

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) **May 6, 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**

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               |

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.

## Item 2.02 Results of Operations and Financial Condition

Twin Disc, Incorporated (the "Company") has reported its third quarter 2019 financial results. The Company's press release dated May 6, 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 third 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: May 6, 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 THIRD QUARTER FINANCIAL RESULTS**

- Q3 Net Sales Increase 18.5% to \$77,420,000, Including the Benefits of the Veth Propulsion Acquisition
  - Net Income of \$4,560,000 Increases 5.8% Versus the Prior Year Period
  - Q3 EBITDA of \$9,965,000 Increases 39.1% Versus the Prior Year Period
    - Sale of Mill Log for \$7,658,000 Completed in Third Quarter
- Investments Focused on Creating Additional Capacity and Improving Efficiency

RACINE, WISCONSIN—May 6, 2019— **Twin Disc, Inc. (NASDAQ: TWIN)**, today reported financial results for the fiscal 2019 third quarter ended March 29, 2019.

Sales for the fiscal 2019 third quarter increased to \$77,420,000, from \$65,349,000 for the same period last year. The 18.5% increase in 2019 third quarter sales was primarily due to the contribution from the Veth Propulsion acquisition, stable demand for the Company’s oil and gas 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 were \$230,216,000, compared to \$166,960,000 for the fiscal 2018 nine months.

Commenting on the results, John H. Batten, President and Chief Executive Officer, said: “Financial results continue to improve from the prior fiscal year period as a result of the contribution of the Veth acquisition and stable demand across most of our global markets. Significant supply chain challenges contributed to reduced efficiencies and impacted shipments during the third quarter. We are focused on implementing operational improvements, which include investments in equipment, people, and suppliers.”

“During the third quarter we sold Mill Log, our distributor in the Pacific Northwest and Western Canada, to further focus our efforts on product development, engineering and customer support. We also broke ground on a new 50,000 square foot operations facility in Lufkin, Texas, which is expected to open in January 2020 and will expand our production capacity and capabilities. It will take a couple of quarters for these investments to be implemented, but once fully operational we believe efficiencies will expand as we improve our manufacturing, supply chain, and distribution / logistics infrastructure,” continued Mr. Batten.

Gross profit for the fiscal 2019 third quarter was 29.9%, compared to 31.9% in the fiscal 2018 third quarter. The 200-basis point decrease in gross profit percent for the fiscal 2019 third quarter compared to the fiscal 2018 third quarter was primarily due to a less profitable mix of revenues and reduced operating efficiencies. Year-to-date, gross profit was 31.8%, compared to 31.8% for the fiscal 2018 nine months.

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For the fiscal 2019 third quarter, marketing, engineering and administrative (ME&A) expenses grew \$2,826,000 to \$17,375,000. The 19.4% increase in ME&A expenses in the quarter was primarily due to the addition of Veth Propulsion, including the amortization of purchase accounting intangibles of \$708,000. Other changes included increased professional fees, salaries, travel and marketing expenses related to the Veth Propulsion acquisition. These increases were offset by reduced global bonus expense and a foreign exchange impact. As a percent of revenues, ME&A expenses were 22.4% for the fiscal 2019 third quarter, compared to 22.3% for the same period last fiscal year. Year-to-date, ME&A expenses were \$55,269,000, compared to \$43,013,000 for the fiscal 2018 nine-month period. As a percent of revenues, year-to-date ME&A expenses declined 180 basis points to 24.0%, compared to 25.8% for the same period last fiscal year.

Twin Disc recorded restructuring charges of \$131,000 in the fiscal 2019 third quarter, compared to restructuring charges of \$452,000 in the same period last fiscal year. Restructuring activities during the fiscal 2019 third 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 \$738,000, compared to \$2,501,000 for the same period last fiscal year.

The Company reported \$1,357,000 in other operating income during the fiscal 2019 third quarter, which was associated with a gain on the sale of Mill Log and the reversal of certain accruals associated with the Veth Propulsion acquisition.

The fiscal 2019 third quarter tax rate of 23.9%, compared to 20.7% for the fiscal 2018 third quarter, is reflective of the jurisdictional mix of earnings. There were no material discrete tax adjustments in the quarter for fiscal 2019 or 2018.

Net income attributable to Twin Disc for the fiscal 2019 third quarter was \$4,560,000, or \$0.34 per diluted share, compared to net income attributable to Twin Disc of \$4,308,000, or \$0.37 per diluted share, for the fiscal 2018 third quarter. Year-to-date, net income attributable to Twin Disc was \$11,494,000, or \$0.90 per diluted share, compared to net income attributable to Twin Disc of \$3,586,000, or \$0.31 per diluted share, for the fiscal 2018 nine months.

Earnings before interest, taxes, depreciation and amortization (EBITDA)\* were \$9,965,000 for the fiscal 2019 third quarter, compared to \$7,166,000 for the fiscal 2018 third quarter. For the fiscal 2019 nine-month period, EBITDA was \$27,054,000 compared to \$11,122,000 for the fiscal 2018 comparable period.

Jeffrey S. Knutson, Vice President – Finance, Chief Financial Officer, Treasurer and Secretary stated, “While our balance sheet remains strong, we did not experience the meaningful reductions in inventory and working capital levels we expected as a result of the third quarter’s execution issues. As our operational improvements progress, we expect reduced inventory and working capital levels in the fourth quarter and on a year-over-year basis next fiscal year. As part of our strategies to improve our operations, we are making additional investments to upgrade our manufacturing capabilities and improve both quality and efficiencies. Year-to-date, we have invested \$8,911,000 in capital expenditures and expect to invest approximately \$14,000,000 in capital expenditures in total during fiscal 2019.”

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Mr. Batten concluded, “Our six-month backlog at March 29, 2019, was \$113,703,000, which includes the contribution of the Veth Propulsion acquisition, compared to \$114,979,000 at June 30, 2018, and \$116,292,000 at March 30, 2018. Our strategies to expand and diversify our end markets, product categories, and geographies are taking hold and have created a more stable business platform. However, further investments are needed to support current and future demand. Improving our operations is a key component to our strategy over the next 12 months. As part of this effort, in May we will be moving into a new leased aftermarket warehouse, allowing for more capacity and improved efficiencies in our Racine manufacturing facility. Veth Propulsion continues to meet expectations and benefit our financial and operating results. We look forward to ending the year on a strong note and I am encouraged with the positive trends in our business and end markets.”

Twin Disc will be hosting a conference call to discuss these results and to answer questions at 11:00 a.m. Eastern Time on May 6, 2019. To participate in the conference call, please dial 800-263-0877 five to ten minutes before the call is scheduled to begin. A replay will be available from 2:00 p.m. May 6, 2019 until midnight May 13, 2019. The number to hear the teleconference replay is 844-512-2921. The access code for the replay is 8208862.

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--*

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

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

|  | Quarter Ended     |                   | Three Quarters Ended |                   |
|--|-------------------|-------------------|----------------------|-------------------|
|  | March 29,<br>2019 | March 30,<br>2018 | March 29,<br>2019    | March 30,<br>2018 |
| Net sales  | \$ 77,420         | \$ 65,349         | \$ 230,216           | \$ 166,960        |
| Cost of goods sold   | 54,303            | 44,527            | 157,026              | 113,922           |
| Gross profit   | <u>23,117</u>     | <u>20,822</u>     | <u>73,190</u>        | <u>53,038</u>     |
| Marketing, engineering and administrative expenses                                       | 17,375            | 14,549            | 55,269               | 43,013            |
| Restructuring expenses   | 131               | 452               | 738                  | 2,501             |
| Other operating income   | (1,357)           | -                 | (1,357)              | -                 |
| Income from operations   | <u>6,968</u>      | <u>5,821</u>      | <u>18,540</u>        | <u>7,524</u>      |
| Interest expense   | 449               | 80                | 1,583                | 227               |
| Other expense, net   | <u>490</u>        | <u>272</u>        | <u>1,608</u>         | <u>1,206</u>      |
| Income before income taxes and noncontrolling interest                                   | 6,029             | 5,469             | 15,349               | 6,091             |
| Income tax expense   | <u>1,442</u>      | <u>1,133</u>      | <u>3,780</u>         | <u>2,401</u>      |
| Net income   | 4,587             | 4,336             | 11,569               | 3,690             |
| Less: Net earnings attributable to noncontrolling interest, net of tax                   | (27)              | (28)              | (75)                 | (104)             |
| Net income attributable to Twin Disc   | <u>\$ 4,560</u>   | <u>\$ 4,308</u>   | <u>\$ 11,494</u>     | <u>\$ 3,586</u>   |
| Net income per share data:   |                   |                   |                      |                   |
| Basic net income per share attributable to Twin Disc common shareholders                 | \$ 0.35           | \$ 0.37           | \$ 0.91              | \$ 0.31           |
| Diluted net income per share attributable to Twin Disc common shareholders               | \$ 0.34           | \$ 0.37           | \$ 0.90              | \$ 0.31           |
| Weighted average shares outstanding data:  |                   |                   |                      |                   |
| Basic shares outstanding   | 12,914            | 11,313            | 12,437               | 11,289            |
| Diluted shares outstanding   | 13,146            | 11,344            | 12,652               | 11,320            |
| Comprehensive income   |                   |                   |                      |                   |
| Net income   | \$ 4,587          | \$ 4,336          | \$ 11,569            | \$ 3,690          |
| Benefit plan adjustments, net of taxes of \$146, \$212, \$437, and \$1,164, respectively | 478               | 474               | 1,427                | 2,682             |
| Foreign currency translation adjustment  | (869)             | 1,849             | (3,217)              | 4,878             |
| Comprehensive income   | <u>4,196</u>      | <u>6,659</u>      | <u>9,779</u>         | <u>11,250</u>     |
| Less: Comprehensive income attributable to noncontrolling interest                       | <u>(44)</u>       | <u>(26)</u>       | <u>(52)</u>          | <u>(95)</u>       |
| Comprehensive income attributable to Twin Disc   | <u>\$ 4,152</u>   | <u>\$ 6,633</u>   | <u>\$ 9,727</u>      | <u>\$ 11,155</u>  |

**RECONCILIATION OF CONSOLIDATED NET EARNINGS TO EBITDA**

(In thousands; unaudited)

|  | Quarter Ended     |                   | Three Quarters Ended |                   |
|--|-------------------|-------------------|----------------------|-------------------|
|  | March 29,<br>2019 | March 30,<br>2018 | March 29,<br>2019    | March 30,<br>2018 |
| Net income attributable to Twin Disc                           | \$ 4,560          | \$ 4,308          | \$ 11,494            | \$ 3,586          |
| Interest expense   | 449               | 80                | 1,583                | 227               |
| Income taxes   | 1,442             | 1,133             | 3,780                | 2,401             |
| Depreciation and amortization                                  | 3,514             | 1,645             | 10,197               | 4,908             |
| Earnings before interest, taxes, depreciation and amortization | <u>\$ 9,965</u>   | <u>\$ 7,166</u>   | <u>\$ 27,054</u>     | <u>\$ 11,122</u>  |

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**CONDENSED CONSOLIDATED BALANCE SHEETS**

(In thousands; unaudited)

|   | March 29,<br>2019 | June 30,<br>2018  |
|---|-------------------|-------------------|
| <b>ASSETS</b>   |                   |                   |
| Current assets:   |                   |                   |
| Cash  | \$ 15,757         | \$ 15,171         |
| Trade accounts receivable, net  | 48,207            | 45,422            |
| Inventories   | 128,168           | 84,001            |
| Prepaid expenses  | 7,591             | 8,423             |
| Other   | 8,591             | 6,252             |
| <b>Total current assets</b>   | <b>208,314</b>    | <b>159,269</b>    |
| Property, plant and equipment, net  | 67,422            | 55,467            |
| Goodwill, net   | 26,672            | 2,692             |
| Intangible assets, net  | 23,114            | 1,906             |
| Deferred income taxes   | 15,313            | 18,056            |
| Other assets  | 3,989             | 3,850             |
| <b>TOTAL ASSETS</b>   | <b>\$ 344,824</b> | <b>\$ 241,240</b> |
| <b>LIABILITIES AND EQUITY</b>   |                   |                   |
| Current liabilities:  |                   |                   |
| Current maturities of long-term debt  | \$ 2,000          | \$ -              |
| Accounts payable  | 27,825            | 29,368            |
| Accrued liabilities   | 39,512            | 32,976            |
| <b>Total current liabilities</b>  | <b>69,337</b>     | <b>62,344</b>     |
| Long-term debt  | 47,280            | 4,824             |
| Lease obligations   | 13,325            | 6,527             |
| Accrued retirement benefits   | 19,172            | 21,068            |
| Deferred income taxes   | 6,971             | 1,203             |
| Other long-term liabilities   | 2,097             | 1,658             |
| <b>Total liabilities</b>  | <b>158,182</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 13,098,468, respectively; no par value | 44,755            | 11,570            |
| Retained earnings   | 197,293           | 178,896           |
| Accumulated other comprehensive loss  | (32,462)          | (23,792)          |
|   | 209,586           | 166,674           |
| Less treasury stock, at cost (1,534,290 and 1,545,783 shares, respectively)                         | 23,500            | 23,677            |
| <b>Total Twin Disc shareholders' equity</b>   | <b>186,086</b>    | <b>142,997</b>    |
| Noncontrolling interest   | 556               | 619               |
| <b>Total equity</b>   | <b>186,642</b>    | <b>143,616</b>    |
| <b>TOTAL LIABILITIES AND EQUITY</b>   | <b>\$ 344,824</b> | <b>\$ 241,240</b> |

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

|  | For the Three Quarters Ended |                   |
|--|------------------------------|-------------------|
|  | March 29,<br>2019            | March 30,<br>2018 |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>   |                              |                   |
| Net income   | \$ 11,569                    | \$ 3,690          |
| Adjustments to reconcile net income to net cash (used) provided by operating activities, net of acquired assets: |                              |                   |
| Depreciation and amortization  | 6,974                        | 4,908             |
| Amortization of inventory fair value step-up   | 3,223                        | -                 |
| Restructuring expenses   | 28                           | 162               |
| Gain on sale of Mill Log   | (865)                        | -                 |
| Gain on contingent consideration of Veth Propulsion acquisition  | (492)                        | -                 |
| Provision for deferred income taxes  | 1,158                        | 3,455             |
| Stock compensation expense and other non-cash changes, net   | 2,123                        | 1,330             |
| Net change in operating assets and liabilities   | (35,876)                     | (12,544)          |
| Net cash (used) provided by operating activities   | <u>(12,158)</u>              | <u>1,001</u>      |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>   |                              |                   |
| Proceeds from sale of Mill Log   | 5,158                        | -                 |
| Acquisition of Veth Propulsion, less cash acquired   | (60,195)                     | -                 |
| Acquisitions of fixed assets   | (8,911)                      | (4,354)           |
| Proceeds from sale of fixed assets   | 145                          | 141               |
| Other, net   | (229)                        | (129)             |
| Net cash used by investing activities  | <u>(64,032)</u>              | <u>(4,342)</u>    |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>   |                              |                   |
| Proceeds from issuance of common stock, net  | 32,210                       | -                 |
| Borrowings under long-term debt arrangement  | 44,151                       | -                 |
| Borrowings under revolving loan arrangement  | 123,904                      | 54,415            |
| Proceeds from exercise of stock options  | 36                           | -                 |
| Repayments of revolver loans   | (99,156)                     | (53,138)          |
| Repayments of long-term borrowings   | (23,872)                     | -                 |
| Dividends paid to noncontrolling interest  | (115)                        | (172)             |
| Payments of withholding taxes on stock compensation  | (926)                        | (422)             |
| Net cash provided by financing activities  | <u>76,232</u>                | <u>683</u>        |
| Effect of exchange rate changes on cash  | 544                          | 1,406             |
| Net change in cash   | 586                          | (1,252)           |
| Cash:  |                              |                   |
| Beginning of period  | <u>15,171</u>                | <u>16,367</u>     |
| End of period  | <u>\$ 15,757</u>             | <u>\$ 15,115</u>  |

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