PARTICIPANTS

Corporate Participants

Jim Ryan – Director-Investor Relations, Curtiss-Wright Corp.
David Charles Adams – President, Chief Executive Officer & Director, Curtiss-Wright Corp.
Glenn E. Tynan – Chief Financial Officer & Vice President, Curtiss-Wright Corp.

Other Participants

Michael F. Ciarmoli – Analyst, KeyBanc Capital Markets, Inc.
Stephen E. Levenson – Analyst, Stifel, Nicolaus & Co., Inc.
Kristine Tan Liwag – Analyst, Merrill Lynch, Pierce, Fenner & Smith, Inc.
Myles A. Walton – Analyst, Deutsche Bank Securities, Inc.

MANAGEMENT DISCUSSION SECTION

Operator: Good day, ladies and gentlemen, and welcome to the Curtiss-Wright First Quarter 2014 Financial Results Conference Call. At this time, all participants are in a listen-only mode. Later, we will conduct a question-and-answer session, and instructions will be given at that time. [Operator Instructions] As a reminder, this conference call is being recorded.

I'd now like to introduce your host for today's conference, Jim Ryan, Director of Investor Relations. You may begin.

Jim Ryan, Director-Investor Relations

Thank you, Ashley, and good morning, everyone. Welcome to Curtiss-Wright's first quarter 2014 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.

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.curtiss-wright.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.

Now, I'd like to turn the call over to Dave to get things started. Dave?

David Charles Adams, President, Chief Executive Officer & Director

Thank you, Jim, and good morning, everyone. For our agenda today, I'll provide a brief update on recent events, followed by Glenn who will review our first quarter financial update and discuss increases to our 2014 guidance. I'll return to wrap up by providing some additional color on our margin expansion progress and opportunities, and then open the call for questions.

As you seen by our press release last evening, we began the year with a strong first quarter performance. Our results directly reflect the emerging benefits of the transformational journey we embarked upon in December of last year.

One of the initial tasks completed under the One Curtiss-Wright vision was the organizational realignment of our prior segment structure into three new market facing segments. Thus far, our actions to flatten the organization have resulted in lower segment costs which as a result has led to improved profitability across the enterprise.

The organizational realignment as well as our operational and productivity improvement initiatives are beginning to manifest themselves in operating margin expansion as expected.

As we have discussed our new strategy is united across the company with a razor sharp focus on improving profitability, expanding our margins and driving steady improvements in working capital and free cash flow. Furthermore, I'll remind you that these metrics are aligned with the compensation plans for our entire management team. Based on the guidance we issued in December and as we've discussed previously, our improvements are aimed at driving Curtiss-Wright to upper quartile metric performance versus our peer group and should lead to strong shareholder returns in the future.

Combined with the positive impact of our operational improvements, the acquisitions we made in late 2012 and early 2013 have integrated nicely and are accretive to our operating income and margin.

Looking ahead, I'm bullish on further integration benefits and continued improvement in core operational efficiencies that will drive Curtiss-Wright's performance this year.

Now I would like to turn the call over to Glenn to provide a review of our quarterly performance. Glenn?

Glenn E. Tynan, Chief Financial Officer & Vice President

Thank you, Dave, and good morning, everyone. As you can see by our results we are off to a great in 2014. First quarter sales were up in both our commercial and defense end markets and included solid contributions from our acquisitions.

Operating income rose 55%, generating a 200 basis point improvement in operating margin to 9.2%. On an organic basis which excludes the acquisitions and FX, operating income increased 48% that produced organic operating margin of 9.3% in the first quarter, up 290 basis points from the prior year.

And as Dave highlighted these results reflect the benefits from our operational excellence and margin expansion initiatives across the enterprise, which keeps us on track for strong performance in 2014.

Our operating performance in the first quarter produced diluted earnings per share of $0.72, which exceeded our expectations. In addition we had solid new orders during the first quarter driving our book-to-bill to 1.06.

Next, some color on the drivers of first quarter operating income and margin performance. And note that we are presenting our segments in the new structure that became effective on January 1, of this year.

Starting with commercial industrial, operating income rose 60% and operating margin increased 300 basis points to 12.4% including 100 basis points in acquisition margin dilution, primarily from the Phönix and Arens Controls acquisitions. This segment's strong organic operating income growth, and 13.7% operating margins were driven by higher sales volumes, the benefits of our margin expansion initiatives and increased profitability and operational improvements from our 2012 acquisitions. This is principally related to Exlar and Williams Control which have moved beyond their initial purchase accounting related transaction costs.

In the defense segment, operating income was up 25% and operating margin was up 250 basis points to 10.5%. As a reminder, our overall defense business is much leaner now than in the past. If you recall we proactively repositioned several businesses through operational restructuring and cost reduction activities over the past few years in response to potential sequestration related budget cuts, which contributed to the solid operating margin expansion in the quarter. We also benefited from higher margins realized on the licensing of select non-core products which was partially offset by higher cost estimates on the AP1000 program.

Next in the energy segment, operating income increased 16% and operating margin was up 50 basis points to 7.2%, principally related to our efforts to improve sales and profitability in the oil and gas business. We continue to benefit from improved utilization of existing Houston operations resulting from the in sourcing of Cimarron's manufacturing and support a growing demand in the upstream market along with the implementation of lean and operational excellence initiatives across our operations. These improvements were partially offset by lower sales volumes in the power generation market. Overall, our combined segment performance was strong, as operating income increased 38% and operating margin increased 220 basis points to 10.4%. And finally, we experienced lower corporate and other costs in the first quarter as a result of lower pension and post retirement-costs.

Moving to our end markets, our commercial markets grew 11% overall during the first quarter, aided by some of our recent acquisitions as well as 4% organic growth. In the commercial aerospace market we experienced solid mid-teens organic growth. We continue to benefit from the ongoing strength of the OEM cycle and production rate increases across the industry with the bulk of the first quarter growth tied to the Boeing 787 platform.

Curtiss-Wright remains well positioned for continued growth, supported by the multi-year production up cycle in this market, and we expect this momentum to continue for several more years.

Elsewhere we generated higher sales across our oil and gas businesses, the bulk of which was organic, led primarily by solid demand in the upstream business. We also experienced higher global sales of MRO products supporting existing refinery maintenance needs, particularly for industrial valve products produced by our Phoenix acquisition, as well as higher international coker equipment sales. We expect solid growth in the oil and gas market to continue throughout 2014.

Within the power generation market we experienced lower revenues on both the U.S. and China, AP1000 contracts which are winding down. Our results also reflected slower growth from existing domestic operating reactors due primarily to the timing of planned outages.

And although weather related impacts shifted some scheduled projects out of the first quarter, we expect to recoup this work during the remainder of this year.

Looking ahead, we expect moderate growth in the nuclear aftermarket business in 2014 as the focus on technology advancements has led to new orders in support of plant upgrades, refurbishment projects and obsolescence solutions.

And finally, gains in the general industrial market were primarily driven by our Arens Controls acquisition, serving on-road and off-road trucks and specialty vehicles, partially offset by lower commercial HVAC sales.

Looking ahead, we continue to expect solid demand for our industrial, vehicle products in 2014 based on the improved growth outlook for OEMs and increasing global demand to reduce emissions. We expect solid global growth for our highly technical surface treatment services, based on improving US economic growth and Europe's recovery from recession.

In the defense market sales increased 3% primarily due to acquisitions, increased sales at naval defense were driven by higher revenue on the Virginia-Class submarine and DDG-51 Destroyer Programs, which continue to receive solid funding and reflect the government's support for a strong US Navy ship building budget.

Higher sales in the aerospace defense market were primarily driven by the Parvus acquisition as well as higher sales on helicopter programs and various other ISR related platforms. This increase was partially offset by continued lower demand in the ground defense market, which continues to be entrenched in maintenance versus upgrades.

For the remainder of 2014, we expect continued growth on our key defense platforms to continue with minimal budget impact as the risk of sequestration has been mitigated for 2014 and 2015.

As a reminder, Curtiss-Wright maintains leading positions in naval defense, defense electronics and UAVs, which are expected to receive increased funding in the coming years. A perfect example is the recent multi-year contract awarded to General Dynamics for the construction of 10 Virginia-class submarines, which we hope will continue to provide Curtiss-Wright with steady naval defense revenues for years to come.

Moving on to our financial outlook, full year 2014 sales growth of 6% to 8% remains unchanged from our previous guidance. And from a market perspective, our 2014 guidance also remains unchanged with total defense sales expected to grow between 1% and 5% and total commercial sales expected to grow between 7% and 11% from 2013. You can find the complete table of our guidance by end market in the appendix as well as in the earnings release.

Our increased guidance for operating income reflects lower expected pension and post retirement costs now that we have completed one quarter and have a better sense of voluntary employee participation in our new 401(k) plan. As a result, our growth in operating income has increased to a range of 17% to 22% in 2014, while our operating margin has expanded 20 basis points to a new range of 10.3% to 10.5%.

We also increased our share count to 49.1 million shares to account for greater than anticipated stock option dilution in the first quarter based on the solid performance of our share price. Note that any further boost in 2014 share count is expected to be offset by our ongoing share repurchase program.

As a result, we have increased our 2014 guidance for diluted earnings per share to a range of $3.35 to $3.45. In addition, we expect approximately 55% of our full year diluted EPS to be in the second half of the year, with the fourth quarter being the highest, as we have done historically.

And next to our cash flow. Please note that with the exception of last year, our current quarter free cash flow results are consistent with our historical first quarter performance, which is typically much slower than the rest of the year. This pattern is similar to our EPS performance as the first quarter free cash flow includes our lowest quarterly net earnings coupled with cash payments tied to annual compensation.

Overall, despite the low first quarter, we increased our full-year free cash flow guidance to a new range of $170 million to $190 million, based on expectations for additional working capital improvements in the latter half of the year. This also raises our expected conversion rate to a range of 103% to 112% in line with our goal to maintain a conversion rate of at least 100% over the planning cycle.

Finally, I wanted to point out that our comparable historical information and the new segment structure both for the first quarter and for the full year 2013 is available within the tables of the press release. And the remaining quarters will be included in an 8-K filing that will be made later on today.

Now, I would like to turn the call back over to Dave to provide an update on our future outlook. Dave?

David Charles Adams, President, Chief Executive Officer & Director

Thanks, Glenn.

As you've heard so far today, we are making solid progress with our margin expansion initiatives which continue to position Curtiss-Wright for strong profitable growth. One of the key goals of our new strategy is to achieve upper quartile operating margin performance compared to our peer group, and then surpass that with our drive toward 14%.

I'd like to take a few minutes to share some of our achievements in this regard, and then I'll open up the call to Q&A.

We are on track thus far with most initiatives performing in line with plan. Recall that our original 2014 guidance called for approximately 90 basis points in margin expansion over 2013. We expect the success of these initiatives will contribute to the bulk of the increase in margin, balanced by higher sales volumes.

As a reminder the progress of each and every one of these items is reviewed with the entire executive management team on a monthly basis. Our operating teams are disciplined, focused and aligned with the goal of driving towards top quartile operating margin performance.

I'll begin with our consolidation programs. We've made great progress thus far including the elimination of the formal flow control and controls headquarters allowing us to recognize immediate returns.

We have launched 12 additional consolidation projects with more under consideration. Thus far we are ahead of plan with this initiative. Next to our competitiveness programs where we are focused on generating significant savings from lean and supply chain initiatives.

Starting with supply chain, our forecast is for approximately $1.5 billion in available spending this year and we are aggressively working to reduce that figure.

As I've discussed before, we've previously operated under the all three segments structure with each segment pursuing different agendas. This had the effect of minimizing the benefit of critical mass and leverage. We have now made this an enterprise level focus under the one Curtiss-Wright strategy. As a result, the company wide supply chain management council was created and leadership put into place where we can now exploit the benefits of critical mass consistency and accountability.

To date we have launched 10 high impact initiatives with several others in the planning stages, thus far we are on plan with more to come during the remainder of 2014.

Similarly we have united our top Lean practitioners in the field to create a lean council responsible for the oversight of our operational excellence initiatives. One of the recent projects launched by the team was the development of an assessment tool to baseline Lean maturity. The tool's being deployed consistently across all Curtiss-Wright business units, with the result of benchmarking our Lean journey at every site. This benchmarking will form the basis of additional improvement plans across the enterprise.

We are also working on various portfolio rationalization opportunities to divest some non-core operations. We have several operations targeted for divestiture which should help us to achieve our operating margin expansion objectives. As noted, this process of addition by subtraction will play a significant role in 2014 and beyond.

Next to shared services, where the transition is well underway in our journey to world-class operational status. These include initiatives across our IT, Finance and HR organizations with each functional group operating at different stages in the process. Finance and IT are the furthest along and we expect our HR initiative to begin to pick up steam now that we have established new leadership in our HR organization.

One of the largest components of our margin expansion plan is our segment focus. For this initiative, we are concentrating on our underperforming facilities with the purpose of attaining their full potential. We have more than 10 specific business unit improvement plans in place with most showing signs of strong improvement and others trailing slightly behind. Our returns from this initiative are expected to be substantial as reflected in our long-term guidance and we look forward to continued progress over the next several quarters.

We also have numerous strategic growth initiatives across each of our segments. In fact, we are monitoring more than 100 potential growth initiatives throughout the organization. These initiatives are specific and measurable and support our long-term organic sales growth target of 5% to 6%. Over time, this will contribute to our margin expansion goals.

Overall, we have a high degree of confidence in achieving strong operating margin expansion from these initiatives in 2014 and beyond, some of which you saw in our first quarter results. Again, most of the contribution from these initiatives was built into our full year guidance for 2014.

Albeit early in the process, we are pleased to have seen the results to-date that we have experienced and I look forward to our mid-year review, at which time, we will have a solid six month's dated to analyze. If these initiatives begin to exceed their current track, we'll update our guidance accordingly during a future earnings call.

We've also been very focused on improving working capital across our operations. Each business unit has specific targeted improvements and primary working capital metrics. These initiatives will soon begin to positively influence our cash flow and we will update you later this year on our progress.

Before I wrap-up, I wanted to provide a brief update on the AP1000 program. We continue to make progress in the production of our Reactor Coolant Pumps, or RCPs, supporting the China AP1000 reactor program. In addition, we have begun to secure smaller contracts for equipment supporting both China and US new build AP1000 reactors, as well as other global designs, which are expected to nicely contribute to our overall content over time.

Regarding our next AP1000 order, we are in continued discussions with the Chinese regarding contractual language and we are looking forward to announcing an order once it reaches conclusion. Again, we expect this to be a significant driver of future growth in our new build business for years to come.

To recap, we are off to a great start and expect a strong year in terms of operating income, margin, EPS and free cash flow. We expect our commercial and defense end markets to continue to perform well this year. As you can see the benefits of our organizational realignment are immediately paying dividends. We're making great strides in our operating margin improvement initiatives which have and will continue to positively impact our results.

Our continued focus on improving operating margin should drive strong double-digit increases in operating income and earnings per share providing a high level of confidence in our free cash flow outlook. I also wanted to reiterate our commitment to having more balanced capital allocation between capital expenditures, returns to shareholders and strategic bolt-on acquisitions in 2014.

During the quarter, we increased the divided by 30% and reinitiated our share repurchase program, while only making a handful of smaller acquisitions all a function of our strategic plan. Overall, I am confident that our efforts to improve margin expansion and free cash flow generation will produce long-term shareholder value.

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

QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instructions] Our first question comes from Michael Ciarmoli of KeyBanc Capital. Your line is open.

<Q – Michael Ciarmoli – KeyBanc Capital Markets, Inc.>: Hi, good morning, guys. Real nice quarter. Thanks for taking my questions.

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

<Q – Michael Ciarmoli – KeyBanc Capital Markets, Inc.>: Dave, maybe just to stay on the AP1000, can you give us an update of how many pumps you guys have in backlog right now, maybe what the current run rate is through your facilities? And I know you guys keep talking about the China order, but it seems like there is some progress out there, either with Westinghouse securing some opportunities in Britain and even in Poland. I mean is there anything else percolating out there besides just the China order?

<A – Dave Adams – Curtiss-Wright Corp.>: Mike, we've been – obviously we're very close to Westinghouse and we shipped six units to China. We've received four back, you know that we are reworking those internally. We have some ongoing testing internally that is a result of long-term testing and that's going very positively for us.

As far as the other orders we did see and you probably saw the Reuters news release out there that Westinghouse was looking at, I think that they had indicated something like $24 billion worth of business. And we have been involved in pricing exercises with various people, and those continue as we're continuing to be a major element of the AP1000 program.

Over time, this has been just really to get out of the gate with Chinese it's been a long contractual negotiation period. And we see light at the end of the tunnel, so we are very hopeful in that regard. And it's something new for us as having developed the world's largest canned RCP. This is a pretty exciting time for us. So, things are looking good for us out there, but I can't really speak to the specifics of the negotiations and all the bids that we have outstanding.

<Q – Michael Ciarmoli – KeyBanc Capital Markets, Inc.>: Okay. And how many pumps you guys have lessen in your backlog?

<A – Glenn Tynan – Curtiss-Wright Corp.>: For the China or all in --?

<Q – Michael Ciarmoli – KeyBanc Capital Markets, Inc.>: China and the U.S., yeah.

<A – Glenn Tynan – Curtiss-Wright Corp.>: 16 for China, and 24 domestically, I'd say 40 in total, because they're all technically still in backlog, because we haven't – we're bringing them back and we haven't, we're working on, as Dave said, remanufacturing the first eight pumps for China. So -- and the bulk of those are in some form of process in our Pittsburgh plant in backlog. So I'd say 40 years what we have right now.

<Q – Michael Ciarmoli – KeyBanc Capital Markets, Inc.>: Okay. Perfect. And then just you guys articulated the kind of 10-point plan there with each -- where things stand. How do we think about margins in the energy segment going forward? I mean that's the one segment that notably lags the other two. I mean as you guys kind of progress towards this target, should we see a catch up as maybe utilization improves and, or even you mentioned the coker kind of demand may be picking up. How do we think about energy margins going forward?

<A – Glenn Tynan – Curtiss-Wright Corp.>: Well, like we had a pretty good quarter for them right out of the gate at 7.3% which is basically the annual and it's in our guidance right now. So we believe there is definitely opportunity to improve in that segment. However, as with any forecast we still have risks outstanding in our forecast and certainly a bulk of them are in the energy segment. So it's a little bit too early in the year, but I think you will see continued improvement in all of our segments in each quarter as we go forward.

<Q – Michael Ciarmoli – KeyBanc Capital Markets, Inc.>: Okay. Fair enough.

<A – Glenn Tynan – Curtiss-Wright Corp.>: We are just not changing our guidance for energy at this point.

<Q – Michael Ciarmoli – KeyBanc Capital Markets, Inc.>: Got it. Got it. And then anything just to follow-up on, you said the coker demand, I mean you guys haven't really talked seemingly positively or optimistically about that. I mean are you getting a little bit more comfortable that maybe some of the CapEx in the refining environment is starting to pick up maybe in different markets?

<A – Dave Adams – Curtiss-Wright Corp.>: You know we are -- I talked last time Mike about our cautious optimism. I didn't really want to go out on a limb on it; I still don't, but we are cautiously optimistic. We are seeing activities even in the downstream. Obviously, upstream is looking really good, but the downstream has ticked up with some interest and quotations from us.

I also indicated last call that we had released several new products to the marketplace and a couple of those new products have really taken some foothold in terms of interest. And so we've got some very specific inquiries relative to that.

So, like I said before, I'm not going to put all my -- I'm not going to count those chickens before the eggs hatch, but I will say that it is looking positive and downstream can only be great for us if it picks up.

<Q – Michael Ciarmoli – KeyBanc Capital Markets, Inc.>: Sounds good. Well, I will jump back in the queue here guys. Thanks.

<A – Dave Adams – Curtiss-Wright Corp.>: Thanks Mike.

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

<Q – Steve Levenson – Stifel, Nicolaus & Co., Inc.>: Thanks. Good morning, everybody.

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

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

<Q – Steve Levenson – Stifel, Nicolaus & Co., Inc.>: Just in relation to your comment on your focus on underperforming operations. Are they across the three segments or are they more concentrated in one segment? And if so, which one, and do you see – well, let's see where they are first. And I'll ask my question, next question.

<A – Dave Adams – Curtiss-Wright Corp.>: Well, thanks for your question. I won't single out anybody because everybody is listening, but I will say that if we all have the moniker attached to our forehead in terms of 14% op margin. And that's by the year 2018 we're all working down that path. Some as I indicated are trailing whereas others are doing much better. We have some that are in excess of 14% which is what's you're going to find in a business with the mix that we have. And we are -- we've got some that are much lower performers. But it might be a reason because of the market; it may be not core to us, it might be for various reasons. And we're analyzing those, we certainly have government contracts that might preclude some of that. So to say that someone might not be at that level, now or in the near-term, it might not mean that they're necessarily a bad one, because they may be precluded from getting there anyway.

But we've got – we have several that are across the board across the three segments that we are looking at, and no stone unturned is the approach that we are taking. And I will say that management is extremely incentivized to and anxious to work these units), and we are having great success with them.

<Q – Steve Levenson – Stifel, Nicolaus & Co., Inc.>: Okay. Thanks. Is it possible you'll do some consolidation to put underperforming ones with managers who are doing better?

<A – Dave Adams – Curtiss-Wright Corp.>: We do that as a course of, the normal course of business, and that will happen. You will have a management style that in one case might work better than another, and/or a market now that we are all one company, one Curtiss-Wright. That was part of the plan that where we have areas that were stovepiped off the floor in terms of market facing and going after the same market, but under two different management structures. Well, now we have them joined at the hip and that has already paid dividends for us from the customer side, from the manufacturing side and then from the op margin side. So absolutely, it has given us opportunities that were not there prior too.

<Q – Steve Levenson – Stifel, Nicolaus & Co., Inc.>: Got it, thanks. One other item, do you have any commentary on the big Virginia-Class submarine contract awarded the other day and how that might help you going forward?

<A – Dave Adams – Curtiss-Wright Corp.>: Yeah, we think that – we were saying before we were bullish over the last several quarters. We continue to say that we are bullish on the outlook of what sequestration might have held and we always said that we were bullish because we are heavy in naval and naval defense has been great for us, continues to be great. This is just another testimony to that. We anticipate this is going to be excellent for us. And going forward, as I just said we're going to be building two Virginia-classes a year and that's a lot of money to us. So we're excited over it.

<Q – Steve Levenson – Stifel, Nicolaus & Co., Inc.>: Thanks very much.

<A – Dave Adams – Curtiss-Wright Corp.>: Thanks Steve.

Operator: Thank you. [Operator Instructions] Our next question comes from Kristine Liwag of Bank of America Merrill Lynch. Your line is open.

<Q – Kristine Liwag – Merrill Lynch, Pierce, Fenner & Smith, Inc.>: Hi, good morning, guys.

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

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

<Q – Kristine Liwag – Merrill Lynch, Pierce, Fenner & Smith, Inc.>: It sounded from your prepared remarks that you have made a lot of progress in your initiatives and you've identified margin growth from headquarter footprint reduction and you talked about progress with the higher shared services IT, Finance and HR. So I just wanted to get an idea of where you are kind of big picture in doing all the things that you've already planned. So kind of in baseball terms, in which inning are you now? And when do you think you will finish your identified plans for these items?

<A – Dave Adams – Curtiss-Wright Corp.>: Well, considering that we've targeted 2018, we are in the first of a five year plan. And as you know, some low hanging fruit will fall much more quickly which it has and will continue. I did indicate that there are some -- in my prepared remarks that there are some that will pay more dividends later on as we look at the entirety and the segment focus. And it's across the board, Kristine.

I'd say that, I am really pleased generally with the low hanging fruit and how it has manifested itself. Supply chain is an area that takes a little long, that's a "ship' and it's a $1.5 billion ship that takes a little bit of time to turn and we are – we're making headway in various aspects in that regard. And there's not a week that doesn't go by that and I don't hear about some things that we're actively engaged on. And I won't go through the details, but there are small things that add up to big numbers over a period of time. So, that give you an idea of supply chain, that's a longer term one probably really coming into full view next year I would think.

And then you have the shared services, I indicated that two were well along the way and one is moving on very nicely; we've already seen pickup in IT and finance, and we'll see some more in HR as we move along. But the segment focus, that's going to be a little bit longer. There are literally hundreds of initiatives across the business units and when we track them by segment, by business unit, and the managers have them – they review them every month. And as a matter of fact, next week we have a rather large meeting, it's the quarterly meeting that basically takes all of that and goes into much more detail.

So it's all hands on deck and it's a journey. But it's not a three inning, it's a five year journey. So it's going to be, if you equate that to nine innings you can figure that out.

<A – Glenn Tynan – Curtiss-Wright Corp.>: Hey, Kristine also keep in mind that some of these initiatives are ongoing; they are not brand new. So, it's an ongoing program. So, built into – we are estimating 110 basis points improvement in our margin this year, so some of the ongoing ones are already in our guidance. And as Dave pointed out as we start to see that we are exceeding that we will adjust – and some of the newer, like as Dave talked about, the longer term initiatives start to take hold. We will update our guidance accordingly as we go forward.

<Q – Kristine Liwag – Merrill Lynch, Pierce, Fenner & Smith, Inc.>: All right. Great. Thank you.

<A – Glenn Tynan – Curtiss-Wright Corp.>: You're welcome.

Operator: Thank you our next question comes from Michael Ciarmoli of KeyBanc Capital Markets. Your line is open.

<Q – Michael Ciarmoli – KeyBanc Capital Markets, Inc.>: Hey, guys. Thanks. Maybe Dave or Glenn, you mentioned weather in the quarter creating maybe some disruptions or delays. Can you sort of quantify that? And I mean you guys put up a great quarter anyway I guess with those disruptions. So does that give you -- I mean obviously I appreciate the conservatism, but it seems like, are you going to obviously pick up that lost work in the remaining quarters here. So maybe you can just quantify what kind of impact weather had.

<A – Dave Adams – Curtiss-Wright Corp.>: I'll give you a little bit of high level macro quantification and then Glenn can speak to any specifics that he might want to. But looking at the HVAC side in industrial as well as some of the aftermarket work, the MRO maintenance that we do in some of the oil and gas sector, those have both been affected as you have seen noted in industry periodicals that obviously people just can't get outside and work and that's where all the HVAC work is. So that has had a negative effect on activity -- on business and we've had a lot of quotes, had a lot of activity in terms of prepping but it has slowed things down.

I don't have a number on it. Glenn if you have something specific on that.

<A – Glenn Tynan – Curtiss-Wright Corp.>: No, I don't think we've got a number but we noticed our nuclear in particular too aftermarket business was down in the quarter and they have planned outages in that industry and they basically work outside. It precludes them to some degree from doing it. So it's shifted into the remainder of the year and this happens from time to time.

<A – Dave Adams – Curtiss-Wright Corp.>: It should be a strong outage year for us by all plants.

<Q – Michael Ciarmoli – KeyBanc Capital Markets, Inc.>: Okay. And then just for maybe modeling purposes here Glenn, I guess if my math's correct, AP1000 in the defense segment was about $21.6 million and then it looks like there is some movement in the commercial, industrial and energy segments, it looks like I guess some of the energy flows through to commercial. Can you just you know kind of give us a sense of what product areas are maybe moving between energy and commercial there?

<A – Glenn Tynan – Curtiss-Wright Corp.>: Yeah, the single biggest difference will be the AP1000 which is in our defense – if I'm understanding your question right, is in our defense segment, but obviously it falls through to the power generation, the energy segment.

<Q – Michael Ciarmoli – KeyBanc Capital Markets, Inc.>: Right. You've got that reported in the defense revenues, because if I take your defense by end market, I guess that only adds up to $180 million, so the difference there to get to that total defense segment revenue would be the AP1000?

<A – Glenn Tynan – Curtiss-Wright Corp.>: That's the big piece. The other is also included in there is our HVAC business, which is in our defense segment, but gets reported in the general industrial.

<Q – Michael Ciarmoli – KeyBanc Capital Markets, Inc.>: Okay.

<A – Glenn Tynan – Curtiss-Wright Corp.>: Or the commercial industrial. And the other piece is we have certain valves and services that are in commercial industrial, but really serve the energy segment. Those are probably the three biggest anomalies aligning our segments to the markets.

<Q – Michael Ciarmoli – KeyBanc Capital Markets, Inc.>: Okay. Perfect. All right, that's all I have guys. Thanks.

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

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

<A – Dave Adams – Curtiss-Wright Corp.>: Hey, Myles?

<Q – Myles Walton – Deutsche Bank Securities, Inc.>: Yeah. Can you hear me?

<A – Dave Adams – Curtiss-Wright Corp.>: Yeah, we can.

<Q – Myles Walton – Deutsche Bank Securities, Inc.>: Okay. Great, thanks. So one question first on organic growth Dave, I know you're targeting the mid-single-digit organic growth over the long-term, and I am just curious, as you think about the reacceleration to that point, what are the things that need to be put in place, where do you think it's going to be led from?

And also would we see a pick-up in the book-to-bill materially before we see the organic growth take place or they are going to be largely coincident with one another, i.e., kind of a –short cycle businesses?

<A – Dave Adams – Curtiss-Wright Corp.>: I am sorry did you say the upstream?

<Q – Myles Walton – Deutsche Bank Securities, Inc.>: I actually said, the pickup in organic growth.

<A – Dave Adams – Curtiss-Wright Corp.>: Okay. I think that it's going to be pretty much a short cycle event across the board with the majority of products that we have out there, with the exception of course of some of the bigger military, ones like the ship building, but you've seen in the sensors side and on the services side, obviously a very short cycle. And then on the other elements in the industrial that we have within the sensors group are short cycle as well. So I don't see that ratio changing a lot, but I do think it's just going to be as orders flow in.

<Q – Myles Walton – Deutsche Bank Securities, Inc.>: Okay. And then on the Virginia-Class, is the next block a substantially different shipset content for you in terms of size and revenue?

<A – Dave Adams – Curtiss-Wright Corp.>: No, it should be the same thing.

<A – Glenn Tynan – Curtiss-Wright Corp.>: It's $60 million per sub.

<Q – Myles Walton – Deutsche Bank Securities, Inc.>: And any impact to a step down in margin rates because you're in a new contract or, again, is it relatively flat?

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

<Q – Myles Walton – Deutsche Bank Securities, Inc.>: Okay. And then one last one and I apologized I missed it, the AP1000 investment, what was that in the quarter and kind of what's the milestone for a full year of that?

<A – Glenn Tynan – Curtiss-Wright Corp.>: Yeah, it was about a little bit less than -- approximately $3 million charge in the quarter. Myles, as we have been saying recently, we are in the process of remanufacturing the first eight pumps on the China contract. So this additional testing, the modifications that are being required, which again, when you're building a first of a kind pump and with a requirement for a 60-year life, we know, this kind of – I'm not trying toglossover it, but this is typical. But we're committed to making the best product we can, that meets our requirements as well as the Chinese and this would be fine -- we think it's hopefully the end of the trail, but we do expect to ship the first four pumps in late second quarter or early third quarter at this point.

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

<A – Dave Adams – Curtiss-Wright Corp.>: Thanks Myles.

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

Operator: Thank you. I am not showing any further questions in queue. I would like to turn the call back over to David Adams for any further remarks.

David Charles Adams, President, Chief Executive Officer & Director

Thank you, Ashley, and thank you all for joining us today. We look forward to speaking with you again during our second quarter 2014 earnings call. Have a great day.

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.