



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 2025 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), 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 presentation 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

Organic net sales is defined as net sales excluding the recent acquisition of Kobelt while adjusting for the effects of foreign currency exchange.

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.

Free cash flow is calculated as net cash provided (used) by operating activities less acquisition of fixed assets.



A leader in global power transmission technology with an increasingly diversified IP-protected portfolio

Well-positioned to benefit from tailwinds in defense markets and hybrid transmissions supported by robust backlog

Margin enhancement and operational initiatives driving favorable financial results

Track record of successfully integrating acquisitions

Strong cash flow generation and balance sheet to support growth

Strategic

- Sales growth supported by execution across diversified global portfolio and enhanced market reach from acquisitions
- Sequential margin improvements from successfully streamlined operations
- Defense orders sustaining tailwinds across segments
- Healthy demand with a record six-month backlog supporting future growth

Financial

- Q2 sales +30 bps vs. YA to \$90.2 million
 - Organic sales -7.9% vs. YA
- EBITDA of \$4.7 million, down 25.0% vs. YA, including higher expenses and tariff-related impacts
- Generated positive Operating Cash Flow of \$4.6 million and Free Cash Flow of \$1.2 million during the quarter
- Robust six-month backlog of \$175.3 million higher sequentially and supported by healthy ongoing demand

CAPTURING ROBUST DEFENSE MARKET DEMAND WITH RUNWAY FOR GROWTH



Robust Defense Activity

+13%

YoY Increase in 2026 US Defense Spending ⁽¹⁾

+150%

YoY Increase in NATO Defense Spend Target as percentage of GDP ^{(2) (3)}

Sources: 1) U.S. Department of Defense, FY2026 Defense Budget Briefing; 2) NATO, "Funding NATO"; 3) Atlantic Council, "Who's at 2 Percent?";

TWIN Well Positioned

Select Defense Products



Marine Transmissions, Controls & Steering Systems



Propulsions Systems



Transmissions, Gearboxes, and Transfer Cases

Major Geographies

North America

Europe

Asia Pacific

Select Defense End Users



Delivering Results

~15%

Defense as a percentage of Total Backlog

+18%

Q2 Sequential Increase of Defense Total Backlog*

\$50-75M

Defense Related Pipeline

Note: Total Backlog figures are reflective of greater than six-month period. Defense spend represents management estimates.

- Sales flat vs. YA
- Continued strength in workboats, government contracts, and Veth's ELITE thruster products
 - Softness in Asia Pacific commercial marine
- Sustained demand for higher-content solutions, including hybrid propulsion, advanced maneuvering, and integrated systems
- Growing traction for unmanned U.S. Navy vessels
- Aftermarket softness late in the quarter driven by customer timing and year-end dynamics, with early signs of improving activity in the subsequent period





- Sales decreased by 8.1% vs. YA, primarily driven by shipment delays to ARFF customers
- Customer behavior cautious in North America; rebuilds and refurbishments continue to outpace new equipment purchases
- Early signs of improvement internationally, including significant transmissions order in China
- Continued progress on next-generation electrified and hybrid solutions supporting longer-term fleet upgrade opportunities

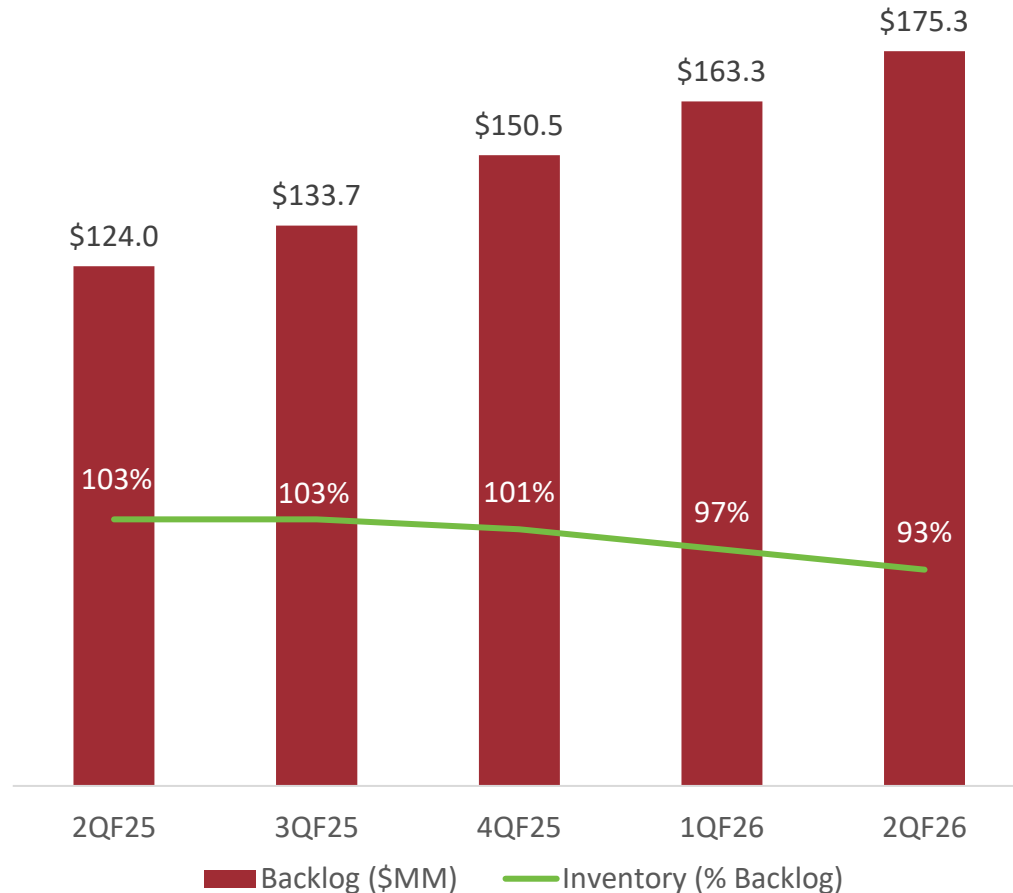
- Sales increased by 22.0% vs. YA, largely due to the acquisition of Kobelt
- Steady sequential recovery in demand and order trends with growth in customer activity
- Expanded use of Katsa capabilities to support higher-content, differentiated solutions across industrial end markets
- Focused on mix enhancement and product differentiation



CONTINUED BACKLOG GROWTH



BACKLOG AND INVENTORY % OF BACKLOG



- Healthy 6-month backlog higher sequentially and on a year-over-year basis
 - Growth in backlog led by propulsion and defense applications, with sustained demand across other product groups
 - Positive FX impact of \$0.7 million from prior quarter



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



Continued expansion of acquisitions 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)

2030 FY Targets

\$500M Revenue

30% Gross Margins

>60% FCF Conversion

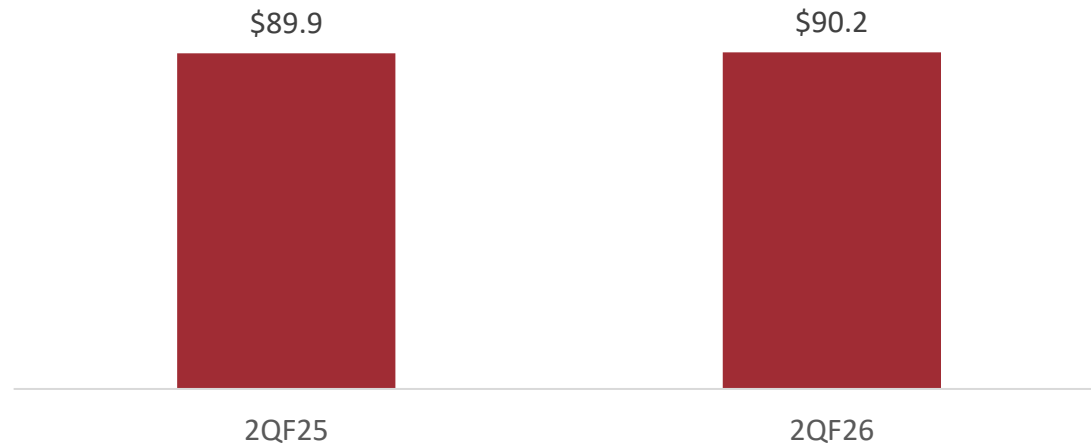
FINANCIAL OVERVIEW

The logo for Twin Disc, featuring the company name in white capital letters inside a red oval with a white border. The background of the slide is a technical line drawing of a mechanical assembly, likely a transmission or engine component, rendered in a light gray color.

TWIN DISC®

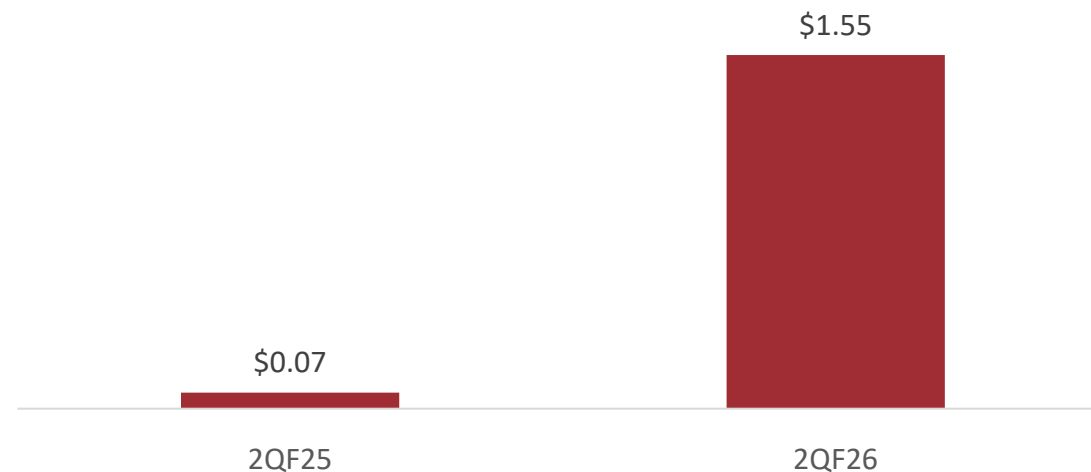
SALES

(\$ in millions)



- Continued healthy demand across global markets
- Contribution from acquisitions and operational execution driving performance and sales growth

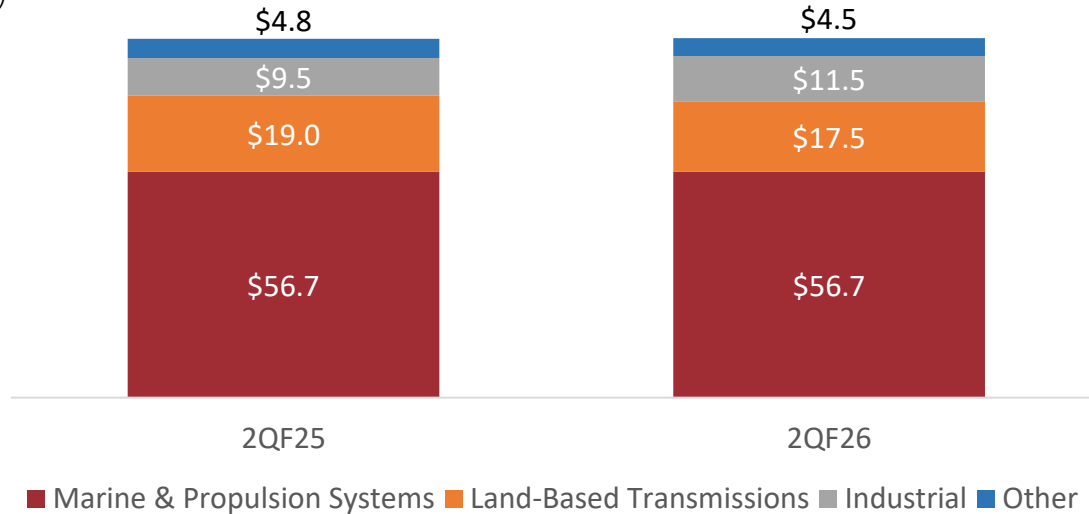
EARNINGS PER SHARE



- EPS improvement attributable to an income tax benefit of \$21.8 million primarily due to the reversal of the domestic valuation allowance, accounting for \$1.58 per diluted share

SALES BY PRODUCT GROUP

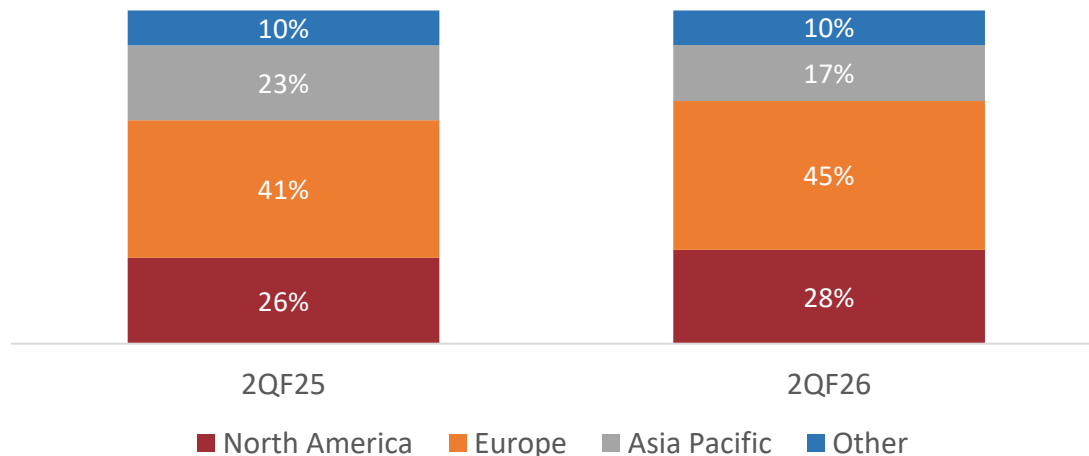
(\$ in millions)



Sales growth driven by strength within Marine and Propulsion Systems and Industrials:

- Consistent market demand
- Geographic expansion
- Recovery in Industrials sales supported by acquisitions

SALES MIX BY GEOGRAPHY



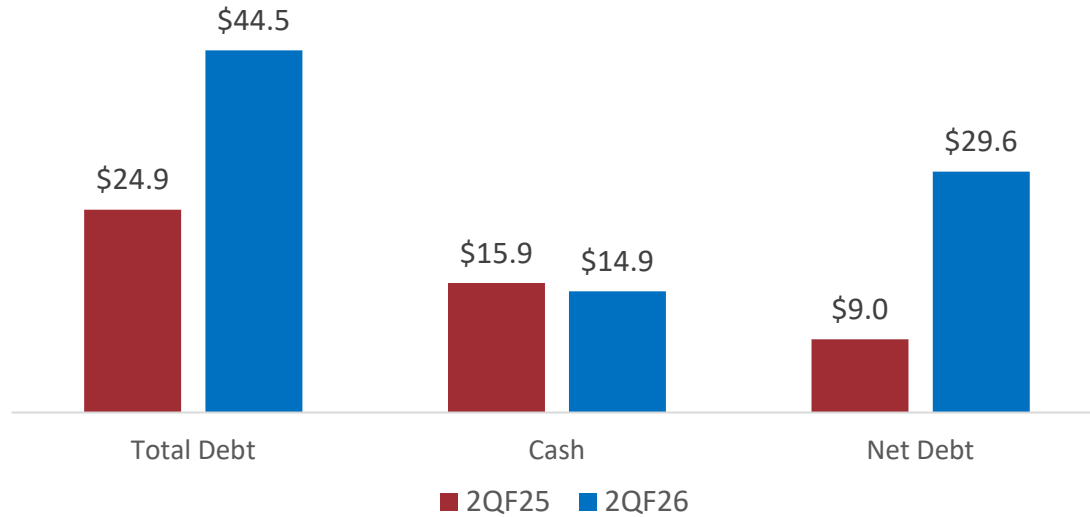
- Increased proportion of sales in North American and European markets with strong Veth demand in the region

STRONG BALANCE SHEET



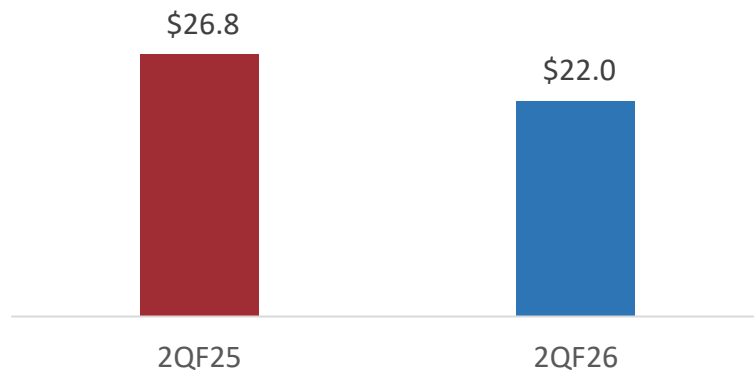
BALANCE SHEET

(\$ in millions)

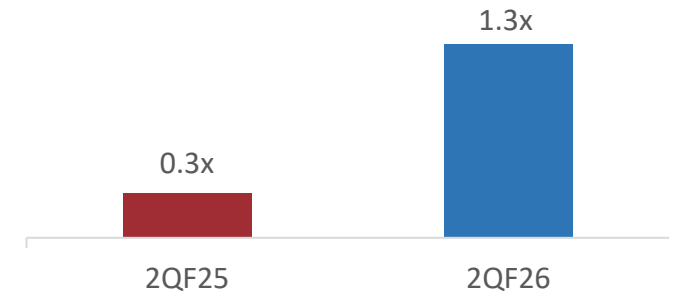


LTM EBITDA

(\$ in millions)

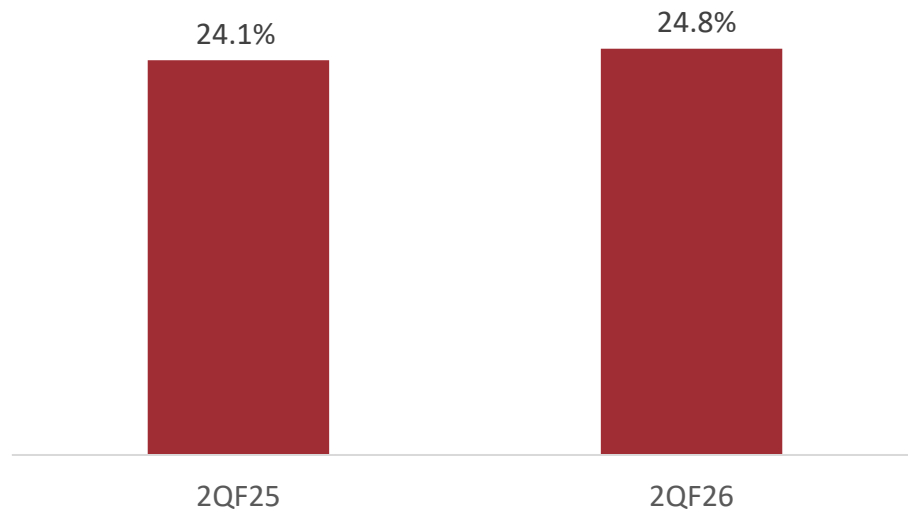


NET LEVERAGE RATIO



- Increase primarily due to acquisition of Kobelt

SECOND QUARTER TWIN DISC GROSS MARGIN



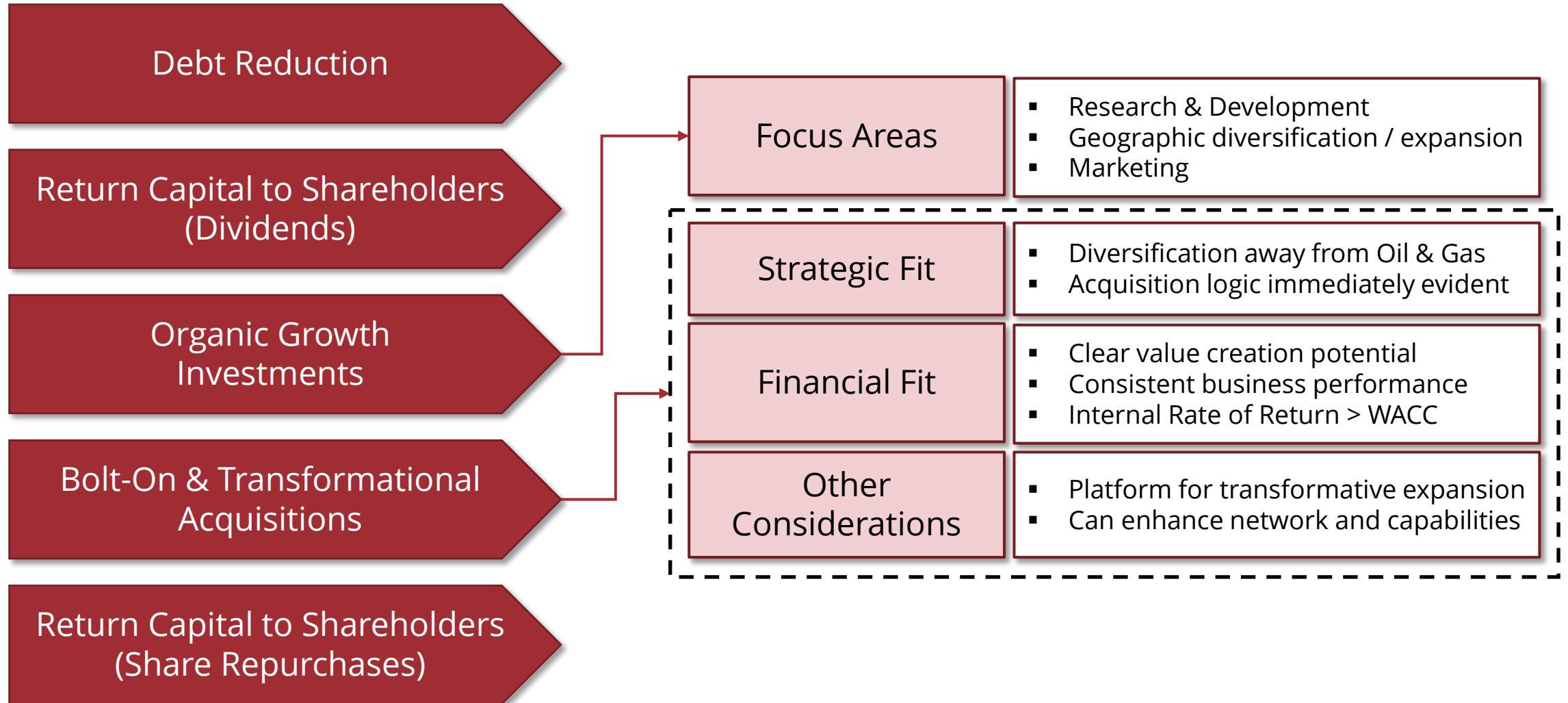
SECOND QUARTER GROSS MARGIN DRIVERS

- Gross margin increased by 70 basis points vs. YA, largely due to the absence of inventory-related charges recorded last year
- Benefits of incremental volume and successful margin improvement initiatives

INFLATION & SUPPLY CHAIN EXPECTATIONS

- Monitoring evolving tariff landscape and reviewing global manufacturing strategy accordingly
- Tariff impact expected ~1-3% of COGS in upcoming quarter, improving in 2H driven by more favorable mix

CAPITAL ALLOCATION FRAMEWORK



- Navigated challenging operating environment with resilient demand across diversified portfolio supporting record backlog levels and solid 2H visibility
- Tariff-related impacts elevated during the quarter, influencing shipment timing and margins, with mitigation actions underway and exposure expected to moderate over time
- Defense momentum continues to build, with expanding participation across multiple programs, platforms, and geographies supporting durable long-term growth
- Margins improved year over year, benefiting from the absence of prior-year inventory-related charges, despite near-term pressure from unfavorable mix and tariff-related dynamics
- Continued focus on operational execution, tariff mitigation, and disciplined capital allocation to convert backlog into revenue and cash as conditions normalize



Q&A

Fiscal 2026 Second Quarter Earnings Call



APPENDIX



RECONCILIATION OF NON-GAAP FINANCIAL MEASURES TO REPORTED FINANCIAL MEASURES



RECONCILIATION OF REPORTED NET SALES TO ORGANIC NET SALES (In thousands; unaudited)

	2Q26	2Q25
Net Sales	\$90,180	\$89,921
Less: Acquisition⁽¹⁾	(3,191)	-
Less: Foreign Currency Impact	(4,149)	-
Organic Net Sales	\$82,839	\$89,921

⁽¹⁾Accounts for sales contributed by the acquisition of Kobelt

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES TO REPORTED FINANCIAL MEASURES



RECONCILIATION OF TOTAL DEBT TO NET DEBT TO EBITDA LEVERAGE RATIO CALCULATION

(In thousands; unaudited)

	December 26, 2025	December 27, 2024
Current maturities of long-term debt	\$3,000	\$2,000
Long-term debt	41,515	22,873
Total debt	\$44,515	\$24,873
Less cash	14,889	15,906
Net debt	\$29,626	\$8,967
LTM EBITDA	21,981	26,759
Net Leverage Ratio	1.3x	0.3x

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES TO REPORTED FINANCIAL MEASURES



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

	2Q26	1Q26	FY25	4Q25	3QF25	2QF25
Net Income (loss) attributable to Twin Disc	\$22,371	(\$518)	(\$1,894)	\$1,424	(\$1,472)	\$919
Interest expense	772	800	2,646	855	660	495
Income tax expense	(21,780)	983	3,368	47	1,142	1,552
Depreciation and amortization	3,336	3,464	14,899	4,705	3,659	3,296
Earnings before interest, taxes, depreciation and amortization (EBITDA)	\$4,699	\$4,729	\$19,019	\$7,031	\$3,989	\$6,262

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES TO REPORTED FINANCIAL MEASURES



RECONCILIATION OF NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES TO FREE CASH FLOW

(In thousands; unaudited)

For the Quarter Ended

	December 26, 2025	December 27, 2024
Net cash provided (used) by operating activities	\$4,555	\$8,658
Acquisition of property, plant, and equipment	(3,320)	(2,780)
Free cash flow	\$1,235	\$5,878