REGAL BELOIT CORP
Form 10-K/A
March 26, 2013

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K/A
Amendment No. 1
ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 29, 2012
Commission File number 1-7283

Regal Beloit Corporation
(Exact Name of Registrant as Specified in Its Charter)

Wisconsin	39-0875718
(State of Incorporation)	(IRS Employer Identification No.)

200 State Street, Beloit, Wisconsin 53511
(Address of principal executive offices)
(608) 364-8800
(Registrant's telephone number, including area code)
Securities registered pursuant to Section 12 (b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock ($.01 Par Value)	New York Stock Exchange

Securities registered pursuant to Section 12 (g) of the Act	None (Title of Class)

Indicate by check mark if the registrant is well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ý No
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No ý
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ý No
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ý No
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ý
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer, or a smaller reporting company. See definitions of “large accelerated filer,” “accelerated filer,” and “smaller reporting company” in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ý Accelerated filer Non-accelerated filer Smaller reporting company
(Do not check if a smaller reporting company)
Indicated by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No ý
The aggregate market value of the voting stock held by non-affiliates of the registrant as of June 30, 2012 was approximately $2.6 billion.
On February 20, 2013, the registrant had outstanding 44,975,804 shares of common stock, $.01 par value, which is registrant's only class of common stock.

DOCUMENTS INCORPORATED BY REFERENCE

Certain information contained in the Proxy Statement for the Annual Meeting of Shareholders to be held on April 29, 2013 is incorporated by reference into Part III hereof.

EXPLANATORY NOTE

We are filing this Amendment No. 1 (this "Amended Filing") to our Annual Report on Form 10-K for the fiscal year ended December 29, 2012, which was filed with the Securities and Exchange Commission on February 27, 2013 (the "Original Filing"), solely to amend the certifications by our Principal Executive Officer and Principal Financial Officer pursuant to Section 302 and Section 906 of the Sarbanes-Oxley Act of 2002 to correct typographical errors whereby incorrect form references and signature dates were inadvertently provided on the certifications. The manually signed copy of the certifications included the correct form reference and dates and were in our possession when the Original Filing was made. Additionally, the certifications have been updated to reflect the filing date of this Amended Filing.

Except as described above, no other changes have been made to the Original Filing, and this Amended Filing does not modify, amend or update in any way any of the financial or other information contained in the Original Filing.

REGAL BELOIT CORPORATION
ANNUAL REPORT ON FORM 10-K
FOR YEAR ENDED DECEMBER 29, 2012
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CAUTIONARY STATEMENT

This Annual Report on Form 10-K contains “forward-looking statements” as defined in the Private Securities Litigation Reform Act of 1995. Forward-looking statements represent our management's judgment regarding future events. In many cases, you can identify forward-looking statements by terminology such as “may,” “will,” “plan,” “expect,” “anticipate,” “estimate,” “believe,” or “continue” or the negative of these terms or other similar words. Actual results and events could differ materially and adversely from those contained in the forward-looking statements due to a number of factors, including:

- actions taken by our competitors and our ability to effectively compete in the increasingly competitive global electric motor, drives and controls, power generation and mechanical motion control industries;
- our ability to develop new products based on technological innovation and marketplace acceptance of new and existing products;
- fluctuations in commodity prices and raw material costs;
- our dependence on significant customers;
- issues and costs arising from the integration of acquired companies and businesses, including the timing and impact of purchase accounting adjustments;
- our dependence on key suppliers and the potential effects of supply disruptions;
- infringement of our intellectual property by third parties, challenges to our intellectual property and claims of infringement by us of third party technologies;
- product liability and other litigation, or the failure of our products to perform as anticipated, particularly in high volume applications;
- increases in our overall debt levels as a result of acquisitions or otherwise and our ability to repay principal and interest on our outstanding debt;
- economic changes in global markets where we do business, such as reduced demand for the products we sell, currency exchange rates, inflation rates, interest rates, recession, foreign government policies and other external factors that we cannot control;
- unanticipated liabilities of acquired businesses;
- cyclical downturns affecting the global market for capital goods;
- difficulties associated with managing foreign operations; and
- other risks and uncertainties including but not limited to those described in “Risk Factors” in this Annual Report on Form 10-K and from time to time in our reports filed with U.S. Securities and Exchange Commission.

All subsequent written and oral forward-looking statements attributable to us or to persons acting on our behalf are expressly qualified in their entirety by the applicable cautionary statements. The forward-looking statements included in this Annual Report on Form 10-K are made only as of their respective dates, and we undertake no obligation to update these statements to reflect subsequent events or circumstances. See also “Risk Factors.”

PART I

Unless the context requires otherwise, references in this Annual Report on Form 10-K to "we," "us," "our" or the "Company" refer collectively to Regal Beloit Corporation and its subsidiaries.

References in an Item of this Annual Report on Form 10-K to information contained in our Proxy Statement for the Annual Meeting of Shareholders to be held on April 29, 2013 (the "2013 Proxy Statement") or to information contained in specific sections of the Proxy Statement, incorporate the information into that Item by reference.

We operate on a 52/53 week fiscal year ending on the Saturday closest to December 31. We refer to the fiscal year ended December 29, 2012 as "fiscal 2012," the fiscal year ended December 31, 2011 as "fiscal 2011," and the fiscal year ended January 1, 2011 as "fiscal 2010."

ITEM 1 - BUSINESS

Our Company

We are a global manufacturer of electric motors and controls, electric generators and controls, and mechanical motion control products. We have two reporting segments: Electrical and Mechanical. Financial information on our reporting segments for fiscal 2012, fiscal 2011 and fiscal 2010 is contained in Note 6 of Notes to the Consolidated Financial Statements.

Electrical Segment

General

Our Electrical segment designs, manufactures and sells primarily:

- integral horsepower AC and DC motors for commercial and industrial applications;
- fractional, integral and large horsepower motors used in a variety of pump, fans, compressor and electrical machinery applications;
- fractional and integral horsepower motors, electronic variable speed controls and blowers used in commercial and residential heating, ventilation, air conditioning ("HVAC") and commercial refrigeration products including furnaces, air conditioners and refrigeration equipment;
- fractional motors and blowers used in gas fired water heaters and hydronic heating systems;
- hermetic motors used in residential air conditioning and commercial air conditioning and refrigeration systems;
- custom electronic drives used in paper processing, steel processing, automotive test stands, oil and gas applications, and a variety of other industrial applications;
- oil and gas artificial lift system pumping equipment typically used in well applications;
- capacitors for use in HVAC systems, high intensity lighting and other applications;
- electric generators and controls ranging in size from approximately five kilowatts through four megawatts used in systems to generate backup or primary power;
- AC and DC variable speed drives and controllers and other accessories for a variety of commercial and industrial applications; and
- automatic transfer switches and paralleling switchgear to interconnect and control electric power generation equipment.

We provide a comprehensive offering of stock models of electric motors in addition to the motors we produce to specific customer specifications. These products range in size from sub-fractional and fractional to small integral horsepower motors to larger commercial and industrial motors up to approximately 6,500 horsepower.

Our HVAC electric motors and blowers are vital components of an HVAC system and are used to move air into and away from furnaces, heat pumps, air conditioners, ventilators, fan filter boxes, water heaters and humidifiers. A majority of our HVAC motors replace existing motors, are installed as part of a new HVAC system that replaces an existing HVAC system, or are used in an HVAC system for new home construction. The business enjoys a large installed base of equipment and long-term relationships with its major customers.

Our power generation business includes electric generators and power generation components and controls. The market for electric power generation components and controls is driven by demand for backup power on the part of end users who want to reduce operating losses due to power disturbances and the increased need for both prime power and emergency power in certain applications. Our generators are used in commercial, industrial, agricultural, marine,

military, transportation, construction, data centers and other applications.

In our Electrical segment, we are focused on the design, manufacture and marketing of products that feature energy efficiency technology. Our energy efficient products help the systems they operate consume less energy, providing a significant benefit to our original equipment manufacturer (“OEM”) customers and lowering the system operating costs to end users. In fiscal 2012,

we launched 61 new products, 45 in the Electrical segment and 16 in the Mechanical segment. Many of the new products are energy efficient.

2012 Acquisitions

During 2012, we completed three acquisitions in the Electrical segment;

- On November 30, 2012, we acquired Remco Products Limited ("Remco") for $3.7 million. Remco is a UK supplier of a broad range of AC fractional horsepower electric motors and fans for replacement use in heating, ventilation, refrigeration and air conditioning industries located in West Sussex, England. The acquisition added greater access to the European replacement motor business and is expected to provide growth opportunities for our overall European business.
- On October 2, 2012, we acquired Marlin Coast Motor Rewinding ("MCMR") for $3.4 million. MCMR, based in Cairns, North Queensland, Australia, is a regional leader in the supply, service and overhaul of electric machines.
- On April 30, 2012, we acquired Tecnojar, a Mexico based electrical products company for $1.6 million.

2011 Acquisitions

EPC Acquisition

On August 22, 2011, we completed our acquisition of the Electrical Products Company (“EPC”) of A.O. Smith Corporation. The purchase price included $756.1 million in cash and 2,834,026 shares of our common stock, making it the largest acquisition in our history. EPC manufactures and sells hermetic motors, fractional horsepower AC and DC motors, and integral horsepower motors, ranging in size from sub-fractional C - frame ventilation motors up to 1,320 horsepower hermetic and 400 horsepower integral motors. EPC's products are used primarily in hermetic, pump, HVAC and general industrial applications. EPC has operations in the United States, Mexico, China and the United Kingdom. The acquisition added technology and global capacity that will bring more value to our customers with energy-saving products, broader product offerings and better operating efficiencies.

Other Acquisitions

During 2011, we also completed two additional acquisitions in the Electrical segment:

- On April 5, 2011, we acquired Ramu, Inc. (“Ramu”) located in Blacksburg, Virginia. Ramu is a motor and control technology company with a research and development team dedicated to the development of switched reluctance motor technology.
- On June 1, 2011, we acquired Australian Fan and Motor Company (“AFMC”) located in Melbourne, Australia. AFMC manufactures and distributes a wide range of direct drive blowers, fan decks, axial fans and sub-fractional motors for sale primarily in Australia and New Zealand.

Mechanical Segment

Our Mechanical segment manufactures and markets a broad array of mechanical motion control products including:

- standard and custom worm gearboxes, bevel gearboxes, helical gearboxes and concentric shaft gearboxes;
- open gearing;
- marine transmissions;
- custom gearing;
- gear motors;
- manual valve actuators; and
- electrical connecting devices.

Our gear and transmission related products primarily control motion by transmitting power from a source, such as an electric motor, to an end use, such as a conveyor belt, usually reducing speed and increasing torque in the process. Our valve actuators are used primarily in oil and gas, water distribution and treatment and chemical processing applications. Mechanical products are sold to OEM's, distributors and end users across many industries.

During 2012, we completed one acquisition in the Mechanical segment:

- On February 3, 2012, we acquired Milwaukee Gear Company (“MGC”), a Wisconsin-based leading manufacturer of highly engineered gearing components for oil and gas applications as well as a wide variety of other commercial and industrial applications. The purchase price of MGC was $80.3 million paid in cash, net of cash acquired.

We also completed one acquisition in 2011:

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- On March 7, 2011, we acquired Hargil Dynamics Pty. Ltd. (“Hargil”) located in Sydney, Australia. Hargil is a distributor of mechanical power transmission components and solutions.

The Building of Our Business

Our growth from our founding in 1955 to our current size has largely been the result of the acquisition and integration of businesses to build a strong multi-product offering. Our senior management has substantial experience in the acquisition and integration of businesses, aggressive cost management, and efficient manufacturing techniques, all of which represent activities that are critical to our long-term growth strategy. Our organic growth and acquisitions have rapidly moved us into other regions of the world where market and growth fundamentals are more favorable and aligned with our business strategy. We consider the identification of acquisition candidates and the purchase and integration of businesses to be one of our core competencies. The following table summarizes acquisitions for the past two years:

Company	Year Acquired	Annual Revenues at Acquisition	Primary Products at Acquisition
Remco	2012	$4.5	Distributes a broad range of AC fractional horsepower electric motors and fans for replacement use in heating, ventilation, refrigeration and air conditioning industries in the U.K.
Marlin Coast Motor Rewinding	2012	3.5	Rewinds and distributes electric motors and generators in Australia
Tecnojar	2012	3.0	Integrates, engineers, and packages small systems consisting of PLC's, drives and enclosures and also provides service support and parts for this customer base in Mexico
MGC	2012	54.0	Manufacturers highly engineered gearing components for oil and gas applications as well as a wide variety of other commercial and industrial applications
EPC	2011	706.0	Manufactures hermetic motors, fractional horsepower AC and DC motors and integral horsepower motors
AFMC	2011	13.0	Manufactures blowers, fan decks, axial fans and sub-fractional motors in Australia
Ramu	2011	—	Research related to switched reluctance motor technology
Hargil	2011	2.0	Distributes mechanical power transmission components and solutions in Australia

Sales, Marketing and Distribution

We sell our products directly to OEMs, distributors and end-users. We have multiple business units, and each unit typically has its own branded product offering and sales organization. These sales organizations consist of varying

combinations of our own internal direct sales people as well as exclusive and non-exclusive manufacturers' representative organizations.

We operate large distribution facilities in Indianapolis, Indiana and LaVergne, Tennessee which serve as hubs for our North American distribution and logistics operations. Products are shipped from these facilities to our customers utilizing our fleet of trucks and trailers as well as common carriers. We also operate numerous warehouse and distribution facilities in our global

markets to service the needs of our customers. In addition, we have many manufacturer representatives' warehouses located in specific geographic areas to serve local customers.

We derive a significant portion of the revenues of our HVAC motor business from key OEM customers. Our reliance on sales from this relatively small number of customers makes our relationship with each of these customers important to our business, and we expect this customer concentration will continue for the foreseeable future in this portion of our business. Despite this relative concentration, we had no customer that accounted for more than 10% of our consolidated net sales in fiscal 2012, fiscal 2011 or fiscal 2010.

Many of our motors are incorporated into residential applications that OEMs sell to end users. The number of installations of new and replacement HVAC systems; pool pumps or components is higher during the spring and summer seasons due to the increased use of air conditioning during warmer months.

Competition

Electrical Segment

Electric motor manufacturing is a highly competitive global industry in which there is emphasis on reducing costs, boosting efficiency and promoting energy savings. We compete with a growing number of domestic and international competitors due in part to the nature of the products we manufacture and the wide variety of applications and customers we serve. Many manufacturers of electric motors operate production facilities in many different countries, producing products for both the domestic and export markets. Electric motor manufacturers from abroad, particularly those located in Brazil, China, India and elsewhere in Asia, provide increased competition as they expand their market penetration around the world, especially in North America. Additionally, there is a recent trend toward global industry consolidation.

Our major foreign competitors for electrical products include Broad-Ocean Motor Co., Welling Holding Limited, Kirloskar Brothers Limited, ebm-papst Mulfingen GmbH & Co. KG, Crompton Greaves Limited, Lafert, ABB Ltd., Johnson Electric Holdings Limited, Siemens AG, Toshiba Corporation, Panasonic Corporation, Leroy-Somer (a subsidiary of Emerson Electric Company), Tech-top, Weg S.A., Hyundai, and TECO Electric & Machinery Co., Ltd. Our major domestic competitors for electrical products include Baldor Electric (a subsidiary of ABB Ltd.,), U.S. Motors (a division of Nidec Corporation), SNTech, Inc., General Electric Company, Bluffton Motor Works, McMillan Electric Company and Newage (a division of Cummins, Inc). On balance, the demarcation between domestic U.S. and foreign manufacturers is blurring as competition becomes more and more global.

We believe that we compete in the electric motor industry primarily on the basis of quality, technological capabilities such as energy efficiency, price, service, promptness of delivery, and the overall value of our products.

Mechanical Segment

We provide various mechanical product applications and compete with a number of different companies depending on the particular product offering. We believe that we are a leading manufacturer of several mechanical products and that we are the leading manufacturer in the United States of worm gear drives. Our major domestic competitors include Boston Gear (a division of Altra Industrial Motion, Inc.), Dodge (a subsidiary of ABB Ltd.), Emerson Electric Company and Winsmith (a division of Peerless-Winsmith, Inc.). Our major foreign competitors include SEW Eurodrive GmbH & Co., Flender GmbH, Nord, Sumitomo Corporation and ZF Friedrichshafen AG.

Engineering, Research and Development

We believe that innovation is critical to our future growth and success. We are committed to investing in new products, technologies and processes that deliver real value to our customers. We believe the key driver of our innovation strategy is the development of products that include energy efficiency, embedded intelligence and variable speed technology solutions. With our emphasis on product development and innovation, our businesses filed 83 non-provisional and five provisional patent applications in fiscal 2012.

Each of our business units has its own product development and design team that continuously works to enhance our existing products and develop new products for our growing base of customers that require custom and standard solutions. We believe we have state of the art product development and testing laboratories. We believe these capabilities provide a significant competitive advantage in the development of high quality motors, electric generators, controls and mechanical products incorporating leading design characteristics such as low vibration, low noise, improved safety, reliability and enhanced energy efficiency.

We are continuing to expand our business by developing new, differentiated products in each of our business units. We work closely with our customers to develop new products or enhancements to existing products that improve performance and meet their needs.

For fiscal 2012, 2011 and 2010, we incurred research and development expenditures of $28.5 million, $21.8 million and $10.4 million, respectively.

Manufacturing and Operations

We have developed and acquired global operations in locations such as Mexico, India, Thailand and China so that we can sell our products in these faster growing markets, follow our multinational customers, take advantage of global talent and complement our flexible, rapid response operations in the United States, Canada and Europe. Our vertically integrated manufacturing operations, including our own aluminum die casting and steel stamping operations, are an important element of our rapid response capabilities. In addition, we have an extensive internal logistics operation and a network of distribution facilities with the capability to modify stock products to quickly meet specific customer requirements in many instances. This gives us the ability to efficiently and promptly deliver a customer's unique product to the desired location.

We manufacture a majority of the products that we sell, but also strategically outsource components and finished goods from an established global network of suppliers. We aggressively pursue global sourcing to reduce our overall costs. We generally maintain a dual sourcing capability in our existing domestic facilities to ensure a reliable supply source for our customers, although we do depend on a limited number of key suppliers for certain materials and components. We regularly invest in machinery and equipment to improve and maintain our facilities. Additionally, we have typically obtained significant amounts of quality capital equipment as part of our acquisitions, often increasing overall capacity and capability. Base materials for our products consist primarily of steel, copper and aluminum. Additionally, significant components of our product costs consist of bearings, electronics, permanent magnets and ferrous and non-ferrous castings.

We continually upgrade our manufacturing equipment and processes, including increasing our use of computer aided manufacturing systems and developing our own testing systems. To drive the continuous improvement process, we have deployed Lean Six Sigma techniques across our facilities worldwide in order to develop our people and deploy our processes. The initiative has generated significant benefits by eliminating waste, improving safety,