



# 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 2024 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](http://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

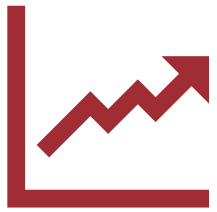
Financial information excluding the impact of asset impairments, restructuring charges, foreign currency exchange rate changes and the impact of acquisitions, if any, in this press release are not measures that are defined in U.S. Generally Accepted Accounting Principles (“GAAP”). These items are measures 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.



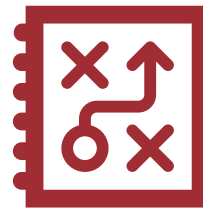
01.

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



02.

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



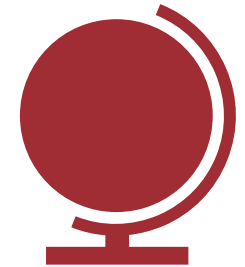
03.

**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**

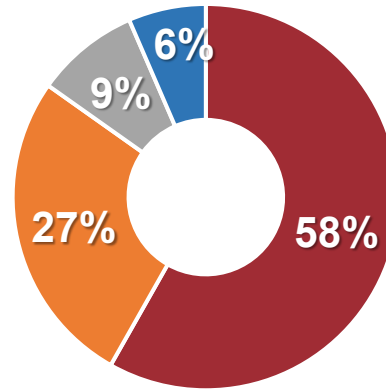


# OVERVIEW



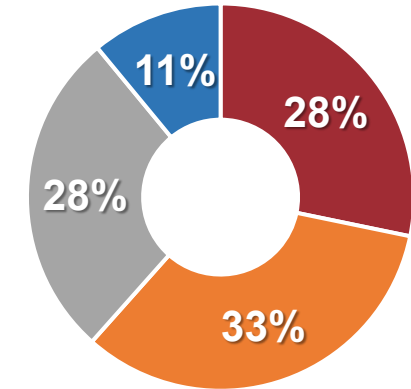
<b>Founding Year</b>	<b>1918</b>
<b>Headquarters</b>	<b>Milwaukee, WI</b>
<b>Employees</b>	<b>~800</b>
<b>Reporting Segments</b>	<b>Manufacturing Distribution</b>
<b>Revenue</b>	<b>\$295.1M</b>
<b>EBITDA Margin</b>	<b>9.0%</b>

**FY24 Revenue by Product Group**



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

**FY24 Revenue by Geography**

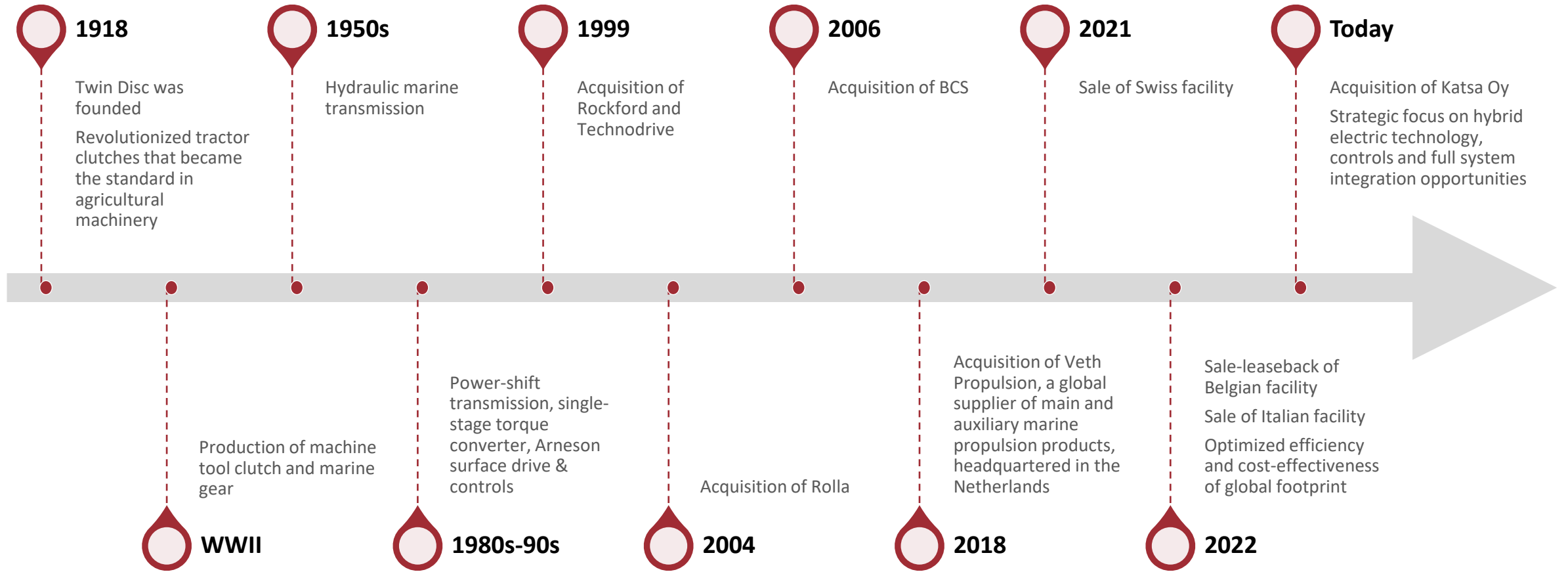


■ North America ■ Europe ■ Asia Pacific ■ Other

## 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
- Strong Veth and Rolla partnership encourages innovation and expands growth opportunities

## 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 Firefighting (ARFF)
- 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



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, Industrial, 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
- Meeting demand from global shift toward sustainable energy sources and technology
- Systems maximize efficiency and minimize environmental impact

## 5x to 10x

**More Content**  
(vs. standard application)

## Key Applications

### Workboat

- Marine control drives offer advantages for vessels requiring highly accurate positioning or slow-speed maneuverability
- Delivered multiple units for marine control drives for use in the Panama Canal

### Pleasure Craft

- Hinckley SilentJet technology seamlessly manages diesel /electric operation, allowing the craft to run in near silence
- Designed for completely hybrid use in partnership with Hinckley luxury yachts

### Passenger Vessel

- Full electric systems lessen noise and offer more sustainable energy consumption versus traditional diesel engines
- Developed hybrid power system for sightseeing vessel operating in San Francisco Bay, helping it improve fuel efficiency and lessen its environmental impact

### Industrial

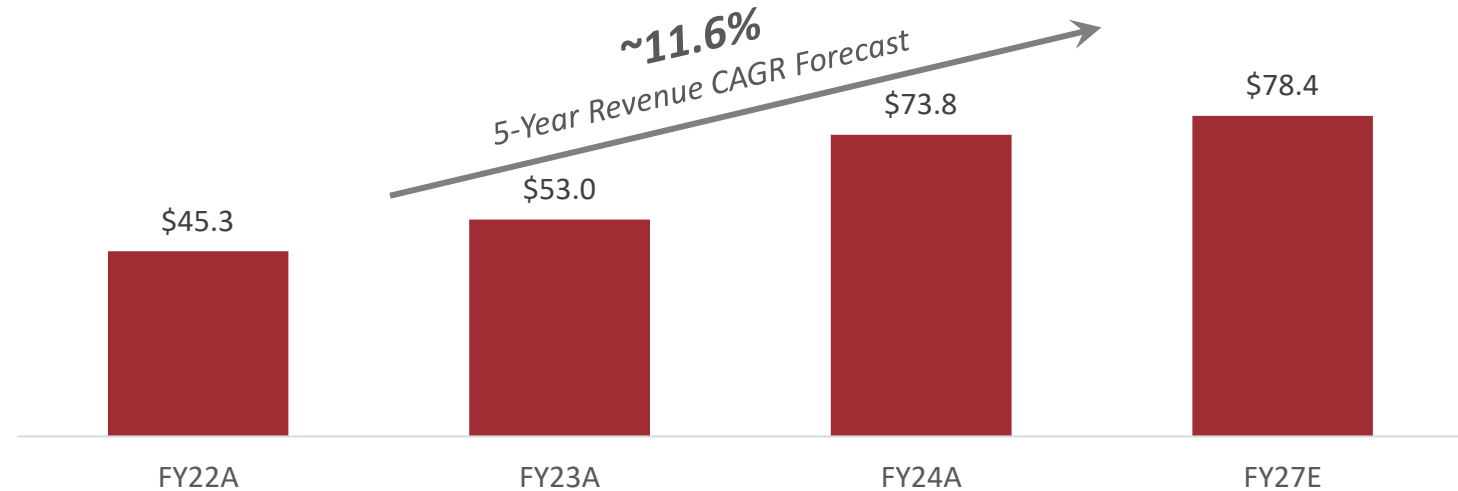
- Electronically managed and optimized clutch controls enable full electric frac applications independent of costly variable frequency drives
- Crafted controls systems that take advantage of both on-board battery systems and grid power to optimize application efficiency

Global supplier of main and auxiliary Marine propulsion products

## Strategic Fit

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

## Veth Sales



2018

- >90% business focused in Europe

Today

- Order and backlog growth driven by North America, Asia
- Expansion into luxury yachting

Opportunity

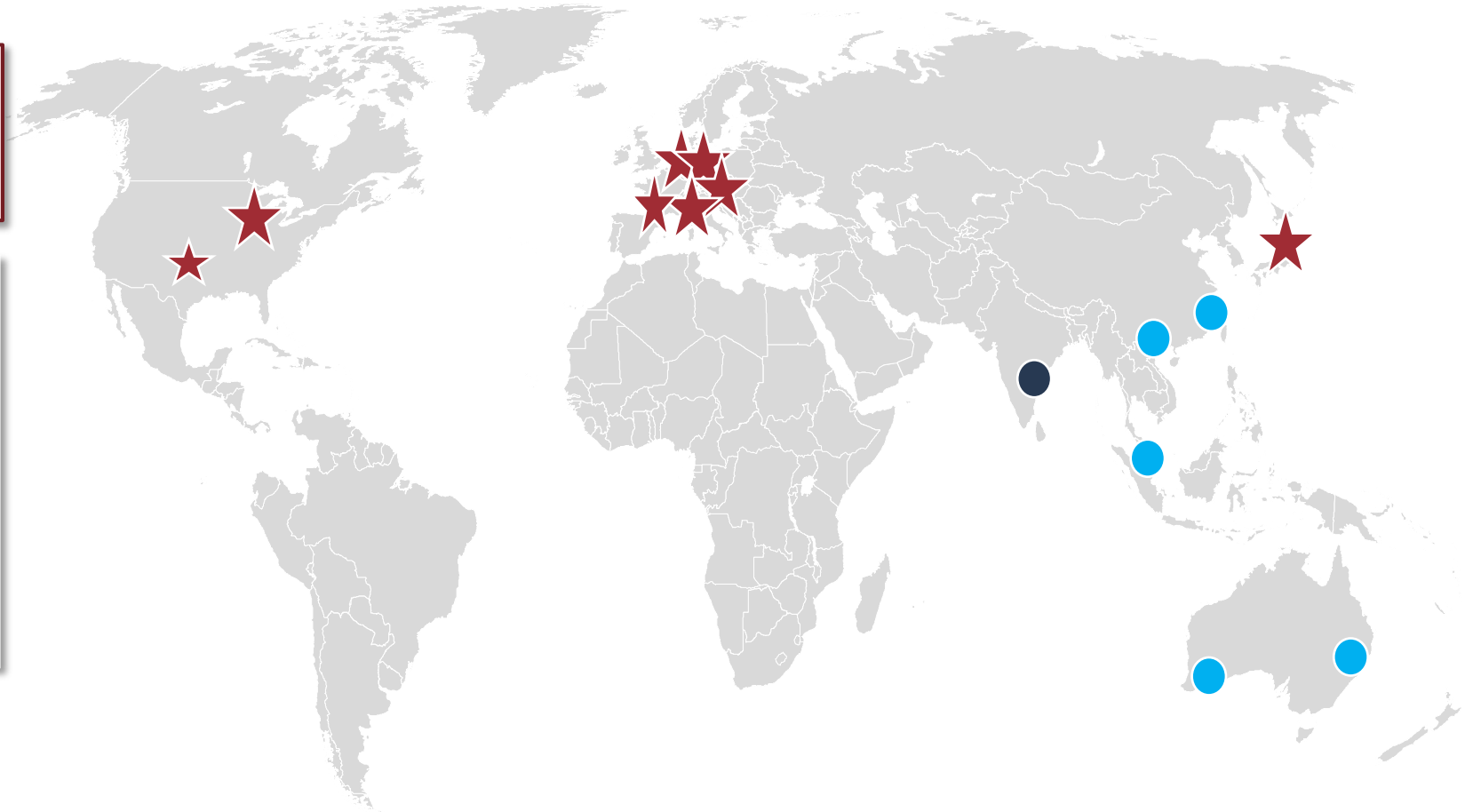
- Accelerate end market and geographic expansion

# OPTIMIZE GEOGRAPHIC FOOTPRINT



**\$215.3 million**  
Fiscal 2024 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

- Diversification away from Oil & Gas
- Acquisition logic immediately evident

#### Financial Fit

- Evident value creation potential
- Consistent business performance
- Internal Rate of Return > Weighted Average Cost of Capital

#### Other Considerations

- Platform for transformative expansion
- Can enhance network and capabilities



## Key Takeaways

- Acquired Katsa Oy for €21 million (approximately \$23 million) in all-cash transaction in the first half of calendar 2024
  - Leading European manufacturer of high-quality power transmission components and gearboxes for industrial and marine end-markets
- Broadens Twin Disc's global reach while adding complementary products to grow offerings in the industrial, marine and hybrid / electrification space
- Significantly diversifies and enhances offerings within Twin Disc's Industrial product line
- Creates substantial commercial, manufacturing, and purchasing synergies, anticipated to be accretive to earnings per share within 24 months

# FINANCIAL OVERVIEW

The logo for Twin Disc, featuring the company name in white capital letters inside a dark 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 light gray.

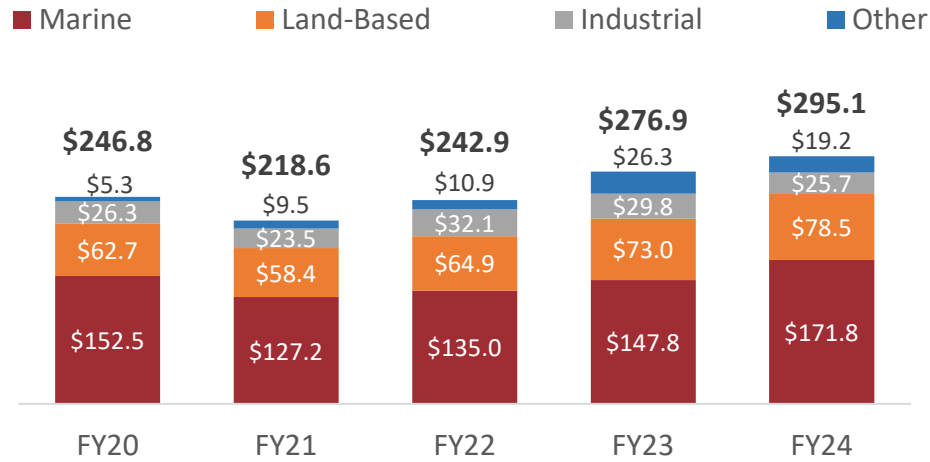
TWIN DISC®

# FINANCIAL PERFORMANCE



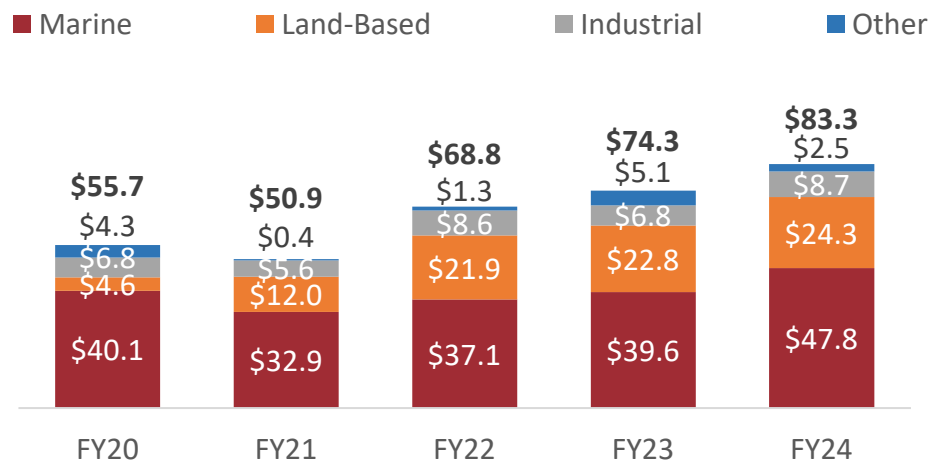
## NET SALES

(\$ in millions)

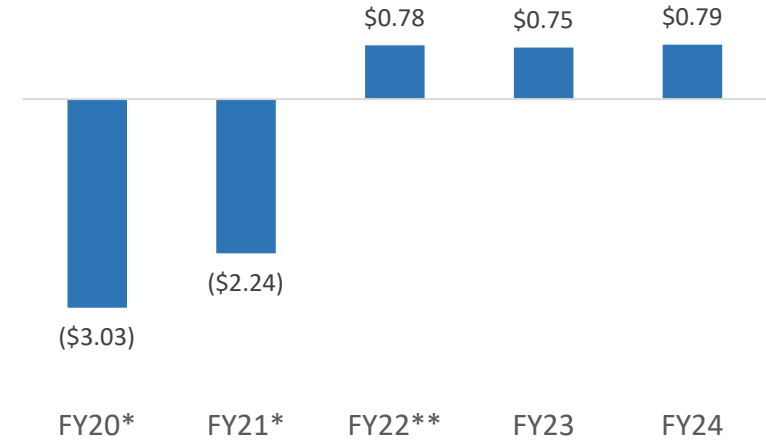


## GROSS PROFIT BY PRODUCT GROUP

(\$ in millions)



## DILUTED EARNINGS PER SHARE



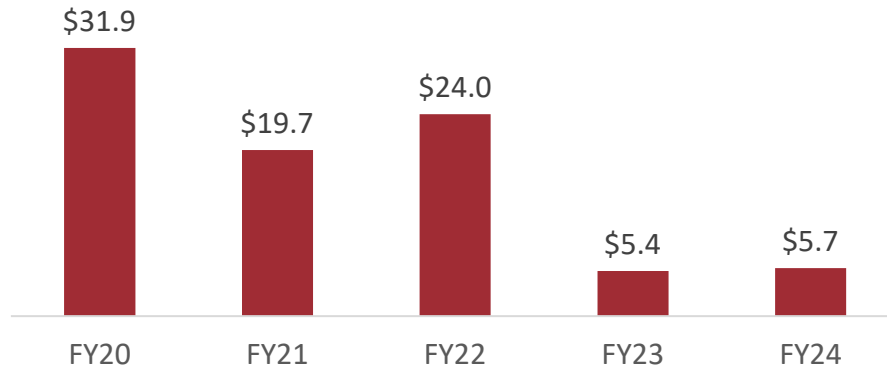
\* Unadjusted for change in accounting method; \*\* Adjusted for change in accounting method

# BALANCE SHEET



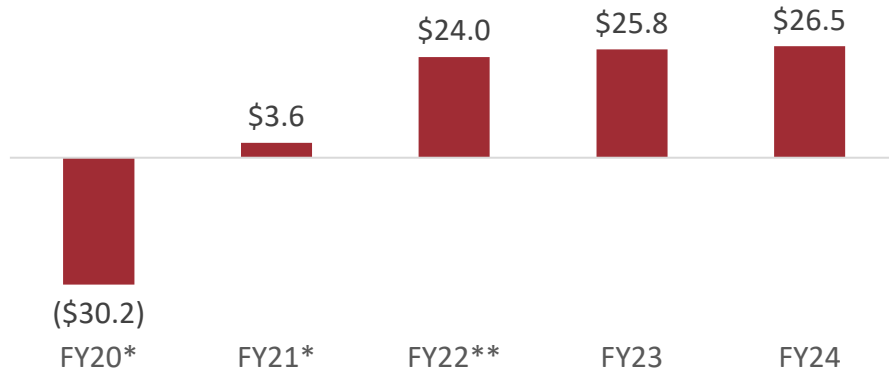
## NET DEBT

(\$ in millions)

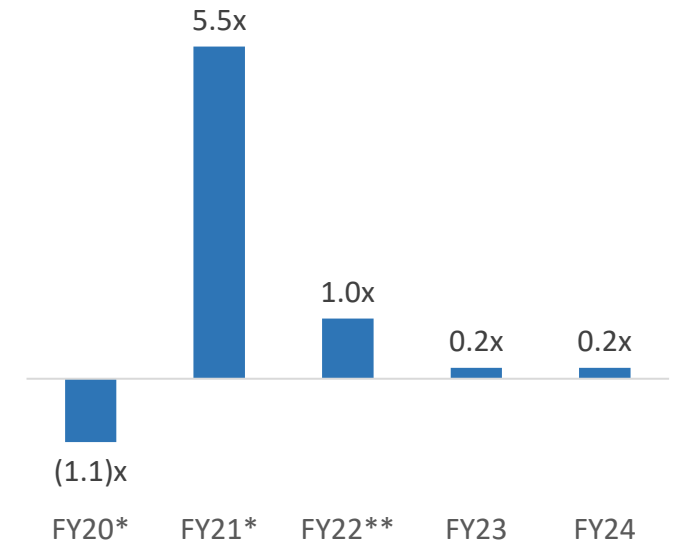


## EBITDA

(\$ in millions)

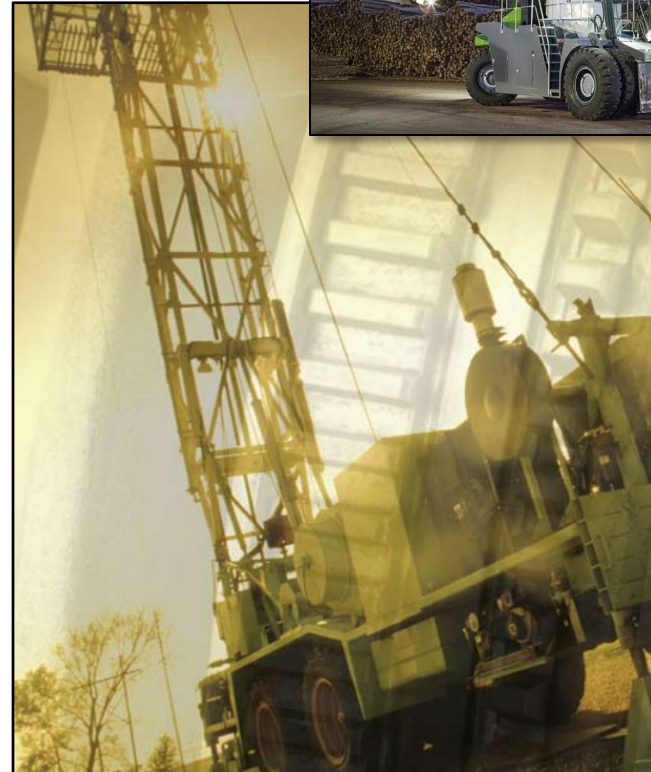
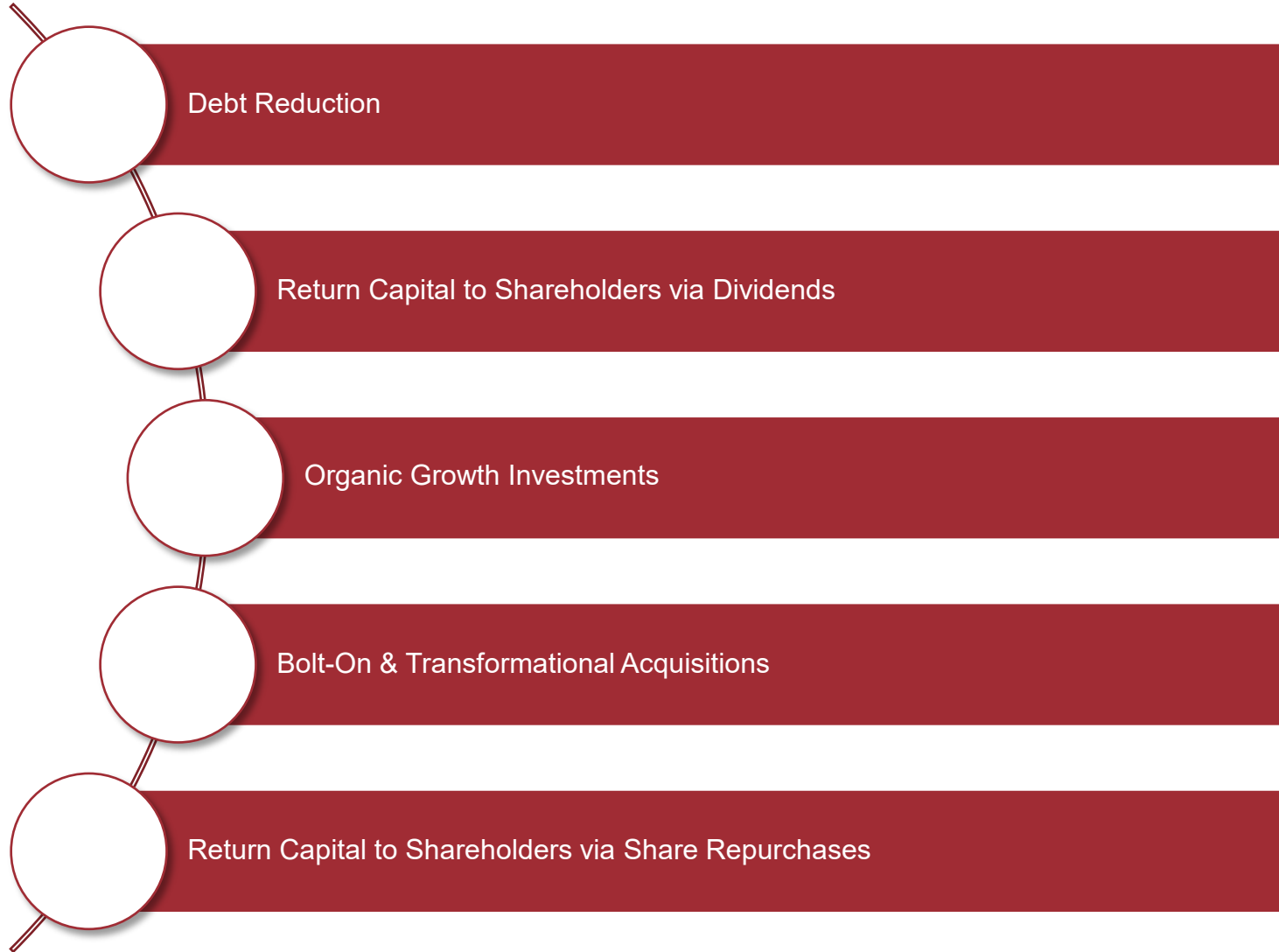


## LEVERAGE RATIO



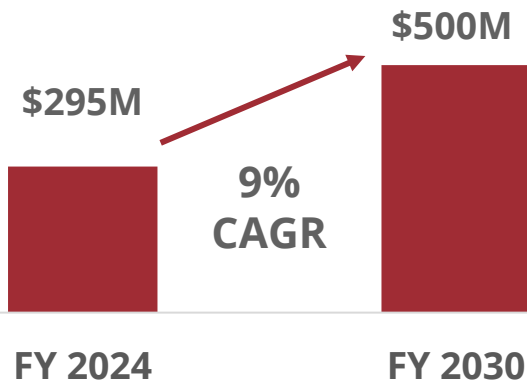
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# CAPITAL ALLOCATION PRIORITIES



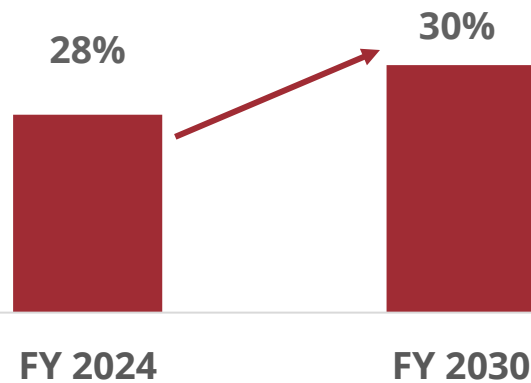
## 2030 TARGETS AND DRIVERS

### Revenue



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

### Gross Margin



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

### FCF Conversion

*Maintain at least 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 acquisition of Katsa Oy in Industrial & Marine Technology

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



# APPENDIX



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



## RECONCILIATION OF TOTAL DEBT TO NET DEBT

(In thousands; unaudited)

	FY24	FY23	FY22	FY21	FY20
Current maturities of long-term debt	2,000	2,010	2,000	2,000	4,691
Long-term debt	23,811	16,617	34,543	30,085	37,896
<b>Total debt</b>	<b>\$25,811</b>	<b>\$18,627</b>	<b>\$36,543</b>	<b>\$32,085</b>	<b>\$42,587</b>
Less cash	20,070	13,263	12,521	12,340	10,688
<b>Net debt</b>	<b>\$5,741</b>	<b>\$5,364</b>	<b>\$24,022</b>	<b>\$19,745</b>	<b>\$31,899</b>

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



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

	FY24	FY23	FY22**	FY21*	FY20*
<b>Net Income (loss) attributable to Twin Disc</b>	<b>\$10,989</b>	<b>\$10,380</b>	<b>\$10,467</b>	<b>(\$29,719)</b>	<b>(\$39,817)</b>
<b>Interest expense</b>	<b>1,443</b>	<b>2,253</b>	<b>2,128</b>	<b>2,358</b>	<b>1,860</b>
<b>Income tax expense (benefit)</b>	<b>4,121</b>	<b>3,788</b>	<b>1,823</b>	<b>19,681</b>	<b>(4,169)</b>
<b>Depreciation and amortization</b>	<b>9,981</b>	<b>9,359</b>	<b>9,547</b>	<b>11,243</b>	<b>11,925</b>
<b>Earnings before interest, taxes, depreciation and amortization (EBITDA)</b>	<b>\$26,535</b>	<b>\$25,781</b>	<b>\$23,965</b>	<b>\$3,563</b>	<b>(\$30,201)</b>

\* Unadjusted for change in accounting method; \*\* Adjusted for change in accounting method

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



## NET DEBT TO EBITDA LEVERAGE RATIO CALCULATION

	FY24	FY23	FY22**	FY21*	FY20*
Net debt	\$5,741	\$5,364	\$24,022	\$19,745	\$31,899
EBITDA	26,533	25,781	23,965	3,563	(30,201)
Leverage Ratio	0.2x	0.2x	1.0x	5.5x	(1.1)x

\* Unadjusted for change in accounting method; \*\* Adjusted for change in accounting method