



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. The words “anticipates,” “believes,” “intends,” “estimates,” and “expects,” or similar anticipatory expressions, usually identify forward-looking statements. 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 under the caption “Risk Factors,” which outlines certain risks regarding the Company’s forward-looking statements, including but not limited to the impact of general economic conditions and the cyclical nature of many of the Company’s product markets; foreign currency risks and other risks associated with the Company’s international sales and operations; the ability of the Company to successfully implement price increases to offset increasing commodity costs; the ability of the Company to generate sufficient cash to pay its indebtedness as it becomes due; and the possibility of unforeseen tax consequences and the impact of tax reform in the U.S. or other jurisdictions. 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. The Company assumes no obligation, and disclaims any obligation, to publicly update or revise any forward-looking statements to reflect subsequent events, new information, or otherwise.

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.

INVESTMENT HIGHLIGHTS



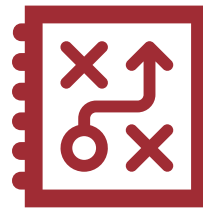
01.

Robust backlog supported by **healthy demand growth** across product groups



02.

Innovative technologies in **Marine and Industrial** scalable across attractive end markets



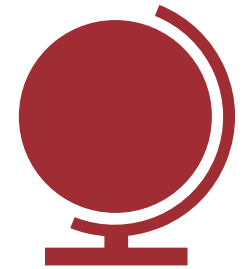
03.

Strategic playbook focused on margin expansion and cash generation



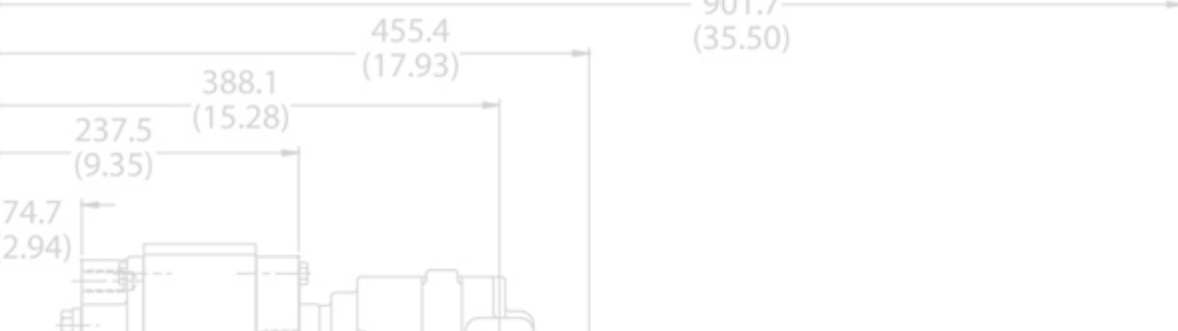
04.

Accelerating growth across end markets through Industrial and Marine Technology **M&A opportunities**

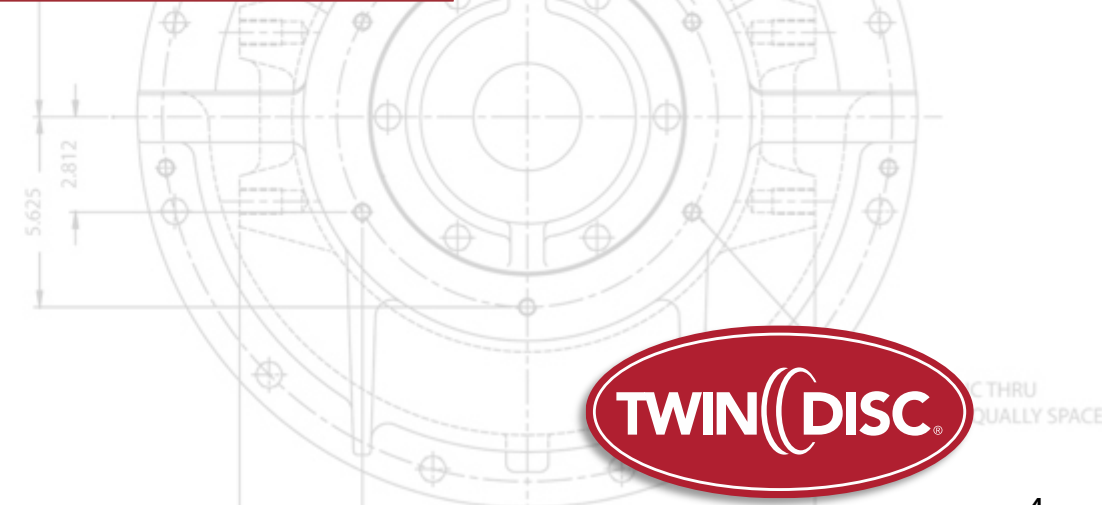
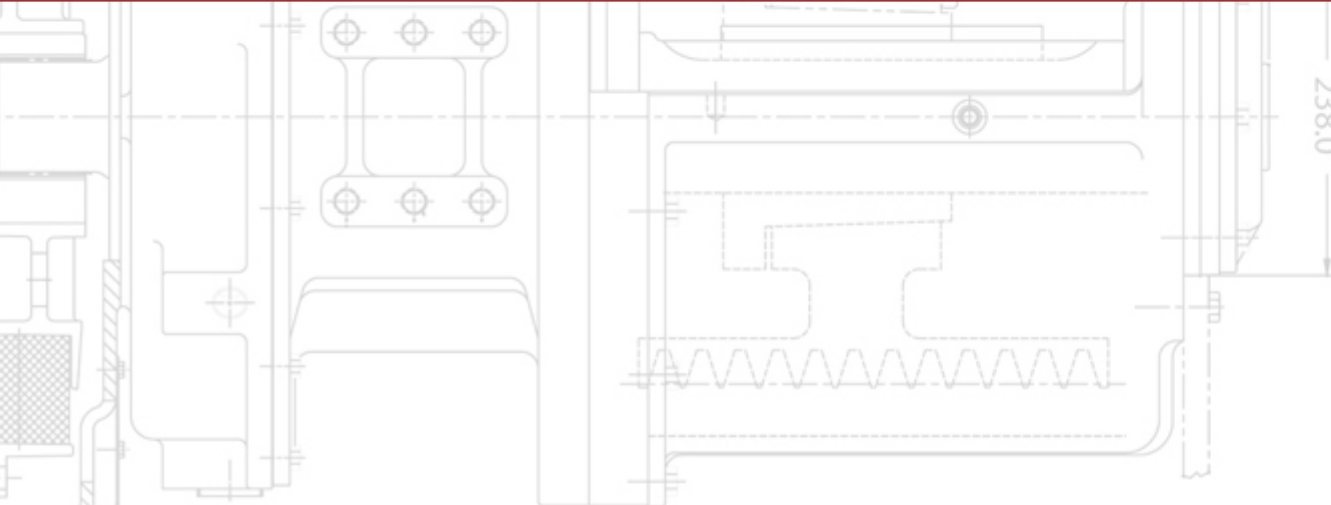


05.

Niche capabilities and specific product group offerings capitalize on **global demographic & secular tailwinds**



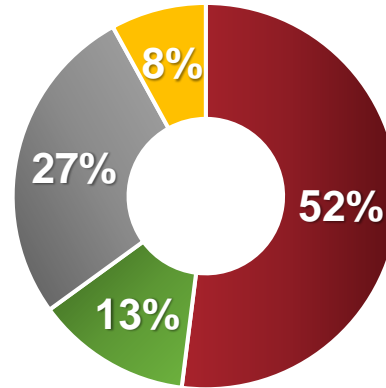
OVERVIEW



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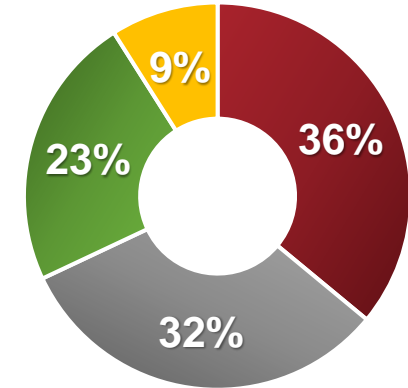
Founding Year	1918
Headquarters	Racine, WI
Employees	~800
Reporting Segments	Manufacturing Distribution
Revenue	\$242.9M
EBITDA Margin	8.9%

FY22 Revenue by Segment



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

FY22 Revenue by Geography

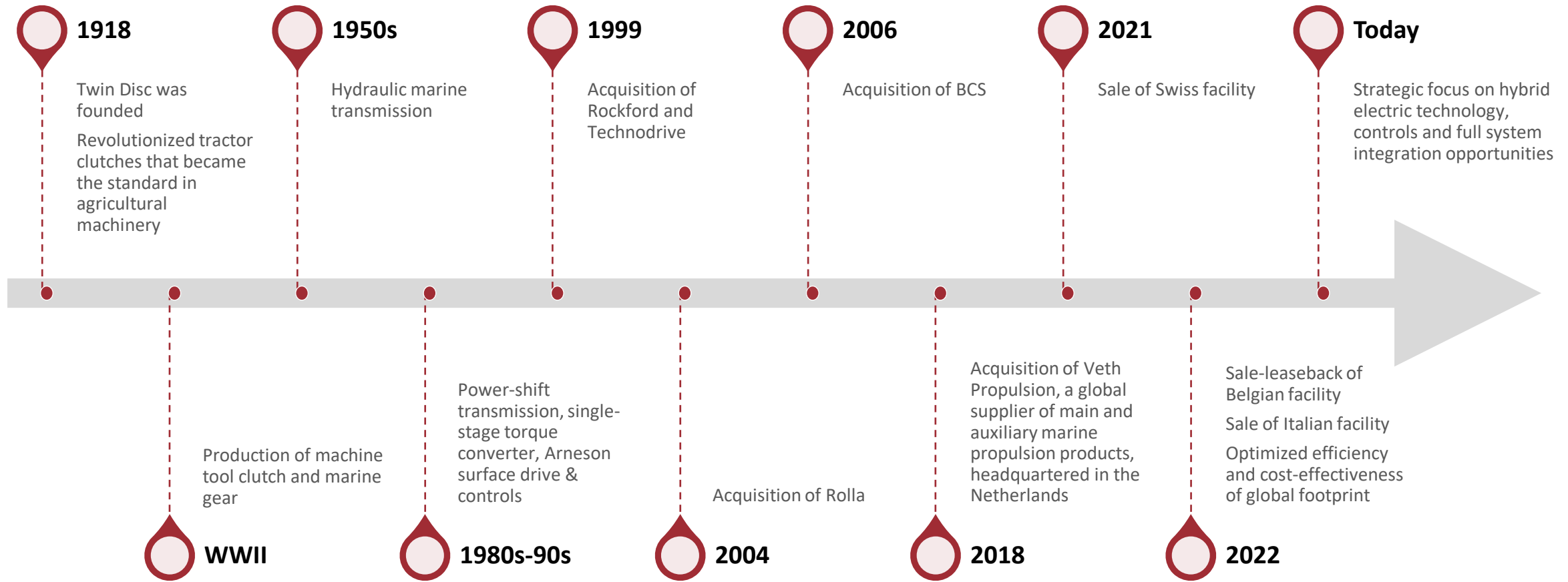


■ North America
 ■ Europe
 ■ Asia Pacific
 ■ Other

Key Market Differentiators

- ▶ A century of expertise putting horsepower to work and delivering world-class solutions to our global customer base
- ▶ Leveraging our leadership position in drive train technology to deliver solutions for today and tomorrow – i.e., traditional diesel, hybrid, and fully electric solutions
- ▶ Veth Propulsion provides an edge in Marine markets, with industry-leading technology known for innovation and reliability

TWIN DISC EVOLUTION



PRODUCT GROUP OVERVIEW



Marine & Propulsion Systems

Diesel powered planing & displacement vessels

- Positioned to capitalize on paradigm shifts in propulsion
- Robust, world-wide distribution network
- Strong opportunity for organic and inorganic growth



Land-Based Transmission

Diesel powered off-highway and all-terrain specialty vehicles

- Increasing global demand for Oil & Gas
- E-Frac and Hybrid solutions expand Twin Disc's addressable market
- Capability to rebuild transmissions when new engine availability is limited



Industrial

Heavy duty industrial disconnect applications

- Competitive advantage by focusing on full systems and technology for controllers
- R&D investments drive new product launches and increased customer applications

Leveraging Proprietary Offerings, Technology, In-House Expertise, and Scale Across Markets

Twin Disc's Unique Position

- Veth acquisition provided complementary products and powerful new technologies
- In-house hybrid and electrification expertise
- Expansion into new markets and geographies

Substantial Growth Opportunities Across End Markets

- Commercial Craft
- Fast Commercial Craft
- Passenger Vessels
- Patrol Craft
- Pleasure Craft



Twin Disc's Unique Position

- Over a century of experience in power transmission product design and innovation
- Strong North American customer base provides a solid foundation for growth
- In-house diesel and hybrid / electrification expertise

Substantial Growth Opportunities Across End Markets

- Airport Rescue and Fire
- Energy
- Military



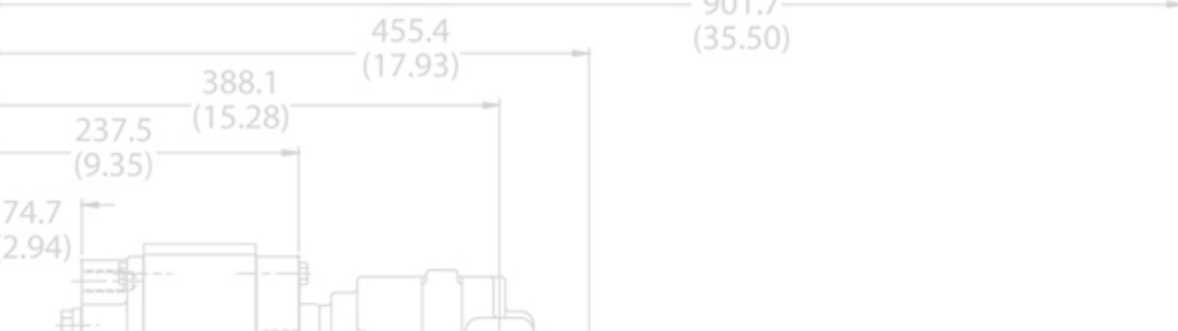
Twin Disc's Unique Position

- Best-in-class quality
- Proprietary technology in controls, hybrid, EV
- In-house engineering capabilities
- Accelerating activity with new customers and application expansion among existing customers

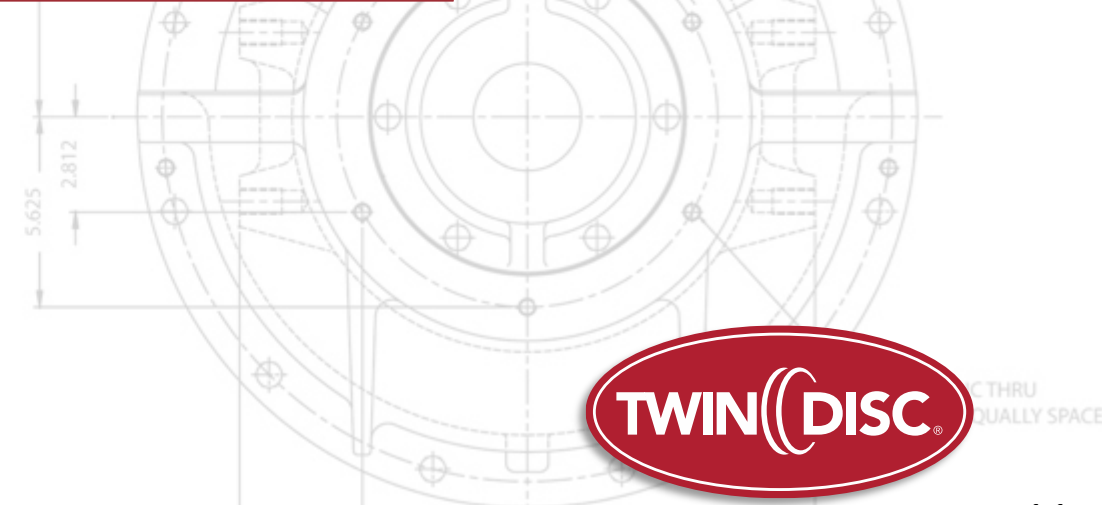
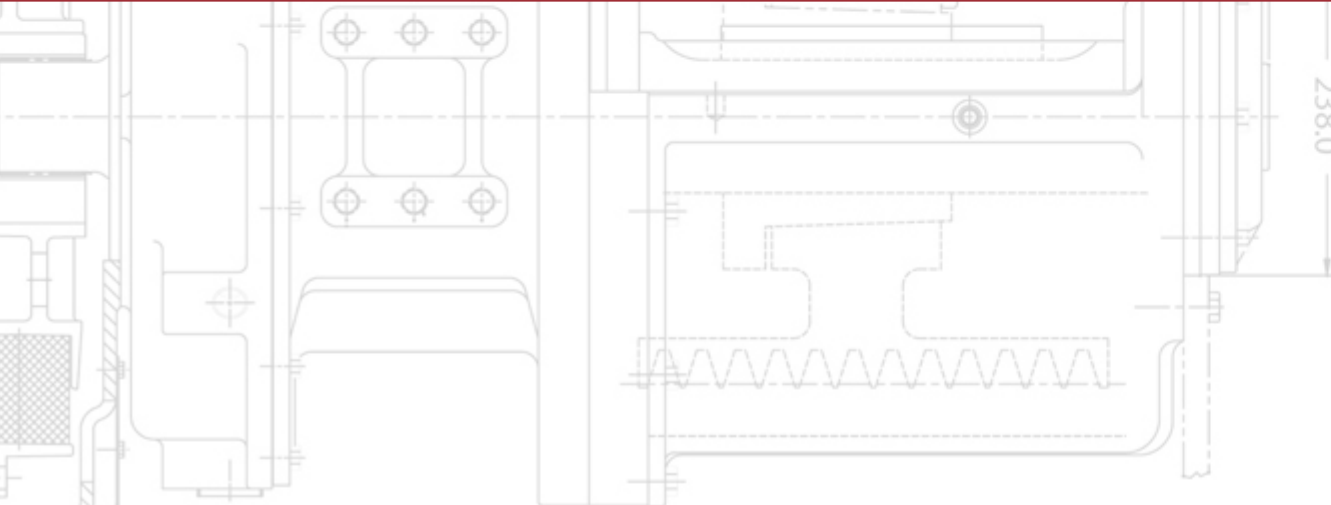
Substantial Growth Opportunities Across End Markets

- Agriculture
- Construction
- Energy
- Forestry
- Irrigation
- Municipal
- Recycling
- Transport





STRATEGY



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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)

Transforming the global Off-Highway and Marine markets with our sustainable Hybrid and Electric powertrains, empowering customers to meet business goals as well as regulatory requirements

- Expertise in drive train technology provides edge in hybrid technology
- Veth Propulsion provides a competitive advantage in electrification
- In midst of global paradigm shift toward sustainable energy sources and technology

5x to 10x

More Content
(vs. standard application)

Land-Based E-Frac

- Initial E-Frac applications achieving performance beyond expectations
- Significant volume anticipated starting in late FY23
- Signed 18-month exclusive agreement with Sewart Supply for E-Frac applications

Pleasure Craft

- Initial Hinckley Silent Jet combines the benefits of diesel and electric propulsion
- Seamless transition between diesel and electric power
- Benefits of silent operation under electric power or high-performance diesel propulsion

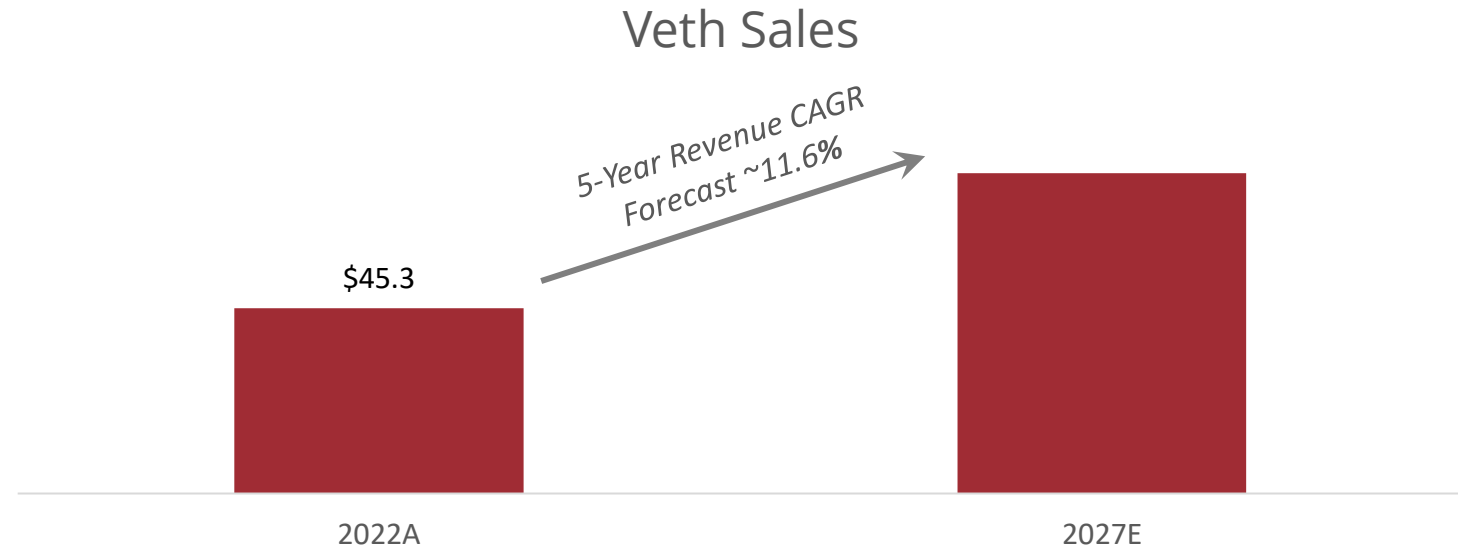
Passenger Vessel

- No noise
- No diesel fumes
- No exhaust stacks obscuring views

Global supplier of main and auxiliary Marine propulsion products

Strategic Fit

- Complementary products and powerful new technologies
- Enhances engineering and product development capabilities
- Prior history working with Veth enables efficient integration
- Accelerates sales and marketing opportunities

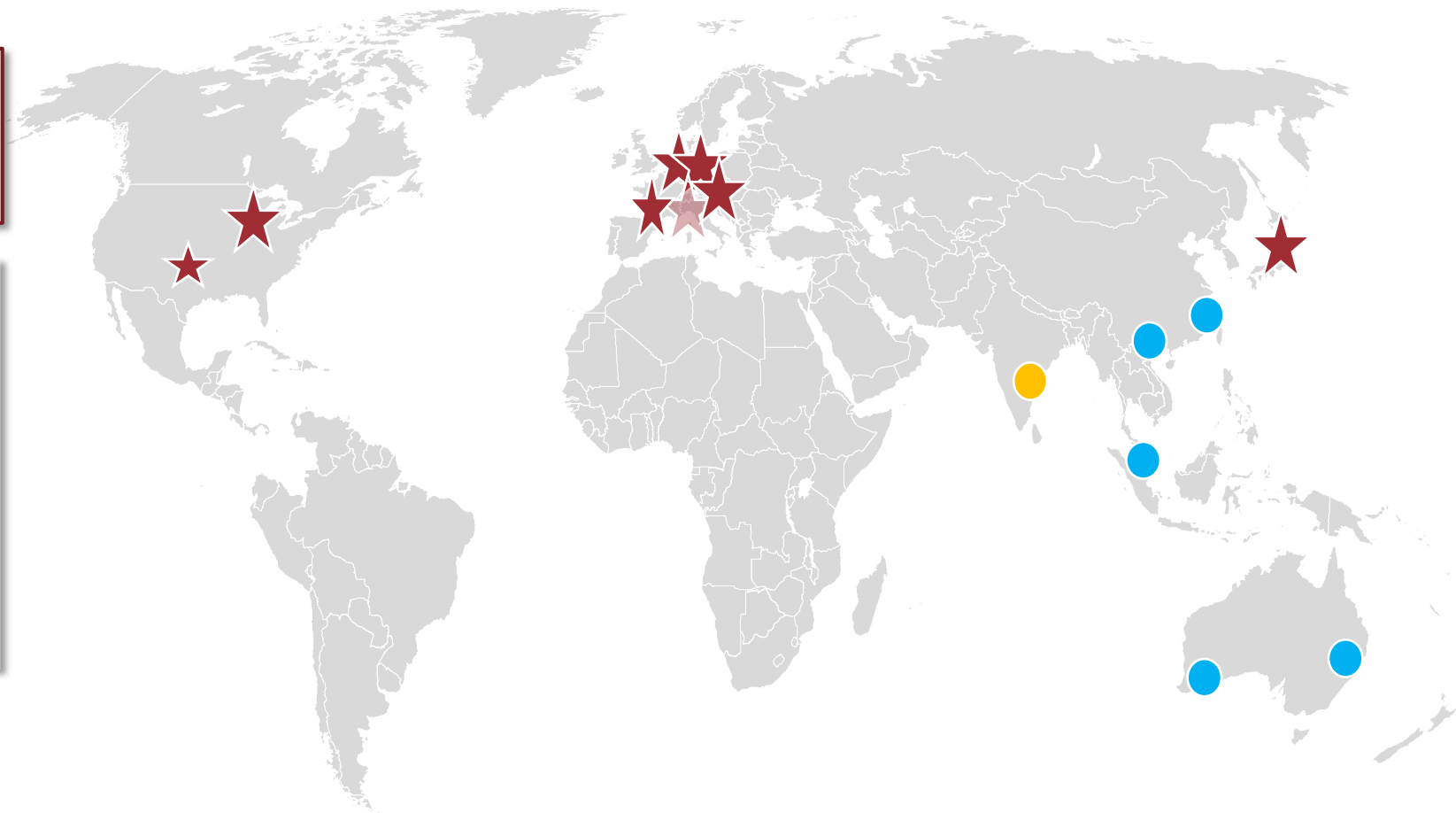


OPTIMIZE GEOGRAPHIC FOOTPRINT



\$162 million
FY22 International Sales

- World-wide distribution network
- Six countries with manufacturing operations
- Customers across 50 countries



★ Manufacturing location ● Company owned distribution / service location ● Purchasing / sourcing offices

Control and full-system integration focus to accelerate growth

Twin Disc products across all end markets are built with our control systems, utilizing multiple components and sophisticated controls to manage power output

Ability to package a **full system solution** to virtually any customer's specific application requirements

R&D investment continues to drive innovation while optimizing performance, reliability, and safety

Expanding market opportunity as Twin Disc hybrid systems ensure maximum efficiency and reduce fuel consumption

Driving force for growth opportunity in Marine and Industrial end markets

Bolt-on & Transformational Acquisitions Framework

M&A Priorities

✓ Marine Technology, Hybrid-focused

✓ Industrial

Strategic Fit	<ul style="list-style-type: none">▪ Diversification away from Oil & Gas▪ Acquisition logic immediately evident
Financial Fit	<ul style="list-style-type: none">▪ Evident value creation potential▪ Consistent business performance▪ Internal Rate of Return > Weighted Average Cost of Capital
Other Considerations	<ul style="list-style-type: none">▪ Platform for transformative expansion▪ Can enhance network and capabilities



FINANCIAL OVERVIEW



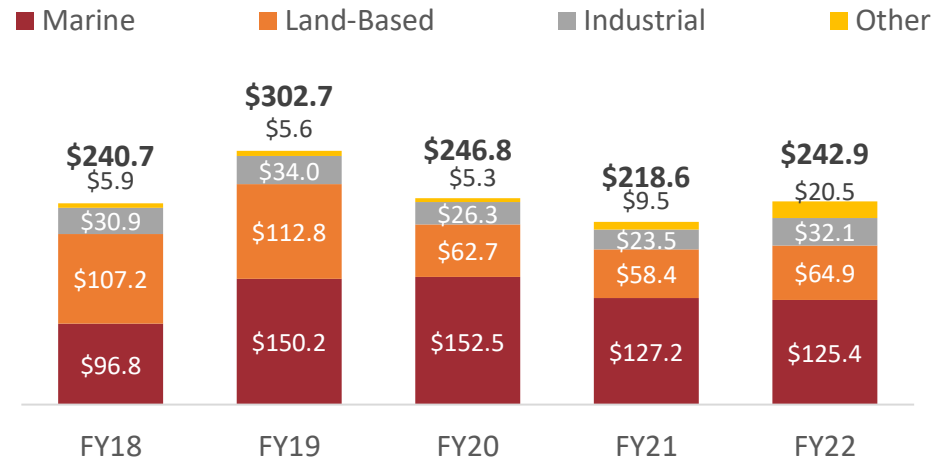
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FINANCIAL PERFORMANCE



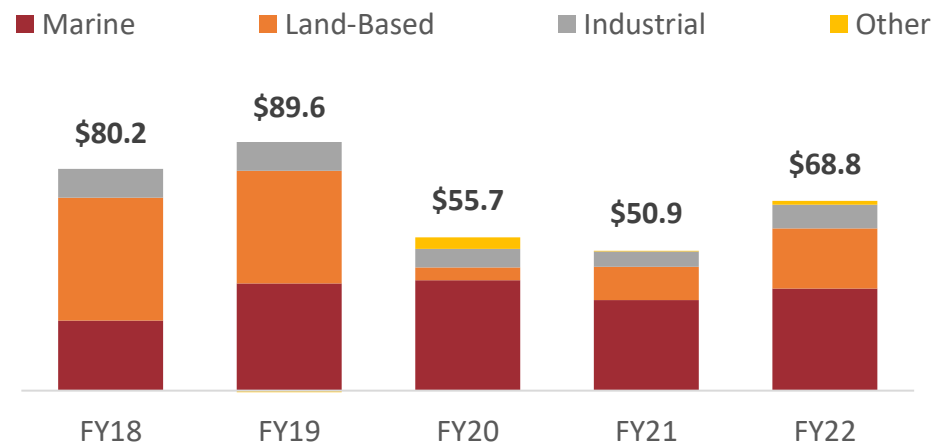
NET SALES

(\$ in millions)

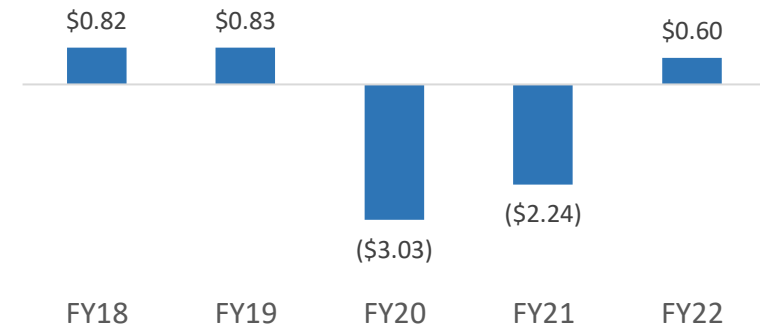


GROSS PROFIT BY PRODUCT GROUP

(\$ in millions)



DILUTED EARNINGS PER SHARE

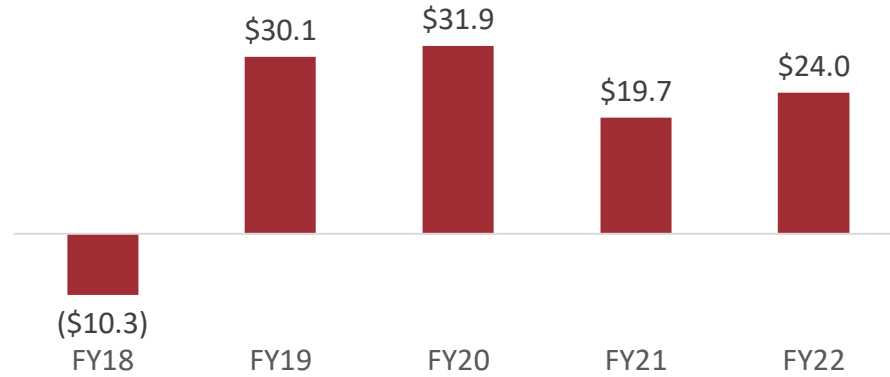


BALANCE SHEET



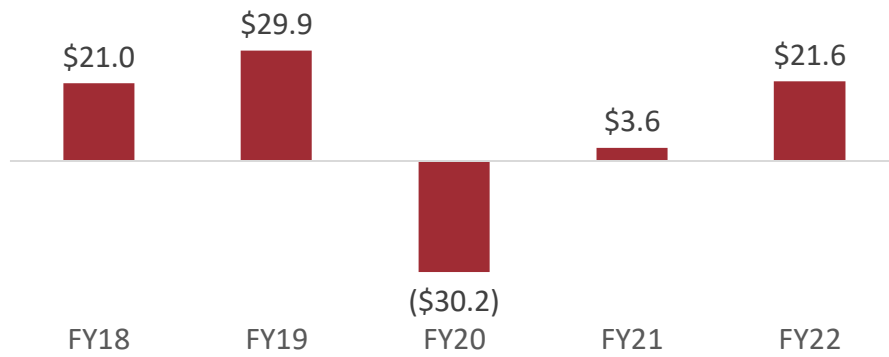
NET DEBT

(\$ in millions)

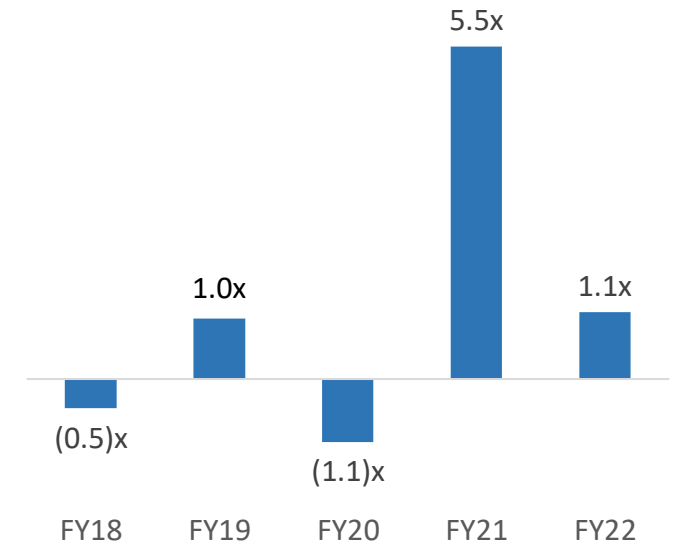


EBITDA

(\$ in millions)



LEVERAGE RATIO



CAPITAL ALLOCATION PRIORITIES



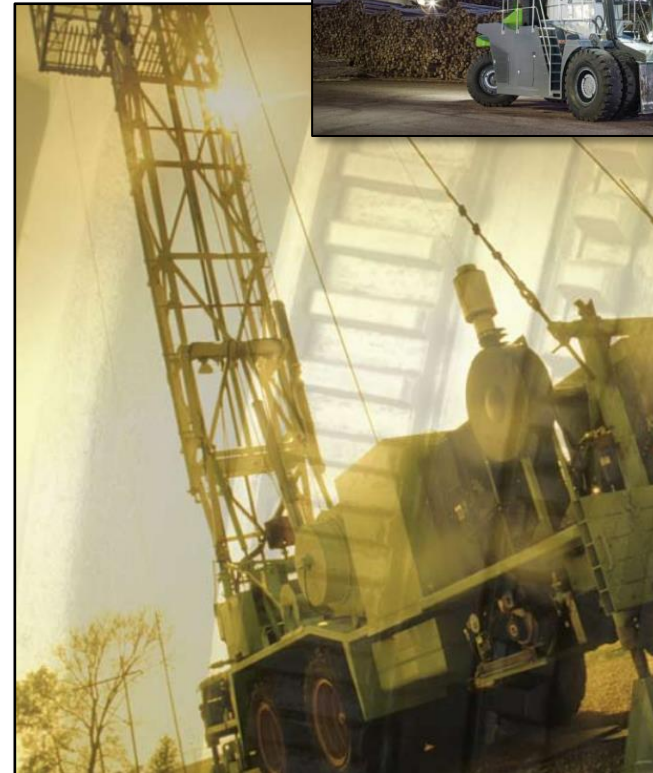
Debt Reduction

Return Capital to Shareholders via Dividends

Organic Growth Investments

Bolt-On & Transformational Acquisitions

Return Capital to Shareholders via Share Repurchases



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

- 1 Robust backlog supported by healthy demand growth across product groups
- 2 Innovative technologies in Marine and Industrial scalable across attractive end markets
- 3 Strategic playbook focused on margin expansion and cash generation
- 4 Accelerating growth across end markets through Industrial and Marine Technology M&A opportunities
- 5 Niche capabilities and specific product group offerings capitalize on global demographic & secular tailwinds



APPENDIX

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RECONCILIATION OF NON-GAAP FINANCIAL MEASURES TO REPORTED FINANCIAL MEASURES



RECONCILIATION OF TOTAL DEBT TO NET DEBT

(In thousands; unaudited)

	FY18	FY19	FY20	FY21	FY22
Current maturities of long-term debt	-	2,000	4,691	2,000	2,000
Long-term debt	4,824	40,491	37,896	30,085	34,543
Total debt	\$4,824	\$42,491	\$42,587	\$32,085	\$36,543
Less cash	15,171	12,362	10,688	12,340	12,521
Net debt	(\$10,347)	\$30,129	\$31,899	\$19,745	\$24,022

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES TO REPORTED FINANCIAL MEASURES



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

	FY18	FY19	FY20	FY21	FY22
Net Income (loss) attributable to Twin Disc	9,528	\$10,673	(\$39,817)	(\$29,719)	\$8,095
Interest expense	282	1,927	1,860	2,358	2,128
Income tax expense (benefit)	4,773	3,711	(4,169)	19,681	1,823
Depreciation and amortization	6,464	13,612	11,925	11,243	9,547
Earnings before interest, taxes, depreciation and amortization (EBITDA)	\$21,047	\$29,923	(\$30,201)	\$3,563	\$21,593

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES TO REPORTED FINANCIAL MEASURES



NET DEBT TO EBITDA LEVERAGE RATIO CALCULATION

	FY18	FY19	FY20	FY21	FY22
Net debt	(10,347)	30,129	31,899	19,745	\$24,022
EBITDA	21,047	29,923	(30,201)	3,562	21,593
Leverage Ratio	(0.5)x	1.0x	(1.1)x	5.5x	1.1x