



Twin Disc, Incorporated

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Investor Presentation

November 2016





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. 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 2015 Annual Report and Form 10-K, "Management's Discussion and Analysis of Financial Condition and Results of Operations - Forward-Looking Information," which outlines certain risks regarding the Company's forward-looking statements. 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), or by request from the Investor Relations department at the Company.



Twin Disc At A Glance



- ★ Manufacturing location (# of facilities in each location)
- Company owned distribution/service location
- Purchasing/sourcing offices

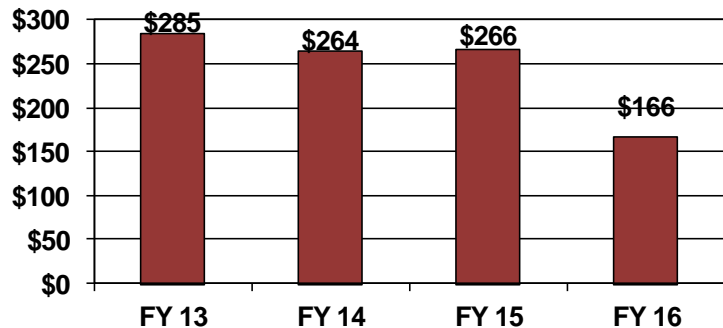
- Founded in 1918
- Headquartered in Racine, WI
- ≈ 800 employees
- We are a global company
 - Mfg Operations in the U.S., Belgium, Italy, India, Switzerland and Japan (JV)
 - World-wide distributor network
 - Global: 58% of fiscal 2016 sales to international markets
- Diversified product & market portfolio



FY 2015 – Highlights

\$ millions

Sales

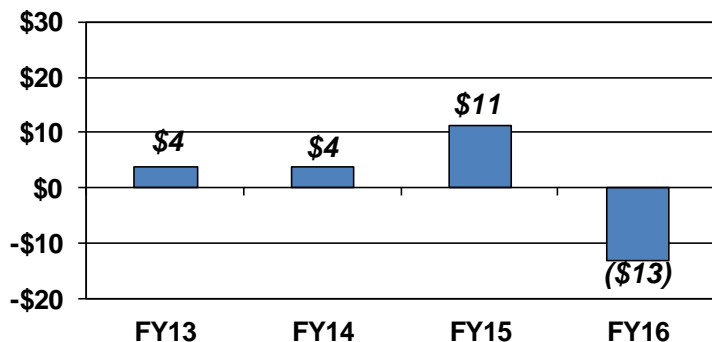


- **Sales down 37% from FY '16**

- Dramatic reduction in global O&G demand due to oil prices.
- Softening in Asian demand for commercial marine.
- Weakness in pleasure craft continues.
- Unfavorable currency impact of \$7.9M.

\$ millions

Net Earnings



- **\$13.1 million loss, or (\$1.17) per diluted share, down \$2.16 from FY '15**

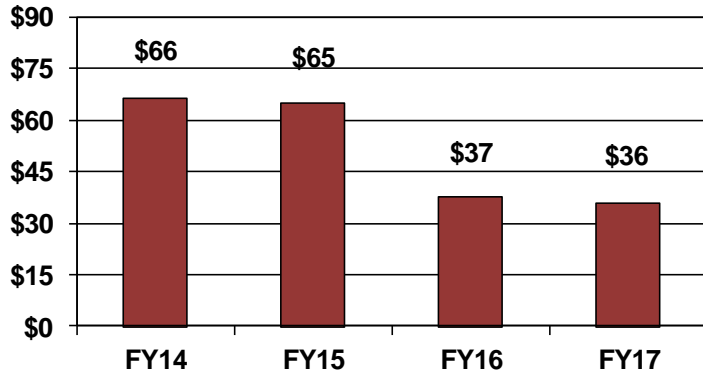
- Loss primarily due to volume decline, along with unfavorable mix.
- FY16 includes restructuring of \$0.9M.
- ME&A spending decreased \$1.2M (11%).



FY17 - 1st Quarter Highlights

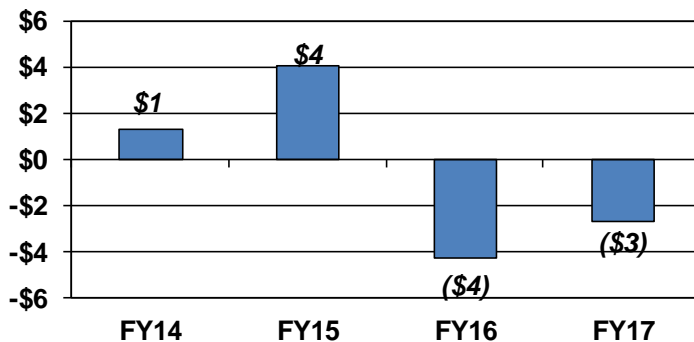
\$ millions

Sales



\$ millions

Net Earnings*



- **Sales down 4% from Q1 of FY '16**
 - No recovery in global O&G demand.
 - Continued softening in Asian commercial marine demand.

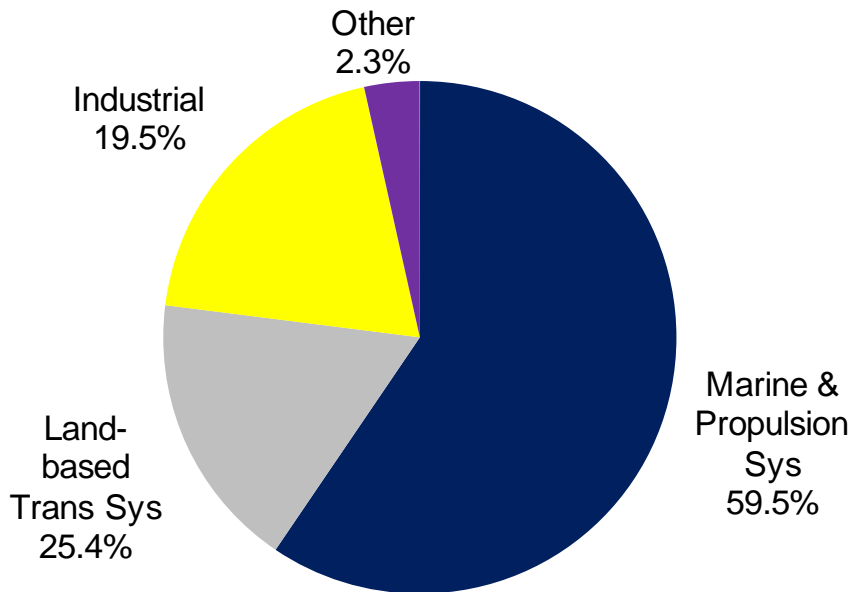
- **\$2.7 million loss, or \$0.24 per diluted share, improved from \$0.39 loss in Q1 FY '16**
 - Positive impact of cost reduction actions taken over past 5 quarters.
 - Gross profit increased 370 basis points to 25.6% despite reduced volume.



Product/Market Diversity

Twin Disc benefits from a broad product offering with diverse market applications.

FY16 Product Mix



- ### Land-Based Transmission
- Pressure pumping (O&G)
 - Airport rescue & fire fighting
 - Military

- ### Marine & Propulsion
- Commercial marine
 - Pleasure craft
 - Patrol boats

- ### Industrial
- North American energy
 - Global irrigation & pumping
 - Environmental & natural resource

- **Pressure Pumping:**

- Achieved record units sales in fiscal '12
- Asian market, driven by China, has become a key source of demand and future growth.
- Severe decline in global oil prices in '15 have caused significant drop in demand.
- Started to ship units to Latin America in fiscal 2014.
- Global markets continue to represent opportunity for above average growth in the long term.

- **Airport Rescue and Fire Fighting (ARFF) & Military:**

- Markets to remain stable with potential for modest growth.
- Continue to develop next generation transmission system for ARFF.



- **Commercial Marine:**

- Fiscal '15 softening in Asia following record years.
- Fiscal '16 – '17 further decline in Asia demand, primarily due to China economy
- European market remains stable but uncertain, likely 2-3 years to recover
- Long term growth in Asia, Latin and North America expected to continue
- New distribution agreement with Veth for Azimuth drives

- **Patrol Boat:**

- Experienced recent growth as demand for coastal security applications has increased globally
- Expect long term growth to continue

- **Pleasure Craft:**

- Market remains at historic lows, some market share gains recently
- EJS™ introduced and Cat® Three60 available
- Likely 5+ years before market recovers to pre-recession levels
- Continue to emphasize technological differentiation



- ***North America Energy Related:***

- After a strong fiscal 2012, shipments and orders were impacted by oversupply in oil & gas markets.
- Slight rebound in early FY15, followed by crash of oil prices.
- Demand will grow as North American oil & gas market strengthens.

- ***Irrigation & Pumping Applications:***

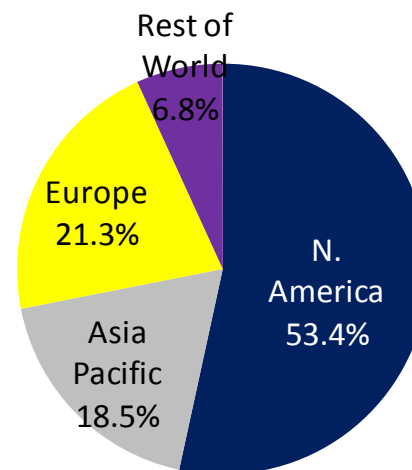
- PTO and industrial gearbox lines drove growth.
- Solid reputation for quality, global service and new product development will continue to produce growth opportunities in the future.



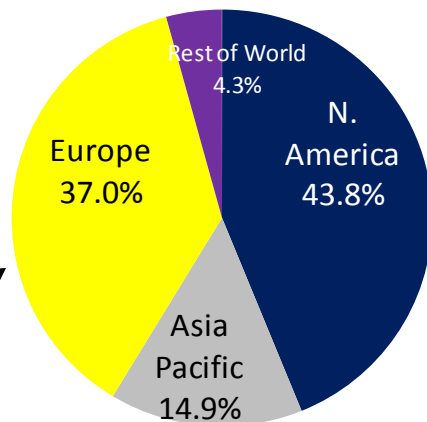
Geographic Diversity

- Sales to Asia Pacific peaked at 29% in FY14, declining through FY16 with reduced O&G and economic downturn in China.
- European segment relatively stable, following pleasure craft downturn in FY10/FY11.
- North American O&G driving decline in FY16.

Q1 FY17



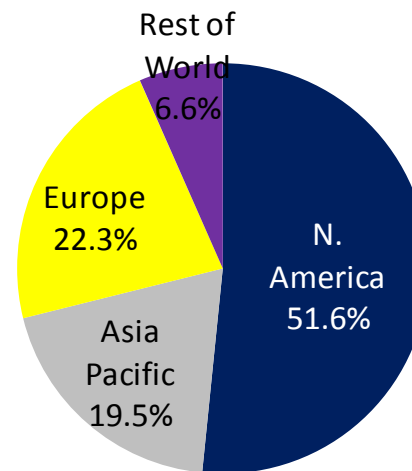
FY2008



Peak of mega yacht market sales



FY2016





Managing Our Cost Structure

Announced \$6 million annualized savings in Q4 FY15

- Response to initial downturn in NA O&G demand
- Primarily Racine-based headcount actions
- \$3.3 million charge recorded in Q4.

Announced additional \$4 million annualized savings in Q2 FY16

- Dramatic drop in Asia Pacific demand middle of Q1.
- Primarily wage and benefit reductions.
- Will continue to evaluate structure/capacity reorganization opportunities.

Ongoing focus on cost reduction

- Additional actions in Q1 and Q2 FY17
- Q1 operating income improvement of \$3 million on reduced sales



Managing Our Cost Structure

Capital Investments

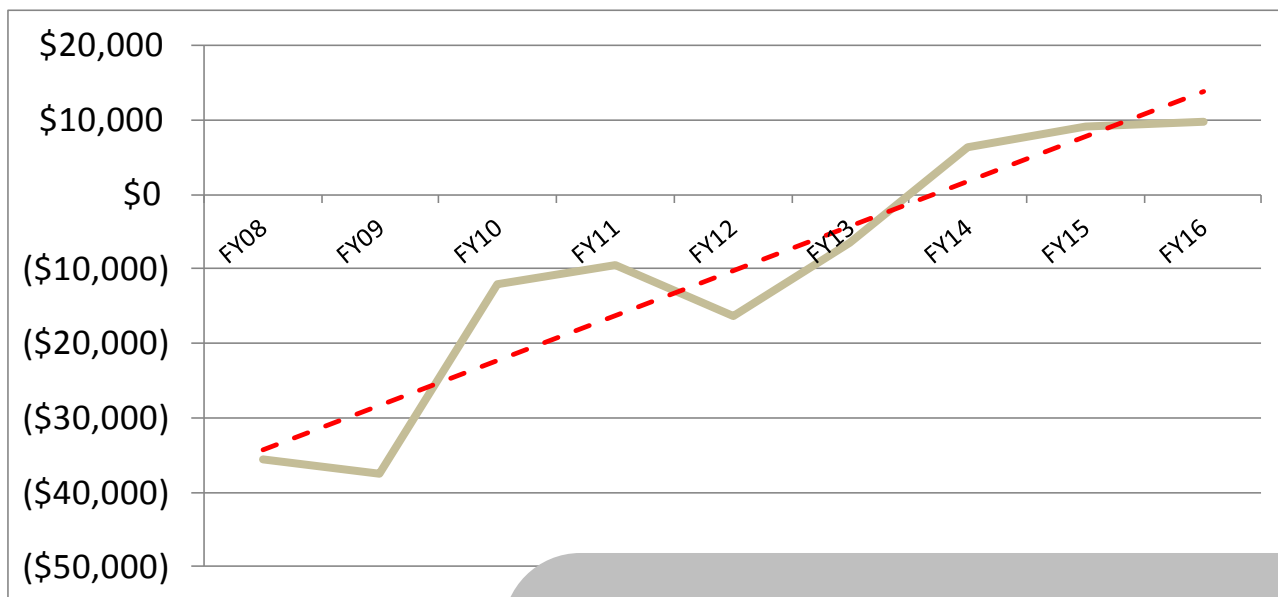
- Investing in core competencies
- Expanding benefit from low cost manufacturing sources
- Nearly \$100 million over past 10 yrs





Managing our Balance Sheet

Improving Net Cash Position



- \$45 million improvement in net cash since fiscal 2008.
- Balance sheet strength for extended downturn or M&A opportunities.



Strategic Focus

Renewed focus on product development activities to drive Industrial product growth.

Sale of non-core NA distribution entities.

- Eliminated 5 locations
- Territories in good hands with long-term partner
- Generated \$5 million of capital for reinvestment

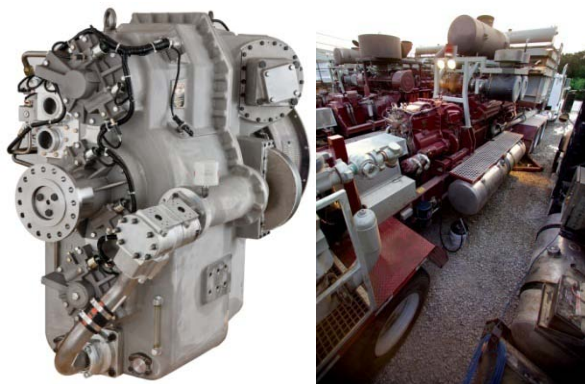
Ongoing efforts to acquire new products/technologies to diversify from O&G.

Remain poised with assets and production capability to benefit from O&G recovery and grow market share.

Technology

– **Oil & Gas**

- 8500 Series
- 7500 Series



– **ARFF**

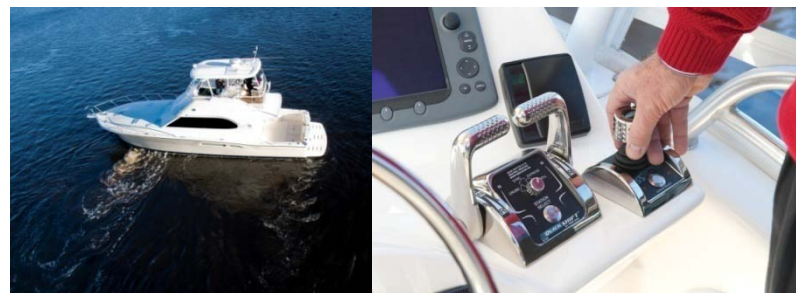
- “Pump & Roll”

– **Military**

- “Legacy” Contracts

– **Marine**

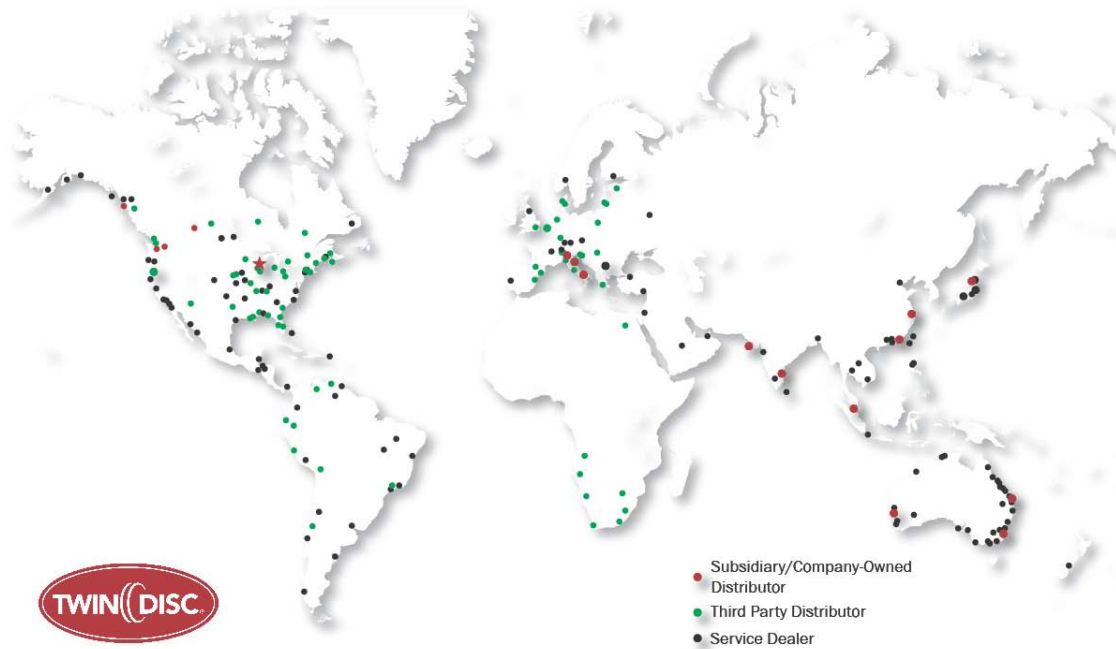
- Patented QuickShift®
- Express Joystick System®



- Dynamic Positioning/DPII
- Rolla CFD

What Differentiates Us?

- 96+ Years of Proven Application Know-How
- Niche Market Focus



- Global Distribution and Service Network
- Product, Market & Geographic Diversity
- Core Manufacturing Capabilities

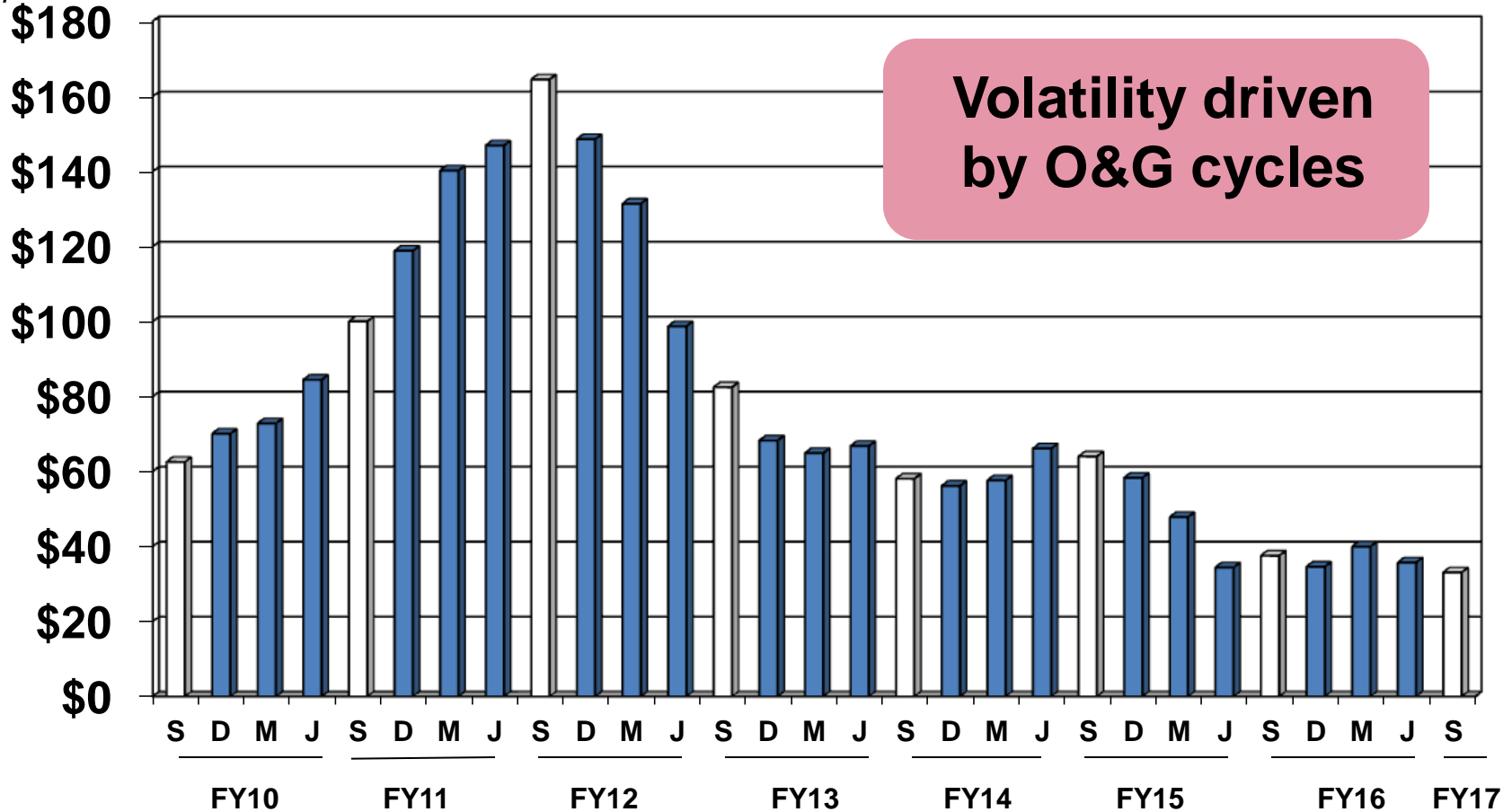


Looking Ahead



Corporate Six Month Backlog

\$ millions





- Anticipate second half of fiscal 2017 volume to remain in line with FY16 second half levels.
- North American Oil & Gas landscape causes difficult near term outlook.
 - No order activity for several quarters.
 - Current signals positive for some near term recovery.
 - Timing of any sustained recovery unpredictable.
 - Intent on maintaining/growing our position in this market.
- Marine markets will remain mixed
 - Asian commercial marine markets experience softening over FY15, worsening in FY16 and into FY17.
 - North American commercial marine (non-O&G) comparatively stable.
 - Global mega yacht market will remain depressed, however opportunity exists for select market share gains.
 - Patrol Boat market will continue to expand in the long-term as coastal security remains a focus around the world.



- ARFF, Military and North American industrial markets are expected to remain stable.
- Global markets will remain mixed
 - European markets will remain challenged in the near term
 - Asia continues to offer significant opportunities for above average growth rates, but experiencing short term market decline in FY16/17.
 - Unpredictable North American pressure pumping market.
- The Company is well-positioned to grow as end markets recover and remains focused on providing innovative and differentiating product and market development projects.
- Continue to focus on strategic product line and technology expansion opportunities (organic and acquisitive).



Appendices

Corporate Profile – Market Diversity

Pleasure Craft Market:

- **Target Markets:** High speed planing and displacement yachts from 50' to 150', diesel-powered
- **Products:** Transmissions, Arneson Surface Drives, Propellers, Steering/Thruster/Trim Systems, Controls, EJS
- **Channels:** Engine OEMs & dealers, & boat builders
- **Customers:** CAT, Cummins, MAN, MTU, Volvo / Azimut, Viking, Hatteras, Ferretti, Maritimo, Palmer Johnson, Riviera, Sanlorenzo, Sunseeker
- **Competition:** ZF, Reintjes / Kamewa / Side Power, Ultraflex, Veem



Corporate Profile – Market Diversity

Work Boat Market:

- **Target Markets:** planing and displacement vessels from 30' to 250', diesel-powered
- **Products:** Transmissions, Propellers, MCD's, Controls
- **Channels:** Engine OEMs & dealers, boat builders & distribution
- **Customers:** CAT, Cummins, IVECO, Mitsubishi, Volvo / Damen / Sewart Supply (operators: Seacor, Tidewater, Groupe Bourbon, Kirby, Ingram)
- **Competition:** ZF, Reintjes / Kamewa, Hamilton



Corporate Profile – Market Diversity

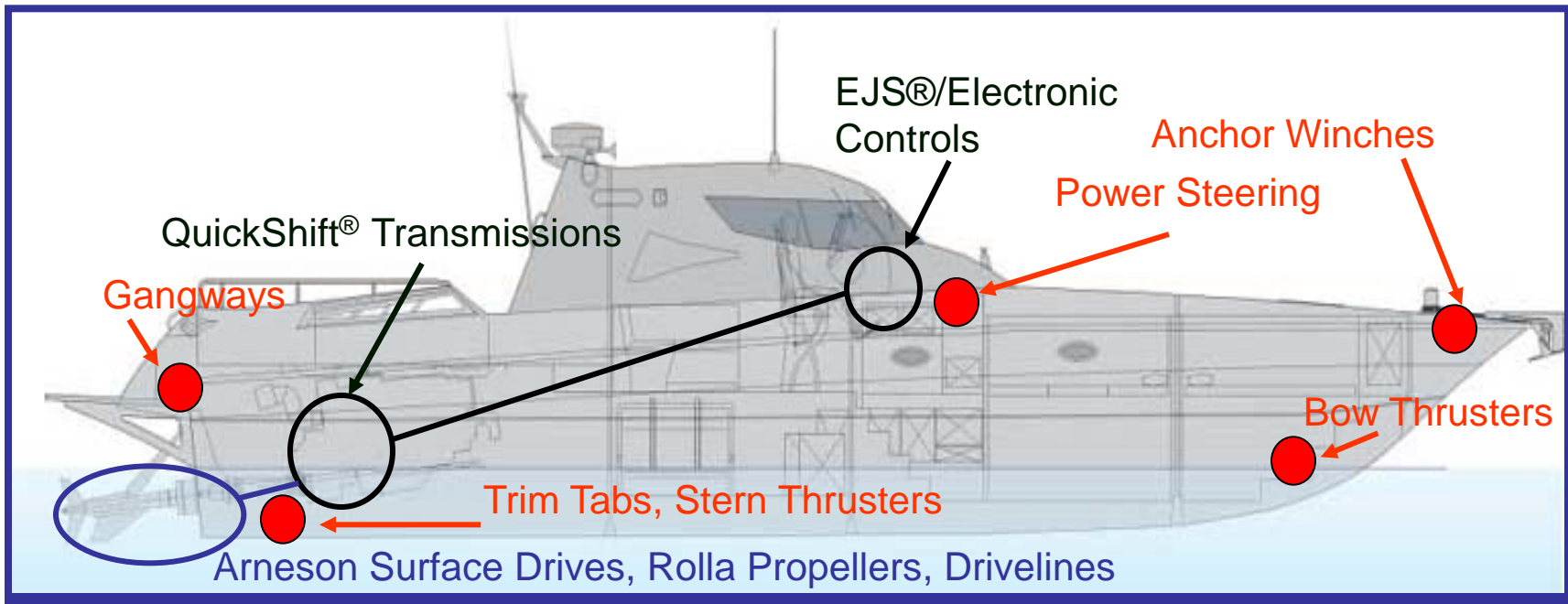
Patrol Boat Market:

- **Target Markets:** military, patrol and coast guard vessels from 30' to 90', diesel-powered
- **Products:** Transmissions, Arneson Surface Drives, Propellers, Steering/Thruster/Trim Systems, Controls, EJS
- **Channels:** Engine OEMs & dealers, Government agencies & boat builders
- **Customers:** CAT, CMD, MAN, MTU, Volvo / Indian Navy/Coast Guard, Israeli Navy, Turkish Coast Guard, USCG, US Navy, RCMP
- **Competition:** ZF / Kamewa / Veem



Corporate Profile – Market Diversity

Marine Transmissions, Propulsion & Boat Management Systems



We have been successful “packaging” more marine products

- **Increasing content and value on each vessel**
- **Working directly with the shipyards**
- **Industry expert on vessel performance and handling**

Corporate Profile – Market Diversity

Industrial Products:

- **Target Market:** Heavy duty industrial disconnect applications
- **Products:** Mechanical & hydraulic clutches, PTOs, reduction gearboxes & pump mount drives, 100 - 2,500 HP
- **Channels:** Distribution & OEMs
- **Customers:** Bandit, Morbark, Peterson Pacific / CAT, Cummins & engine dealers
- **Competitors:** Funk, NACD, PT Tech, Stiebel, Transfluid, WPT



Corporate Profile – Market Diversity

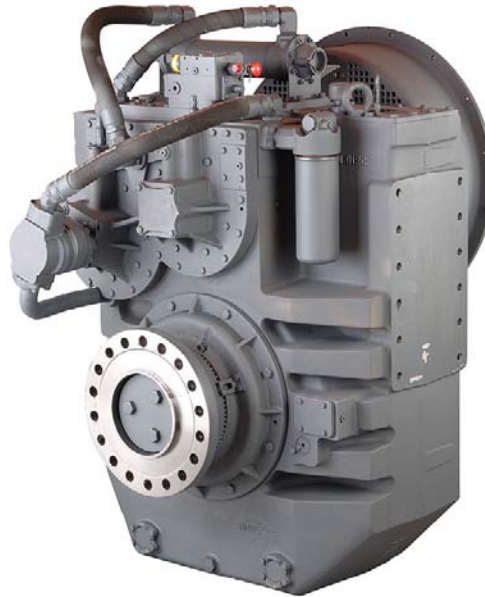
Industrial Transmissions:

- **Target Market:** Off-highway and all-terrain specialty vehicles, diesel powered
- **Products:** Powertrain components - 400 to 3,000 HP
- **Channel:** OEM vehicle mfrs. & Distribution
- **Customers:** BAE, Rosenbauer, Oshkosh, Tatra / BJ Services, FTSI, CalFrac, NOV, MG Bryan, Trican, Tai'an, Yantai Jerih, & SJ Petro
- **Competitors:** Allison, Cat, ZF





**Marine Transmission
MGX 5065
270hp – 570hp**



**Marine Transmission
MGX 5600
1300hp – 2100hp**



**Marine Control Drive
(MCD)
5 Models
215hp – 6035hp**



ARNESON
BY TWIN DISC

Surface Drive



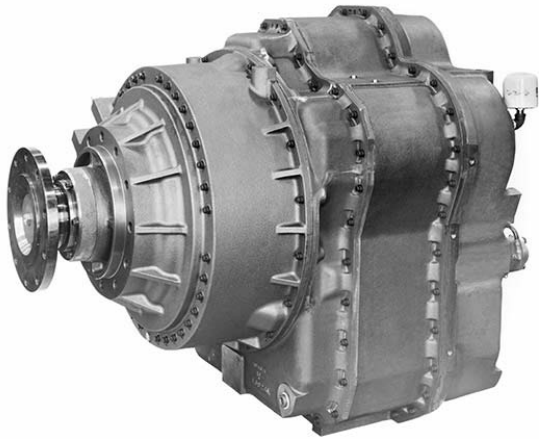
ROLLATM
A Twin Disc Company



**Controls
EC 300**



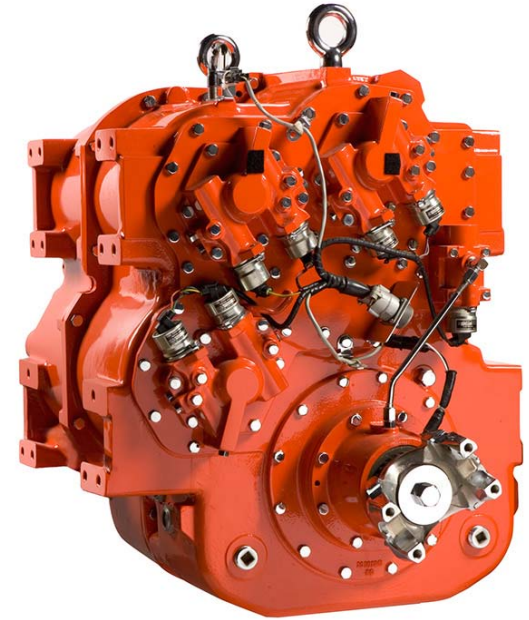
Express Joystick



TA90-8501
Fracing Transmission
3000hp (2300kW)



TA90-7500
Fracing Transmission
2600hp (1939kW)



TD61-1180
ARFF Transmission
705hp (526kW)



**Power Take-Off
HP1200
Released 3/16**



**Power Take-Off
SP314**



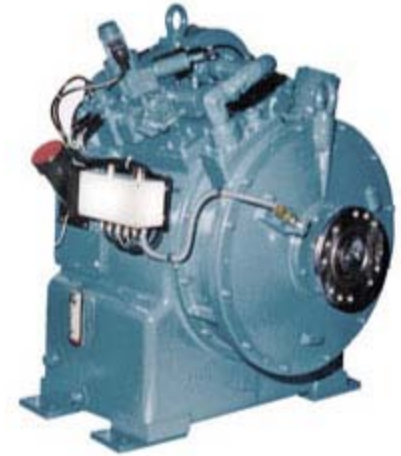
**Pump Drive
AM370**



Clutch



Gear Box



**Universal Control
Drive**

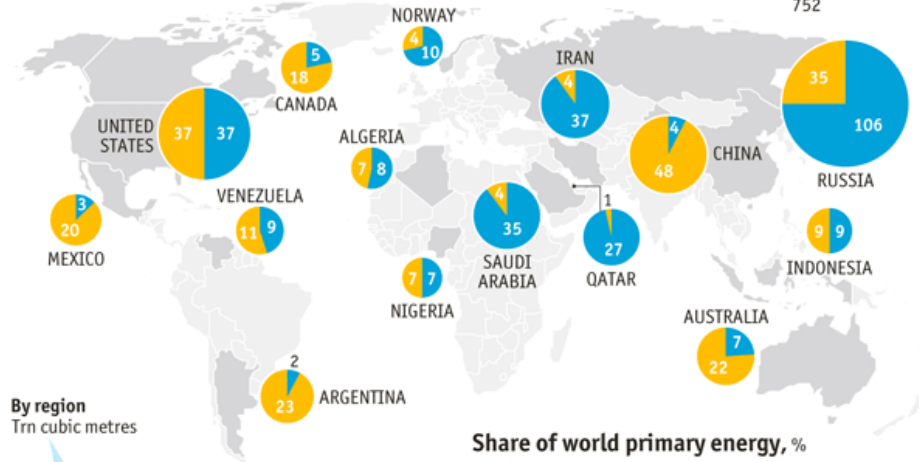


Land-Based Products

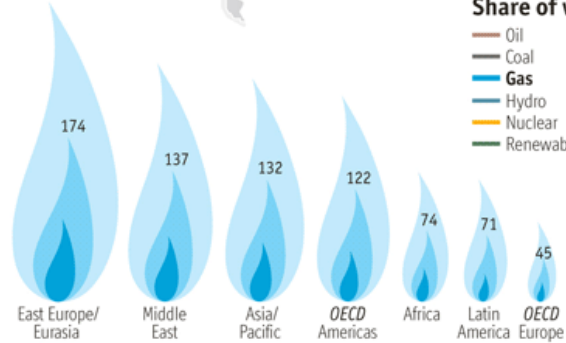
Pressure Pumping

Remaining recoverable natural-gas resources
Top 15 countries, end 2011, trn cubic metres

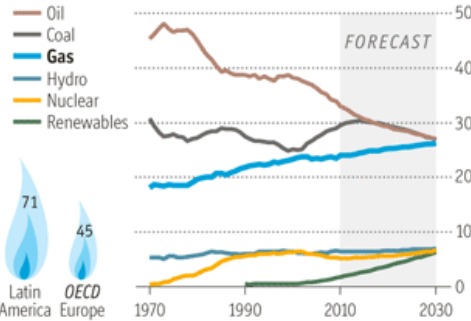
Unconventional Conventional
World total 752



By region
Trn cubic metres

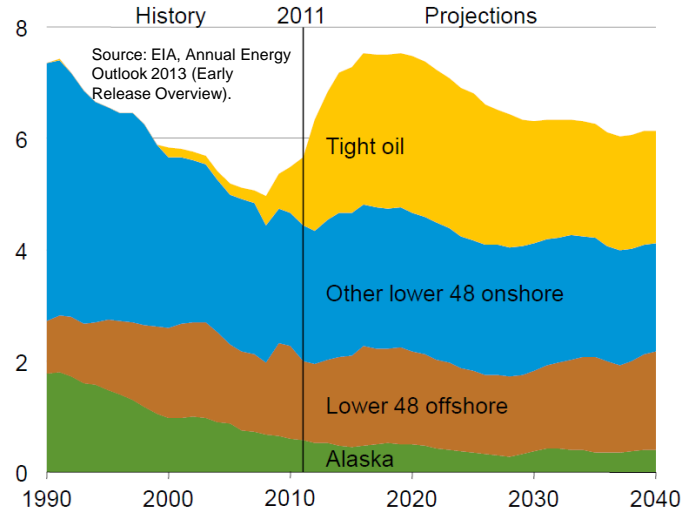


Share of world primary energy, %

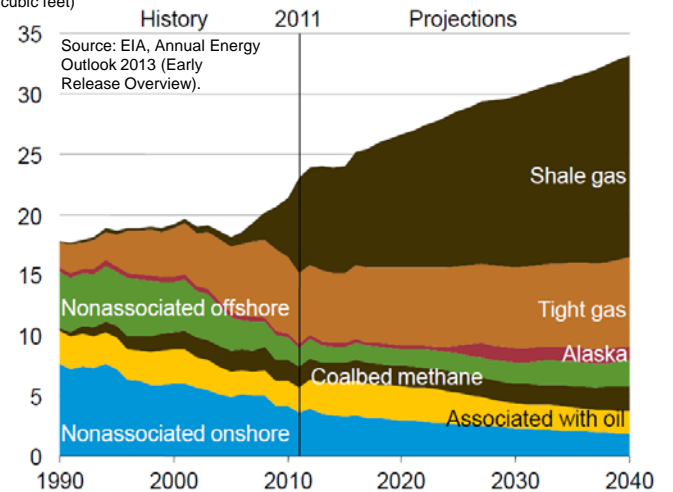


Sources: International Energy Agency; BP

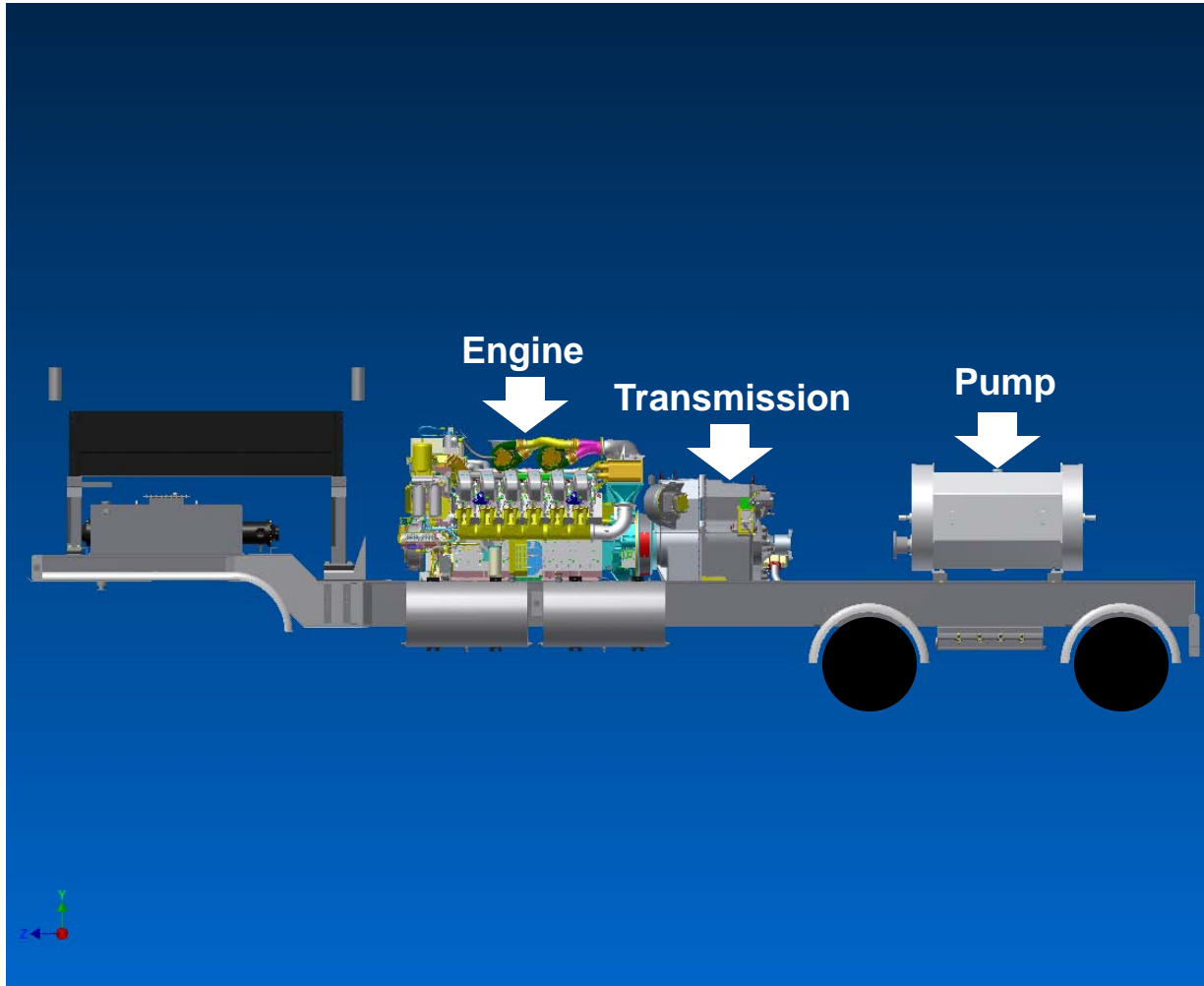
U.S. domestic crude oil production by source, 1990-2040
(million barrels per day)



U.S. dry natural gas production by source, 1990-2040
(trillion cubic feet)

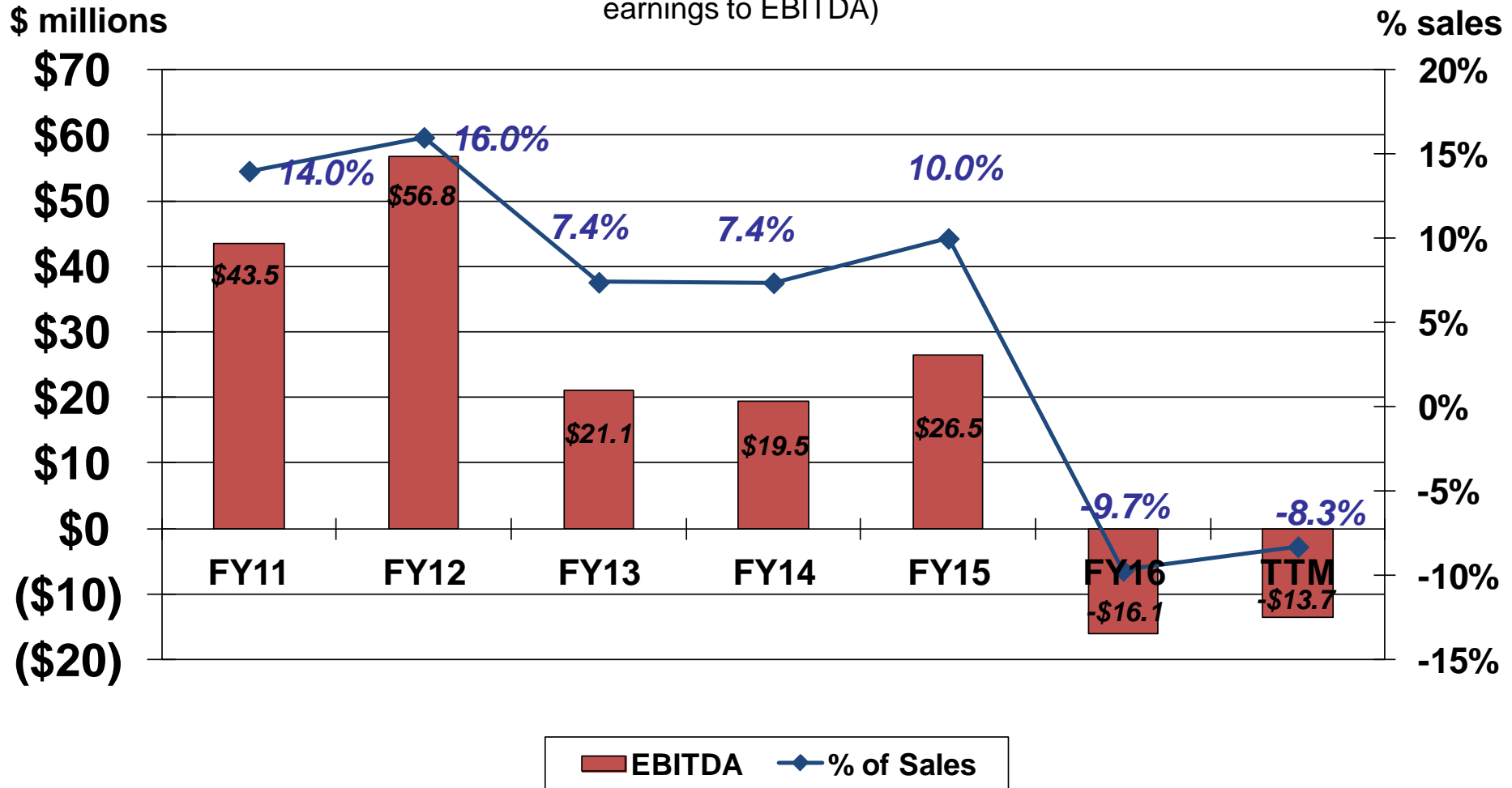


Frac Rig Diagram



EBITDA

(See Appendices IX & X for note on non-GAAP Financial Disclosures and a reconciliation of net earnings to EBITDA)



* See Appendix XI for reconciliation of TTM figures to reported figures.



Non-GAAP Financial Disclosures

Non-GAAP Financial Disclosures

Financial information excluding the impact of certain significant items in this presentation 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 presentation are made alongside the most directly comparable GAAP measures.

Definition - Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)

The sum of, net earnings and adding back provision for income taxes, interest expense, depreciations and amortization expenses: this is a financial measure of the profit generated excluding the above mentioned items.



Reconciliation of Net Earnings to EBITDA

in \$ thousands, except % data

	TTM	2016	2015	2014	2013	2012	2011
Net Earnings	\$ (11,477)	\$ (13,104)	\$ 11,173	\$ 3,644	\$ 3,882	\$ 26,743	\$ 17,997
Income Taxes	(11,126)	(12,282)	4,515	4,226	4,986	17,815	13,897
Interest Expense	388	426	606	936	1,435	1,475	1,719
Depreciation & Amortization	8,542	8,847	10,161	10,657	10,838	10,756	9,904
Earnings before interest, taxes, depreciation and amortization	\$ (13,673)	\$ (16,113)	\$ 26,455	\$ 19,463	\$ 21,141	\$ 56,789	\$ 43,517
Net Sales	\$ 164,744	\$ 166,282	\$ 265,790	\$ 263,909	\$ 285,282	\$ 355,870	\$ 310,393
EBITDA as a % of Sales	-8.3%	-9.7%	10.0%	7.4%	7.4%	16.0%	14.0%

* See Appendix XI for reconciliation of TTM figures to reported figures.

NOTE: 2011 and 2012 fiscal year figures have been revised. See Footnote A in the Company's Form 10K for the period ending June 30, 2013.



Reconciliation of TTM Data to Reported Quarterly Figures

	<u>FY 11**</u>	<u>FY 12**</u>	<u>FY 13**</u>	<u>FY 14**</u>	<u>FY15**</u>	<u>Q1 '16*</u>	<u>Q2 '16*</u>	<u>Q3 '16*</u>	<u>Q4 '16*</u>	<u>FY16</u>	<u>Q1 '17*</u>	<u>TTM</u>
Sales	\$310,393	\$355,870	\$285,282	\$263,909	\$265,790	\$ 37,373	\$ 44,829	\$ 41,434	\$ 42,646	\$ 166,282	\$ 35,835	\$ 164,744
Gross Profit	107,683	121,632	80,025	77,254	83,032	8,190	11,606	9,618	11,181	40,595	9,173	41,578
ME&A	72,967	76,761	70,012	68,367	65,127	15,240	14,592	14,072	13,208	57,112	12,475	54,347
Operating Income	34,716	44,871	10,013	8,887	17,905	(6,550)	(3,557)	(4,726)	(9,763)	(24,596)	(3,560)	(21,606)
Interest Exp	1,719	1,475	1,435	936	606	91	109	156	70	426	53	388
Net Earnings	17,997	26,743	3,882	3,644	11,173	(4,323)	(2,301)	(963)	(5,517)	(13,104)	(2,696)	(11,477)
EPS, Diluted	\$ 1.57	\$ 2.31	\$ 0.34	\$ 0.32	\$ 0.99	\$ (0.39)	\$ (0.21)	\$ (0.09)	\$ (0.48)	\$ (1.17)	\$ (0.24)	\$ (1.02)
EPS, Basic	\$ 1.59	\$ 2.34	\$ 0.34	\$ 0.32	\$ 0.99	\$ (0.39)	\$ (0.21)	\$ (0.09)	\$ (0.48)	\$ (1.17)	\$ (0.24)	\$ (1.02)
CAPEX	12,028	13,733	6,582	7,245	9,049	1,403	1,473	678	660	4,214	201	3,012
Deprec.	9,904	10,756	10,838	10,657	10,161	2,221	2,202	2,213	2,211	8,847	1,916	8,542
Oper Cash Flow	13,860	14,444	24,476	25,749	17,060	(2,372)	(2,077)	(886)	8,726	3,391	(2,985)	2,778
Dividends	3,411	3,886	4,079	4,059	4,061	1,019	1,022	-	-	2,041	-	1,022
					-					-		-
Pretax Income	32,029	44,756	9,237	8,096	15,900	(6,483)	(3,897)	(5,069)	(9,846)	(25,295)	(3,723)	(22,535)
Taxes	13,897	17,815	4,986	4,226	4,515	(2,208)	(1,608)	(4,138)	(4,328)	(12,282)	(1,052)	(11,126)

* Quarterly Data is from the Company's unaudited quarterly Form 10-Q filings with the SEC.

** Annual Data is from the Company's audited Form 10-K filing with the SEC.

NOTE: 2011 and 2012 fiscal year figures have been revised. See Footnote A in the Company's Form 10K for the period ending June 30, 2013.



Fiscal Year Condensed Consolidated Statements of Operations

(\$ thousands, per Form 10-K)	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Sales	\$ 166,282	\$ 265,790	\$ 263,909	\$ 285,282	\$ 355,870	\$ 310,393
Gross Profit	40,595 24.4%	83,032 31.2%	77,254 29.3%	80,025 28.1%	121,632 34.2%	107,683 34.7%
MEA Expense	57,113 34.3%	64,264 24.2%	67,406 25.5%	67,899 23.8%	73,091 20.5%	72,967 23.5%
Restructuring/Impairment	8,523	3,282	961	2,113	3,670	-
Interest Expense	426	606	936	1,435	1,475	1,719
Misc. Exp/(Inc)	<u>(172)</u>	<u>(1,020)</u>	<u>(145)</u>	<u>(659)</u>	<u>(1,360)</u>	<u>968</u>
Pretax Earnings	(25,295)	15,900	8,096	9,237	44,756	32,029
Income Taxes	(12,282)	4,515	4,226	4,986	17,815	13,897
Minority Interest	<u>(91)</u>	<u>(212)</u>	<u>(226)</u>	<u>(369)</u>	<u>(198)</u>	<u>(135)</u>
Net Earnings	<u>\$ (13,104)</u>	<u>\$ 11,173</u>	<u>\$ 3,644</u>	<u>\$ 3,882</u>	<u>\$ 26,743</u>	<u>\$ 17,997</u>
EBITDA	\$ (16,113)	\$ 26,455	\$ 19,463	\$ 21,141	\$ 56,789	\$ 43,517
DILUTED EPS	\$ (1.17)	\$ 0.99	\$ 0.32	\$ 0.34	\$ 2.31	\$ 1.57

NOTE: 2011 and 2012 fiscal year figures have been revised. See Footnote A in the Company's Form 10K for the period ending June 30, 2013.

1st Fiscal Quarter: Condensed Consolidated Statements of Operations

(\$ thousands, unaudited)	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Sales	\$ 35,835	\$ 37,373	\$ 64,824	\$ 66,426	\$ 68,793
Gross Profit	9,173 25.6%	8,190 21.9%	22,389 34.5%	20,667 31.1%	19,416 28.2%
MEA Expense	12,475 34.8%	15,240 40.8%	15,910 24.5%	15,517 23.4%	16,620 24.2%
Restructuring of Operations	258	(500)	-	1,094	-
Interest Expense	53	91	164	254	306
Misc. Exp/(Inc)	110	(158)	(340)	(34)	127
Pretax Earnings	(3,723)	(6,483)	6,655	3,836	2,363
Income Taxes	(1,052)	(2,208)	2,593	2,472	1,097
Minority Interest	(25)	(48)	(19)	(87)	(35)
Net Earnings	<u>\$ (2,696)</u>	<u>\$ (4,323)</u>	<u>\$ 4,043</u>	<u>\$ 1,277</u>	<u>\$ 1,231</u>

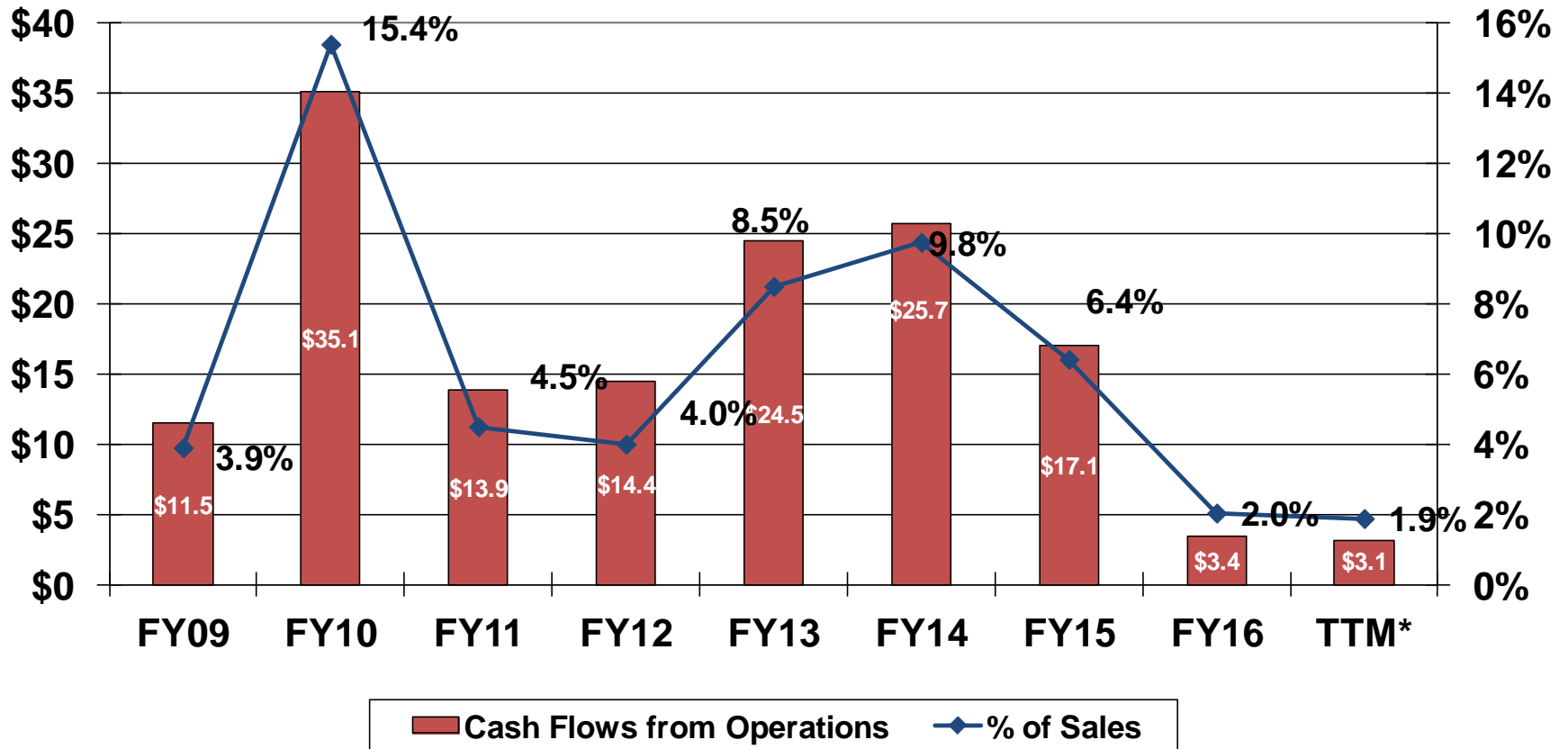
NOTE: 2011 and 2012 fiscal year figures have been revised. See Footnote A in the Company's Form 10K for the period ending June 30, 2013.



Operating Cash Flows – Fiscal Year

\$ millions

% sales



* See Appendix X for reconciliation of TTM figures to reported figures.



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