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ESE - Q3 2015 ESCO Technologies Inc Earnings Call

EVENT DATE/TIME: AUGUST 10, 2015 / 9:00PM GMT

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PRESENTATION

Operator

Good day and welcome to the ESCO third quarter 2015 conference call. Today's call is being recorded. With us today are Vic Richey, Chairman and CEO, Gary Muenster, Executive Vice President and CFO. And now, to present the forward-looking statement I would like to turn the call over to Kate Lowrey, Director of Investor Relations. Please go ahead.

Kate Lowrey - *ESCO Technologies Inc - Director of IR*

Thank you. Statements made during this call regarding the 2015 and beyond EPS, EBIT, tax rate, future growth, profitability and revenue, margins, sales, acquisitions, capital allocation and strategy, corporate costs and other statements 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 whether as a result of new information, future events or otherwise.

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 results 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'll turn the call over to Vic.

Vic Richey - *ESCO Technologies Inc - Chairman & CEO*

Thanks, Kate, and good afternoon. Before I give my perspective on the quarter I'll turn it over to Gary for a few financial highlights.

Gary Muenster - *ESCO Technologies Inc - EVP & CFO*

Thanks, Vic. As noted in the release, our third quarter earnings came in at the high end of our internal expectations despite incurring $2 million or $0.05 a share of nonoperating charges in the test business. In May, we expected Q3 EPS to be in the range of $0.38 to $0.42 and I'm pleased to report that we delivered $0.41 per share. Our Q3 2015 GAAP EPS was $0.45 a share which included a $0.04 gain in discontinued operations resulting from the favorable arbitration settlement related to Aclara's closing working capital.

The strength of our Q3 earnings was driven by the continued up cycle in commercial aerospace markets at PTI and Crissair, a 24% EBIT margin quarter at Doble, exceptional performance at TEQ where we delivered a record EBIT margin of nearly 18% and lower than planned corporate spending. While Q3 performance in test was disappointing due to continued softness in the shielding markets and throughout Europe coupled with some one-time charges incurred in the quarter, we addressed this situation with significant cost reduction actions and have realigned the organization to better manage test's global infrastructure. Consistent with our goal of positioning ESCO for sustainable long-term earnings growth, additional cost reduction actions are being implemented throughout test that are expected to result in a much more favorable operating margin. We remain firmly committed to our well-defined financial goals. During Q3, the impact of FX was not material. As a reminder, for comparative purposes, the 2014 results exclude the charges related to the Crissair facility consolidation completed last year.

I'll call out a few highlights from the release to allow you to better understand the underlying results. Q3 sales increased $4 million from prior-year primarily due to an 11% increase in sales at Doble coupled with a 5% increase in filtration sales. These increases were muted by test sales decrease of $2 million in the quarter. A significant accomplishment within filtration is highlighted by the continued strength of PTI in Crissair's commercial aerospace sales which increased over 15% or $4 million in Q3 which more than offset the $2 million decrease noted at VACCO resulting from lower SLS program sales in 2015. PTI's Q3 EBIT margin was 21% and Crissair delivered over 24% EBIT driven by the significant operating efficiencies continuing to be realized from last year's facility consolidation.

As commented on throughout the year, Doble's EBIT continues to come in better than planned driven by higher than expected international sales and additional software and service business. Doble's Q3 EBIT margin of 24% was significantly higher than the 21% reported in prior year Q3. Test sales in EBIT were below planned and prior-year as noted in my earlier comments and this is being addressed aggressively. For Q3, excluding the $2 million of special charges, test would've delivered approximately 9% EBIT.

Corporate costs were lower than last year due to a decrease in spending on professional fees and ongoing cost management discipline. The Q3 effective tax rate increased over prior year due to the amount of discrete tax benefits recognized in the respective quarterly periods as well as changes in the mix of international versus domestic pretax earnings.

On the balance sheet, we continue to maintain a modest level of net debt which was $28 million outstanding as of June 30. We remain committed to our capital allocation strategy which included share repurchases and dividends. As such, we returned over $16 million to shareholders during the year to date period. We expect to continue to opportunistically repurchase shares in the open market during the balance of 2015 as we continue to be supported by this strong balance sheet.

A significant highlight of the year continues to be the strength of our entered orders and our backlog. We booked $121 million in orders in Q3, which reflects the impact of the acceleration of orders into the first half of this year and this brings our year to date orders to $415 million which reflects a $32 million or 10% increase in our ending backlog which currently stands at $334 million as of June 30. The order strength in current backlog support our sales outlook over the balance of the year.

Regarding our remaining guidance, we narrowed our full-year EPS to be in the range of a $1.70 to $1.75 to impact -- as a result of the impact of the softness in test. Comparing Q4 to last year, we're expecting a meaningful increase in both sales and EBIT at filtration and at Doble along with continued lower spending at corporate which drives the favorable EPS comparisons in Q4. Lastly, we expect a more normalized tax rate of approximately 34% in Q4 and I'll be happy to address any specific financial questions when we get to the Q&A. And I'll turn it back over to Vic.

Vic Richey - *ESCO Technologies Inc - Chairman & CEO*

Thanks, Gary. As outlined in the press release and Gary's comments, our performance for the quarter in the first nine months, while on track, is coming in a form slightly different than originally anticipated. Our fluid flow and utility solutions businesses are performing well ahead of expectations which is offsetting the softness we're seeing in test. As we talked about on many occasions, this is one of the benefits of maintaining a multi-segment business.

As Gary mentioned, the aerospace business is performing well. Aerospace spares business has been stronger than expected and the downturn in the SLS program at VACCO is not as severe as we anticipated going into the year. Our commercial aerospace business is well ahead of plan led by new orders for the A-350 which have been stronger and earlier than anticipated. In addition to the strength of our orders, the execution in the business has been solid which is a result that improved operating margins. The outlook for this business remains strong for the balance of the year and is expected to continue into FY16.

Our packaging business, TEQ, is performing well. As Gary mentioned, the EBIT margin in the third quarter was approximately 18% and we anticipate some additional improvement in the fourth quarter. This is a solid business with above average margins which is a result of our nice niche in the medical markets.

Doble continues to perform at a high level and what I'm most excited about is the success they're having with their new offerings to augment what was already a market leading set of products, services and solutions. They were awarded their first significant order for the doblePRIME product which is their newly developed, online solutions package. They also won their first full-scale deployment of dobleARMs. The pipeline for this solution is robust and we have discussions underway with over 50 utilities. Given the nature of this product, the sales cycle can be long. But since we've been working a number of these accounts for quite some time, it's good to see tangible results.

Additionally, during quarter three, we won our first significant contract to the Doble universal controller. This is a field force automation product. One of the nice things about both the Doble Universal Controller and doblePrime is that they were new products developed using existing building blocks therefore minimizing development time and expense. Our M7 product, which is the most capable test set on the market, has been commercially launched and is gaining good customer acceptance. The bottom line, Doble's looking good and any investments we made are paying dividends.

On a test front, as we talked about over the last couple of quarters, the current market remains soft. The primary areas of concern are the shielding business, both medical and industrial, and Europe in general. To address this, we have taken several cost reduction actions and will continue to evaluate the business to ensure we're properly organized and structured to deliver an acceptable return. On the bright side, test overall backlog continues to grow which bodes well for the future.

Regarding acquisitions, we're seeing a pickup in these activities. I'm sure you've all recently seen some of the major acquisitions that have taken place in aerospace market. Obviously, these lofty multiples being paid are raising seller expectations. Our approach is to continue to look for small to medium-sized niche players which we can acquire for a reasonable multiple thereby providing acceptable return. There continues to be some opportunities out there and we're working hard to supplement the growth of our fluid flow business. Additionally, we'd like to add to our utility business and are currently evaluating several interesting opportunities.

In summary, we had a strong quarter and we're on track for a solid year and we're well-positioned for growth at all three segments. Our focus is to improve our operational performance and execute on our growth opportunities both organically and through acquisitions. I'd be glad now to answer any questions you have.

QUESTIONS AND ANSWERS

Operator

(Operator instructions)

Jon Tanwanteng of CJS Securities.

Jon Tanwanteng - *CJS Securities - Analyst*

Can you provide some more detail on the headwinds in test and maybe is it more of a demand issue, or is there a component of scheduling costs?

Vic Richey - *ESCO Technologies Inc - Chairman & CEO*

I'd say -- one thing you would notice, I think, is that while we're talking about some softness, particularly in the shielding business, the backlog continues to grow. So what we're seeing is, particularly in the medical shielding business, and I think a lot of that is related to questions around reimbursement in the US and those types of issues. We've seen some of that business get softer.

But what we've seen in the offset of that is some of the longer-term system business has gotten stronger, particularly in Asia and some here in the US. So what we're really going through is a repositioning of the business and there are costs associated with the shielding business that we need to evaluate to make sure that we have the organization set up properly and that we are manufacturing the right things in the right places. And so, it's really a shifting of the business, I would say. The shielding business has gone pretty dramatically within the year. It's kind of hard to catch up with those things while we are trying to reposition for some of these longer-term systems winds that we've been experiencing.

Jon Tanwanteng - *CJS Securities - Analyst*

What kind of costs do you expect to occur in restructuring? What's the timeline to margins that are in the mid-teens again on a EBIT basis?

Vic Richey - *ESCO Technologies Inc - Chairman & CEO*

Yes, we haven't completed the valuation to understand exactly what additional actions we'd take. I think will have those clearly in a focus by year end if there are any of those. I would think that the margin should improve fairly dramatically -- well, I don't want to get too firm on that, but I do think we'll see significant improvement next year. I think we'll see the full benefit of the actions that we're taking now in the second half of next year.

Jon Tanwanteng - *CJS Securities - Analyst*

Great. Given the headwinds in the test business and the relative scarcity of M&A that's reasonably priced, how do you feel about your ability to hit the long-term revenue and earnings targets you set out in your three-year plan?

Vic Richey - *ESCO Technologies Inc - Chairman & CEO*

I still feel good about them. I do think there are acquisitions out there. As I mentioned, we're seeing more things today than we probably saw six months ago. I know people's expectations were that some things would have probably happened by now, but with the multiples that are being paid obviously, we are trying to be very disciplined about this.

But again, I think I been encouraged by the level of things we've seen more recently. We have been more aggressive in looking for opportunities. We're thinking more about opening an aperture within our core businesses to ensure that we're capturing as much that we possibly can.

I think there's got to be some end to these lofty multiples at some point. So, I do still feel positive about our ability to make those longer-term forecasts. And a lot of that, too, if you remember, we are seeing some natural pickup in our filtration business, our fluid flow business as some of these products go from development to production.

I'm very encouraged, as I mentioned in my prepared comments, about what we're seeing at Doble. That's where we're seeing some significant growth. If you remember, when we put those out, Doble was the piece of business going to grow the most over the next three years and certainly the wins that we've had over the past quarter with some of these new products, bodes very well for our ability to be able to experience that kind of growth at Doble.

Jon Tanwanteng - *CJS Securities - Analyst*

Great. Thank you very much.

Operator

Chip Moore of Canaccord.

Chip Moore - *Canaccord Genuity - Analyst*

Thanks. Great to see the momentum with some of those newer solutions at Doble. Maybe you could give us a little more color on how that sales cycle has progressed, and now that you have some reference customers, how you think that plays out?

Vic Richey - *ESCO Technologies Inc - Chairman & CEO*

Well, what are seeing, particularly on the two of the products I talked about, the Doble universal controller and Doble prime, that's been a pretty rapid build of pipeline. So, those are things you can convert very quickly. I think will see an acceleration in those businesses certainly over the next 6 to 12 months. That looks very good.

The arms product, we've been working that a long time. As a mentioned, we have a lot of people that we're talking to about that. I think getting this first award with a significant utility is going to bode well because there's often a herd mentality with some of these things. And we've gotten in front of a lot of senior executives at a number of these utilities, which is what it takes. What we're really selling here is something that is going to go in as a part of their IT system and so that's the decision that's made at the highest levels of the organization.

So, a large number of the customers we're talking to, we've already gone through that executive briefing stage. The next stage is product award or responding to an RFP if there are any competitors there. I feel good about our ability to make some of those things happen this next year. This has been a great quarter, gained a momentum and I think that we'll see a lot of uptake on all three of those products as well as our typical products over the next year.

And the other one that I mentioned was the M7 and that was a big development that we undertook about 18 months ago. Really took the functionality of five different boxes, combined it into one very capable box and it for sure is the most capable tester on the market. The real benefit it has is not only putting all of that functionality in one box but you're able to significantly reduce the test time to do these types of -- to do these tests because what you're able to do is, rather than hooking up certain leads then having to take those down to different tests with a different piece of equipment.

We're talking about a significant, over 50% reduction in time, to perform the test. That obviously, time is money with these things, as well as safety. Because if you have to hook up different leads to the lines, you have to go up and down the pole or up and down with a high lift, those increase potential safety issues, and so we're able to overcome a lot of that with this new box.

Gary Muenster - *ESCO Technologies Inc - EVP & CFO*

This is Gary.

Just to put numbers around Vic's commentary, there which I think, obviously, is spot on; but where we're seeing the momentum come through in the numbers sequentially off of Q3 here where we did roughly $31 million in sales with an exceptional EBIT percentage in Q4. We're looking at almost 15% sequential growth from that $31 million.

Putting ourselves up $35 million to $35.5 million. When you have that type of incremental step up, it's driven by -- that's where you see the validation of all Vic's commentary on the momentum we're gaining there. With that volume, obviously, there's an EBIT incremental pull-through as well. In the short-term, we're going to realize this in the short-term.

Chip Moore - *Canaccord Genuity - Analyst*

And how do you think about margin runway as you build out that software and services component a bit more? Just layer on top of that?

Vic Richey - *ESCO Technologies Inc - Chairman & CEO*

Yes, obviously the software and services do carry a higher margin. We're already performing pretty well in that business, but certainly while the dollars are not as large as what we see in the lease pool or with our hardware, the margins are certainly better.

Chip Moore - *Canaccord Genuity - Analyst*

And we didn't really touch on the international too much for Doble. Maybe you can give us some updates there?

Vic Richey - *ESCO Technologies Inc - Chairman & CEO*

Yes. We feel good about that, particularly the Middle East. We're completing the contract we had in Saudi, we anticipate getting a reload on that contract in the not too distant future. That's opened a lot of doors in the Middle East as well as just doing the service business we've done there. We'll probably do a couple million dollars of additional hardware sales as a result of being there on the ground with those customers.

So, what's nice about this business is that sometimes you lead with the hardware and sometimes you lead with the software and bringing it in from the other direction. We also had some good wins in South Africa over the past six months. They've always been a good customer but we had a pretty significant hardware sales there with the new customer over the past quarter as well. So, I'll tell you the international business is, it's always a little trickier than the domestic business where we got such a big market share, but I'd say our plans to expand internationally are on track.

Chip Moore - *Canaccord Genuity - Analyst*

Perfect. Lastly, you talked about record quarter Tek maybe getting better next quarter. Is that Helen of Troy probe cover driven, or what are the dynamics there?

Vic Richey - *ESCO Technologies Inc - Chairman & CEO*

That's certainly a big piece of it. That's the biggest project that we have, and if you remember in the first half of the year, we had a shutdown of about four months while they changed the design -- the customer changed the design. So part of what we're seeing with such a strong second half is the catch up on that project. I wouldn't put it all on that.

In fact, we've had a good orders with that business this year, as well. We are about $7 million ahead of what we anticipated going into the year. And a lot of that has been driven by the fact we've been looking for or working with customers to get longer-term contracts where historically, we get a month-to-month on some of these jobs. And now we're pushing for longer-term annual and in some case even two-year contracts. And obviously, that allows you to get some efficiencies and the material buys, as well as what we're doing in factory to increase productivity.

Chip Moore - *Canaccord Genuity - Analyst*

Thanks.

Vic Richey - *ESCO Technologies Inc - Chairman & CEO*

You bet.

Operator

(Operator instructions)

Sean Hannan of Needham & Company.

Sean Hannan - *Needham & Company - Analyst*

Thanks for taking my question.

Can you expand a little bit more on the orders within the quarter? So, on the overall book to bill was down quarter over quarter, but I do certainly sense some optimism, and you've hit on a few things there that you are positive on. And I have a follow-up specific to some of the orders year-to-date within test. That seems to be something your fairly optimistic about. So if there's a way to perhaps expand on that as well.

Vic Richey - *ESCO Technologies Inc - Chairman & CEO*

Okay, let me give you an overview and then Gary can jump in with some of the specifics. As you know, we've been running well ahead of orders for the first six months, and a lot of that was some things that had been pulled from the third quarter. So, I'm not surprised that we have a little softer quarter from an orders perspective.

If you look at it for the first nine months I think we're still about 8% to 10% above -- 10% over on a book to bill. So, generally we still feel very positive about it. With our business there's always going to be a little bit of fluctuation from quarter to quarter, but I think you need to focus on the year-to-date, and that seems very positive.

Gary Muenster - *ESCO Technologies Inc - EVP & CFO*

Sean, just to throw some numbers around that. When I talk about acceleration into the first half, I'll just give you a couple examples. PTI, for instance, on the commercial aerospace side, in Q2 did a load a little over $20 million in orders and in Q3 it was about $13 million. The reason that was, there were about $6 million or $7 million on just the A-350 alone that was pulled into Q2 because of the acceleration on those deliveries that they're seeing.

So, when you pull that forward, obviously we're not going to sustain $5 million, $6 million or $7 million on a specific customer as we go forward. So what I've asked you to do is look at the quarterly profile within the groups there. And so, probably the most substantial in Q1 was the big win in the test business for that Nissan chamber in China. But on the filtration side, that's where we've seen most of the -- earlier than expected which is really a good thing, obviously, to get it in hand.

VACCO also had a very substantial first half of the year with they booked almost $48 million in orders and obviously that's not their normal run rate. That would put them close to $100 million a year. So what you're seeing there, is again, some pull-forwards on some things in the Virginia class. It's an exciting time there and also, as Vic alluded to in his commentary, the SLS program, which is kind of in a slowdown mode for this year.

What we thought was going to be down $10 million or $11 million, we garnered $5 million of that back in unexpected orders in the first half. So the first half momentum obviously isn't going to carry into Q3 because of those extraordinary individual items I just called on. So, when you pull that all together for the year-to-date, I think we're in really good shape relative to the nine-month order book again, understanding the acceleration into the first half.

Sean Hannan - *Needham & Company - Analyst*

Then, when you look at the year-to-date bookings within test, I think within the press release commentary there certainly is optimism that's coming from that. How much -- maybe if you can comment on test, as well as some other pieces of the business, how much of what you've booked this year have you now recognized back up door in terms of revenues? And how much of this is giving us a preview, perhaps, of at this point looking into FY16 and what may carry into that period? Thanks.

Gary Muenster - *ESCO Technologies Inc - EVP & CFO*

Yes, I'll give the numbers overview first, and then I'll let Vic put the qualitative aspect on it. The way we look at it is, if you set aside the Nissan contract that's a one off, that was the $11 million order and if you back that out of the equation just so you can normalize what the regular recurring business is, we're still expected to be up somewhere in the neighborhood of 5% or 6% at the end of this year. If we're talking at September 30, right now you'd still see a positive book to bill by $5 million or $6 million, which is a good way to start the year.

So, what we're seeing, as Vic said, moving away from small shielding and medium-sized shielding products more into the solution-oriented projects which tend to be a little bit larger, a little more complicated or complex. With that complexity comes better pricing and better opportunities to make a little more money. So, we feel pretty good where we stand today, absent the little bit of a slowdown we're seeing there and some of the charges we took. We think we're in a really good position as we enter 2016 based on the order book that we're staring at today.

Sean Hannan - *Needham & Company - Analyst*

Okay. And I didn't know if Vic was going to provide some commentary as well.

Vic Richey - *ESCO Technologies Inc - Chairman & CEO*

Yes, I would say that from an orders perspective across the Company, obviously, that's not the big issue. I mean, we've been doing very well there, even on the tests side where we've had some issues. As Gary alluded to though, that's where we've had some mixed changes, which we're addressing through the cost side. But the orders fortunately and for industrial business, I think it's pretty positive that were able to draw our backlog year-over-year. And the fact that we're doing that across all three businesses does bode well for us going into 2016.

And certainly, what we're seeing, whether it be the new product introductions at Doble that are getting traction, international business there, and then what we're seeing as far as projects going from development to production on the aerospace side, all of those things give us confidence. In fact, Jon's earlier question whether we thought our longer-term goals were still achievable, and I think this does give us the confidence as we go into 2016.

Sean Hannan - *Needham & Company - Analyst*

Thanks, folks.

Operator

Sean Nicholson of SBH.

Sean Nicholson - *SBH - Analyst*

I was hoping Gary, could you walk us through that $2 million charge that's included in that $0.41? Is that correct? And what things would have looked like, given that's a one-time charge?

Gary Muenster - *ESCO Technologies Inc - EVP & CFO*

Yes, tying into the whole repositioning, as Vic said, realignment of what we did has changed the reporting structure from a geographical basis to a more functional basis. And Vic's comments where he talked about making sure we're producing the right products in the right geographies for the right customer so we're not shipping stuff all over the place. And also, help mitigate some FX and things like that.

What we did is realign some of the inventory and some other things as well. And so with that, we took the one-time charge of $0.05. So mathematically absent that, we would've done $0.46, which would have been well above the high-end of our expectations that we communicated both at the start of the year and now. And that would be driven by the Doble outperformance and the filtration outperformance. So, what we take away as a positive is despite the headwinds that both the shielding market, as well as the special charges we took that we still came in at the top end of our range. You could think about this as $0.46, and you wouldn't be irrational with that thinking.

Sean Nicholson - *SBH - Analyst*

Okay. All right. Thank you. That clears it up.

Operator

Ben Hearnsberger of Stephens.

Ben Hearnsberger - *Stephens Inc. - Analyst*

Gary, on the Q4 guide, are there any charges embedded in that Q4 number that you gave us?

Gary Muenster - *ESCO Technologies Inc - EVP & CFO*

You know, we're contemplating that, and to answer Jon's question earlier, we're not looking at $5 million and $10 million worth of restructuring. We streamlined the big things there a couple of years ago when we closed the Glendale Heights. What I would put this as similar ranges what we did in Q3 relative to this. I'd call it more trimming around the edges, and so if you calibrated it somewhere below $5 million or below you'd be okay. And we're certainly hoping it's at the lower end but it is baked into our numbers.

So if you looked at the rationale in lowering our guidance by $0.05 and if you were to assume that $0.05 in Q3 and if you said it was $2 million in Q4, you'd be at $0.10. It would be back to where we started. So, it's not a big number and it'll have a payback that's pretty immediate, which validates back to Vic's strategy of getting back to the mid-teens there. I think the actions that we're undertaking certainly bode well for how we get there.

Ben Hearnsberger - *Stephens Inc. - Analyst*

So, if we see a relatively immediate payback on some of those charges, the idea would be your back to that -- are you getting to that low double digit in 2016 in terms of EBIT margins in the segment?

Vic Richey - *ESCO Technologies Inc - Chairman & CEO*

Yes, we should be.

Ben Hearnsberger - *Stephens Inc. - Analyst*

Got it. Then, another question around test. I know earlier in the year you had some timing and execution issues within the segment and it sounds like you've got some mix issues this quarter. I'm trying to get a sense for whether project timing and execution played out any in Q3 or those issues were pretty much passed and this was all driven by mix?

Vic Richey - *ESCO Technologies Inc - Chairman & CEO*

Yes, I don't think there were any significant timing issues in the third quarter. We did have some in the first half. There's always a little bit of shifting to the left or the right, whatever, but there wasn't a significant piece of what the issue was in the third quarter.

Ben Hearnsberger - *Stephens Inc. - Analyst*

Got it. Then, maybe to clarify your earlier comment, you mentioned that you should get back to low double digit margins in test next year. Is that going to be on a maybe an end of year quarterly basis, or are we talking about on a full-year basis?

Vic Richey - *ESCO Technologies Inc - Chairman & CEO*

I'd say on a full-year basis we should be there.

Ben Hearnsberger - *Stephens Inc. - Analyst*

Got it. Then, one last one. You mentioned the A-350 is running a little bit ahead of schedule. Can you give us a sense or some color around how the other large projects are ramping -- the platforms are ramping?

Vic Richey - *ESCO Technologies Inc - Chairman & CEO*

Yes, they are ramping on schedule. We've not seen any acceleration of any of the other ones. The important thing, those are all relatively small -- smaller compared to the A-350. So the A-350 is the biggest one of those both from a shift set values as well as the number of airplanes to be shifted in the year. But the rest of them remain on schedule. Not ahead, but fortunately not behind schedule either.

Ben Hearnsberger - *Stephens Inc. - Analyst*

Got it. Thank you very much.

Operator

I show no further questions in the queue at this time, Sir. You may continue.

Vic Richey - *ESCO Technologies Inc - Chairman & CEO*

So, to wrap up on this point in the short-term performance at test, I remain confident that we're on track to get the segment's EBIT back to the low teens and going into 2016 we'll be well-positioned to capitalize on our market-leading positions. Very pleased with Doble and filtration's performance and I'm comfortable with their three-year financial goals are on track. I'm optimistic about our growth prospects both short-term and longer-term.

Our priorities remain simple and straightforward. Execute and deliver on our commitments in the core business, maintain our focus on new product development, supporting organic growth and supplement our existing plan with accretive acquisitions around our core business. Thank you, everyone. I look forward to talking to you in the next call.

Operator

Thank you, ladies and gentlemen for attending today's conference. This concludes the program. You may now disconnect. Good day.
