

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) **October 29, 2018**

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**

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 the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§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.

Item 2.02 Results of Operations and Financial Condition

Twin Disc, Incorporated (the "Company") has reported its first quarter 2019 financial results. The Company's press release dated October 29, 2018 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 5.02 Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers

On October 25, 2018, the Compensation and Executive Development Committee of the Board of Directors of the Company increased the annual base salary of Jeffrey S. Knutson, the Vice-President – Finance, Chief Financial Officer, Treasurer and Secretary of the Company, from \$340,000 to \$350,000. The increase is effective retroactive to the payroll period beginning September 24, 2018.

Item 5.07 Submission of Matters to a Vote of Security Holders

The Annual Meeting of Shareholders of the Company was held on October 25, 2018. Matters submitted to shareholders at the meeting and the voting results thereof were as follows:

Proposal No. 1 – Election of Directors.

The shareholders of the Company elected each of the Director nominees proposed by the Company's Board of Directors. Messrs. Rayburn and Johnson and Ms. Giesselman were elected to serve until the 2021 Annual Meeting of Shareholders or until their successor is duly elected and qualified. The following is a breakdown of the voting results:

| | Votes For | Percent(1) | Votes Withheld | Percent(1) | Broker Non-Votes |
|---------------------|-----------|------------|----------------|------------|------------------|
| David B. Rayburn | 8,718,720 | 97.00% | 269,358 | 3.00% | 1,129,001 |
| Janet P. Giesselman | 8,713,244 | 96.94% | 274,834 | 3.06% | 1,129,001 |
| David W. Johnson | 8,718,573 | 97.00% | 269,505 | 3.00% | 1,129,001 |

Proposal No. 2 – Advisory Vote on the Compensation of the Company's Named Executive Officers.

In an advisory vote, the shareholders of the Company approved the compensation of the Company's Named Executive Officers. The Company includes such an advisory vote on the Company's Named Executive Officer compensation in the its proxy materials every year, and intends to continue to provide such an advisory vote on an annual basis until the next required non-binding advisory vote on the frequency of such votes on executive compensation. The following is a breakdown of the voting results:

| | Votes For | Votes Against | Abstentions | Broker Non-Votes |
|-----------------------|-----------|---------------|-------------|------------------|
| Number of Votes Cast: | 8,563,095 | 148,558 | 276,425 | 1,129,001 |

Proposal No. 3 - Appointment of RSM US LLP as Independent Registered Public Accounting Firm.

The shareholders of the Company ratified the appointment of RSM US LLP as the Company's independent registered public accounting firm for the fiscal year ending June 30, 2019. The following is a breakdown of the voting results:

| | Votes For | Votes Against | Abstentions |
|-----------------------|------------------|----------------------|--------------------|
| Number of Votes Cast: | 10,027,400 | 59,643 | 30,036 |

Proposal No. 4 – Approval on the Twin Disc, Incorporated 2018 Long-Term Compensation Plan.

The shareholders of the Company approved the Twin Disc, Incorporated 2018 Long-Term Incentive Compensation Plan. The following is a breakdown of the voting results:

| | Votes For | Votes Against | Abstentions |
|-----------------------|------------------|----------------------|--------------------|
| Number of Votes Cast: | 8,604,793 | 317,567 | 65,718 |

- (1) Percentages shown for election of Directors (Proposal No. 1) are based on totals of votes cast for and votes withheld from each indicated Director. Abstentions and broker non-votes were not considered as part of the totals on which percentages were based.

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.

Item 8.01 Other Events

On October 25, 2018, each of the non-employee Directors of the Company received 3,264 shares of Restricted Stock under the Twin Disc, Incorporated 2010 Stock Incentive Plan for Non-Employee Directors (the "Director's Plan"), representing 50% of their annual Board retainer (exclusive of Committee chair fees). A copy of the Director's Plan was included as Appendix B of the Proxy Statement for the Annual Meeting of Shareholders held on October 15, 2010 (File No. 001-07635). The form of Restricted Stock Agreement entered into between the Company and each non-employee Director was filed as Exhibit 10.3 to the Company's Form 8-K filed on October 19, 2010 (File No. 001-07635).

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

(d) Exhibits

| EXHIBIT NUMBER | DESCRIPTION |
|----------------|--|
| 99.1 | Press Release announcing first quarter 2019 financial results. |

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: October 29, 2018

Twin Disc, Inc.

/s/ JEFFREY S. KNUTSON

Jeffrey S. Knutson

Vice President-Finance, Chief Financial Officer, Treasurer & Secretary



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

NEWS RELEASE

FOR IMMEDIATE RELEASE

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

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

- Q1 Net Sales Increase 65.7% to \$74,689,000, including the impact of the Veth acquisition
 - Gross Profit Percent Improves 110 Basis Points to 32.1% in Q1
 - Q1 EBITDA of \$7,986,000 versus the prior year of \$442,000
- Six-Month backlog at \$146,336,000 remains strong and increased 133.5% versus the prior year

RACINE, WISCONSIN — October 29, 2018 — **Twin Disc, Inc. (NASDAQ: TWIN)**, today reported financial results for the fiscal 2019 first quarter ended September 28, 2018.

Net sales for the fiscal 2019 first quarter were \$74,689,000, compared to \$45,064,000 for the same period last year. The 65.7% increase in fiscal 2019 first 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 commercial marine market.

Commenting on the results, John H. Batten, President and Chief Executive Officer, said: "We are encouraged with the start of the new fiscal year as a result of the favorable contribution of Veth Propulsion and improving global demand across many of our end markets. Throughout the year, we are focused on fully integrating Veth into our organization and supporting their growth plans by accelerating sales and marketing opportunities. Twin Disc's size and global support and service capabilities have improved Veth's competitiveness and helped Veth achieve significant orders during the first quarter. Overall, Veth is performing in line with our expectations and providing the product and market diversification we anticipated. We are excited by the long-term potential this acquisition has for our business, customers, and shareholders."

Gross profit for the fiscal 2019 first quarter was 32.1%, compared to 31.0% for the same period last year. The 110-basis point increase in gross profit percent for the fiscal 2019 first quarter was primarily due to higher volumes, a more profitable mix of revenues and improved operating efficiencies. Gross profit for the first quarter includes the amortization of a purchase accounting item related to the write-up of inventory (\$1,171,000).

For the fiscal 2019 first quarter, marketing, engineering and administrative (ME&A) expenses increased \$5,592,000 to \$18,986,000, compared to \$13,394,000 for the fiscal 2018 first quarter. The 41.8% increase in ME&A expenses in the quarter was primarily due to the addition of Veth, including the amortization of purchase accounting intangibles of \$621,000. Other changes included increased stock compensation expense, professional fees, salaries, travel and marketing expenses related to the Veth acquisition and the Company's centennial celebration. As a percent of revenues, ME&A expenses fell to 25.4% for the fiscal 2019 first quarter, compared to 29.7% for the same period last year.

Twin Disc recorded restructuring charges of \$173,000 in the fiscal 2019 first quarter, compared to restructuring charges of \$1,218,000 in the same period last fiscal year. Restructuring activities during the fiscal 2019 first quarter related primarily to ongoing cost reduction and productivity actions at the Company's European operations.

The fiscal 2019 first quarter tax rate of 23.4% reflects the impact of the U.S. Tax Cuts and Jobs Act signed in December 2017. The fiscal 2018 first quarter tax benefit was primarily the result of the reversal of the valuation allowance (\$3.8 million) in a certain foreign jurisdiction that had been subject to a full valuation allowance. Improvement in operating results, along with tax planning opportunities, allowed for the reversal of this valuation allowance during the fiscal 2018 first quarter.

Net income attributable to Twin Disc for the fiscal 2019 first quarter was \$2,862,000, or \$0.24 per diluted share, compared to a net income attributable to Twin Disc of \$3,392,000, or \$0.29 per diluted share (which includes the favorable impact of the valuation allowance reversal), for the fiscal 2018 first quarter.

Earnings before interest, taxes, depreciation and amortization (EBITDA)* were \$7,986,000 for the fiscal 2019 first quarter, compared to \$442,000 for the fiscal 2018 first quarter.

Jeffrey S. Knutson, Vice President – Finance, Chief Financial Officer, Treasurer and Secretary, stated: “I am pleased with the success of the previously announced follow-on stock offering that was completed on September 25, 2018. Twin Disc received net proceeds of \$32,210,000, which was used to pay down debt associated with the Veth acquisition. Our healthy capital position provides us with the flexibility to continue investing in growth producing and cost saving initiatives. In addition, we expect to generate cash from operating activities during fiscal 2019 as we focus on improving our working capital requirements, primarily through reductions in inventory. For the first quarter of fiscal 2019, we invested \$3,556,000 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 September 28, 2018 was \$146,336,000, compared to \$114,979,000 at June 30, 2018 and \$62,665,000 at September 29, 2017. The 133.5% year-over-year improvement in our six-month backlog is primarily due to positive trends within our North American oil and gas markets, the contribution of the Veth acquisition and improving demand across many of our other markets. Backing out Veth's orders, our six-month backlog was up over 7% during the past three months, and up nearly 100% from September 29, 2017. The fiscal 2019 first quarter included certain one-time expenses associated with the Veth acquisition, the September stock offering, and certain other non-recurring corporate expenses. As a result of strong order trends and the positive impact of the Veth acquisition, we believe fiscal 2019 will be another strong 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 Monday, October 29, 2018. To participate in the conference call, please dial 866-548-4713 five to ten minutes before the call is scheduled to begin. A replay will be available from 2:00 p.m. October 29, 2018 until midnight November 5, 2018. The number to hear the teleconference replay is 844-512-2921. The access code for the replay is 5523869.

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://ir.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--

**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND
COMPREHENSIVE INCOME**

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

| | Quarter Ended | |
|--|-----------------------|-----------------------|
| | September 28, 2018 | September 29, 2017 |
| Net sales | \$ 74,689 | \$ 45,064 |
| Cost of goods sold | 50,704 | 31,072 |
| Gross profit | 23,985 | 13,992 |
| Marketing, engineering and administrative expenses | 18,986 | 13,394 |
| Restructuring expenses | 173 | 1,218 |
| Income (loss) from operations | 4,826 | (620) |
| Interest expense | 717 | 64 |
| Other expense, net | 319 | 569 |
| Income (loss) before income taxes and noncontrolling interest | 3,790 | (1,253) |
| Income tax expense (benefit) | 887 | (4,658) |
| Net income | 2,903 | 3,405 |
| Less: Net earnings attributable to noncontrolling interest, net of tax | (41) | (13) |
| Net income attributable to Twin Disc | <u>\$ 2,862</u> | <u>\$ 3,392</u> |
| Income per share data: | | |
| Basic income per share | \$ 0.24 | \$ 0.29 |
| Diluted income per share | \$ 0.24 | \$ 0.29 |
| Weighted average shares outstanding data: | | |
| Basic shares outstanding | 11,722 | 11,256 |
| Diluted shares outstanding | 11,799 | 11,259 |
| Comprehensive income: | | |
| Net income | \$ 2,903 | \$ 3,405 |
| Benefit plan adjustments, net of income taxes of \$146 and \$278, respectively | 471 | 474 |
| Foreign currency translation adjustment | (561) | 2,541 |
| Comprehensive income | 2,813 | 6,420 |
| Less: Comprehensive income attributable to noncontrolling interest | (16) | (7) |
| Comprehensive income attributable to Twin Disc | <u>\$ 2,797</u> | <u>\$ 6,413</u> |

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

| | Quarter Ended | |
|--|-----------------------|-----------------------|
| | September 28, 2018 | September 29, 2017 |
| Net income attributable to Twin Disc | \$ 2,862 | \$ 3,392 |
| Interest expense | 717 | 64 |
| Income taxes | 887 | (4,658) |
| Depreciation and amortization | 3,520 | 1,644 |
| Earnings before interest, taxes, depreciation and amortization | <u>\$ 7,986</u> | <u>\$ 442</u> |

CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands; unaudited)

| | September 28, 2018 | June 30, 2018 |
|---|-----------------------|-------------------|
| ASSETS | | |
| Current assets: | | |
| Cash | \$ 16,557 | \$ 15,171 |
| Trade accounts receivable, net | 45,887 | 45,422 |
| Inventories | 123,439 | 84,001 |
| Prepaid expenses | 7,287 | 8,423 |
| Other | 9,228 | 6,252 |
| Total current assets | 202,398 | 159,269 |
| Property, plant and equipment, net | 68,302 | 55,467 |
| Deferred income taxes | 13,838 | 18,056 |
| Goodwill, net | 24,896 | 2,692 |
| Intangible assets, net | 24,786 | 1,906 |
| Other assets | 4,168 | 3,850 |
| TOTAL ASSETS | \$ 338,388 | \$ 241,240 |
| LIABILITIES AND EQUITY | | |
| Current liabilities: | | |
| Accounts payable | \$ 31,735 | \$ 29,368 |
| Accrued liabilities | 46,705 | 32,976 |
| Total current liabilities | 78,440 | 62,344 |
| Long-term debt | 37,446 | 4,824 |
| Lease obligations | 17,070 | 6,527 |
| Accrued retirement benefits | 19,985 | 21,068 |
| Deferred income taxes | 5,222 | 1,203 |
| Other long-term liabilities | 1,765 | 1,658 |
| Total liabilities | 159,928 | 97,624 |
| Twin Disc shareholders' equity: | | |
| Preferred shares authorized: 200,000; issued: none; no par value | - | - |
| Common shares authorized: 30,000,000; issued: 14,632,802; no par value | 44,044 | 11,570 |
| Retained earnings | 188,661 | 178,896 |
| Accumulated other comprehensive loss | (30,760) | (23,792) |
| | 201,945 | 166,674 |
| Less treasury stock, at cost (1,567,274 and 1,545,783 shares, respectively) | 24,005 | 23,677 |
| Total Twin Disc shareholders' equity | 177,940 | 142,997 |
| Noncontrolling interest | 520 | 619 |
| Total equity | 178,460 | 143,616 |
| TOTAL LIABILITIES AND EQUITY | \$ 338,388 | \$ 241,240 |

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands; unaudited)

| | For the Quarter Ended | |
|--|-----------------------|-----------------------|
| | September 28, 2018 | September 29, 2017 |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net income | \$ 2,903 | \$ 3,405 |
| Adjustments to reconcile net income to net cash provided (used) by operating activities: | | |
| Depreciation and amortization | 2,349 | 1,644 |
| Amortization of inventory fair value step-up | 1,171 | - |
| Restructuring expenses | (2) | 190 |
| Provision for deferred income taxes | 3,460 | (4,842) |
| Stock compensation expense and other non-cash changes, net | 892 | 500 |
| Net change in operating assets and liabilities | (9,951) | (2,328) |
| Net cash provided (used) by operating activities | 822 | (1,431) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Acquisition of Veth Propulsion | (59,649) | -- |
| Acquisitions of fixed assets | (3,556) | (1,467) |
| Proceeds from sale of fixed assets | 30 | 17 |
| Other, net | (129) | (129) |
| Net cash used by investing activities | (63,304) | (1,579) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Proceeds from issuance of common stock | 32,210 | -- |
| Borrowings under long-term debt agreement | 35,000 | -- |
| Borrowings under revolving loan agreement | 67,103 | 16,155 |
| Proceeds from exercise of stock option | 12 | -- |
| Repayments under revolving loan agreement | (45,231) | (14,236) |
| Repayments of long-term borrowings | (24,234) | -- |
| Dividends paid to noncontrolling interest | (115) | (172) |
| Payments of withholding taxes on stock compensation | (926) | (213) |
| Net cash provided by financing activities | 63,819 | 1,534 |
| Effect of exchange rate changes on cash | 49 | 570 |
| Net change in cash | 1,386 | (906) |
| Cash: | | |
| Beginning of period | 15,171 | 16,367 |
| End of period | \$ 16,557 | \$ 15,461 |

####