

TWIN DISC INC  
Form 10-Q  
February 04, 2009

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 26, 2008

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 is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):  
Large Accelerated Filer  Accelerated Filer  Non-accelerated filer

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 30, 2009, the registrant had 11,029,344 shares of its common stock outstanding.

## Part I. FINANCIAL INFORMATION

## Item 1. Financial Statements

TWIN DISC, INCORPORATED  
CONDENSED CONSOLIDATED BALANCE SHEETS  
(In Thousands, Unaudited)

	December 26, 2008	June 30, 2008
Assets		
Current assets:		
Cash	\$ 11,151	\$ 14,447
Trade accounts receivable, net	58,117	67,611
Inventories, net	98,017	97,691
Deferred income taxes	6,450	6,297
Other	9,581	9,649
<b>Total current assets</b>	<b>183,316</b>	<b>195,695</b>
Property, plant and equipment, net	64,217	67,855
Goodwill, net	16,622	18,479
Deferred income taxes	4,875	5,733
Intangible assets, net	7,597	9,589
Other assets	6,013	7,277
	<b>\$ 282,640</b>	<b>\$ 304,628</b>
Liabilities and Shareholders' Equity		
Current liabilities:		
Short-term borrowings and current maturities of long-term debt	\$ 672	\$ 1,730
Accounts payable	35,902	37,919
Accrued liabilities	44,781	49,939
<b>Total current liabilities</b>	<b>81,355</b>	<b>89,588</b>
Long-term debt	51,252	48,227
Accrued retirement benefits	33,194	34,325
Other long-term	973	2,163
	<b>166,774</b>	<b>174,303</b>
Minority interest	715	679
Shareholders' equity:		
Common shares authorized: 30,000,000; issued: 13,099,468; no par value	13,862	14,693
Retained earnings	146,681	142,361
Accumulated other comprehensive (loss) income	(15,136)	2,446

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	145,407	159,500
Less treasury stock, at cost (2,070,124 and 1,929,354 shares, respectively)	30,256	29,854
Total shareholders' equity	115,151	129,646
	\$ 282,640	\$ 304,628

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

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

	Three Months Ended		Six Months Ended	
	Dec. 26, 2008	Dec. 28, 2007	Dec. 26, 2008	Dec. 28, 2007
Net sales	\$ 81,598	\$ 81,894	\$ 154,270	\$ 155,507
Cost of goods sold	58,645	56,548	111,245	106,311
Gross profit	22,953	25,346	43,025	49,196
Marketing, engineering and administrative expenses	17,008	17,378	33,326	32,072
Earnings from operations	5,945	7,968	9,699	17,124
Interest expense	714	825	1,311	1,568
Other (income) expense, net	(192)	179	(1,012)	174
	522	1,004	299	1,742
Earnings before income taxes and minority interest	5,423	6,964	9,400	15,382
Income taxes	1,924	2,729	3,277	5,967
Earnings before minority interest	3,499	4,235	6,123	9,415
Minority interest	(66)	(26)	(225)	(101)
Net earnings	\$ 3,433	\$ 4,209	\$ 5,898	\$ 9,314
Dividends per share	\$ 0.0700	\$ 0.0700	\$ 0.1400	\$ 0.1250
Earnings per share data:				
Basic earnings per share	\$ 0.31	\$ 0.37	\$ 0.53	\$ 0.82
Diluted earnings per share	\$ 0.31	\$ 0.37	\$ 0.52	\$ 0.81
Weighted average shares outstanding data:				
Basic shares outstanding	11,126	11,261	11,188	11,378
Dilutive stock awards	47	138	87	137
Diluted shares outstanding	11,173	11,399	11,275	11,515
Comprehensive (loss) income:				
Net earnings	\$ 3,433	\$ 4,209	\$ 5,898	\$ 9,314
Adjustment for amortization of net actuarial loss and prior service cost	472	463	942	463
Foreign currency translation adjustment	(11,076)	4,377	(18,524)	7,085
Comprehensive (loss) income	\$ (7,171)	\$ 9,049	\$ (11,684)	\$ 16,862

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 CASH FLOWS  
(In Thousands, Unaudited)

	Six Months Ended	
	December 26, 2008	December 28, 2007
Cash flows from operating activities:		
Net earnings	\$ 5,898	\$ 9,314
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	4,754	3,560
Other non-cash changes, net	520	1,982
Net change in working capital, excluding cash	(8,441)	(3,507)