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PRESENTATION

Operator

Good day and welcome to ESCO Third Quarter 2016 Conference Call. Today's call is being recorded. With us today are Vic Richey, Chairman and CEO; Gary Muenster, 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. - Dir. Investor Relations*

Thank you. Statements made during this call regarding 2016 and beyond EPS, EPS - As Adjusted, EBIT, tax rate, future growth, profitability and revenue, operating margin, cash flow, orders, success of new products, sales, acquisitions, implementation of the Company's capital allocation strategy, costs, benefits and timing of restructuring and cost reduction initiatives, the results of recent acquisitions, 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. As a reconciliation of these measures to their most comparable GAAP measures can be found in a 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 and CEO*

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

Gary Muenster *- ESCO Technologies Inc. - Vice President and CFO*

Thanks, Vic. At the start of the year we identified certain restructuring actions being implemented throughout 2016 related to our lower margin international operations primarily in the test business. We described and quantified these actions as well as identifying the annual cost savings anticipated once the process was completed. The restructuring costs were excluded from original FY2016 guidance provided in November and we communicated that we will be presenting our quarterly and annual financial results for FY2016 on an EPS - As Adjusted basis and GAAP basis.

Our restructuring actions have substantially complete as June 30, and I am pleased to report that we remained on schedule and below budget, and the few remaining items are expected to be completed in Q4.

With the restructuring essentially complete we are now positioned to begin realizing the identified cost savings and operating benefits that we anticipated. I believe our Q3 results in the test business appear to be reflecting those benefits.

Turning to a few specifics noted in today's release, I am pleased to report that our Q3 results came in above the top end of our adjusted earnings guidance, as communicated during the May release; which means we have now delivered several quarters in a row where results have met or exceeded our internal expectations, both from an earnings and cash flow perspective.

Additionally I'd like to point out that the first five months of Plastique's performance was consistent with our acquisition model, and the growth opportunities that we identified as part of the acquisition continued to materialize.

During Q3 we reported EPS - As Adjusted of $0.49 a share which was 20% higher than the $0.41 of EPS from continuing operations that we reported in Q3 of 2015. The $0.49 also is $0.04 above the top end of our previous EPS - As Adjusted guidance range of $0.40 to $0.45 a share.

Our nine-month year-to-date EPS - As Adjusted was $1.36, which is also above our original year-to-date expectations we established last November. Compared to our May guidance, the increased earnings came from every operating unit with the exception of Doble, whose sales continue to be impacted by the timing and volume of utility customer hardware sales. Filtration, technical packaging, and tests Q3 earnings all exceeded our previous expectations, and our Q3 and year-to-date cash flow continues running several million dollars ahead of plan.

The $398 million of orders year-to-date reflect the continued strength of our commercial aerospace business and, in particular, the A350 program. This is coupled with the order strength we generated in technical packaging as well. While the test business orders were below expectations, we are encouraged by the level of bid and proposal activity we are currently addressing.

Given the size and volume of these opportunities, we are confident that the current order softness is project timing related due to the lengthy sales cycles on larger projects. Here are a few additional highlights from the release to allow you to better understand the underlying results.

Q3 consolidated sales increased 4% or $6 million, compared to Q3 of the prior year. The increase was driven by technical packaging, where sales doubled from prior year, reflecting the strong performance from tech and the contributions from Fremont and Plastique.

Filtration sales increased 10%, with strong performance both in our aerospace businesses and at VACCO. As I noted earlier, Doble sales decreased as a result of the hardware softness, and this was partially mitigated by higher software and service revenues. And test sales decreased due to the timing of revenue recognition on several large projects.

Corporate costs were higher than last year, primarily due to the timing and volume of spending on professional fees and the additional amortization of intangibles from our recent acquisitions.

On the balance sheet, we continue to maintain a very favorable debt level, with $46 million of net debt outstanding as of June 30. We remain firmly committed to our capital allocation strategy, which includes share repurchases and dividends. During the first nine months of the year, we spent $4.3 million to repurchase 120,000 shares, and we spent $6.2 million on cash dividends, which brings the total shareholder related cash outlay to $10.5 million as of June 30.

Being this close to fiscal year end, we also confirmed our full year EPS - As Adjusted guidance of $1.95 to $2.02 a share. As you recall, we raised our full year guidance back in May. This annual guidance results in a Q4 outlook for EPS - As Adjusted to be in the expected range of $0.59 to $0.66 a share.

Finally, commenting on our longer term view, we continue to see meaningful sales, EBIT and EPS growth across the business segments consistent with our previous expectations in earlier communications. Also, I'll be happy to address any specific financial questions when we get to the Q&A and with that, I'll turn it back over to Vic.

Vic Richey - *ESCO Technologies Inc. - Chairman and CEO*

Thanks, Gary. I'm really pleased with our Q3 year-to-date results from a lot of perspectives. In addition to being on track with our earnings and cash flow throughout the business, I continue to be impressed with the management team at Plastique and the way they're working together with TEQ on integrating the business into our technical packaging group.

Additionally I'm pleased with the way the Test business restructuring actions have gone, given the complexity of these actions; the various geographies involved, the costs and the costs being incurred. Our teams on both sides of the Atlantic are doing a very professional job of managing this process to successful completion.

Gary covered a lot of the financial details in his commentary, so to tie this off, I'll share with you that I remain confident that all of our businesses are in solid financial condition, with known and quantifiable growth opportunities, and we're well positioned to hit our EPS outlook for the balance of the year.

As I shared with you in our last earnings call, we are not immune to economic headwinds the industrial markets are facing today. But with that said, I strongly believe the breadth and diversity of our end markets in the specific niches that we operate in provide us with the protection to mitigate this pressure. While we are not without challenges, I like the position we're in across our various businesses and end markets.

Our core strength provide me with the confidence to say that the various economic issues that we're facing today appear manageable. Furthermore, and to help offset these economic issues, we continue to identify some solid upside opportunities that we can capitalize on as we head into next year.

I'll move on to a few specific thoughts and comments on the business.

In filtration, this segment really continues to perform above expectations, and their year-to-date earnings, cash flow, orders and the outlook for the balance of the year remain strong. Given our solid position across several large platforms including in the continued upcycle and commercial aerospace led by the A350, our growing product contributions in space on the SLS program, and our unparalleled technology on Navy submarines, which are critical to our national security, I'm confident that our future growth in filtration will be strong and sustainable.

Our technical packaging group's future remains bright, as we now have a meaningful scale and market leadership position across several growth markets and geographies. With the addition of our recent partners, we are now well positioned in this global market to provide highly engineered products to customers in medical, pharmaceutical, and consumer markets. I'm confident the opportunities we're seeing set us up nicely for the future.

While feeling the pressure of utility capital budgets, billable still reported a solid Q3, delivering adjusted EBIT margins of 22.5%. And we continue to see additional growth opportunities in our service and software applications.

To help further mitigate the hardware impact, we are seeing additional opportunities with our new products, such as the M Series, doblePRIME, and our DUCe. We're also increasing Doble sales and marketing efforts on the international side to focus on expanding our global revenues. The combination of our new offerings and the breadth of our software and solutions bode well for our outlook.

Within TEQ, the restructuring activities winding down. it's great to see that this is taking place without any negative impact on the rest of the business. And most importantly, we are now seeing the cost savings materialize as anticipated.

Our reduced cost structure and ongoing operational improvement initiatives support our earlier communicated EBIT margin expectations in [Test].

I feel good about the growth opportunities we have across all our businesses as we wrap up 2016, and I can see tangible avenues for additional growth in 2017 and beyond.

Acquisitions remain a key component of our ability to meet our longer-term growth targets. We are currently reviewing additional opportunities. We certainly have the balance sheet capacity and the management bandwidth to handle this additional growth within our current operating infrastructure, and we will remain disciplined in our approach.

So wrapping up, we had a strong first nine months of the year and our outlook for the balance of the year remains solid. Our focus remains constant -- improve our operational performance and execute our growth opportunities both organically and through acquisitions.

So now I'll be glad to answer any questions you have.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions).

Our first question comes from the line of Jon Tanwanteng of CJS Securities. Your line is open.

Jon Tanwanteng - *CJS Securities, Inc. - Analyst*

Nice quarter. Can you just talk about the impact of the push-out that Doble -- I saw in the press release that the timing fell into July as opposed to June. What was the magnitude of that?

Gary Muenster - *ESCO Technologies Inc. - Vice President and CFO*

It was about a couple million dollars.

Jon Tanwanteng - *CJS Securities, Inc. - Analyst*

Okay. On a revenue basis?

Gary Muenster - *ESCO Technologies Inc. - Vice President and CFO*

Correct.

Jon Tanwanteng - *CJS Securities, Inc. - Analyst*

Correct, okay. And can you just go over what happens that your customers -- when we see headlines about airlines talking about delaying orders on commercial jets which you guys have a large dollar content on, say like the A350, do other airlines simply move up to take their place? How does that play out in planning and how do you think about the next year?

Vic Richey - *ESCO Technologies Inc. - Chairman and CEO*

Yes, we like questions about that. The reality is there's a large backlog there, multi-year backlog. So what happens is you have one airline pulls out everybody else goes up in the queue. So [we have not got] any indication from our customer that scheduled for the next several years would be impacted at all. It's a large program. I think it's typical for people kind of change their mind and get out of the queue but people do take that up.

You know, we're fortunate in that, yes, A350 is certainly a big driver. I mean we got good content on that. We also own a lot of other aircraft. So even if there are movements within this, it's not going to have a major impact on our business because of the large number of airframes that we're on. But the A350 specifically, we don't see any impact on our business.

Jon Tanwanteng - *CJS Securities, Inc. - Analyst*

Okay, great. And then just finally, an update on the M&M environment; what evaluations are you seeing? Any update on how far you're willing to lever up to go after some stuff and just a general temperature of targets and opportunity?

Vic Richey - *ESCO Technologies Inc. - Chairman and CEO*

Sure. Let me answer the leverage question first, before I forget and I get into more general things. We always talk about our willingness to go to 3 pounds to 3.5 pounds levered. We don't see that changing for the foreseeable future. The overall market, the aerospace multiples remain high, there's a couple of guys out there that really pay up for these things and we think, though, that some of those businesses are getting so big that the areas where we look, the businesses -- you know, $20 million to $100 million in sales, those are probably too small for some of the larger businesses. It simply doesn't move their needle.

That being said, the valuations there are still pretty strong, but they're within, say, striking distance for us. There's a good bit of activity, not just in aerospace business, but we're seeing some things in our other businesses as well. So the activity, it feels like there's more going on than there was maybe six months ago.

The issue always is timing, though, and if people -- if they're going to make a decision quickly and their ability to get through the process. So I'm encouraged that some things will be happening over the next 3 to 12 months, but it's really hard to control the timing of those and the facts are, we're really going to stay disciplined because anything being accretive, we really need to make sure that we're able to get a good return on those as well.

Jon Tanwanteng - *CJS Securities, Inc. - Analyst*

Last one. Just given these valuations that are out there, does it make more sense to be repurchasing more stock, especially if you can't get one done by the end of the year?

Vic Richey - *ESCO Technologies Inc. - Chairman and CEO*

Well, we'll continue to look at that. I think we've always talked about doing that opportunistically and that certainly is one of the utilizations of cash that we continue to look at. But our preference right now is to make some acquisitions and we think we'll be able to get some things done there.

Certainly the acquisitions that we've made in the technical packaging business this year, we got done at very reasonable multiples and (inaudible) are really paying the dividends that we thought they were. So they're out there, I think we just have to kind of keep fighting the fight to make some of these things happen.

Jon Tanwanteng - *CJS Securities, Inc. - Analyst*

Great, thank you very much.

Operator

Thank you. Our next question is from the line of Jim Giannakouros of Oppenheimer. Your line is open.

Jim Giannakouros - *Oppenheimer & Co. Inc. - Analyst*

Hey guys, congrats on the good quarter. On the quarter and I guess the guidance that you had set for the second half and the implications for the ramp that you had foreseen for the second half -- I guess I'm trying to understand, you guys maintained guidance; you beat by about $0.04 from the high end. Where are you incrementally cautious in your fiscal 4Q or is it just, there's plenty of wiggle room just in the range that you've provided? I'm trying to understand where I should be thinking about, if it's temporary or permanent pressures, whether it be in Tests or -- because I'm not hearing anything that I should be concerned about in Doble or filtration.

Vic Richey - *ESCO Technologies Inc. - Chairman and CEO*

Sure. So I think the easiest answer is -- the timing with our business sometimes it is hard to predict. And so while we had three strong quarters and above expectations somewhat, some of the things that we anticipate being delivered in the fourth quarter actually got done in the third quarter. And so that's why you didn't see us go out and say, okay, we're going to raise our guidance as a result of that because some of the things simply just got pulled into the third quarter.

As far as the ramp in the fourth quarter, I believe there still is a decent ramp, third quarter to fourth quarter. I feel very confident of that, obviously, or we'd put something else out. But Gary and I were just calling out for the majority of the operating units last week and talked to the rest as well, and obviously spent a lot of time talking about the fourth quarter because, with that kind of ramp, we wanted to have confidence that we're going to be able to execute that. I'll say that the businesses there it's a matter of getting it out the door.

So we feel good about our ability to make that ramp in the fourth quarter. As you know, as anybody that's followed us over the years knows that our fourth quarter is always our strongest quarter. And so, this time's no different. And in fact, if you look within some of the businesses, the fourth quarter ramp is not as high as it was last year. So we feel good about that but -- I wouldn't have any concern about the Test business either. You mentioned that. We've got some good opportunities, as I've mentioned in my prepared comments with some larger projects as we move into next year. So I'd say overall, things are looking very solid.

Jim Giannakouros - *Oppenheimer & Co. Inc. - Analyst*

Got it. Okay. And then, to understand the -- I guess the dynamics of that pop in 4Q, one has been historically just the deliveries that you have in Doble. To better understand where you guys are currently in your mix that's impacting your margin progression there; equipment versus software services, how should I be thinking about that and is that shifting for 2017 and 2018?

Gary Muenster - *ESCO Technologies Inc. - Vice President and CFO*

I'll defer the commentary on 2017 and 2018 just until we get a little further or closer to that, but just, Jim, relative to sequentially, let's start there: Q3 what we just reported and how we look at Q4. As Jon asked, what was the sales move between -- and I think we indicated it was a couple million bucks. So you're going to see a sequential Q3 to Q4 at Doble of that at least $2 million and then you get the normal fourth quarter stuff. So we fully rationalized that step up so moving that thing up $2 million to $3 million to $4 million, Q3 to Q4 -- the nice part of that, it brings along a lot of margin through that as well, so that addresses that.

On the Test side, as Vic indicated, looking at what we're doing Q3 to Q4, it's very consistent with what we did last year, when fourth quarter carried probably 33% of the volume. The one thing I think we did to be prudent is to make sure that we didn't outsize ourselves on expectations in Q4 so if you get through the math, you'll see that we're presenting Q4 in Test be slightly lower than Q4 last year, and that certainly appears rational based on the last three or four years of our Q4 performance.

So I'll comment on that one because you're going to see a clean quarter in Test and while you'll see kind of adjusted 13% EBITs there, it's going to be north of 14% in Q4 just because that volume carries a lot of overhead absorption through it. So we feel pretty good on that.

On the filtration side, we always indicate that the Virginia Class Sub, the largest manifold that we sell, the majority of that product ships in Q4. And so, of our big step-up in filtration revenue, if we peg that in round terms of $10 million, $8 million or $9 million of that comes from VACCO primarily between the Navy business and the space, and that as well pulls additional margin through.

So that's a bunch of narrative around the sequential aspect of how we see Q4 playing through, being prudent -- I don't like the word "conservative" because it indicates something else, but I think we're being very prudent because this is all real time live for us.

So that hopefully gets you comfortable on Q4, and then again I'll defer the conversation on 2017 and 2018 until we get through September. But everything that we've indicated in our prepared remarks where we say the growth opportunities are tangible and presentable, I think it's reasonable to take that as we have comfort.

Jim Giannakouros - *Oppenheimer & Co. Inc. - Analyst*

Fair enough. Thank you.

Operator

Thank you. Our next question is from Ben Hearnsberger of Stephens Inc. Your line is open.

Ben Hearnsberger - *Stephens Inc. - Analyst*

Hey, thanks for taking my question. I have a question on Test margins. Historically, if we look back, it looks like they peaked in kind of the 11% to 12% range. Is that an appropriate level to think about longer term for the Test business?

Vic Richey - *ESCO Technologies Inc. - Chairman and CEO*

I think after we've taken these actions, we're looking more 13% plus margin in the Test business. I mean, this was a -- between taking costs out with the two international operations some of the initiatives we have under way to reduce cost at our domestic locations and some of the things we're doing at our plant in Austin, I think we have a very clear path of sustainable 13% or 14% margin in that business.

Ben Hearnsberger - *Stephens Inc. - Analyst*

And assuming the top line shows up in that business next year, we can achieve 13% to 14% as early as next year, or that's going to come at a higher revenue run rate?

Vic Richey - *ESCO Technologies Inc. - Chairman and CEO*

I think if we're able to get some growth this next year, we should be able to hit those types of margins in 2017.

Ben Hearnsberger - *Stephens Inc. - Analyst*

Okay. And maybe another question on 2017. I know it's early, but we've got a ramping commercial aero pipeline, the packaging business looks very promising, is it fair to think about growth in 2017 -- or is it fair to think about seeing more top line growth in 2017 relative to what we saw in 2016?

Vic Richey - *ESCO Technologies Inc. - Chairman and CEO*

I'd have to go back and look and see exactly how much growth we got here, but we certainly will see growth over what we have this year. I mean just based on the things that we have -- the fact that we'll have Plastique for a full year. So I would say that we will see some growth going into 2017. I really don't talk about how much yet because we spent all our time recently talking about the fourth quarter and so we get everybody back together in late August early September to talk about 2017. Yeah, obviously we talked about that, we're given up an early sense of that but at that time we will kind of firm up what our outlook's going to be for 2017 and we'll talk about that on our next call.

Ben Hearnsberger - *Stephens Inc. - Analyst*

Okay.

Vic Richey - *ESCO Technologies Inc. - Chairman and CEO*

The thing I will say. Ben. I mean I feel really good about some of the actions that we've taken to get our cost in line. If you look at the fact -- I mean it is obvious to everybody that sales aren't as strong as maybe anticipated this quarter even, but the facts are we've really done a good job. The Company's done a good job of controlling costs, making sure that's in line.

So the great thing about that is we go into next year the growth that we get we should be able to leverage pretty significantly, so that's one of the things that's very encouraging to me, the hard work that they've done this year we should get additional benefits going into next year.

Ben Hearnsberger - *Stephens Inc. - Analyst*

Okay. That's helpful, and one last question for Gary. Free cash flow conversion was really strong in 3Q. What, if we think about it longer term what's an appropriate free cash flow conversion rate? Or I guess how do you think about it over time?

Gary Muenster - *ESCO Technologies Inc. - Vice President and CFO*

Yes, well we have to address it across each of the businesses. I think that within the filtration business it is very quick. And we don't have a big capital appetite, filtration, all the stuff we need is done so the conversion rate there is in the high 80s to low 90s relative to its EBIT contribution again because we carried the tax burden at corporate. So I put them in the high [A-plus] bucket on how they quick turn that plus the customers. We have the air buses and Boeing's believe it or not paid on an efficient basis so the conversion is really quick.

In Test it is kind of an anomaly because on some projects you get advanced payments, and then on other ones you get retention on the back end until everything is certified. So you might get 20% of the cash up front and then you might run eight months with no cash in and you get 60% at completion and then the other 20% upon sign off the contract. So that's a real hard one to predict because it is really a function of what projects you have running through the pipeline.

And then go to the Plastique -- the packaging business that's kind of somewhere between because we have these long runs of programs; things like [KAZ] we get paid quickly on. And some of the medical ones where you are running that program for 90 days and you really don't bill the customer until the 91st day and then you collect a little after that.

So I put the filtration in the 90% bucket. I put Test in the 40% or 50% bucket on a conversion; again it is time phased. And then Plastique -- or the packaging group I'd put probably in a 75% conversion because there is a capital appetite there relative to the efficiency (inaudible) off the machines, so there's a little higher capital appetite than the other places.

And I'd say Doble's conversion rate can range from 50% to 90% because even though we're a critical customer to them, utilities don't always pay as quickly as you think they would. And again we have some leverage over them and we choose not to use it. And so, you bring all that stuff -- (interruption) -- particularly international. And then when you bring that all together I would say if you were just picking out one number and said 75% would be the conversion across the platform, that would be out the right way to think about it. And so -- well that's again a lot of data you really need to understand the four components of that before you say well 75% is not very good.

Ben Hearnsberger - *Stephens Inc. - Analyst*

Okay that that's really helpful. And I actually have one more question. On that DUCe product of the universal controller, you guys cited in the press release of the potentially meaningful contributor can you frame that up at all and give us a sense for how big of a product that could be?

Vic Richey - *ESCO Technologies Inc. - Chairman and CEO*

What these really are are ruggedized computers that have very specific application. So the specific product itself is not that expensive but typically utilities you're going to buy enough of these to outfit a large number of their (inaudible) engineers. This is something I think is in kind of the initial forecast that $7 million or $8 million a year after we get it up and running which we should be up and running late next year. We're getting really good at the option rate on that and so we think it's got a good future. And the biggest reason, I mean it's a great product first of all but there's a lot of regulatory pressure for utilities in a certain area which you satisfy so and then that kicks in, in April so I think a lot people are going to be charged last half of next year (inaudible).

Ben Hearnsberger - *Stephens Inc. - Analyst*

Okay, that's helpful. Thank you, gentlemen.

Operator

Our next question is from Shawn Hannan of Needham and Company. Your line is open.

Sean Hannan - *Needham & Company - Analyst*

Yes, thanks for taking my question folks. Just going back to a comment that you made to make sure that we acknowledge that you folks certainly aren't immune from any slowdown on the industrial power within the industrial markets. If possible if you can give us a perspective from your vantage point where within your businesses do you see the most risk, that you're monitoring and how we should think about that. Thanks.

Vic Richey - *ESCO Technologies Inc. - Chairman and CEO*

Okay, so again I'll let Gary talk about each of the businesses.

With the fluid flow business I don't think it is really big issue there at all, so I think we are both comfortable with that. The packaging business probably the same way. I mean there has been good longer term contracts there, good backlog, good insight into what the customer wants.

With Doble, solid business. We have seen some pressure on the hardware side of the business. The utility budgets are just little tighter than they have been historically for a lot of reasons. What we tried to do to address that are couple things and we've been working at the last couple of years; one is developing new products as we just talked about so this may be a very temporary thing as something new products kick in. Our M7000 which we introduced last year we're way ahead on sales on that product versus where we thought we were going to be going at this point in the year, so it's not like all hardware's sales are soft.

So anyway new products on the hardware side. We've really expanded our offerings on the software side and that's been partially through internal development and partially through acquisition. (Inaudible) acquisition we did a couple years ago has been a real success. It's fully integrated both within our hardware and some other people's hardware, so that's been a great thing for us as well as the arms product.

And the other thing is the service side of it. And the service side is something else we've emphasized. And a lot of times what you'll see with utilities is they don't have hardware budgets, they may have service budget. And while they may not be able to buy the equipment, they still need the test done and so they'll reach out and work with us on that. So while our hardware (inaudible), the other pieces (inaudible) stronger. So net-net, I think we'll be fine.

And then the other thing as I mentioned in my prepared remarks is really a renewed focus on international business and that's something we're working on as well.

And so that leaves the Test business. And always the Test business is the one that's probably the toughest to predict. Having said that if you look at the orders that we had this year we have really not had big orders. And so the biggest orders we've had are $3 million or $4 million -- as we said here today, we're bidding a number of larger projects going to next year so you can anticipate that we will continue to get the type of orders that we've gotten this year in addition some of these larger projects may come in.

But those are the most susceptible obviously to some of the budget constraints that are out there, so short answer is a little bit concerned at Doble, a little bit concerned at Test. But we think we understand those and we think there are other opportunities to offset what we are seeing. The other two businesses I think we are pretty solid in.

Sean Hannan - *Needham & Company - Analyst*

Okay, that's very helpful. And in my next question can you folks update us in terms of where you are with some of the business you have in Doble related to the Middle East there are some hardware stages that -- multiple stages but haven't been completed. Can you talk a little bit about where we are, the ability to expand that in some of the opportunism you might be able to capture within that market or any other perspective, thanks.

Gary Muenster - *ESCO Technologies Inc. - Vice President and CFO*

Sure. So they're just in way of background we're coming up toward the end of year two of the Saudi contract, which is the largest contract we have there. They are exceptionally happy. In fact we have two people there today working on the extension of the third year of that contract. We completed a job at Marafiq which is another Saudi utility, and we had [Paul Griffin], one of the guys that is responsible for that area over there, well he spent two months ago and he had probably eight meetings with eight different utilities; a lot of interest in what we're doing. I think as we get through this process with Saudi and people see the results we are able to get that we will continue to get good traction.

It will be such a big opportunity for us and obviously Saudi very well respected in the region as far as what we are seeing on the utility side. And then kind of the kicker with that as well, everything we're doing today it is primarily services. We have sold them maybe $2 million of hardware as well. If they go into the next phase more and more equipment will be sold to support their ongoing operations. What they're really trying to do is kind of get a baseline and then bring a lot of that in house and for them to be able to do that they will need to have the equipment that were using to complete our piece of the process.

Sean Hannan - *Needham & Company - Analyst*

Okay, great. Thanks so much for the feedback.

Operator

The next question is from Sean Nicholson from SBH. Your line is open.

Sean Nicholson - *SBH - Analyst*

Just one quick question. I know you guys talked about it earlier in the call, about the M&A pipeline. Just curious and you guys focus a lot of attention on the deals out there and really different stages come and go. Any indication on where you're at, any more processes more mature, further along? And kind of probability of getting something done by the end of your fiscal year? Or are we still in that you know in terms of just the pipeline is pretty much just waiting for timing, something to shake loose? Thanks.

Vic Richey - *ESCO Technologies Inc. - Chairman and CEO*

Yes, obviously we have to be a little careful on what we say but we're pretty far along on one opportunity and there's probably three others that we know are coming to market that we are very interested in over the next four or five months.

Sean Nicholson - *SBH - Analyst*

Can these range in that $20 million to $100 million roughly size?

Vic Richey - *ESCO Technologies Inc. - Chairman and CEO*

Correct.

Sean Nicholson - *SBH - Analyst*

Okay. Thank you.

Operator

Thank you. And that does conclude our Q&A session for today. I would now like to hand the call back over to management for any further remarks.

Vic Richey - *ESCO Technologies Inc. - Chairman and CEO*

Okay. Well, I do want to make one clarification. I guess we talked about DUCe, an [essential ruggedized] computer; obviously enthused about that from a hardware perspective but what really drives it is our software that we put on that. So it's not like we're just reselling somebody else's computer, we are really putting a lot of intelligence into that product.

So with that I'll just thank everybody for their participation. I look forward to talking to you in the next call.

Operator

Ladies and gentlemen, thank you for participating in today's conference. This does conclude today's program, you may all disconnect. Everyone have a great day.
