

TWIN DISC INC
Form 10-Q
February 09, 2011

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 31, 2010

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 31, 2011, the registrant had 11,338,694 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 31, 2010	June 30, 2010
Assets		
Current assets:		
Cash	\$26,239	\$19,022
Trade accounts receivable, net	42,300	43,014
Inventories, net	87,643	72,799
Deferred income taxes	6,107	5,224
Other	8,554	7,391
Total current assets	170,843	147,450
Property, plant and equipment, net	59,119	58,243
Goodwill, net	17,115	16,440
Deferred income taxes	23,679	24,029
Intangible assets, net	6,362	6,268
Other assets	6,852	6,626
Total assets	\$283,970	\$259,056
Liabilities and Equity		
Current liabilities:		
Short-term borrowings and current maturities of long-term debt	\$3,974	\$3,920
Accounts payable	28,997	23,842
Accrued liabilities	35,289	35,545
Total current liabilities	68,260	63,307
Long-term debt	28,649	27,211
Accrued retirement benefits	71,726	72,833
Deferred income taxes	3,914	3,914
Other long-term	4,588	2,472
Total liabilities	177,137	169,737
Equity		
Twin Disc shareholders' equity:		
Common shares authorized: 30,000,000; issued: 13,099,468; no par value	9,767	10,667
Retained earnings	152,542	147,438
Accumulated other comprehensive loss	(30,783)	(42,048)
Less treasury stock, at cost (1,760,774 and 1,901,242 shares, respectively)	131,526	116,057
	25,560	27,597

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Total Twin Disc shareholders' equity	105,966	88,460
Noncontrolling interest	867	859
Total equity	106,833	89,319
Total liabilities and equity	\$283,970	\$259,056

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

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. 31, 2010	Dec. 25, 2009	Dec. 31, 2010	Dec. 25, 2009
Net sales	\$75,160	\$55,186	\$136,555	\$102,243
Cost of goods sold	51,403	40,400	92,775	77,710
Gross profit	23,757	14,786	43,780	24,533
Marketing, engineering and administrative expenses	18,639	14,895	33,416	27,673
Earnings (loss) from operations	5,118	(109)	10,364	(3,140)
Interest expense	440	563	879	1,182
Other expense, net	89	137	643	197
	529	700	1,522	1,379
Earnings (loss) before income taxes and noncontrolling interest	4,589	(809)	8,842	(4,519)
Income taxes	529	(300)	2,085	(1,698)
Net earnings (loss)	4,060	(509)	6,757	(2,821)
Less: Net (earnings) loss attributable to noncontrolling interest, net of tax	(26)	19	(67)	(73)
Net earnings (loss) attributable to Twin Disc	\$4,034	\$(490)	\$6,690	\$(2,894)
Dividends per share	\$0.07	\$0.07	\$0.14	\$0.14
Earnings (loss) per share data:				
Basic earnings (loss) per share attributable to Twin Disc common shareholders	\$0.36	\$(0.04)	\$0.59	\$(0.26)
Diluted earnings (loss) per share attributable to Twin Disc common shareholders	\$0.35	\$(0.04)	\$0.59	\$(0.26)
Weighted average shares outstanding data:				
Basic shares outstanding	11,334	11,185	11,291	11,158
Dilutive stock awards	117	-	112	-
Diluted shares outstanding	11,451	11,185	11,403	11,158
Comprehensive income:				
Net earnings (loss)	\$4,060	\$(509)	\$6,757	\$(2,821)

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Adjustment for amortization of net actuarial loss and prior service cost, net of tax	567	470	1,120	917
Foreign currency translation adjustment	2,830	2,987	10,225	5,915
Comprehensive income	7,457	2,948	18,102	4,011
Comprehensive (earnings) loss attributable to noncontrolling interest	(26)	19	(67)	(73)
Comprehensive income attributable to Twin Disc	\$7,431	\$2,967	\$18,035	\$3,938

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

TWIN DISC, INCORPORATED
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands, Unaudited)

	Six Months Ended	
	December 31, 2010	December 25, 2009
Cash flows from operating activities:		
Net earnings (loss)	\$6,757	\$(2,821)
Adjustments to reconcile net earnings (loss) to net cash provided by operating activities:		
Depreciation and amortization	4,618	4,872
Other non-cash changes, net	3,289	237
Net change in working capital, excluding cash	(6,181)	13,773
Net cash provided by operating activities	8,483	16,061
Cash flows from investing activities:		
Acquisitions of fixed assets	(2,915)	(1,664)
Proceeds from sale of fixed assets	53	30
Other, net	(293)	(293)
Net cash used by investing activities	(3,155)	(1,927)
Cash flows from financing activities:		
Proceeds from notes payable	19	73
Payments of notes payable	(67)	-
Proceeds from (payments of) long-term debt	1,474	(9,232)
Proceeds from exercise of stock options	107	80
Dividends paid to shareholders	(1,586)	(1,567)
Dividends paid to noncontrolling interest	(139)	(160)
Other	188	(468)
Net cash used by financing activities	(4)	(11,274)
Effect of exchange rate changes on cash	1,893	636
Net change in cash	7,217	3,496
Cash:		