

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) **April 28, 2023**

**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 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 7.01 Regulation FD Disclosure**

The executive officers of Twin Disc intend to present materials at meetings with investors and analysts and at investor conferences on or after April 28, 2023. A copy of the presentation materials to be used at those meetings and from time to time thereafter is filed as Exhibit 99.1 hereto. The presentation materials will also be posted on the Company's website, [www.twindisc.com](http://www.twindisc.com). The Company does not intend to file any update of these presentation materials. The fact that these presentation materials are being furnished should not be deemed an admission as to the materiality of any information contained in the materials.

The information included in the presentation includes financial information determined by methods other than in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The Company's management uses these non-GAAP measures in its analysis of the Company's performance. The Company believes that the presentation of certain non-GAAP measures provides useful supplemental information that is essential to a proper understanding of the operating results of the Company's core businesses. These non-GAAP disclosures should not be viewed as a substitute for operating results determined in accordance with GAAP, nor are they necessarily comparable to non-GAAP performance measures that may be presented by other companies.

The information in this Form 8-K being furnished under Item 7.01 shall not be deemed to be "filed" for the purposes of Section 18 of the Securities and Exchange Act of 1934 (the "Exchange Act"), or otherwise subject to the liabilities of such 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. The presentation contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are based on the Company's expectations and involve risks and uncertainties that could cause the Company's actual results to differ materially from those set forth in the statements. These risks are discussed in the Company's filings with the Securities and Exchange Commission, including an extensive discussion of these risks in the Company's Annual Report on Form 10-K for the year ended June 30, 2022.

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**Item 9.01 Financial Statements and Exhibits.**

(d) Exhibits.

EXHIBIT NUMBER	DESCRIPTION
99.1	<a href="#">Presentation Materials</a>
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

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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 hereunto duly authorized.

Date: April 28, 2023

Twin Disc, Incorporated

/s/ Jeffrey S. Knutson

Jeffrey S. Knutson

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



# TWIN DISC, INC

## Investor Presentation



## Safe Harbor Statement

This presentation contains statements that are forward-looking within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended. These statements are based on management's current expectations that are based on assumptions that are subject to risks and uncertainties. Actual results may vary because of variations between these assumptions and actual performance. Investors are referred to Twin Disc's fiscal year 2022 Annual Report and Form 10-K, "Management's Discussion and Analysis of Financial Condition and Results of Operations - Forward-Looking Information," which outlines certain risks regarding the Company's forward-looking statements. Copies of the Company's SEC filings may be obtained from the SEC, and are available on Twin Disc's web site ([www.twindisc.com](http://www.twindisc.com)), or by request from the Investor Relations department at the Company.

## 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.

## Definitions

Earnings before interest, taxes, depreciation and amortization (EBITDA) is calculated as net earnings or loss excluding interest expense, the provision or benefit for income taxes, depreciation and amortization expenses.

Net debt is calculated as total debt less cash.

Leverage Ratio is calculated as net debt divided by the sum of EBITDA over the last twelve months.

## Financial

- Sales increased 24% to \$73.8 million
- Double-digit sales growth in North America and Asia Pacific regions
- Gross margin decreased 370-basis points
- EPS increased 20% year-over-year or 150% sequentially
- Improved operating cash flow of \$6.9 million
- Record backlog for Veth business

## Strategic

- Operational improvement led to significant improvement in shipments
- Veth shipments to the luxury yacht market including Rolla-designed components and propellers
- Hybrid and electric applications continue to increase, resulting in 30% more full-system projects quoted
- Significant efforts to resource components from India and other strategic suppliers

- Strong demand across end markets
- Opportunistic sales in some markets due to longer lead-times from competition
- Increased Oil & Gas activity leading to offshore supply vessel inquiries
- Significant increase in U.S. and European government inquiries for small military marine transmissions used in shallow-water boats
- Veth partnership with Rolla to design and develop additional Twin Disc content for luxury yachts





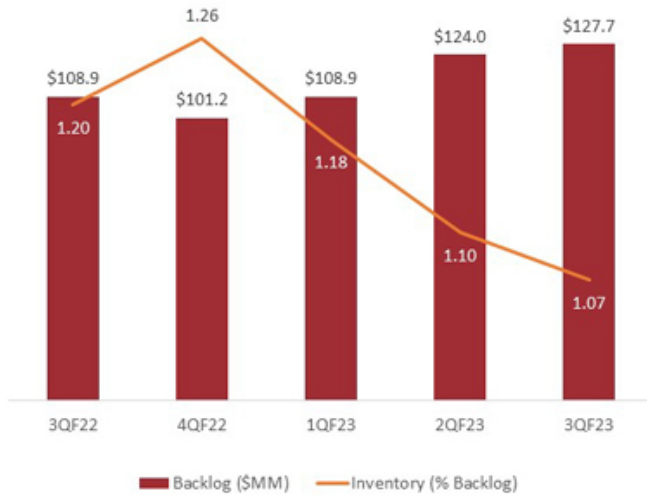


- Oil & Gas demand continues to be elevated
- Delays by third-party engine manufacturers pushing orders for new transmissions
- More orders to rebuild existing transmissions, something Twin Disc is uniquely positioned to do
- Lack of investment over past few years has led to an increase of fleet utilization and a lot of rebuild activity
- Positive feedback on E-Frac testing currently in process

- Stable demand globally across end markets
- Maintaining volume levels since spike in 2022
- Exploring several sizable project opportunities with key domestic OEMs
- Electrification and Hybrid systems are drivers of margin profile expansion



## BACKLOG AND INVENTORY % OF BACKLOG



- Highest backlog levels in more than four years
- Significantly improved shipments in Q3
- Inventory reduced on an absolute dollar and percentage of backlog basis
- Acute supply chain headwinds persist for certain materials or components
  - Taking steps to address and anticipate future issues
- Broader headwinds beginning to subside; for example, heat treat capacity

Note: Backlog figures are reflective of a six-month period. The six-month order backlog is considered more representative of operating conditions than total backlog.

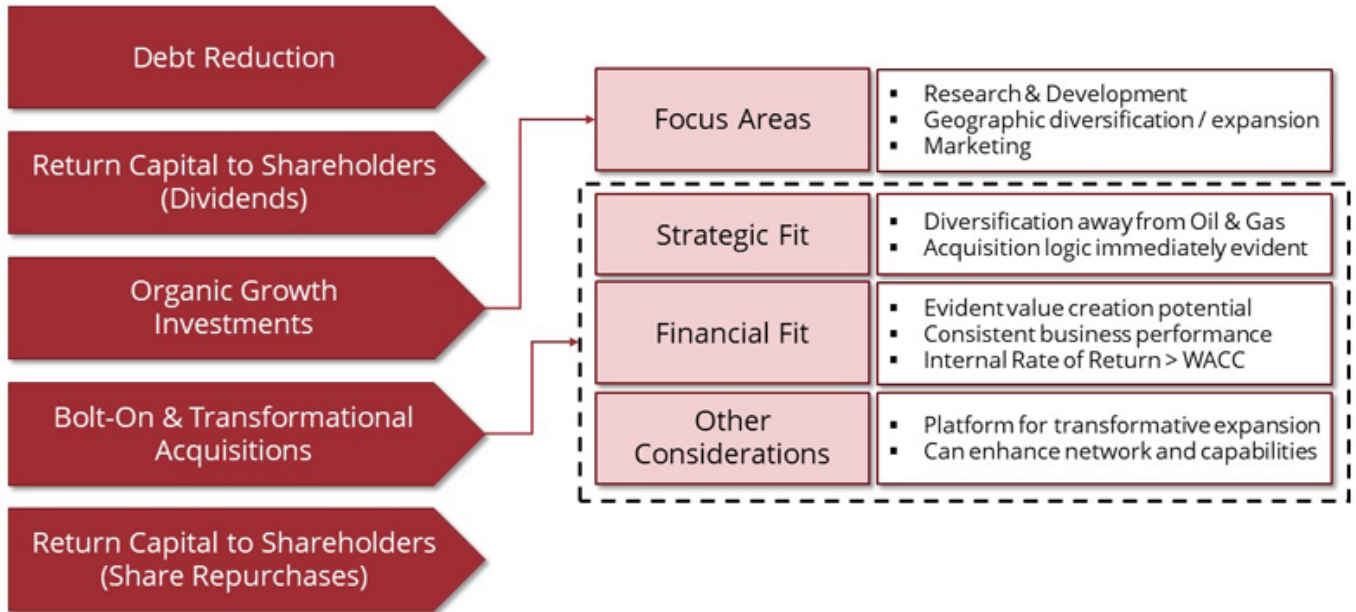
Leading Hybrid/Electric solution provider for niche marine and land-based applications

Continued expansion of Veth product to reach new markets and geographies

Rationalize global footprint for efficiency and customer response

Increased focus on controls and system integration rather than individual components

M&A priorities: Industrial and Marine Technology (Hybrid focus)



## External Factors

- Supply chain headwinds continue to moderate
- Continued material and component shortages, especially European suppliers
- Raw material inflation negatively impacting margins
- Legacy facilities, equipment, and processes



## Actions Taken

- Operational improvement enabling increased shipments
- Addressing current shortages; Process to anticipate and react to shortages earlier and faster
- Lower-margin orders exiting backlog; new pricing in effect
- Continued progress on global footprint and process optimization

# FINANCIAL OVERVIEW



## SALES

(\$ in millions)



- Strong demand across end markets
- Sales driven by Marine & Propulsion Systems and Land-Based Transmission product groups
- Significant improvement in shipments and supply chain headwinds

## EARNINGS PER SHARE

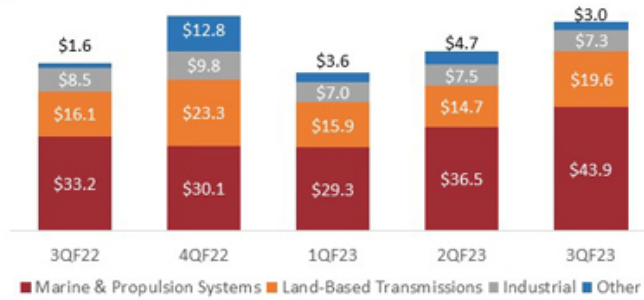


- Strong volume performance drove improved margin results
- Gross margin percent under pressure from less profitable product mix, inflationary pressures and LIFO inventory adjustment
- Lower income tax expense as a result of geographic earnings mix



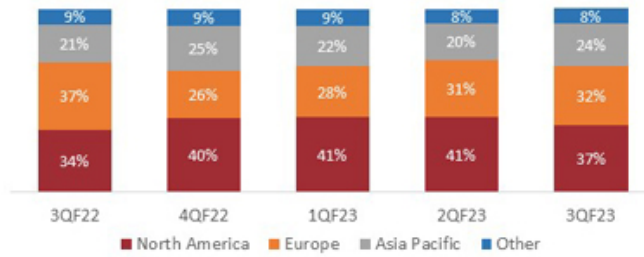
## SALES BY PRODUCT GROUP

(\$ in millions)



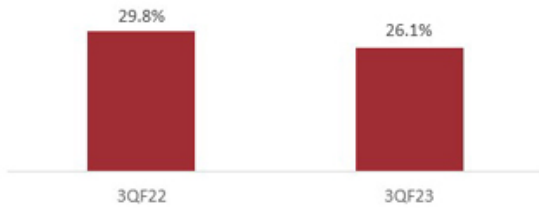
- Marine and Propulsion Systems and Land-Based Transmissions growth driven by:
  - End market demand
  - Geographic expansion
  - New partnerships
- Industrial sales in line with expectations

## SALES MIX BY GEOGRAPHY



- Double-digit growth in North America and Asia Pacific on a year-over-year and sequential basis
- Veth expansion to new geographies driving North America and Asia Pacific growth

## TWIN DISC GROSS MARGIN



## THIRD QUARTER GROSS MARGIN DRIVERS

- LIFO related adjustment impact across product groups
- Partial quarter benefit of Q3 price increases
- Pockets of significant inflationary impacts

## THIRD QUARTER GROSS PROFIT BY PRODUCT GROUP



■ Marine & Propulsion Systems ■ Land-Based Transmissions ■ Industrial ■ Other

## INFLATION & SUPPLY CHAIN EXPECTATIONS

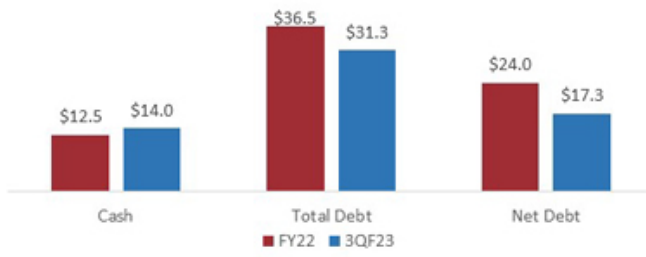
- Supply chain headwinds moderating
- Commodity pricing continues to trend lower not translating to our input cost
- Expect elevated raw materials through the end of calendar 2023

# STRONG BALANCE SHEET



## BALANCE SHEET

(\$ in millions)



## EBITDA

(\$ in millions)



## LEVERAGE RATIO



# REAFFIRMING MEDIUM-TERM TARGETS



MEDIUM-TERM: 3-5 YEARS

Revenue  
\$400 million

- Hybrid/Electric leadership
- Veth global expansion
- Industrial focus
- M&A

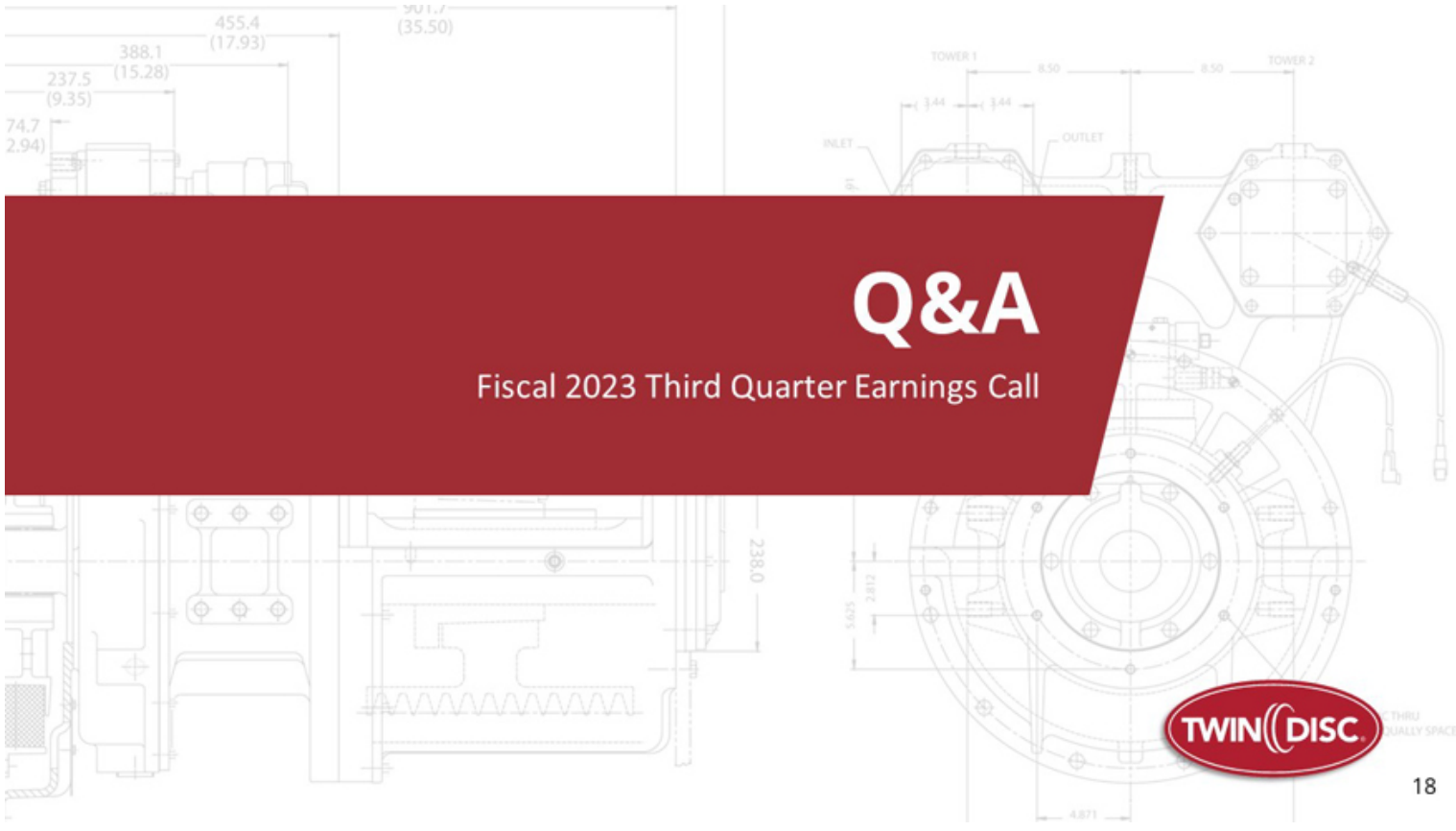
Gross Margin  
30%

- European cost structure
- Operational efficiencies
- Greater pass-through content

Free Cash Flow  
Conversion  
60%

- Supply chain processes
- Manufacturing footprint
- Capital spending discipline

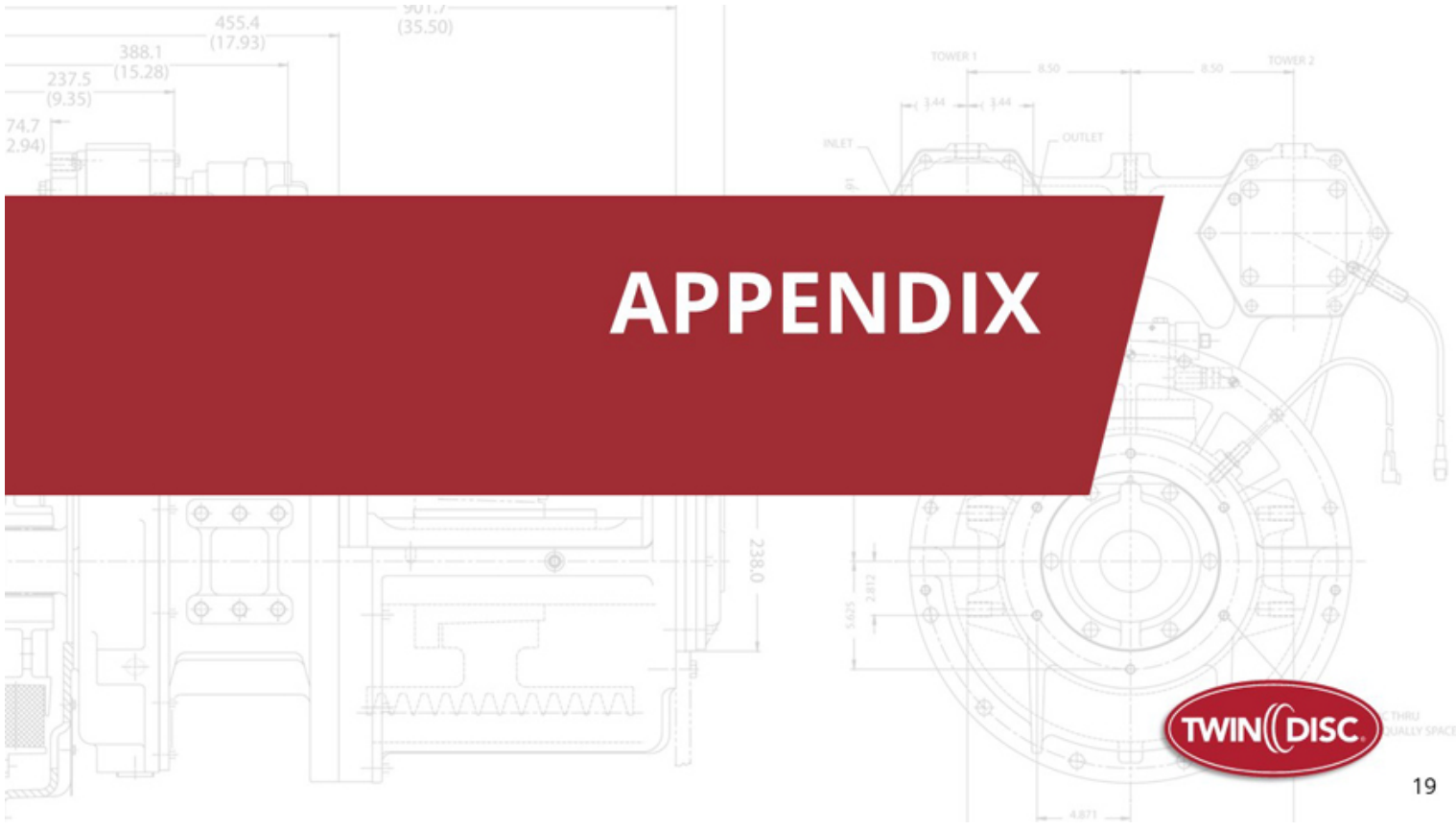
- Robust product group and end market demand driving performance improvement and expected to continue through Q4
- Legacy supply chain headwinds are moderating; addressing component and material shortages that have impacted margins
- Sales and shipment momentum setting the foundation for success through Q4
- Updated perspective on capital allocation, M&A criteria, and reaffirming 3-5-year targets



# Q&A

Fiscal 2023 Third Quarter Earnings Call





# APPENDIX



## RECONCILIATION OF TOTAL DEBT TO NET DEBT (In thousands; unaudited)

	June 30, 2022	March 31, 2023
Current maturities of long-term debt	2,000	2,000
Long-term debt	34,543	29,276
<b>Total debt</b>	<b>\$36,546</b>	<b>\$31,276</b>
Less cash	\$12,521	\$14,024
<b>Net debt</b>	<b>\$24,022</b>	<b>\$17,252</b>



# RECONCILIATION OF NON-GAAP FINANCIAL MEASURES TO REPORTED FINANCIAL MEASURES



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

	FY22	3QF22	4QF22	1QF23	2QF23	3QF23	3QF23 LTM
Net Income (loss) attributable to Twin Disc	\$8,095	\$2,231	\$7,779	\$(2,029)	\$1,139	\$2,674	\$9,563
Interest expense	2,128	490	534	566	594	522	2,216
Income tax expense (benefit)	1,823	753	66	(688)	2,489	548	2,415
Depreciation and amortization	9,547	2,112	2,230	2,140	2,126	2,670	9,166
Earnings before interest, taxes, depreciation and amortization (EBITDA)	\$21,593	\$5,586	\$10,609	\$(11)	\$6,348	\$6,414	\$23,360

## NET DEBT TO EBITDA LEVERAGE RATIO CALCULATION

	FY22	3QF23
Net debt	\$24,022	\$17,252
EBITDA	21,593	23,360
Leverage Ratio	1.1x	0.7x