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PRESENTATION

Operator

Good day, and thank you for standing by. Welcome to the First Quarter 2024 ESCO Technologies Earnings Call. (Operator Instructions) Please be advised that today’s conference is being recorded.

On the call today, we have Bryan Sayler, President and CEO; Chris Tucker, Senior Vice President and CFO.

And now I would like to hand the conference over to our first speaker today, Kate Lowrey, Vice President of Investor Relations. Kate, you now have the floor.

Kate Lowrey - ESCO Technologies Inc. - VP of IR

Thank you. Statements made during this call, which are not strictly historical are forward-looking statements within the meaning of the safe harbor provisions of the federal securities laws. These statements are based on current expectations and assumptions, and actual results may differ materially from those projected in the forward-looking statements due to risks and uncertainties that exist in the company’s operations and business environment, including, but not limited to, the risk factors referenced in the company’s press release issued today, which will be included as an exhibit to the company’s Form 8-K to be filed. We undertake no duty to update or revise any forward-looking statements, except as may be required by applicable laws or regulations.

In addition, during this call, the company may discuss some non-GAAP financial measures in describing the company’s operating results. A reconciliation of these measures to the most comparable GAAP measures can be found in the press release issued today and found on the company’s website at www.escotechnologies.com under the link Investor Relations.

Now I’m going to turn the call over to Bryan.

Bryan H. Sayler - ESCO Technologies Inc. - President, CEO & Director

Thanks, Kate, and thanks everyone for joining today’s call. We really appreciate you taking time to get an update from ESCO this afternoon. We had a good start to the year. But before I talk to you about that, I’d like to take a moment to thank one of our directors who has retired this week. We had meetings with our Board over the last few days, and that represented the last time that Jim Stolze will participate as one of our directors.

Jim served on our Board for 25 years and he really had a tremendous impact at that time. Jim came to the Board with deep financial experience, and ESCO really benefited from that immensely over the years. He has a great mind for business and most importantly, always operated with a
high level of integrity. His contributions to ESCO are too numerous to recall here, but suffice it to say that we're all going to miss them. So we offer our sincere thanks to Jim for his many years of service and wish him all the best in retirement.

With that, let me pivot over to some summary comments about the business. The results were a bit mix between the different segments this quarter. But overall, we delivered growth on the top line and the bottom line and saw another significant increase in backlog. Most importantly, we're still on track to deliver the full year commitments that were provided back in November. In the quarter, sales grew by 6% and adjusted EBIT was up 8%, a solid start to the year. Two of the 3 segments delivered double-digit sales and adjusted EBIT growth.

As we've been saying for a while now, our key end markets continue to have favorable dynamics and the drivers are in place for us to continue delivering meaningful organic revenue growth and margin expansion.

Before Chris gets into the financial details, I do want to offer some top-level commentary about each of the business segments. First up is Aerospace & Defense, where we had a strong start to the year. Sales were up double digits as we continue to see good momentum from the aircraft component and Navy businesses. Margins in the quarter increased nicely. So it's good to see the growth translate to bottom line for these businesses. Even with the strong sales and EBIT performance, we were even more encouraged by the continued order strength. We booked significant Navy orders again, similar to the fourth quarter and have now built up a nice backlog in the Globe business after a few years of burning off Block V backlog. Additionally, we saw a big order growth from the commercial and defense aerospace businesses. It's nice to see the momentum continue for that part of our business as well.

Next up is the Utility Group, which continued a string of strong quarterly performance. The breadth of our offering for the core utility markets continues to provide a solid foundation for continued growth. Off-line products and services were a key driver of growth during the first quarter with the Phoenix product line, in particular, delivering a great quarter. On the renewable side, we had a strong sales again, but the book-to-bill ratio was below 1.0 for the second quarter in a row. We've now seen 2 quarters of moderating orders after a tremendous run-up through June of 2023. Our backlog has come down a bit but we are starting to see some good activity in the pipeline and feel good about the full year outlook for this business.

Finally, I'll touch on the Test business, where we did have a tough start to the year. Chris will go through the details in a minute, but we did see a sizable reduction in sales and EBIT during the first quarter. Overall, the business does still have good levels of backlog, and we see a good pipeline of coming order activity. So longer term, we still feel great about where the business is headed. In the short term, however, we are seeing project construction taking longer than planned, and it's reducing our ability to deliver revenue in the near term. The project delays are not really on our end, but are more on the construction side of the business where job sites are not ready for our products. And so the timing of revenue tends to get pushed to the right. This is mostly a U.S. phenomenon, and we are going to take some restructuring actions as we manage through a soft patch.

Margin improvement has been a key theme for us in the Test business over the past year. And with the disappointing first quarter, it's appropriate for us to take action to take some cost out of the business. This will help us get -- this will help us out in the back half of FY '24. We mentioned on the November call that we had just closed on the MPE acquisition. It's an exciting deal for ESCO and for ETS-Lindgren. And I'm happy to report that the integration between ETS and MPE is off to a good start, and we remain excited about the long-term prospects with MPE as a margin-enhancing part of our Test business.

To summarize, I would say 2024, it's off to a good start. Really good performance at 2 of the 3 business and quick action underway at the third business to drive our long-term profitability objectives. Our outlook for 2024 is intact and we're working hard to deliver another record year.

Now I'll turn it over to Chris to go through the financial details of the first quarter.

Christopher L. Tucker - ESCO Technologies Inc. - Senior VP & CFO

Thanks, Bryan. Everyone can follow along on the chart presentation. We will start on Page 3, where we have the overall financial highlights for the first quarter. As you can see, we had a great quarter for orders with an increase of 28%, which resulted in record backlog of $848 million. The A&D
businesses led the order growth, which resulted in a first quarter consolidated book-to-bill ratio of 1.35. Sales in the quarter were up over 6%, which was comprised of 4% organic growth and a 2% impact from the CMT and MPE acquisitions.

Adjusted EBIT was up 7.5%, adjusted EBITDA up over 7% and adjusted earnings per share up 3% in the quarter. Adjusted EBITDA margins increased by 20 basis points as increases from the A&D businesses were offset by declines from Test and the Utility Group.

Moving to Chart 4, we will start with the segment details. First, with Aerospace & Defense. We really got off to a strong start here, which was great to see. Beginning with orders, we achieved a 1.8 book-to-bill ratio as the Navy business received large orders on the Virginia Class Submarine program. Additionally, there was strong order growth from the aircraft component businesses. This resulted in backlog of more than $560 million at December 31, a record amount for this business.

Moving on to sales. Overall growth was 14%, which was comprised of 10% organic growth and 4 additional points of growth from the CMT acquisition. The sales growth was led by strength in the commercial and defense aerospace as well as the Navy business. Adjusted EBITDA margins in the quarter increased by 230 basis points as we saw nice leverage on the sales growth and favorable impacts from price, which were only partially offset by inflation and mix.

On Chart 5, we have the Utility Solutions Group. Here, we delivered another great quarter for ESCO. Orders were down in the quarter, which Bryan mentioned. This was driven by modest reductions at NRG. The renewables business saw exceptional order growth through June 30 of last year, as strong industry dynamics and government incentive programs spurred customer orders. Since then, the order base has moderated and the business has burned down backlog. Currently, we are starting to see increasing order pipeline activity in the renewables business, and we do expect to see order growth return as we move forward.

On the sales side, for USG, we had an increase of 17% in the first quarter, and we had double-digit growth for both Doble and NRG. Adjusted EBITDA dollars increased by more than 10%, while the margins declined 150 basis points. We did see favorable impacts from volume growth and price during the quarter, but they were more than offset by unfavorable mix and inflationary pressures.

Next we’ll go to Chart 6 and the Test business, where we had orders decreased by 12% compared to last year’s first quarter. This was driven by lower orders in the U.S. and some timing of getting new orders booked in China and Europe. On the sales line, we saw a reduction of 21%. All world areas experienced sales declines with the largest reduction coming in the U.S. Bryan mentioned this above, but we are seeing some delays in the U.S. with getting projects executed and that has caused U.S. sales to be lower than planned in the first 2 quarters of fiscal 2024.

Adjusted EBITDA margins declined to 8.3% in the quarter as we significantly deleveraged on the sales volume drop and also experienced unfavorable mix. We are executing a plan to take cost out of this business and expect to see sales and profitability trends improve as we get into the second half of the year.

Next is Chart 7, where we have the cash flow highlights. We did have a positive swing in the first quarter cash flow as a cash use of $9 million in the first quarter last year swung to a positive cash flow of $9 million in this year’s quarter. We saw favorable impacts in working capital from improved net contract assets as well as favorability from accounts payable and accrued expenses when compared to last year’s first quarter.

Capital spending in the quarter did increase driven by investments from the Aerospace & Defense business. You can also see here where the MPE acquisition was just over $56 million and we had no share repurchases completed during the first quarter.

The last chart today is #8, which is our updated 2024 guidance. The outlook for ESCO remains strong. Starting with earnings. We are still tracking to deliver the adjusted earnings per share range that was communicated back in November. In fact, we have increased the bottom of the range from $4.10 to $4.15, and we have an overall range of $4.15 to $4.30 per share, which represents growth in the range of 12% to 16%. For sales, we expect an increase for the year in the range of 7% to 9%. The overall sales growth range is consistent with what we communicated in November, but we have seen some movement by business. We now expect the Aerospace & Defense group to grow in a range of 11% to 13%. We had communicated 8% to 10% for this business initially, but with a strong start to the first quarter and continued orders momentum, we have now increased this outlook.
For the Utility Group, the sales growth range is 6% to 8%. This is the same as what we communicated in November. And lastly, for Test, the range has dropped, and we now expect growth in the range of 1% to 3%. The slower first half and project delays mentioned previously have reduced the growth outlook here. The Test range does include the impact of the MPE acquisition. For the second quarter, we expect adjusted earnings per share in the range of $0.85 to $0.90, which will represent growth in the range of 12% to 18% over last year's second quarter.

That concludes the financial update, and now I'll turn it back over to Bryan.

Bryan H. Sayler - ESCO Technologies Inc. - President, CEO & Director

Thanks, Chris. Before jumping into the Q&A, I do want to take a moment to thank all of our employees. I do this on most calls because it's important. Our teams are working very hard and their efforts are key to driving our results. Even when the results might fall a bit short, our teams continue to work the issues and take the hard actions to keep the business healthy and position for future growth. The commitment and dedication shown by our employees around the world continue to be impressive, and I truly appreciate it.

So to close, we're on track to deliver on our 2024 commitments which will result in our third record year in a row. That concludes the opening remarks, and we can start the Q&A now.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) The first question today will be coming from Tommy Moll of Stephens.

Thomas Allen Moll - Stephens Inc., Research Division - MD & Equity Research Analyst

I've got two questions for you on A&D. Start with the first. Just in terms of the guidance you've provided, you raised the range from -- for revenue growth that is from 8% to 10% to 11% to 13%. And if we unpack that a little bit in the first quarter, defense aero grew fastest by a pretty wide delta there, then was Navy and then commercial aero. All were up, but that was just the rank order. Is that a rough approximation of how you see the year unfolding? Or is there any commentary you could give beyond the consolidated segment level outlook you provided?

Christopher L. Tucker - ESCO Technologies Inc. - Senior VP & CFO

Yes. I think that what we would expect, Tommy, is pretty consistent growth by quarter as we move through the year. So kind of in that low double-digit kind of range. Certainly, we expect the commercial aero and defense aero to continue to pace the overall growth. Maybe we see that growth kind of trail a little bit as we move further into the year just because we are starting to come up against some pretty tough comps after a strong '23. But as that happens, I would say our Navy growth should pick up a little bit as we move through the year as well. So that's kind of how I would roughly that out for you as we think about kind of consistent growth through the year.

Thomas Allen Moll - Stephens Inc., Research Division - MD & Equity Research Analyst

Okay, Chris, that's helpful. And then second question for you on A&D. I'll ask the obligatory 737 MAX update question. I don't think, given that you raised your revenue outlook there that you've seen any potential headwinds to your 2024 outlook as a result of some of the news flow there. But we're all reading and hearing the same things every day. So I'm just curious if you have seen any impact? If there's something we should keep an eye out for? Is it possible best case, could you size or dimensionalize the exposure you have there just to give everyone a sense of what's at stake here?
Bryan H. Sayler - ESCO Technologies Inc. - President, CEO & Director

Sure, sure. So thanks for the question. We're not surprised by it. We're obviously paying close attention to that situation. And we certainly wish them all the best as they try to work out those issues. Listen, for FY '24, we don't really see any significant revenue risk from those 737 issues. The communication we received directly from Boeing has been to stay the course and maintain the rates of production that we have to kind of build their long-term supply chain. As we look out past 2024, there could be some risk if they begin to back off of the build rates that they've been projecting to have an increase in future years. But to be frank, Tommy, we have -- our internal forecast probably has a lower ramp rate than they are publicly discussing. And so we think it's most likely that if they did come back off of the -- off of what they have been saying publicly, it probably come closer to what we're estimating.

Operator

And our next question will be coming from John Franzreb of Sidoti.

John Edward Franzreb - Sidoti & Company, LLC - Senior Equity Analyst

I'd like to start with USG. It's had a really good run on the top line for the last couple of years now. But Bryan, I think as you noted in your prepared remarks, orders have kind of gotten a little tepid over the past 2 quarters. What gives you the confidence that you can hit that 8% to 10% growth in light of that recent order trends and tough comps?

Christopher L. Tucker - ESCO Technologies Inc. - Senior VP & CFO

I'll let him talk to the current dynamics. But John, just to clarify, our guidance there is 6% to 8%, so not quiet 8% to 10% there.

John Edward Franzreb - Sidoti & Company, LLC - Senior Equity Analyst

I'm sorry, I misspoke.

Bryan H. Sayler - ESCO Technologies Inc. - President, CEO & Director

Yes. So listen, John, the softness has really been over on the renewables side. And if you look at the mix between our kind of regulated utility business in our what we would think of as the unregulated renewables business. The renewables business has been our fastest-growing piece, but it's also a bit smaller. The good news is that we are seeing -- we have seen since the beginning of the year, that spicket started to turn back on. Orders have begun to recover. We went out and talked to our top 15 customers, and these are all pretty sizable outfits. And 60% of them are forecasting increases for this year. And then the rest are somewhere between flat, maybe just down a little bit. So when we add all that up, it works out to be in that 8% growth range. So I think that we feel very comfortable with where we are positioned from a forecast perspective. And we're hoping that we might even be able to do a little better.

John Edward Franzreb - Sidoti & Company, LLC - Senior Equity Analyst

Okay. Fair enough. And you also mentioned in the prepared remarks that you are getting pricing in this segment, but inflationary costs still hit the EBIT. When do you expect to get price/cost recovery equilibrium in the future? Is that something imminent? Or will that hurt you for another quarter or so?
Christopher L. Tucker - ESCO Technologies Inc. - Senior VP & CFO

Yes. I would say we're in pretty good shape there. We are generally getting enough price to offset the inflationary challenges, but we also had a bit of a mix hit there that we mentioned in the quarter. From time to time, we can have some pretty high-margin stuff flow through here for some different orders and contracts. We did have a few of those last year that really helped the margin. We didn't see those repeat in this quarter. So that was kind of the mix impact we referred to that was more of a margin driver than the other -- than the inflation.

John Edward Franzreb - Sidoti & Company, LLC - Senior Equity Analyst

Okay. And just lastly on Test. If I understood it correctly, it sounds like there's a delay in orders that's hurting the business, first and foremost, here in the U.S. I guess two questions there. Why does that necessitate restructuring? And two, what's the magnitude of kind of the restructuring we're talking about here?

Bryan H. Sayler - ESCO Technologies Inc. - President, CEO & Director

Sure. So to start, the -- what we were saying there was that the -- it wasn't the orders as much as it was the actual ability to execute on site. And so I think what has happened is our backlogs are pretty good, and we continue to get reasonable orders. The problem is, is that the general construction industry appears to have really gotten much slower. And so what's happening is that we recognize our revenue on a milestone basis. We have to get out onto the job site in order to recognize revenue, and then we have to actually do the construction work. And so what we saw in the first quarter were a couple of very large programs that got pushed out, some of them even into FY '25. And so as we begin to look at the -- as we began to look at what that meant to our forecast for the remainder of the year, it created a real air pocket for us that we had to deal with. I think the other thing that you should be aware of, John, is we've had a real focus at this part of our business on margin enhancement. And so we really felt like it was prudent for us to take this time to go ahead and do some restructuring, not just for this year but also for the long term. And we think that, that's really going to be to our benefit in the second half of this year as we go into 2025.

John Edward Franzreb - Sidoti & Company, LLC - Senior Equity Analyst

And the magnitude of restructuring?

Christopher L. Tucker - ESCO Technologies Inc. - Senior VP & CFO

Yes. So I would say that we're targeting for this year's impact to get in the $2 million to $2.5 million worth of savings. And then on an annual run rate, that would be more like $3 million to $3.5 million of savings. So those are kind of the targets we're going for. I would also say that -- there'll obviously be some costs to do that, but we expect those costs to be probably less than $0.5 million all in. So that's kind of, I would say, the dollar impact you can think of.

Jonathan E. Tanwanteng - CJS Securities, Inc. - MD of Research

I just wanted to ask about the Virginia orders that you got. How should we think about the liquidation schedule for that backlog and kind of between that and the other orders that you received recently? What does that add to you for an annual basis?
Yes. So I'll let Chris give you the number, but let me kind of characterize it for you. Really, the good news there is that the orders that we have received in Q4 and in Q1 were both expansions of the Block V orders that we've been working on for a few years. So they are serving to increase our shipset content per vessel. And -- so Chris, do you want to -- there?

Christopher L. Tucker - ESCO Technologies Inc. - Senior VP & CFO

Well, yes. I mean what I would say is we will start to see some of those orders flow into revenue this year, and those will kind of then pick up even more as we go into '25 and '26. So fundamentally, I think for that book of orders we've seen the last few quarters there. The way to think of it is we were kind of coming towards the end of what we had on the initial Block V work. This kind of increases that but it will provide a little bit of a boost. But what you have is that kind of prior Block V stuff coming down in this new Block V stuff kind of coming in to fill it up.

Jonathan E. Tanwanteng - CJS Securities, Inc. - MD of Research

Any commentary on the Block VI content in those orders?

Christopher L. Tucker - ESCO Technologies Inc. - Senior VP & CFO

Yes. Block VI in there was less than $10 million. So we did get some long lead time type items that they wanted us to get started on. So we got orders on that part of the Block VI, but really a small part of that kind of $100 million that Bryan referred to over the last 2 quarters. So we've got the big proposals for the Block VI and Block V.2 as they're calling it. Those proposals are out, but those are all kind of getting worked and negotiated through the system. And that will kind of be ongoing as we move through '24.

Jonathan E. Tanwanteng - CJS Securities, Inc. - MD of Research

Got it. I wanted to ask just maybe a little bit more broadly to expand on the Boeing question. Are you seeing any other issues in the supply chain or with your customers who are having issues in the supply chain? I know it's not just Boeing that's having difficulty delivering. And I'm wondering if anything has improved for you guys, either from your suppliers or if you're seeing other roadblocks down -- downstream from you?

Bryan H. Sayler - ESCO Technologies Inc. - President, CEO & Director

Yes. The supply chain story for Aerospace & Defense has been a tough one since the -- ever since the pandemic. For us, yes, we do still have some supply chain issues. It's mostly with smaller, lower-tier suppliers who maybe have lost their workforce or some part of their workforce during the course of pandemic, and there's been a lot of competition for talent. And some of those outfits haven't been able to get back up to regular rates of production. We've seen something like that. Some of our businesses in A&D are not able to get fully staffed on all of our shifts. So we could be generating a little bit more revenue if we could get a few more people. But it's a tough industry, you have to have high skills and really qualified folks. And those folks are in short demand.

Jonathan E. Tanwanteng - CJS Securities, Inc. - MD of Research

Okay. Great. Last question just on the Test business. How much was pushed out of, I guess, the quarter and kind of when do you see all of that pushed out the delayed revenue hitting? I think you mentioned some of even going to fiscal '25.
Bryan H. Sayler - ESCO Technologies Inc. - President, CEO & Director

Yes, I would say it was a few million from Q1 beyond, but I think the amount that pushed out from this year to next year might have been $10 million or $11 million.

Christopher L. Tucker - ESCO Technologies Inc. - Senior VP & CFO

Yes, $10 million to $15 million, I would say. And I would also say that the way it's kind of laid out now, we saw as Bryan said, maybe $2 million to $3 million in the first quarter, but we saw a pretty big reduction in the second quarter as well that kind of got -- we plowed -- a little snow, if you will, into the third and the fourth quarter and then on into the next fiscal year. So that kind of helps size it up for you a little bit, I think, as we look at where we are.

Jonathan E. Tanwanteng - CJS Securities, Inc. - MD of Research

Okay. And would you expect that segment to improve as you come out of the second quarter and into third and fourth and construction kind of...

Christopher L. Tucker - ESCO Technologies Inc. - Senior VP & CFO

We would, yes. Because of the cost take out and because we would expect, we've obviously got big volume declines in the front half, and we would expect the business to kind of level off and maybe even grow a little bit in the second half, which would also aid the margin recovery.

Jonathan E. Tanwanteng - CJS Securities, Inc. - MD of Research

Got it. And I was just wondering how broad-based, I guess, these construction delays were. You mentioned some large projects. Is that more of a general industry issue that's going on? Or was there some particular exposures that are going on in the U.S. either by region or industry?

Bryan H. Sayler - ESCO Technologies Inc. - President, CEO & Director

Yes. We ask the same question. It's most noticeable here in North America, to be honest, but it is fairly broad-based. It's not just 1 or 2 projects. It just seems like the overall construction industry isn't running at the same pace that they have in the past. One -- there are some other supply chain things that are happening there, like in the data center world, they're having a hard time getting a hold of switchgear and transformers and in the medical space that are having a hard time. The Magnet lead times, we were told recently that Magnet lead times have extended from what used to be 3 months and that would be kind of like we get an order and immediately begin taking action, to now something more like 9 or 10 months where we get the order. And what happens is the way it works for us is we have to create an enormous design package that then has to be approved. And then we're told when we can go and execute it. So we make assumptions about when that's going to happen. And then periodically, as we check in with the parent building owner or a developer. What we're seeing is they're seeing lots of delays that are beyond normal, at least beyond pre-COVID normals for sure.

Operator

And we have a follow-up question, and that follow-up question is coming from Tommy Moll of Stephens.

Thomas Allen Moll - Stephens Inc., Research Division - MD & Equity Research Analyst

I wanted to ask about Doble. Revenue in the quarter was up double digits, low teens, though obviously, your comps get tougher this year, and the orders were flat in the quarter. So that business has recovered nicely in the recent past, but I just wondered, does it feel like we're getting to a more
normalized level for that business? And if you think about the growth prospects going forward and you can define how far forward you want to talk. But from this higher base, what is a reasonable and repeatable rate of compounding here, is mid-single is a decent proxy?

Bryan H. Sayler - ESCO Technologies Inc. - President, CEO & Director
Yes. I think where we've got it pegged is in that 6%, 7% annualized growth. We've checked in with those guys recently, and we still feel like that's very solid, even off of these much higher comp levels that you're referring to.

Operator
And we have a follow-up question from Jonathan Tanwanteng of CJS Securities.

Jonathan E. Tanwanteng - CJS Securities, Inc. - MD of Research
I was wondering what we can expect out of the Doble Conference this year and kind of what the sentiment in attendance looks like getting into it.

Bryan H. Sayler - ESCO Technologies Inc. - President, CEO & Director
I'm sorry, the question was, what can we expect out of the Doble Conference?

Jonathan E. Tanwanteng - CJS Securities, Inc. - MD of Research
Yes, just attendance. What you're excited to talk about and introduce there or what the industry is...

Bryan H. Sayler - ESCO Technologies Inc. - President, CEO & Director
We expect it to be back to pre-pandemic normal. I think we're pretty excited about the event. We've been continuing to do some good product development. I'm not going to announce any products on the call, but we expect that to be a good time for everybody, and a good time for Doble.

Jonathan E. Tanwanteng - CJS Securities, Inc. - MD of Research
Okay. Great. Any commentary on just the MPE integration and how they're doing at the gate?

Bryan H. Sayler - ESCO Technologies Inc. - President, CEO & Director
Yes. We're really pleased with how that's going. Every time you do a deal like this, once you kind of get in there and actually start working with it, you're always worried that you're going to find some surprises. And so far, it's gone really, really well. No surprises. The margins are coming through the way that we anticipated. The teams are really cooperating very effectively with each other. And yes, the orders are holding up. So yes, so far, so good.

Operator
At this time, there are no more questions in the queue. And I would like to turn the call back over to Bryan Sayler for closing remarks. Please go ahead.
Bryan H. Sayler - ESCO Technologies Inc. - President, CEO & Director

Well, listen, thanks, everyone, for taking time to talk to us. We’re -- as I said during the call, we're excited about ESCO and where we're heading, and we're expecting to deliver a third record year. So thanks a lot.

Operator

Thank you for participating in today’s conference. This concludes the call. You may disconnect.