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Corporate Participants

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Glenn E. Tynan – Vice President and Chief Financial Officer
David C. Adams – President and Chief Operating Officer

Other Participants

Amit Mehrotra – Analyst, Deutsche Bank Securities, Inc.
Michael F. Ciarmoli – Analyst, KeyBanc Capital Markets
Jim K. Foung – Analyst, Gabelli & Co., Inc.
Tyler Hojo – Analyst, Sidoti & Co. LLC

MANAGEMENT DISCUSSION SECTION

Operator: Good day, ladies and gentlemen, and welcome to the Curtiss-Wright 2012 Financial Results Conference Call. [Operator Instructions] Later, we'll have a question-and-answer session and instructions will follow at that time. [Operator Instructions] As a reminder, today's conference is being recorded for replay purposes.

I would now like to turn the conference over to your host for today, Mr. Martin Benante. Sir, you may begin.

Martin R. Benante, Chairman and Chief Executive Officer

Well, thank you, Mary, and good morning, everyone. Welcome to our fourth quarter and full year 2012 earnings conference call. Joining me on the call today, Mr. Dave Adams, our President and Chief Operating Officer; and Mr. Glenn Tynan, our Chief Financial Officer.

Curtiss-Wright delivered a solid fourth quarter performance to round out what was a challenging 2012, as our fourth quarter operating income, adjusted for acquisitions and restructuring charges in the Surface Technology segment, grew 38% on a 7% increase in sales.

I am also pleased to report that our full year earnings per share was $2.08 and we met our full year expectations, excluding the dilution from our recent acquisitions, which as a reminder, was not included in our guidance.

Our results reflect numerous positives, including the benefit from our segment restructuring actions, significant improvement in profitability from our 2011 acquisition of ACRA, due to significant operational improvements implemented in our Control segment and several new acquisitions in the mix, providing a transformational impact to our markets, technologies and product breadth.

Moving forward, we will continue to take actions to improve our operational efficiency to better position our business for the future, beginning with our expectation for a solid, profitable growth for 2013.

Now, I'd like to turn the call over to Glenn Tynan, please.

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Glenn E. Tynan, Vice President and Chief Financial Officer

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 an overview of Curtiss-Wright's 2012 performance and 2013 financial outlook, followed by Dave, who'll provide some color on our recent acquisitions, before turning it back to Marty, who will discuss our strategic markets and outlook and then, open the call for your questions.

As Marty mentioned, despite a few curve balls thrown our way this past year, we concluded 2012 with some key positives that impacted our fourth quarter and full year results. In Flow Control, our power generation business produced solid sales growth due to continued global aftermarket demand, as well as solid U.S. new build revenues and higher revenues from our China AP1000 Technology Transfer contract. Additionally, fourth quarter profitability was strong and provides momentum heading into 2013.

In the Control segment, we benefited from a strong performance from our ACRA Controls acquisition, due to the implementation of significant operational improvements. Controls also experienced solid margin improvement, following the restructuring initiatives that were implemented in early 2012 and benefited second half results as expected. Adding to this performance was yet another solid year of growth in the commercial aerospace OEM business.

The Surface Technologies segment produced strong growth in sales and profitability in 2012, excluding the effects of our planned restructuring actions. As a reminder, our fourth quarter results were impacted by the remaining $6 million of the total $12 million restructuring charges reported in 2012. And now that we have completed these actions, we expect solid margin expansion in future years as a result.

Moving to our end markets, defense sales decreased 6% overall, somewhat due to softening demand in the second half of 2012, fueled by the ongoing uncertainty related to potential cuts in defense spending. Full year results were also impacted by the third quarter 2012 labor strike that shifted the achievement of milestones on certain naval programs into 2013. The overall decline in defense was partially driven by lower orders from the primes, in particular, on Army platforms, as well as the completion of production on the TOW Improved Target Acquisition System or ITAS program, lower V-22 and Abrams sales and the decline on the Triton UAV program, due to the conclusion of the development phase of this program.

This softness was somewhat offset by improved helicopter sales, most notably on the Black Hawk and Super Stallion programs, solid sales of thermal spray coatings to various aerospace defense customers, as well as higher ground defense sales to international customers. Overall, the aerospace and ground defense markets decreased 1% and 10% respectively in 2012.

On the Navy side, despite increased production of pumps and valves on the CVN-79 Ford class aircraft carrier program, we experienced an overall reduction in the naval defense market, specifically on the Virginia class submarine program, primarily due to the shifting of the milestones to 2013, due to the aforementioned strike, as well as completion of production on the AAG and EMALS programs. This led to a 7% overall decline in naval defense sales in 2012.

Next, we'll move to our commercial end markets, which collectively grew 11% in 2012. Our growth was driven by yet another strong performance in the commercial aerospace market, which serves 26% in the fourth quarter and was up a strong 21% for the full year, 18% of which was organic.

We continue to benefit from the ramp-up in the commercial aerospace market, experiencing strong growth across all major Boeing and Airbus platforms, as well as higher sales to the regional jet and commercial helicopter markets. Our results also reflect the strong contribution from peening services supporting Rolls Royce and other global aerospace manufacturing customers.

Within our energy markets, we experienced a solid 13% gain in power generation, while the oil and gas market increased 5%. Power generation sales were driven by increased AP1000 project revenues related to new reactor construction in the U.S. and higher sales related to the China AP1000 Technology Transfer contract and continued strong aftermarket sales supporting existing nuclear reactors.

Within the oil and gas market, overall growth was led by continued strong global demand for our MRO products. New sales from our acquisition of Cimarron and solid sales of thermal spray coatings. However, that growth was partially offset by lower demand in our international large projects business.

And finally, the general industrial market sales rose 1% overall, with mixed results across our segments. The Surface Technology segment experienced increased sales of our highly technical analytical services, specifically for the testing of medical devices, as well as improving conditions in our domestic automotive market. Within the Control segment, sales benefited from our fourth quarter acquisitions, while the Flow Control segment experienced softer HVAC sales.

Let me now cover our 2013 guidance. We expect total sales growth of 18% to 20%, which reflects solid growth across all three segments and is primarily based on the contribution from our new acquisitions. The combined sales from these new acquisitions, including the pending close of the Phönix Group, are expected to be approximately $400 million in 2013.

In addition, our profitability will reflect the purchase accounting and asset step-up costs related to the completion of these transactions, primarily in the first quarter, which as a result, will negatively impact our margin expansion in 2013.

Overall, 2013 operating performance is expected to be strong, with approximately 45% growth in operating income and 150 basis points to 170 basis points in margin expansion, to a range of 9.2% to 9.4%. This guidance also includes 70 basis points in expected acquisition margin dilution, so excluding that impact, total Curtiss-Wright operating margin would actually range from approximately 9.9% to 10.1%, or a 220 basis point to 240 basis point margin improvement.

As for our segment guidance, starting with Flow Control, our sales guidance is based on strong new orders and increased demand, mainly in the energy and naval defense markets, primarily from the aircraft carrier program, along with the benefit of recent acquisitions.

Furthermore, we expect improvement in the oil and gas business, primarily due to the acquisition of Cimarron and increased fracking demand. Our guidance also includes a decrease of $20 million, based on a recent contract cancellation from a key customer in the HVAC industry, who elected to bring this work in-house.

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We are also expecting to see solid improvements from Flow Control's overall profitability, as we move past the one-time items experienced in 2012. Overall, segment guidance reflects higher operating income and an approximately 170 basis point to 180 basis point improvement in operating margin, to a range of 8.9% to 9% in 2013. However, excluding approximately 70 basis points in acquisition margin dilution, operating margin would range from 9.6% to 9.7%.

Our sales guidance in Controls reflects the solid demand expected in the commercial aerospace market in 2013 and a tremendous boost in our general industrial market, as our new acquisitions will bring expanded growth in the industrial sensors and controls systems market. This improvement will be somewhat offset by expected weakness in the defense market, as we await clarification on defense spending cuts.

Growth in segment profitability will be limited in 2013, as we expect the initial dilution from our late 2012 acquisitions to somewhat offset the strong operational improvements and benefits from our cost reduction and restructuring initiatives. As a result, we expect Controls' operating margins to be nearly flat with 2012 and to range from 11.8% to 12% in 2013. However, excluding approximately 160 basis points in acquisition margin dilution, operating margin would range from 13.4% to 13.6%.

And finally, in our Surface Technologies segment, the improved outlook reflects growth across all of their markets, which, as a result, lead to higher operating income and operating margin in 2013. Furthermore, we expect this segment to produce significant margin expansion in 2013, as we move past the 2012 restructuring actions to begin to realize the resultant benefits. So starting with the base margin of 14.4% for 2012, that excludes restructuring charges, we are targeting an increase of approximately 210 basis points to 220 basis points in operational improvements, to a range of 16.5% to 16.6% in 2013. However, excluding approximately 40 basis points in acquisition margin dilution, operating margin would range from 16.9% to 17%.

And finally, our forecast for corporate and other expenses is approximately $40 million. The increase primarily due to approximately $7 million in higher pension expense compared to 2012. Marty will address our 2013 market guidance within our segments later in the call.

Well based on those profitability assumptions and the significant impact that our recent acquisitions will have on our 2013 sales projections, we also wanted to provide you with some additional color on the pro forma EPS impact. This analysis includes all six of our fourth quarter acquisition, as well as our pending acquisition of the Phönix Group, which also is in our 2013 guidance.

Starting with our reported EPS of $1.95 in 2012, we had approximately $0.58 of one-time unfavorable items that will not recur in 2013. This includes the impact of restructuring, primarily in the Surface Technologies segment, AP1000 strategic investments and the impact of the strike at our EMD facility.

Next, you see that we have about $0.15 of unfavorable items in 2013, mainly related to acquisition integration costs, the aforementioned customer contract cancellation, along with additional facility consolidations, as we move our manufacturing operations to low-cost economies. In addition, due to lower interest rates, we have lowered our discount rate on our pension plan assumptions, which will increase our pension expense and unfavorably impact EPS by $0.11 in 2013.

Moving to our segments, we are expecting a year-over-year improvement in our acquisitions of $0.23 to $0.27, which swing from being dilutive in 2012 to accretive in 2013, as we move past our initial transaction and purchase accounting costs. It should be noted that this improvement includes the absorption of approximately $0.20 of additional interest expense, due primarily to a pending debt issuance later this month.

Finally, despite our expectations for flat organic growth, we anticipate our base businesses will generate healthy margin expansion, as we realize the benefits from previous restructuring and operational excellence initiatives. The end result is for diluted EPS in 2013 to range from $2.70 to $2.80, with approximately 60% of our full year EPS in the second half of the year.

We expect that the first quarter will be the lowest, primarily due to higher purchase accounting costs and the majority of the impact of the HVAC customer contract cancellation, with the fourth quarter being the largest as we have done historically. Our expectations for the first quarter of 2013, ranges from $0.34 to $0.38 per diluted share, which includes $0.08 dilution from recent acquisitions.

And finally, here are some additional financial guidance metrics for 2013. We expect our interest expense to increase to approximately $40 million, as mentioned, due to the pending debt issuance later this month.

Meanwhile, pension expense for the Curtiss-Wright corporate plan is expected to increase approximately $7 million to $34 million, primarily driven by lower discount rate. And we expect our free cash flow to range from $90 million to $100 million, which puts us at a free cash flow conversion rate of approximately 65% to 70%. And finally, we expect that our depreciation and amortization will range from $125 million to $130 million, while our capital expenditures are expected to be approximately $90 million to $95 million.

Now, I'd like to turn the call over to Dave, to review the strategic rationale behind our recent acquisitions. Dave?

David C. Adams, President and Chief Operating Officer

Thanks, Glenn. I'm pleased to have the opportunity to speak to all of you today. As you have seen, Curtiss-Wright has been quite busy over the past few months. We have acquired six companies thus far and one more pending, Phönix, and as Glenn mentioned, these will provide approximately $400 million in pro forma revenue in 2013.

Furthermore, based on the initial transaction cost and purchase accounting adjustments, we indicated that our recent acquisitions would be dilutive in 2012 and turn accretive, primarily in the second half of 2013. As you may know, Curtiss-Wright is focused on the acquisition of companies that bring industry-leading technologies and capabilities, which are positioned for solid growth where we can further improve their operations and expand their profitability after joining Curtiss-Wright.

We look for companies that can provide the right combination of balance to our market diversification, along with the ability to expand our breadth of technologies, products and services in the both existing, as well as high growth or emerging markets. We've openly stated our intention to further expand our sensor and control offering, while looking for opportunities to leverage our existing strength and capabilities and to move up the chain in our oil and gas business to expand from downstream to the mid and upstream segment and to add smaller, niche nuclear power generation companies with strong technological offerings to name a few.

We believe that these recent acquisitions have done all of the above, which provide ample opportunity to continue to grow our business by further expanding our product offerings into adjacent markets and geographies.

We thought it'd be relevant to provide a review of the market breakdown provided in our previous full year 2012 guidance from early November, prior to the recent seven acquisitions. Later, I will compare this view to our current 2013 guidance to show you the evolution of our market exposure.

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In particular, you'll see the transition within our defense markets, which is indicated here, represented 37% of sales.

We've previously discussed the acquisitions of AP Services, PG Drives and Williams Controls when we reported our third quarter 2012 results. So I'll briefly discuss the key highlights from those. AP Services extended our product breadth and enhanced our presence as a key supplier of aftermarket power generation services by delivering fluid-sealing solutions that improve plant reliability and safety, while reducing operating and maintenance costs. We expect this business will further enhance our Flow Control segment's reputation as one of the leading obsolescence solutions providers to the nuclear industry. In addition, we immediately added their capabilities into our market-leading global distribution network.

Meanwhile, our Controls team has added some new businesses, which have increased our addressable market for industrial sensors and controls products and systems. PG Drives is a leader in highly-engineered electronic controllers and drives serving advanced electric powered industrial and medical vehicles. This acquisition provides expansion in the industrial sensors and controls market to complement our existing aerospace sensors business.

Curtiss-Wright is already well known in joysticks and vehicle controls. With the addition of PG Drives, we will provide an expanding product offering to include many components of the overall vehicle control system, motors, sensors, joysticks and electronic controllers.

With Williams Controls, in addition to developing advanced sensor and controls products for specialty and off-road vehicles, it brings high-end systems capabilities serving to establish the cornerstone of our strategic expansion into a systems-level provider of electronics and controls across various markets. The acquisition of Williams also provides substantial geographic expansion, as it has existing world-class facilities and sales personnel in high-growth emerging markets in both China and India. Williams' state-of-the-art facility in China, nearby some of our existing facilities, presents an opportunity to potentially consolidate all our local operations into one facility.

Finally, the combination of these new acquisitions and our existing industrial product offering, expanded our total addressable market dramatically from approximately $300 million to $3 billion. Our acquisition of Exlar adds to this industrial cornerstone by strengthening our existing control and actuation offering and providing leadership in electromechanical actuation. We expect this technology to yield solid future opportunities as a plug-and-play replacement for existing hydraulic actuators. This deal further enhanced our market diversification, providing greater penetration into existing markets and also increased the presence and breadth of our product offerings in specialty markets.

In our Surface Technologies business, the addition of Gartner greatly strengthened our position within the highly-engineered thermal spray coatings market. Gartner is one of the pioneers in the application of thermal spray protective coatings that extend the life of severe service industrial components. We expect to leverage the significant cross synergies between our existing thermal spray businesses, while also capitalizing on worldwide growth opportunities in upstream oil and gas, petrochemical and power generation markets.

In addition, the services offered by Gartner builds on Surface Technologies' strategic initiative to move further up the technological chain. Furthermore, we expect increased demand as a result of offering a bundling of our highly-engineered technical services in our current global base of 70 facilities and in future greenfield facilities, including China and India.

Moving on, there is a transformation taking place within our oil and gas business, as the acquisition of Cimarron expands our reach beyond Curtiss-Wright's existing downstream focus, refining capabilities, with a move to service the midstream and upstream oil and gas markets. Cimarron

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brings a solid reputation as a leading North American provider of production, processing and separation solutions to the growing exploration and production market.

Its production and processing equipment performs critical tasks in the production of oil and gas, by providing the link between the wellhead and transportation from the well site for commercialization. The business also presents a wonderful opportunity for Curtiss-Wright to expand into the high-growth shale oil and gas markets, as Cimarron continues to gain traction with its environmental solutions for fracking and related operations.

Cimarron is a preferred supplier of this equipment, particularly for its separation solutions and emission control devices that safely remove harmful contaminants from the production process. As a result of its solid product portfolio, Cimarron's revenue growth has outpaced the industry, due to its unique offering that satisfies the new environmental regulations applicable to over 30,000 existing wells.

In addition, oil and gas production in the United States has surged, due to the combination of fracking and horizontal drilling applications reducing natural gas prices, as well as the country's dependence on oil imports. Based on these trends and the increased use of fracking techniques, it is expected to shift the U.S. from a net importer to a net exporter of oil and gas by the middle of the next decade.

Finally, our pending acquisition of Phönix Group teams a leading international designer and manufacturer of high performance, severe service valves and valve systems, with our current solid domestic offering of valves for refining, petrochemical and nuclear markets. We expect this business to provide market diversification via highly complementary product portfolios with limited overlap in products. Additionally, there are significant opportunities for global expansion and cross selling, as it provides an entrée for our products into key geographies, such as Western Europe, China, India and Russia, while providing Phönix access to North American customers.

I am pleased to report that just last week we received the required regulatory approvals and expect to close on this transaction on February 28. In summary, our strategy of growing through niche acquisitions to complement our subsequent organic growth, has positioned us for tremendous future opportunities to expand our sales and profitability. We also continue to expand our global footprint, with international sales now representing 30% of our total business.

The chart shown here provides a pro forma 2013 market breakdown, which, as you can see, displays a very diversified and balanced portfolio that is more equally weighted across our defense, energy and commercial and industrial markets. Of particular note, is the decrease in total defense exposure from 37% of 2012 sales to 30% of 2013 sales, reflecting the impact of our recent acquisitions.

Finally, based on our strategic plans looking out to 2017, we would expect to see an even larger weighting to commercial, leveraging our expectations for continued solid growth in the markets we serve.

Now, I'd like to turn the call back over to Marty, for his final comments before we wrap up.

Martin R. Benante, Chairman and Chief Executive Officer

Well, thank you, Dave. As you've heard today so far, we are taking the necessary steps to position Curtiss-Wright for strong profitable growth through internal operational improvements and expanded opportunities with new technologies and markets, as we continue to expand our global offerings of products and services.

Next, I'd like to focus on some key impacts to our core end markets, followed by some additional color supporting our confidence in obtaining our long-term financial goals.

I'll begin in commercial aerospace, which continues to be one of the leading growth drivers among our diverse end markets as we are benefiting from continued production rate increases across numerous Boeing and Airbus platforms and a resurgent in growth in the regional jet market. We expect this momentum to continue into 2013.

Curtiss-Wright is well positioned for increased sales, supported by the multi-year production up-cycle in the commercial aerospace market for our critical structures, electronic components and sensors and various surface treatment services. Overall, we continue to expect the OEM cycle will remain healthy for several more years and we are projecting sales in the commercial aerospace market to grow 7% to 11% in 2013.

Next, an update in the general industrial market, which has greatly expanded over the course of the past few months, primarily through the acquisition of PG Drives, Williams Controls and Exlar in our Control segment, which we expect to be key drivers of our 2013 sales.

This includes sales demand for various industrial sensors, controls, drives and actuation equipment supplied to electric powered industrial, medical, specialty and off-road vehicles. In our Surface Technologies segment, we expect solid growth for our highly technical coatings and peening services to domestic and international automobile customer, as well as higher analytical services for the medical market.

As a reminder, as worldwide economic conditions improve, we would expect overall stronger demand in sales volume for our surface treatment technology, leading to improved margin growth over time.

Finally, sales to the commercial HVAC market within our Flow Control segment are expected to be lower. As Glenn noted earlier, one of our large customers recently cancelled their contract with Curtiss-Wright after electing to bring all their work in-house this month to support improved absorption in their own factory. Despite that impact, we are projecting sales in the general industrial market to grow 66% to 70% in 2013, primarily due to the benefits of acquisitions.

Next, an update in gas and oil. We expect a solid sales contribution from Cimarron in 2013 and eventually from Phönix Group once the transaction is closed. As Dave highlighted, Cimarron's upstream oil and gas products are in high demand, including production, processing and separation solutions for the exploration and production industry. Gartner also presents us with new opportunities in the upstream market to provide its thermal spray protective coatings capability.

In addition, we expect to see continued growth in demand for our U.S. refineries-related MRO product offerings, supporting ongoing maintenance needs, while large projected sales are expected to be down in 2013, resulting in flat organic growth in this market. Overall, we are projecting sales in the oil and gas market to grow 70% to 74% in 2013, primarily based on new acquisitions.

In our power generation market, we expect growth to this end market in 2013, primarily from the acquisition of AP Services. As you are aware, Curtiss-Wright is a critical player in the nuclear industry, supporting the construction of one of the safest and most advanced nuclear reactors in the world via the AP1000 program. Key to this program, is our first-of-a-kind reactor coolant pump technology. In 2012, we completed the pump construction cycle, have now shipped the first four reactor coolant pumps required for Sanmen Unit 1 in China, with the remaining 12 China pumps expected to ship this year.

While the China program is now winding down, that decline is expected to be partially offset by the ramp-up in sales for the U.S. AP1000 program – project in Georgia and South Carolina in 2013. We

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also expect solid demand for thermal spray coating in 2013, primarily on turbines for non-nuclear electric power generation.

However, aftermarket sales are expected to be impacted by three factors. First, lower expected outages or turnarounds, which will lead to a reduction of normal maintenance. Only 56 outages are planned for 2013, eight fewer than 2012, resulting in one of the lowest levels in recent year.

Second, the current suspension of licensing under the plant life extension process. And lastly, as a result of Fukushima, with new regulations focused on safety and spent fuel solutions expected to lead to increased spending by operators in the first half of 2013, from which we expect to benefit.

As a result, we are projecting sales in the power generation market to grow 3% to 7% in 2013, primarily based on new acquisitions. In addition, as we previously stated, we expected our next AP1000 order to come from China this year. Flow Control signed a memorandum of understanding with China's State Nuclear Power Technology Company in 2012, to work together with localization partners for future orders of the AP1000 Reactor Coolant Pump.

We have just received the RFQ from these partners for multiple new build sites under consideration with Curtiss-Wright's content to be determined. We anticipate negotiations will commence in the second quarter and we should culminate in new orders this year. Finally, based on these individual commercial market expectations, we are projecting total commercial market to grow 30% to 34% in 2013.

Turning to defense, we remain hopeful that political leaders in Washington will apply the budget patch covered that will avoid the most drastic automatic program cuts that sequestration represents. The evolving current consensus among the aerospace defense industry is that sequestration is less likely to occur and that it is more likely that Congress will again extend its continued resolutions that expires in March through the end of the government's fiscal year on September 30.

While this would continue funding Department of Defense programs, pending resolution of the budget negotiations, that does not suggest that sequestration will not take place. What is clear so far, is that continued uncertainty associated with funding authorization has led to reduced new orders, pending resolution of sequestration and the amount of money available for our funding program. This is particularly evident in the ground defense market.

As you have seen during the past two years, we have taken very deliberate steps to both deepen and extend the flexibility of our technology portfolio towards adjacent markets, while reducing our total defense exposure from 37% of sales in 2012 to 30% in 2013. And we take some comfort that a great deal on Curtiss-Wright's defense portfolio resides in high-priority programs, such as naval defense, which we expect will show growth this year.

But as we show in 2012, we have already experienced low orders within the aerospace and ground defense market. Consequently, we at this time, are projecting defense-related sales to be flat to down 4% in 2013. Note, that we are not including any potential impact for sequestration in our 2013 guidance.

To sum up, our outlook for Curtiss-Wright's future growth remains solid, reflecting our disciplined capital deployment strategy, combined with our commitment to return cash to shareholders through solid earnings per share, dividend and share repurchases. We are active in the market early in the fourth quarter, repurchasing nearly 675,000 shares of common stock. Year-to-date 2012, we repurchased 830,000 shares, paying less than $31 per share on average.

We elected to take a pause as the acquisition activities started to ramp-up during the fourth quarter. Meanwhile, despite the increased acquisition activity over the past few months, our pipeline

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remains active and with our strong and stable balance sheet, we remain focused on strategically and profitably growing our business.

I am confident in the company's ability to continue to deliver strong revenue and profitability growth, as we execute our strategic plan. We will continue to invest in the future and build our company through strategic acquisitions and organic investments and strategically expand our unique portfolio of highly-engineered advanced technologies across our defense and commercial businesses.

Overall, our continued growth in sales, along with the implementation of various cost reductions and restructuring actions, should provide solid growth and profitability moving forward, as we continue to diligently improve our operations to generate long-term shareholder value.

Now, at this time, I'd like to open up today's conference call for questions.

QUESTION AND ANSWER SECTION

Operator: [Operator Instructions] Our first question comes from Amit Mehrotra from Deutsche Bank. Your line is open.

<Q – Amit Mehrotra – Deutsche Bank Securities, Inc.>: Hey, thanks a lot. It's Amit Mehrotra here, dialing in for Myles.

<A – Marty Benante – Curtiss-Wright Corp.>: Morning.

<Q – Amit Mehrotra – Deutsche Bank Securities, Inc.>: Good morning, Marty or Glenn. First question is on guidance. Is there anything you've changed in terms of rolling up to your guidance after last year's experience? Have you put a little more contingency in there? Or is the $2.70, $2.80 pretty much where you see ending up if everything goes as planned?

<A – Marty Benante – Curtiss-Wright Corp.>: We think we have the ability to improve on that guidance. Obviously, when you take a look at that waterfall chart that we have, we do show an improvement of the organic profitability. But also, you have to add onto that the one-time of $0.15. $3.5 million of that, or $0.05, is the closure of the plant associated with HVAC with the contracts being taken back by our customer. But the remainder of it is also plant closures and restructuring and acquisition integration of $5 million, or $0.08. And we expect that $6.5 million to generate additional profitability next year. And obviously, our acquisitions will become more profitable next year also. So we feel good about our guidance.

<Q – Amit Mehrotra – Deutsche Bank Securities, Inc.>: Okay, just one follow-up. Thanks for providing the margin dilution impact by segment. How quickly can you bring those margins up? And does that really mean that we should see a significant step-up in profitability levels in 2014, as those acquisitions get integrated?

<A – Marty Benante – Curtiss-Wright Corp.>: We expect that definitely. We really have a two-pronged attack and one is obviously the improvements that we're going to put in. And also, we're expecting that the new acquisitions are going to be – profitability to improve quite a bit next year.

<A – Glenn Tynan – Curtiss-Wright Corp.>: And Amit, it's mostly, obviously in the first quarter. I think you said about $0.08 dilution in the first quarter, another couple of pennies probably in the second quarter before it turns profitable sequentially going in the second half of the year.

<Q – Amit Mehrotra – Deutsche Bank Securities, Inc.>: Could you just – just lastly, could you just give us what the pension outlook could be in 2014, based on where the current discount rate is, if you did it as of now? And then, any planned funding as well? Thanks.

<A – Glenn Tynan – Curtiss-Wright Corp.>: Yeah, we lowered our discount rate this year, as I think I indicated, our pension went up about $7 million and that's because we lowered the discount rate 50 basis points. So the sensitivity for us is every quarter point is about $3.5 million, at least based on today's funding status. I couldn't really predict what's going to happen in 2014 with those rates. But that's the real driver that's been changing our pension plan for a couple of years now.

<Q – Amit Mehrotra – Deutsche Bank Securities, Inc.>: Okay, all right. Thanks.

<A – Glenn Tynan – Curtiss-Wright Corp.>: The funding level, I'm sorry, I didn't answer that question. We expect to contribute $35 million in 2013 versus $40 million in 2012, mainly reflecting the impact of the highway bill, the pension function stabilization bill.

<Q – Amit Mehrotra – Deutsche Bank Securities, Inc.>: Okay, understood. Thanks a lot.

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<A – Marty Benante – Curtiss-Wright Corp.>: Okay, great.

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

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

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

<A – Marty Benante – Curtiss-Wright Corp.>: Hi, Mike. How are you doing?

<Q – Mike Ciarmoli – KeyBanc Capital Markets>: Good, good. Maybe just a follow – I just want to make sure I'm clear. Just a follow-up on Amit's questioning on the guidance. You showed the adjusted margin to – then you call out this $0.15. So did that $0.15 is obviously, in addition to all of the amortization dilution? I'm just trying to get a handle on...

<A – Glenn Tynan – Curtiss-Wright Corp.>: That's right.

<Q – Mike Ciarmoli – KeyBanc Capital Markets>: Yes.

<A – Marty Benante – Curtiss-Wright Corp.>: That $0.15 is basically plant closures of about $0.07 and then, acquisition integration of another $0.08.

<Q – Mike Ciarmoli – KeyBanc Capital Markets>: Okay. So so...

<A – Marty Benante – Curtiss-Wright Corp.>: What – that's what I tried to say that one of the plant closures will benefit next year and also, the $5 million for the acquisition integration will also benefit next year also.

<Q – Mike Ciarmoli – KeyBanc Capital Markets>: Got you, okay, perfect. And then, just what are your thoughts, what could potentially be the negative impact on the outlook if sequestration does happen? Have you guys thought about the downside potential risks to the outlook if that goes into place? Or programs that you have? Certainly we've seen a lot of documents come out of the different military branches of late. How are you thinking about that?

<A – Marty Benante – Curtiss-Wright Corp.>: I think that on the ground defense, we've already seen a lot of downturn there. But the one area that we're a little bit concerned is that there was an article written that the carrier could go from a four-year production cycle to a five-year production cycle, which would move some of our sales out.

<Q – Mike Ciarmoli – KeyBanc Capital Markets>: Okay.

<A – Marty Benante – Curtiss-Wright Corp.>: But there's so many scenarios going back and forth, I think that's one of the reasons why people are saying, let's wait and see what it is, if anything. And we're talking about more of an impact in 2014, than we're talking about 2013.

<Q – Mike Ciarmoli – KeyBanc Capital Markets>: Okay, okay, that's fair. And then, just the one last one I had and I'll jump off here. Any update on the super vessel opportunities? Expectations? Or how we should think about maybe just ongoing costs or risk with that program?

<A – Marty Benante – Curtiss-Wright Corp.>: Well, the thing is, what we did in this budget, is that we basically – even though we do not expect that there will be an increase, have kept it flat or negative.

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<Q – Mike Ciarmoli – KeyBanc Capital Markets>: Okay.

<A – Marty Benante – Curtiss-Wright Corp.>: So we've conservatized the super vessel. There's opportunities out there. We're getting our costs in line, but that's one of the areas we just said, let's just keep it at flat or a little bit down and just keep pushing the cost reductions, which should prove to be beneficial in 2013.

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

<A – Marty Benante – Curtiss-Wright Corp.>: Okey doke, Mike.

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

Operator: Thank you. Our next question comes from Jim Foung from Gabelli. Your line is open.

<Q – Jim Foung – Gabelli & Co., Inc.>: Hi, good morning, Marty, Glenn.

<A – Marty Benante – Curtiss-Wright Corp.>: Hi, Jim.

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

<Q – Jim Foung – Gabelli & Co., Inc.>: Martin, your pro forma EPS growth chart, the $0.23 to $0.27 accretion from acquisition improvement. Is that for the last seven acquisitions you made?

<A – Marty Benante – Curtiss-Wright Corp.>: That's correct. Yes.

<Q – Jim Foung – Gabelli & Co., Inc.>: Okay, and...

<A – Marty Benante – Curtiss-Wright Corp.>: And that also contains the interest expense too. So actually, the number would have been bigger, if that was the increased interest expense.

<Q – Jim Foung – Gabelli & Co., Inc.>: Oh, so that's a net number?

<A – Marty Benante – Curtiss-Wright Corp.>: That's right.

<Q – Jim Foung – Gabelli & Co., Inc.>: So that's already going to be very positive for you, accretive for you in 2013 then?

<A – Marty Benante – Curtiss-Wright Corp.>: That's what we're saying.

<Q – Jim Foung – Gabelli & Co., Inc.>: Okay. All right. And then, are there any...

<A – Glenn Tynan – Curtiss-Wright Corp.>: Actually, it will be better in 2014.

<Q – Jim Foung – Gabelli & Co., Inc.>: Yeah, that's my next question. Are there any carryover into 2014 then, that's incremental?

<A – Glenn Tynan – Curtiss-Wright Corp.>: Yes, definitely.

<Q – Jim Foung – Gabelli & Co., Inc.>: Can you disclose that, or...

<A – Glenn Tynan – Curtiss-Wright Corp.>: No. But it's good.

<Q – Jim Foung – Gabelli & Co., Inc.>: Okay. So more to come then. Okay.

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<A – Marty Benante – Curtiss-Wright Corp.>: That's correct.

<Q – Jim Foung – Gabelli & Co., Inc.>: And then I guess, the other thing I was just kind of curious, I know you put out that pro forma defense exposure for 2013 will now be 30% of your total revenues. And I presume that one of your objectives is to try to lower that as you go into 2014 and 2015.

<A – Marty Benante – Curtiss-Wright Corp.>: Right.

<Q – Jim Foung – Gabelli & Co., Inc.>: Do you have a target number that you want to bring that down to? And then, corresponding with that, what will be the margin impact on that as you reduce your defense and grow your other businesses?

<A – Marty Benante – Curtiss-Wright Corp.>: Well, you know we get better returns from our commercial. So obviously, you're going to start to see it move a tick up as you move some more commercial. We project out through our strategic plan just from a normal growth from where we see our market's going, we're going to be below 25%. But based on our acquisition pipeline, we're probably going to achieve that much sooner than that.

And that does not say that we're not going to acquire possibly a defense company, because at the end of sequestration, it'll be similar to the last cycle, where there'll be companies that will be looking to sell. The budget is still going to be quite large. And if there's a technology we like that has both commercial and defense applicability, we would buy it.

<Q – Jim Foung – Gabelli & Co., Inc.>: Okay.

<A – Marty Benante – Curtiss-Wright Corp.>: So I think that most – a majority of our new acquisitions will be in the commercial area.

<Q – Jim Foung – Gabelli & Co., Inc.>: All right. Okay, so as you hit a bottom in terms of the decline in the defense budget contraction, it could be a good opportunity then to get back and to increase that exposure in this business then?

<A – Marty Benante – Curtiss-Wright Corp.>: Well, yes, we're always looking for people, companies with technology.

<Q – Jim Foung – Gabelli & Co., Inc.>: Right, okay. And then, on the flip side, would you consider selling defense businesses that are slow growth or non-core?

<A – Marty Benante – Curtiss-Wright Corp.>: We are doing that whether it be defense or commercial and we do have some small pieces on both sides that we're looking at.

<Q – Jim Foung – Gabelli & Co., Inc.>: Okay, okay. And anything immediate?

<A – Marty Benante – Curtiss-Wright Corp.>: No.

<Q – Jim Foung – Gabelli & Co., Inc.>: No, okay. All right. Thank you very much again.

Operator: Thank you. Our next question comes from Steve Levenson from Stifel, Nicolaus. Your line is open.

<A – Marty Benante – Curtiss-Wright Corp.>: Morning, Steve.

<A – Glenn Tynan – Curtiss-Wright Corp.>: Hello, Steve.

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Operator: Please check your mute button. Our next question comes from Tyler Hojo from Sidoti & Co. Your line is open.

<Q – Tyler Hojo – Sidoti & Co. LLC>: Yeah, hi. Good morning, everyone.

<A – Marty Benante – Curtiss-Wright Corp.>: Morning, Tyler.

<Q – Tyler Hojo – Sidoti & Co. LLC>: Just – the only question I have really is on the power generation outlook for 2013. I guess you've got it to 3% to 7% growth, but it sounds like if you back out acquisition, it's about flat?

<A – Marty Benante – Curtiss-Wright Corp.>: Well actually, for you it would be a little negative, yeah.

<Q – Tyler Hojo – Sidoti & Co. LLC>: A little negative, okay.

<A – Marty Benante – Curtiss-Wright Corp.>: Right.

<Q – Tyler Hojo – Sidoti & Co. LLC>: I'm just trying to better understand why the aftermarket business would be down in 2013? If you could maybe just walk us through that?

<A – Marty Benante – Curtiss-Wright Corp.>: Sure, not a problem. Normally, the higher the amount of outages or turnarounds, where a plant comes down and you do maintenance, normally requires a lot of spare parts. So the fact that it's lower in 2013 to 2012, will automatically reduce the spare parts that you have.

The second thing, is that companies or utilities are looking to spend less money right now on normal maintenance, so they can put the improvements that they need to put in from the Fukushima regulation. If you remember, we went through that, saying that we'll probably be selling or providing those types of solutions in the second half of this year.

And that should continue into 2014. So what you're seeing is just a net – you have to put some little sideways in the demand curve. That's all.

<Q – Tyler Hojo – Sidoti & Co. LLC>: Okay. Now, if you were to break the guidance between OE and the aftermarket, would the growth rates look similar for the full year? Or how do you think about that?

<A – Marty Benante – Curtiss-Wright Corp.>: Oh, no, no. In the other words – I'm sorry, I didn't address that I'm sorry. We actually have – the biggest change it happened to be in the OEM side, whereas China is going down by some $20 million and I think the U.S. is going up by $4 million. But again, that's just production rates and the way they go.

<Q – Tyler Hojo – Sidoti & Co. LLC>: Okay. All right. Great. And I guess maybe one more from me. Just on acquisitions, you commented on pipeline and you also commented on the technologies you're interested in, but maybe you could talk about the scope of the pipeline? And if you have some number of deals that you're targeting this year? That might be helpful.

<A – Marty Benante – Curtiss-Wright Corp.>: Okay. First of all, 2013 was a very good year, because you know, everybody was – people that we've pursued for many years finally consented, because of the tax change. So it happened to be a very good year and we were very happy with what we saw. We think 2013 will be active, not as active as 2012. 2012 was a very good year. 2013, there's a lot of opportunities. However, I don't think we're going to be spending as much money this year as we did last year. A lot of them are good commercial opportunities, growing more in the sensor, nuclear and also upstream gas and oil in the fracking market.

<Q – Tyler Hojo – Sidoti & Co. LLC>: Okay, great. Thanks, Marty.

Operator: Thank you. [Operator Instructions]

Martin R. Benante, Chairman and Chief Executive Officer

Okay. If there's no further questions, I'd like to thank everybody for joining us today. I look forward to speaking to you again during our first quarter 2013 earnings call. Thank you very much and take care.

Glenn E. Tynan, Vice President and Chief Financial Officer

Bye bye.

Operator: Ladies and gentlemen, thank you for your participation in today's conference. This does conclude the program and you may all disconnect at this time.

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