FY 2023 Q2 Earnings Call

May 9, 2023

Agenda

TRANSDIGM GROUP INC.

■ TransDigm Overview, Highlights and Outlook	Kevin Stein President and CEO
■ Market Review	Jorge L. Valladares III COO
■ Operating Performance and 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 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; current and future geopolitical or other worldwide events; cyber-security threats, natural disasters and climate change-related events; 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; climate-related regulations; 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, 2022 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.

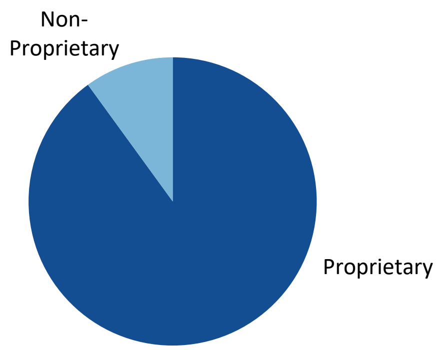
TransDigm Overview

TRANSDIGM GROUP INC.

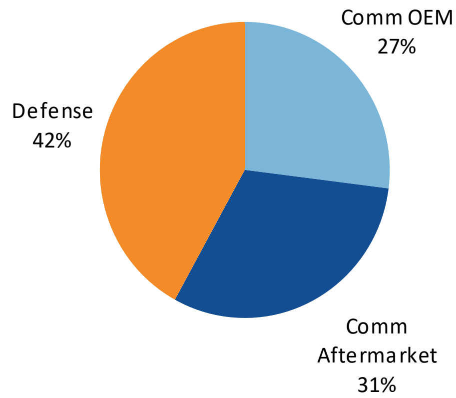
Distinguishing Characteristics

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

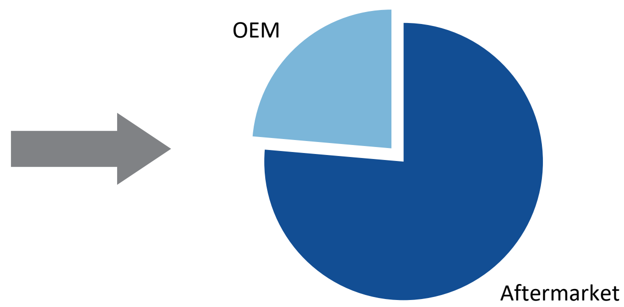
Proprietary Revenues (1)



Pro Forma Revenues (1)



Pro Forma EBITDA As Defined (1)



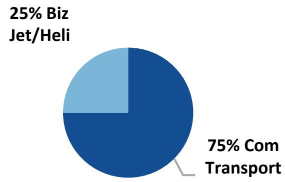
(1) Pro forma revenue is for the fiscal year ended 9/30/2022. Excludes impact of the Calspan Corporation acquisition completed May 2023. Includes full year impact of the DART Aerospace acquisition completed May 2022. Please see the Special Notice Regarding Pro Forma and Non-GAAP Information.

2023 Q2 Financial Performance by Markets – Pro Forma

TRANSDIGM GROUP INC.

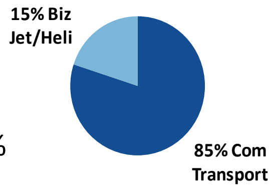
Highlights

Commercial OEM:



- Q2 ’23 Commercial Transport Revenue Up 22%
- Q2 ’23 Business Jet/Helicopter Revenue Up 32%
- Q2 ’23 Bookings Outpaced Shipments

Commercial Aftermarket:



- Q2 ’23 Commercial Transport Revenue Up 43%
- Q2 ’23 Business Jet/Helicopter Revenue Up 22%
- Q2 ’23 Bookings Outpaced Shipments

Defense:

- Q2 ’23 Defense Revenue Up 14% Sequentially versus Q1 ’23
- Q2 ’23 Defense Bookings Outpaced Shipments
- Continued Delays in U.S. Government Defense Spend Outlays and Isolated Supply Chain Shortages

Q2 Review – Pro Forma Revenues(1)

	Actual vs. Prior Year Q2	Actual vs. Prior Year YTD
Commercial OEM:	Up 25%	Up 23%
Commercial Aftermarket:	Up 38%	Up 35%
Defense:	Up 5%	Up 4%

(1) Pro forma revenue for all periods excludes the impact of the Calspan Corporation acquisition completed May 2023 and includes the impact of the DART Aerospace acquisition completed May 2022. Please see the Special Notice Regarding Pro Forma and Non-GAAP Information.

Second Quarter 2023 Select Financial Results

TRANSDIGM GROUP INC.

($ in millions, except per share amounts)	Q2 FY 2023	Q2 FY 2022			
Revenue	**$1,592**	**$1,327**	**20%**	**Increase**	
Gross Profit	**$929**	**$736**			• Favorable Aftermarket vs. OEM sales mix • Fixed overhead spread over higher production volumes
	58.4%	***55.5%***	**2.9%**		
SG&A	**$199**	**$183**			• Continued strategic cost mitigation efforts
% to Sales	***12.5%***	***13.8%***	**-1.3%**		
Interest Expense - Net	**$295**	**$266**	**11%**	**Increase**	• Increase in rates on variable rate debt, partially offset by higher interest income
Refinancing Costs	**$5**	**-**			• Tranche E & F term loans refinancing completed
EBITDA As Defined	**$817**	**$633**	**29%**	**Increase**	
Margin %	***51.3%***	***47.7%***			
Adjusted EPS	**$5.98**	**$3.86**	**55%**	**Increase**	
GAAP Tax Rate	**23.4%**	**23.5%**			
Adjusted Tax Rate	**25.5%**	**25.7%**			

Fiscal 2023 Outlook

TRANSDIGM GROUP INC.

Market Growth Assumptions

FY 2022 Pro Forma Sales Mix [1]	Market	FY 2023 Expected Growth (includes Calspan)
27%	Commercial OEM	Up 20% to 25% Range
31%	Commercial Aftermarket	Up 25% to 30% Range
42%	Defense	Up LSD to MSD % Range

Guidance Summary (current guidance includes Calspan)

($ in millions, except per share amounts)

	FY 23 Guidance	
	Low	High
Revenues	$ 6,410	$ 6,500
EBITDA As Defined	$ 3,230	$ 3,290
% of sales	*50.4%*	*50.6%*
Net Income	$ 1,141	$ 1,191
GAAP EPS	$ 19.30	$ 20.18
Adj. EPS	$ 23.31	$ 24.19

	FY 23 Guidance Midpoint Change		
	Current	Prior	Δ
Revenues	$ 6,455	$ 6,155	$ 300
EBITDA As Defined	$ 3,260	$ 3,110	$ 150
% of sales	*50.5%*	*50.5%*	
Adj. EPS	$ 23.75	$ 22.17	$ 1.58

(1) Pro forma revenue is for the fiscal year ended 9/30/2022. Excludes impact of the Calspan Corporation acquisition completed May 2023. Includes full year impact of the DART Aerospace acquisition completed May 2022. Please see the Special Notice Regarding Pro Forma and Non-GAAP Information.

Fiscal 2023 Select Financial Assumptions

TRANSDIGM GROUP INC.

Select Financial Assumptions for Fiscal 2023		
	Prior Assumptions (Issued February 2023)	**Updated Assumptions (includes Calspan)**
Capital Expenditures	\$155 to \$185 million	No change
Full Year Net Interest Expense	≈ \$1.16 billion (includes \$80 million of interest income)	≈ \$1.185 billion (includes \$85 million of interest income)
Full Year Effective Tax Rate	≈ 24% to 26% for GAAP EPS, Adjusted EPS and Cash Taxes	No change
Depreciation & Amortization Expense (ex backlog)	\$265 to \$270 million	No change
Backlog Amortization Expense	Not Provided	≈ \$10 million
Non-Cash Stock Compensation and Deferred Compensation Expense	\$155 to \$175 Million	No change
Other EBITDA As Defined Add-Backs (1)	\$25 to \$30 million	\$75 to \$85 million
Weighted Average Shares	57.1 million	No change

(1) Other EBITDA As Defined Add-Backs primarily include estimates for refinancing costs, foreign currency transaction (gains) or losses, acquisition-related expenses and adjustments and other, net.

Reconciliation of Fiscal 2023 Outlook

TRANSDIGM GROUP INC.

($ in millions, except per share amounts)

	FY 2023 Guidance Midpoint
Net income	$ 1,166
Adjustments:	
Depreciation and amortization expense	277
Interest expense - net	1,185
Income tax provision	388
EBITDA	3,016
Adjustments:	
Acquisition-related expenses and adjustments (1)	18
Non-cash stock and deferred compensation expense (1)	165
Refinancing costs (1)	36
Other, net (1)	25
Gross Adjustments to EBITDA	244
EBITDA As Defined	**$3,260**
EBITDA As Defined, Margin (1)	*50.5%*
GAAP earnings per share	$19.74
Adjustments to earnings per share:	
Inclusion of the dividend equivalent payments	0.67
Non-cash stock and deferred compensation expense	2.18
Acquisition-related expenses and adjustments	0.36
Refinancing costs	0.47
Other, net	0.33
Adjusted earnings per share	**$23.75**
Weighted-average shares outstanding	57.1
GAAP & Adj Tax Rate	24% - 26%

Includes approx. $10m of backlog amortization

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

Reconciliation of GAAP EPS to Adjusted EPS - Guidance

TRANSDIGM GROUP INC.

	Thirteen Week Periods Ended		Twenty-Six Week Periods Ended		Full Year Guidance Mid-Point
	April 1, 2023	April 2, 2022	April 1, 2023	April 2, 2022	September 30, 2023
GAAP earnings per share from continuing operations	**$ 5.32**	**$ 3.38**	**$ 8.65**	**$ 5.33**	**$ 19.74**
Adjustments to earnings per share:					
Dividend equivalent payments	-	-	0.67	0.78	0.67
Acquisition and divestiture transaction-related expenses and adjustments	0.05	0.04	0.10	0.15	0.36
Non-cash stock and deferred compensation expense	0.55	0.55	1.01	1.03	2.18
Refinancing costs	0.07	-	0.12	-	0.47
Tax adjustment on income from continuing operations before taxes	(0.15)	(0.10)	(0.23)	(0.44)	-
Other, net	0.14	(0.01)	0.23	-	0.33
Adjusted earnings per share	**$ 5.98**	**$ 3.86**	**$ 10.55**	**$ 6.85**	**$ 23.75**

Capital Structure

TRANSDIGM GROUP INC.

Pro Forma Capital Structure

($ in millions)

	Actual 4/1/23	Adj.	Pro forma (1) 4/1/23		Rate
Cash	$3,418	–	$3,418		
Restricted Cash (1)	1,100	(1,100)	–		
Total Cash	$4,518		$3,418		
$810mm revolver (2)	–	–	–		L + 2.50%
$350mm AR securitization facility	350	–	350		S + 1.30%
First lien term loan E due 2025	–	–	–		L + 2.25%
First lien term loan F due 2025	–	–	–		L + 2.25%
New First lien term loan H due 2027	**1,719**	**–**	**1,719**		**S + 3.25%**
New First lien term loan I due 2028	**4,559**	**–**	**4,559**		**S + 3.25%**
Senior secured notes due 2025	1,100	(1,100)	–		8.000%
Senior secured notes due 2026	4,400	–	4,400		6.250%
New Senior secured notes due 2028	**2,100**	**–**	**2,100**		**6.750%**
Total secured debt	**$14,228**		**$13,128**	**4.4x**	
Total net secured debt	**$10,810**		**$9,710**	**3.3x**	
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%
Senior subordinated notes due 2029	750	–	750		4.875%
Finance Lease Obligations (Gross)	195	–	195		
Total debt	**$21,023**		**$19,923**	**6.7x**	
Total net debt	**$17,605**		**$16,505**	**5.6x**	

FY23 Weighted Average Interest Rate 6.0%

(1) Pro forma capital structure reflects the April 2023 repayment of the $1,100 billion of 8.0% Senior Secured Notes due 2025. Restricted cash at period ended April 1, 2023, represents the cash committed from the issuance of the $1,100 million in 6.75% Senior Secured Notes due August 15, 2028, to redeem the outstanding $1,100 million in 8.00% Senior Secured Notes due 2025. The notification of the redemption of the $1,100 million 8.00% Secured Notes due 2025 occurred on March 9, 2023, and the redemption occurred on April 10, 2023.

(2) In June 2023, the reference rate on the existing Revolver will automatically convert from LIBOR to Term SOFR.

Interest Rate Sensitivity

- Interest rates on TDG's $20Bn of gross Debt is over 75% hedged/fixed rate through fiscal year 2026
- Achieved via a combination of interest rate caps, swaps and collars
- Significantly reduces near-term exposure to any variable rate increases

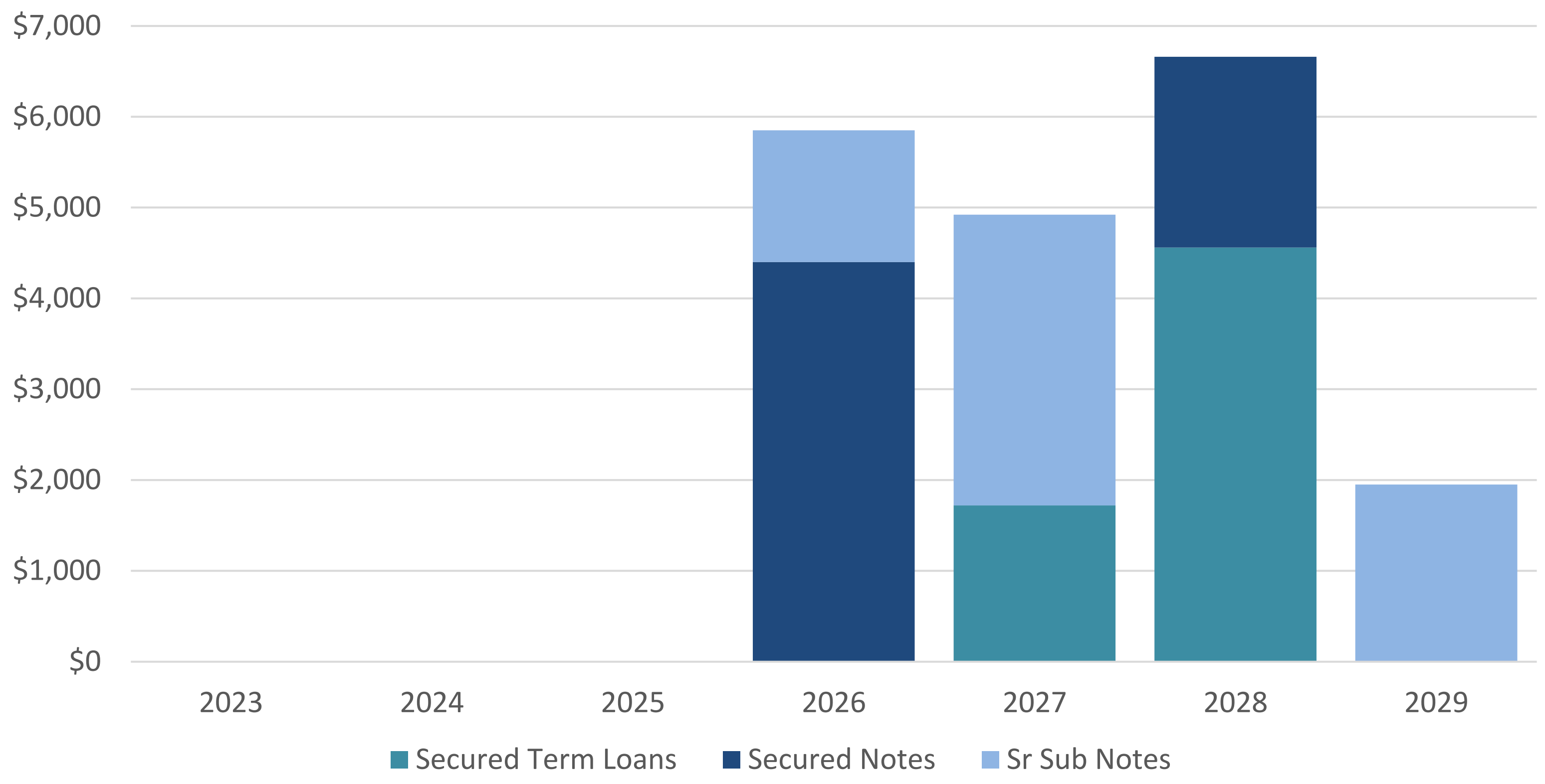
$ in millions

	Current FY 23 Assumptions		
AVERAGE VARIABLE RATE %	**~ 4.8%**	**6.0%**	**7.0%**
Interest Expense - Pre-Tax	**$1,185**	**$1,215**	**$1,235**
Interest Rate - Pre-Tax	**6.0%**	**6.1%**	**6.2%**

(1) FY Weighted Average Variable Rate % is the average LIBOR and Term SOFR for TDG's 2023 fiscal year based on current consensus and management forward estimates.
(2) Interest expense shown includes $40M amortization of debt issuance costs and fees and approximately $85M of Interest income.

Debt Maturity Profile

Debt Maturity Profile
($MM)



Note: $350M AR Securitization renews annually in July

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

TRANSDIGM GROUP INC.

($ in millions)

	Thirteen Week Periods Ended		Twenty-Six Week Periods Ended	
	April 1, 2023	April 2, 2022	April 1, 2023	April 2, 2022
Income from continuing operations	$ 304	$ 199	$ 533	$ 362
Adjustments:				
Depreciation and amortization expense	65	62	129	127
Interest expense, net	295	266	581	530
Income tax provision	93	61	164	91
EBITDA	757	588	1,407	1,110
Adjustments:				
Acquisition and divestiture transaction-related expenses and adjustments [1]	3	3	6	8
Non-cash stock and deferred compensation expense [2]	42	45	77	82
Refinancing costs [3]	5	-	9	-
Other, net [4]	10	(3)	17	(2)
Gross Adjustments to EBITDA	60	45	109	88
EBITDA As Defined	$ 817	$ 633	$ 1,516	$ 1,198
EBITDA As Defined, Margin [5]	51.3%	47.7%	50.7%	47.5%

[1] Represents accounting adjustments to inventory associated with acquisitions of businesses and product lines that were charged to cost of sales when 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 for both acquisitions and divestitures 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 and deferred compensation plans.

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

[4] Primarily represents foreign currency transaction (gains) or losses, payroll withholding taxes related to dividend equivalent payments and stock option exercises, non-service related pension costs, deferred compensation payments and, for fiscal 2022, proceeds received from a final working capital settlement for the ScioTeq and TREALITY divestiture.

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

Appendix: Reconciliation of Reported EPS to Adjusted EPS

TRANSDIGM GROUP INC.

($ in millions, except per share amounts)

	Thirteen Week Periods Ended		Twenty-Six Week Periods Ended	
Reported Earnings Per Share	**April 1, 2023**	**April 2, 2022**	**April 1, 2023**	**April 2, 2022**
Income from continuing operations	$ 304	$ 199	$ 533	$ 362
Less: Net income attributable to noncontrolling interests	-	-	(1)	(1)
Net income from continuing operations attributable to TD Group	304	199	532	361
Less: Dividends paid on participating securities	-	-	(38)	(46)
	304	199	494	315
Income from discontinued operations, net of tax	-	-	-	1
Net income applicable to TD Group common stockholders - basic and diluted	$ 304	$ 199	$ 494	$ 316
Weighted-average shares outstanding under the two-class method:				
Weighted-average common shares outstanding	54.7	55.2	54.6	55.2
Vested options deemed participating securities	2.4	3.7	2.5	3.8
Total shares for basic and diluted earnings per share	57.1	58.9	57.1	59.0
Earnings per share from continuing operations -- basic and diluted	$ 5.32	$ 3.38	$ 8.65	$ 5.33
Earnings per share from discontinued operations -- basic and diluted	-	-	-	0.02
Earnings per share	$ 5.32	$ 3.38	$ 8.65	$ 5.35
Adjusted Earnings Per Share				
Income from continuing operations	$ 304	$ 199	$ 533	$ 362
Gross adjustments to EBITDA	60	45	109	88
Purchase accounting backlog amortization	1	1	2	5
Tax adjustment [1]	(24)	(18)	(42)	(50)
Adjusted net income	$ 341	$ 227	$ 602	$ 405
Adjusted diluted earnings per share under the two-class method	$ 5.98	$ 3.86	$ 10.55	$ 6.85

[1] For the thirteen and twenty-six week periods ended April 1, 2023 and April 2, 2022, 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 Net Cash Provided by Operating Activities to EBITDA and EBITDA As Defined

TRANSDIGM GROUP INC.

($ in millions)

	Twenty-Six Week Periods Ended	
	April 1, 2023	April 2, 2022
Net cash provided by operating activities	$ 507	$ 366
Adjustments:		
Changes in assets and liabilities, net of effects from acquisitions and sales of businesses	242	201
Interest expense, net [1]	561	513
Income tax provision - current	164	92
Loss contract amortization	19	20
Non-cash stock and deferred compensation expense [2]	(77)	(82)
Refinancing costs [3]	(9)	-
EBITDA	1,407	1,110
Adjustments:		
Acquisition and divestiture transaction-related expenses and adjustments [4]	6	8
Non-cash stock and deferred compensation expense [2]	77	82
Refinancing costs [3]	9	-
Other, net [5]	17	(2)
EBITDA As Defined	$ 1,516	$ 1,198

(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 and deferred compensation plans.

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

(4) Represents accounting adjustments to inventory associated with acquisitions of businesses and product lines that were charged to cost of sales when 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 for both acquisitions and divestitures comprising deal fees, legal, financial and tax due diligence expenses, and valuation costs that are required to be expensed as incurred.

(5) Primarily represents foreign currency transaction (gains) or losses, payroll withholding taxes related to dividend equivalent payments and stock option exercises, non-service related pension costs, deferred compensation payments and, for fiscal 2022, proceeds received from a final working capital settlement for the ScioTeq and TREALITY divestiture.