

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

Current Report Pursuant to Section 13 or 15(d) of
The Securities Exchange Act of 1934

Date of Report (Date of Earliest Event Reported) **January 31, 2017**

TWIN DISC, INCORPORATED

(exact name of registrant as specified in its charter)

WISCONSIN

001-7635

39-0667110

(State or other jurisdiction
of incorporation)

(Commission
File Number)

(IRS Employer
Identification No.)

1328 Racine Street **Racine, Wisconsin 53403**

(Address of principal executive offices)

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

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 2.02 Results of Operations and Financial Condition

The Company has reported its second quarter 2017 financial results. The Company's press release dated January 31, 2017 announcing the results is attached hereto as Exhibit 99.1 and is incorporated herein in its entirety by reference.

The information set forth in this Item 2.02 of Form 8-K, including Exhibit 99.1, is furnished pursuant to Item 2.02 and shall not be deemed "filed" for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to the liabilities of that section, nor shall such information be deemed incorporated by reference in any filing under the Securities Act of 1933 or the Exchange Act, except as shall be expressly set forth by specific reference in such a filing.

Item 7.01 Regulation FD Disclosure

The information set forth under Item 2.02 of this report is incorporated herein by reference solely for the purposes of this Item 7.01.

The information set forth in this Item 7.01 of Form 8-K is furnished pursuant to Item 7.01 and shall not be deemed "filed" for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to the liabilities of that section, nor shall such information be deemed incorporated by reference in any filing under the Securities Act of 1933 or the Exchange Act, except as shall be expressly set forth by specific reference in such a filing.

FORWARD LOOKING STATEMENTS

The disclosures in this report on Form 8-K and in the documents incorporated herein by reference contain or may contain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. The words "believes," "expects," "intends," "plans," "anticipates," "hopes," "likely," "will," and similar expressions identify such forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause the actual results, performance or achievements of the Company (or entities in which the Company has interests), or industry results, to differ materially from future results, performance or achievements expressed or implied by such forward-looking statements. Certain factors that could cause the Company's actual future results to differ materially from those discussed are noted in connection with such statements, but other unanticipated factors could arise. Readers are cautioned not to place undue reliance on these forward-looking statements which reflect management's view only as of the date of this Form 8-K. The Company undertakes no obligation to publicly release any revisions to these forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events, conditions or circumstances.

Item 9.01 Financial Statements and Exhibits

(c) Exhibits

EXHIBIT NUMBER	DESCRIPTION
99.1	Press Release announcing second quarter 2017 financial results.

SIGNATURE

Pursuant to the requirements of section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: January 31, 2017

Twin Disc, Inc.
/s/ DEBBIE A. LANGE
Debbie A. Lange
Corporate Controller
Chief Accounting Officer

**NEWS RELEASE**

**Corporate Offices:
1328 Racine Street
Racine, WI 53403**

FOR IMMEDIATE RELEASE

Contact: Jeffrey S. Knutson
(262) 638-4242

**TWIN DISC, INC. ANNOUNCES FISCAL 2017
SECOND QUARTER FINANCIAL RESULTS**

- Initiatives to Improve Operating and Financial Efficiencies Paying Off
 - Positive Operating Cash Flow in Second Quarter
- Gross Profit Percent Improves 70 Basis Points on Lower Sales versus Q2 FY16

RACINE, WISCONSIN — January 31, 2017 — **Twin Disc, Inc. (NASDAQ: TWIN)**, today reported financial results for the fiscal 2017 second quarter and first half ended December 30, 2016.

Sales for the fiscal 2017 second quarter were \$33,672,000, compared to \$44,829,000 for the same period last year. Year-to-date sales were \$69,507,000, compared to \$82,201,000 for the fiscal 2016 first half. The sales decline for both the fiscal 2017 second quarter and first half was primarily the result of softening demand in Asia for the Company's commercial marine products, an ongoing domestic supplier transition issue delaying shipments, a reduction in global demand for industrial products and a decline in volume related to the Company's oil and gas products.

Commenting on the results, John H. Batten, President and Chief Executive Officer, said: "Challenging market conditions continued throughout the fiscal 2017 second quarter. However, the initiatives we have implemented to improve operating and financial efficiencies have helped us navigate a weak environment across many of our end markets. We generated positive operating cash flow in the fiscal 2017 second quarter, despite a 24.9 percent decline in sales compared to the same period last fiscal year. We remain focused on proactively adjusting our cost structure for changes in demand, working with customers to provide exceptional service, and developing next generation products that will drive higher market share once our markets recover. As oil and gas prices have stabilized and started to slowly improve, we are cautiously optimistic that demand in the oil and gas market, as well as adjacent markets in which we operate, will begin to benefit our results in the second half of fiscal 2017."

Gross margin for the fiscal 2017 second quarter was 26.6 percent, compared to 25.9 percent for the same period last year. The 70 basis point increase in gross profit percent for the fiscal 2017 second quarter was primarily due to improved operating efficiencies and a global reduction in fixed manufacturing costs, along with a foreign property tax refund (\$793,000), which more than offset the impact of lower volumes. Year-to-date, gross margin was 26.1 percent compared to 24.1 percent for the fiscal 2016 first half.

For the fiscal 2017 second quarter, marketing, engineering and administrative (ME&A) expenses declined \$2,032,000 to \$12,560,000. The 13.9 percent decline in ME&A expenses in the quarter was primarily due to cost reduction actions taken over the past five quarters, along with reduced pension expense and reduced spending on corporate development. Year-to-date, ME&A expenses have declined \$4,798,000, or 16.1 percent, to \$25,035,000, compared to the same period last fiscal year.

During the fiscal 2017 second quarter, the Company recorded restructuring charges of \$816,000, bringing the first half restructuring charges to \$1,074,000. These restructuring activities related to headcount reductions at certain of the Company's domestic and foreign operations.

The fiscal 2017 first half effective tax rate was 28.8 percent, compared to the fiscal 2016 first half rate of 36.8 percent. The decrease in the fiscal 2017 effective tax rate was primarily a function of an adjustment to foreign tax credits.

Net loss attributable to Twin Disc for the fiscal 2017 second quarter was (\$2,912,000), or (\$0.26) per share, compared to a net loss attributable to Twin Disc of (\$2,301,000), or (\$0.21) per share, for the fiscal 2016 second quarter. Year-to-date, the net loss attributable to Twin Disc was (\$5,608,000), or (\$0.50) per share, compared to a net loss attributable to Twin Disc of (\$6,624,000), or (\$0.59) per share for the fiscal 2016 first half.

Earnings (loss) before interest, taxes, depreciation and amortization (EBITDA)* were (\$2,227,000) for the fiscal 2017 second quarter, compared to (\$1,598,000) for the fiscal 2016 second quarter. For the fiscal 2017 first half, EBITDA was (\$4,006,000), compared to (\$5,818,000) for the fiscal 2016 comparable period.

Jeffrey S. Knutson, Vice President – Finance, Chief Financial Officer, Treasurer and Secretary, stated: “We generated \$222,000 of operating cash flow in the quarter, primarily through improvements in working capital. Working capital at December 30, 2016, was \$80,483,000, compared to \$88,904,000, at June 30, 2016, and \$85,600,000 at December 25, 2015. At December 30, 2016, the Company had \$12,991,000 in cash and \$7,782,000 of borrowings drawn under our \$40,000,000 revolving credit facility. Year-to-date, we have invested \$1,094,000 in capital expenditures and expect to invest approximately \$3,000,000 to \$5,000,000 in capital expenditures this fiscal year. Our strong balance sheet and reduced capital requirements position the company to navigate this challenging cycle, while ensuring we can quickly ramp up investments in working capital once our markets start to improve.”

Mr. Batten concluded: “Our six-month backlog at December 30, 2016 was \$37,974,000 compared to \$35,709,000 at June 30, 2016 and \$34,604,000 at December 25, 2015. The company's backlog has started to improve and is the highest level in past three quarters. In addition, we received our first order for new oil and gas transmissions in over two years in the quarter, and continue to experience increased quoting activity on new projects. While these are encouraging signs, we need to experience sustained demand and building momentum before we declare a turn in the oil and gas market cycle. With this said, our operations and financial results are well positioned to benefit when demand in the oil and gas market does improve.”

Twin Disc will be hosting a conference call to discuss these results and to answer questions at 11:00 a.m. Eastern Time on Tuesday, January 31, 2017. To participate in the conference call, please dial 888-297-0358 five to ten minutes before the call is scheduled to begin. A replay will be available from 2:00 p.m. January 31, 2017 until midnight February 7, 2017. The number to hear the teleconference replay is 844-512-2921. The access code for the replay is 5349598.

The conference call will also be broadcast live over the Internet. To listen to the call via the Internet, access Twin Disc's website at <http://ir.twindisc.com/index.cfm> and follow the instructions at the web cast link. The archived webcast will be available shortly after the call on the Company's website.

About Twin Disc, Inc.

Twin Disc, Inc. designs, manufactures and sells marine and heavy-duty off-highway power transmission equipment. Products offered include: marine transmissions, surface drives, propellers and boat management systems, as well as power-shift transmissions, hydraulic torque converters, power take-offs, industrial clutches and control systems. The Company sells its products to customers primarily in the pleasure craft, commercial and military marine markets, as well as in the energy and natural resources, government and industrial markets. The Company's worldwide sales to both domestic and foreign customers are transacted through a direct sales force and a distributor network.

Forward-Looking Statements

This press release may contain statements that are forward looking as defined by the Securities and Exchange Commission in its rules, regulations and releases. The Company intends that such forward-looking statements be subject to the safe harbors created thereby. All forward-looking statements are based on current expectations regarding important risk factors including those identified in the Company's most recent periodic report and other filings with the Securities and Exchange Commission. Accordingly, actual results may differ materially from those expressed in the forward-looking statements, and the making of such statements should not be regarded as a representation by the Company or any other person that the results expressed therein will be achieved.

*Non-GAAP Financial Disclosures

Financial information excluding the impact of asset impairments, restructuring charges, foreign currency exchange rate changes and the impact of acquisitions, if any, in this press release 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 press release 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, depreciation and amortization expenses: this is a financial measure of the profit generated excluding the above mentioned items.

--Financial Results Follow--

**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND
COMPREHENSIVE LOSS**

(In thousands, except per-share data; unaudited)

	Quarter Ended		Two Quarters Ended	
	Dec. 30, 2016	Dec. 25, 2015	Dec. 30, 2016	Dec. 25, 2015
Net sales	\$ 33,672	\$ 44,829	\$ 69,507	\$ 82,201
Cost of goods sold	24,723	33,223	51,385	62,406
Gross profit	8,949	11,606	18,122	19,795
Marketing, engineering and administrative expenses	12,560	14,592	25,035	29,833
Restructuring of operations	816	515	1,074	515
Other operating expense (income)	-	56	-	(445)
Loss from operations	(4,427)	(3,557)	(7,987)	(10,108)
Interest expense	122	109	175	200
Other expense (income), net	(456)	231	(346)	73
Loss before income taxes and noncontrolling interest	(4,093)	(3,897)	(7,816)	(10,381)
Income tax benefit	(1,201)	(1,608)	(2,253)	(3,817)
Net loss	(2,892)	(2,289)	(5,563)	(6,564)
Less: Net earnings attributable to noncontrolling interest, net of tax	(20)	(12)	(45)	(60)
Net loss attributable to Twin Disc	<u>\$ (2,912)</u>	<u>\$ (2,301)</u>	<u>\$ (5,608)</u>	<u>\$ (6,624)</u>
Loss per share data:				
Basic loss per share attributable to Twin Disc common shareholders	\$ (0.26)	\$ (0.21)	\$ (0.50)	\$ (0.59)
Diluted loss per share attributable to Twin Disc common shareholders	\$ (0.26)	\$ (0.21)	\$ (0.50)	\$ (0.59)
Weighted average shares outstanding data:				
Basic	11,242	11,197	11,231	11,196
Diluted	11,242	11,197	11,231	11,196
Dividends per share	\$ 0.00	\$ 0.09	\$ 0.00	\$ 0.18
Comprehensive loss:				
Net loss	\$ (2,892)	\$ (2,289)	\$ (5,563)	\$ (6,564)
Benefit plan adjustments, net of taxes of \$399, \$465, \$798, and \$891, respectively	750	805	1,422	1,544
Foreign currency translation adjustment	(4,198)	(2,316)	(3,515)	(4,128)
Comprehensive loss	(6,340)	(3,800)	(7,656)	(9,148)
Less: Comprehensive income attributable to noncontrolling interest	(31)	(19)	(112)	(48)
Comprehensive loss attributable to Twin Disc	<u>\$ (6,371)</u>	<u>\$ (3,819)</u>	<u>\$ (7,768)</u>	<u>\$ (9,196)</u>

CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except per-share data; unaudited)

	December 30, 2016	June 30, 2016
ASSETS		
Current assets:		
Cash	\$ 12,991	\$ 18,273
Trade accounts receivable, net	22,727	25,363
Inventories	64,529	66,569
Prepaid expenses	7,182	7,353
Other	7,272	7,477
Total current assets	114,701	125,035
Property, plant and equipment, net	48,590	51,665
Deferred income taxes	28,003	25,870
Goodwill, net	4,999	5,120
Intangible assets, net	2,006	2,164
Other assets	4,123	4,068
TOTAL ASSETS	\$ 202,422	\$ 213,922
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	\$ 13,865	\$ 14,716
Accrued liabilities	20,353	21,415
Total current liabilities	34,218	36,131
Long-term debt	7,782	8,501
Accrued retirement benefits	47,888	48,705
Deferred income taxes	784	827
Other long-term liabilities	2,029	2,705
Total liabilities	92,701	96,869
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	9,609	11,761
Retained earnings	170,054	175,662
Accumulated other comprehensive loss	(46,302)	(44,143)
	133,361	143,280
Less treasury stock, at cost (1,580,335 and 1,749,294 shares, respectively)	24,205	26,790
Total Twin Disc shareholders' equity	109,156	116,490
Noncontrolling interest	565	563
Total equity	109,721	117,053
TOTAL LIABILITIES AND EQUITY	\$ 202,422	\$ 213,922

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands; unaudited)

	Two Quarters Ended	
	December 30, 2016	December 25, 2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (5,563)	\$ (6,564)
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation and amortization	3,680	4,423
Restructuring expenses	174	442
Provision for deferred income taxes	(2,580)	(3,866)
Stock compensation expense and other non-cash changes, net	720	720
Net change in operating assets and liabilities	1,130	396
Net cash used by operating activities	<u>(2,439)</u>	<u>(4,449)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of business	-	3,500
Proceeds from life insurance policy	-	1,907
Acquisitions of fixed assets	(1,094)	(2,876)
Proceeds from sale of fixed assets	9	80
Other, net	(129)	(271)
Net cash (used) provided by investing activities	<u>(1,214)</u>	<u>2,340</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Borrowings under revolving loan agreement	26,948	42,012
Repayments under revolving loan agreement	(27,666)	(38,455)
Proceeds from exercise of stock options	-	12
Dividends paid to shareholders	-	(2,041)
Dividends paid to noncontrolling interest	(109)	(192)
Excess tax (shortfall) benefits from stock compensation	(153)	(267)
Payments of withholding taxes on stock compensation	(140)	(190)
Net cash (used) provided by financing activities	<u>(1,120)</u>	<u>879</u>
Effect of exchange rate changes on cash	<u>(509)</u>	<u>(1,075)</u>
Net change in cash and cash equivalents	(5,282)	(2,305)
Cash and cash equivalents:		
Beginning of period	<u>18,273</u>	<u>22,936</u>
End of period	<u>\$ 12,991</u>	<u>\$ 20,631</u>

RECONCILIATION OF CONSOLIDATED NET LOSS TO EBITDA

(In thousands; unaudited)

	Quarter Ended		Two Quarters Ended	
	Dec. 30 2016	Dec. 25 2015	Dec. 30 2016	Dec. 25 2015
Net loss attributable to Twin Disc	\$ (2,912)	\$ (2,301)	\$ (5,608)	\$ (6,624)
Interest expense	122	109	175	200
Income taxes	(1,201)	(1,608)	(2,253)	(3,817)
Depreciation and amortization	1,764	2,202	3,680	4,423
Loss before interest, taxes, depreciation and amortization	<u>\$ (2,227)</u>	<u>\$ (1,598)</u>	<u>\$ (4,006)</u>	<u>\$ (5,818)</u>

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