ESCO TECHNOLOGIES INC
Form 8-K
August 12, 2003

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SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported): August 12, 2003

ESCO TECHNOLOGIES INC.

(Exact Name of Registrant as Specified in Charter)

Missouri	1-10596	43-1554045
(State or Other Jurisdiction of Incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

8888 Ladue Road, Suite 200, St. Louis, Missouri	63124-2056
(Address of Principal Executive Offices)	(Zip Code)

Registrant s telephone number, including area code: 314-213-7200

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ITEM 7. FINANCIAL STATEMENTS, PRO FORMA FINANCIAL INFORMATION AND EXHIBITS

(c) Exhibits

Exhibit No	Description of Exhibit
99.1	Press Release dated August 12, 2003

ITEM 9. REGULATION FD DISCLOSURE

Operations and Financial Information Furnished

On August 12, 2003, the Company issued a press release announcing its fiscal third quarter 2003 financial and operating results. This press release is furnished as Exhibit 99.1, and incorporated herein by reference.

In addition, the Company announced in a press release issued on July 22, 2003 that a webcast of a third quarter conference call will be held on August 12, 2003 at 9:30 a.m., central time.

The press release furnished herewith will be posted to the Company s website located at http://www.escotechnologies.com and can be viewed through the Investor Relations page of the website under the tab Press Releases , although the Company reserves the right to discontinue that availability at any time.

ITEM 12. RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Operations and Financial Information Furnished

On August 12, 2003, the Company issued a press release (Exhibit 99.1 to this report) announcing its fiscal third quarter 2003 financial and operating results. The Company previously announced that a webcast of a third quarter conference call will be held on August 12, 2003, and the press release will be posted to the Company s website. See Item 9, Regulation FD Disclosure, above.

Non-GAAP Financial Measures

The press release furnished herewith contains financial measures and financial terms not calculated in accordance with generally accepted accounting principles in the United States of America (GAAP) in order to provide investors and management with an alternative method for assessing the Company s operating results in a manner that is focused on the performance of the Company s ongoing operations. The Company has provided definitions below for the non-GAAP financial measures utilized in the press release, together with an explanation of why management uses these measures, and why management believes that these non-GAAP financial measures are useful to investors. The press release uses the non-GAAP financial measures of adjusted sales, net earnings, earnings per share, and results of operations, operational sales, net earnings, earnings per share, and results of operations, EBIT from continuing operations, free cash flow, Filtration segment operational net sales and EBIT, and EBITDA from continuing operations.

The Company defines adjusted sales, net sales, net earnings, earnings per share, results of operations as sales, net sales, net earnings, earnings per share, and results of operations in accordance with GAAP except for the exclusion of (i) asset impairment charges and severance charges related to the shutdown of the Filtration segment Puerto Rico facility and the move and restructuring of the Test segment UK operations, (ii) a one-time charge resulting from the termination of a Manufacturing and Supply Agreement (MSA) with Whatman HemaSure Inc., (iii) costs resulting from a Management Transition Agreement between the Company and its former Chairman (MTA), (iv) a gain from the settlement of certain patent

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litigation, and (v) a gain on the sale of Rantec Power Systems, Inc., which has been divested and is shown as discontinued operations. The Company defines operational sales, net sales, net earnings, earnings per share, results of operations as adjusted sales, net earnings, earnings per share, and results of operations, excluding revenues, costs and expenses relating to the Filtration segment Microfiltration and Separations businesses (MicroSep), which will be presented as discontinued operations beginning in the fourth quarter of fiscal 2003. The Company s management uses these adjusted and operational results in evaluating the measures of continuing operations of the Company and believes that this information provides investors with additional insight into the period over period financial performance of the Company. The items excluded will not have a material effect on the Company s results of operations after the fourth quarter ending September 30, 2003.

The Company defines EBIT from continuing operations as earnings before interest and taxes. The Company s management evaluates the performance of its operating segments based on EBIT from continuing operations and believes that EBIT from continuing operations is useful to investors to demonstrate the operational profitability of the Company s business segments by excluding interest and taxes, which are generally accounted for across the entire Company on a consolidated basis. EBIT from continuing operations is also one of the measures used by management in determining resource allocations within the Company and incentive compensation.

The Company defines Free cash flow as Net cash provided by operating activities continuing operations less Capital expenditures continuing operations . The Company s management believes that free cash flow is useful to investors and management as a supplemental financial measurement in the evaluation of the Company s business and believes that free cash flow may provide additional information with respect to the Company s ability to meet its future debt service, capital expenditures and working capital requirements. Free cash flow can also be reinvested in the Company for future growth.

The Company defines Filtration segment operational net sales and EBIT as segment net sales and EBIT, excluding the costs related to the shutdown of the Puerto Rico facility, the gain from the settlement of certain patent litigation, revenue, costs and expenses relating to MicroSep businesses, and the MSA charge.

The Company defines EBITDA as earnings before interest, taxes, depreciation and amortization. The Company s management uses EBITDA as a supplemental financial measurement in the evaluation of the Company s business and believes that EBITDA may provide additional information with respect to the Company s ability to meet its future debt service, capital expenditures and working capital requirements.

The presentation of the information described above is intended to supplement investors understanding of the Company s operating performance. The Company s non-GAAP financial measures may not be comparable to other companies non-GAAP financial performance measures. Furthermore, these measures are not intended to replace net earnings, cash flows, financial position, or comprehensive income (loss), as determined in accordance with GAAP.

Other Matters

The information contained in this report, including Exhibit 99.1, shall not be deemed to be filed for the purposes of Section 18 of the Securities Exchange Act of 1934 as amended (Exchange Act) or otherwise subject to the liabilities of that section, unless the Company specifically incorporates it by reference in a document filed under the Securities Act of 1933 as amended or the Exchange Act.

Statements in this report, including Exhibit 99.1, regarding the Company s ability to negotiate a successful settlement and/or enforce the terms of the MSA, results of future closures, consolidations, relocations, divestitures and real estate sales, the associated costs and resulting savings to be achieved, future fiscal 2003 revenues, gains/charges and earnings and 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 report. The Company s actual results in the future may differ materially from those

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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 timing and terms of the planned divestiture of the MicroSep businesses; further weakening of economic conditions in served markets; changes in customer demands or customer insolvencies; competition; intellectual property rights; the Company s successful exploitation of acquired intellectual property rights; the performance of discontinued operations prior to completing the divestiture; successful execution of planned facility closures, sales, consolidations and relocations with regard to the Company s Puerto Rico facility and U.K. facility; the impact of FASB Interpretation No. 46; consolidation of internal operations; integration of recently acquired businesses; delivery delays or defaults by customers; termination for convenience of customer contracts; the Company s enforcement of its contractual rights under the MSA; timing and magnitude of future contract awards; performance issues with key suppliers and subcontractors; collective bargaining and labor disputes; changes in laws and regulations including changes in accounting standards and taxation requirements; litigation uncertainly; and the Company s successful execution of internal operating plans.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

ESCO TECHNOLOGIES INC.

Dated: August 12, 2003

By: /s/ G.E. Muenster

G.E. Muenster
Vice President and
Chief Financial Officer

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EXHIBIT INDEX

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99.1	Press release dated August 12, 2003