## PARTICIPANTS

### Corporate Participants

**Martin R. Benante** – Executive Chairman, Curtiss-Wright Corp.
**Glenn E. Tynan** – Chief Financial Officer & Vice President, Curtiss-Wright Corp.
**David C. Adams** – President & Chief Executive Officer, Curtiss-Wright Corp.

### Other Participants

**Stephen E. Levenson** – Analyst, Stifel, Nicolaus & Co., Inc.
**Michael F. Ciarmoli** – Analyst, KeyBanc Capital Markets
**Myles A. Walton** – Analyst, Deutsche Bank Securities, Inc.
**Elizabeth Grenfell** – Analyst, Bank of America Merrill Lynch
**Tyler E. Hojo** – Analyst, Sidoti & Co. LLC

## MANAGEMENT DISCUSSION SECTION

Operator: Good day, ladies and gentlemen, and welcome to the Curtiss-Wright Third Quarter 2013 Financial Results Conference Call. [Operator Instructions] Later, we will conduct the question-and-answer session, and instructions will follow at that time. [Operator Instructions] As a reminder, this call will be recorded.

I would now like to introduce your host for today's conference, Mr. Martin Benante. You may begin.

### Martin R. Benante, Executive Chairman

Well thank you, Catherine, and good morning, everyone. Welcome to Curtiss-Wright's third quarter 2013 earnings conference call. Joining me on the call today are Dave Adams, our President and Chief Executive Officer; and Glenn Tynan, our Vice President and Chief Financial Officer.

On the previous call, we announced the company's leadership transition plan, whereby Dave Adams ascended to the role of CEO. And as a result, I want to officially pass the baton to Dave to lead Curtiss-Wright's future earnings conference calls.

I have genuinely enjoyed the experience that has taken place over the past 14 years, including the opportunity to discuss our successes and challenges, as we have grown to a successful $2.5 billion corporation. The interaction with the investment community has been extremely rewarding. I want to thank all of you for your continued interest in Curtiss-Wright over the years. I am confident that you will be in great hands, with Dave and our new management team leading the way.

And now I'd like to turn the call over to Glenn for our review of our financial performance. Glenn?

### Glenn E. Tynan, Chief Financial Officer & Vice President

Thank you, Marty. Our call today is being webcast. And the press release as well as a copy of today's financial presentation are available for download through the Investor Relations section of our company website at www.curtisswright.com. A replay of this call also can be found on the website.

Please note, today's discussion will include certain projections and statements that are forward looking, as defined in the Private Securities Litigation Reform Act of 1995. These statements are based on management's current expectations and are not guarantees of future performance. Forward-looking statements always involve risks and uncertainties, and we detail those risks and uncertainties in our public filings with the SEC.

In addition, certain non-GAAP financial measures will be discussed on the call today. A reconciliation is available in the earnings release and at the end of this presentation and will be available on the company's website.

For our agenda today, I will provide you with an overview of Curtiss-Wright's third quarter 2013 performance and financial outlook, followed by Dave, who will provide an update on our recent acquisitions and integration status, before we open the call for questions.

Overall, our third quarter results were solid. Adjusting for the one-time items that impacted our 2012 results; namely, the strike, AP1000 investments and lower associated compensation costs in Flow Control and restructuring costs in all three segments, operating income was up 40% on a 25% increase in sales, leading to a 140 basis-point operating margin improvement to 10.5%. Our organic operating margin, which excludes acquisitions and FX, was 11.1%, up 200 basis points from adjusted 2012.

Overall, our diluted EPS was $0.76 for the quarter, exceeding our expectations. These results reflect the benefits of our previously implemented restructuring and operational improvement initiatives, most notably in the Controls and Surface Technologies segments.

Our seven acquisitions that were completed in Q4 2012 and Q1 2013 contributed more than $100 million in sales, $6 million in operating income, 90 basis points in operating margin dilution and $0.04 accretion to diluted earnings per share in the third quarter.

Next I want to provide some color on the segment drivers of third quarter operating income and margin. Operating income for Q3 2012, adjusted for the aforementioned one-time items, is shown in the fourth column of this table, shaded in blue.

The majority of the one-time impacts occurred in the Flow Control segment. So comparing to last year, adjusted for those one-time items, current-year operating income increased 15%, while operating margin decreased 50 basis points year-over-year to 8%. However, this decrease is primarily due to acquisitions, as organic operating margin was 8.6% in the current quarter, up 10 basis points compared to adjusted 2012.

In the Controls segment, operating income was up 41%, and operating margin was up 200 basis points to 15.3% compared to adjusted 2012. Organic operating margin was 15.8% in the quarter, an improvement of 250 basis points from adjusted 2012. However, current-year results benefited from lower pension costs at their UK unit.

Excluding the impact of this one-time item in 2013, Controls' operating margin was 14.2%, a 90 basis point improvement over the 2012 adjusted margin of 13.3%, despite a 2% drop in organic sales.

And finally, in the Surface Technologies segment, operating income was up 30%, and operating margin was up 200 basis points to 15.3% compared to adjusted 2012. However, organic operating margin was 16.8% in the quarter or improvement of 350 basis points compared to adjusted 2012. These results were driven by the benefit of prior restructuring activities as well as continued improvements in operational efficiencies.

Moving on to our end markets, I'll begin in our commercial end markets, which collectively grew 43% during the third quarter. This growth is based on strong overall contributions from our acquisitions and solid organic growth of 17% in the commercial aerospace market. This has been one of our strongest markets, as we continue to benefit from the ongoing strength of the OEM cycle and production rate increases across most Boeing and Airbus platforms.

Within the power generation market, we experienced healthy organic growth from existing operating reactors through a combination of our solid installed base of products and services and the emerging requirements of the NRC's Tier 1 regulations. We have achieved strong growth, despite fewer planned outages in 2013, which we expect to rebound in 2014.

Meanwhile, sales in the oil and gas and general industrial markets were primarily led by acquisitions, although we did experience some pockets of strength, particularly for global MRO products, supporting ongoing refinery maintenance needs in the oil and gas sector. Our overall guidance within our commercial markets remains unchanged at growth of 30% to 34%.

Moving on, third quarter sales in defense decreased 3% overall, mainly due to lower demand from several programs within the aerospace and ground defense markets, continuing the trend from the first half of the year. In the naval defense market, increased revenues were driven by the Virginia-Class Submarine and Ford-Class Aircraft Carrier programs, as expected, providing confidence in our full-year sales guidance in this end market.

Meanwhile, our outlook in the aerospace and ground defense markets continue to reflect lower incoming order rates. As a result, our 2013 guidance for total defense sales remains unchanged at flat to down 4% and does not include any specific impact for sequestration at this time. You can find the complete table of our guidance by end market in the appendix as well as in the earnings press release.

Moving on to our financial outlook, full-year 2013 sales growth of 18% to 20% remains unchanged from our previous guidance, as does our guidance for operating income, operating margin and diluted earnings per share. In addition, we expect our recent acquisitions of Arens Controls and Parvus to contribute an additional $20 million in sales in the fourth quarter and approximately $0.03 in EPS dilution, which we expected to be somewhat dilutive to Controls segment's full-year operating margin. However, despite this dilution, we do expect to be near the high end of our guidance range for full-year 2013 sales and diluted earnings per share.

Year-to-date, we have produced strong cash flow from operations of nearly $135 million that led to a $77 million in free cash flow during the first nine months of 2013. This is an all-time record high for us at this point in the year.

As a result of this strong year-to-date performance and our expectations for continued improvements in working capital and capital allocation during the fourth quarter, we again raised our free cash flow guidance by $10 million to a range $110 million to $120 million for 2013.

Now I'd like to turn the call over to Dave to provide some updates on our recent acquisitions and future outlook. Dave?

**David C. Adams, President & Chief Executive Officer**

Thanks, Glenn. Similar to last quarter, I want to take a few minutes to review some of our recent acquisitions. Let's start with Parvus, which was a highly sought-after business, pursed by numerous embedded computing competitors. Curtiss-Wright was deemed to be the best fit for Parvus, based on our leading distribution network, solid infrastructure and geographic fit which, we believe, will help fuel the global expansion of their products.

This business filled the rugged computed market space need for Curtiss-Wright, adding size, weight, power and cost or SWaP-C optimized sub-system capability in an area that we have been looking to grow. The compact modules nicely complement Curtiss-Wright's existing range of larger, higher-performance, commercial Off-The-Shelf or COTS solutions.

Parvus provides opportunities to extend their combined technologies into new complementary markets, and particularly the industrial markets, where we continue to differentiate and diversify our business. Parvus' ability to address the lower-cost segments of the defense market should open up potential new opportunities in this market, such as technical wheel vehicle platforms and upgrade programs for both the U.S. Army and U.S. Marine Corps.

In addition, our expansion into the rugged industrial market will be enabled through Parvus' rapid development processes and experience providing rapid integration of commercial electronics into low-cost, deployable rugged systems. Integration is underway, and we're on plan thus far.

Next, to Arens Controls, which further strengthens and grows our industrial Controls business and provides increased penetration within the commercial and off-road vehicle market. Arens is the market leader in the U.S. for highly engineered electronic shift controls for automatic transmissions used on heavy trucks and buses. The company also designs and manufactures power management and traction systems which will provide us with an entrée into the emerging hybrid vehicle market.

Arens strengthens Curtiss-Wright's position in two key industrial market areas. First, Arens supplies market-leading products to the medium- and heavy-truck and bus markets that are complementary to Williams Controls products and customer base. Second, Arens supplies throttle and hydraulic control products to the off-road vehicle markets that are complementary to the Penny + Giles and Williams sensor product line, again, going into the same industrial customer base.

In addition, we expect to reduce Arens' future costs by leveraging Curtiss-Wright's existing China manufacturing and sourcing arrangements. Sales and marketing team integration has begun and we are on plan thus far. Continuing with the industrial market team, I want to provide a quick update on our other acquisitions in the space.

For Williams, we're expecting to leverage their facility in India for selected product transfers and new business awards, further enhancing our global industrial presence. We're also exploring new opportunities with expanding product offering and growth into the utility vehicle segment. For PG Drives, we continue to expand our global industrial presence, with new applications in Russia and Germany.

Moving forward we will continue to leverage Curtiss-Wright's supply chain across all of our Industrial Controls businesses. We also expect new opportunities for supply chain synergies to arise with the recent Arens and Parvus acquisitions.

Overall, the combination of these industrial acquisitions broadens our total addressable market for Industrial Controls and brings Curtiss-Wright one step closer toward our vision in this key market to be the supplier of choice for operator-controlled subsystems and critical drivetrain components in specialty vehicle.

Next, to Cimarron, which continues to track well ahead of plan in terms of integration. As previously noted, we are using our existing Houston operations to support Cimarron's rapidly growing demand. Our existing sites have been ramping up quickly, and we are implementing a Lean operating system that has contributed to record sales in Q3 for Cimarron. This year, we have absorbed $3 million in transfer and learning curve costs.

 

As noted on our prior calls, we believe this integration initiative has the potential to improve Flow Controls' profitability starting in 2014. The implementation of Lean principles is expected to help lower total costs, improve throughput and reduce lead-time in order to support the increased demand for several of our product lines. Over time, our goal is to reduce total costs by 10%, while doubling capacity and halving lead-time.

Next, an update on our Emission Control Devices business, where the last of their five devices has passed EPA testing, and its certification application has been submitted to the government. We expect to be one of the first fabricators certified to meet the EPA's new standard governing the destruction of harmful vapors.

As a testament to this growing portion of the business, Cimarron received an order for our Hi-Vol Emission Control Devices for delivery in December. Overall, Cimarron continues to provide solid opportunities to expand our sales in the upstream oil and gas market and is an excellent example of generating synergies from an acquisition.

We remain encouraged that this integration, along with our continued focus on improving operational efficiencies, will help improve Flow Controls' overall profitability in the long run. Finally, our remaining acquisitions are tracking in line with plan in terms of integration. We'll share more details about these exciting acquisitions in December.

Next, I would like to highlight some of the key macro factors affecting our end markets. I'll begin in power generation, starting with the AP1000 program. We continue to make solid progress in the production and shipment of our reactor coolant pumps or RCPs for both the China and U.S. reactors.

During third quarter, we shipped two RCPs required for Sanmen Unit 1 in China, meeting our customer's schedule for the first plant. We are working to get four to six additional pumps ready for shipments in China in the fourth quarter.

In addition, we have successfully completed production testing of the first domestic pump. We have negotiated a two-year extension of the technology transfer agreement from our initial 2007 contract and are awaiting sign-off by our Chinese customer. Regarding our next AP1000 order, we expect to receive a follow-on order from China in the very near future. Our mutual goal is to have a formally signed agreement in place by the end of the year.

In addition, I want to provide some highlights regarding our aftermarket nuclear business. As it pertains to Fukushima response initiatives, we have captured more than $14 million in new awards, resulting from NRC Orders One, Two and Three, and have $30 million in proposals outstanding. The timing of those awards is expected to occur within the next 12 to 24 months. We were also awarded over $13 million in new orders in the third quarter, specifically related to assisting plants in solving their obsolescence issues. We have nearly $20 million in additional proposals that we expect to be awarded by year end. Overall, we continue to experience increased sales and strong demand for Curtiss-Wright equipment, in support of existing operating reactors, despite fewer outages than last year.

Next, to the defense market, starting with an update in aerospace and ground defense. We continue to experience improved profitability in these markets, most visible within our Controls segment, despite the anticipated declines in sales. This is a function of our restructuring actions that began in 2012 to address the lower intake of order rates, a trend we expect to continue in the future. Clearly, we remain in an uncertain budget environment. As we've previously noted, while there haven't been any specific platforms that have been cut as a result of sequestration, we have seen a widespread, indirect impact on Curtiss-Wright through lower incoming order rates.

As it now appears that the DoD will be operating under a continuing resolution for the foreseeable future, this trend is likely to continue. The most significant hurdles to overcome are likely to be the funding for new-start programs and potential for insourcing by the client. We will continue to prudently monitor the ongoing budget negotiations and react appropriately, including further restructuring, if warranted.

As for the fiscal 2014 defense budget request, the naval defense outlook appears to be very positive, as shipbuilding remains near the top of the DoD's priorities, while the picture in aerospace and ground defense remains less certain.

Despite the uncertainty, we expect our leverage in the commercial markets at 70% of our projected 2013 total sales will more than offset any anticipated impacts from sequestration in the defense markets.

So to recap, we're pleased with the solid year-to-date performance of our organic businesses as well as our recent acquisitions. This performance, along with our continued focus on improving operating margin, keeps us on track for strong, double-digit increases for the top and bottom line in 2013.

We expect the combination of these factors to provide momentum for further improvement heading into 2014, and we will provide more visibility on our future expectations in December.

Effective with this morning's announcement and in recognition of the significant contributions to the profitable growth and consistent operating margin expansion at Curtiss-Wright Controls, Tom Quinly has been promoted to Chief Operating Officer of Curtiss-Wright. I would like to publicly congratulate Tom on his new position and wish him continued success at Curtiss-Wright.

Overall, the continued dedication and focus of our management teams to generate margin expansion and improve cash flow positions Curtiss-Wright – positions us very well for the future. Furthermore, we expect that growth to be complemented by a disciplined and balanced capital allocation strategy.

Finally, we will be hosting an Investor Day in New York on December 11, which will include a preview of our 2014 guidance as well as our margin expansion and capital deployment opportunities. Please be on the lookout for the agenda and registration details in the next few days, and we hope that you can attend.

At this time, I would like to open up today's conference call for questions.

## QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instructions] Our first question comes from Steve Levenson with Stifel. And your line is open.

**<Q – Steve Levenson – Stifel, Nicolaus & Co., Inc.>:** Hey, everybody.

**<A – Dave Adams – Curtiss-Wright Corp.>:** Hi, Steve.

**<A – Glenn Tynan – Curtiss-Wright Corp.>:** Good morning, Steve.

**<Q – Steve Levenson – Stifel, Nicolaus & Co., Inc.>:** It's hard to argue with what y'all have been doing over the last year. I'm just wondering if there're any holes you think you still have to fill through M&A, or if there is much more in the way of R&D going to internally develop other products that you need to completely round out the line.

**<A – Dave Adams – Curtiss-Wright Corp.>:** Are you talking 2013 or just generally?

**<Q – Steve Levenson – Stifel, Nicolaus & Co., Inc.>:** Generally. Certainly not – beyond the end of this year, please.

**<A – Dave Adams – Curtiss-Wright Corp.>:** Sure. Yeah. Sure. We continue a robust R&D program within Curtiss-Wright, especially in those areas that we see not necessarily leapfrogging technologies, but potential use of new technologies, for example, on the defense side. You look at what's required in the future, and you compare what we did with Parvus as being a very strategic acquisition.

And we see a need for a different type of business that we can address, which will expand our total available market. And that is in a different area in both, as I described, the industrial and on the military side of products that are lower-cost, more power, size, weight and power, as I've described. And R&D is spent towards that sort of an area because it does address the total available market.

In terms of acquisitions, both Parvus and Arens are both great examples of what we lay out as a strategic roadmap in terms of growth. Arens really addresses the industrial side and how we're going to capture the cabin, as it were, the controls within the cabin of off-road vehicles and large vehicles. And that strategy will continue. We see a robust market there. We see growth in the future. And as I described with Parvus, it plays in as well in the industrial side and in some of the military. So, no, you're going to see a continued application of strategic spend on the R&D side and, certainly, a very strategic outlook and area of acquisitions.

**<Q – Steve Levenson – Stifel, Nicolaus & Co., Inc.>:** Okay. Thanks. And in terms of the R&D, do you think it's going to stay at the same level of sales? Or is there a likelihood that it could increase a little bit?

**<A – Dave Adams – Curtiss-Wright Corp.>:** So far, we're pretty much staying the course where we're at. Where you look at that annually, you look at the spend and the sales in the defense side. And we continue to be very robust on the defensive side. But we look at that as a percentage of sales, and so it fluctuates.

**<Q – Steve Levenson – Stifel, Nicolaus & Co., Inc.>:** Okay. Thank you very much.

Operator: Thank you. Our next question comes from Michael Ciarmoli. Your line is open.

**<Q – Mike Ciarmoli – KeyBanc Capital Markets>:** Hey. Good morning, guys. Thanks for my questions.

**<A – Glenn Tynan – Curtiss-Wright Corp.>:** Good morning, Mike.

**<A – Dave Adams – Curtiss-Wright Corp.>:** Hi, Mike.

**<Q – Mike Ciarmoli – KeyBanc Capital Markets>:** Just to Glenn, maybe for clarification. The Control margins, very solid in the quarter, and I think you said there was some pension benefit and that was just one time. But what should we think? I mean this is kind of the best margin performance you've put up in Controls in quite some time. I mean how should we look at this run rate going forward here?

**<A – Glenn Tynan – Curtiss-Wright Corp.>:** Well, I mean when you bring the pension – take the pension out, it's about $14 million [Meant 14%]. Sometimes, it's a little of bit of timing. We're sticking with their full-year guidance. So that will indicate that the fourth quarter will be somewhat, a little bit less than the third quarter. But again, at this point, I would just stick with our guidance for the year in terms of our margins.

**<Q – Mike Ciarmoli – KeyBanc Capital Markets>:** Okay. And then what about, just looking at kind of this quarter's earnings, what's implied for next quarter? It certainly looks like, when I look at the acquisition contribution, I think the margins on the acquired revenues year-to-date are about 4%. It seems like the annual earnings power of the company's going to kind of be north of the run rate you're tracking for this year. Once you strip out those acquisition-related costs, you'll get some margin expansion next year.

I mean is that – I'm just trying to get a sense of how we should be thinking about maybe an earnings starting point or bridging the gap into 2014. When you roll off some of the acquisition dilution, you probably get some pension tailwinds. Can you give us any help there or any color? And I know your quarterly earnings are usually a little bit more back-end loaded, so not fair to take these two quarters in run rate. But can you give us any kind of color on what the expectations are, even for maybe the acquired margins? I mean, again, you got 6% contribution or margin in the quarter from the acquisitions. But maybe what can we expect?

**<A – Glenn Tynan – Curtiss-Wright Corp.>:** Well, we're still – there again, just put the year in perspective, from the recent acquisitions, we're still looking at around 12% accretion [Meant 12 cents] for the year. Again, most of that is going to come in the fourth quarter. There's some timing between the third quarter and fourth quarter, but we're still on target for that.

Again, we would expect to see even more – the fourth quarter will probably be the most indicative of how those acquisitions will start to perform going forward. And we'd expect improvement from there as we go into 2014. But, of course, we will give you all the color at our Investor Day in December, Mike.

Pensions, we're definitely expecting some tailwinds there. We just don't know how much. We will, again, have that pretty much nailed down for the Investor Day. But, yes, we would expect margin expansion in those acquisitions, as well as the pension headwinds, for sure.

**<A – Dave Adams – Curtiss-Wright Corp.>:** Let me add, Mike, that as you saw in there, the announcement on Tom – and just kind of addressing two points. One on Controls has done well. Well, that's why we promoted Tom. And Tom's going to do a great job for us in the area of margin expansion because that's a key performance goal for him going forward in the next several years and also the entire team.

So, we're basically inculcating that culture across the enterprise, and it's a margin expansion culture. And so I do believe that you – well I know you're going to see improvements – that's what we're talking about. And that's a major goal for all of us.

**<Q – Mike Ciarmoli – KeyBanc Capital Markets>:** Okay. Perfect, and that's helpful. And then just the last one for me and I'll jump off here. I've seen some reports on the AP1000 that China has, in fact, reversed-engineered the Westinghouse design. And they were looking to potentially sell direct to Pakistan.

Can you give us any color there, just given the technology transfer? It seems like it hasn't been progressing that fast. Just trying to make heads or tails out of what I've been reading with some of these broader reports.

**<A – Dave Adams – Curtiss-Wright Corp.>:** Sure. Thanks for the question. We saw that media play, also, a couple of times, a few weeks ago and then more recently. And we have reconfirmed, as we did back a few weeks ago, that there's no truth to that rumor. The parts that, if any, are being sold by China are a Gen 2, and our AP1000 is a Generation 3. And so if there is any truth to it, it's not our AP1000. And then just adding to that, as I indicated on the call just a minute ago, we have just recently negotiated our next evolution in technology transfer agreement. And it's a two-year agreement, and that occurred within the last seven days.

So it really talks to the perspective that technology transfer is required. And nobody's ready from that perspective in China to be able to do what it is that is purported to be said in this media piece. In addition to that, we have an agreement with Chinese that there is no sharing or tech transfer outside of that market. So we feel very strongly that this [media report] is bogus. And we have confirmed that with our customer.

**<Q – Mike Ciarmoli – KeyBanc Capital Markets>:** Okay. Perfect. Thanks a lot, guys. I'll jump back in.

**<A – Glenn Tynan – Curtiss-Wright Corp.>:** Thanks, Mike.

Operator: Thank you. Our next question comes from Myles Walton with Deutsche Bank. Your line is open.

**<A – Glenn Tynan – Curtiss-Wright Corp.>:** Myles, you there?

**<Q – Myles Walton – Deutsche Bank Securities, Inc.>:** I am. Can you hear me now?

**<A – Glenn Tynan – Curtiss-Wright Corp.>:** Yeah. Oh, yeah, yeah, yeah.

**<A – Dave Adams – Curtiss-Wright Corp.>:** How you doing, Myles?

**<Q – Myles Walton – Deutsche Bank Securities, Inc.>:** Okay. Great. Thanks and good morning.

**<A – Dave Adams – Curtiss-Wright Corp.>:** Good morning.

**<Q – Myles Walton – Deutsche Bank Securities, Inc.>:** Glenn, so first nine months, great cash performance. And no good deed goes unpunished. Why is it going down in the fourth quarter when seasonally, I don't think you've ever done that?

**<A – Glenn Tynan – Curtiss-Wright Corp.>:** Well, I think you hit on a – we're trying to be a little conservative and a little cautious in that. And that's really the only answer. We don't expect our – that's fairly our fourth quarter to be the lowest. But we just want to make sure everything falls into place. There's a couple things on the AP1000, some big cash payments. We just want to make sure they show up. And if they do, we'll probably beat. If they don't, then we'll probably meet.

**<Q – Myles Walton – Deutsche Bank Securities, Inc.>:** So if you sign the Chinese order, though – well, it's a couple questions with respect to that. One is, does it come with an advance? Two is, what is the size? And then, three, Dave, you talked about the licensing agreement, and as I recall, there are two parts of the licensing agreement. One was tied directly to the hardware, and the other was a long-term license that went through 2022.

Is it a two-year extension on both the hardware piece of the license, which I think was like $5 million of EBIT per year, as well as the longer-term – the $3 million-a-year type pure technology IP license beyond 2022?

**<A – Dave Adams – Curtiss-Wright Corp.>:** This is just the continuation of our recently expired five-year agreement of additional two years.

**<Q – Myles Walton – Deutsche Bank Securities, Inc.>:** Got it.

**<A – Dave Adams – Curtiss-Wright Corp.>:** And then relative to what's – with the order size and advance payment, we are in negotiations at this point. We don't know what that's going to be and – because we've been asked for many different variables -- the X amount content in country X that we would supply -- so we're just not in a position to address that at this point. But I can tell you, there're feet on the ground over there now and have been over the last several weeks negotiating this.

**<Q – Myles Walton – Deutsche Bank Securities, Inc.>:** Okay. And then the other one, Flow Control margins. So I think organic, from using the kind of presentation the right way, it was 8.6% margins in the quarter. And I think if you correct for last year, it was maybe 9.5% or so?

**<A – Glenn Tynan – Curtiss-Wright Corp.>:** 8.5%, actually.

**<Q – Myles Walton – Deutsche Bank Securities, Inc.>:** Correcting for last year, adding back the 22.

**<A – Glenn Tynan – Curtiss-Wright Corp.>:** Yeah. It would be 8.5%.

**<Q – Myles Walton – Deutsche Bank Securities, Inc.>:** Okay. Organic margins last year?

**<A – Glenn Tynan – Curtiss-Wright Corp.>:** Just the adjusted. I mean if we adjust for the one-time items, it was, ah, 8.5% in the third quarter of [20]'12 versus our organic [20]13 at 8.6%.

**<Q – Myles Walton – Deutsche Bank Securities, Inc.>:** Okay.

**<A – Glenn Tynan – Curtiss-Wright Corp.>:** Up slightly.

**<Q – Myles Walton – Deutsche Bank Securities, Inc.>:** Okay. And what is the potential margin of Flow Control? I imagine it's still under pretty good duress with not a lot of high CapEx oil and gas projects being run through it. I mean how much drag are we seeing with respect to the oil and gas piece of the business?

**<A – Glenn Tynan – Curtiss-Wright Corp.>:** Well, that is the biggest drag. We got some under-absorption, due to the lower volumes on some of these projects. But on the other hand, the other thing, we are transitioning the Cimarron product to our Cedar Crossing facility and going through that learning curve. I think we've talked about it for a couple quarters now. I think it's $3 million to $4 million of the learning curve cost that we will incur this year to get those products transitioned down there. That will lead to expansion, obviously, next year. But...

**<Q – Myles Walton – Deutsche Bank Securities, Inc.>:** That wouldn't be in the organic piece, right?

<A – Glenn Tynan – Curtiss-Wright Corp.>: That would – yeah, no. It would be in the organic piece because it's our existing facility that's incurring the cost versus – for product for Cimarron. But it's in – they're incurring – the organic business is incurring the cost.

**<A – Dave Adams – Curtiss-Wright Corp.>:** Myles, when I look at that at a high level, I say to myself, out of the three segments, I look at what happens with Surface Tech. We know what happens with Surface Tech and that is, as volume goes up...

**<Q – Myles Walton – Deutsche Bank Securities, Inc.>:** Yeah.

**<A – Dave Adams – Curtiss-Wright Corp.>: …** margins looking great, fixed costs, all that stuff. Controls has done an outstanding job of moving up that chain. We'll continue to do so. I look at it as, this is my opportunity in the Flow Control side in terms of picking up some margin. And it is going to be – I'll just use one term -- it's addition by subtraction in one regard, and that is relative to what happened to us in oil and gas, our end market collapsed. That's changing. We are seeing some improvements there, some refinery giving us some orders. And internationally, as well as domestic, we're seeing some of the new products that are coming out that are being extremely well received at some of the refineries, domestically. And haven't even touched Cimarron discussion with what can happen there and the improvements that we're making there in terms of price, in terms of cost side and what we're doing in Houston to take up the underutilized factory. So I really see some opportunity there.

And that's where you're going to see it. And obviously, oil and gas is a drag right now, but it is slowly inching upward. And I expect that to pick up even more quickly as we get out of this downstream business and into the upstream. And we've got opportunities to continue to do that.

**<Q – Myles Walton – Deutsche Bank Securities, Inc.>:** Just last question, do I have to see the backlog significantly expand in Flow Control for you to be able to realize that? Or are you able, to your point, to structurally lower the cost base and effectively deliver more with less?

**<A – Dave Adams – Curtiss-Wright Corp.>:** Yeah. We – absolutely. We're delivering more with less. The backlog is there. There are opportunities. We've got some low-hanging fruit we're taking advantage of. And I'm certain that Tom's got that tattooed to his forehead right away.

**<Q – Myles Walton – Deutsche Bank Securities, Inc.>:** Okay. All right. Thanks, guys.

Operator: Thank you. Our next question comes from Elizabeth Grenfell from Bank of America. Your line is open.

**<Q – Elizabeth Grenfell – Bank of America Merrill Lynch>:** Hi. Good morning.

**<A – Glenn Tynan – Curtiss-Wright Corp.>:** Good morning.

**<A – Dave Adams – Curtiss-Wright Corp.>:** Hi. You there, Elizabeth?

Operator: It looks like she jumped out of queue. [Operator Instructions] Our next question comes from Tyler Hojo from Sidoti & Company. Your line is open.

**<Q – Tyler Hojo – Sidoti & Co. LLC>:** Just – can you hear me?

**<A – Glenn Tynan – Curtiss-Wright Corp.>:** Yeah.

**<A – Dave Adams – Curtiss-Wright Corp.>:** Now we can. Yes. Good morning.

**<Q – Tyler Hojo – Sidoti & Co. LLC>:** Okay. Great. Good morning. So just a first question. In regards to the two acquisitions that closed in October, those are adding, I think, $20 million. Just curious if you could maybe comment on what the offset is in regards to the unchanged top line guidance.

**<A – Glenn Tynan – Curtiss-Wright Corp.>:** I'm sorry. Offhand, the 60 businesses, a lot of them go up and down, as you can imagine. We are at, we were at the midpoint of the range before the recent acquisitions. And the $20 million pretty much put us at the top end of the range, which is what we had said. So we're still pretty much in line -- we have a lot of puts and takes -- but we're still pretty much in line with our previous guidance, plus the acquisition because we said we'd be at the top end. And those acquisitions put us at the top end.

**<Q – Tyler Hojo – Sidoti & Co. LLC>:** Got it. Okay. Well, thanks for the clarification on that one. And then I was just curious, I think in Dave's prepared remarks, mentioned that one of kind of the impacts from the CR, potential concerns was insourcing from primes. Think I got that right. Just curious if you could maybe just discuss what products or platforms you feel are most vulnerable to that.

**<A – Dave Adams – Curtiss-Wright Corp.>:** I'll tell you, Tyler, what we have found – and this is through a lot of dialogue with our customer and a lot of dialogue – me, personally – with our VPs out in the field that run our businesses. And what I'm seeing is and what we've said before -- and I stick to it is -- on the Navy side, it's looking really good. We see the three classes of ships that are continuing their build rates. If something happens, it might be a little stretchier there. But we're not seeing any major cancellation or anything in those regards with regards to the submarines and aircraft carriers and DDGs.

When we talk about the platforms wherein we have our electronics content, we have – I was talking to one of our vice presidents yesterday -- we have over 2,000 worldwide customers that represent over 500 programs. And we've aligned ourselves to have a wide breadth of products upon all of [the] different platforms that are represented by the 500 programs, not one of which is greater than 4% of our total. No program represents greater than 4% of our total.

So when we're asked the question, which we are often asked about what we expect in the sequestration, so forth, we don't have an answer. I will say with regard to the outsourcing and insourcing, I know what I said was the threat of insourcing. We always watch that. But we also watch our design wins extremely carefully. We are relatively flat year-to-year, design wins. And that's good because we had a good year last year on design wins. And given the environment that we're in now, I'm really happy to see that we're at least flat. [If] We'd been down, I'd have been more concerned. And that's through third quarter. And then I also see that what our customers are going through, if you look across the defense specter, the marketplace, you'll see layoffs and redundancies and so forth. Numbers are heavy, and you guys read this stuff all the time. Numbers are very heavy in terms of people.

We are seeing a little uptick in terms of interest from our customers in saying, listen, we don't have those internal resources any longer to do what it is that we once were able to do. Therefore, we need you to provide us with the commercial off-the-shelf subsystem or, let's say, moving up that food chain slightly to alleviate some of the thinness that they have in their bench strength in terms of technical development of the non-core type electronics that we consider core. So we look at it as a real opportunity. And we've said that for a long time now, and it has planned out every year. So we're looking at it that way. And I guess you'd call it a cup half full, but I think it is.

**<Q – Tyler Hojo – Sidoti & Co. LLC>:** Okay. Wonderful. Well thanks for that color. And just maybe lastly for me. I think last conference call, we were talking about some greenfield investments in Surface Tech kind of hitting in the back half and maybe being a bit of a drag to margin. Could you maybe just update us on where we stand with some of those investments?

**<A – Glenn Tynan – Curtiss-Wright Corp.>:** Yeah. Yeah. I will tell you about that. Yes. They were about $800,000 drag in the third quarter, and we expect it to be another $600,000 probably in the fourth quarter. So that's an ongoing, as you know, an ongoing strategy of Surface Technologies. So I mean if they fluctuate from year-to-year, but that is the current-year numbers.

**<A – Dave Adams – Curtiss-Wright Corp.>:** One thing, just – Tyler, just jump in there and add to that. We look at that carefully as well from a capital side. And you consider some of the greenfields, we're migrating from heavy greenfields, meaning not as much of an investment going forward, whereas we might spend $5 million, $10 million on a plant and equipment. Now we'll go in with maybe $1.5 million, $2 million and grow it strategically and over time. So it's sort of not to build it and it will come completely, but build it partially and offer this or that service and do so at a more moderated rate and amount.

And secondly, the other major emphasis for us that we took on as a strategic priority this year, last year was the – what we call shop-in-shop. And some of the monies that Glenn just described are as a result of shop-in-shop towards the back half of this year that have the long-term tail on them of multi, multi millions of dollars, where we go in and join with a company of prime, for example, in their facility. We load it with our people, and we provide the service and we just rent space. So it's much less brick-and-mortar expense and, thereby, giving us a better use of our capital.

**<Q – Tyler Hojo – Sidoti & Co. LLC>:** Great. Thanks a lot.

**<A – Dave Adams – Curtiss-Wright Corp.>:** Thank you, Tyler.

**<A – Glenn Tynan – Curtiss-Wright Corp.>:** Thanks, Tyler.

Operator: Thank you. Our next question comes from Elizabeth Grenfell of Bank of America. And your line is open.

**<Q – Elizabeth Grenfell – Bank of America Merrill Lynch>:** Hi, again.

**<A – Glenn Tynan – Curtiss-Wright Corp.>:** Hi, again.

**<Q – Elizabeth Grenfell – Bank of America Merrill Lynch>:** Sorry about that earlier. Dave, I just had a question for you, now that you've been in the role for several months. What are you seeing as the biggest challenges and the biggest surprises since you've taken the role?

**<A – Dave Adams – Curtiss-Wright Corp.>:** Well I've been here for almost 14 years at Curtiss-Wright. So I would say that there're no shocks to the system. And I've been in this job for a grand total of, yeah, you're right, maybe 60 days. So I'm absorbing it quickly. But having worked closely with Marty over these years and the team at the management level and corporate is, it's not unfamiliar territory to me. So for me, it's really a redefining moment for my vision and the culture that I want to inculcate. It's very similar to Marty's. And we're very operationally driven. I do see a very strong marching order from me, as a shareholder, as margin expansion. I look for – we're really recreating what we consider a improvement in shareholder value. And that's what's all about for me and my job.

And like I said earlier, the one low-hanging fruit is in the area of one of our segments. And we've identified that. But it's more strategically looking at the acquisitions that we're going after, and do they fit the structure? Do they fit the roadmap that we've laid out? And really, it's that whole capital allocation plan. What are we spending our money on? How wisely are we using it? And where are the under-performers? What do we have to do with the under-performers to either bring them up to the level that we want to be? And I have made it clear that – internally and externally -- that I intend to produce upper-quartile business margins. And that's by a peer group that I will define, and because that's the expectation for me and my team.

So like I said, I don't think there're any shockwaves that have hit. I haven't awakened in a cold sweat yet, so this is a good thing.

**<Q – Elizabeth Grenfell – Bank of America Merrill Lynch>:** Right. Great. And then to you point on if the acquisitions meet the company's strategy. What metrics are you using in evaluating M&A? I mean how are you looking at it besides just if it fits strategically?

**<A – Dave Adams – Curtiss-Wright Corp.>:** We look at it – with [indiscernible] (45:09) with all the financial metrics that you can imagine. And IROC – ROIC, rather. We have IRR that we look at. We do use return on capital and several different metrics that we weigh each one with. But it's really on, what determines for the payback? What kind of dilution are we going to expect? And we're looking at them more as-reported basis, GAAP ROIC and really trying to identify, how long is it going to take to accomplish what it is we want to accomplish? And just with a firmer, let's say, a firmer approach to where we're spending our money. And what is it costing us to capture the benefit of that?

It's all in the capital allocation strategy, which we will describe in more detail in December. And I think that you'll find some clarity that will come out there that will help to answer these questions.

**<Q – Elizabeth Grenfell – Bank of America Merrill Lynch>:** Okay. Okay. Great. Thank you.

Operator: Thank you. Our next question comes from – a follow-up from Michael Ciarmoli with KeyBanc. Your line is open.

**<Q – Mike Ciarmoli – KeyBanc Capital Markets>:** Hey. Thanks, guys. Thanks for taking the follow-up. Glenn, just on the corporate expense. You still have $40 million out there for the year. It was just over $6 million in the quarter. What's going to cause that big jump up in the fourth quarter?

**<A – Glenn Tynan – Curtiss-Wright Corp.>:** Well, first of all, our pension's going to increase quarter-to-quarter about $3 million in the fourth quarter, back to its normal run rate of about $8.5 million. We had a couple adjustments, one-time adjustments in Q2 and Q3. So that'll be about $8.5 million. And then we have forecast for an environmental charge in the fourth quarter and some FX transactional losses. So that'll get you pretty way.

**<Q – Mike Ciarmoli – KeyBanc Capital Markets>:** Okay. Perfect. Thanks a lot.

**<A – Glenn Tynan – Curtiss-Wright Corp.>:** Thank you.

Operator: Thank you. I'm showing no further questions at this time. I would now like to turn the call back to Mr. Martin Benante for any further remarks.

Dave AdamsThanks, Catherine. Thank you, all, for joining us today. And we look forward to seeing you in December at our Investor Day in New York. Have a great day.

**Glenn Tynan**

Bye-bye

**Dave Adams**

Bye.

Operator: Ladies and gentlemen, thank you for participating in today's conference. This concludes today's program. You may all disconnect. Everyone, have a great day.