



# TWIN DISC, INC

Investor Presentation



## 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 2024 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](http://www.twindisc.com)), or by request from the Investor Relations department at the Company.

## 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 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 press release are made alongside the most directly comparable GAAP measures.

## Definitions

Earnings before interest, taxes, depreciation and amortization (EBITDA) is calculated as net earnings or loss excluding interest expense, the provision or benefit for income taxes, depreciation and amortization expenses.

Net debt is calculated as total debt less cash.

Leverage Ratio is calculated as net debt divided by the sum of EBITDA over the last twelve months.

## Financial

- Q1 sales +14.7% vs. YA to \$72.9 million
- Gross margin increased ~30 bps vs. YA to 26.5%
- Q1 EBITDA of \$1.7 million (net loss of \$2.8 million) vs. \$2.3 million (net loss of \$1.2) YA
- Six-month backlog of \$144.3 million higher sequentially and supported by healthy ongoing demand

## Strategic

- Significant shipments of Veth product meeting growing demand
- Consistent backlog growth supported by healthy demand across end markets
- Continued stabilization within Industrial business
- Driving progress with Katsa Oy integration



- Sales increased by 22.9% vs. YA
- Global commercial markets show sustained activity, fostering robust demand
- Veth six-month backlog increased 19.0% sequentially
- Rolla & Veth partnership continue to perform well on strength in luxury yacht market
- Government defense spending surge fueling growth, boosting inquiries for patrol boat projects





- Sales decreased by 7.0% vs. YA
- ARFF transmissions demand driving record backlog
- Oil & Gas exports flat due to slowdown in Asia Pacific
- Meeting demand for replacement parts within legacy military

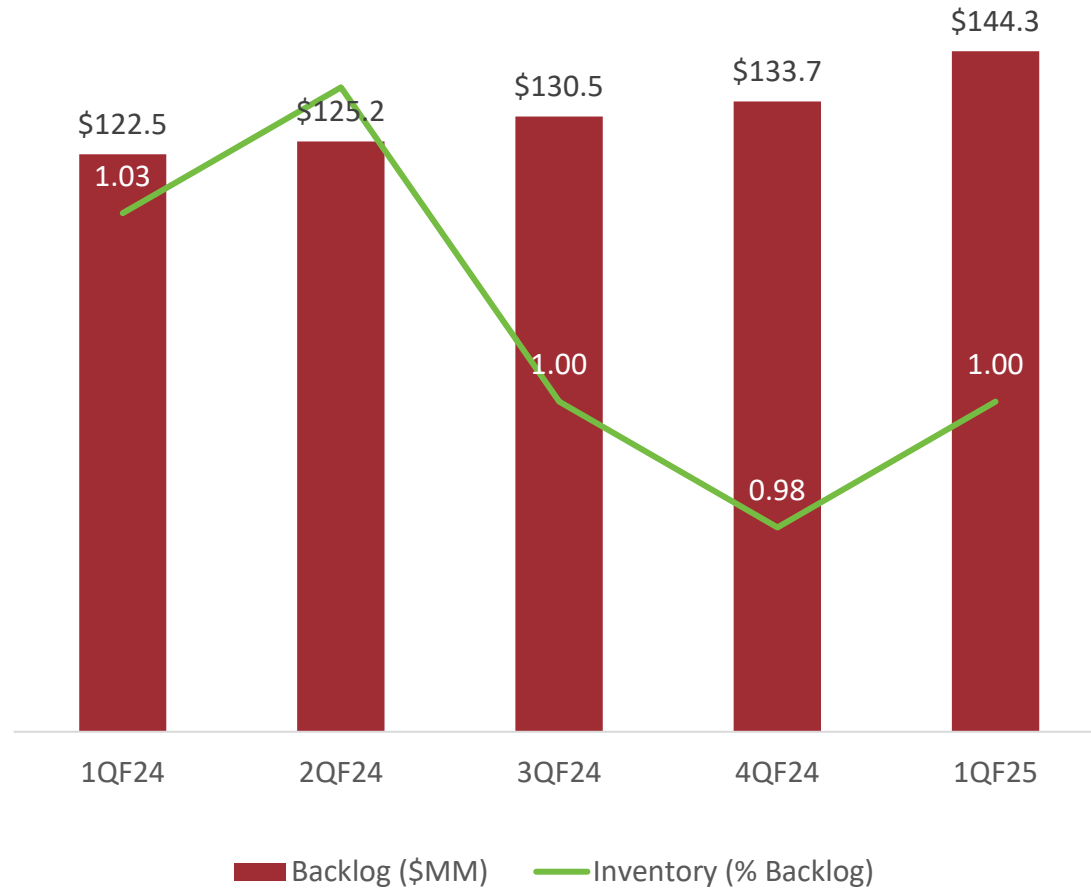
- Sales increased by 61.3% vs. YA
- Continued sequential improvement in demand and strong order trends
- Volume growth supported by Katsa Oy
- Softer demand primarily for commoditized products; higher-content products showing resilience



# CONTINUED BACKLOG GROWTH



## BACKLOG AND INVENTORY % OF BACKLOG



- 6-month backlog continuing to increase on sequential and year-over-year basis
  - FX contributed \$3.4 million sequentially
  - Veth backlog growing on sustained demand

Note: Backlog figures are reflective of a six-month period. The six-month order backlog is considered more representative of operating conditions than total backlog.

Leading Hybrid/Electric solution provider for niche marine and land-based applications

Continued expansion of Veth product to reach new markets and geographies

Rationalize global footprint for efficiency and customer response

Increased focus on controls and system integration rather than individual components

M&A priorities: Industrial and Marine Technology (Hybrid focus)



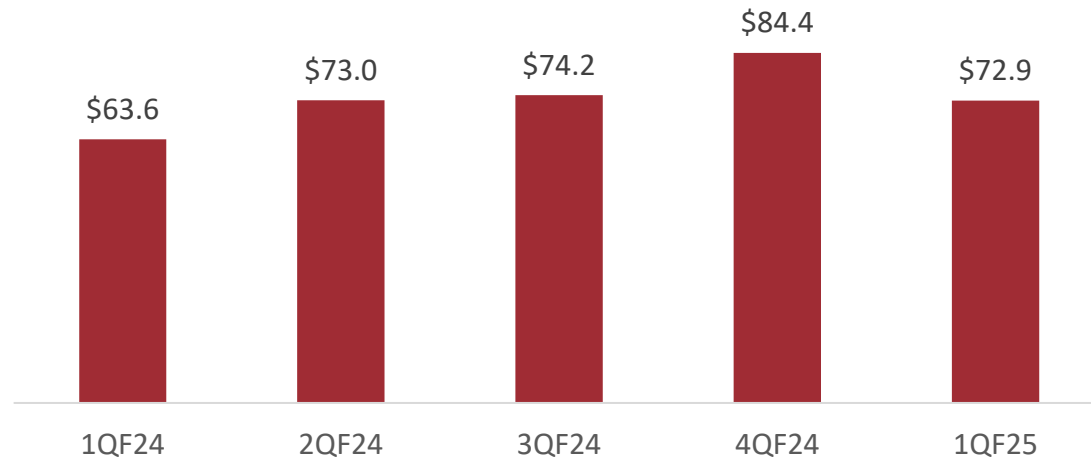
# FINANCIAL OVERVIEW

The logo for Twin Disc, featuring the company name in white capital letters inside a red oval with a white border. The background of the slide is a technical line drawing of a mechanical assembly, likely a transmission or engine component, rendered in light gray.

TWIN DISC®

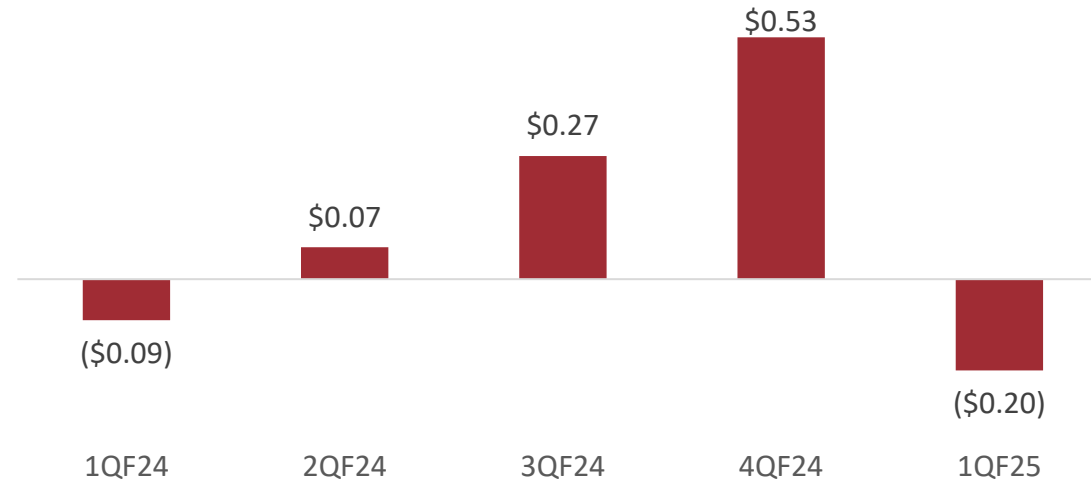
## SALES

(\$ in millions)



- Continued healthy demand across global markets
- Operational execution driving performance
- Adjusting for divestiture of BCS in FY 2024, Q1 2025 revenue was \$11.1 million, or 18.0%, higher than the prior year quarter

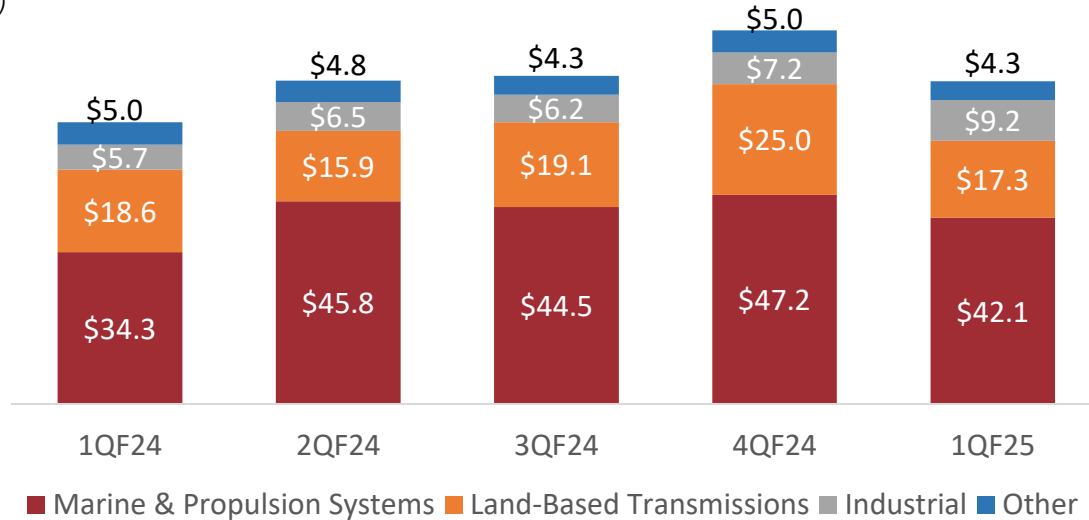
## EARNINGS PER SHARE



- Foreign currency loss of \$1.1 million negatively impact EPS by \$0.08 in Q1 FY25.
- EPS impacted by additional interest expense on Katsa acquisition (\$0.02) and additional pension amortization (\$0.04).

## SALES BY PRODUCT GROUP

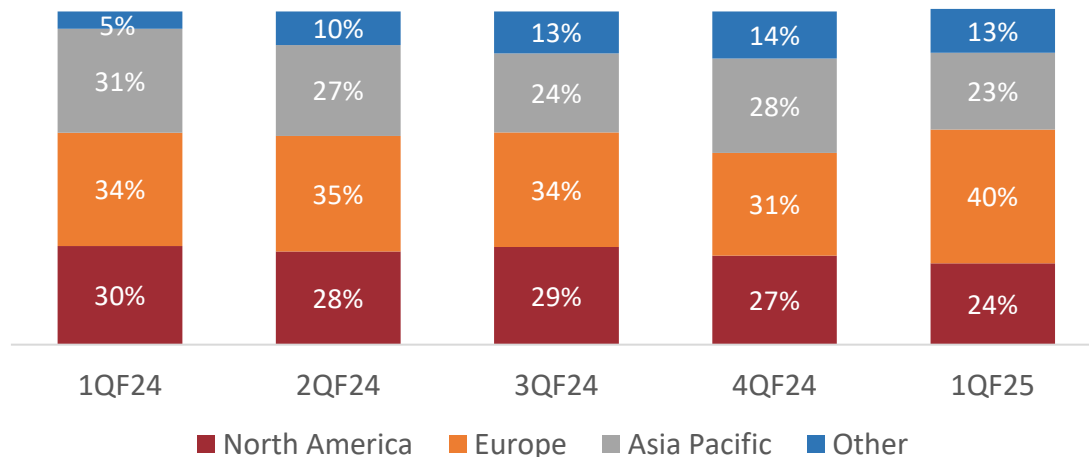
(\$ in millions)



Sales growth driven by strength within Marine and Propulsion Systems and Industrials:

- Consistent market demand
- Geographic expansion
- Strategic partnerships
- Recovery in Industrials sales supported by Katsa acquisition

## SALES MIX BY GEOGRAPHY



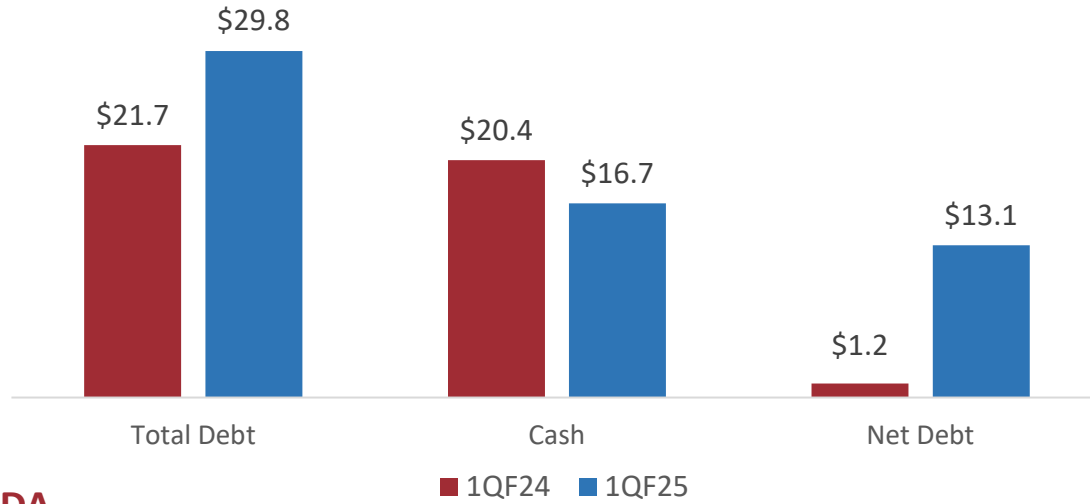
- Decreasing proportion of overall sales in North American market continued, with demand remaining steady
- European market capturing a greater proportion of total sales

# STRONG BALANCE SHEET



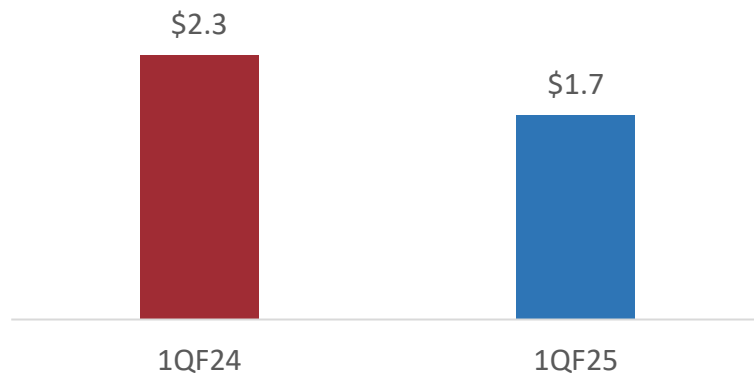
## BALANCE SHEET

(\$ in millions)

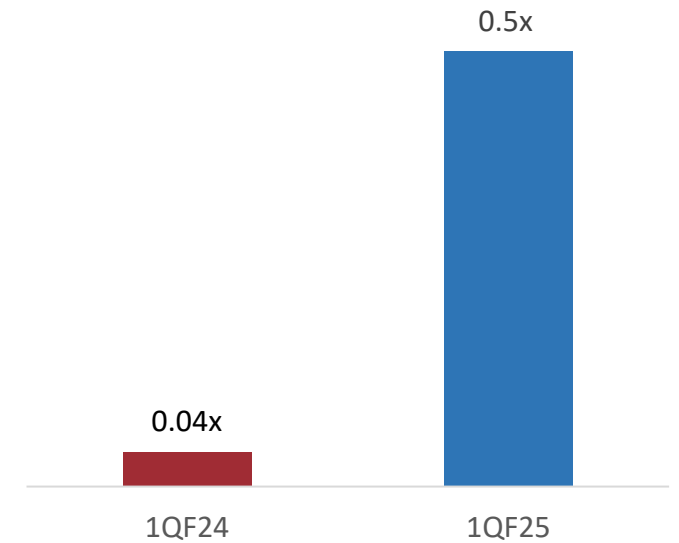


## EBITDA

(\$ in millions)



## LEVERAGE RATIO

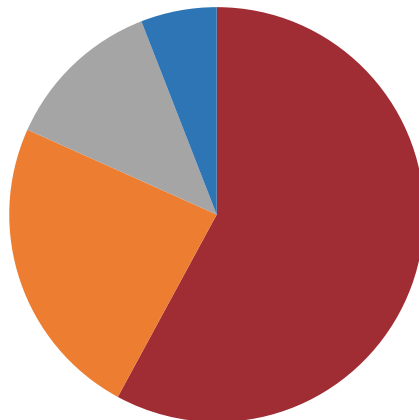




## TWIN DISC GROSS MARGIN



## FIRST QUARTER GROSS PROFIT BY PRODUCT GROUP



■ Marine & Propulsion Systems ■ Land-Based Transmissions ■ Industrial ■ Other

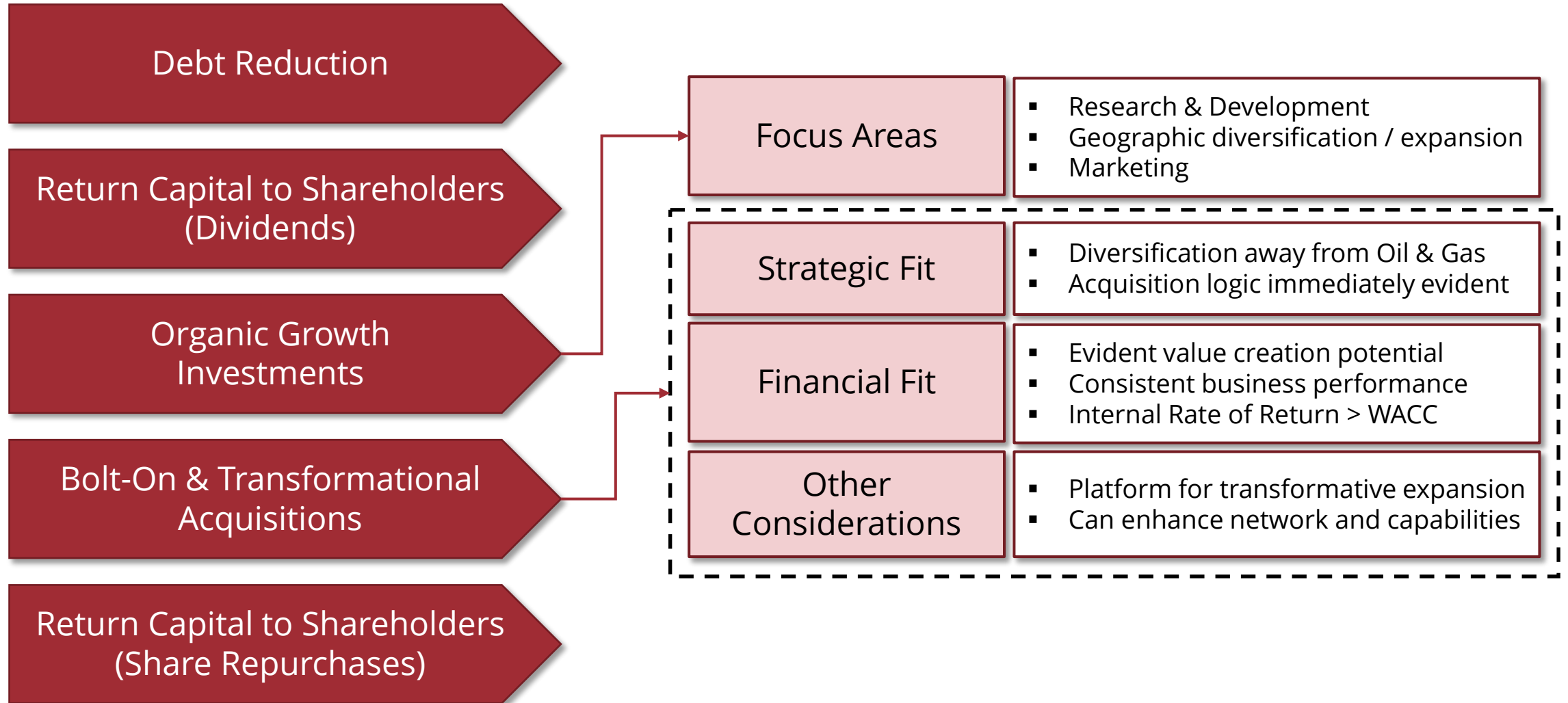
## FIRST QUARTER GROSS MARGIN DRIVERS

- Gross margin increased sequentially by 30 basis points vs. YA
- Capturing tailwinds from pricing actions executed throughout FY 2023
- Pursuing cost reduction activities and operational efficiencies

## INFLATION & SUPPLY CHAIN EXPECTATIONS

- Near-term shipment delays as certain suppliers face delivery challenges and customers delayed delivery, resulting in unfavorable mix impact

# CAPITAL ALLOCATION FRAMEWORK



- Robust sales growth driving performance improvement in the quarter along with continued margin expansion
- Healthy backlog growth supported by consistent demand across end markets
- Remaining well-equipped to navigate through economic uncertainty, bolstered by a strong financial profile



# Q&A

## Fiscal 2025 First Quarter Earnings Call







# APPENDIX

**TWIN** (DISC)<sup>®</sup>

# RECONCILIATION OF NON-GAAP FINANCIAL MEASURES TO REPORTED FINANCIAL MEASURES



## RECONCILIATION OF TOTAL DEBT TO NET DEBT

(In thousands; unaudited)

	September 27, 2024	September 29, 2023
Current maturities of long-term debt	2,000	2,000
Long-term debt	27,794	19,657
<b>Total debt</b>	<b>\$29,794</b>	<b>\$21,657</b>
Less cash	16,711	20,428
<b>Net debt</b>	<b>\$13,083</b>	<b>\$1,229</b>

# RECONCILIATION OF NON-GAAP FINANCIAL MEASURES TO REPORTED FINANCIAL MEASURES



## RECONCILIATION OF CONSOLIDATED NET INCOME TO EBITDA (In thousands; unaudited)

	1Q25 LTM	1QF25	FY24	4QF24	3QF24	2QF24	1QF24
Net Income (loss) attributable to Twin Disc	\$9,393	\$(2,765)	\$10,989	\$7,410	\$3,822	\$930	\$(1,173)
Interest expense	1,685	636	1,443	394	263	392	394
Income tax expense	4,203	627	4,121	1,515	398	1,662	546
Depreciation and amortization	10,731	3,238	9,981	2,484	2,474	2,535	2,488
Earnings before interest, taxes, depreciation and amortization (EBITDA)	\$26,016	\$1,736	\$26,535	\$11,804	\$6,957	\$5,520	\$2,255

# RECONCILIATION OF NON-GAAP FINANCIAL MEASURES TO REPORTED FINANCIAL MEASURES



## NET DEBT TO EBITDA LEVERAGE RATIO CALCULATION

	1QF25	1QF24
Net debt	\$13,083	\$1,229
LTM EBITDA	26,016	27,444
Leverage Ratio	0.5x	0.04x