FY 2019 Q4 Earnings Call

November 19, 2019

Agenda

- TransDigm Overview and Highlights — Nick Howley, Executive Chairman
- Operating Performance, Market Review and Outlook — Kevin Stein, President and CEO
- Financial Results — Mike Lisman, CFO
- Q&A

Forward Looking Statements & Special Notice Regarding Pro Forma and Non-GAAP Information

FORWARD LOOKING STATEMENTS

This presentation contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including information regarding our guidance for future periods. These forward-looking statements are based on management's current expectations and beliefs, as well as a number of assumptions concerning future events, many of which are outside of our control. Consequently, such forward looking statements should be regarded solely as our current plans, estimates and beliefs. These statements are subject to risks and uncertainties that could cause actual results to differ materially from those expressed or implied in the forward-looking statement. The Company does not undertake, and specifically declines, any obligation, to publicly release the results of any revisions to these forward-looking statements that may be made to reflect any future events or circumstances after the date of such statements or to reflect the occurrence of anticipated or unanticipated events. All forward –looking statements attributable to the Company or persons acting on its behalf are expressly qualified in their entirety by these cautionary statements. These risks and uncertainties include but are not limited to: the sensitivity of our business to the number of flight hours that our customers' planes spend aloft and our customers' profitability, both of which are affected by general economic conditions; future geopolitical or worldwide events; cyber-security threats and natural disasters; our reliance on certain customers; the U.S. defense budget and risks associated with being a government supplier, including government audits and investigations; failure to maintain government or industry approvals; failure to complete or successfully integrate acquisitions, including our acquisition of Esterline; our indebtedness; potential environmental liabilities; liabilities arising in connection with litigation; increases in raw material costs, taxes and labor costs that cannot be recovered in product pricing; risks associated with our international sales and operations; and other factors. Further information regarding the important factors that could cause actual results to differ materially from projected results can be found in TransDigm Group's Annual Report on Form 10-K and other reports that TransDigm Group or its subsidiaries have filed with the Securities and Exchange Commission.

You are cautioned not to place undue reliance on our forward-looking statements. TransDigm Group Incorporated assumes no obligation to, and expressly disclaims any obligation to, update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

SPECIAL NOTICE REGARDING PRO FORMA AND NON-GAAP INFORMATION

This presentation sets forth certain pro forma financial information. This pro forma financial information gives effect to certain recently completed acquisitions. Such pro forma information is based on certain assumptions and adjustments and does not purport to present TransDigm's actual results of operations or financial condition had the transactions reflected in such pro forma financial information occurred at the beginning of the relevant period, in the case of income statement information, or at the end of such period, in the case of balance sheet information, nor is it necessarily indicative of the results of operations that may be achieved in the future.

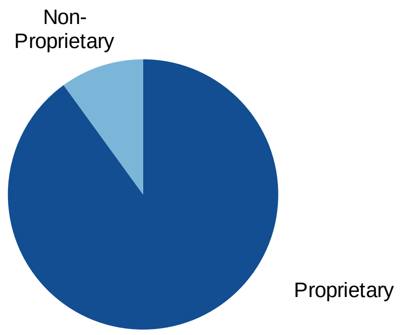
This presentation also sets forth certain non-GAAP financial measures. A presentation of the most directly comparable GAAP measures and a reconciliation to such measures are set forth in the appendix.

TransDigm Overview (Includes Esterline)

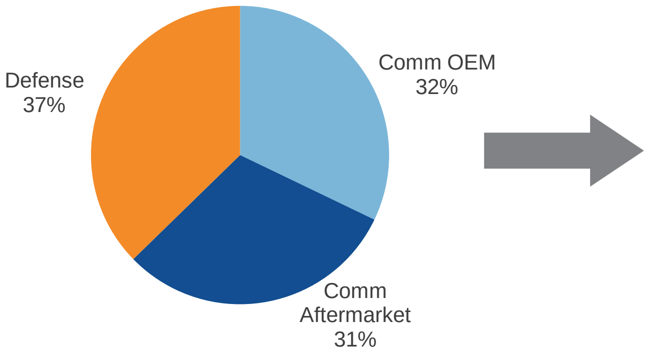
Distinguishing Characteristics

- Highly engineered aerospace components
- Proprietary and sole source products
- Significant aftermarket content
- High free cash flow

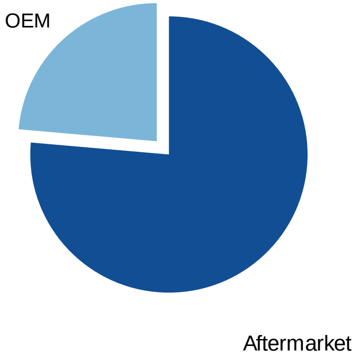
Proprietary Revenues (1)



Pro Forma Revenues (1)



Pro Forma EBITDA As Defined (1)



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(1) Pro forma revenue is for the fiscal year ended 9/30/19 includes the Esterline acquisition, excluding the completed divestiture of Esterline Interface Technologies (EIT) and the pending divestiture of Souriau-Sunbank, which results have been reclassified to discontinued operations. Please see the Special Notice Regarding Pro Forma and Non-GAAP Information.

2019 Q4 Financial Performance by Markets – Pro Forma (Excludes Esterline)

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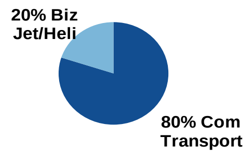
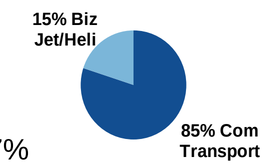
Highlights



Commercial OEM:

- Q4 ‘19 Commercial Transport Revenue Up 12%
- Q4 ’19 Business Jet/Helicopter Revenue Both Up Over 10%
- FY ’19 Total Commercial Bookings Up Over 10%



Commercial Aftermarket:

- Q4 ‘19 Commercial Transport Revenue Up 7%
- Q4 ’19 Business Jet/Helicopter Revenue Up 20%
- FY ’19 Total Commercial Bookings Up High Single Digit %

Defense:

- Q4 ’19 OEM Revenue Growth Outpaced Aftermarket Growth
- Revenue Growth Well Distributed Across Businesses

Q4 Review – Pro Forma Revenues[1]

	Actual vs. Prior Year	
	Q4	**Total Year**
Commercial OEM:	Up 11%	Up 11%
Commercial Aftermarket:	Up 9%	Up 8%
Defense:	Up 7%	Up 14%

Excludes Esterline

(1) Information is on a pro forma basis versus the prior year period. Excludes the Esterline acquisition. Includes the full year impacts of acquisitions Kirkhill, Extant and Skandia. Please see the Special Notice Regarding Pro Forma and Non-GAAP Information.

Fourth Quarter 2019 Select Financial Results

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($ in millions, except per share amounts)

	Q4 FY 2019	Q4 FY 2018			
Revenue	**$1,541**	**$1,049**	**46.9%**	**Increase**	• 8.0% organic sales growth
Gross Profit	**$882**	**$597**	**0.3%**	**Margin Increase**	• Lower Esterline gross margins vs. legacy TDG • Legacy TDG business margins expanded • Lower purchase accounting expenses related to divestitures
Margin %	***57.2%***	***56.9%***			
SG&A	**$211**	**$123**	**2.0%**		• Higher Esterline SG&A spend vs. legacy TDG • Higher acquisition related integration costs
% to Sales	***13.7%***	***11.7%***			
Interest Expense-Net	**$245**	**$173**	**41.6%**	**Increase**	• Interest on new debt to fund Esterline acquisition
EBITDA As Defined	**$707**	**$525**	**34.8%**	**Increase**	• Includes the benefit of $15M in loss contract reserves offsetting negative margins on sales related to former Esterline businesses
Margin %	***45.9%***	***50.0%***			
Adjusted EPS	**$5.62**	**$4.44**	**26.6%**	**Increase**	
Adjusted Tax Rate	**19.7%**	**22.4%**			

Full Year 2019 Select Financial Results

($ in millions, except per share amounts)

	FY2019	FY2018			
Revenue	$5,223	$3,811	37.1%	Increase	• 10.5% organic sales growth
Gross Profit	$2,809	$2,178	-3.4%	Margin Decrease	• Lower Esterline gross margins vs. legacy TDG • Higher acquisition integration related costs • Legacy TDG business margins expanded
Margin %	*53.8%*	*57.1%*			
SG&A	$748	$450	2.5%		• Higher Esterline SG&A spend vs. legacy TDG • Higher acquisition related integration costs
% to Sales	*14.3%*	*11.8%*			
Interest Expense-Net	$860	$663	29.7%	Increase	• Interest on new debt to fund Esterline acquisition
EBITDA As Defined	$2,419	$1,877	28.9%	Increase	• Includes the benefit of $27M in loss contract reserves offsetting negative margins on sales related to former Esterline businesses
Margin %	*46.3%*	*49.2%*			
Adjusted EPS	$18.27	$17.83	2.5%	Increase	
Adjusted Tax Rate	25.1%	8.9%			

Fiscal 2020 Outlook

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Market Growth Assumptions (Includes Esterline)

FY 2019 Pro Forma Sales Mix [(1)]	Market	FY 2020 Expected Growth
32%	Commercial OEM	Up LSD to MSD%
31%	Commercial Aftermarket	Up MSD to HSD%
37%	Defense	Up MSD%

Misc. Financial Assumptions

- Full year net interest expense ≈ $1.02 billion
- Full year effective tax rate ≈ 24% to 26% for GAAP EPS, Adjusted EPS and Cash taxes
- Weighted average shares of 57.4 million
- Depreciation & amortization expense (ex backlog) ≈ $240 million
- Backlog amortization ≈ $62 million

Guidance Summary

	FY 2020 Guidance	
	Low	High
Revenues	$ 6,175	$ 6,325
EBITDA As Defined	$ 2,775	$ 2,875
% of sales	*44.9%*	*45.5%*
Net Income	$ 1,000	$ 1,080
GAAP EPS	$ 16.30	$ 17.70
Adj. EPS	$ 19.80	$ 21.20

(1) Pro forma revenue for the fiscal year ended 9/30/19 includes the Esterline acquisition, excluding the completed divestiture of EIT and the pending divestiture of Souriau-Sunbank, which results have been reclassified to discontinued operations. Please see the Special Notice Regarding Pro Forma and Non-GAAP Information..

Reconciliation of Fiscal 2020 Outlook

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($ in millions, except per share amounts)

	FY 2020 Guidance Midpoint
Net income	$ 1,040
Adjustments:	
Depreciation and amortization expense	302
Interest expense - net	1,020
Income tax provision	317
EBITDA	2,679
Adjustments:	
Acquisition-related expenses and adjustments (1) and other, net (1)	29
Non-cash stock compensation expense (1)	96
Refinancing costs (1)	21
Gross Adjustments to EBITDA	146
EBITDA As Defined	**$2,825**
EBITDA As Defined, Margin (1)	*45.2%*
GAAP earnings per share	$17.00
Adjustments to earnings per share:	
Inclusion of the dividend equivalent payments	1.12
Non-cash stock compensation expense	1.27
Acquisition-related expenses and adjustments and other, net	1.20
Refinancing costs	0.28
Reduction in income tax provision due to excess tax benefits on stock compensation	-0.37
Adjusted earnings per share	**$20.50**
Weighted-average shares outstanding	57.4
GAAP & Adj Tax Rate	24% - 26%

Includes approx. $62m of backlog amortization

(1) Refer to tables in Appendix for definitions of Non-GAAP measurement adjustments.

Liquidity & Taxes

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($ in millions)

Cash

	FY 19 9/30/19	FY 18 9/30/18
Net Cash Provided by Operating Activities	$1,028.6	$1,022.2
Capital Expenditures	($102.5)	($73.3)
Free Cash Flow	$926.1	$948.9
Cash on the Balance Sheet	$1,467.5	$2,073.0

Taxes

- FY 19 GAAP ETR: 20.9%
- FY 19 Adjusted ETR: 25.1%

Pro Forma Capital Structure

Pro forma capitalization ($ in millions)	Actual 9/30/19		Adj.	Pro forma (1) 9/30/19		Rate
Cash	$1,467		$1,463	$2,930		
$760mm revolver	–		–	–		L + 3.000%
$350mm AR securitization facility	350		–	350		L + 0.900%
First lien term loan E due 2025	2,221		–	2,221		L + 2.500%
First lien term loan F due 2023	3,524		–	3,524		L + 2.500%
First lien term loan G due 2024	1,778		–	1,778		L + 2.500%
Senior secured notes due 2026	4,000		–	4,000		6.250%
Total secured debt	**$11,873**	**4.8x**		**$11,873**	**4.8x**	
Total net secured debt	**$10,406**	**4.2x**		**$8,943**	**3.6x**	
Senior subordinated notes due 2022	1,150		(1,150)	–		6.000%
Senior subordinated notes due 2024	1,200		–	1,200		6.500%
Senior subordinated notes due 2025	750		–	750		6.500%
Senior subordinated notes due 2026	950		–	950		6.375%
Senior subordinated notes due 2026	500		–	500		6.875%
Senior subordinated notes due 2027	550		–	550		7.500%
Senior subordinated notes due 2027	–		2,650	2,650		5.500%
Capital Lease Obligations (Gross)	50		–	50		
Total debt	**$17,023**	**6.8x**		**$18,523**	**7.4x**	
Total net debt	**$15,556**	**6.2x**		**$15,593**	**6.3x**	

Weighted Average Interest Rate 5.5%

(1) Pro forma capital structure reflects the financing activity completed subsequent to the fiscal year ended 9/30/19.

Reconciliation of GAAP to Adjusted EPS - Guidance

TRANSDIGM 25 YEARS

	Thirteen Week Periods Ended		Fiscal Years Ended		Full Year Guidance Mid-Point
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018	September 30, 2020
GAAP earnings per share	**$ 4.08**	**$ 4.14**	**$ 12.94**	**$ 16.28**	**$ 17.00**
Adjustments to earnings per share:					
Dividend equivalent payments	1.54	-	1.97	1.03	1.12
Non-cash stock compensation expense	0.33	0.31	1.24	0.96	1.27
Acquisition-related expenses	0.05	0.18	2.77	0.54	1.21
Refinancing costs	0.00	0.01	0.04	0.10	0.28
Reduction in income tax provision due to excess tax benefits on stock compensation	(0.40)	(0.21)	(0.79)	(1.14)	(0.37)
Other, net	0.02	0.02	0.10	0.06	-
Adjusted earnings per share	**$ 5.62**	**$ 4.44**	**$ 18.27**	**$ 17.83**	**$ 20.50**
Weighted-average shares outstanding	**56,265**	**55,595**	**56,265**	**55,597**	**57,360**

APPENDIX

Appendix: Reconciliation of Net Income to EBITDA and EBITDA As Defined

TRANSDIGM 25 YEARS

($ in thousands)

	Thirteen Week Periods Ended		Fiscal Years Ended	
	September 30, 2019	**September 30, 2018**	**September 30, 2019**	**September 30, 2018**
Net income including noncontrolling interests	$ 348,027	$ 228,763	$ 891,311	$ 957,062
Less: Income (loss) from Discontinued Operations, net of tax [1]	30,870	(1,531)	50,432	(4,474)
Income from continuing operations including noncontrolling interests	**317,157**	**230,294**	**840,879**	**961,536**
Adjustments:				
Depreciation and amortization expense	87,707	34,310	225,700	129,844
Interest expense - net	245,297	173,232	859,753	663,008
Income tax provision	50,059	51,571	221,986	24,021
EBITDA	**700,220**	**489,407**	**2,148,318**	**1,778,409**
Adjustments:				
Acquisition-related expenses and adjustments[2]	(16,444)	11,510	168,898	28,450
Non-cash stock compensation expense[3]	23,280	22,070	93,362	58,481
Refinancing costs [4]	99	486	3,013	6,396
Other - net [5]	(5)	1,288	5,210	4,822
Gross Adjustments to EBITDA	6,930	35,354	270,483	98,149
EBITDA As Defined	**$ 707,150**	**$ 524,761**	**$ 2,418,801**	**$ 1,876,558**
EBITDA As Defined, Margin [6]	45.9%	50.0%	45.5%	48.9%

[1] During the fourth quarter of 2019, the Company completed the divestitures of its Esterline Interface Technologies (EIT) group of businesses for approximately $190 million. In addition to the EIT divestiture, TransDigm expects to complete the pending divestiture of the Souriau-Subank Connection Technologies (Souriau-Sunbank) business in calendar Q4. The income from disc ops of approximately $31M in Q4 and $50M for FY2019 is related to these divestitures.

[2] Represents accounting adjustments to inventory associated with acquisitions of businesses and product lines that were charged to cost of sales when the inventory was sold: costs incurred to integrate acquired businesses and product lines into TD Group's operations, facility relocation costs and other acquisition-related costs; transaction-related costs comprising deal fees; legal, financial and tax due diligence expenses; and valuation costs that are required to be expensed as incurred.

[3] Represents the compensation expense recognized by TD Group under our stock incentive plans.

[4] Represents cost expensed related to debt financing activities, including new issuances, extinguishments, refinancings and amendments to existing agreements.

[5] Primarily represents foreign currency transaction gain or loss, payroll withholding taxes related to dividend equivalent payments and stock option exercises and gain or loss on sale of fixed assets.

[6] The EBITDA As Defined margin represents the amount of EBITDA As Defined as a percentage of sales.

Appendix: Reconciliation of Reported EPS to Adjusted EPS

TRANSDIGM 25 YEARS

($ in thousands, except per share amounts)

Reported Earnings Per Share	Thirteen Week Periods Ended September 30, 2019	Thirteen Week Periods Ended September 30, 2018	Fiscal Years Ended September 30, 2019	Fiscal Years Ended September 30, 2018
Income from continuing operations including noncontrolling interests	$ 317,157	$ 230,294	$ 840,879	$ 961,536
Net income attributable to noncontrolling interests	(1,157)	-	(1,541)	-
Net income from continuing operations attributable to TD Group	316,000	230,294	839,338	961,536
Less dividends paid on participating securities	(86,712)	-	(111,021)	(56,148)
	229,288	230,294	728,317	905,388
Income (loss) from discontinued operations, net of tax	30,870	(1,531)	50,432	(4,474)
Net income applicable to TD Group common stock - basic and diluted	$ 260,158	$ 228,763	$ 778,749	$ 900,914
Weighted-average shares outstanding under the two-class method:				
Weighted-average common shares outstanding	53,376	52,654	52,994	52,470
Vested options deemed participating securities	2,889	2,941	3,271	3,127
Total shares for basic and diluted earnings per share	56,265	55,595	56,265	55,597
Net earnings per share from continuing operations -- basic and diluted	$ 4.08	$ 4.14	$ 12.94	$ 16.28
Net earnings per share from discontinued operations -- basic and diluted	$ 0.55	$ (0.03)	$ 0.90	$ (0.08)
Basic and diluted earnings per share	$ 4.62	$ 4.11	$ 13.84	$ 16.20
Adjusted Earnings Per Share				
Net income from continuing operations	$ 317,157	$ 230,294	$ 840,879	$ 961,536
Gross adjustments to EBITDA	6,930	35,354	270,483	98,149
Purchase accounting backlog amortization	19,852	1,133	38,795	4,241
Tax adjustment	(27,562)	(19,740)	(122,010)	(72,738)
Adjusted net income	$ 316,377	$ 247,041	$ 1,028,147	$ 991,188
Adjusted diluted earnings per share under the two-class method	$ 5.62	$ 4.44	$ 18.27	$ 17.83

Appendix: Reconciliation of Net Cash Provided by Operating Activities to EBITDA and EBITDA As Defined

TRANSDIGM 25 YEARS

($ in thousands)	Fiscal Years Ended	
	September 30, 2019	September 30, 2018
Net cash provided by operating activities	**$ 1,015,472**	**$ 1,022,173**
Adjustments:		
Changes in assets and liabilities, net of effects from acquisitions of businesses	205,112	4,936
Interest expense - net (1)	831,719	640,880
Income tax provision - current	209,212	175,661
Non-cash stock compensation expense (2)	(93,362)	(58,481)
Refinancing costs (4)	(3,013)	(6,396)
EBITDA from discontinued operations (6)	(16,822)	(364)
EBITDA	**2,148,318**	**1,778,409**
Adjustments:		
Acquisition-related expenses and adjustments (3)	168,898	28,450
Non-cash stock compensation expense (2)	93,362	58,481
Refinancing costs (4)	3,013	6,396
Other, net (5)	5,210	4,822
EBITDA As Defined	**$ 2,418,801**	**$ 1,876,558**

(1) Represents interest expense excluding the amortization of debt issue costs and premium and discount on debt.

(2) Represents the compensation expense recognized by TD Group under our stock incentive plans.

(3) Represents accounting adjustments to inventory associated with acquisitions of businesses and product lines that were charged to cost of sales when the inventory was sold; costs incurred to integrate acquired businesses and product lines into TD Group's operations, facility relocation costs and other acquisition-related costs; transaction-related costs comprising deal fees; legal, financial and tax due diligence expenses and valuation costs that are required to be expensed as incurred.

(4) Represents costs expenses related to debt financing activities, including new issuances, extinguishments, refinancings and amendments to existing

(5) Primarily represents foreign currency transaction gain or loss, payroll withholding taxes related to dividend equivalent payments and stock option exercises, non-service related pension costs, deferred compensation and gain or loss on sale of fixed assets.

(6) The fiscal 2019 results include the divestitures of Souriau-Sunbank (expected Q1 fiscal 2020) and EIT (September 2019). The fiscal 2018 results include the divestiture of Schroth (January 2018).