manufacturing processes or prices should be adjusted.

Selling, General and Administrative Expenses

Selling, general and administrative, or SG&A, expenses relate primarily to the compensation and associated costs of selling, general and administrative personnel, professional fees, insurance, facility costs and information technology. We expect SG&A expenses will increase in absolute terms as we increase our sales efforts and incur increased costs related to the anticipated growth of our business and the additional costs associated with operating as a public company.

Results of Operations

The following table sets forth the various components of our consolidated statements of operations, expressed as a percentage of net sales, for the periods indicated that are used in connection with the discussion herein:

| | Fiscal Year Ended | | | Nine Months Ended | |
|--------------------------------------|-------------------|------------------|------------------|--------------------|----------------------|
| | March 29, 2003 | April 3, 2004 | April 2, 2005 | January 1, 2005 | December 31, 2005 |
| Statement of Operations Data: | | | | | |
| Net sales | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |
| Gross margin | 28.2 | 27.7 | 28.2 | 27.8 | 30.0 |
| Selling, general and administrative | 15.4 | 15.0 | 13.5 | 13.6 | 16.3 |
| Other, net | 0.8 | 0.9 | | | |