

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) **June 13, 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 1.01 Entry into a Material Definitive Agreement

On June 13, 2018, Twin Disc NL Holding, B.V. (“Twin Disc NL”), a wholly-owned subsidiary of Twin Disc, Incorporated (the “Company”), entered into a Share Purchase Agreement (the “Purchase Agreement”) with Veth Motoren Holding, B.V. (“Veth Motoren”) to purchase all shares of capital stock of Veth Propulsion Holding, B.V. (“Veth Propulsion Holding”). Veth Propulsion Holding holds all of the shares of capital stock of Exploitiemaatschappij Veth B.V., Veth Diesel B.V., Veth Electra B.V., Veth Propulsion B.V. and Veth Thrusters B.V. (the “Veth Subsidiaries”).

Based in the Netherlands, the Veth Subsidiaries are global manufacturers of highly-engineered auxiliary propulsions and propulsion machinery for maritime vessels, including rudder propellers, bow thrusters, generator sets and engine service and repair. They have a strong presence in key European maritime markets, with deep and long-standing relationships with growing customers.

Under the terms of the Purchase Agreement, Twin Disc NL will pay €49,700,000 for the shares of Veth Propulsion Holding, increased by certain cash of Veth Propulsion Holding at closing (up to €2,000,000) and decreased by certain debt of Veth Propulsion Holding at closing. These amounts are subject to adjustment to the extent that the working capital of Veth Propulsion Holding at closing exceeds or is less than a target working capital to be determined based on the twelve-month average working capital as of June 30, 2018. The maximum increase in the purchase price based on the working capital adjustment is €2,000,000. Twin Disc NL will also pay an additional earn-out amount if the EBITDA of Veth Propulsion Holding (as defined in the Purchase Agreement) for fiscal 2018 exceeds €6,450,000. No earn-out will be owed if the EBITDA of Veth Propulsion Holding for fiscal 2018 falls below €6,450,000, and the maximum earn-out amount of €3,300,000 will be paid if the EBITDA of Veth Propulsion Holding for fiscal 2018 exceeds €6,800,000. The earn-out will be paid in the form of Company stock.

Veth Motoren has also agreed to various customary covenants and agreements regarding the Veth Subsidiaries, including covenants to cause the Veth Subsidiaries, during the period between the execution of the Agreement and the closing of the Purchase Agreement, to conduct their business in the ordinary course of business, as budgeted, and in a manner most likely to preserve their value, keeping each such business and its properties substantially intact.

The closing of the Purchase Agreement and the transactions contemplated thereby is subject to certain conditions, including, among others, those relating to financing, the agreement to the terms of an employment agreement between Twin Disc NL and Mr. H.A. Veth, the accuracy of the parties’ representations and warranties, and other customary closing conditions.

The Share Purchase Agreement may be terminated by mutual agreement of the parties at any time prior to closing, or by Twin Disc NL if certain conditions are not satisfied or waived by September 1, 2018 (or such later date as may be agreed to by the parties).

The Purchase Agreement and the transactions contemplated by the Purchase Agreement have been approved by the Board of Directors of the Company. The foregoing description of the Purchase Agreement and the transactions contemplated thereby does not purport to be complete and is qualified in its entirety by reference to the Share Purchase Agreement, which will be filed as an exhibit to an amended Form 8-K.

The above description of the Purchase Agreement has been included to provide investors with information regarding its terms. The Purchase Agreement contains representations and warranties made by and to the parties thereto as of specific dates. The statements embodied in those representations and warranties were made for the purpose of allocating risk between the parties rather than establishing matters as facts and are subject to qualifications and limitations agreed upon by the parties in connection with negotiating the terms of the Purchase Agreement. In addition, certain representations and warranties were made as of a specified date and may be subject to a contractual standard of materiality different from those generally applicable to investors. Moreover, information concerning the subject matter of the representations and warranties may change after the date of the Purchase Agreement, which subsequent information may or may not be fully reflected in the Company’s public disclosures. Accordingly, investors should not rely on the representations and warranties as characterizations of the actual state of facts or condition of the Company or Veth Propulsion Holding, or any of their respective subsidiaries or affiliates.

Item 7.01 Regulation FD Disclosure

On June 13, 2018, the Company issued a press release announcing that Twin Disc NL has entered into the Purchase Agreement with Veth Motoren Holding. A copy of the press release is attached as Exhibit 99.1 to this Current Report on Form 8-K and is incorporated herein by reference.

On June 13, 2018, the Company provided slides to accompany its investor presentation on the Purchase Agreement. A copy of the slides is furnished as Exhibit 99.2 to this Current Report on Form 8-K.

In accordance with General Instruction B.2 of Form 8-K, the information in this Item 7.01 of this Current Report on Form 8-K, including Exhibits 99.1 and 99.2, 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 either be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific references in such a filing.

(d) Exhibits

EXHIBIT NUMBER DESCRIPTION

99.1 [Press Release dated June 13, 2018 issued by Twin Disc, Incorporated](#)

99.2 [Investor presentation of Twin Disc, Incorporated, dated June 13, 2018](#)

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. Forward looking information in these materials includes, but is not limited to: the acquisition of Veth Propulsion Holding; the expected closing of the Purchase Agreement; expected 2018 sales, EBITDA, gross margins and capital expenditures of Veth Propulsion Holding; and expected cost synergies and earning per share accretion.

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.

SIGNATURE

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

Date: June 13, 2018

Twin Disc, Incorporated

/s/ JEFFREY S. KNUTSON

Jeffrey S. Knutson
Vice President – Finance,
Chief Financial Officer,
Treasurer, and 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 DEFINITIVE AGREEMENT TO ACQUIRE VETH PROPULSION

- \$59 Million Acquisition Expected to Add \$60 Million of Sales
 - Increases Twin Disc's Marine Market Opportunity
- Creates Leading Global Power Control Business for the Marine Industry

RACINE, Wis. – June 13, 2018 – Twin Disc, Inc. (NASDAQ: TWIN) (“Twin Disc” or “the Company”), a global leader in power transmission technology and equipment for marine and land-based applications, announced today that it has entered into a definitive agreement to acquire Veth Propulsion Holding, B.V. and its wholly-owned subsidiaries (“Veth Propulsion”), a global supplier of main and auxiliary marine propulsion products. The purchase price is approximately \$58.6 million (€49.7 million) plus net cash, with potential adjustments based on Veth Propulsion’s working capital as of the closing date, and will be financed through a combination of cash and new debt facilities. Additional consideration of up to approximately \$3.9 million (€3.3 million) will be paid in Twin Disc common stock if certain earn-out provisions are met. The acquisition is expected to be completed in July 2018 and is subject to typical closing conditions.

For over 65 years, Veth Propulsion has provided the global marine industry with innovative and leading propulsion and power control products and associated services. Headquartered in Papendrecht, Netherlands Veth Propulsion is a customer-oriented manufacturer of azimuth rudder propellers, thrusters and generator sets, and is a supplier and repairer of diesel engines. In December 2015, Veth Propulsion selected Twin Disc as its distributor for select Asian markets. This unique relationship expanded with a North American distribution partnership in 2016.

“As we celebrate our 100th anniversary, I am excited to announce the accretive acquisition of Veth Propulsion. Twin Disc has worked with Veth Propulsion for over two years and the companies share similar cultures based on providing customers with high-quality products and leading design, engineering, and manufacturing services,” said John H. Batten, President and CEO of Twin Disc. “Veth Propulsion strategically expands our global market opportunity, increases our size, scale, and scope within the marine industry, and diversifies our end-market penetration. This is part of our continual strategy to diversify our geographies, markets, and products.”

Strategic Fit of Veth Propulsion with Twin Disc:

- Broad and complementary product portfolio provides added value to new and existing customers
- Further globalizes Twin Disc's engineering talent and creates opportunities for faster marine and propulsion product development, including hybrid technologies
- Reduces Twin Disc's dependence on oil and gas, with new technology and sales outside of this market
- Creates significant synergy opportunities through increased global sales, service and after-sales support of up to \$2 million in operating income on an annual basis by fiscal year 2021
- Produces compelling value creation opportunity, with strong earnings accretion and continued balance sheet flexibility

"Veth Propulsion has extensive experience in engineering and product development that will enhance our current product portfolio," continued Batten. "Innovations like Veth Propulsion's industry-recognized Hybrid Drive and Integrated L-Drive will open new markets and opportunities for growth for Twin Disc."

"The market for azimuth thruster systems is well established," said Erik Veth, General Manager. "This partnership provides Veth Propulsion with the opportunity for increased growth with world-class service and support in a truly global market. The Veth Propulsion management team views Twin Disc as the perfect acquirer of Veth Propulsion, and we believe that Veth Propulsion's growth and success will be enhanced under Twin Disc's ownership."

For calendar 2018, Veth Propulsion is expected to achieve sales of \$60 million (€51 million). The acquisition is expected to be accretive to Twin Disc's U.S. GAAP earnings by the second year of ownership, in fiscal year ended June 30, 2020.

As part of the acquisition, Twin Disc expects to close a new \$50 million asset-based line of credit and \$35 million term note.

Twin Disc's financial advisor for the transaction was Robert W. Baird & Co. PricewaterhouseCoopers Advisory N.V. acted as accounting advisor, and Loyens & Loeff N.V. served as legal advisor.

Conference Call

Twin Disc will be hosting a conference call to discuss this transaction and to answer questions at 1:00 p.m. Eastern Time on June 13, 2018. To participate in the conference call, please dial 800-347-6311 five to ten minutes before the call is scheduled to begin. A replay will be available from 4:00 p.m. June 13, 2018 until midnight June 20, 2018. The number to hear the teleconference replay is 844-512-2921. The access code for the replay is 2356398.

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 webcast 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, 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.

About Veth Propulsion:

Operating internationally, Veth Propulsion has a long résumé of successful installations of its innovative products in inland and offshore commercial and military vessels. The company engineers and manufactures azimuth rudder propellers, thrusters and marine electronics, and is a supplier and servicer of diesel engines and generator sets. Since 1951, its quality equipment has been widely respected by shipyards and naval architects worldwide. More information is available at <http://www.vethpropulsion.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.

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**ACQUISITION OF VETH PROPULSION HOLDING, B.V.
JUNE 2018**

FORWARD LOOKING STATEMENTS

This presentation contains 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. Forward looking information in these materials includes, but is not limited to: the acquisition of Veth Propulsion Holding; the expected closing of the Purchase Agreement; expected 2018 sales, adjusted EBITDA, gross margins and capital expenditures of Veth Propulsion Holding; and expected cost synergies and earning per share accretion.

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.



VETH PROPULSION HOLDING, B.V. (“VETH”) OVERVIEW

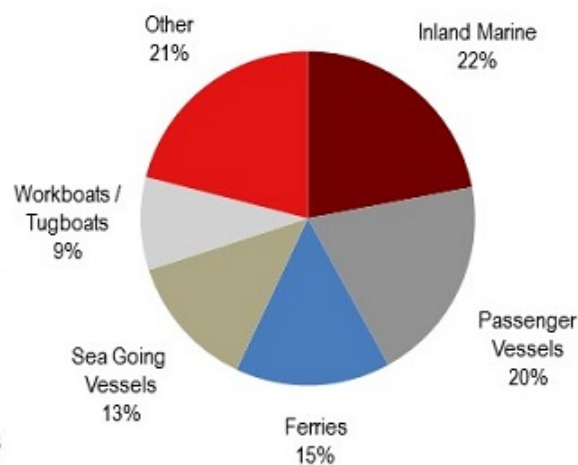
Transaction Overview

- Twin Disc (“TWIN”) entered into a Stock Purchase Agreement to acquire Veth, a private limited liability company incorporated under the laws of the Netherlands for €49.7 million on a cash-free, debt-free basis
- Financed with existing cash / new debt facility
- Additional consideration of up to €3.3 million will be paid in TWIN stock if certain earn-out provisions are met
- Transaction expected to close in July 2018

Business Description

- Global manufacturer of highly-engineered auxiliary propulsions and propulsion machinery for maritime vessels
- Leader in rudder propellers, bow thrusters, generator sets and engine service and repair
- Strong presence in key European maritime markets
- Deep and long-standing relationships with growing customers
- Main headquarters located in Papendrecht, the Netherlands with a global presence in over 40 countries
- New state of the art facility completed in 2016
- Expected calendar 2018 sales and adjusted EBITDA of approximately €51 million and €6 million, a 12% margin

End Market by Ship Type



Z-Drives



L-Drives



Diesel Engines /
Generator Sets



Propellers



Veth-Jet



Steering Grids



Electronics



Elbow Thruster

Note: Adjusted EBITDA is a non-GAAP figure that is defined as net income plus interest, taxes, depreciation and amortization, non-cash stock compensation, purchase accounting adjustments and non-recurring integration costs. Expected adjusted EBITDA is provided on a non-GAAP basis and cannot be reconciled to the closest GAAP measure without unreasonable effort because of the potentially high variability, complexity and low visibility as to the items that would be excluded from the GAAP measure in the relevant future period, such as non-cash stock compensation, purchase accounting adjustments and non-recurring integration costs. The variability of the excluded items may have a significant, and potentially unpredictable, impact on our future GAAP results.



STRATEGIC OVERVIEW & RATIONALE

- Complementary product offering with exposure to new technologies***
- Additive engineering talent and product development capabilities***
- End market diversification away from land-based energy markets and a broader array of overall demand drivers for Twin Disc (i.e., commercial marine exposure)***
- Extension of European footprint with a new, world-class facility***
- Significant synergy potential, with annual synergies of ~\$2 million by FY2021***
- Compelling value creation opportunity with strong earnings accretion and return on invested capital***



VETH PRODUCT OVERVIEW

Product Overview

Azimuth Thrusters

- Rudder propeller with 360° maneuverability
- Allows for greater flexibility in design of marine engine room
- Mountable without dry-docking



Tunnel Thrusters

- Customized solutions designed for each vessel structure
- Increase efficiency and minimal cavitation with unique streamlined tailpiece



Diesel Engines / Generator Sets

- Distributor of diesel engines / generator sets
- Broad product offering
- Full supply, installation, service and repair services
- Product combinations serve multiple applications



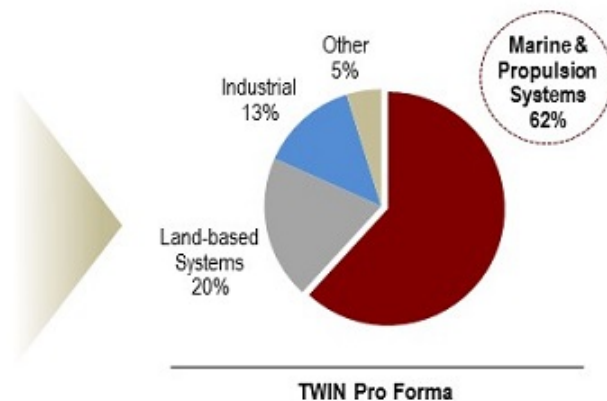
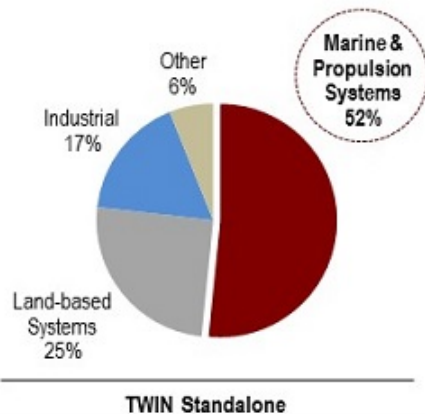
Electronics / Other

- Operating systems and control panels for Veth products certified for maritime sector
- Fully dimmable touchscreen color panels
- Rapid start, motor readings and autopilot systems



PRO FORMA BUSINESS SEGMENT & GEOGRAPHIC MIX

Business Segment Mix



Geographic Segment Mix

- Acquisition makes Twin Disc a more global business
- Expands European footprint and resources, including leased new world-class manufacturing facility
 - Increases European sales from ~20% to ~35% in the pro forma Company
- Sales from the U.S. would be ~45% of the pro forma Company, down from ~55% today



VETH ACQUISITION FINANCIAL SUMMARY

Estimated CY2018 Financial Results

- Sales of approximately €51 million
- Adjusted EBITDA⁽¹⁾ of approximately €6 million (12% of sales)
- Capital expenditures of approximately 2% of sales

Purchase Price

- €49.7 million base purchase price, excluding €3.3 million earn-out
- Total purchase price represents a multiple of calendar 2018 projected EBITDA of 8.6x, assuming full achievement of earn-out milestone; multiple is 6.8x with full run-rate synergies
- Transaction financed with new credit agreements and existing cash

Financial Impact

- Compelling value creation opportunity
- Expect ~\$2 million in annual synergies by FY2021
- Anticipated fully diluted cash EPS accretion including full run-rate synergies of \$0.41 per share for pro forma FY2020⁽²⁾
- Anticipated fully diluted GAAP EPS accretion including full run-rate synergies of \$0.30 per share for pro forma FY2020⁽³⁾
- EPS accretion including full run-rate synergies of \$0.39 and \$0.28 on a cash and GAAP basis, respectively, if the full earn-out is achieved
- TWIN will maintain ample flexibility to fund future growth, with pro forma post-transaction leverage of 1.8x net debt/LTM adjusted EBITDA expected at closing

Timing

- Expected closing by July 2018

Note: Projections as of May 2018. Management does not intend to update these projections in the future. Earn-out of up to 120K shares of TWIN stock based on Veth achieving calendar 2018 operating results.

- (1) Adjusted EBITDA is a non-GAAP figure that is defined as net income plus interest, taxes, depreciation and amortization, non-cash stock compensation, purchase accounting adjustments and non-recurring integration costs. Expected adjusted EBITDA is provided on a non-GAAP basis and cannot be reconciled to the closest GAAP measures without unreasonable effort because of the potentially high variability, complexity and low visibility as to the items that would be excluded from the GAAP measure in the relevant future period, such as non-cash stock compensation, purchase accounting adjustments and non-recurring integration costs. The variability of the excluded items may have a significant, and potentially unpredictable, impact on our future GAAP results.
- (2) Cash EPS is a non-GAAP figure that excludes non-routine acquisition and integration related expenses, target existing amortization and purchase accounting adjustments from the determination of GAAP EPS. Expected cash EPS accretion is provided on a non-GAAP basis and cannot be reconciled to the closest GAAP measures without unreasonable effort because of the potentially high variability, complexity and low visibility as to the items that would be excluded from the GAAP measure in the relevant future periods. The variability of the excluded items may have a significant, and potentially unpredictable, impact on our future GAAP results.
- (3) Includes preliminary assumptions for purchase accounting adjustments and other acquisition related costs.



CONTACT INFORMATION

TWIN Contact

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Chief Financial Officer
Treasurer and Secretary

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See our website at
www.twindisc.com

