

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549



**FORM 8-K**

Current Report Pursuant to Section 13 or 15(d) of  
The Securities Exchange Act of 1934

Date of Report (Date of Earliest Event Reported) **February 1, 2019**

**TWIN DISC, INCORPORATED**

(exact name of registrant as specified in its charter)

**WISCONSIN**

(State or other jurisdiction  
of incorporation)

**001-7635**

(Commission  
File Number)

**39-0667110**

(IRS Employer  
Identification No.)

**1328 Racine Street Racine, Wisconsin 53403**

(Address of principal executive offices)

Registrant's telephone number, including area code: **(262)638-4000**

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Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR 230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR 240.12b-2 of this chapter).

Emerging growth company

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

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**Item 2.02 Results of Operations and Financial Condition**

Twin Disc, Incorporated (the "Company") has reported its second quarter 2019 financial results. The Company's press release dated February 1, 2019 announcing the results is attached hereto as Exhibit 99.1 and is incorporated herein in its entirety by reference.

The information set forth in this Item 2.02 of Form 8-K, including Exhibit 99.1, is furnished pursuant to Item 2.02 and shall not be deemed "filed" for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to the liabilities of that section, nor shall such information be deemed incorporated by reference in any filing under the Securities Act of 1933 or the Exchange Act, except as shall be expressly set forth by specific reference in such a filing.

**Item 7.01 Regulation FD Disclosure**

The information set forth under Item 2.02 of this report is incorporated herein by reference solely for the purposes of this Item 7.01.

The information set forth in this Item 7.01 of Form 8-K is furnished pursuant to Item 7.01 and shall not be deemed "filed" for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to the liabilities of that section, nor shall such information be deemed incorporated by reference in any filing under the Securities Act of 1933 or the Exchange Act, except as shall be expressly set forth by specific reference in such a filing.

**FORWARD LOOKING STATEMENTS**

The disclosures in this report on Form 8-K and in the documents incorporated herein by reference contain or may contain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. The words "believes," "expects," "intends," "plans," "anticipates," "hopes," "likely," "will," and similar expressions identify such forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause the actual results, performance or achievements of the Company (or entities in which the Company has interests), or industry results, to differ materially from future results, performance or achievements expressed or implied by such forward-looking statements. Certain factors that could cause the Company's actual future results to differ materially from those discussed are noted in connection with such statements, but other unanticipated factors could arise. Readers are cautioned not to place undue reliance on these forward-looking statements which reflect management's view only as of the date of this Form 8-K. The Company undertakes no obligation to publicly release any revisions to these forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events, conditions or circumstances.

**Item 9.01 Financial Statements and Exhibits**

(c) Exhibits

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EXHIBIT NUMBER	DESCRIPTION
99.1	<a href="#">Press Release announcing second quarter 2019 financial results.</a>

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**SIGNATURE**

Pursuant to the requirements of section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: February 1, 2019

Twin Disc, Inc.  
/s/ JEFFREY S. KNUTSON  
Jeffrey S. Knutson  
Vice President-Finance, Chief Financial Officer, Treasurer & Secretary



**NEWS RELEASE**

**Corporate Offices:  
1328 Racine Street  
Racine, WI 53403**

**FOR IMMEDIATE RELEASE**

Contact: Jeffrey S. Knutson  
(262) 638-4242

**TWIN DISC, INC. ANNOUNCES FISCAL 2019  
SECOND QUARTER FINANCIAL RESULTS**

- Q2 Net Sales Increase 38.1% to \$78,107,000, Including the Benefits of the Veth Acquisition
  - Q2 Gross Profit Percent Improves 120 Basis Points to 33.4%
  - Q2 EBITDA of \$9,104,000 Increases 159.1% Versus the Prior Year Period
  - Six-Month Backlog of \$137,758,000 Remains Strong and Up 61.8% Versus the Prior Year
- Company Progressing With New Texas Facility and Aftermarket Move to Drive Additional Capacity and Improved Efficiency

RACINE, WISCONSIN — February 1, 2019 — **Twin Disc, Inc. (NASDAQ: TWIN)**, today reported financial results for the fiscal 2019 second quarter and first half ended December 28, 2018.

Sales for the fiscal 2019 second quarter were \$78,107,000, compared to \$56,546,000 for the same period last year. The 38.1% increase in fiscal 2019 second quarter net sales was primarily due to the contribution from the Veth Propulsion acquisition, improved demand for the Company's 8500 series transmission systems and aftermarket components from North American fracking customers, and improved activity in the global industrial and commercial marine markets. Year-to-date sales increased 50.4% to \$152,796,000, compared to \$101,611,000 for the fiscal 2018 first half.

Commenting on the results, John H. Batten, President and Chief Executive Officer, said: "The fiscal 2019 second quarter reflects one of the best second quarters in Twin Disc's history as we benefit from strong demand across many of our global markets and the favorable contribution from the Veth Propulsion acquisition. Veth is benefitting from Twin Disc's global distribution and service capabilities, which has helped expand Veth's access to North American and Asian markets. For the fiscal 2019 six-month period the Company's mix of marine sales has increased to 49% from 43% for the same period last fiscal year. As anticipated, Veth's strong R&D capabilities in certain marine applications such as hybrid controls has accelerated Twin Disc's product development. I am extremely pleased with how the integration of Veth is progressing and overall the acquisition remains in line with our expectations. We continue to be excited by the long-term potential this acquisition has for our business, customers, and shareholders."

Gross profit for the fiscal 2019 second quarter was 33.4%, compared to 32.2% for the same period last year. The 120-basis point increase in gross profit percent for the fiscal 2019 second quarter was primarily due to higher volumes, a more profitable mix of revenues and improved operating efficiencies. Year-to-date, gross margin was 32.8% compared to 31.7% for the fiscal 2018 first half.

For the fiscal 2019 second quarter, marketing, engineering and administrative (ME&A) expenses increased \$3,839,000 to \$18,909,000, compared to \$15,070,000 for the fiscal 2018 second quarter. The 25.5% increase in ME&A expenses in the quarter was primarily due to the addition of Veth, including the amortization of purchase accounting intangibles of \$539,000. Other changes included increased professional fees, salaries, travel and marketing expenses related to the Veth acquisition. As a percent of revenues, ME&A expenses fell to 24.2% for the fiscal 2019 second quarter, compared to 26.7% for the same period last fiscal year. Year-to-date, ME&A expenses were \$37,894,000, compared to \$28,464,000 for the fiscal 2018 first half. As a percent of revenues, ME&A expenses fell to 24.8% for the fiscal 2019 first half, compared to 28.0% for the same period last fiscal year.

Twin Disc recorded restructuring charges of \$434,000 in the fiscal 2019 second quarter, compared to restructuring charges of \$831,000 in the same period last fiscal year. Restructuring activities during the fiscal 2019 second quarter related primarily to ongoing cost reduction and productivity actions at the Company's European operations. Year-to-date, the Company recorded restructuring charges of \$607,000, compared to \$2,049,000 for the same period last fiscal year.

The fiscal 2019 second quarter tax rate of 26.2% reflects the impact of the U.S. Tax Cuts and Jobs Act signed in December 2017. The fiscal 2018 second quarter tax expense reflects the impact of the implementation of the Tax Act, which resulted in a non-cash tax expense of \$4.6 million due to a remeasurement of deferred tax assets and liabilities due to the revised rate structure. Similarly, a rate change in Belgium resulted in a \$0.4 million non-cash tax expense due to the remeasurement of deferred tax assets and liabilities.

Net income attributable to Twin Disc for the fiscal 2019 second quarter was \$4,073,000, or \$0.31 per diluted share, compared to a net loss attributable to Twin Disc of (\$4,113,000), or (\$0.36) per share, for the fiscal 2018 second quarter. Year-to-date, the net income attributable to Twin Disc was \$6,935,000, or \$0.56 per diluted share, compared to a net loss attributable to Twin Disc of (\$722,000), or (\$0.06) per share for the fiscal 2018 first half.

Earnings income before interest, taxes, depreciation and amortization (EBITDA)\* were \$9,104,000 for the fiscal 2019 second quarter, compared to \$3,514,000 for the fiscal 2018 second quarter. For the fiscal 2019 first half, EBITDA was \$17,090,000, compared to \$3,955,000 for the fiscal 2018

comparable period.

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Jeffrey S. Knutson, Vice President – Finance, Chief Financial Officer, Treasurer and Secretary, stated: “We are focused on proactively reducing inventory and working capital levels throughout the remainder of fiscal 2019, which we expect will result in improving cash flows from operating activities. As a result, we anticipate reducing debt throughout the year, while funding our global growth and efficiency initiatives. Year-to-date, we invested \$6,676,000 in capital expenditures and expect to invest approximately \$14,000,000 to \$16,000,000 in capital expenditures in total during fiscal 2019. Capital expenditures are primarily focused on additional investments to upgrade our manufacturing capabilities and improve both quality and efficiencies.”

Mr. Batten concluded: “Our six-month backlog at December 28, 2018, was \$137,758,000, compared to \$114,979,000 at June 30, 2018, and \$85,116,000 at December 29, 2017. The 61.8% year-over-year improvement in our six-month backlog is primarily due to stable year-over-year trends within our North American oil and gas markets, the contribution of the Veth acquisition and improving demand across many of our other global markets. Backing out Veth’s orders, our six-month backlog was level with 2018 fiscal year end, and up 35.4% from December 29, 2017. While calendar year-end volatility in the oil and gas market caused certain customers to adjust orders, we believe market activity is stabilizing. In addition, as we diversify our business, the Company is better insulated from a downturn in any one market. To improve operating efficiencies, increase manufacturing capacity and allow for future growth, we are opening a new facility in Lufkin, Texas, which we expect to have operational in the first calendar quarter of 2020. In addition, we are currently relocating our aftermarket operation to a separate facility in Wisconsin to create more manufacturing capacity and allow for a more efficient aftermarket operation. We have built a strong platform for long-term success and we are confident fiscal 2019 will be another good year for the Company.”

Twin Disc will be hosting a conference call to discuss these results and to answer questions at 11:00 a.m. Eastern Time on Friday, February 1, 2019. To participate in the conference call, please dial 888-394-8218 five to ten minutes before the call is scheduled to begin. A replay will be available from 2:00 p.m. February 1, 2019, until midnight February 8, 2019. The number to hear the teleconference replay is 844-512-2921. The access code for the replay is 6708419.

The conference call will also be broadcast live over the Internet. To listen to the call via the Internet, access Twin Disc's website at <http://irt.twindisc.com> and follow the instructions at the web cast link. The archived webcast will be available shortly after the call on the Company's website.

#### About Twin Disc, Inc.

Twin Disc, Inc. designs, manufactures and sells marine and heavy-duty off-highway power transmission equipment. Products offered include: marine transmissions, azimuth drives, surface drives, propellers and boat management systems, as well as power-shift transmissions, hydraulic torque converters, power take-offs, industrial clutches and control systems. The Company sells its products to customers primarily in the pleasure craft, commercial and military marine markets, as well as in the energy and natural resources, government and industrial markets. The Company’s worldwide sales to both domestic and foreign customers are transacted through a direct sales force and a distributor network.

#### Forward-Looking Statements

This press release may contain statements that are forward looking as defined by the Securities and Exchange Commission in its rules, regulations and releases. The Company intends that such forward-looking statements be subject to the safe harbors created thereby. All forward-looking statements are based on current expectations regarding important risk factors including those identified in the Company’s most recent periodic report and other filings with the Securities and Exchange Commission. Accordingly, actual results may differ materially from those expressed in the forward-looking statements, and the making of such statements should not be regarded as a representation by the Company or any other person that the results expressed therein will be achieved.

#### \*Non-GAAP Financial Disclosures

Financial information excluding the impact of asset impairments, restructuring charges, foreign currency exchange rate changes and the impact of acquisitions, if any, in this press release are not measures that are defined in U.S. Generally Accepted Accounting Principles (“GAAP”). These items are measures that management believes are important to adjust for in order to have a meaningful comparison to prior and future periods and to provide a basis for future projections and for estimating our earnings growth prospects. Non-GAAP measures are used by management as a performance measure to judge profitability of our business absent the impact of foreign currency exchange rate changes and acquisitions. Management analyzes the company’s business performance and trends excluding these amounts. These measures, as well as EBITDA, provide a more consistent view of performance than the closest GAAP equivalent for management and investors. Management compensates for this by using these measures in combination with the GAAP measures. The presentation of the non-GAAP measures in this press release are made alongside the most directly comparable GAAP measures.

#### Definition – Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)

The sum of, net earnings and adding back provision for income taxes, interest expense, depreciation and amortization expenses: this is a financial measure of the profit generated excluding the above mentioned items.

*--Financial Results Follow--*

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**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND  
COMPREHENSIVE INCOME (LOSS)**

(In thousands, except per-share data; unaudited)

	Quarter Ended		Two Quarters Ended	
	December 28, 2018	December 29, 2017	December 28, 2018	December 29, 2017
Net sales	\$ 78,107	\$ 56,546	\$ 152,796	\$ 101,611
Cost of goods sold	52,019	38,323	102,723	69,396
Gross profit	26,088	18,223	50,073	32,215
Marketing, engineering and administrative expenses	18,909	15,070	37,894	28,464
Restructuring expenses	434	831	607	2,049
Income from operations	6,745	2,322	11,572	1,702
Interest expense	417	83	1,134	147
Other expense, net	798	364	1,118	934
Income before income taxes and noncontrolling interest	5,530	1,875	9,320	621
Income tax expense	1,451	5,925	2,338	1,267
Net income (loss)	4,079	(4,050)	6,982	(646)
Less: Net earnings attributable to noncontrolling interest, net of tax	(6)	(63)	(47)	(76)
Net income (loss) attributable to Twin Disc	<u>\$ 4,073</u>	<u>\$ (4,113)</u>	<u>\$ 6,935</u>	<u>\$ (722)</u>
Income (loss) per share data:				
Basic income (loss) per share attributable to Twin Disc common shareholders	\$ 0.31	\$ (0.36)	\$ 0.56	\$ (0.06)
Diluted income (loss) per share attributable to Twin Disc common shareholders	\$ 0.31	\$ (0.36)	\$ 0.56	\$ (0.06)
Weighted average shares outstanding data:				
Basic	12,909	11,297	12,233	11,278
Diluted	12,997	11,297	12,304	11,278
Comprehensive income (loss):				
Net income (loss)	\$ 4,079	\$ (4,050)	\$ 6,982	\$ (646)
Benefit plan adjustments, net of taxes of \$146, \$674, \$292 and \$952, respectively	478	1,734	949	2,208
Foreign currency translation adjustment	(1,786)	488	(2,347)	3,029
Comprehensive income (loss)	2,771	(1,828)	5,584	4,591
Less: Comprehensive loss (income) attributable to noncontrolling interest	7	(62)	(9)	(69)
Comprehensive income (loss) attributable to Twin Disc	<u>\$ 2,778</u>	<u>\$ (1,890)</u>	<u>\$ 5,575</u>	<u>\$ 4,522</u>

**RECONCILIATION OF CONSOLIDATED NET INCOME (LOSS) TO EBITDA**  
(In thousands; unaudited)

	Quarter Ended		Two Quarters Ended	
	December 28, 2018	December 29, 2017	December 28, 2018	December 29, 2017
Net income (loss) attributable to Twin Disc	\$ 4,073	\$ (4,113)	\$ 6,935	\$ (722)
Interest expense	417	83	1,134	147
Income taxes	1,451	5,925	2,338	1,267
Depreciation and amortization	3,163	1,619	6,683	3,263
Earnings before interest, taxes, depreciation and amortization	<u>\$ 9,104</u>	<u>\$ 3,514</u>	<u>\$ 17,090</u>	<u>\$ 3,955</u>

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**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(In thousands; except share amounts, unaudited)

	December 28, 2018	June 30, 2018
<b>ASSETS</b>		
Current assets:		
Cash	\$ 18,542	\$ 15,171
Trade accounts receivable, net	47,890	45,422
Inventories	130,234	84,001
Prepaid expenses	7,314	8,423
Other	8,320	6,252
<b>Total current assets</b>	<b>212,300</b>	<b>159,269</b>
Property, plant and equipment, net	70,309	55,467
Deferred income taxes	13,907	18,056
Goodwill, net	27,829	2,692
Intangible assets, net	22,362	1,906
Other assets	4,123	3,850
<b>TOTAL ASSETS</b>	<b>\$ 350,830</b>	<b>\$ 241,240</b>
<b>LIABILITIES AND EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 35,123	\$ 29,368
Accrued liabilities	42,266	32,976
<b>Total current liabilities</b>	<b>77,389</b>	<b>62,344</b>
Long-term debt	46,686	4,824
Lease obligations	16,467	6,527
Accrued retirement benefits	19,552	21,068
Deferred income taxes	7,053	1,203
Other long-term liabilities	1,839	1,658
<b>Total liabilities</b>	<b>168,986</b>	<b>97,624</b>
Twin Disc shareholders' equity:		
Preferred shares authorized: 200,000; issued: none; no par value	-	-
Common shares authorized: 30,000,000; issued: 14,632,802; and 13,099,468, respectively; no par value	44,137	11,570
Retained earnings	192,734	178,896
Accumulated other comprehensive loss	(32,055)	(23,792)
	204,816	166,674
Less treasury stock, at cost (1,533,290 and 1,545,783 shares, respectively)	23,485	23,677
<b>Total Twin Disc shareholders' equity</b>	<b>181,331</b>	<b>142,997</b>
Noncontrolling interest	513	619
<b>Total equity</b>	<b>181,844</b>	<b>143,616</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 350,830</b>	<b>\$ 241,240</b>

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

(In thousands; unaudited)

	Two Quarters Ended	
	December 28, 2018	December 29, 2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income (loss)	\$ 6,982	\$ (646)
Adjustments to reconcile net income (loss) to net cash (used) provided by operating activities, net of acquired assets:		
Depreciation and amortization	4,510	3,263
Amortization of inventory fair value step-up	2,173	-
Restructuring expenses	-	162
Provision for deferred income taxes	2,555	1,613
Stock compensation expense and other non-cash changes, net	1,506	1,064
Net change in operating assets and liabilities	(21,505)	(1,644)
Net cash (used) provided by operating activities	<u>(3,779)</u>	<u>3,812</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
ACQUISITION OF VETH PROPULSION, LESS CASH ACQUIRED	(59,651)	-
Acquisition of fixed assets	(6,676)	(3,013)
Proceeds from sale of fixed assets	63	79
Other, net	(129)	(129)
Net cash used by investing activities	<u>(66,393)</u>	<u>(3,063)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
PROCEEDS FROM ISSUANCE OF COMMON STOCK, NET	32,210	-
Borrowings under long-term debt agreement	35,000	-
Borrowings under revolving loan agreement	93,675	35,315
Proceeds from exercise of stock options	36	-
Repayments under revolving loan agreement	(62,326)	(36,957)
Repayments of long-term borrowings	(24,230)	-
Dividends paid to noncontrolling interest	(115)	(172)
Payments of withholding taxes on stock compensation	(926)	(400)
Net cash provided (used) by financing activities	<u>73,324</u>	<u>(2,214)</u>
Effect of exchange rate changes on cash	<u>219</u>	<u>864</u>
Net change in cash	3,371	(601)
Cash:		
Beginning of period	<u>15,171</u>	<u>16,367</u>
End of period	<u>\$ 18,542</u>	<u>\$ 15,766</u>

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