

UNITED STATES  
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, 2021 (October 28, 2021)**

**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))

Securities registered pursuant to Section 12(b) of the Exchange Act:

| Title of each class         | Trading Symbol(s) | Name of each exchange on which registered |
|-----------------------------|-------------------|---|
| Common Stock (No Par Value) | TWIN              | The NASDAQ Stock Market LLC               |

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 2022 financial results. The Company's press release dated October 29, 2021 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 28, 2021, the Board of Directors of the Company appointed John H. Batten as President of the Company in addition to his role as Chief Executive Officer, to fill the vacancy in that office created by the departure of James E. Feiertag. Mr. Batten’s previously disclosed compensation arrangements were not revised as a result of this appointment.

**Item 5.07 Submission of Matters to a Vote of Security Holders**

The Annual Meeting of Shareholders of the Company was held on October 28, 2021. 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, Johnson and Ms. Giesselman were elected to serve until the 2024 Annual Meeting of Shareholders or until their successor is duly elected and qualified. The following is a breakdown of the voting results:

|                     | <b>Votes For</b> | <b>Percent(1)</b> | <b>Votes Withheld</b> | <b>Percent(1)</b> | <b>Broker Non-Votes</b> |
|---------------------|------------------|-------------------|-----------------------|-------------------|-------------------------|
| David B. Rayburn    | 10,041,711       | 97.20%            | 288,919               | 2.80%             | 1,084,030               |
| Janet P. Giesselman | 9,980,538        | 96.61%            | 350,092               | 3.39%             | 1,084,030               |
| David W. Johnson    | 9,481,555        | 91.78%            | 849,075               | 8.22%             | 1,084,030               |

**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 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:

|                       | <b>Votes For</b> | <b>Votes Against</b> | <b>Abstentions</b> | <b>Broker Non-Votes</b> |
|-----------------------|------------------|----------------------|--------------------|-------------------------|
| Number of Votes Cast: | 9,372,190        | 277,689              | 680,751            | 1,084,030               |

**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, 2022. The following is a breakdown of the voting results:

|                       | <b>Votes For</b> | <b>Votes Against</b> | <b>Abstentions</b> |
|-----------------------|------------------|----------------------|--------------------|
| Number of Votes Cast: | 11,368,600       | 41,937               | 4,123              |

**Proposal No. 4 – Approval of the Twin Disc, Incorporated 2021 Long Term Incentive Compensation Plan.**

The shareholders of the Company approved the Twin Disc, Incorporated 2021 Long Term Incentive Compensation Plan. The following is a breakdown of the voting results:

|                       | <b>Votes For</b> | <b>Votes Against</b> | <b>Abstentions</b> | <b>Broker Non-Votes</b> |
|-----------------------|------------------|----------------------|--------------------|-------------------------|
| Number of Votes Cast: | 7,022,020        | 2,966,920            | 341,689            | 1,084,030               |

- (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.

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## Item 8.01 Other Events

On October 28, 2021, each of the non-employee Directors of the Company received 6,484 shares of Restricted Stock under the Twin Disc, Incorporated 2020 Stock Incentive Plan for Non-Employee Directors (the “Directors’ Plan”), representing 54% of their annual Board retainer (exclusive of Committee chair fees). A copy of the Directors’ Plan was included as Appendix A of the Proxy Statement for the Annual Meeting of Shareholders held on October 29, 2020 (File No. 001-07635). In conjunction with the issuance of Restricted Stock under the Directors’ Plan, the Company entered into a Restricted Stock Agreement with each of its non-employee Directors covering awards of restricted stock under the Plan. A form of the Restricted Stock Agreement is attached hereto as Exhibit 10.1 and incorporated herein by reference.

## 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.

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**Item 9.01 Financial Statements and Exhibits**

(d) Exhibits

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| EXHIBIT NUMBER | DESCRIPTION  |
|----------------|--|
| 10.1           | <a href="#">Form of Twin Disc, Incorporated Non-Employee Director Restricted Stock Agreement (Incorporated by reference to Exhibit 10.1 of the Company's Form 8K filed October 30, 2020, File No. 1-7635).</a> |
| 99.1           | <a href="#">Press Release announcing first quarter 2022 financial results.</a>   |
| 104            | Cover Page Interactive Data File (embedded within the Inline XBRL document)  |

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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: October 29, 2021

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 2022  
FIRST QUARTER FINANCIAL RESULTS**

- First quarter sales up 3.4% year-over-year
- Strong operating cash flow and facility sale drives net debt to lowest level in over three years
- Six-month backlog at September 24, 2021 was \$86.1 million, a 22.5% increase since June 30, 2021
  - Management optimistic recovery is underway as order rates and demand improve

RACINE, WISCONSIN — October 29, 2021 — **Twin Disc, Inc. (NASDAQ: TWIN)**, today reported financial results for the fiscal 2022 first quarter ended September 24, 2021.

Sales for the fiscal 2022 first quarter were \$47.8 million, compared to \$46.2 million for the same period last year. The 3.4% increase in 2022 first quarter sales was primarily due to improving demand within the Company's global oil and gas, industrial and marine markets compared to the same period last fiscal year. The impact of improving markets has been partially offset by significant global supply chain challenges, limiting sales revenue in the quarter. Foreign currency exchange had a \$0.5 million positive impact on fiscal 2022 first quarter sales.

John H. Batten, Chief Executive Officer, commented: "Demand across many of our global markets is improving, and I am encouraged by our strong first quarter performance as we worked tirelessly to navigate unprecedented global supply chain issues. We anticipate the supply chain challenges will persist through our second fiscal quarter before easing through the second half of the fiscal year. We continue to focus on strategies that modernize our global facilities and realign our cost structure. During the first quarter, we completed a sale leaseback of our Rolla production facility for net proceeds of \$9.1 million (resulting in a gain of \$2.9 million recorded in Other Operating Income). The restructuring action at our Belgium operation announced in the fourth quarter of fiscal 2021 is expected to be completed this fiscal year and we anticipate incurring approximately \$1.0 million of restructuring expenses in the second quarter. These actions as well as future actions are expected to generate annualized pre-tax savings of approximately \$1.6 million, while reducing the capital requirements necessary to operate our business."

"Our six-month backlog at September 24, 2021, was \$86.1 million, compared to \$69.4 million at September 25, 2020, and \$70.3 million at June 30, 2021. The 22.5% increase in our six-month backlog over the past three months is encouraging and is supported by improving demand trends across many of our global markets. The investment cycle in the North America pressure pumping industry has yet to materialize. However, we are optimistic an oil and gas investment cycle will begin in the coming quarters supported by an aging fleet of equipment and higher oil and gas prices. Overall, I am pleased with the progress we are making to transform our business. We ended the quarter with strong order rates across many areas of our business and we believe fiscal 2022 will be a good year of profitable growth for Twin Disc."

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Gross profit percent for the fiscal 2022 first quarter was 28.2%, compared to 21.0% in the fiscal 2021 first quarter. The 720-basis point increase in gross profit margin percentage for the fiscal 2022 first quarter compared to the fiscal 2021 first quarter, was primarily due to higher, more profitable sales, the positive outcomes of targeted cost reduction initiatives and the favorable impact of the Employee Retention Credit (“ERC”), a COVID-19 relief program of the U.S. government, recorded in the quarter (\$1.3 million). The quarter also benefited from the incremental impact of the NOW subsidy (\$0.3 million), a COVID-19 relief program of the Netherlands government.

For the fiscal 2022 first quarter, marketing, engineering and administrative (ME&A) expenses increased \$0.7 million to \$13.1 million, compared to \$12.4 million for the fiscal 2021 first quarter. The slight increase in ME&A expenses in the quarter was primarily due to a current year global bonus accrual and higher salary and benefit costs, partially offset by the favorable impact of the ERC. As a percent of revenues, ME&A expenses increased to 27.4% for the fiscal 2022 first quarter, compared to 26.9% for the same period last year.

Twin Disc recorded restructuring charges of \$48,000 in the fiscal 2022 first quarter, compared to restructuring charges of \$0.4 million in the same period last fiscal year. Restructuring activities during the fiscal 2022 first quarter related primarily to ongoing cost reduction and productivity actions at the Company’s European operations and actions to adjust the cost structure at our domestic operation.

The fiscal 2022 first quarter effective tax rate was 16.2% compared to 19.1% in the prior fiscal year first quarter. The current year rate was impacted by the fact that the domestic entity recognized a full valuation allowance in the fourth quarter of fiscal 2021, resulting in limited recognition of tax expense.

Net income attributable to Twin Disc for the fiscal 2022 first quarter was \$1.9 million or \$0.14 per share, compared to a net loss attributable to Twin Disc of \$(4.0) million or \$(0.30) per share for the prior fiscal year first quarter.

Earnings before interest, taxes, depreciation, and amortization (EBITDA)\* was \$5.4 million for the fiscal 2022 first quarter, compared to a loss of \$(1.6 million) for the fiscal 2021 first quarter.

Jeffrey S. Knutson, Vice President – Finance, Chief Financial Officer, Treasurer and Secretary stated, “We generated \$2.4 million of cash provided by operating activities and benefitted from the sale leaseback of our Rolla facility. As a result, we ended the fiscal 2022 first quarter with net debt of \$9.8 million, compared to \$19.7 million at June 30, 2021 which represents the lowest net debt level (Total debt less cash) in over three years. While inventories increased over the last three months, we continue to believe we will reduce inventories as fiscal 2022 progresses and many of our global markets recover. I am pleased with the progress we are making improving our balance sheet and liquidity position. As a result, we are planning to increase capital expenditures during fiscal 2022 after controlling investments throughout the COVID-19 crisis. We expect to invest \$9 million to \$11 million in capital expenditures during fiscal 2022.”

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Twin Disc will be hosting a conference call to discuss these results and to answer questions at 11:00 a.m. Eastern Time on October 29, 2021. To participate in the conference call, please dial 1-877-407-9039 five to ten minutes before the call is scheduled to begin. A replay will be available from 2:00 p.m. October 29, 2021 until midnight November 5, 2021. The number to hear the teleconference replay is 1-844-512-2921. The access code for the replay is 13723996.

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. For more information, please visit [www.twindisc.com](http://www.twindisc.com).

#### 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. Risk factors also include the effects of the COVID-19 pandemic, and any impact the COVID-19 pandemic may have on the Company's business operations, as well as its impact on general economic and financial market conditions.

#### \*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, as well as the measure of net debt 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)

Net earnings or loss excluding interest expense, the provision or benefit for income taxes, 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**

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

|  | For the Quarter Ended |                       |
|--|-----------------------|-----------------------|
|  | September 24,<br>2021 | September 25,<br>2020 |
| Net sales  | \$ 47,761             | \$ 46,179             |
| Cost of goods sold   | 34,314                | 36,476                |
| Gross profit   | <u>13,447</u>         | <u>9,703</u>          |
| Marketing, engineering and administrative expenses                             | 13,091                | 12,445                |
| Restructuring expenses   | 48                    | 405                   |
| Other operating income   | (2,939)               | -                     |
| Income (loss) from operations  | <u>3,247</u>          | <u>(3,147)</u>        |
| Interest expense   | 530                   | 573                   |
| Other expense (income), net  | 355                   | 1,148                 |
| Income (loss) before income taxes and noncontrolling interest                  | <u>2,362</u>          | <u>(4,868)</u>        |
| Income tax expense (benefit)   | <u>382</u>            | <u>(931)</u>          |
| Net income (loss)  | 1,980                 | (3,937)               |
| Less: Net earnings attributable to noncontrolling interest, net of tax         | (60)                  | (42)                  |
| Net income (loss) attributable to Twin Disc                                    | <u>\$ 1,920</u>       | <u>\$ (3,979)</u>     |
| Income (loss) per share data:  |                       |                       |
| Basic income (loss) per share  | \$ 0.14               | \$ (0.30)             |
| Diluted income (loss) per share  | \$ 0.14               | \$ (0.30)             |
| Weighted average shares outstanding data:                                      |                       |                       |
| Basic shares outstanding   | 13,283                | 13,197                |
| Diluted shares outstanding   | 13,350                | 13,197                |
| Comprehensive income:  |                       |                       |
| Net income (loss)  | \$ 1,980              | \$ (3,937)            |
| Benefit plan adjustments, net of income taxes of \$117 and \$177, respectively | 384                   | 553                   |
| Foreign currency translation adjustment  | (1,938)               | 3,612                 |
| Unrealized gain on hedges, net of income taxes of \$63 and \$22, respectively  | 204                   | 75                    |
| Comprehensive income   | <u>630</u>            | <u>303</u>            |
| Less: Comprehensive income attributable to noncontrolling interest             | <u>(136)</u>          | <u>(55)</u>           |
| Comprehensive income attributable to Twin Disc                                 | <u>\$ 494</u>         | <u>\$ 248</u>         |

**RECONCILIATION OF CONSOLIDATED NET INCOME (LOSS) TO EBITDA**

(In thousands; unaudited)

|   | For the Quarter Ended |                       |
|---|-----------------------|-----------------------|
|   | September 24,<br>2021 | September 25,<br>2020 |
| Net income (loss) attributable to Twin Disc                           | \$ 1,920              | \$ (3,979)            |
| Interest expense  | 530                   | 573                   |
| Income taxes  | 382                   | (931)                 |
| Depreciation and amortization   | 2,550                 | 2,758                 |
| Earnings (loss) before interest, taxes, depreciation and amortization | <u>\$ 5,382</u>       | <u>\$ (1,579)</u>     |

**RECONCILIATION OF TOTAL DEBT TO NET DEBT**

(In thousands; unaudited)

|                                      | For the Quarter Ended |                  |
|--------------------------------------|-----------------------|------------------|
|                                      | September 24,<br>2021 | June 30,<br>2021 |
| Current maturities of long-term debt | \$ 2,000              | \$ 2,000         |
| Long-term debt                       | 29,883                | 30,085           |
| Total debt                           | 31,883                | 32,085           |
| Less cash                            | 22,092                | 12,340           |
| Net debt                             | <u>\$ 9,791</u>       | <u>\$ 19,745</u> |

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**CONDENSED CONSOLIDATED BALANCE SHEETS**

(In thousands; unaudited)

|   | September 24,<br>2021 | June 30,<br>2021  |
|---|-----------------------|-------------------|
| <b>ASSETS</b>   |                       |                   |
| Current assets:   |                       |                   |
| Cash  | \$ 22,092             | \$ 12,340         |
| Trade accounts receivable, net  | 34,837                | 39,491            |
| Inventories   | 121,092               | 114,967           |
| Assets held for sale  | 3,321                 | 9,539             |
| Prepaid expenses  | 6,165                 | 5,704             |
| Other   | 7,334                 | 9,926             |
| Total current assets  | <u>194,841</u>        | <u>191,967</u>    |
| Property, plant and equipment, net                                      | 44,339                | 45,463            |
| Right-of-use assets operating leases                                    | 14,216                | 14,736            |
| Intangible assets, net  | 16,468                | 17,480            |
| Deferred income taxes   | 2,615                 | 2,511             |
| Other assets  | 3,768                 | 3,256             |
| <b>TOTAL ASSETS</b>   | <u>\$ 276,247</u>     | <u>\$ 275,413</u> |
| <b>LIABILITIES AND EQUITY</b>   |                       |                   |
| Current liabilities:  |                       |                   |
| Current maturities of long-term debt                                    | \$ 2,000              | \$ 2,000          |
| Accounts payable  | 29,363                | 31,011            |
| Accrued liabilities   | 49,138                | 45,549            |
| Total current liabilities   | 80,501                | 78,560            |
| Long-term debt  | 29,883                | 30,085            |
| Lease obligations   | 12,373                | 12,887            |
| Accrued retirement benefits   | 10,853                | 11,176            |
| Deferred income taxes   | 4,543                 | 5,045             |
| Other long-term liabilities   | 6,470                 | 7,000             |
| Total liabilities   | 144,623               | 144,753           |
| 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  | 41,165                | 40,972            |
| Retained earnings   | 128,856               | 126,936           |
| Accumulated other comprehensive loss                                    | (24,041)              | (22,615)          |
|   | 145,980               | 145,293           |
| Less treasury stock, at cost (974,978 and 985,686 shares, respectively) | 14,942                | 15,083            |
| Total Twin Disc shareholders' equity                                    | 131,038               | 130,210           |
| Noncontrolling interest   | 586                   | 450               |
| Total equity  | 131,624               | 130,660           |
| <b>TOTAL LIABILITIES AND EQUITY</b>                                     | <u>\$ 276,247</u>     | <u>\$ 275,413</u> |

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

|   | For the Quarter Ended |                       |
|---|-----------------------|-----------------------|
|   | September 24,<br>2021 | September 25,<br>2020 |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>  |                       |                       |
| Net income (loss)   | \$ 1,980              | \$ (3,937)            |
| Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities, net of acquired assets: |                       |                       |
| Depreciation and amortization   | 2,550                 | 2,758                 |
| Gain on sale of assets  | (2,939)               | -                     |
| Restructuring expenses  | (125)                 | -                     |
| Provision for deferred income taxes   | (814)                 | (4,908)               |
| Stock compensation expense and other non-cash changes, net  | 937                   | 709                   |
| Net change in operating assets and liabilities  | 785                   | 4,662                 |
| Net cash provided (used) by operating activities  | 2,374                 | (716)                 |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>  |                       |                       |
| Acquisitions of fixed assets  | (846)                 | (1,419)               |
| Proceeds from sale of fixed assets  | 9,139                 | 19                    |
| Proceed on note receivable  | 500                   | 300                   |
| Other, net  | (81)                  | (129)                 |
| Net cash used by investing activities   | 8,712                 | (1,229)               |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>  |                       |                       |
| Borrowings under revolving loan arrangement   | 20,591                | 18,301                |
| Repayments under revolver loans   | (20,591)              | (18,674)              |
| Repayments of other long-term debt  | (278)                 | (155)                 |
| Payments of withholding taxes on stock compensation   | (292)                 | (224)                 |
| Net used by financing activities  | (570)                 | (752)                 |
| Effect of exchange rate changes on cash   | (764)                 | 1,322                 |
| Net change in cash  | 9,752                 | (1,375)               |
| Cash:   |                       |                       |
| Beginning of period   | 12,340                | 10,688                |
| End of period   | \$ 22,092             | \$ 9,313              |

####