

TWIN DISC INC
Form 10-Q
February 06, 2018
UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

Form 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)

OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarter ended December 29, 2017

Commission File Number 1-7635

TWIN DISC, INCORPORATED

(Exact name of registrant as specified in its charter)

Wisconsin **39-0667110**
(State or other jurisdiction of (I.R.S. Employer
Incorporation or organization) Identification No.)

1328 Racine Street, Racine, Wisconsin 53403

(Address of principal executive offices)

(262) 638-4000

(Registrant's telephone number, including area code)

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Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer Accelerated Filer
Non-accelerated filer (Do not check if a smaller reporting company)
Smaller reporting company 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.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

At February 2, 2018, the registrant had 11,584,892 shares of its common stock outstanding.

Part I. FINANCIAL INFORMATION**Item 1. Financial Statements****TWIN DISC, INCORPORATED****CONDENSED CONSOLIDATED BALANCE SHEETS**

(IN THOUSANDS, EXCEPT SHARE AMOUNTS)

(UNAUDITED)

	December 29, 2017	June 30, 2017
ASSETS		
Current assets:		
Cash	\$ 15,766	\$ 16,367
Trade accounts receivable, net	29,214	31,392
Inventories	74,037	66,193
Prepaid expenses	7,683	8,295
Other	7,979	7,187
Total current assets	134,679	129,434
Property, plant and equipment, net	47,820	48,212
Deferred income taxes	21,462	24,198
Goodwill, net	2,759	2,585
Intangible assets, net	2,032	2,009
Other assets	4,434	4,460
Total assets	\$ 213,186	\$ 210,898
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	\$ 23,404	\$ 21,301
Accrued liabilities	23,335	23,222
Total current liabilities	46,739	44,523
Long-term debt	4,684	6,323
Accrued retirement benefits	30,463	33,706
Deferred income taxes	976	1,011
Other long-term liabilities	1,675	1,768
Total liabilities	84,537	87,331

Commitments and contingencies (Note D)**Equity:****Twin Disc shareholders' equity:**

Preferred shares authorized: 200,000; issued: none; no par value	-	-
Common shares authorized: 30,000,000; issued: 13,099,468; no par value	10,086	10,429
Retained earnings	168,646	169,368
Accumulated other comprehensive loss	(27,427)	(32,671)
	151,305	147,126
Less treasury stock, at cost (1,514,576 and 1,580,335 shares, respectively)	23,199	24,205
Total Twin Disc shareholders' equity	128,106	122,921
Noncontrolling interest	543	646
Total equity	128,649	123,567
Total liabilities and equity	\$ 213,186	\$ 210,898

The notes to condensed consolidated financial statements are an integral part of these statements.

TWIN DISC, INCORPORATED**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE (LOSS) INCOME**

(IN THOUSANDS, EXCEPT PER SHARE DATA)

(UNAUDITED)

	For the Quarter Ended December 29, 2017		For the Two Quarters Ended December 29, 2017 December 30, 2016	
Net sales	\$56,546	\$ 33,672	\$101,611	\$ 69,507
Cost of goods sold	38,420	24,723	69,590	51,385
Gross profit	18,126	8,949	32,021	18,122
Marketing, engineering and administrative expenses	15,268	12,560	28,936	25,035
Restructuring expenses	831	816	2,049	1,074
Income (loss) from operations	2,027	(4,427)	1,036	(7,987)
Interest expense	83	122	147	175
Other expense (income), net	69	(456)	268	(346)
	152	(334)	415	(171)
Income (loss) before income taxes and noncontrolling interest	1,875	(4,093)	621	(7,816)
Income tax expense (benefit)	5,925	(1,201)	1,267	(2,253)
Net loss	(4,050)	(2,892)	(646)	(5,563)
Less: Net earnings attributable to noncontrolling interest, net of tax	(63)	(20)	(76)	(45)
Net loss attributable to Twin Disc	\$ (4,113)			