

CURTISS WRIGHT CORP  
Form 10-Q  
April 30, 2015

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934  
For the quarterly period ended March 31, 2015

or

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 1-134

CURTISS-WRIGHT CORPORATION  
(Exact name of Registrant as specified in its charter)

Delaware  
(State or other jurisdiction of incorporation or  
organization)  
13925 Ballantyne Corporate Place, Suite 400  
Charlotte, North Carolina  
(Address of principal executive offices)

13-0612970  
(I.R.S. Employer Identification No.)

28277  
(Zip Code)

(704) 869-4600  
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period of time that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

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Large accelerated filer  Accelerated filer   
Non-accelerated filer  (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common Stock, par value \$1.00 per share: 47,555,199 shares (as of March 31, 2015).

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CURTISS-WRIGHT CORPORATION and SUBSIDIARIES

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## PART 1- FINANCIAL INFORMATION

## Item 1. Financial Statements

CURTISS-WRIGHT CORPORATION and SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS  
(UNAUDITED)

(In thousands, except per share data)	Three Months Ended		
	March 31, 2015	2014	
Net sales			
Product sales	\$445,687	\$436,227	
Service sales	100,512	106,732	
Total net sales	546,199	542,959	
Cost of sales			
Cost of product sales	293,009	288,934	
Cost of service sales	62,094	69,411	
Total cost of sales	355,103	358,345	
Gross profit	191,096	184,614	
Research and development expenses	(15,262	) (16,877	)
Selling expenses	(31,088	) (32,631	)
General and administrative expenses	(71,911	) (74,072	)
Operating income	72,835	61,034	
Interest expense	(8,996	) (9,055	)
Other income, net	481	112	
Earnings before income taxes	64,320	52,091	
Provision for income taxes	(21,097	) (15,661	)
Earnings from continuing operations	\$43,223	\$36,430	
Loss from discontinued operations, net of taxes	\$(27,232	) \$(1,266	)
Net earnings	\$15,991	\$35,164	
Basic earnings per share:			
Earnings from continuing operations	\$0.91	\$0.76	
Loss from discontinued operations	(0.57	) (0.03	)
Total	0.34	0.73	
Diluted earnings per share:			
Earnings from continuing operations	\$0.89	\$0.74	
Loss from discontinued operations	(0.56	) (0.02	)
Total	0.33	0.72	
Dividends per share	\$0.13	\$0.13	
Weighted-average shares outstanding:			
Basic	47,724	47,982	
Diluted	48,732	49,130	

See notes to condensed consolidated financial statements



CURTISS-WRIGHT CORPORATION and SUBSIDIARIES  
 CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)  
 (UNAUDITED)  
 (In thousands)

	Three Months Ended	
	March 31,	
	2015	2014
Net earnings	\$15,991	\$35,164
Other comprehensive income (loss)		
Foreign currency translation, net of tax <sup>(1)</sup>	\$(56,473	) \$(9,917
Pension and postretirement adjustments, net of tax <sup>(2)</sup>	2,403	786
Other comprehensive income (loss), net of tax	(54,070	) (9,131
Comprehensive income (loss)	\$(38,079	) \$26,033

(1) The tax benefit (expense) included in other comprehensive income (loss) for foreign currency translation adjustments for the three months ended, March 31, 2015 and 2014 were \$2.2 million and (\$0.3) million, respectively.

(2) The tax benefit (expense) included in other comprehensive income (loss) for pension and postretirement adjustments for the three months ended March 31, 2015 and 2014 were (\$1.4) million and (\$0.5) million, respectively.

See notes to condensed consolidated financial statements

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CURTISS-WRIGHT CORPORATION and SUBSIDIARIES  
CONDENSED CONSOLIDATED BALANCE SHEETS  
(UNAUDITED)  
(In thousands, except share data)

	March 31, 2015	December 31, 2014
Assets		
Current assets:		
Cash and cash equivalents	\$215,594	\$450,116
Receivables, net	496,019	495,480
Inventories, net	390,188	388,670
Deferred tax assets, net	45,953	44,311
Assets held for sale	92,169	147,347
Other current assets	100,925	45,151
Total current assets	1,340,848	1,571,075
Property, plant, and equipment, net	439,305	458,919
Goodwill	983,996	998,506
Other intangible assets, net	337,007	349,227
Other assets	24,243	21,784
Total assets	\$3,125,399	\$3,399,511
Liabilities		
Current liabilities:		
Current portion of long-term and short-term debt	\$965	\$1,069
Accounts payable	131,887	152,266
Accrued expenses	109,893	145,938
Income taxes payable	5,543	22,472
Deferred revenue	150,655	176,693
Liabilities held for sale	29,138	35,392
Other current liabilities	55,260	38,163
Total current liabilities	483,341	571,993
Long-term debt	965,189	953,279
Deferred tax liabilities, net	105,328	51,554
Accrued pension and other postretirement benefit costs	68,860	226,687
Long-term portion of environmental reserves	14,024	14,911
Other liabilities	87,950	102,654
Total liabilities	1,724,692	1,921,078
Contingencies and commitments (Note 13)		
Stockholders' Equity		
Common stock, \$1 par value, 100,000,000 shares authorized at March 31, 2015 and December 31, 2014; 49,189,702 shares issued at March 31, 2015 and December 31, 2014; outstanding shares were 47,555,199 at March 31, 2015 and 47,904,518 at December 31, 2014	49,190	49,190
Additional paid in capital	153,432	158,043
Retained earnings	1,479,107	1,469,306
Accumulated other comprehensive loss	(182,481)	(128,411)
Common treasury stock, at cost (1,634,503 shares at March 31, 2015 and 1,285,184 shares at December 31, 2014)	(98,541)	(69,695)
Total stockholders' equity	1,400,707	1,478,433
Total liabilities and stockholders' equity	\$3,125,399	\$3,399,511



See notes to condensed consolidated financial statements

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CURTISS-WRIGHT CORPORATION and SUBSIDIARIES  
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
 (UNAUDITED)

(In thousands)	Three Months Ended	
	March 31, 2015	2014
Cash flows from operating activities:		
Net earnings	\$ 15,991	\$ 35,164
Adjustments to reconcile net earnings to net cash used by operating activities:		
Depreciation and amortization	25,708	30,952
(Gain)/loss on sale of businesses	(1,252 )	—
(Gain)/loss on fixed asset disposals	(503 )	(17 )
Deferred income taxes	491	(2,940 )
Share-based compensation	2,620	2,402
Impairment of assets held for sale	40,813	—
Change in operating assets and liabilities, net of businesses acquired:		
Accounts receivable, net	(9,993 )	(10,842 )
Inventories, net	(10,178 )	(14,515 )
Progress payments	(117 )	(4,777 )
Accounts payable and accrued expenses	(59,046 )	(42,490 )
Deferred revenue	(26,038 )	(8,913 )
Income taxes payable	(15,574 )	10,871
Net pension and postretirement liabilities	(141,585 )	(4,154 )
Other current and long-term assets and liabilities	7,572	(5,334 )
Net cash used for operating activities	(171,091 )	(14,593 )
Cash flows from investing activities:		
Proceeds from sales and disposals of long lived assets	837	429
Proceeds from divestitures	4,010	—
Additions to property, plant, and equipment	(9,096 )	(18,365 )
Acquisition of businesses, net of cash acquired	(13,228 )	(32,857 )
Additional consideration on prior period acquisitions	(436 )	(230 )
Net cash used for investing activities	(17,913 )	(51,023 )
Cash flows from financing activities:		
Borrowings under revolving credit facility	1,296	163,483
Payment of revolving credit facility	(1,400 )	(164,089 )
Principal payments on debt	—	(80 )
Repurchases of common stock	(46,985 )	(5,013 )
Proceeds from share-based compensation	7,616	21,135
Other	140	—
Excess tax benefits from share-based compensation	3,291	5,409
Net cash (used for) provided by financing activities	(36,042 )	20,845
Effect of exchange-rate changes on cash	(9,476 )	(2,556 )
Net decrease in cash and cash equivalents	(234,522 )	(47,327 )
Cash and cash equivalents at beginning of period	450,116	175,294
Cash and cash equivalents at end of period	\$ 215,594	\$ 127,967
Supplemental disclosure of non-cash activities:		
Capital expenditures incurred but not yet paid	\$ 502	\$ 1,160
Property and equipment acquired under build to suit transaction	\$ —	\$ 8,008

See notes to condensed consolidated financial statements



CURTISS-WRIGHT CORPORATION and SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY  
(UNAUDITED)  
(In thousands)

	Common Stock	Additional Paid in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock
December 31, 2013	\$49,190	\$150,618	\$1,380,981	\$25,259	\$(53,343 )
Net earnings	—	—	113,338	—	—
Other comprehensive loss, net of tax	—	—	—	(153,670 )	—
Dividends paid	—	—	(25,013 )	—	—
Restricted stock	—	(722 )	—	—	3,155
Stock options exercised, net of tax	—	311	—	—	45,049
Other	—	(430 )	—	—	430
Share-based compensation	—	8,266	—	—	234
Repurchase of common stock	—	—	—	—	(65,220 )
December 31, 2014	\$49,190	\$158,043	\$1,469,306	\$(128,411 )	\$(69,695 )
Net earnings	—	—	15,991	—	—
Other comprehensive loss, net of tax	—	—	—	(54,070 )	—
Dividends declared	—	—	(6,190 )	—	—
Restricted stock	—	(5,691 )	—	—	8,076
Stock options exercised, net of tax	—	(674 )	—	—	9,197
Other	—	(572 )	—	—	572
Share-based compensation	—	2,326	—	—	294
Repurchase of common stock	—	—	—	—	(46,985 )
March 31, 2015	\$49,190	\$153,432	\$1,479,107	\$(182,481 )	\$(98,541 )

See notes to condensed consolidated financial statements

CURTISS-WRIGHT CORPORATION and SUBSIDIARIES  
NOTES to CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)

1. BASIS OF PRESENTATION

Curtiss-Wright Corporation and its subsidiaries (the “Corporation” or the “Company”) is a diversified multinational manufacturing and service company that designs, manufactures, and overhauls precision components and provides highly engineered products and services to the aerospace, defense, automotive, shipbuilding, processing, oil, petrochemical, agricultural equipment, railroad, power generation, security, and metalworking industries.

The unaudited condensed consolidated financial statements include the accounts of Curtiss-Wright and its majority-owned subsidiaries. All intercompany transactions and accounts have been eliminated.

The unaudited condensed consolidated financial statements of the Corporation have been prepared pursuant to the rules and regulations of the U.S. Securities and Exchange Commission (SEC). Certain information and footnote disclosures normally included in annual financial statements have been condensed or omitted as permitted by such rules and regulations. In the opinion of management, the accompanying unaudited condensed consolidated financial statements reflect all adjustments necessary for a fair presentation of these financial statements.

Management is required to make estimates and judgments that affect the reported amount of assets, liabilities, revenue, and expenses and disclosure of contingent assets and liabilities in the accompanying financial statements. Actual results may differ from these estimates. The most significant of these estimates includes the estimate of costs to complete long-term contracts under the percentage-of-completion accounting methods, the estimate of useful lives for property, plant, and equipment, cash flow estimates used for testing the recoverability of assets, pension plan and postretirement obligation assumptions, estimates for inventory obsolescence, estimates for the valuation and useful lives of intangible assets, legal reserves, and the estimate of future environmental costs. Changes in estimates of contract sales, costs, and profits are recognized using the cumulative catch-up method of accounting. This method recognizes in the current period the cumulative effect of the changes on current and prior periods. Accordingly, the effect of the changes on future periods of contract performance is recognized as if the revised estimate had been the original estimate. In the three month periods ended March 31, 2015 and 2014, there were no individual significant changes in estimated contract costs. In the opinion of management, all adjustments considered necessary for a fair presentation have been reflected in these financial statements.

The unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Corporation’s 2014 Annual Report on Form 10-K. The results of operations for interim periods are not necessarily indicative of trends or of the operating results for a full year.

Changes in Segment Presentation

In 2015, the Corporation revised its reportable segments as a result of previously announced discontinued operations to: Commercial/Industrial, Defense, and Power. Prior period financial information has been reclassified to conform to the current period presentation. See Note 11 for more information on the Corporation's reportable segments.

CURTISS-WRIGHT CORPORATION and SUBSIDIARIES  
 NOTES to CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
 (UNAUDITED)

## Recent accounting pronouncements

Standard	Description	Effect on the financial statements
ASU 2014-09 Revenue from contracts with customers  Date of adoption: January 1, 2017	In May 2014, the FASB issued a comprehensive new revenue recognition standard which will supersede previous existing revenue recognition guidance. The standard creates a five-step model for revenue recognition that requires companies to exercise judgment when considering contract terms and relevant facts and circumstances. The five-step model includes (1) identifying the contract, (2) identifying the separate performance obligations in the contract, (3) determining the transaction price, (4) allocating the transaction price to the separate performance obligations and (5) recognizing revenue when each performance obligation has been satisfied. The standard also requires expanded disclosures surrounding revenue recognition. The standard is effective for fiscal periods beginning after December 15, 2016 and allows for either full retrospective or modified retrospective adoption.	The Corporation is currently evaluating the impact of the adoption of this standard on its Consolidated Financial Statements.
ASU 2015-03 Simplifying the Presentation of Debt Issuance Costs Date of adoption: January 1, 2016	In April 2015, the FASB issued guidance which changes the presentation of debt issuance costs in financial statements. An entity presents such costs in the balance sheet as a direct deduction from the related debt liability rather than as an asset. Amortization of the costs is reported as interest expense.	The Corporation does not expect the standard to have a significant impact on its Consolidated Financial Statements.

## 2. DISCONTINUED OPERATIONS AND ASSETS HELD FOR SALE

As part of a strategic portfolio review conducted in 2014, the Corporation had identified certain businesses it considered non-core. The Corporation considers businesses non-core when the business' products or services do not complement its existing businesses and where the long-term growth and profitability prospects are below the Corporation's expectations. As part of this initiative, the Corporation divested one business in the first quarter of 2015, that was previously held for sale. The results of operations of these businesses are reported as discontinued operations within our Condensed Consolidated Statements of Earnings and prior year amounts have been restated to conform to the current year presentation.

During the first quarter of 2015, due to continued uncertainty in the Oil & Gas markets, the Corporation recognized an impairment charge of \$40 million in its Downstream Refining business.

The aggregate financial results of all discontinued operations for the three months ended March 31 were as follows:

(In thousands)	2015	2014
Net sales	\$34,259	\$98,453
Loss from discontinued operations before income taxes <sup>(1)</sup>	(40,112 )	(1,980 )
Income tax benefit/(expense)	12,678	714

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Gain/(loss) on sale of businesses <sup>(2)</sup>	202	—
Earnings from discontinued operations	\$(27,232 )	\$(1,266 )

<sup>(1)</sup> Loss from discontinued operations before income taxes includes approximately \$41 million of Held for sale impairment expense in the three months ended March 31, 2015.

<sup>(2)</sup> In the first quarter ended March 31, 2015, the Corporation recognized aggregate after tax gain of \$0.9 million on the sale of our Aviation Ground Support Equipment business which operated within the Defense segment.

CURTISS-WRIGHT CORPORATION and SUBSIDIARIES  
 NOTES to CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
 (UNAUDITED)

Assets held for sale

During the third quarter of 2014, the Corporation committed to a plan to sell two surface technology treatment facilities, its Engineered Packaging business, as well as its Downstream Refining business. As of March 31, 2015, these businesses continue to be classified as held for sale and their results of operations are presented as discontinued operations in the Condensed Consolidated Statement of Earnings.

The aggregate components of the assets classified as held for sale, are as follows:

(In thousands)	March 31, 2015
Assets held for sale:	
Receivables, net	\$49,661
Inventories, net	23,801
Property, plant, and equipment, net	21,231
Goodwill	39,396
Other intangible assets, net	17,524
Other assets	129
Deferred tax assets, net	14,317
Reserve for assets held for sale	(73,890)
Total assets held for sale, current	\$92,169
Liabilities held for sale	
Accounts payable	\$7,222
Accrued expenses	4,723
Deferred revenue	14,606
Other current liabilities	2,262
Other liabilities	325
Total liabilities held for sale, current	