

# 4Q and Full Year 2011 Earnings Conference Call

February 15, 2012



**CURTISS  
WRIGHT**

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# Overview of 2011 Results

- Solid sales and operating income growth, despite lower profitability in oil & gas large project business
- Commercial markets performed well, led by commercial aerospace and general industrial
- Strategic diversification across our defense markets limited downside risk
- Solid new order activity in commercial markets, particularly in power generation and oil & gas (MRO and super vessels)
- Strong balance sheet

# Full Year 2011 Results

(\$ in Millions)

	<u>Full Year 2011</u>	<u>% Change vs. Prior Yr</u>
<b>Sales:</b>		
Flow Control	\$ 1,060.8	4%
Motion Control	710.0	10%
Metal Treatment	<u>283.3</u>	<u>28%</u>
<b>Total Sales</b>	<b>\$ 2,054.1</b>	<b>9%</b>
<b>Operating Income:</b>		
Flow Control	\$ 103.4	(1%)
Motion Control	81.0	1%
Metal Treatment	<u>44.0</u>	<u>70%</u>
<b>Total Segments</b>	<b>\$ 228.4</b>	<b>8%</b>
Corporate and Other	<u>(23.5)</u>	<u>24%</u>
<b>Total Operating Income</b>	<b>\$ 205.0</b>	<b>14%</b>
<b>Diluted EPS:</b>	<b>\$ 2.77</b>	<b>21%</b>

\*Organic results exclude the impact of FX, acquisitions and divestitures

## Key sales drivers:

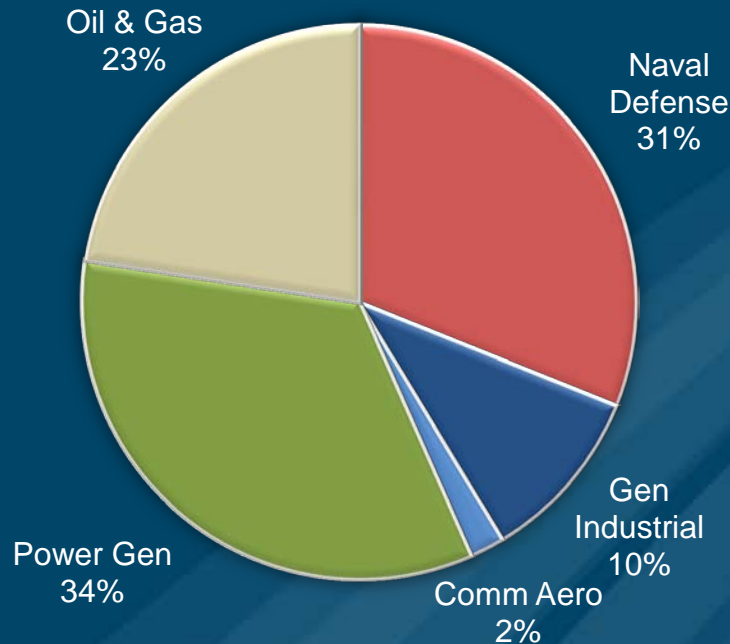
- Organic growth of 3%\* with gains across all three segments
- Solid, double-digit increases in the commercial aerospace, general industrial and aerospace defense markets
- Slow recovery of large, international capital projects in oil & gas market
- Defense sales impacted by prior program cancellations and timing on long-term Navy contracts

## Key operating income drivers:

- Organic growth of 17%\*, led by strong growth in metal treatment
- Lower than expected performance in oil and gas market
- Overall FX impact \$3M unfavorable, mainly in Motion Control
- Lower corporate costs



# 2011 Segment Review – Flow Control

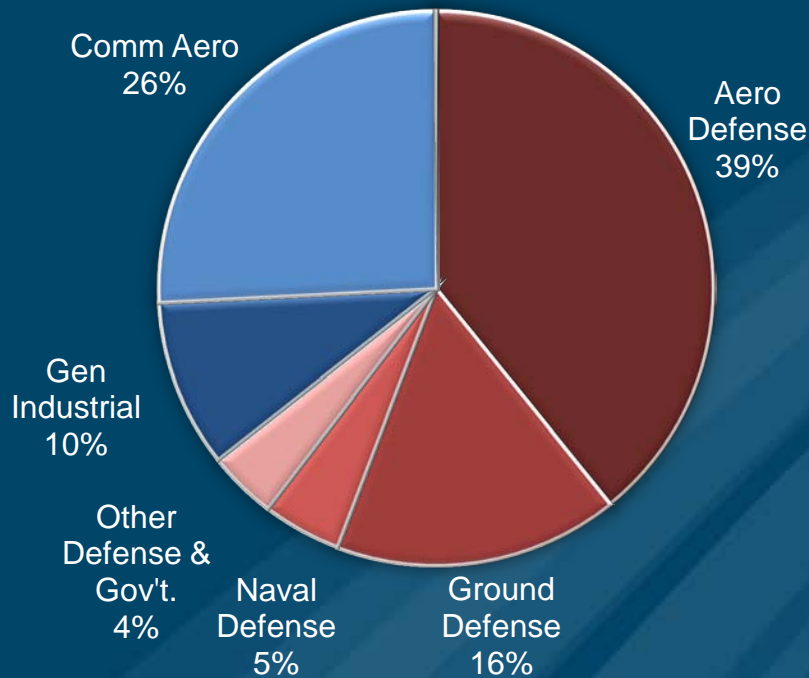


**FY Segment Sales: \$1,061 M**

## Full Year 2011 Results

- Sales up 4%; Operating income (down 1%) and margin impacted by reduced profitability in oil & gas market
- Achieved solid sales in the general industrial and power generation markets
- Naval sales lower due to timing on long-term contracts
- Higher MRO/super vessel sales in oil & gas offset by continued delays in capital spending on large, international projects

# 2011 Segment Review – Motion Control



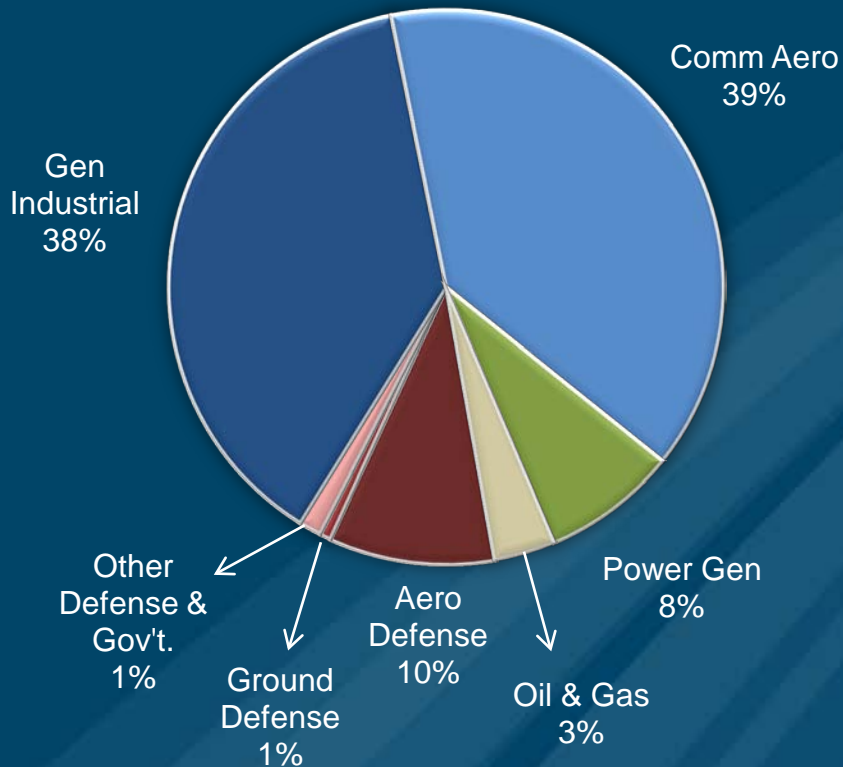
**FY Segment Sales: \$710 M**

\*Organic results exclude the impact of FX, acquisitions and divestitures

## Full Year 2011 Results

- Sales up 10%; 4% of which was organic\*
- Operating income up 1%; Organic growth of 11%\*
- Operating margin dilution due to recent acquisitions 110 bps, as expected, and 70 bps in unfavorable FX – total EPS impact was \$0.11
- Higher aerospace defense, commercial aerospace and general industrial sales
- Lower ground defense sales, impacted by previous program cancellations

# 2011 Segment Review – Metal Treatment

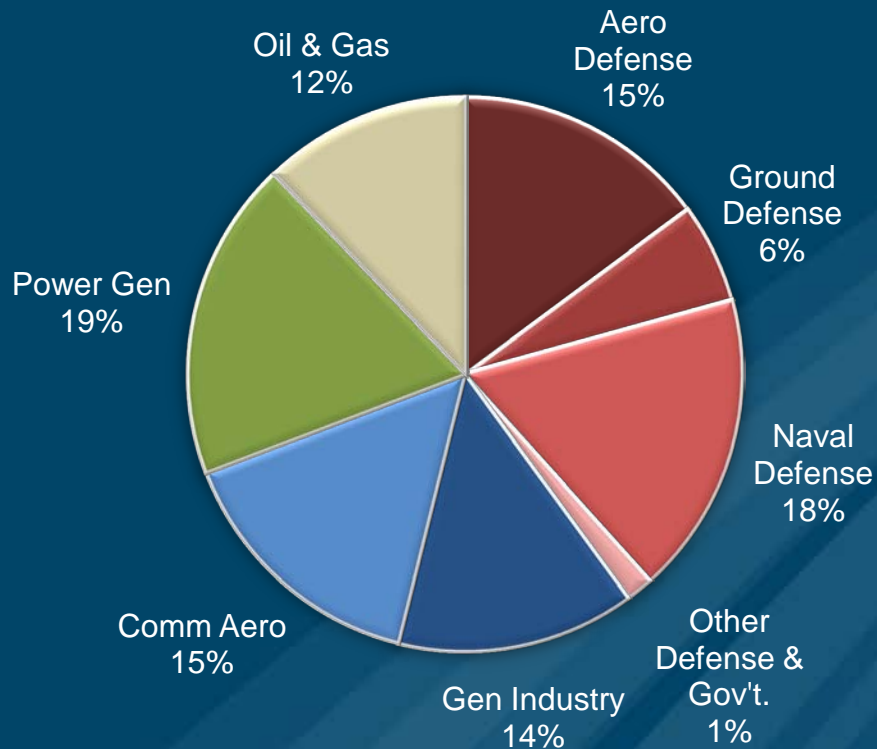


**FY Segment Sales: \$283 M**

## Full Year 2011 Results

- Sales up 28%
- Operating income up 70%
- Strong operating margin improvement on higher sales, aided by acquisitions
- Led by higher demand for shot peening and coatings services
- Continued strong sales to commercial aerospace and general industrial markets

# 2011 End Markets Summary



Note: Percentages in chart relate to full year 2011 sales.

## Key Positives

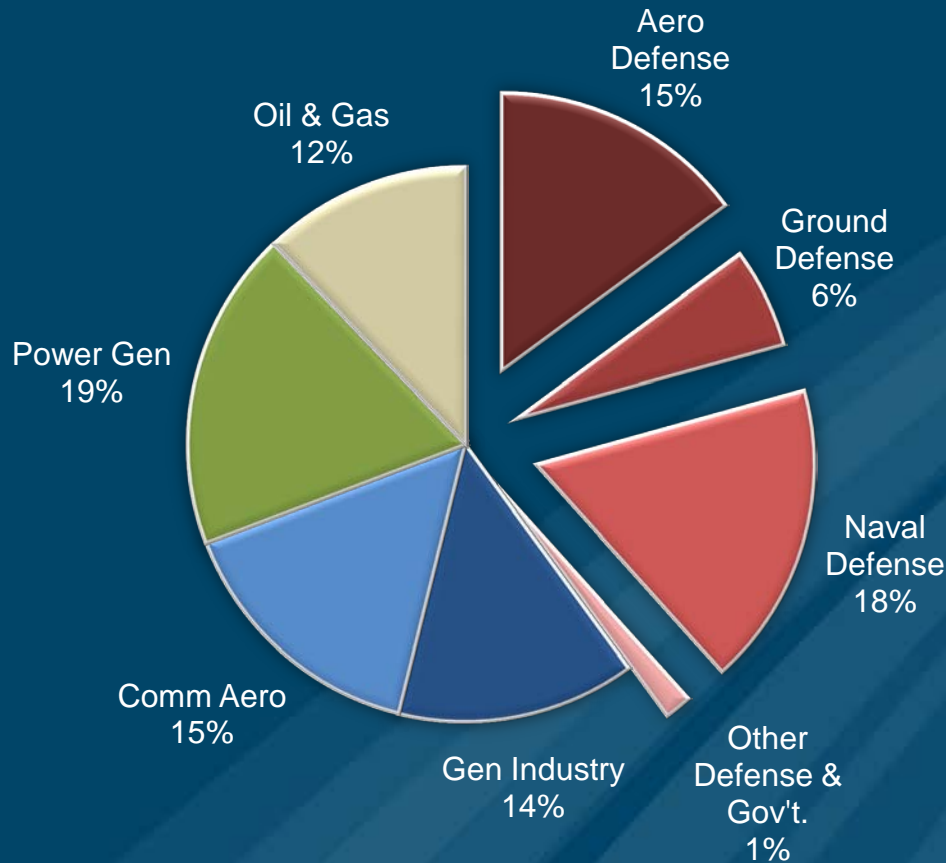
- Commercial markets up 12%
- Defense markets up 4%
- Benefiting from ongoing ramp up in commercial aircraft production rates
- Continued demand for embedded computing, and sensor and control products, supporting ISR applications
- Increased sales for U.S. and China AP1000 reactor projects; Higher aftermarket demand for existing operating reactors
- Increased sales on Virginia class submarines and CVN-79 aircraft carrier

## Key Challenges

- Slow recovery of large, international capital projects in oil & gas market
- Lower sales on Bradley and F-22 programs
- Winding down of CVN-78 aircraft carrier and EMALS program



# Summary & Outlook – Defense



Note: Percentages in chart relate to full year 2011 sales.

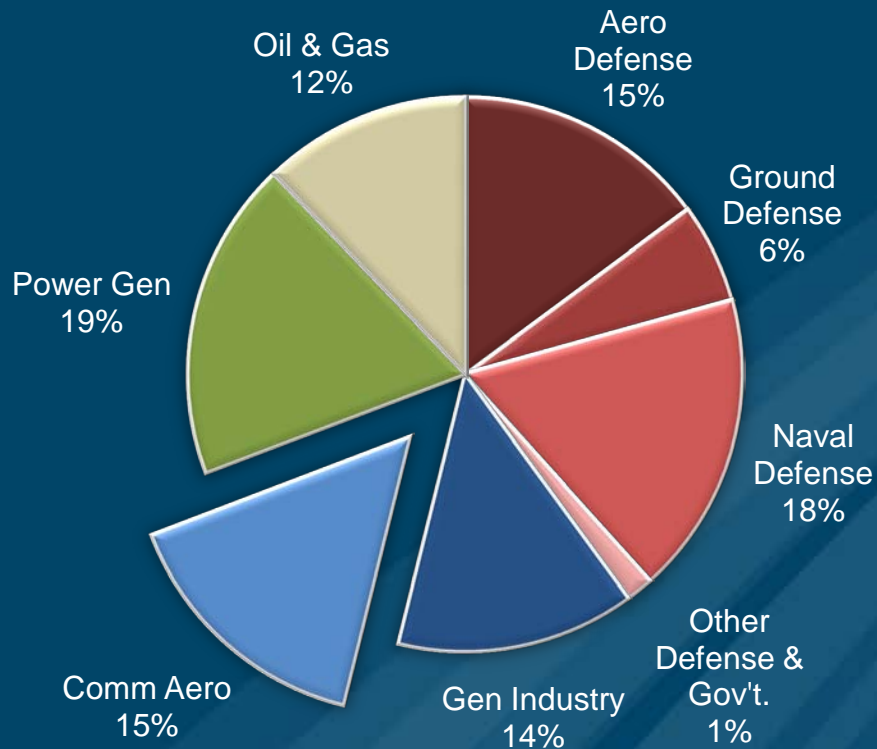
## Full Year 2011 Results

- 4% growth in sales
- Strength in military aircraft, helicopters, submarines, CVN-79 carrier and international turret drive aiming and stabilization systems
- Solid sales performance offset the impact of large program cancellations (F-22, FCS, EFV, DDG-1000), winding down of CVN-78 carrier and shift in revenue mix from development to production (Global Hawk)

## Outlook for 2012

- Improved ISR sales of embedded computing and sensor products on various programs
- Long-term naval defense outlook remains favorable
- Uncertainty in timing of U.S. ground defense vehicle modernization
- Reduced production on Blackhawk, V-22 and AAG

# Summary & Outlook – Commercial Aerospace



Note: Percentages in chart relate to full year 2011 sales.

\*Organic results exclude the impact of FX, acquisitions and divestitures

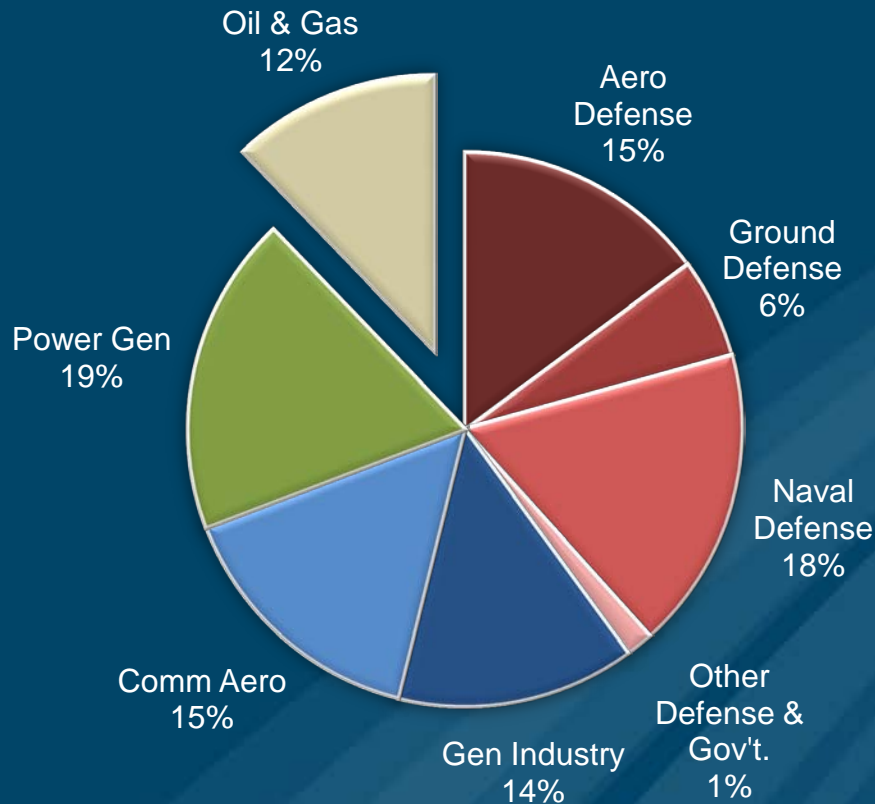
## Full Year 2011 Results

- 30% growth in sales, 12% of which was organic\*
- Strong sales due to increased demand from Boeing and Airbus
- Increased demand for sensor and control products on various commercial aircraft, including regional jets

## Outlook for 2012

- Benefiting from strong ramp up in commercial aircraft production rates
- Modest improvement in regional jet and commercial helicopter sales

# Summary & Outlook – Oil & Gas



Note: Percentages in chart relate to full year 2011 sales.

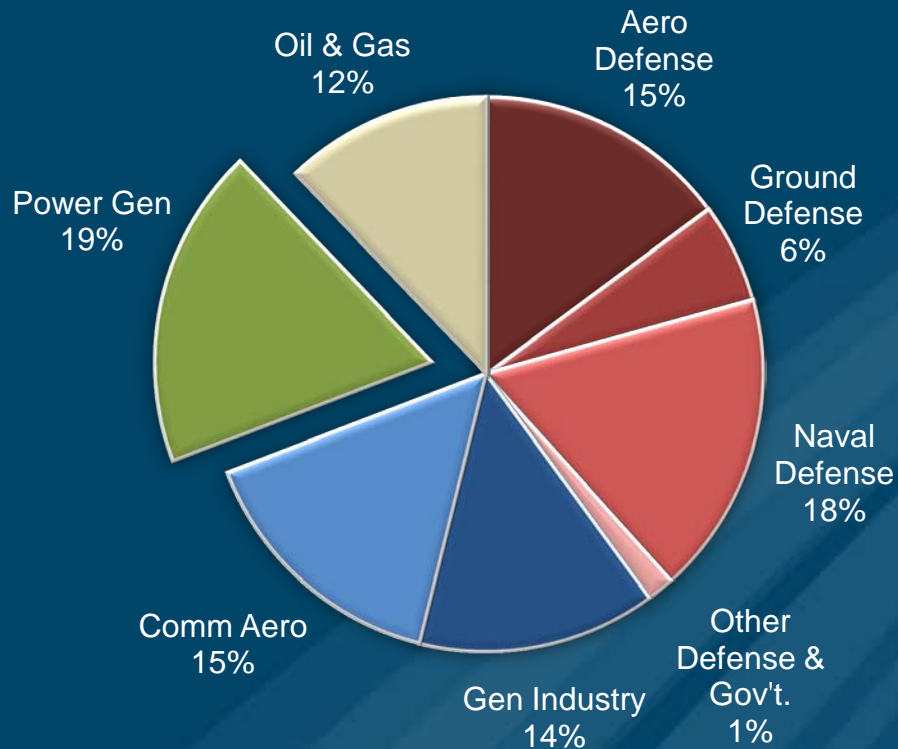
## Full Year 2011 Results

- 4% decrease in sales
- Improved sales for MRO & services in refining and petrochemical industries
- Solid demand for super vessels
- Continued delays in capital spending worldwide, particularly on coking projects

## Outlook for 2012

- Slow rebound in refinery equipment sales expected in 2012, leading to a pick-up in coker projects
- Increasing demand for MRO activity and super vessels

# Summary & Outlook – Power Generation



Note: Percentages in chart relate to full year 2011 sales.

## Full Year 2011 Results

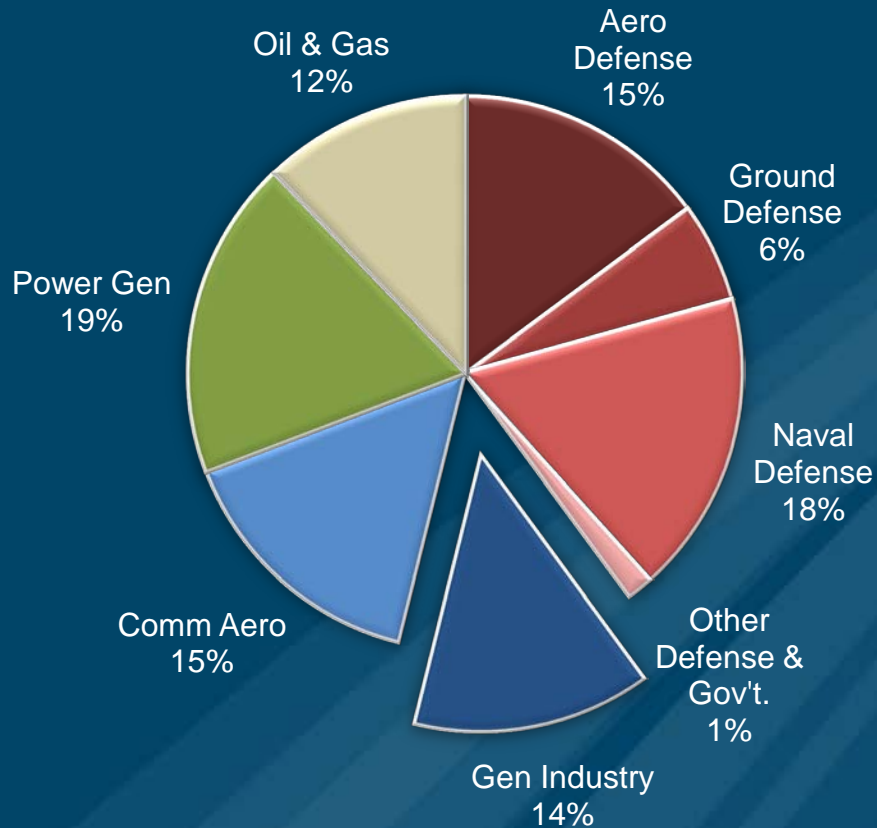
- 8% growth in sales
- Led by U.S. and China AP1000 sales
- Higher domestic aftermarket demand leading to pump and valve sales
- Solid new orders supporting existing nuclear operating reactors

## Outlook for 2012

- Continued long-term, global support for AP1000 reactor construction
- Ongoing support for Plant Life Extensions (PLEX) and power uprates supporting U.S. operating reactors
- Global interest in products to aid safety and extend reliability of existing operating reactors



# Summary & Outlook – General Industrial



Note: Percentages in chart relate to full year 2011 sales.

## Full Year 2011 Results

- 17% growth in sales
- Led by higher global sales volumes to commercial HVAC, automotive and transportation industries
- Strong demand for metal treatment services

## Outlook for 2012

- Economic recovery remains key to higher sales volumes
- Expecting continued, solid demand from HVAC, automotive and transportation industries



# 2012E Market Outlook (as of February 14, 2012)

Management Guidance	FY2012E
Aero Defense	2 - 4%
Ground Defense	(2) - (4%)
Naval Defense	3 - 5%
<b>Total Defense</b> Including Other Defense	<b>3 - 5%</b>
Commercial Aero	18 - 20%
Oil & Gas	7 - 9%
Power Generation	18 - 20%
General Industrial	6 - 8%
<b>Total Commercial</b>	<b>13 - 15%</b>
<b>Total Curtiss-Wright</b>	<b>9 - 11%</b>

# 2012E Financial Outlook (as of February 14, 2012)

(in 000's)

Management Guidance	FY2012E
Total Sales	\$2,230 - 2,270M 9% - 11%
Flow Control	\$1,170 - 1,180M 10% - 11%
Motion Control	\$750 - 770M 6% - 8%
Metal Treatment	\$310 - 320M 9% - 13%
Operating Income	\$240 - 248M 17% - 21%
Flow Control Margin	\$119 - 122M 10.2% - 10.3%
Motion Control Margin	\$100 - 103M 13.3% - 13.4%
Metal Treatment Margin	\$51 - 53M 16.5% - 16.6%
Corporate and Other	~\$31M

Note: Full year amounts may not add due to rounding

# 2012E Financial Outlook (as of February 14, 2012)

Management Guidance	FY2012E
Operating Income	\$240 - 248M 17% - 21%
Interest Expense, net	\$33 - 34M
Diluted EPS	\$2.95 - 3.05 6% - 10%
Diluted Shares Outstanding	47.5M
Effective Tax Rate	32.0%

# 2012E vs. 2011A Pro Forma EPS Growth

(as of February 14, 2012)

Management Guidance	FY2012E	Growth %
2011 Full Year EPS	\$2.77	21% (vs. 2010)
Less: R&D Tax Credit	(\$0.09)	
2011 Pro Forma EPS	\$2.68	
Benefits:		
Sales Volume	\$0.26 - 0.31	
OI Margin Improvement	\$0.31 - 0.36	
Subtotal:	\$3.25 - 3.35	21 - 25%
Less: Interest Expense	(\$0.20)	
Less: Pension Expense	(\$0.10)	
2012E Full Year EPS	\$2.95 - 3.05	10 - 14%

# 2012E Financial Outlook (as of February 14, 2012)

Management Guidance	FY2012E
Free Cash Flow <sup>(1)</sup>	\$90 - 100M
Depreciation & Amortization	\$100 - 105M
Capital Expenditures	\$90 - 95M
Pension Expense	~\$26.5M

<sup>(1)</sup> Free Cash Flow is defined as cash flow from operations less capital expenditures and includes estimated payments of approximately \$45 million to the Curtiss-Wright Pension Plan and \$34 million in interest payments in 2012.



# Outlook for 2012 and Closing Comments

- Strong, double-digit growth in Sales, Operating Income and EPS
- Continued execution and margin expansion
- Strong performances expected in commercial aerospace and power generation markets
- Expecting a solid rebound in sales and profitability in oil & gas market
- Defense business showing ability to overcome delays in funding and program cancellations affecting industry
- Positioned for strong growth organically and through strategic acquisitions

# Appendix

