

TWIN DISC INC  
Form 10-Q  
February 08, 2012

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 30, 2011

Commission File Number 1-7635

TWIN DISC, INCORPORATED  
(Exact name of registrant as specified in its charter)

Wisconsin  
(State or other jurisdiction of  
Incorporation or organization)

39-0667110  
(I.R.S. Employer  
Identification No.)

1328 Racine Street, Racine, Wisconsin 53403  
(Address of principal executive offices)

(262) 638-4000  
(Registrant's telephone number, including area code)

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  Smaller reporting company

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

Yes  No

At January 27, 2012, the registrant had 11,429,487 shares of its common stock outstanding.

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## Part I. FINANCIAL INFORMATION

## Item 1. Financial Statements

TWIN DISC, INCORPORATED  
CONDENSED CONSOLIDATED BALANCE SHEETS

(In Thousands)

(Unaudited)

|   | December<br>30,<br>2011 | June 30,<br>2011 |
|---|-------------------------|------------------|
| Assets  |                         |                  |
| Current assets:   |                         |                  |
| Cash  | \$18,621                | \$20,167         |
| Trade accounts receivable, net  | 56,933                  | 61,007           |
| Inventories, net  | 114,981                 | 99,139           |
| Deferred income taxes   | 5,264                   | 5,765            |
| Other   | 9,632                   | 9,090            |
| Total current assets  | 205,431                 | 195,168          |
| Property, plant and equipment, net  | 65,651                  | 65,791           |
| Goodwill, net   | 17,204                  | 17,871           |
| Deferred income taxes   | 14,815                  | 16,480           |
| Intangible assets, net  | 5,624                   | 6,439            |
| Other assets  | 7,683                   | 7,371            |
| Total assets  | \$316,408               | \$309,120        |
| Liabilities and Equity  |                         |                  |
| Current liabilities:  |                         |                  |
| Short-term borrowings and current maturities of long-term debt              | \$3,843                 | \$3,915          |
| Accounts payable  | 35,973                  | 38,372           |
| Accrued liabilities   | 38,056                  | 41,673           |
| Total current liabilities   | 77,872                  | 83,960           |
| Long-term debt  | 37,896                  | 25,784           |
| Accrued retirement benefits   | 46,527                  | 50,063           |
| Deferred income taxes   | 3,682                   | 4,170            |
| Other long-term liabilities   | 4,845                   | 7,089            |
| Total liabilities   | 170,822                 | 171,066          |
| Equity  |                         |                  |
| Twin Disc shareholders' equity:   |                         |                  |
| Common shares authorized: 30,000,000;<br>issued: 13,099,468; no par value   | 11,604                  | 10,863           |
| Retained earnings   | 176,467                 | 162,857          |
| Accumulated other comprehensive loss  | (19,088 )               | (11,383 )        |
| Less treasury stock, at cost (1,669,981 and 1,739,574 shares, respectively) | 168,983                 | 162,337          |
|   | 24,356                  | 25,252           |

|                                      |           |           |
|--------------------------------------|-----------|-----------|
| Total Twin Disc shareholders' equity | 144,627   | 137,085   |
| Noncontrolling interest              | 959       | 969       |
| Total equity                         | 145,586   | 138,054   |
| Total liabilities and equity         | \$316,408 | \$309,120 |

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

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TWIN DISC, INCORPORATED  
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME  
(In Thousands, Except Per Share Data)  
(Unaudited)

|  | Three Months Ended |                  | Six Months Ended |                  |
|--|--------------------|------------------|------------------|------------------|
|  | Dec. 30,<br>2011   | Dec. 31,<br>2010 | Dec. 30,<br>2011 | Dec. 31,<br>2010 |
| Net sales  | \$82,941           | \$75,160         | \$164,271        | \$136,555        |
| Cost of goods sold                                 | 53,379             | 51,403           | 103,941          | 92,775           |
| Gross profit                                       | 29,562             | 23,757           | 60,330           | 43,780           |
| Marketing, engineering and administrative expenses | 20,097             | 18,639           | 36,006           | 33,416           |
| Earnings from operations                           | 9,465              | 5,118            | 24,324           | 10,364           |
| Interest expense                                   | 381                | 440              | 740              | 879              |
| Other (income) expense, net                        | (150 )             | 89               | (544 )           | 643              |
|  | 231                | 529              | 196              | 1,522            |