FY 2021 Q1 Earnings Call

February 9, 2021

TRANSDIGM GROUP INC.

Agenda

TRANSDIGM GROUP INC.

■ 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

TRANSDIGM GROUP INC.

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 impact that the COVID-19 pandemic has on our business, results of operations, financial condition and liquidity; 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 other 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; 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 and costs associated with our international sales and operations; and other risk 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 for the fiscal year ended September 30, 2020 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.

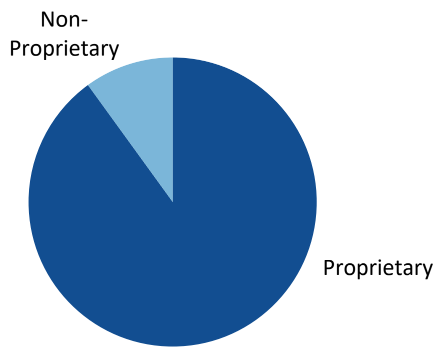
This presentation also sets forth certain non-GAAP financial measures. A presentation of the most directly comparable GAAP measures and a reconciliation to such measures are set forth in the appendix.

TransDigm Overview

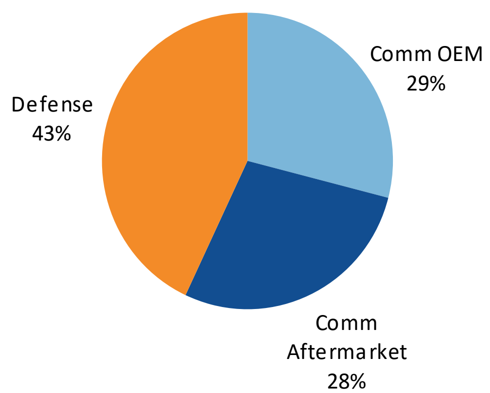
Distinguishing Characteristics

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

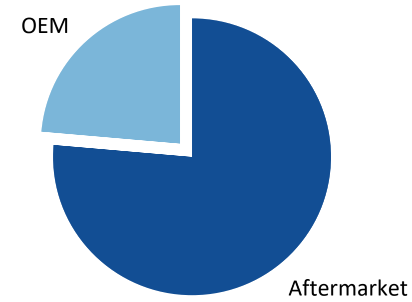
Proprietary Revenues [(1)]



Pro Forma Revenues [(1)]



Pro Forma EBITDA As Defined [(1)]



(1) Please see the Special Notice Regarding Pro Forma and Non-GAAP Information.

2021 Q1 Financial Performance by Markets – Pro Forma

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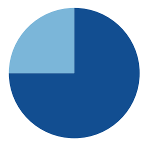
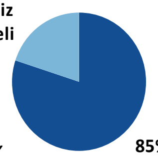
Highlights

Commercial OEM:



- Q1 ’21 Commercial Transport Revenue Down 45%
- Q1 ’21 Business Jet/Helicopter Revenue Down 25%

Commercial Aftermarket:



- Q1 ’21 Commercial Transport Revenue Down 54%
- Q1 ’21 Business Jet/Helicopter Revenue Down 18%

Defense:

- Q1 ’21 OEM Revenue Growth Outpaced Aftermarket

Q1 Review – Pro Forma Revenues(1)

	Actual vs. Prior Year Q1
Commercial OEM:	**Down 40%**
Commercial Aftermarket:	**Down 49%**
Defense:	**Up 1%**

(1) Information is on a pro forma basis versus the prior year period. Please see the Special Notice Regarding Pro Forma and Non-GAAP Information.

First Quarter 2021 Select Financial Results

TRANSDIGM GROUP INC.

($ in millions, except per share amounts)	Q1 FY 2021	Q1 FY 2020			
Revenue	**$1,108**	**$1,465**	**-24%**	**Decrease**	
Gross Profit	**$541**	**$801**			• COVID-19 restructuring costs
	48.8%	***54.7%***			
SG&A	**$197**	**$201**			• COVID-19 restructuring costs • Higher non-cash stock compensation expense
% to Sales	***17.8%***	***13.7%***	**4%**		
Interest Expense- Net	**$267**	**$248**	**8%**	**Increase**	• Interest on new debt
EBITDA As Defined	**$474**	**$681**	**-30%**	**Decrease**	
Margin %	***42.8%***	***46.5%***			
Adjusted EPS	**$1.97**	**$4.93**	**-60%**	**Decrease**	
GAAP Tax Rate	**5.5%**	**20.1%**			• GAAP tax rate favorably impacted by timing of tax benefits associated with share-based payments
Adjusted Tax Rate	**23.0%**	**24.4%**			

Capital Structure

TRANSDIGM GROUP INC.

Pro Forma Capital Structure

($ in millions)

	Actual 1/2/21		Adj.	Pro forma (1) 1/2/21	Rate
Cash	$4,907		($959)	$3,948	
$760mm revolver	$200		–	200	L + 3.000%
$350mm AR securitization facility	350		–	350	L + 1.350%
First lien term loan E due 2025	2,193		–	2,193	L + 2.250%
First lien term loan F due 2025	3,480		–	3,480	L + 2.250%
First lien term loan G due 2024	1,756		–	1,756	L + 2.250%
Senior secured notes due 2025	1,100		–	1,100	8.000%
Senior secured notes due 2026	4,400		–	4,400	6.250%
Total secured debt	**$13,479**	**6.5x**		**$13,479**	
Total net secured debt	**$8,572**	**4.1x**		**$9,531**	
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%
Senior subordinated notes due 2029	–		1,200	1,200	4.625%
Capital Lease Obligations (Gross)	76		–	76	
Total debt	**$20,155**	**9.7x**		**$20,155**	
Total net debt	**$15,248**	**7.4x**		**$16,207**	

FY21 Weighted Average Interest Rate 5.3%

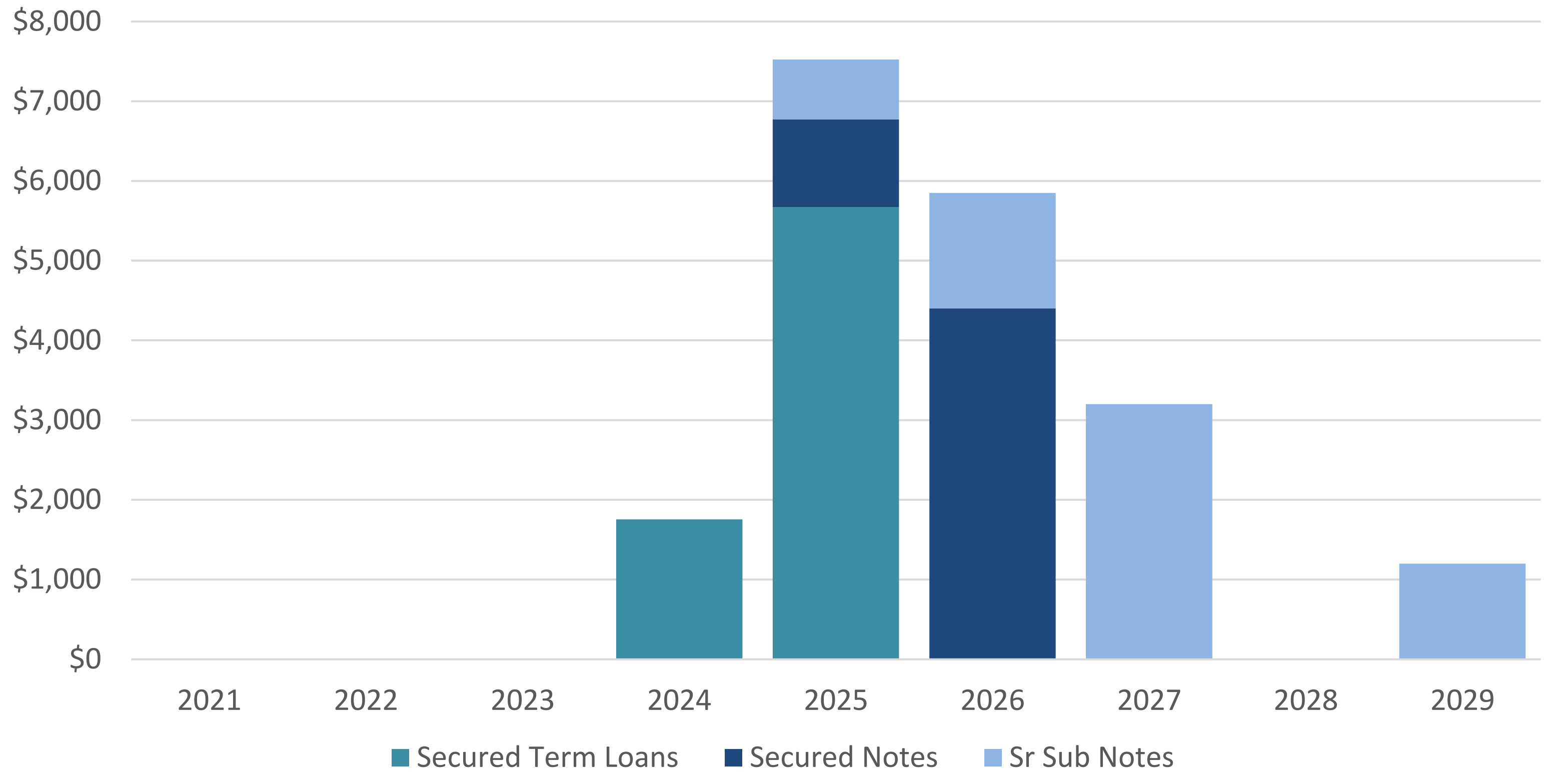
(1) Pro Forma capital structure reflects the use of cash for the Cobham Aero Connectivity acquisition substantially completed on January 5, 2021. Pro forma capital structure also reflects the issuance of the 4.625% Senior Subordinated Notes due 2029. The offering was completed subsequent to the fiscal quarter ended 1/2/21 and the Company expects to use the net proceeds from the Senior Subordinated Notes due 2029 offering to redeem all of its outstanding Senior Subordinated Notes due 2024.

Debt Maturity Profile

TRANSDIGM GROUP INC.

Debt Maturity Profile – Pro Forma for January 2021 Re-Financing

($MM)



Note: $350M AR Securitization renews annually in July

Note: Pro Forma Debt Maturity profile reflects the issuance of the 4.625% Senior Subordinated Notes due 2029. The offering was completed subsequent to the fiscal quarter ended 1/2/21 and the Company expects to use the net proceeds from the Senior Subordinated Notes due 2029 offering to redeem all of its outstanding Senior Subordinated Notes due 2024.

Appendix: Reconciliation of Income from Continuing Operations to EBITDA and EBITDA As Defined

TRANSDIGM GROUP INC.

($ in millions)

	Thirteen Week Periods Ended	
	January 2, 2021	**December 28, 2019**
Income from continuing operations	**$ 50**	**$ 234**
Adjustments:		
Depreciation and amortization expense	58	69
Interest expense, net	267	248
Income tax provision	3	59
EBITDA	**378**	**610**
Adjustments:		
Acquisition-related expenses and adjustments [1]	4	7
Non-cash stock compensation expense [2]	49	26
Refinancing costs [3]	-	22
COVID-19 pandemic restructuring costs [4]	21	-
Other, net [5]	22	16
Gross Adjustments to EBITDA	96	71
EBITDA As Defined	**$ 474**	**$ 681**
EBITDA As Defined, Margin [6]	42.8%	46.5%

[1] Represents 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.

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

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

[4] Represents restructuring costs related to the Company's cost reduction measures in response to the COVID-19 pandemic ($20 million). These costs are related to the Company's actions to reduce its workforce to align with customer demand. This also includes $1 million of incremental costs related to the pandemic that are not expected to recur once the pandemic has subsided and are clearly separable from normal operations (e.g., additional cleaning and disinfecting of facilities by contractors above and beyond normal requirements, personal protective equipment, etc.).

[5] Primarily represents foreign currency transaction gain or loss, payroll withholding taxes related to special dividend and 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 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 GROUP INC.

($ in millions, except per share amounts)

	Thirteen Week Periods Ended	
Reported Earnings Per Share	**January 2, 2021**	**December 28, 2019**
Income from continuing operations	$ 50	$ 234
Less: Net income attributable to noncontrolling interests	-	(1)
Net income from continuing operations attributable to TD Group	50	233
Less: Special dividends declared or paid on participating securities, including dividend equivalent payments	(73)	(185)
	(23)	48
Income from discontinued operations, net of tax	-	71
Net (loss) income applicable to TD Group common stockholders - basic and diluted	$ (23)	$ 119
Denominator for basic and diluted GAAP (loss) earnings per share and Adjusted earnings per share under the two-class method:		
Total shares for basic and diluted (loss) earnings per share - GAAP basis	54.7	57.4
Total shares for basic and diluted adjusted earnings per share - Adjusted basis	58.4	57.4
(Loss) Earnings per share from continuing operations -- basic and diluted	$ (0.42)	$ 0.83
Earnings per share from discontinued operations -- basic and diluted	-	1.24
(Loss) Earnings per share	$ (0.42)	$ 2.07
Adjusted Earnings Per Share		
Income from continuing operations	$ 50	$ 233
Gross adjustments to EBITDA	96	71
Purchase accounting backlog amortization	-	12
Tax adjustment [1]	(31)	(33)
Adjusted net income	$ 115	$ 283
Adjusted diluted earnings per share under the two-class method	$ 1.97	$ 4.93

[1] For the thirteen week periods ended January 2, 2021 and December 28, 2019, the Tax adjustment represents the tax effect of the adjustments at the applicable effective tax rate, as well as the impact on the effective tax rate when excluding the excess tax benefits on stock option exercises. Stock compensation expense is excluded from adjusted net income and therefore we have excluded the impact that the excess tax benefits on stock option exercises have on the effective tax rate for determining adjusted net income.

Appendix: Reconciliation of GAAP EPS to Adjusted EPS

TRANSDIGM GROUP INC.

	Thirteen Week Periods Ended	
	January 2, 2021	December 28, 2019
GAAP (loss) earnings per share from continuing operations	**$ (0.42)**	**$ 0.83**
Allocation of undistributed losses to participating securities	0.03	-
Adjustments to (loss) earnings per share:		
Dividend & dividend equivalent payments	1.24	3.22
Acquisition-related expenses	0.05	0.24
Non-cash stock compensation expense	0.64	0.34
Refinancing costs	-	0.30
Change in income tax provision due to excess tax benefits on stock compensation	(0.16)	(0.22)
COVID-19 pandemic restructuring costs	0.27	-
Other, net	0.32	0.22
Adjusted earnings per share	**$ 1.97**	**$ 4.93**

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

TRANSDIGM GROUP INC.

($ in millions)

	Thirteen Week Periods Ended	
	January 2, 2021	**December 28, 2019**
Net cash provided by operating activities	**$ 274**	**$ 433**
Adjustments:		
Changes in assets and liabilities, net of effects from acquisitions of businesses	(103)	(102)
Interest expense, net [1]	258	240
Income tax (benefit) provision - current	(2)	87
Non-cash stock compensation expense [2]	(49)	(26)
Refinancing costs [3]	-	(22)
EBITDA	**378**	**610**
Adjustments:		
Acquisition-related expenses and adjustments [4]	4	7
Non-cash stock compensation expense [2]	49	26
Refinancing costs [3]	-	22
COVID-19 pandemic restructuring costs [5]	21	-
Other, net [6]	22	16
EBITDA As Defined	**$ 474**	**$ 681**

[1] Represents interest expense excluding the amortization of debt issuance costs and premium and discount on debt.

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

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

[4] Represents 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.

[5] Represents restructuring costs related to the Company's cost reduction measures in response to the COVID-19 pandemic ($20 million). These were costs related to the Company's actions to reduce its workforce to align with customer demand. This also includes $1 million of incremental costs related to the pandemic that are not expected to recur once the pandemic has subsided and are clearly separable from normal operations (e.g., additional cleaning and disinfecting of facilities by contractors above and beyond normal requirements, personal protective equipment, etc.).

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