

TWIN DISC INC
Form 10-Q
May 08, 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 March 30, 2018

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 May 4, 2018, the registrant had 11,551,285 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)

	March 30, 2018	June 30, 2017
ASSETS		
Current assets:		
Cash	\$15,115	\$16,367
Trade accounts receivable, net	39,752	31,392
Inventories	80,041	66,193
Prepaid expenses	7,738	8,295
Other	9,461	7,187
Total current assets	152,107	129,434
Property, plant and equipment, net	48,031	48,212
Deferred income taxes	18,997	24,198
Goodwill, net	2,843	2,585
Intangible assets, net	2,041	2,009
Other assets	4,580	4,460
Total assets	\$228,599	\$210,898
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	\$26,244	\$21,301
Accrued liabilities	26,624	23,222
Total current liabilities	52,868	44,523
Long-term debt	7,604	6,323
Accrued retirement benefits	29,944	33,706
Deferred income taxes	988	1,011
Other long-term liabilities	1,585	1,768

Total liabilities	92,989	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	10,902	10,429
Retained earnings	172,954	169,368
Accumulated other comprehensive loss	(25,102)	(32,671)
	158,754	147,126
Less treasury stock, at cost (1,548,183 and 1,580,335 shares, respectively)	23,713	24,205
Total Twin Disc shareholders' equity	135,041	122,921
Noncontrolling interest	569	646
Total equity	135,610	123,567
Total liabilities and equity	\$228,599	\$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 INCOME
(LOSS)

(IN THOUSANDS, EXCEPT PER SHARE DATA)

(UNAUDITED)

	For the Quarter Ended		For the Three Quarters Ended	
	March 30, 2018	March 31, 2017	March 30, 2018	March 31, 2017
Net sales	\$65,349	\$45,084	\$166,960	\$114,591
Cost of goods sold	44,624	31,790	114,214	83,175
Gross profit	20,725	13,294	52,746	31,416
Marketing, engineering and administrative expenses	14,747	13,737	43,683	38,772
Restructuring expenses	452	293	2,501	1,367
Goodwill and other impairment charge	-	2,637	-	2,637
Income (loss) from operations	5,526	(3,373)	6,562	(11,360)
Interest expense	80	61	227	236
Other expense (income), net	(23)	(67)	244	(414)
	57	(6)	471	(178)
Income (loss) before income taxes and noncontrolling interest	5,469	(3,367)	6,091	(11,182)
Income tax expense (benefit)	1,133	(1,639)	2,401	(3,892)
Net income (loss)	4,336	(1,728)	3,690	(7,290)
Less: Net earnings attributable to noncontrolling interest, net of tax	(28)			