



ESCO Announces First Quarter Results and Reconfirms Total Year Revenue and EPS Guidance

February 5, 2009

ST. LOUIS, Feb. 5 /PRNewswire-FirstCall/ -- ESCO Technologies Inc. (NYSE: ESE) today announced its results for the first quarter ended December 31, 2008, and also reconfirmed its Revenue and Earnings Per Share guidance for fiscal year 2009 within the ranges previously communicated.

Chairman's Commentary - First Quarter 2009

Vic Richey, Chairman and Chief Executive Officer, commented, "While I am pleased with our operating performance in the first quarter in what was a very challenging economic environment, we did have a few utility customer projects move to the right relative to the expected timing within our original quarterly profile. The utility customers who elected to defer spending out of December were trying to reduce their budgetary expenditures at the end of the calendar year. After meeting with our business unit executives in January and reviewing the details of our current operating plans, we feel that this situation was only temporary and therefore, our total year revenue and earnings outlook for 2009 remains consistent with our previous guidance. While we continue to face challenges every day, we are also seeing pockets of opportunities opening up across the business which we believe can help shield our downside risks.

"Additionally during the quarter we incurred certain R&D project costs earlier in the year versus plan on a few near-term Space program opportunities at VACCO, and incurred additional development and re-design costs on our RF electric product.

"During the first quarter we generated over \$21 million of cash flow from operations which allowed us to continue to pay down debt, and we continued to move forward with meaningful progress in the receipt of new firm orders on both the New York City Water and Idaho Power AMI contracts, furthering our confidence in the second half outlook.

"We will continue our disciplined approach and diligence so that we can execute to our 2009 Plan and demonstrate ESCO's resiliency in these challenging economic times."

First Quarter Summary

The prior year first quarter results included the cumulative recognition of \$20.5 million of revenues, \$8.5 million of EBIT, and \$0.20 earnings per share related to electric power-line system (PLS) AMI shipments to PG&E which were required to be deferred from earlier periods for accounting revenue recognition purposes (referred to throughout as "TNG Revenue Recognition").

Net earnings and EPS are presented from "Continuing Operations" and "Discontinued Operations." Continuing Operations represent the results of the ongoing businesses of the Company, and Discontinued Operations represent the 2008 results of the filtration portion of Filtertek which was sold on November 25, 2007. Discontinued Operations had no impact in the 2009 first quarter.

Continuing Operations

Sales were \$149.2 million in the first quarter of 2009 compared to \$135.0 million in the 2008 first quarter (or, compared to \$114.5 million of revenue when excluding the \$20.5 million of TNG Revenue Recognition). This 10.5 percent sales increase (or, 30.3 percent excluding TNG Revenue Recognition) in 2009 reflects all three operating segments contributing higher revenues.

EPS was \$0.22 per share in the first quarter of 2009 compared to the 2008 first quarter EPS of \$0.30 per share (or, \$0.10 per share when excluding the \$0.20 impact of TNG Revenue Recognition).

Net cash provided by operating activities was \$21.1 million during the first quarter of 2009, enabling an \$18.7 million reduction in net debt outstanding, which at December 31, 2008 was \$179.4 million with a corresponding leverage ratio of 2.07.

Discontinued Operations

Discontinued Operations for the first quarter of fiscal 2008 represent the results of the filtration portion of Filtertek. The first quarter 2008 net loss of \$0.19 per share was primarily driven by income tax expenses related to Filtertek's foreign operations. The majority of the prior year first quarter net loss was offset during the fourth quarter, resulting in a net loss from Discontinued Operations of \$0.02 per share for fiscal 2008.

Sales

Utility Solutions Group (USG) segment sales increased \$10.7 million (13 percent) for the 2009 first quarter compared to the first quarter of 2008 as a result of the following:

- Doble sales increased \$13.8 million over prior year reflecting the impact of a full quarter of operations versus one month in the 2008 first quarter;
- Fixed network RF AMI sales increased \$20.8 million (112 percent) in the 2009 first quarter primarily due to higher gas product deliveries at PG&E and the sale of additional water AMI products;
- Fixed network PLS AMI sales decreased \$27.1 million in the 2009 first quarter as TWACS(R) deliveries to PG&E were \$0 in the current period compared to \$22.4 million in the prior year's first quarter (including the \$20.5 million of TNG Revenue Recognition sales); and,

- Sales of software and digital video security products increased a combined \$3.2 million in the 2009 first quarter.

Test segment sales increased 10.7 percent in the first quarter of 2009 primarily due to an increase in large chamber deliveries to the international wireless and electronics end-markets.

Filtration segment sales increased slightly in the first quarter of 2009 reflecting sales increases in the defense aerospace product line, partially offset by lower commercial aerospace product deliveries resulting from the impact of the Boeing strike during the quarter.

Earnings Before Interest and Taxes (EBIT)

On a segment basis, items that impacted EBIT dollars and EBIT as a percent of sales ("EBIT margin") during the first quarter of fiscal 2009 included the following:

In the USG segment, EBIT for the 2009 first quarter was \$10.5 million compared to \$13.4 million in the 2008 first quarter. The \$2.9 million net decrease in EBIT dollars was driven by a significant decrease in EBIT from the PLS business resulting from significantly lower sales to PG&E described above; additional software amortization; and additional costs to support business development efforts related to the pursuit of international AMI market opportunities. All of the other operating units within the USG segment had significant increases in EBIT dollars as a result of the sales increases noted above. The RF AMI business EBIT dollars increased 70 percent, in spite of being negatively impacted by \$0.8 million of additional design and development costs related to the RF electric AMI product.

In the Test segment, EBIT dollars and EBIT margins were significantly higher in 2009 due to the sales increases in the current quarter, favorable changes in sales mix, and rigorous cost controls.

In the Filtration segment, EBIT dollars and EBIT margins decreased in 2009 due to the timing of research and development costs, and higher bid and proposal costs being incurred related to the pursuit of a significant number of Space related projects.

Corporate operating costs were higher in 2009 due to higher amortization expenses related to recent acquisitions that included identifiable intangible assets.

Effective Tax Rate

The effective tax rate from Continuing Operations in the first quarter of 2009 was 30.1 percent compared to 37.7 percent in the first quarter of 2008. The 2009 tax rate was favorably impacted by Congress' extension of the research tax credit during the 2009 first quarter. The 2009 first quarter tax rate was consistent with the Company's guidance provided in November 2008.

New Orders

New orders received in the first quarter were \$141.1 million in 2009 compared to \$130.4 million in 2008, representing an 8.2 percent increase and resulting in a backlog at December 31, 2008, of \$258.8 million.

Orders from PG&E for AMI gas products in the 2009 first quarter were \$31.0 million (601,000 units) bringing the total gas project-to-date units to 2.6 million, or \$150 million. The entire PG&E project-to-date (gas and electric) represents 3.2 million units, worth \$200 million.

Cumulative orders-to-date for the \$68.3 million New York City Water AMI project were \$8.0 million, and orders-to-date for the \$25 million Idaho Power AMI project were \$4.0 million.

Business Outlook - 2009

Statements contained in the preceding and following paragraphs are based on current expectations. Statements that are not strictly historical are considered forward-looking, and actual results may differ materially.

The Business Outlook described below excludes the impact of any future acquisitions or divestitures, and reflects: the impact of the amortization of identifiable intangible purchase accounting assets related to Aclara Software, Aclara RF, Doble and LDIC; the impact of the Doble inventory step-up resulting in "lost" profit; and the amortization of TWACS NG(TM) software.

Aclara RF Facility Relocation

Due to its significant sales growth, Aclara RF Systems Inc. (formerly Hexagram, Inc.) will be relocating from three existing leased facilities, to a single, newer, more efficient facility in the greater Cleveland, Ohio, area during fiscal 2009. As a result, approximately \$2.0 million in pretax nonrecurring exit and relocation costs are expected to be incurred in the Utility Solutions Group, primarily related to the noncash write-off of leasehold improvements, vacant facility charges, and physical move costs.

Comtrak Technologies LLC

Management is currently evaluating its strategic alternatives involving Comtrak and is currently in negotiations with a third party to purchase certain assets and assume certain liabilities of Comtrak. Management is planning to formally exit this business within the next 60 days, and the results of operations of Comtrak will be accounted for as Discontinued Operations beginning in the second quarter of fiscal 2009. Net cash proceeds from this action will be used to further pay down debt.

Revenues and Earnings Per Share - 2009 In fiscal 2009, Management expects the following:

- Revenues between \$680 million and \$690 million;
- EPS - GAAP Basis of between \$2.00 and \$2.15 (which includes approximately \$0.05 per share of expenses related to the Aclara RF facility relocation charge noted above); and,
- EPS - Adjusted Basis of between \$2.42 and \$2.57 per share.

EPS - Adjusted Basis excludes approximately \$0.42 per share of costs related to TWACS NG software amortization, purchase accounting intangible asset amortization related to the Company's recent acquisitions, and Doble's purchase accounting inventory step-up.

Management believes using "EPS - Adjusted Basis" as a financial measure is important for investors to understand the Company's operations and its ability to service its debt.

The full-year 2009 tax rate is expected to be 35 to 37 percent, with quarterly variations depending on the timing and amount of discrete tax benefits and charges.

The 2009 quarterly earnings profile is projected to be back-end loaded, but not as severely as fiscal 2008. Management expects second quarter EPS to be in the range of \$0.34 to \$0.40 per share, compared to \$0.23 per share in the 2008 second quarter.

Chairman's Commentary - 2009

Mr. Richey further commented, "As noted above, I remain optimistic about the balance of fiscal 2009, and through our rigorous oversight and disciplined planning processes, I remain confident that we have sufficient growth opportunities and the right contingency plans in place to allow us to execute to our plan as we navigate our way through this challenging economic period. Having Doble and LDIC for the full year and beginning our AMI deployments with Idaho Power and New York City Water, along with our international opportunities, should continue to provide us with positive momentum throughout 2009."

Conference Call

The Company will host a conference call today, February 5, at 4 p.m., Central Time, to discuss the Company's first quarter operating results. A live audio webcast will be available on the Company's web site at <http://www.escotechnologies.com>. Please access the web site at least 15 minutes prior to the call to register, download, and install any necessary audio software. A replay of the conference call will be available for seven days on the Company's web site noted above or by phone (dial 1-888-203-1112 and enter the pass code 4522938).

Forward-Looking Statements

Statements in this press release regarding the amounts and timing of fiscal 2009 future revenues, results, earnings, EBIT, EPS - Adjusted Basis, EPS - GAAP Basis, fiscal 2009 second quarter EPS, costs incurred with the Aclara RF relocation and new building, the timing and impact of exiting the Comtrak business, the fiscal 2009 effective annual tax rate, the timing and certainty of utility customer spending, the success of international AMR / AMI pilots and the success of international opportunities, the long-term success of the Company, and any other written or oral statements which are not strictly historical are "forward-looking" statements within the meaning of the safe harbor provisions of the federal securities laws. Investors are cautioned that such statements are only predictions and speak only as of the date of this release, and the Company undertakes no duty to update. The Company's actual results in the future 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 described in Item 1A of the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2008; the effect of the American Recovery and Reinvestment Act of 2009; the success of the Company's competitors; changes in Federal or State energy laws; the timing and content of purchase order releases under the Company's AMI contracts; the Company's successful performance of its AMI contracts; site readiness issues with Test segment customers; weakening of economic conditions in served markets; changes in customer demands or customer insolvencies; competition; intellectual property rights; technical difficulties; unforeseen charges impacting corporate operating expenses; the performance of the Company's international operations; material changes in the costs of certain raw materials including steel and copper; delivery delays or defaults by customers; termination for convenience of customer contracts; timing and magnitude of future contract awards; containment of engineering and development costs; performance issues with key customers, suppliers and subcontractors; labor disputes; changes in laws and regulations including but not limited to changes in accounting standards and taxation requirements; costs relating to environmental matters; uncertainty of disputes in litigation or arbitration; the Company's successful execution of internal operating plans; and the integration of newly acquired businesses.

ESCO, headquartered in St. Louis, is a proven supplier of special purpose utility solutions for electric, gas, and water utilities, including hardware and software to support advanced metering applications and fully automated intelligent instrumentation. In addition, the Company provides engineered filtration products to the aviation, space, and process markets worldwide and is the industry leader in RF shielding and EMC test products. Further information regarding ESCO and its subsidiaries is available on the Company's web site at <http://www.escotechnologies.com>.

ESCO TECHNOLOGIES INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Operations (Unaudited)
(Dollars in thousands, except per share amounts)

	Three Months Ended December 31, 2008	Three Months Ended December 31, 2007
Net Sales	\$149,171	134,957
Cost and Expenses:		
Cost of sales	93,561	84,012
SG&A	40,054	33,510
Amortization of intangible assets	4,734	3,597
Interest expense	2,619	1,359
Other (income) expenses, net	(118)	(214)
Total costs and expenses	140,850	122,264

Earnings before income taxes	8,321	12,693
Income taxes	2,501	4,788
Net earnings from continuing operations	5,820	7,905
Loss from discontinued operations, net of tax of \$325	-	(115)
Loss on sale from discontinued operations, net of tax of \$4,809	-	(4,974)
Net earnings from discontinued operations	-	(5,089)
Net earnings	\$5,820	2,816
Earnings per share:		
Basic		
Continuing operations	0.22	0.31
Discontinued operations	0.00	(0.20)
Net earnings	\$0.22	0.11
Diluted		
Continuing operations	0.22	0.30
Discontinued operations	0.00	(0.19)
Net earnings	\$0.22	0.11
Average common shares O/S:		
Basic	26,108	25,759
Diluted	26,422	26,202

ESCO TECHNOLOGIES INC. AND SUBSIDIARIES
Condensed Business Segment Information
(Unaudited)
(Dollars in thousands)

	Three Months Ended December 31,	
	2008	2007
Net Sales		
Utility Solutions Group	\$ 90,015	79,309
Test	35,489	32,065
Filtration	23,667	23,583
Totals	\$149,171	134,957
EBIT		
Utility Solutions Group	\$ 10,525	13,408
Test	3,234	1,990
Filtration	2,863	3,649
Corporate	(5,682)(1)	(4,995)(2)
Consolidated EBIT	10,940	14,052
Interest (expense)/income	(2,619)	(1,359)
Earnings before income taxes	\$8,321	12,693

Note: Depreciation and amortization expense was \$7.5 million and \$5.7 million for the quarters ended December 31, 2008 and 2007.

- (1) Includes \$1.2 million of amortization of acquired intangible assets.
(2) Includes \$0.7 million of amortization of acquired intangible assets.

ESCO TECHNOLOGIES INC. AND SUBSIDIARIES
Reconciliation of Non-GAAP Financial Measures
(Unaudited)

EPS from Continuing Operations-Adjusted Basis Reconciliation (prior year first quarter)

	Q1 08
EPS - GAAP Basis	\$0.30
Adjustments (defined below)	(0.20)
EPS - Adjusted Basis	\$0.10

Adjustments exclude the recognition of deferred revenue and profit related to previous period electric AMI shipments to PG&E which were deferred until the delivery of TWACS NG software version 3.0, which occurred in December 2007. This resulted in the cumulative recognition of \$20.5 million of revenues and \$8.5 million of EBIT which represents \$0.20 per share in the first quarter of 2008.

EPS-Adjusted Basis Reconciliation-FY 2009

EPS - GAAP Basis - FY 2009 Range	\$2.00	2.15
Adjustments (defined below)	0.42	0.42
EPS - Adjusted Basis - FY 2009 Range	\$2.42	2.57

Adjustments exclude pre-tax intangible asset amortization expense related to TWACS NG software, purchase accounting intangible amortization related to the Company's acquisitions within the last three years, and the expense related to the purchase accounting step-up of Doble Engineering Company inventory.

ESCO TECHNOLOGIES INC. AND SUBSIDIARIES
Condensed Consolidated Balance Sheets (Unaudited)
(Dollars in thousands)

	December 31, 2008	September 30, 2008
Assets		
Cash and cash equivalents	\$28,433	28,667
Accounts receivable, net	106,292	135,436
Costs and estimated earnings on long-term contracts	8,477	9,095
Inventories	75,900	66,962
Current portion of deferred tax assets	15,984	15,368
Other current assets	11,540	15,108
Total current assets	246,626	270,636
Property, plant and equipment, net	71,866	72,591
Goodwill	329,775	328,878
Intangible assets, net	233,276	238,223
Other assets	18,174	17,745
	\$899,717	928,073
Liabilities and Shareholders' Equity		
Short-term borrowings and current maturities of long-term debt	\$50,000	50,000
Accounts payable	41,875	49,329
Current portion of deferred revenue	19,663	18,920

Other current liabilities	43,274	50,434
Total current liabilities	154,812	168,683
Long-term portion of deferred revenue	1,962	2,228
Deferred tax liabilities	84,091	83,515
Other liabilities	20,866	21,760
Long-term debt	165,573	183,650
Shareholders' equity	472,413	468,237
	\$899,717	928,073

ESCO TECHNOLOGIES INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(Dollars in thousands)

	Three Months Ended December 31, 2008
Cash flows from operating activities:	
Net earnings	\$ 5,820
Adjustments to reconcile net earnings to net cash provided by operating activities:	
Depreciation and amortization	7,534
Stock compensation expense	1,017
Changes in operating working capital	9,590
Effect of deferred taxes	(1,695)
Change in deferred revenues and costs, net	565
Pension contributions	(630)
Other	(1,081)
Net cash provided by operating activities	21,120
Cash flows from investing activities:	
Additions to capitalized software	(875)
Capital expenditures	(1,969)
Net cash used by investing activities	(2,844)
Cash flows from financing activities:	
Proceeds from long-term debt	15,000
Principal payments on long-term debt	(33,077)
Excess tax benefit from stock options exercised	782
Proceeds from exercise of stock options	400
Other	(1,615)
Net cash provided by financing activities	(18,510)
Net decrease in cash and cash equivalents	(234)
Cash and cash equivalents, beginning of period	28,667
Cash and cash equivalents, end of period	\$ 28,433

ESCO TECHNOLOGIES INC. AND SUBSIDIARIES
Other Selected Financial Data
(Unaudited)
(Dollars in thousands)

Backlog And Entered Orders - Q1 FY 2009	Utility Solutions	Test	Filtration	Total
Beginning Backlog - 9/30/08				
continuing opers	\$125,543	69,823	71,463	266,829
Entered Orders	86,504	29,902	24,710	141,116
Sales	(90,015)	(35,489)	(23,667)	(149,171)
Ending Backlog - 12/31/08	\$122,032	64,236	72,506	258,774

SOURCE ESCO Technologies Inc.

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