UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

☒ Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

for the quarterly period ended June 29, 2019

☐ Transition Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from to
Commission File Number 001-32833

TransDigm Group Incorporated

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)

41-2101738
(I.R.S. Employer Identification No.)

1301 East 9th Street, Suite 3000, Cleveland, Ohio	**44114**
(Address of principal executive offices)	**(Zip Code)**

(216) 706-2960
(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report.)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, accelerated filer, non-accelerated filer, smaller reporting company or emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer	☒	Accelerated Filer	☐
Non-Accelerated Filer	☐	Smaller Reporting Company	☐
Emerging Growth Company	☐		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Securities registered pursuant to Section 12(b) of the Act:

Title of each class:	Trading Symbol:	Name of each exchange on which registered:
Common Stock, $0.01 par value	TDG	New York Stock Exchange

The number of shares outstanding of TransDigm Group Incorporated's common stock, par value $.01 per share, was 53,329,410 as of July 29, 2019.

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TRANSDIGM GROUP INCORPORATED
CONDENSED CONSOLIDATED BALANCE SHEETS
(Amounts in thousands, except share amounts)
(Unaudited)

	June 29, 2019	September 30, 2018
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 2,716,812	$ 2,073,017
Trade accounts receivable - Net	1,162,345	704,310
Inventories - Net	1,413,934	805,292
Prepaid expenses and other	118,104	74,668
Total current assets	5,411,195	3,657,287
PROPERTY, PLANT AND EQUIPMENT - NET	745,538	388,333
GOODWILL	8,684,663	6,223,290
OTHER INTANGIBLE ASSETS - NET	2,734,014	1,788,404
DEFERRED INCOME TAXES	62,775	—
OTHER	64,413	140,153
TOTAL ASSETS	$ 17,702,598	$ 12,197,467
LIABILITIES AND STOCKHOLDERS' DEFICIT		
CURRENT LIABILITIES:		
Current portion of long-term debt	$ 80,863	$ 75,817
Short-term borrowings - trade receivable securitization facility	299,951	299,519
Accounts payable	310,448	173,603
Accrued liabilities	689,378	351,443
Total current liabilities	1,380,640	900,382
LONG-TERM DEBT	16,495,885	12,501,946
DEFERRED INCOME TAXES	641,002	399,496
OTHER NON-CURRENT LIABILITIES	495,685	204,114
Total liabilities	19,013,212	14,005,938
TD GROUP STOCKHOLDERS' DEFICIT:		
Common stock - $.01 par value; authorized 224,400,000 shares; issued 57,450,206 and 56,895,686 at June 29, 2019 and September 30, 2018, respectively	575	569
Additional paid-in capital	1,339,050	1,208,742
Accumulated deficit	(1,709,790)	(2,246,578)
Accumulated other comprehensive (loss) income	(175,775)	4,100
Treasury stock, at cost; 4,161,326 shares at June 29, 2019 and September 30, 2018, respectively	(775,304)	(775,304)
Total TD Group stockholders' deficit	(1,321,244)	(1,808,471)
NONCONTROLLING INTERESTS	10,630	—
Total stockholders' deficit	(1,310,614)	(1,808,471)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	$ 17,702,598	$ 12,197,467

See notes to condensed consolidated financial statements.

TRANSDIGM GROUP INCORPORATED
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Amounts in thousands, except per share amounts)
(Unaudited)

	Thirteen Week Periods Ended		Thirty-Nine Week Periods Ended	
	June 29, 2019	June 30, 2018	June 29, 2019	June 30, 2018
NET SALES	$ 1,658,319	$ 980,662	$ 3,847,559	$ 2,761,692
COST OF SALES	896,845	411,142	1,862,648	1,181,448
GROSS PROFIT	761,474	569,520	1,984,911	1,580,244
SELLING AND ADMINISTRATIVE EXPENSES	274,557	112,816	561,307	326,208
AMORTIZATION OF INTANGIBLE ASSETS	41,889	19,224	84,986	53,793
INCOME FROM OPERATIONS	445,028	437,480	1,338,618	1,200,243
INTEREST EXPENSE - NET	241,292	167,577	614,701	489,776
REFINANCING COSTS	106	4,159	3,540	5,910
OTHER (INCOME) EXPENSE	(1,889)	203	(2,090)	865
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	205,519	265,541	722,467	703,692
INCOME TAX PROVISION	60,909	48,150	179,183	(27,550)
INCOME FROM CONTINUING OPERATIONS INCLUDING NONCONTROLLING INTERESTS	144,610	217,391	543,284	731,242
LOSS FROM DISCONTINUED OPERATIONS, NET OF TAX	—	(145)	—	(2,943)
NET INCOME INCLUDING NONCONTROLLING INTERESTS	144,610	217,246	543,284	728,299
NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	(160)	—	(384)	—
NET INCOME ATTRIBUTABLE TO TD GROUP	$ 144,450	$ 217,246	$ 542,900	$ 728,299
NET INCOME APPLICABLE TO TD GROUP COMMON STOCK	$ 144,450	$ 217,246	$ 518,591	$ 672,151
Net earnings per share attributable to TD Group stockholders:				
Net earnings per share from continuing operations - basic and diluted	$ 2.57	$ 3.91	$ 9.22	$ 12.14
Net loss per share from discontinued operations - basic and diluted	—	—	—	(0.05)
Net earnings per share	$ 2.57	$ 3.91	$ 9.22	$ 12.09
Weighted-average shares outstanding:				
Basic and diluted	56,265	55,597	56,265	55,598

See notes to condensed consolidated financial statements.

TRANSDIGM GROUP INCORPORATED
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Amounts in thousands)
(Unaudited)

	Thirteen Week Periods Ended		Thirty-Nine Week Periods Ended	
	June 29, 2019	June 30, 2018	June 29, 2019	June 30, 2018
Net income including noncontrolling interests	$ 144,610	$ 217,246	$ 543,284	$ 728,299
Net income attributable to noncontrolling interests	(160)	—	(384)	—
Net income attributable to TD Group	$ 144,450	$ 217,246	$ 542,900	$ 728,299
Other comprehensive (loss) income, net of tax:				
Foreign currency translation	51,752	(32,543)	27,603	(4,355)
Unrealized (loss) gain on derivatives	(70,144)	2,307	(207,263)	65,781
Pensions and other postretirement benefits	(346)	—	(215)	—
Other comprehensive (loss) income, net of tax, attributable to TD Group	(18,738)	(30,236)	(179,875)	61,426
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO TD GROUP	$ 125,712	$ 187,010	$ 363,025	$ 789,725

See notes to condensed consolidated financial statements.

TRANSDIGM GROUP INCORPORATED
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' DEFICIT
(Amounts in thousands, except share amounts)
(Unaudited)

	TD Group Stockholders								
	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive (Loss) Income	Treasury Stock		Non-controlling Interest	Total
	Number of Shares	Par Value				Number of Shares	Value		
BALANCE, SEPTEMBER 30, 2018	56,895,686	$ 569	$ 1,208,742	$ (2,246,578)	$ 4,100	(4,161,326)	$ (775,304)	$ —	$ (1,808,471)
Cumulative effect of ASC 606, adopted October 1, 2018	—	—	—	3,284	—	—	—	—	3,284
Cumulative effect of ASU 2016-16, adopted October 1, 2018	—	—	—	(353)	—	—	—	—	(353)
Accrued unvested dividend equivalents and other	—	—	—	(3,122)	—	—	—	—	(3,122)
Compensation expense recognized for employee stock options	—	—	16,645	—	—	—	—	—	16,645
Exercise of employee stock options	109,695	1	14,174	—	—	—	—	—	14,175
Net income	—	—	—	196,042	—	—	—	—	196,042
Foreign currency translation adjustments, net of tax	—	—	—	—	(11,228)	—	—	—	(11,228)
Unrealized (loss) gain on derivatives, net of tax	—	—	—	—	(73,865)	—	—	—	(73,865)
BALANCE, DECEMBER 29, 2018	57,005,381	$ 570	$ 1,239,561	$ (2,050,727)	$ (80,993)	(4,161,326)	$ (775,304)	$ —	$ (1,666,893)
Noncontrolling interests assumed related to acquisitions	—	—	—	—	—	—	—	9,307	9,307
Accrued unvested dividend equivalents and other	—	—	—	(2,794)	—	—	—	—	(2,794)
Compensation expense recognized for employee stock options	—	—	18,381	—	—	—	—	—	18,381
Exercise of employee stock options	298,240	3	32,952	—	—	—	—	—	32,955
Common stock issued	476	—	209	—	—	—	—	—	209
Net income	—	—	—	202,408	—	—	—	224	202,632
Foreign currency translation adjustments, net of tax	—	—	—	—	(12,921)	—	—	—	(12,921)
Unrealized (loss) gain on derivatives, net of tax	—	—	—	—	(63,254)	—	—	—	(63,254)
Pensions and other postretirement benefits adjustments, net of tax	—	—	—	—	131	—	—	—	131
BALANCE, MARCH 30, 2019	57,304,097	$ 573	$ 1,291,103	$ (1,851,113)	$ (157,037)	(4,161,326)	$ (775,304)	$ 9,531	$ (1,482,247)
Noncontrolling interests assumed related to acquisitions	—	—	—	—	—	—	—	939	939
Accrued unvested dividend equivalents and other	—	—	—	(3,127)	—	—	—	—	(3,127)
Compensation expense recognized for employee stock options	—	—	30,794	—	—	—	—	—	30,794
Exercise of employee stock options	146,109	2	17,153	—	—	—	—	—	17,155
Net income	—	—	—	144,450	—	—	—	160	144,610
Foreign currency translation adjustments, net of tax	—	—	—	—	51,752	—	—	—	51,752
Unrealized (loss) gain on derivatives, net of tax	—	—	—	—	(70,144)	—	—	—	(70,144)
Pensions and other postretirement benefits adjustments, net of tax	—	—	—	—	(346)	—	—	—	(346)
BALANCE, JUNE 29, 2019	57,450,206	$ 575	$ 1,339,050	$ (1,709,790)	$ (175,775)	(4,161,326)	$ (775,304)	$ 10,630	$ (1,310,614)

See notes to condensed consolidated financial statements.

TRANSDIGM GROUP INCORPORATED
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' DEFICIT
(Amounts in thousands, except share amounts)
(Unaudited)

	Common Stock				Accumulated Other Comprehensive (Loss) Income	Treasury Stock		
	Number of Shares	Par Value	Additional Paid-In Capital	Accumulated Deficit		Number of Shares	Value	Total
BALANCE, SEPTEMBER 30, 2017	56,093,659	$ 561	$ 1,095,319	$ (3,187,220)	$ (85,143)	(4,159,207)	$ (774,721)	$ (2,951,204)
Accrued unvested dividend equivalents and other	—	—	—	(4,509)	—	—	—	(4,509)
Compensation expense recognized for employee stock options and restricted stock	—	—	10,533	—	—	—	—	10,533
Exercise of employee stock options, restricted stock activity and other, net	189,082	2	7,290	—	—	—	—	7,292
Net Income	—	—	—	314,775	—	—	—	314,775
Foreign currency translation adjustments, net of tax	—	—	—	—	5,152	—	—	5,152
Unrealized gain on derivatives, net of tax	—	—	—	—	18,248	—	—	18,248
BALANCE, DECEMBER 30, 2017	56,282,741	$ 563	$ 1,113,142	$ (2,876,954)	$ (61,743)	(4,159,207)	$ (774,721)	$ (2,599,713)
Accrued unvested dividend equivalents and other	—	—	—	(4,156)	—	—	—	(4,156)
Compensation expense recognized for employee stock options and restricted stock	—	—	11,409	—	—	—	—	11,409
Exercise of employee stock options, restricted stock activity and other, net	230,743	2	19,015	—	—	(2,119)	(583)	18,434
Common Stock Issued	505	—	149	—	—	—	—	149
Net Income	—	—	—	196,278	—	—	—	196,278
Foreign currency translation adjustments, net of tax	—	—	—	—	23,036	—	—	23,036
Unrealized gain on derivatives, net of tax	—	—	—	—	45,226	—	—	45,226
BALANCE, MARCH 31, 2018	56,513,989	$ 565	$ 1,143,715	$ (2,684,832)	$ 6,519	(4,161,326)	$ (775,304)	$ (2,309,337)
Accrued unvested dividend equivalents and other	—	—	—	(3,989)	—	—	—	(3,989)
Compensation expense recognized for employee stock options and restricted stock	—	—	13,518	—	—	—	—	13,518
Exercise of employee stock options, restricted stock activity and other, net	203,536	2	14,316	—	—	—	—	14,318
Net Income	—	—	—	217,246	—	—	—	217,246
Foreign currency translation adjustments, net of tax	—	—	—	—	(32,543)	—	—	(32,543)
Unrealized gain on derivatives, net of tax	—	—	—	—	2,307	—	—	2,307
BALANCE, JUNE 30, 2018	56,717,525	$ 567	$ 1,171,549	$ (2,471,575)	$ (23,717)	(4,161,326)	$ (775,304)	$ (2,098,480)

See notes to condensed consolidated financial statements.

TRANSDIGM GROUP INCORPORATED
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in thousands)
(Unaudited)

	Thirty-Nine Week Periods Ended	
	June 29, 2019	June 30, 2018
OPERATING ACTIVITIES:		
Net income from continuing operations including noncontrolling interests	$ 543,284	$ 728,299
Net loss from discontinued operations	—	2,943
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	61,752	41,248
Amortization of intangible assets	85,792	54,286
Amortization of debt issuance costs, original issue discount and premium	20,198	16,179
Amortization of inventory step-up	109,348	3,165
Refinancing costs	3,540	5,910
Non-cash equity compensation	70,082	36,411
Deferred income taxes	5,150	(166,783)
Changes in assets/liabilities, net of effects from acquisitions of businesses:		
Trade accounts receivable	(65,346)	(861)
Inventories	(100,042)	(25,157)
Income taxes receivable/payable	(9,400)	6,730
Other assets	(24,475)	(2,500)
Accounts payable	(7,436)	724
Accrued interest	95,012	6,670
Accrued and other liabilities	(19,103)	(16,354)
Net cash provided by operating activities	768,356	690,910
INVESTING ACTIVITIES:		
Capital expenditures	(80,421)	(50,097)
Payments made in connection with acquisitions, net of cash acquired	(3,956,944)	(582,262)
Proceeds in connection with the sale of discontinued operations	—	57,686
Net cash used in investing activities	(4,037,365)	(574,673)
FINANCING ACTIVITIES:		
Proceeds from exercise of stock options	64,279	40,621
Dividend equivalent payments	(24,309)	(56,148)
Proceeds from term loans, net	—	12,779,772
Repayments on term loans	(57,321)	(12,155,198)
Cash tender and redemption of senior subordinated notes due 2020	(550,000)	—
Proceeds from senior subordinated notes due 2027, net	544,462	—
Proceeds from senior secured notes due 2026, net	3,935,715	—
Proceeds from senior subordinated notes due 2026, net	—	490,411
Financing fees and other	(1,186)	(9,904)
Net cash provided by financing activities	3,911,640	1,089,554
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	1,164	(2,979)
NET INCREASE IN CASH AND CASH EQUIVALENTS	643,795	1,202,812
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	2,073,017	650,561
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 2,716,812	$ 1,853,373
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the period for interest	$ 533,187	$ 469,667
Cash paid during the period for income taxes	$ 183,480	$ 123,597

See notes to condensed consolidated financial statements.

TRANSDIGM GROUP INCORPORATED
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
THIRTY-NINE WEEK PERIODS ENDED JUNE 29, 2019 AND JUNE 30, 2018
(UNAUDITED)

1. DESCRIPTION OF THE BUSINESS

Description of the Business – TransDigm Group Incorporated (“TD Group”), through its wholly-owned subsidiary, TransDigm Inc., is a leading global designer, producer and supplier of highly engineered aircraft components for use on nearly every commercial and military aircraft in service today. TransDigm Inc., along with TransDigm Inc.’s direct and indirect wholly-owned operating subsidiaries (collectively, with TD Group, the “Company” or “TransDigm”), offers a broad range of proprietary aerospace components. TD Group has no significant assets or operations other than its 100% ownership of TransDigm Inc. TD Group’s common stock is listed on the New York Stock Exchange, or the NYSE, under the trading symbol “TDG.”

TransDigm's major product offerings, substantially all of which are ultimately provided to end-users in the aerospace industry, include mechanical/electro-mechanical actuators and controls, ignition systems and engine technology, specialized pumps and valves, power conditioning devices, specialized AC/DC electric motors and generators, NiCad batteries and chargers, engineered latching and locking devices, rods and locking devices, engineered connectors and elastomers, databus and power controls, cockpit security components and systems, specialized cockpit displays, aircraft audio systems, specialized lavatory components, seat belts and safety restraints, engineered interior surfaces and related components, advanced sensor products, switches and relay panels, advanced displays, thermal protection and insulation, lighting and control technology, military personnel parachutes, high performance hoists, winches and lifting devices, and cargo loading, handling and delivery systems.

On March 14, 2019, TransDigm completed its acquisition of Esterline Technologies Corporation ("Esterline"). Refer to Note 3, "Acquisitions and Divestitures," for further information on this acquisition. Esterline includes a collection of businesses that primarily develop, produce and market products for the aerospace and defense industry.

2. UNAUDITED INTERIM FINANCIAL INFORMATION

The financial information included herein is unaudited; however, the information reflects all adjustments (consisting of normal recurring adjustments) that are, in the opinion of management, necessary for a fair presentation of the Company’s financial position and results of operations and cash flows for the interim periods presented. These financial statements and notes should be read in conjunction with the financial statements and related notes for the year ended September 30, 2018 included in TD Group’s Form 10-K filed on November 9, 2018. As disclosed therein, the Company’s annual consolidated financial statements were prepared in conformity with generally accepted accounting principles in the United States (“GAAP”). The September 30, 2018 condensed consolidated balance sheet was derived from TD Group’s audited financial statements. The results of operations for the thirty-nine week period ended June 29, 2019 are not necessarily indicative of the results to be expected for the full year.

Certain reclassifications have been made to the prior year condensed consolidated financial statements to conform to current year classifications related to the adoption of ASU 2017-07, "Compensation—Retirement Benefits (ASC 715), impacting the presentation of the net periodic benefit cost in the income statement. The accounting pronouncement and impact of the fiscal year 2019 adoption of the pronouncement on the condensed consolidated financial statements is summarized in Note 4, "Recent Accounting Pronouncements."

The Esterline businesses were acquired during the second quarter of fiscal 2019 and preliminarily assessed as a separate segment of the Company. During the third quarter of fiscal 2019, TransDigm evaluated the strategic fit and description of each Esterline reporting unit to determine the appropriate business segment and based on the assessment, the Esterline businesses were integrated into TransDigm's existing Power & Control, Airframe and Non-aviation segments. Previously reported operating results for the Esterline segment were reclassified to conform to the presentation for the thirteen and thirty-nine weeks ended June 29, 2019. The re-segmentation did not impact prior period results. See Note 13, "Segments," for additional information.

3. ACQUISITIONS AND DIVESTITURES

During the thirty-nine week period ended June 29, 2019, the Company completed the acquisitions of Esterline and substantially all of the assets and technical data rights of NavCom Defense Electronics ("NavCom"). During the fiscal year ended September 30, 2018, the Company completed the acquisitions of Skandia Inc. ("Skandia"), Extant, and the Kirkhill elastomers business ("Kirkhill"). The Company accounted for the acquisitions using the acquisition method and included the results of operations of the acquisitions in its condensed consolidated financial statements from the effective date of each acquisition. As of June 29, 2019, the one year measurement period is open for Esterline, NavCom, and Skandia; therefore, the assets acquired and liabilities assumed related to these acquisitions are subject to adjustment until the end of their respective one year measurement periods. The Company is in the process of obtaining a third-party valuation of certain intangible assets and tangible assets of Esterline.

Pro forma net sales and results of operations for the Esterline acquisition are provided in the Esterline section below. The pro forma information presents consolidated financial information as if Esterline had been acquired at the beginning of fiscal year 2018. Pro forma net sales and results of operations for the acquisitions other than Esterline, had they occurred at the beginning of the applicable thirty-nine week periods ended June 29, 2019 or June 30, 2018 are not material and, accordingly, are not provided.

The acquisitions strengthen and expand the Company's position to design, produce and supply highly engineered proprietary aerospace components in niche markets with significant aftermarket content and provide opportunities to create value through the application of our three core value-driven operating strategies (obtaining profitable new business, improving our cost structure, and providing highly engineered value-added products to customers). The purchase price paid for each acquisition reflects the current earnings before interest, taxes, depreciation and amortization (EBITDA) and cash flows, as well as the future EBITDA and cash flows expected to be generated by the business, which are driven in most cases by the recurring aftermarket consumption over the life of a particular aircraft, estimated to be approximately 25 to 30 years.

Esterline – On March 14, 2019, TransDigm completed the acquisition of all the outstanding stock of Esterline for $122.50 per share in cash, plus the payoff of Esterline debt. The purchase price, net of cash acquired of approximately $398.2 million, totaled approximately $3,923.9 million. Of the $3,923.9 million purchase price, $3,536.3 million was paid at closing and the remaining $387.6 million was classified as restricted cash for the redemption of the outstanding senior notes due 2023 (herein the "2023 Notes"). The 2023 Notes were redeemed on April 15, 2019. Esterline, through its subsidiaries, is an industry leader in specialized manufacturing for the aerospace and defense industry, including significant aftermarket exposure, primarily within three core disciplines: advanced materials, avionics and controls and sensors and systems. The acquisition of Esterline expands TransDigm's platform of proprietary and sole source content for the aerospace and defense industry. TransDigm evaluated the strategic fit and description of each Esterline reporting unit to determine the appropriate business segment for the reporting unit. Each Esterline reporting unit is included in one of TransDigm's segments: Power and Control, Airframe, or Non-aviation. Refer to Note 13, "Segments," for additional information about the Company's segments.

The total purchase price of Esterline was allocated to the underlying assets acquired and liabilities assumed based upon management's estimated fair values at the date of acquisition. To the extent the purchase price exceeded the estimated fair value of the net identifiable tangible and intangible assets acquired, such excess was allocated to goodwill. Allocations are based on the acquisition method of accounting and in-process third-party valuation appraisals. Given the timing and complexity of the Esterline acquisition, the allocation of the purchase price is preliminary and will likely change in future periods, perhaps materially, as fair value estimates of the assets acquired and liabilities assumed are refined and finalized during the allowable one year measurement period.

Except where otherwise noted in the notes to condensed consolidated financial statements, changes in balances and activity where comparable periods are presented in the condensed consolidated financial statements were generally driven by the Esterline acquisition.

The preliminary allocation of the fair value of the Esterline acquisition is summarized in the table below (presented in thousands).

Assets acquired:	
Current assets, excluding cash acquired	$ 1,417,467
Property, plant, and equipment	338,843
Other intangible assets	992,000
Goodwill	2,503,798
Other	71,130
Total assets acquired	5,323,238
Liabilities assumed:	
Current liabilities	918,649
Other noncurrent liabilities	480,739
Total liabilities assumed	1,399,388
Net assets acquired	$ 3,923,850

The Company currently expects that the approximately $2.5 billion of goodwill and $1.0 billion of other intangible assets recognized for the acquisition will not be deductible for tax purposes.

The Company's net sales and loss from continuing operations for the thirteen and thirty-nine week periods ended June 29, 2019 include net sales of $545.3 million and $670.3 million, respectively and loss from continuing operations before tax of $18.1 million and $12.8 million, respectively related to the Esterline acquisition. Net income from continuing operations for the thirteen and thirty-nine week periods ended June 29, 2019 includes approximately $21.2 million and $24.8 million of other intangible asset amortization expense and $88.9 million and $103.9 million of inventory step-up amortization expense in cost of sales.

Acquisition costs were expensed as incurred and for the thirteen and thirty-nine week periods ended June 29, 2019 totaled approximately $46.2 million and $71.7 million, respectively. These costs were recorded in selling and administrative expenses and cost of sales within the condensed consolidated statements of income. In connection with the financing of the Esterline acquisition, approximately $64.7 million of net interest expense (comprised of gross interest expense of $64.7 million and no interest income) has been recorded for the thirteen week period ended June 29, 2019 and approximately $89.2 million of net interest expense (comprised of gross interest expense of $97.4 million and interest income of $8.2 million) has been recorded for the thirty-nine week period ended June 29, 2019.

The following pro forma information presents consolidated financial information as if Esterline had been acquired at the beginning of fiscal year 2018. Interest expense has been adjusted as though the debt incurred to finance the Esterline acquisition had been outstanding at October 1, 2017. In the pro forma information presented, each quarter of fiscal 2018 and the first two quarters of fiscal 2019 include other intangible asset amortization expense of approximately $21.2 million resulting from the preliminary acquisition accounting. The third quarter of fiscal 2019 presented includes other intangible asset amortization of approximately $8.3 million resulting from the preliminary acquisition accounting. The full $118.7 million of inventory step-up amortization resulting from the preliminary acquisition accounting asset step-up has been included in the fiscal year 2018 pro forma results to reflect the pro forma transaction date of October 1, 2017, and thus the inventory step-up amortization expense of $88.9 million and $103.9 million recorded for the thirteen and thirty-nine week periods ended June 29, 2019, respectively has been excluded.

The unaudited pro forma consolidated financial information does not necessarily reflect the actual results that would have occurred had the acquisition taken place on October 1, 2017, nor is it meant to be indicative of future results of operations of the combined companies under the ownership and operation of the Company.

(Amounts in thousands, except per share amounts)	Thirteen Week Periods Ended		Thirty-Nine Week Periods Ended	
	June 29, 2019	June 30, 2018	June 29, 2019	June 30, 2018
Net sales	$ 1,658,319	$ 1,477,729	$ 4,723,660	$ 4,253,811
Income from continuing operations attributable to TD Group	$ 252,159	$ 197,030	$ 611,750	$ 377,215
Net earnings per share attributable to TD Group stockholders from continuing operations - basic and diluted	$ 4.48	$ 3.54	$ 10.44	$ 5.77

NavCom – On October 1, 2018, the Company's Extant subsidiary completed the acquisition of substantially all of the assets and technical data rights from the Corona, California operations of NavCom for approximately $27 million in cash. NavCom develops, manufactures, and supports high-reliability, mission-critical electronics, avionics and sub-assemblies. NavCom is included as a product line of Extant, which is included in TransDigm's Power and Control segment. The Company expects that approximately $9 million of goodwill recognized for the acquisition will be deductible for tax purposes over 15 years.

Skandia – On July 13, 2018, the Company acquired all of the outstanding stock of Skandia for a total purchase price of approximately $84.3 million, which includes a $0.2 million working capital settlement paid in the fourth quarter of fiscal 2018. Skandia provides highly engineered seating foam, foam fabrication, flammability testing and acoustic solutions for the business jet market. Skandia is included as a product line within an existing reporting unit in TransDigm's Airframe segment. No goodwill recognized for the acquisition is deductible for tax purposes.

Extant – On April 24, 2018, the Company acquired all of the outstanding stock of Extant for a total purchase price of approximately $533.1 million in cash, which is net of a $0.2 million working capital settlement received in the third quarter of fiscal 2018. Extant provides a broad range of proprietary aftermarket products and repair and overhaul services to the aerospace and defense end markets. Extant is included in TransDigm's Power and Control segment.

Prior to the Company's acquisition of Extant, Extant was owned by an equity fund sponsored by Warburg Pincus LLC. Michael Graff, a director of TransDigm, is a managing director of Warburg Pincus LLC and was chairman of the board of Extant. Robert Henderson, Vice Chairman of TransDigm, was also on the board of Extant and owned less than 2% of

Extant on a fully diluted basis. In addition, Mr. Graff, Mr. W. Nicholas Howley, TransDigm's Executive Chairman, and Messrs. Douglas Peacock and David Barr, directors of TransDigm, each had minority interests of less than 1% in the Warburg Pincus LLC fund that owned Extant.

The total purchase price of Extant was allocated to the underlying assets acquired and liabilities assumed based upon the fair values at the date of acquisition. To the extent the purchase price exceeded the fair value of the net identifiable tangible and intangible assets acquired, such excess was allocated to goodwill. The following table summarizes the purchase price allocation of the fair values of the assets acquired and liabilities assumed at the transaction date (presented in thousands).

Assets acquired:		
Current assets, excluding cash acquired	$	53,325
Property, plant, and equipment		4,103
Other intangible assets		105,000
Goodwill		407,046
Total assets acquired		569,474
Liabilities assumed:		
Current liabilities		9,876
Other noncurrent liabilities		26,453
Total liabilities assumed		36,329
Net assets acquired	$	533,145

Approximately $62.5 million of the $105.0 million other intangible assets recognized for the acquisition is deductible for tax purposes over 15 years. Of the $407.0 million of goodwill recognized for the acquisition, approximately $12.4 million is deductible for tax purposes.

Kirkhill – On March 15, 2018, the Company acquired the assets and certain liabilities of the Kirkhill elastomers business from Esterline for a total purchase price of approximately $49.3 million, which is net of a $0.6 million working capital settlement received in the third quarter of fiscal 2018. Kirkhill's products are primarily proprietary, sole source with significant aftermarket content and used in a broad variety of most major commercial transport and military platforms. Kirkhill is included in TransDigm's Airframe segment. No goodwill recognized for the acquisition is deductible for tax purposes.

Schroth – On February 22, 2017, the Company acquired all of the outstanding stock of Schroth Safety Products GmbH and certain aviation and defense assets and liabilities from subsidiaries of Takata Corporation (collectively, "Schroth"), for a total purchase price of approximately $89.7 million, which consisted primarily of $79.7 million paid in cash during fiscal 2017 and an approximately $9.0 million indemnity holdback, of which $8.5 million was paid in April 2018 and $0.5 million remains a reserve as of June 29, 2019.

In connection with the settlement of a Department of Justice investigation into the competitive effects of the acquisition, during the fourth quarter of fiscal 2017, the Company committed to dispose of the Schroth business. Therefore, Schroth was classified as held-for-sale beginning in the fourth quarter of fiscal 2017 and the results of operations of were reflected as discontinued operations in the consolidated financial statements.

On January 26, 2018, the Company completed the sale of Schroth in a management buyout to a private equity fund and certain members of Schroth management for approximately $61.4 million, which included a working capital adjustment of $0.3 million that was paid in July 2018.

There was no activity from discontinued operations in the thirteen and thirty-nine week period ended June 29, 2019. Loss from discontinued operations was $0.1 million and $2.9 million in the condensed consolidated statements of income for the thirteen and thirty-nine week periods ended June 30, 2018, respectively, which is summarized as follows (amounts in thousands):

	Thirteen Week Period Ended	Thirty-Nine Week Period Ended
	June 30, 2018	June 30, 2018
Net sales	$ —	$ 11,808
Income from discontinued operations before income taxes	—	354
Income tax benefit	—	2,016
Income from discontinued operations, net of tax	—	2,370
Net loss on sale of discontinued operations, net of tax	(145)	(5,313)
Loss from discontinued operations	$ (145)	$ (2,943)

4. RECENT ACCOUNTING PRONOUNCEMENTS

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, which created a new topic in the Accounting Standards Codification ("ASC") 606, "Revenue from Contracts with Customers." In addition to superseding and replacing nearly all existing U.S. GAAP revenue recognition guidance, including industry-specific guidance, ASC 606 requires an entity to recognize revenue in a manner that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard also specifies the accounting of some costs to obtain or fulfill a contract with a customer and expands the disclosure requirements around contracts with customers. The Company adopted this standard in the first quarter of 2019 using the modified retrospective method. The adoption of this standard did not have a material impact on our consolidated results of operations, financial position or cash flows. Refer to Note 5, "Revenue Recognition," for additional disclosures relating to ASC 606.

In February 2016, the FASB issued ASU 2016-02, "Leases (ASC 842)," which will require that a lessee recognize assets and liabilities on the balance sheet for all leases with a lease term of more than twelve months, with the result being the recognition of a right of use asset and a lease liability. Additionally, in July 2018, the FASB issued ASU 2018-10, "Codification Improvements to ASC 842, Leases" which provides narrow amendments to clarify how to apply certain aspects of the new leases standard. The new leases standard guidance is effective for the Company for annual reporting periods, including interim periods therein, beginning October 1, 2019. The Company is currently evaluating the impact of adopting this standard on our consolidated financial statements and disclosures. We are adopting ASC 842 on October 1, 2019 using the modified retrospective optional transition method, in which case prior periods presented will not be restated. Also, we intend to elect the package of practical expedients, which among other things, permits us to not reassess the identification, classification and initial direct costs of leases commencing before the October 1, 2019 effective date.

In June 2016, the FASB issued ASU 2016-13, "Financial Instruments—Credit Losses: Measurement of Credit Losses on Financial Instruments (ASU 2016-13)," which changes the impairment model for most financial assets. The new model uses a forward-looking expected loss method, which will generally result in earlier recognition of allowances for losses. ASU 2016-13 is effective for the Company for annual and interim periods beginning after October 1, 2020 and early adoption is permitted. The Company is currently evaluating the impact of adopting this standard on our consolidated financial statements and disclosures.

In October 2016, the FASB issued ASU 2016-16, "Intra-Entity Transfers of Assets Other Than Inventory" (ASU 2016-16). This accounting standard requires companies to recognize the income tax effects of intercompany sales and transfers of assets, other than inventory, in the period in which the transfer occurs. Under previous guidance companies were required to defer the income tax effects of intercompany transfers of assets by recording prepaid taxes, until such assets were sold to an outside party or otherwise recognized. Current guidance requires companies to write off any income tax amounts previously deferred as prepaid taxes from past intercompany transactions, and to record deferred tax balances for amounts not previously recognized, through a cumulative-effect adjustment to retained earnings. ASU 2016-16 is effective for public business entities for fiscal years beginning after December 15, 2017, including interim periods within those years. The Company adopted this standard in the first quarter of fiscal 2019. The adoption of this standard did not have a material impact on our consolidated financial statements. Refer to the condensed consolidated statements of stockholders' deficit for the impact of the adoption of ASU 2016-16 on retained earnings.

In January 2017, the FASB issued ASU 2017-04, "Simplifying the Test for Goodwill Impairment," to eliminate Step 2 from the goodwill impairment test in order to simplify the subsequent measurement of goodwill. The guidance is effective for the Company for fiscal years beginning after October 1, 2020, with early adoption permitted. The adoption of this standard is not expected to have a material impact on our consolidated financial statements and disclosures.

In March 2017, the FASB issued ASU 2017-07, "Compensation—Retirement Benefits (ASC 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost," that changes how employers that sponsor defined benefit and/or other postretirement benefit plans present the net periodic benefit cost in the income statement. Under previous guidance, companies included all components of the net periodic benefit costs in the same lines as the service cost component. Current guidance requires employers to present the other components of the net periodic benefit costs separately from the line items that include the service cost and outside of any subtotal of operating income. In addition, only the service cost component will be eligible for capitalization in assets. Employers will have to disclose the lines used to present the other components of net periodic benefit cost, if the components are not presented separately in the income statement. The standard is effective for public business entities for fiscal years beginning after December 15, 2017, and interim periods within the fiscal year. The Company adopted this standard in the first quarter of fiscal 2019. The adoption of this standard did not have a material impact on our consolidated financial statements.

In May 2017, the FASB issued ASU 2017-09, "Compensation—Stock Compensation (ASC 718): Scope of Modification Accounting," which provides clarity on which changes to the terms or conditions of share-based payment awards require an entity to apply the modification accounting provisions required in ASC 718. The standard is effective for all entities for annual periods beginning after December 15, 2017, with early adoption permitted, including adoption in any interim period for which financial statements have not yet been issued. The Company adopted this standard in the first quarter of fiscal 2019. The adoption of this standard did not have a material impact on our consolidated financial statements.

In February 2018, the FASB issued ASU 2018-02, "Income Statement - Reporting Comprehensive Income (ASC 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income," which gives entities the option to reclassify tax effects stranded in accumulated other comprehensive income as a result of the Tax Cuts and Jobs Act (the "Act") into retained earnings. The guidance allows entities to reclassify from accumulated other comprehensive income to retained earnings stranded tax effects resulting from the Act's new federal corporate income tax rate. The guidance also allows entities to elect to reclassify other stranded tax effects that relate to the Act but do not directly relate to the change in the federal tax rate (e.g., state taxes, changing from a worldwide tax system to a territorial system). Tax effects that are stranded in accumulated other comprehensive income for other reasons (e.g., prior changes in tax law, a change in valuation allowance) may not be reclassified. The standard is effective for the Company for fiscal years beginning after October 1, 2019, and interim periods within the fiscal year. Early adoption is permitted, including adoption in any interim period for which financial statements have not yet been issued. Entities have the option to apply the guidance retrospectively or in the period of adoption. The adoption of this standard is not expected to have a material impact on our consolidated financial statements.

In August 2018, the FASB issued ASU 2018-14, "Compensation - Retirement Benefits - Defined Benefit Plans - General (ASC 715-20)." ASU 2018-14 modifies disclosure requirements for employers that sponsor defined benefit pension or other postretirement plans. The ASU also requires an entity to disclose the weighted-average interest crediting rates for cash balance plans and to explain the reasons for significant gains and losses related to changes in the benefit obligation. The ASU is effective for the Company on October 1, 2020 and early adoption is permitted. The Company is currently evaluating the impact of adopting this standard on our consolidated financial statements and disclosures.

5. REVENUE RECOGNITION

The Company adopted ASC 606, “Revenue from Contracts with Customers,” beginning October 1, 2018 using the modified retrospective method.

The new standard primarily impacted the Company's timing of revenue recognition for certain contracts and subcontracts with the U.S. government that contain termination for convenience clauses and resulted in an increase to retained earnings of $3.3 million. The comparative information has not been restated and continues to be reported under the accounting standards in effect for those periods.

The cumulative effect of the changes made to our condensed consolidated balance sheet as of October 1, 2018 for the adoption of ASC 606 were as follows (in thousands):

	September 30, 2018	Adjustments due to ASC 606	October 1, 2018
Assets			
Unbilled receivables[(1)]	$ 10,056	$ 8,272	$ 18,328
Inventories - Net	805,292	(3,977)	801,315
Liabilities and Stockholders' Deficit			
Deferred income taxes	$ 399,496	$ 1,011	$ 400,507
Accumulated deficit	(2,246,578)	3,284	(2,243,294)

(1) Included in prepaid expenses and other on the condensed consolidated balance sheet.

The impact of the adoption of ASC 606 on the condensed consolidated statements of income and condensed consolidated balance sheet was immaterial for the thirteen and thirty-nine week periods ended June 29, 2019.

Accounting Policy —Revenue is recognized from the sale of products when control transfers to the customer, which is demonstrated by our right to payment, a transfer of title, a transfer of the risk and rewards of ownership, or the customer acceptance, but most frequently upon shipment where the customer obtains physical possession of the goods.

The majority of the Company's revenue is recorded at a point in time.

In some contracts the Company found that under ASC 606, control transferred to the customer over time primarily in contracts where the customer is required to pay for the cost of both the finished and unfinished goods at the time of cancellation plus a reasonable profit relative to the work performed for products that were customized for the customer. Upon adoption of ASC 606, we recognize revenue over time for those agreements that have a right to margin and where the products being produced have no alternative use. Prior to the adoption date, revenue related to these agreements was recognized when the goods were shipped; as a result of the adoption of ASC 606, a portion of our revenue may be earned in periods earlier than it would have been in prior years. The cumulative adjustment to retained earnings upon adoption, which is presented in the table above, represents those earnings that would have been recognized in the previous year had ASC 606 been in effect during that time.

Based on our production cycle, it is generally expected that goods related to the revenue represented in that adjustment will be shipped and billed within the current year. For revenue recognized over time, we estimate the amount of revenue attributable to a contract earned at a given point during the production cycle based on certain costs, such as materials and labor incurred to date, plus the expected profit, which is a cost-to-cost input method.

The Company’s payment terms vary by the type and location of the customer and the products or services offered. The Company does not offer any payment terms that would meet the requirements for consideration as a significant financing component under ASC 606.

Shipping and handling fees and costs incurred in connection with products sold are recorded in cost of sales in the consolidated statements of income, and are not considered a performance obligation to our customers.

The Company pays sales commissions that relate to contracts for products or services that are satisfied at a point in time or over a period of one year or less and are expensed as incurred. These costs are reported as a component of selling and administrative expenses in the unaudited condensed consolidated statement of operations.

We offer assurance type warranties on our products as well as separately sold warranty contracts. Revenue related to warranty contracts that are sold separately is recognized over the life of the warranty term.

Variable consideration is estimated at the expected value (sum of the probability of weighted amounts) or most likely amount, whichever method is found to be most appropriate to estimate the consideration to which the Company will be entitled, and only to the extent it is probable that a subsequent change in estimate will not result in a significant revenue reversal when estimating the amount of revenue to recognize. Variable consideration is treated as a change to the sales transaction price and based largely on an assessment of all information (i.e., historical, current and forecasted) that is reasonably available to the Company. Variable consideration is estimated at contract inception and updated at the end of each reporting period as additional information becomes available.

Contract Assets and Liabilities - Contract assets reflect revenue recognized and performance obligations satisfied in advance of customer billing or reimbursable costs related to a specific contract. Contract liabilities relate to payments received in advance of the satisfaction of performance under the contract. We receive payments from customers based on the terms established in our contracts. The following table summarizes our contract assets and liabilities balances (in thousands):

	June 29, 2019	October 1, 2018	Change
Contract assets, current [1]	$ 43,717	$ 18,328	$ 25,389
Contract assets, non-current [2]	9,596	118	9,478
Total contract assets	53,313	18,446	34,867
Contract liabilities, current [3]	7,765	2,742	5,023
Contract liabilities, non-current [4]	7,341	—	7,341
Total contract liabilities	15,106	2,742	12,364
Net contract assets	$ 38,207	$ 15,704	$ 22,503

(1) Included in prepaid expenses and other on the condensed consolidated balance sheet.

(2) Included in other non-current assets on the condensed consolidated balance sheet.

(3) Included in accrued liabilities on the condensed consolidated balance sheet.

(4) Included in other non-current liabilities on the condensed consolidated balance sheet.

Changes in the contract asset and liability balances during the thirty-nine week period ended June 29, 2019 were not materially impacted by any factors other than the Esterline acquisition. For the thirteen and thirty-nine week periods ended June 29, 2019, the revenue recognized that was previously included in the beginning balance of contract liabilities was immaterial.

Refer to Note 13, "Segments," for disclosures related to the disaggregation of revenue.

6. EARNINGS PER SHARE

The following table sets forth the computation of basic and diluted earnings per share (in thousands, except per share data) using the two-class method:

	Thirteen Week Periods Ended		Thirty-Nine Week Periods Ended	
	June 29, 2019	June 30, 2018	June 29, 2019	June 30, 2018
Numerator for earnings per share:				
Income from continuing operations including noncontrolling interests	$ 144,610	$ 217,391	$ 543,284	$ 731,242
Net income attributable to noncontrolling interests	(160)	—	(384)	—
Net income from continuing operations attributable to TD Group	144,450	217,391	542,900	731,242
Less dividends paid on participating securities	—	—	(24,309)	(56,148)
	144,450	217,391	518,591	675,094
Loss from discontinued operations, net of tax	—	(145)	—	(2,943)
Net income applicable to TD Group common stock - basic and diluted	$ 144,450	$ 217,246	$ 518,591	$ 672,151
Denominator for basic and diluted earnings per share under the two-class method:				
Weighted-average common shares outstanding	53,208	52,470	52,994	52,241
Vested options deemed participating securities	3,057	3,127	3,271	3,357
Total shares for basic and diluted earnings per share	56,265	55,597	56,265	55,598
Net earnings per share from continuing operations - basic and diluted	$ 2.57	$ 3.91	$ 9.22	$ 12.14
Net loss per share from discontinued operations - basic and diluted	—	—	—	(0.05)
Net earnings per share	$ 2.57	$ 3.91	$ 9.22	$ 12.09

7. INVENTORIES

Inventories are stated at the lower of cost or net realizable value. Cost of inventories is generally determined by the average cost and the first-in, first-out (FIFO) methods and includes material, labor and overhead related to the manufacturing process.

Inventories consist of the following (in thousands):

	June 29, 2019	September 30, 2018
Raw materials and purchased component parts	$ 839,458	$ 540,290
Work-in-progress	457,894	237,335
Finished goods	233,103	127,018
Total	1,530,455	904,643
Reserves for excess and obsolete inventory	(116,521)	(99,351)
Inventories - Net	$ 1,413,934	$ 805,292

8. INTANGIBLE ASSETS

Other intangible assets - net in the condensed consolidated balance sheets consist of the following (in thousands):

	June 29, 2019			September 30, 2018		
	Gross Carrying Amount	Accumulated Amortization	Net	Gross Carrying Amount	Accumulated Amortization	Net
Trademarks and trade names	$ 1,037,316	$ —	$ 1,037,316	$ 799,749	$ —	$ 799,749
Technology	1,867,800	474,621	1,393,179	1,347,314	416,579	930,735
Order backlog	89,628	24,352	65,276	12,200	5,409	6,791
Customer relationships	251,718	21,453	230,265	62,561	14,277	48,284
Other	16,848	8,870	7,978	10,873	8,028	2,845
Total	$ 3,263,310	$ 529,296	$ 2,734,014	$ 2,232,697	$ 444,293	$ 1,788,404

As disclosed in Note 3, "Acquisitions and Divestitures," the estimated fair value of the net identifiable tangible and intangible assets acquired from Esterline are based on the acquisition method of accounting and are subject to adjustment upon completion of the third-party valuation appraisals. Material adjustments may occur. The fair value of the net identifiable tangible and intangible assets acquired will be finalized within the allowable one year measurement period. Intangible assets acquired during the thirty-nine week period ended June 29, 2019 are summarized in the table below (in thousands)

	Gross Amount	Amortization Period
Intangible assets not subject to amortization:		
Goodwill	$ 2,446,686	
Trademarks and trade names	251,700	
	2,698,386	
Intangible assets subject to amortization:		
Technology	509,500	20 years
Order backlog	78,000	1.5 years
Customer relationships	156,035	20 years
	743,535	18 years
Total	$ 3,441,921	

The aggregate amortization expense on identifiable intangible assets for the thirty-nine week periods ended June 29, 2019 and June 30, 2018 was approximately $85.0 million and $53.8 million, respectively. The estimated amortization expense is $126.5 million for fiscal year 2019, $164.4 million for fiscal year 2020, and $112.3 million for each of the four succeeding fiscal years 2021 through 2024.

The following is a summary of changes in the carrying value of goodwill by segment from September 30, 2018 through June 29, 2019 (in thousands):

	Power & Control	Airframe	Non-aviation	Total
Balance - September 30, 2018	$ 3,677,683	$ 2,452,332	$ 93,275	$ 6,223,290
Goodwill acquired during the year	668,355	1,224,542	553,789	2,446,686
Purchase price allocation adjustments	13,111	13,979	(4,969)	22,121
Currency translation adjustment	268	(5,824)	(1,878)	(7,434)
Balance - June 29, 2019	$ 4,359,417	$ 3,685,029	$ 640,217	$ 8,684,663

9. DEBT

The Company's debt consists of the following (in thousands):

	June 29, 2019			
	Gross Amount	Debt Issuance Costs	Original Issue Discount or Premium	Net Amount
Short-term borrowings—trade receivable securitization facility	$ 300,000	$ (49)	$ —	$ 299,951
Term loans	$ 7,542,612	$ (60,847)	$ (18,168)	$ 7,463,597
6.00% senior subordinated notes due 2022 (2022 Notes)	1,150,000	(4,421)	—	1,145,579
6.50% senior subordinated notes due 2024 (2024 Notes)	1,200,000	(5,984)	—	1,194,016
6.50% senior subordinated notes due 2025 (2025 Notes)	750,000	(3,109)	3,226	750,117
6.375% senior subordinated notes due 2026 (6.375% 2026 Notes)	950,000	(7,042)	—	942,958
6.875% senior subordinated notes due 2026 (6.875% 2026 Notes)	500,000	(5,723)	(3,254)	491,023
6.25% secured notes due 2026 (2026 Secured Notes)	4,000,000	(61,799)	1,883	3,940,084
7.50% senior subordinated notes due 2027 (2027 Notes)	550,000	(5,259)	—	544,741
Government refundable advances	39,641	—	—	39,641
Capital lease obligations	64,992	—	—	64,992
	16,747,245	(154,184)	(16,313)	16,576,748
Less current portion	81,634	(771)	—	80,863
Long-term debt	$ 16,665,611	$ (153,413)	$ (16,313)	$ 16,495,885

	September 30, 2018			
	Gross Amount	Debt Issuance Costs	Original Issue Discount or Premium	Net Amount
Short-term borrowings—trade receivable securitization facility	$ 300,000	$ (481)	$ —	$ 299,519
Term loans	$ 7,599,932	$ (69,697)	$ (21,030)	$ 7,509,205
5.50% 2020 Notes	550,000	(2,187)	—	547,813
6.00% 2022 Notes	1,150,000	(5,501)	—	1,144,499
6.50% 2024 Notes	1,200,000	(6,866)	—	1,193,134
6.50% 2025 Notes	750,000	(3,505)	3,636	750,131
6.375% 2026 Notes	950,000	(7,798)	—	942,202
6.875% 2026 Notes	500,000	(5,616)	(3,605)	490,779
	12,699,932	(101,170)	(20,999)	12,577,763
Less current portion	76,427	(610)	—	75,817
Long-term debt	$ 12,623,505	$ (100,560)	$ (20,999)	$ 12,501,946

Accrued interest, which is classified as a component of accrued liabilities, was $191.7 million and $96.6 million as of June 29, 2019 and September 30, 2018, respectively.

Issuance of Senior Secured Notes due 2026 – On January 30, 2019, the Company entered into a purchase agreement in connection with a private offering of $3.8 billion aggregate principal amount of 6.25% senior secured notes due 2026. In addition, on February 1, 2019, the Company entered into a purchase agreement in connection with a private offering of $200 million aggregate principal amount of 6.25% senior secured notes due 2026 (herein the "2026 Secured Notes"). All $4.0 billion aggregate principal amount of the 2026 Secured Notes constituted a single class and were issued under a single indenture. The notes in the $3.8 billion secured notes offering were issued at a price of 100% of their principal amount and the notes in the $200 million secured notes offering were issued at a price of 101% of their principal amount. The 2026 Secured Notes are guaranteed, with certain exceptions, by TransDigm Group, TransDigm UK and all of TransDigm Inc.'s existing U.S. subsidiaries on a senior secured basis.

The 2026 Secured Notes bear interest at a rate of 6.25% per annum, which accrues from February 13, 2019 and is payable semiannually in arrears on March 15th and September 15th of each year, commencing on September 15, 2019. The 2026 Secured Notes mature on March 15, 2026, unless earlier redeemed or repurchased, and are subject to the terms and conditions set forth in the Secured Notes Indenture.

In addition to the premium of $2.0 million capitalized upon the issuance of the $200 million issuance of the 2026 Senior Notes, the Company capitalized $65.5 million and expensed $0.8 million of debt issuance costs associated with the issuance of the 2026 Senior Secured Notes during the thirty-nine week period ended June 29, 2019.

Issuance of Senior Subordinated Notes due 2027 – On February 1, 2019, the Company entered into a purchase agreement in connection with a private offering of $550 million in new 7.50% senior subordinated notes due 2027 (herein the "2027 Notes"). The 2027 Notes were issued pursuant to an indenture, dated as of February 13, 2019, among TransDigm, as issuer, TD Group, TD UK and the other subsidiaries of TransDigm named therein, as guarantors, and The Bank of New York Mellon Trust Company, N.A., as trustee.

The 2027 Notes bear interest at the rate of 7.50% per annum, which accrues from February 13, 2019 and is payable in arrears on March 15th and September 15th of each year, commencing on September 15, 2019. The 2027 Notes mature on March 15, 2027, unless earlier redeemed or repurchased, and are subject to the terms and conditions set forth in the indenture.

The Company capitalized $5.5 million of debt issuance costs associated with the 2027 Notes during the thirty-nine week period ended June 29, 2019.

Repurchase of Senior Subordinated Notes due 2020 - On February 13, 2019, the Company announced a cash tender offer for any and all of its 2020 Notes outstanding. On March 15, 2019, the Company redeemed the principal amount of $550 million, plus accrued interest of approximately $12.6 million.

The Company wrote off $1.7 million in unamortized debt issuance costs during the thirty-nine week period ended June 29, 2019 in conjunction with the redemption of the 2020 Notes.

Amendment No. 6 to the Second Amended and Restated Credit Agreement - On March 14, 2019, the Company entered into Amendment No. 6 to the Second Amended and Restated Credit Agreement (herein "Amendment No. 6").

Under the terms of Amendment No. 6, certain existing lenders increased the revolving commitments, including $52.1 million in multicurrency revolving commitments, in an aggregate principal amount of $160 million, to a total revolving commitments capacity of $760 million. The revolving commitments consist of two tranches which include up to $151.5 million of multicurrency revolving commitments. The terms and conditions that apply to the revolving credit facility, other than the additional revolving credit commitments, are substantially the same as the terms and conditions that applied to the revolving credit facility immediately prior to Amendment No. 6.

At June 29, 2019, the Company had $34.0 million in letters of credit outstanding, and $726.0 million of borrowings available under the revolving commitments, subject to restrictions under existing debt covenants.

Government Refundable Advances - Government refundable advances consist of payments received from the Canadian government to assist in research and development related to commercial aviation. The requirement to repay this advance is solely based on year-over-year commercial aviation revenue growth at CMC, which is a subsidiary of TransDigm (acquired via the Esterline acquisition). These obligations were assumed in connection with the Esterline acquisition and the balance was $39.6 million at June 29, 2019.

Obligations under Capital Leases - The Company leases certain buildings and equipment under capital leases. These obligations were assumed in connection with the Esterline acquisition and the present value of the minimum capital lease payments, net of the current portion, represents a balance of $65.0 million at June 29, 2019.

10. INCOME TAXES

At the end of each reporting period, TD Group makes an estimate of its annual effective income tax rate. The estimate used in the year-to-date period may change in subsequent periods. During the thirteen week periods ended June 29, 2019 and June 30, 2018, the effective income tax rate was 29.6% and 18.1%, respectively. During the thirty-nine week periods ended June 29, 2019 and June 30, 2018, the effective income tax rate was 24.8% and (3.9)%, respectively. The Company's higher effective tax rate for the thirteen week period ended June 29, 2019 was primarily due to the detriment associated with our net interest expense limitation under IRC Section 163(j) resulting from the provisions of The Tax Cuts and Jobs Act enacted on December 22, 2017 (the "Act") along with taxes recognized as a result of the Company’s entity restructuring during the thirteen week period ended June 29, 2019. The Company's higher effective tax rate for the thirty-nine week period ended June 29, 2019 was primarily due to the discrete benefit recognized in the thirty-nine week period ended June 30, 2018 related to the remeasurement of deferred tax balances resulting from certain provisions of the Act that did not recur in fiscal 2019, in addition to the detriment associated with the net interest expense limitation under IRC Section 163(j) along with taxes recognized as a result of the Company’s entity restructuring in anticipation of the Souriau-Sunbank

Companies transaction described further in Note 17, "Subsequent Events," during the thirty-nine week period ended June 29, 2019. The Company’s effective tax rate for the thirteen and thirty-nine week periods ended June 29, 2019 was higher than the Federal statutory rate of 21% primarily resulting from the net interest expense limitation under IRC Section 163(j), our foreign earnings taxed at rates higher than the U.S. statutory rate, the taxes associated with the entity restructuring (described above), offset by the benefit associated with the deduction for foreign-derived intangible income (FDII) and excess tax benefits for share-based payments. The Company’s effective tax rate for the thirteen and thirty-nine week periods ended June 30, 2018 was less than the Federal statutory tax rate primarily due to provisions of the Act described above, along with excess tax benefits for share-based payments and the domestic manufacturing deduction. FDII was introduced, and interest deductibility under IRC Section 163(j) was modified by the Act and were both effective for TD Group beginning October 1, 2018.

The Act subjects a U.S. corporation to a tax on its Global Intangible Low-Taxed Income (GILTI). The FASB Staff Q&A, Topic 740, No. 5, *Accounting for Global Intangible Low-Taxed Income,* states that a Company can make an accounting policy election to either treat such inclusion as a current period expense or to factor such amounts into the measurement of deferred taxes. The Company has elected to recognize the resulting tax on GILTI as a period expense in the period the tax is incurred and has not reflected any corresponding deferred taxes associated with GILTI in the condensed consolidated financial statements.

The Company and its subsidiaries file income tax returns in the U.S. federal jurisdiction and various state, local and foreign jurisdictions. The Company is currently under audit in Belgium for fiscal years 2016 through 2018, in France for fiscal years 2015 through 2017, and in Germany for fiscal years 2012 through 2015. The Company is no longer subject to U.S. federal examinations for years before fiscal year 2014. The Company is subject to state income tax examinations for fiscal years 2011 and later.

At June 29, 2019 and September 30, 2018, TD Group had $18.6 million and $14.1 million, respectively, in unrecognized tax benefits, the recognition of which would have an effect of approximately $16.8 million and $13.1 million on the effective tax rate at June 29, 2019 and September 30, 2018, respectively. The Company believes the tax positions that comprise the unrecognized tax benefits will be reduced by approximately $2.3 million over the next 12 months. The Company recognizes accrued interest and penalties related to unrecognized tax benefits in income tax expense.

11. FAIR VALUE MEASUREMENTS

The following table presents our assets and liabilities that are measured at fair value on a recurring basis and are categorized using the fair value hierarchy. The fair value hierarchy has three levels based on the reliability of the inputs used to determine fair value. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, and inputs (other than quoted prices) that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability. A financial asset or liability's classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement.

The following summarizes the carrying amounts and fair values of financial instruments (in thousands):

		June 29, 2019		September 30, 2018	
	Level	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets:					
Cash and cash equivalents	1	$ 2,716,812	$ 2,716,812	$ 2,073,017	$ 2,073,017
Interest rate cap agreements [1]	2	3,007	3,007	36,160	36,160
Interest rate swap agreements [2]	2	687	687	11,634	11,634
Interest rate swap agreements [1]	2	—	—	61,126	61,126
Foreign currency forward exchange contracts and other [2]	2	548	548	—	—
Foreign currency forward exchange contracts and other [1]	2	242	242	—	—
Liabilities:					
Interest rate swap agreements [3]	2	8,914	8,914	528	528
Interest rate swap agreements [4]	2	165,065	165,065	142	142
Foreign currency forward exchange contracts and other [3]	2	7,497	7,497	—	—
Foreign currency forward exchange contracts and other [4]	2	337	337	—	—
Short-term borrowings - trade receivable securitization facility [5]	1	299,951	299,951	299,519	299,519
Long-term debt, including current portion:					
Term loans [5]	2	7,463,597	7,358,955	7,509,205	7,607,323
5.50% 2020 Notes [5]	1	—	—	547,813	548,625
6.00% 2022 Notes [5]	1	1,145,579	1,161,500	1,144,499	1,155,750
6.50% 2024 Notes [5]	1	1,194,016	1,209,000	1,193,134	1,215,000
6.50% 2025 Notes [5]	1	750,117	753,750	750,131	757,500
6.375% 2026 Notes [5]	1	942,958	954,750	942,202	942,875
6.875% 2026 Notes [5]	1	491,023	502,500	490,779	507,500
6.25% 2026 Notes [5]	1	3,940,084	4,190,000	—	—
7.50% 2027 Notes [5]	1	544,741	572,000	—	—
Government Refundable Advances	2	39,641	39,641	—	—
Capital Lease Obligations	2	64,992	64,992	—	—

(1) Included in other non-current assets on the condensed consolidated balance sheets.

(2) Included in prepaid expenses and other on the condensed consolidated balance sheets.

(3) Included in accrued liabilities on the condensed consolidated balance sheets.

(4) Included in other non-current liabilities on the condensed consolidated balance sheets.

(5) The carrying amount of the debt instrument is presented net of debt issuance costs, premium and discount. Refer to Note 9, "Debt," for gross carrying amounts.

The Company values its financial instruments using an industry standard market approach, in which prices and other relevant information are generated by market transactions involving identical or comparable assets or liabilities. No financial instruments were recognized using unobservable inputs.

Interest rate swaps were measured at fair value using quoted market prices for the swap interest rate indexes over the term of the swap discounted to present value versus the fixed rate of the contract. The interest rate caps were measured at fair value using implied volatility rates of each individual caplet and the yield curve for the related periods.

The Company's derivative contracts consist of foreign currency exchange contracts and, from time to time, interest rate swap and cap agreements. These derivative contracts are over-the-counter, and their fair value is determined using modeling techniques that include market inputs such as interest rates, yield curves, and currency exchange rates. These contracts are categorized as Level 2 in the fair value hierarchy.

The estimated fair value of the Company's term loans was based on information provided by the agent under the Company's senior secured credit facility. The estimated fair values of the Company's notes were based upon quoted market prices. There has not been any impact to the fair value of derivative liabilities due to the Company's own credit risk. Similarly, there has not been any impact to the fair value of derivative assets based on the Company's evaluation of counterparties' credit risks.

The fair value of cash and cash equivalents, restricted cash, trade accounts receivable-net and accounts payable approximated book value due to the short-term nature of these instruments at June 29, 2019 and September 30, 2018.

12. DERIVATIVES AND HEDGING ACTIVITIES

The Company is exposed to, among other things, the impact of changes in foreign currency exchange rates and interest rates in the normal course of business. The Company's risk management program is designed to manage the exposure and volatility arising from these risks, and utilizes derivative financial instruments to offset a portion of these risks. The Company uses derivative financial instruments only to the extent necessary to hedge identified business risks and does not enter into such transactions for trading purposes. The Company generally does not require collateral or other security with counterparties to these financial instruments and is therefore subject to credit risk in the event of nonperformance; however, the Company monitors credit risk and currently does not anticipate nonperformance by other parties. These derivative financial instruments do not subject the Company to undue risk, as gains and losses on these instruments generally offset gains and losses on the underlying assets, liabilities, or anticipated transactions that are being hedged. The Company has agreements with each of its swap and cap counterparties that contain a provision whereby if the Company defaults on the credit facility the Company could also be declared in default on its swaps and caps, resulting in an acceleration of payment under the swaps and caps.

All derivative financial instruments are recorded at fair value in the condensed consolidated balance sheets. For a derivative that has not been designated as an accounting hedge, the change in the fair value is recognized immediately through earnings. For a derivative that has been designated as an accounting hedge of an existing asset or liability (a fair value hedge), the change in the fair value of both the derivative and underlying asset or liability is recognized immediately through earnings. For a derivative designated as an accounting hedge of an anticipated transaction (a cash flow hedge), the change in the fair value is recorded on the condensed consolidated balance sheet in accumulated other comprehensive income to the extent the derivative is effective in mitigating the exposure related to the anticipated transaction. The change in the fair value related to the ineffective portion of the hedge, if any, is immediately recognized in earnings. The amount recorded within accumulated other comprehensive income is reclassified into earnings in the same period during which the underlying hedged transaction affects earnings.

Interest Rate Swap and Cap Agreements – Interest rate swap and cap agreements are used to manage interest rate risk associated with floating-rate borrowings under our credit facility. The interest rate swap and cap agreements utilized by the Company effectively modify the Company's exposure to interest rate risk by converting a portion of the Company's floating-rate debt to a fixed rate basis through the expiration date of the interest rate swap and cap agreements, thereby reducing the impact of interest rate changes on future interest expense. These agreements involve the receipt of floating rate amounts in exchange for fixed rate interest payments over the term of the agreements without an exchange of the underlying principal amount. These derivative instruments qualify as effective cash flow hedges under GAAP. For these cash flow hedges, the effective portion of the gain or loss from the financial instruments was initially reported as a component of accumulated other comprehensive (loss) income in stockholders' deficit and subsequently reclassified into earnings in the same line as the hedged item in the same period or periods during which the hedged item affected earnings. As the interest rate swap and cap agreements are used to manage interest rate risk, any gains or losses from the derivative instruments that are reclassified into earnings are recognized in interest expense - net in the condensed consolidated statements of income.

The following table summarizes the Company's interest rate swap agreements:

Aggregate Notional Amount (in millions)	Start Date	End Date	Related Term Loans	Conversion of Related Variable Rate Debt to Fixed Rate of:
$750	3/31/2016	6/30/2020	Tranche E	5.3% (2.8% plus the 2.5% margin percentage)
$500	6/29/2018	3/31/2025	Tranche E	5.5% (3.0% plus the 2.5% margin percentage)
$750	6/30/2020	6/30/2022	Tranche E	5.0% (2.5% plus the 2.5% margin percentage)
$1,500	6/30/2022	3/31/2025	Tranche E	5.6% (3.1% plus the 2.5% margin percentage)
$1,000	6/28/2019	6/30/2021	Tranche F	4.3% (1.8% plus the 2.5% margin percentage)
$1,400	6/30/2021	3/31/2023	Tranche F	5.5% (3.0% plus the 2.5% margin percentage)
$500	12/30/2016	12/31/2021	Tranche G	4.4% (1.9% plus the 2.5% margin percentage)
$400	9/30/2017	9/30/2022	Tranche G	4.4% (1.9% plus the 2.5% margin percentage)
$900	12/31/2021	6/28/2024	Tranche G	5.6% (3.1% plus the 2.5% margin percentage)
$400	9/30/2022	6/28/2024	Tranche G	5.5% (3.0% plus the 2.5% margin percentage)

The following table summarizes the Company's interest rate cap agreements:

Aggregate Notional Amount (in millions)	Start Date	End Date	Related Term Loans	Offsets Variable Rate Debt Attributable to Fluctuations Above:
$750	9/30/2015	6/30/2020	Tranche E	Three month LIBO rate of 2.5%
$750	6/30/2020	6/30/2022	Tranche E	Three month LIBO rate of 2.5%
$400	6/30/2016	6/30/2021	Tranche F	Three month LIBO rate of 2.0%
$400	12/30/2016	12/31/2021	Tranche G	Three month LIBO rate of 2.5%

Certain derivative asset and liability balances are offset where master netting agreements provide for the legal right of setoff. For classification purposes, we record the net fair value of each type of derivative position that is expected to settle in less than one year with each counterparty as a net current asset or liability and each type of long-term position as a net non-current asset or liability. The amounts shown in the table below represent the gross amounts of recognized assets and liabilities, the amounts offset in the condensed consolidated balance sheet and the net amounts of assets and liabilities presented therein.

	June 29, 2019		September 30, 2018	
	Asset	Liability	Asset	Liability
Interest rate cap agreements	$ 3,007	$ —	$ 36,160	$ —
Interest rate swap agreements [1]	—	(173,292)	72,090	—
Total	3,007	(173,292)	108,250	—
Effect of counterparty netting	687	(687)	670	(670)
Net derivatives as classified in the balance sheet [2]	$ 3,694	$ (173,979)	$ 108,920	$ (670)

(1) The increase in the interest rate swap liability is primarily attributable to a downward trend in the LIBO rate during fiscal 2019.

(2) Refer to Note 11, "Fair Value Measurements," for the condensed consolidated balance sheet classification of our interest rate swap and cap agreements.

Based on the fair value amounts of the interest rate swap and cap agreements determined as of June 29, 2019, the estimated net amount of existing gains and losses and caplet amortization expected to be reclassified into interest expense within the next twelve months is approximately $13.4 million.

Effective September 30, 2016, the Company redesignated the interest rate cap agreements related to the $400 million and the $750 million aggregate notional amount with cap rates of 2.0% and 2.5%, respectively, based on the expected probable cash flows associated with the 2016 term loans and 2015 term loans in consideration of the Company's ability to select one-month, two-month, three-month, or six-month LIBO rate set forth in the Second Amended and Restated Credit Agreement. Accordingly, amounts previously recorded as a component of accumulated other comprehensive (loss) income in stockholder's deficit amortized into interest expense was $3.6 million and $3.0 million for the thirty-nine week periods ended June 29, 2019 and June 30, 2018, respectively. The accumulated other comprehensive loss to be reclassified into interest expense over the remaining term of the cap agreements is $7.4 million with a related tax benefit of $1.7 million as of June 29, 2019.

Effective December 30, 2017, the Company redesignated the existing interest rate swap agreements related to the $750 million, $500 million, $1,000 million and $750 million aggregate notional amounts with swap rates of 5.0%, 4.4%, 4.3% and 5.3%, respectively, based on the expected probable cash flows associated with certain term loans in consideration of the Company's removal of the LIBO rate floor on the certain term loans as set forth in Amendment No. 4 to the Second Amended and Restated Credit Agreement. Accordingly, the amount recorded as a component of accumulated other comprehensive (loss) income in stockholders' deficit related to these redesignated interest rate swap hedges will be amortized into earnings based on the original maturity date of the related interest rate swap agreements. Amounts previously recorded as a component of accumulated other comprehensive (loss) income in stockholders' deficit amortized into interest expense was $0.8 million and $0.5 million for the thirty-nine week periods ended June 29, 2019 and June 30, 2018. The accumulated other comprehensive income to be reclassified into interest income over the remaining term of the swaps agreements is $1.4 million with a related tax expense of $0.3 million as of June 29, 2019.

Effective March 31, 2018, the Company redesignated the existing interest rate swap agreements related to the $1,000 million aggregate notional amount with a swap rate of 4.9%, which expired in June 2019, and the $400 million aggregate notional amount with a swap rate of 4.4%, based on the expected probable cash flows associated with certain term loans in consideration of the Company's removal of the LIBO rate floor on the certain term loans as set forth in the refinancing facility agreement dated February 22, 2018 related to the Second Amended and Restated Credit Agreement. Accordingly, the amount recorded as a component of accumulated other comprehensive (loss) income in stockholders' deficit related to these redesignated interest rate swap hedges will be amortized into earnings based on the original maturity date of the related interest rate swap agreements. Amounts previously recorded as a component of accumulated other comprehensive (loss) income in stockholders' deficit amortized into interest income was $2.1 million for the thirty-nine week period ended June 29, 2019. The accumulated other comprehensive income to be reclassified into interest income over the remaining term of the swaps agreements is $9.3 million with a related tax expense of $2.2 million as of June 29, 2019.

Foreign Currency Forward Exchange Contracts – The Company transacts business in various foreign currencies, which subjects the Company's cash flows and earnings to exposure related to changes in foreign currency exchange rates. These exposures arise primarily from purchases or sales of products and services from third parties. Foreign currency forward exchange contracts provide for the purchase or sale of foreign currencies at specified future dates at specified exchange rates, and are used to offset changes in the fair value of certain assets or liabilities or forecasted cash flows resulting from transactions denominated in foreign currencies. At June 29, 2019, the Company had outstanding foreign currency forward exchange contracts principally to sell U.S. dollars with notional amounts of $327.5 million. These notional values consist primarily of contracts for the British pound sterling, Canadian dollar, and European euro and are stated in U.S. dollar equivalents at spot exchange rates at the respective dates. During the thirty-nine week period ended June 29, 2019, the losses the Company recognized on foreign currency forward exchange contracts designated as fair value hedges in the condensed consolidated statement of income is immaterial. During the thirty-nine week period ended June 29, 2019, the Company reclassified losses on foreign currency forward exchange contracts designated as cash flow hedges of $0.4 million to net sales in the condensed consolidated income statement. The losses were previously recorded as a component of accumulated other comprehensive (loss) income in stockholders' deficit.

During the thirty-nine week period ended June 29, 2019, the Company recorded a gain of $0.2 million on foreign currency forward exchange contracts that have not been designated as accounting hedges. These foreign currency exchange gains are included in selling and administrative expenses.

There was an immaterial impact to the Company's earnings related to the ineffective portion of any hedging instruments during the thirty-nine week period ended June 29, 2019. In addition, there was an immaterial impact to the Company's earnings when a hedged firm commitment no longer qualified as a fair value hedge or when a hedged forecasted transaction no longer qualified as a cash flow hedge during the thirty-nine week period ended June 29, 2019.

Amounts related to foreign currency forward exchange contracts included in accumulated other comprehensive (loss) income in stockholders' deficit are reclassified into earnings when the hedged transaction settles. The Company expects to reclassify approximately $6.2 million of net losses into earnings over the next 12 months. The maximum duration of the Company's foreign currency cash flow hedge contracts at June 29, 2019 was 24 months.

13. SEGMENTS

The Company's businesses are organized and managed in three reporting segments: Power & Control, Airframe and Non-aviation.

The Power & Control segment includes operations that primarily develop, produce and market systems and components that predominately provide power to or control power of the aircraft utilizing electronic, fluid, power and mechanical motion control technologies. Major product offerings include mechanical/electro-mechanical actuators and controls, ignition systems and engine technology, specialized pumps and valves, power conditioning devices, specialized AC/DC electric motors and generators, databus and power controls, advanced sensor products, switches and relay panels, high performance hoists, winches and lifting devices and cargo loading and handling systems. Primary customers of this segment are engine and power system and subsystem suppliers, airlines, third party maintenance suppliers, military buying agencies and repair depots. Products are sold in the original equipment and aftermarket market channels.

The Airframe segment includes operations that primarily develop, produce and market systems and components that are used in non-power airframe applications utilizing airframe and cabin structure technologies. Major product offerings include engineered latching and locking devices, rods and locking devices, engineered connectors and elastomers, cockpit security components and systems, aircraft audio systems, specialized lavatory components, seat belts and safety restraints, engineered interior surfaces and related components, advanced displays, thermal protection, lighting and control technology, military personnel parachutes and cargo delivery systems. Primary customers of this segment are airframe manufacturers and cabin system suppliers and subsystem suppliers, airlines, third party maintenance suppliers, military buying agencies and repair depots. Products are sold in the original equipment and aftermarket market channels.

The Non-aviation segment includes operations that primarily develop, produce and market products for non-aviation markets. Major product offerings include interconnect solutions for harsh environments serving customers primarily in aerospace, defense and space end markets, interface solutions serving leading OEMs in the medical, commercial, industrial, diagnostics and gaming end markets, seat belts and safety restraints for ground transportation applications, mechanical/electro-mechanical actuators and controls for space applications, hydraulic/electromechanical actuators and fuel valves for land based gas turbines, and refueling systems for heavy equipment used in mining, construction and other industries and turbine controls for the energy and oil and gas markets. Primary customers of this segment are off-road vehicle suppliers and subsystem suppliers, child restraint system suppliers, satellite and space system suppliers, manufacturers of heavy equipment used in mining, construction and other industries and turbine original equipment manufacturers, gas pipeline builders and electric utilities.

The Esterline businesses were acquired during the second quarter of fiscal 2019 and preliminarily assessed as a separate segment of the Company. During the third quarter of fiscal 2019, the Esterline businesses were integrated into TransDigm's existing Power & Control, Airframe and Non-aviation segments. Previously reported operating results for the Esterline segment were reclassified to conform to the presentation for the thirteen and thirty-nine weeks ended June 29, 2019. The re-segmentation did not impact prior period results.

The primary measurement used by management to review and assess the operating performance of each segment is EBITDA As Defined. The Company defines EBITDA As Defined as earnings before interest, taxes, depreciation and amortization plus certain non-operating items recorded as corporate expenses including refinancing costs, acquisition-related costs, transaction-related costs, foreign currency gains and losses, and non-cash compensation charges incurred in connection with the Company's stock incentive plans. Acquisition-related costs represent 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 the Company's operations, facility relocation costs and other acquisition-related costs; transaction related costs comprising deal fees; legal, financial and tax diligence expenses and valuation costs that are required to be expensed as incurred and other acquisition accounting adjustments.

EBITDA As Defined is not a measurement of financial performance under GAAP. Although the Company uses EBITDA As Defined to assess the performance of its business and for various other purposes, the use of this non-GAAP financial measure as an analytical tool has limitations, and it should not be considered in isolation or as a substitute for analysis of the Company's results of operations as reported in accordance with GAAP.

The Company's segments are reported on the same basis used internally for evaluating performance and for allocating resources. The accounting policies for each segment are the same as those described in the summary of significant accounting policies in the Company's consolidated financial statements. Intersegment sales and transfers are recorded at values based on market prices, which creates intercompany profit on intersegment sales or transfers that is eliminated in consolidation. Intersegment sales were immaterial for the periods presented below. Certain corporate-level expenses are allocated to the operating segments.

The following table presents net sales by reportable segment (in thousands):

	Thirteen Week Periods Ended		Thirty-Nine Week Periods Ended	
	June 29, 2019	June 30, 2018	June 29, 2019	June 30, 2018
Net sales to external customers				
Power & Control				
Commercial OEM	$ 142,539	$ 130,935	$ 404,207	$ 367,818
Commercial Aftermarket	185,727	180,895	524,631	500,098
Defense	293,631	235,075	854,096	690,167
Esterline [(1)]	146,651	—	177,106	—
Total Power & Control	768,548	546,905	1,960,040	1,558,083
Airframe				
Commercial OEM	153,218	137,030	437,567	368,172
Commercial Aftermarket	197,750	179,337	567,208	511,156
Defense	103,264	82,229	284,765	222,443
Esterline [(1)]	257,304	—	319,820	—
Total Airframe	711,536	398,596	1,609,360	1,101,771
Total Non-aviation	178,235	35,161	278,159	101,838
	$ 1,658,319	$ 980,662	$ 3,847,559	$ 2,761,692

(1) The sales market classifications associated with the acquired Esterline businesses are currently being assessed by TransDigm management to ensure the reported market classifications are in compliance with TransDigm policy and being computed consistently with that of the existing TransDigm legacy businesses. Therefore, the sales associated with the Esterline acquisition are excluded from the market classifications reported above as of June 29, 2019.

The following table reconciles EBITDA As Defined by segment to consolidated income from continuing operations before income taxes (in thousands):

	Thirteen Week Periods Ended		Thirty-Nine Week Periods Ended	
	June 29, 2019	June 30, 2018	June 29, 2019	June 30, 2018
EBITDA As Defined				
Power & Control	$ 377,469	$ 288,202	$ 1,005,955	$ 808,539
Airframe	306,027	196,746	740,146	541,171
Non-aviation	45,172	11,075	73,207	30,392
Total segment EBITDA As Defined	728,668	496,023	1,819,308	1,380,102
Unallocated corporate expenses	37,671	8,882	69,865	28,305
Total Company EBITDA As Defined	690,997	487,141	1,749,443	1,351,797
Depreciation and amortization expense	71,318	33,925	147,544	95,534
Interest expense - net	241,292	167,577	614,701	489,776
Acquisition-related costs	136,385	10,381	186,451	16,940
Stock compensation expense	31,809	13,708	70,082	36,411
Refinancing costs	106	4,159	3,540	5,910
Other, net	4,568	(8,150)	4,658	3,534
Income from continuing operations before income taxes	$ 205,519	$ 265,541	$ 722,467	$ 703,692

The following table presents total assets by segment (in thousands):

	June 29, 2019	September 30, 2018
Total assets		
Power & Control	$ 7,587,184	$ 5,698,524
Airframe	7,371,933	4,091,011
Non-aviation	1,284,616	234,770
Corporate	1,458,865	2,173,162
	$ 17,702,598	$ 12,197,467

The Company's sales principally originate from the United States, and the Company's long-lived assets are principally located in the United States.

14. RETIREMENT BENEFITS

The components of total pension cost were as follows (in thousands):

	Thirteen Week Periods Ended				Thirty-Nine Week Periods Ended			
	June 29, 2019		June 30, 2018		June 29, 2019		June 30, 2018	
	U.S. Pension Plans	Non-U.S. Pension Plans	U.S. Pension Plans	Non-U.S. Pension Plans	U.S. Pension Plans	Non-U.S. Pension Plans	U.S. Pension Plans	Non-U.S. Pension Plans
Service cost	$ 1,974	$ 1,516	$ 73	$ 54	$ 2,921	$ 2,054	$ 218	$ 162
Interest cost	3,251	1,467	189	46	4,914	2,014	519	136
Expected return on plan assets	(4,574)	(1,705)	(131)	—	(6,654)	(2,356)	(390)	2
Amortization of actuarial loss	93	4	79	6	272	11	205	17
Amortization of transition obligation	90	—	50	—	258	—	149	—
Total pension cost	$ 834	$ 1,282	$ 260	$ 106	$ 1,711	$ 1,723	$ 701	$ 317

The defined benefit plan components of total pension cost, other than service cost, are included in other income (expense) in the Company's condensed consolidated statements of income.

Pension costs related to the Esterline acquisition are based on the acquisition method of accounting and an in-process third-party valuation appraisal. The valuation is preliminary and may change in future periods as the valuation is refined and finalized during the allowable one year measurement period.

15. ACCUMULATED OTHER COMPREHENSIVE (LOSS) INCOME

The following table presents the components of accumulated other comprehensive (loss) income, net of taxes, for the thirty-nine week period ended June 29, 2019 (in thousands):

	Unrealized (loss) gain on derivatives designated and qualifying as cash flow hedges [1]	Defined benefit pension plan activity [2]	Currency translation adjustment	Total
Balance at September 30, 2018	$ 67,191	$ (10,729)	$ (52,362)	$ 4,100
Current-period other comprehensive (loss) gain	(210,585)	(215)	27,603	(183,197)
Amounts reclassified from AOCI related to derivative instruments	3,322	—	—	3,322
Balance at June 29, 2019	$ (140,072)	$ (10,944)	$ (24,759)	$ (175,775)

(1) Unrealized (loss) gain represents derivative instruments, net of taxes of $22,281 and $(954) for the thirteen week periods ended June 29, 2019 and June 30, 2018, respectively and $63,761 and $(25,679) for the thirty-nine week periods ended June 29, 2019 and June 30, 2018, respectively.

(2) Defined benefit pension plan and other postretirement plan activity represents pension liability adjustments, net of taxes of $130 and $79 for the thirteen and thirty-nine week periods ended June 29, 2019, respectively.

A summary of reclassifications out of accumulated other comprehensive (loss) income for the thirty-nine week periods ended June 29, 2019 and June 30, 2018 is provided below (in thousands):

	Amount reclassified	
	Thirty-Nine Week Periods Ended	
Description of reclassifications out of accumulated other comprehensive (loss) income	June 29, 2019	June 30, 2018
Amortization from redesignated interest rate swap and cap agreements [1]	$ 2,277	$ 2,816
Losses from settlement of foreign currency forward exchange contracts [2]	413	—
Deferred tax expense (benefit) on reclassifications out of accumulated other comprehensive (loss) income	632	(777)
Losses reclassified into earnings, net of tax	$ 3,322	$ 2,039

(1) This component of accumulated other comprehensive (loss) income is included in interest expense (see Note 12, “Derivatives and Hedging Activities,” for additional information).

(2) This component of accumulated other comprehensive (loss) income is included in net sales (see Note 12, “Derivatives and Hedging Activities,” for additional information).

16. SUPPLEMENTAL GUARANTOR INFORMATION

TransDigm Inc.’s 2022 Notes, 2024 Notes, 2025 Notes, 6.375% 2026 Notes, 2026 Secured Notes and 2027 Notes are jointly and severally guaranteed, on a senior subordinated basis, by TD Group, TransDigm UK Holdings plc ("TransDigm UK") and TransDigm Inc.’s Domestic Restricted Subsidiaries, as defined in the applicable Indentures. TransDigm UK's 6.875% 2026 Notes are jointly and severally guaranteed, on a senior subordinated basis, by TD Group, TransDigm Inc. and TransDigm Inc.'s Domestic Restricted Subsidiaries as defined in the applicable indenture. The following supplemental condensed consolidating financial information presents, in separate columns, the balance sheets of the Company as of June 29, 2019 and September 30, 2018 and its statements of income and comprehensive income and cash flows for the thirty-nine week periods ended June 29, 2019 and June 30, 2018 for (i) TransDigm Group on a parent only basis with its investment in subsidiaries recorded under the equity method, (ii) TransDigm Inc. including its directly owned operations and non-operating entities, excluding TransDigm UK, (iii) TransDigm UK (iv) the Subsidiary Guarantors (other than TransDigm UK) on a combined basis, (v) Non-Guarantor Subsidiaries and (vi) the Company on a consolidated basis.

Separate financial statements of TransDigm Inc. are not presented because TransDigm Inc.’s 2022 Notes, 2024 Notes, 2025 Notes, 6.375% 2026 Notes, 2026 Secured Notes and 2027 Notes are fully and unconditionally guaranteed on a senior subordinated basis by TD Group, TransDigm UK and all of TransDigm Inc's Domestic Restricted Subsidiaries and because TD Group has no significant operations or assets separate from its investment in TransDigm Inc.

Separate financial statements of TransDigm UK are not presented because TransDigm UK's 6.875% 2026 Notes, issued in May 2018, are fully and unconditionally guaranteed on a senior subordinated basis by TD Group, TransDigm Inc. and all of TransDigm Inc.'s Domestic Restricted Subsidiaries.

TRANSDIGM GROUP INCORPORATED
CONDENSED CONSOLIDATING BALANCE SHEET
AS OF JUNE 29, 2019
(Amounts in thousands)

	TransDigm Group	TransDigm Inc.	TransDigm UK	Subsidiary Guarantors	Non-Guarantor Subsidiaries	Eliminations	Total Consolidated
ASSETS							
CURRENT ASSETS:							
Cash and cash equivalents	$ 6,036	$ 2,295,239	$ 280	$ (12,394)	$ 427,651	$ —	$ 2,716,812
Trade accounts receivable - Net	—	—	—	214,145	948,200	—	1,162,345
Inventories - Net	—	52,727	—	922,218	453,696	(14,707)	1,413,934
Prepaid expenses and other	—	29,572	—	44,549	43,983	—	118,104
Total current assets	6,036	2,377,538	280	1,168,518	1,873,530	(14,707)	5,411,195
INVESTMENT IN SUBSIDIARIES AND INTERCOMPANY BALANCES	(1,327,280)	20,451,875	974,678	11,087,173	5,835,834	(37,022,280)	—
PROPERTY, PLANT AND EQUIPMENT - NET	—	18,615	—	482,399	244,524	—	745,538
GOODWILL	—	82,924	—	6,453,835	2,147,904	—	8,684,663
OTHER INTANGIBLE ASSETS - NET	—	25,670	—	1,900,577	807,767	—	2,734,014
DEFERRED INCOME TAXES	—	18,270	—	7	44,498	—	62,775
OTHER	—	9,619	—	34,290	20,504	—	64,413
TOTAL ASSETS	$ (1,321,244)	$ 22,984,511	$ 974,958	$ 21,126,799	$ 10,974,561	$ (37,036,987)	$ 17,702,598
LIABILITIES AND STOCKHOLDERS' (DEFICIT) EQUITY							
CURRENT LIABILITIES:							
Current portion of long-term debt	$ —	$ 75,656	$ —	$ 1,745	$ 3,462	$ —	$ 80,863
Short-term borrowings - trade receivable securitization facility	—	—	—	—	299,951	—	299,951
Accounts payable	—	16,556	—	166,610	127,282	—	310,448
Accrued liabilities	—	252,767	4,297	213,292	219,022	—	689,378
Total current liabilities	—	344,979	4,297	381,647	649,717	—	1,380,640
LONG-TERM DEBT	—	15,905,437	491,023	57,770	41,655	—	16,495,885
DEFERRED INCOME TAXES	—	560,530	—	19	80,453	—	641,002
OTHER NON-CURRENT LIABILITIES	—	265,776	—	152,382	77,527	—	495,685
Total liabilities	—	17,076,722	495,320	591,818	849,352	—	19,013,212
TD GROUP STOCKHOLDERS' (DEFICIT) EQUITY	(1,321,244)	5,907,789	479,638	20,534,981	10,114,579	(37,036,987)	(1,321,244)
NONCONTROLLING INTEREST	—	—	—	—	10,630	—	10,630
TOTAL LIABILITIES AND STOCKHOLDERS' (DEFICIT) EQUITY	$ (1,321,244)	$ 22,984,511	$ 974,958	$ 21,126,799	$ 10,974,561	$ (37,036,987)	$ 17,702,598

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TRANSDIGM GROUP INCORPORATED
CONDENSED CONSOLIDATING BALANCE SHEET
AS OF SEPTEMBER 30, 2018
(Amounts in thousands)

	TransDigm Group	TransDigm Inc.	TransDigm UK	Subsidiary Guarantors	Non-Guarantor Subsidiaries	Eliminations	Total Consolidated
ASSETS							
CURRENT ASSETS:							
Cash and cash equivalents	$ 389	$ 1,821,437	$ 125	$ (1,763)	$ 252,829	$ —	$ 2,073,017
Trade accounts receivable - Net	—	—	—	40,916	663,394	—	704,310
Inventories - Net	—	45,262	—	648,574	115,913	(4,457)	805,292
Prepaid expenses and other	—	16,231	—	47,020	11,417	—	74,668
Total current assets	389	1,882,930	125	734,747	1,043,553	(4,457)	3,657,287
INVESTMENT IN SUBSIDIARIES AND INTERCOMPANY BALANCES	(1,808,860)	10,459,497	1,099,886	8,928,726	2,160,236	(20,839,485)	—
PROPERTY, PLANT AND EQUIPMENT - NET	—	15,562	—	319,567	53,204	—	388,333
GOODWILL	—	97,002	—	5,466,148	660,140	—	6,223,290
OTHER INTANGIBLE ASSETS - NET	—	31,362	—	1,514,983	242,059	—	1,788,404
OTHER	—	104,633	—	29,805	5,715	—	140,153
TOTAL ASSETS	$ (1,808,471)	$ 12,590,986	$ 1,100,011	$ 16,993,976	$ 4,164,907	$ (20,843,942)	$ 12,197,467
LIABILITIES AND STOCKHOLDERS' (DEFICIT) EQUITY							
CURRENT LIABILITIES:							
Current portion of long-term debt	$ —	$ 75,817	$ —	$ —	$ —	$ —	$ 75,817
Short-term borrowings - trade receivable securitization facility	—	—	—	—	299,519	—	299,519
Accounts payable	—	18,470	—	115,735	39,398	—	173,603
Accrued liabilities	—	118,600	13,274	162,618	56,951	—	351,443
Total current liabilities	—	212,887	13,274	278,353	395,868	—	900,382
LONG-TERM DEBT	—	12,011,166	490,780	—	—	—	12,501,946
DEFERRED INCOME TAXES	—	345,357	—	(2,329)	56,468	—	399,496
OTHER NON-CURRENT LIABILITIES	—	77,573	—	104,829	21,712	—	204,114
Total liabilities	—	12,646,983	504,054	380,853	474,048	—	14,005,938
TD GROUP STOCKHOLDERS' (DEFICIT) EQUITY	(1,808,471)	(55,997)	595,957	16,613,123	3,690,859	(20,843,942)	(1,808,471)
NONCONTROLLING INTEREST	—	—	—	—	—	—	—
TOTAL LIABILITIES AND STOCKHOLDERS' (DEFICIT) EQUITY	$ (1,808,471)	$ 12,590,986	$ 1,100,011	$ 16,993,976	$ 4,164,907	$ (20,843,942)	$ 12,197,467

TRANSDIGM GROUP INCORPORATED
CONDENSED CONSOLIDATING STATEMENT OF INCOME AND COMPREHENSIVE INCOME
FOR THE THIRTY-NINE WEEK PERIOD ENDED JUNE 29, 2019
(Amounts in thousands)

	TransDigm Group	TransDigm Inc.	TransDigm UK	Subsidiary Guarantors	Non-Guarantor Subsidiaries	Eliminations	Total Consolidated
NET SALES	$ —	$ 136,514	$ —	$ 2,981,434	$ 872,715	$ (143,104)	$ 3,847,559
COST OF SALES	—	144,252	—	1,285,205	576,295	(143,104)	1,862,648
GROSS PROFIT	—	(7,738)	—	1,696,229	296,420	—	1,984,911
SELLING AND ADMINISTRATIVE EXPENSES	—	198,924	14	257,146	105,223	—	561,307
AMORTIZATION OF INTANGIBLE ASSETS	—	(7,047)	—	66,588	25,445	—	84,986
(LOSS) INCOME FROM OPERATIONS	—	(199,615)	(14)	1,372,495	165,752	—	1,338,618
INTEREST EXPENSE (INCOME) - NET	—	604,886	26,501	(6,605)	(10,081)	—	614,701
REFINANCING COSTS	—	3,272	268	—	—	—	3,540
OTHER (INCOME) EXPENSE	—	(69,698)	89,539	(593,642)	571,711	—	(2,090)
EQUITY IN INCOME OF SUBSIDIARIES	(542,900)	(1,280,975)	—	—	—	1,823,875	—
INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	542,900	542,900	(116,322)	1,972,742	(395,878)	(1,823,875)	722,467
INCOME TAX PROVISION	—	—	—	112,108	67,075	—	179,183
INCOME (LOSS) FROM CONTINUING OPERATIONS INCLUDING NONCONTROLLING INTERESTS	542,900	542,900	(116,322)	1,860,634	(462,953)	(1,823,875)	543,284
LOSS FROM DISCONTINUED OPERATIONS, NET OF TAX	—	—	—	—	—	—	—
NET INCOME (LOSS) INCLUDING NONCONTROLLING INTERESTS	542,900	542,900	(116,322)	1,860,634	(462,953)	(1,823,875)	543,284
NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	—	—	—	—	(384)	—	(384)
NET INCOME (LOSS) ATTRIBUTABLE TO TD GROUP	$ 542,900	$ 542,900	$ (116,322)	$ 1,860,634	$ (463,337)	$ (1,823,875)	$ 542,900
OTHER COMPREHENSIVE (LOSS) INCOME, NET OF TAX	(179,875)	57,853	—	12,290	(9,011)	(61,132)	(179,875)
TOTAL COMPREHENSIVE INCOME (LOSS)	$ 363,025	$ 600,753	$ (116,322)	$ 1,872,924	$ (472,348)	$ (1,885,007)	$ 363,025

TRANSDIGM GROUP INCORPORATED
CONDENSED CONSOLIDATING STATEMENT OF INCOME AND COMPREHENSIVE INCOME
FOR THE THIRTY-NINE WEEK PERIOD ENDED JUNE 30, 2018
(Amounts in thousands)

	TransDigm Group	TransDigm Inc.	TransDigm UK	Subsidiary Guarantors	Non-Guarantor Subsidiaries	Eliminations	Total Consolidated
NET SALES	$ —	$ 118,783	$ —	$ 2,243,838	$ 459,571	$ (60,500)	$ 2,761,692
COST OF SALES	—	68,022	—	895,381	278,545	(60,500)	1,181,448
GROSS PROFIT	—	50,761	—	1,348,457	181,026	—	1,580,244
SELLING AND ADMINISTRATIVE EXPENSES	—	74,949	—	200,298	50,961	—	326,208
AMORTIZATION OF INTANGIBLE ASSETS	—	1,038	—	46,533	6,222	—	53,793
(LOSS) INCOME FROM OPERATIONS	—	(25,226)	—	1,101,626	123,843	—	1,200,243
INTEREST EXPENSE (INCOME) - NET	—	478,341	2,569	(4)	8,870	—	489,776
REFINANCING COSTS	—	5,839	71	—	—	—	5,910
OTHER (INCOME) EXPENSE	—	(241)	—	(1,646)	2,752	—	865
EQUITY IN INCOME OF SUBSIDIARIES	(728,299)	(913,523)	—	—	—	1,641,822	—
INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	728,299	404,358	(2,640)	1,103,276	112,221	(1,641,822)	703,692
INCOME TAX PROVISION	—	(323,941)	—	283,975	12,416	—	(27,550)
INCOME (LOSS) FROM CONTINUING OPERATIONS INCLUDING NONCONTROLLING INTERESTS	728,299	728,299	(2,640)	819,301	99,805	(1,641,822)	731,242
LOSS FROM DISCONTINUED OPERATIONS, NET OF TAX	—	—	—	(2,310)	(633)	—	(2,943)
NET INCOME (LOSS) INCLUDING NONCONTROLLING INTERESTS	728,299	728,299	(2,640)	816,991	99,172	(1,641,822)	728,299
NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	—	—	—	—	—	—	—
NET INCOME (LOSS) ATTRIBUTABLE TO TD GROUP	$ 728,299	$ 728,299	$ (2,640)	$ 816,991	$ 99,172	$ (1,641,822)	$ 728,299
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX	61,426	66,480	—	8,553	(15,123)	(59,910)	61,426
TOTAL COMPREHENSIVE INCOME (LOSS)	$ 789,725	$ 794,779	$ (2,640)	$ 825,544	$ 84,049	$ (1,701,732)	$ 789,725

TRANSDIGM GROUP INCORPORATED
CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
FOR THE THIRTY-NINE WEEK PERIOD ENDED JUNE 29, 2019
(Amounts in thousands)

	TransDigm Group	TransDigm Inc.	TransDigm UK	Subsidiary Guarantors	Non-Guarantor Subsidiaries	Eliminations	Total Consolidated
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	$ —	$ (420,927)	$ (110,835)	$ 1,951,008	$ (660,749)	$ 9,859	$ 768,356
INVESTING ACTIVITIES:							
Capital expenditures	—	(2,760)	—	(69,992)	(7,669)	—	(80,421)
Payments made in connection with acquisitions, net of cash acquired	—	(3,923,850)	—	(33,094)	—	—	(3,956,944)
Net cash used in investing activities	—	(3,926,610)	—	(103,086)	(7,669)	—	(4,037,365)
FINANCING ACTIVITIES:							
Intercompany activities	(34,323)	946,145	112,012	(1,858,553)	844,578	(9,859)	—
Proceeds from exercise of stock options	64,279	—	—	—	—	—	64,279
Dividend equivalent payments	(24,309)	—	—	—	—	—	(24,309)
Repayment on term loans	—	(57,321)	—	—	—	—	(57,321)
Cash tender and redemption of 2020 Notes	—	(550,000)	—	—	—	—	(550,000)
Proceeds from 2027 Notes, net	—	544,462	—	—	—	—	544,462
Proceeds from 2026 Secured Notes, net	—	3,935,715	—	—	—	—	3,935,715
Financing fees and other	—	2,338	(1,022)	—	(2,502)	—	(1,186)
Net cash provided by (used in) financing activities	5,647	4,821,339	110,990	(1,858,553)	842,076	(9,859)	3,911,640
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	—	—	—	—	1,164	—	1,164
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	5,647	473,802	155	(10,631)	174,822	—	643,795
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	389	1,821,437	125	(1,763)	252,829	—	2,073,017
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 6,036	$ 2,295,239	$ 280	$ (12,394)	$ 427,651	$ —	$ 2,716,812

TRANSDIGM GROUP INCORPORATED
CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
FOR THE THIRTY-NINE WEEK PERIOD ENDED JUNE 30, 2018
(Amounts in thousands)

	TransDigm Group	TransDigm Inc.	TransDigm UK	Subsidiary Guarantors	Non-Guarantor Subsidiaries	Eliminations	Total Consolidated
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	$ —	$ (291,416)	$ 2,110	$ 863,173	$ 117,043	$ —	$ 690,910
INVESTING ACTIVITIES:							
Capital expenditures	—	(1,372)	—	(41,999)	(6,726)	—	(50,097)
Payments made in connection with acquisitions, net of cash acquired	—	(582,262)	—	—	—	—	(582,262)
Proceeds in connection with sale of discontinued operations	—	57,686	—	—	—	—	57,686
Net cash used in investing activities	—	(525,948)	—	(41,999)	(6,726)	—	(574,673)
FINANCING ACTIVITIES:							
Intercompany activities	14,035	1,392,169	(492,371)	(820,946)	(92,887)	—	—
Proceeds from exercise of stock options	40,621	—	—	—	—	—	40,621
Dividend equivalent payments	(56,148)	—	—	—	—	—	(56,148)
Proceeds from term loans, net	—	12,779,772	—	—	—	—	12,779,772
Repayment on term loans	—	(12,155,198)	—	—	—	—	(12,155,198)
Proceeds from 6.875% 2026 Notes, net	—	—	490,411	—	—	—	490,411
Financing fees and other	—	(9,904)	—	—	—	—	(9,904)
Net cash (used in) provided by financing activities	(1,492)	2,006,839	(1,960)	(820,946)	(92,887)	—	1,089,554
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	—	—	—	—	(2,979)	—	(2,979)
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(1,492)	1,189,475	150	228	14,451	—	1,202,812
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	2,416	439,473	—	(203)	208,875	—	650,561
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 924	$ 1,628,948	$ 150	$ 25	$ 223,326	$ —	$ 1,853,373

17. SUBSEQUENT EVENTS

On July 21, 2019, TransDigm and certain of its subsidiaries entered into a binding offer (the “Put Agreement”) with Eaton Corporation plc (“Eaton”) for the acquisition by Eaton of the shares of Souriau SAS, Souriau USA Inc. and Sunbank Family of Companies LLC (collectively, the “Souriau-Sunbank Companies”). Pursuant to the terms of the Put Agreement, after completion of the consultation process with the French works council, TransDigm will have the right to require Eaton to enter into a securities purchase agreement (the “Purchase Agreement”) providing for the purchase by Eaton from the TransDigm of the shares of the Souriau-Sunbank Companies. Pursuant to the terms of the Purchase Agreement, Eaton will purchase the shares of the Souriau-Sunbank Companies for approximately $920 million. The Souriau-Sunbank Companies were acquired by TransDigm as part of its acquisition of Esterline in March 2019 and are included within TransDigm's Non-aviation segment. In addition to the consultation with the French works council, the transaction is subject to execution and delivery of the Purchase Agreement and other definitive agreements, the satisfaction or waiver of customary closing conditions and receipt of required regulatory approvals. The transaction is expected to be completed during the first quarter of fiscal 2020.

On July 30, 2019, the Company amended its $350 million trade receivable securitization facility to extend the maturity date to July 28, 2020. As of June 29, 2019, the Company has borrowed $300 million under the trade receivable securitization facility and has an unused borrowing capacity of $50 million. The trade receivable securitization facility is collateralized by substantially all of the Company’s domestic operations’ trade accounts receivable.

On August 6, 2019, the Company announced that TD Group's Board of Directors authorized and declared a special cash dividend of $30.00 on each outstanding share of common stock and cash dividend equivalent payments on options granted under its stock incentive plans. The record date for the special dividend is August 16, 2019, and the payment date for the dividend is August 23, 2019. The total cash payment related to the special dividend and dividend equivalent payments in the fourth quarter of fiscal 2019 will be approximately $1.7 billion.

On August 6, 2019, TransDigm entered into a definitive agreement with an affiliate of KPS Capital Partners, LP pursuant to which TransDigm agreed to sell the Esterline Interface Technology group of businesses (the “EIT Companies”) for approximately $190 million. The EIT Companies were acquired by TransDigm as part of its acquisition of Esterline in March 2019 and are included within TransDigm's Non-aviation segment. Subject to regulatory approvals and customary closing conditions, the sale is expected to be completed during the first quarter of fiscal 2020.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Forward-looking Statements

The following discussion of the Company's financial condition and results of operations should be read together with TD Group's consolidated financial statements and the related notes included elsewhere in this Quarterly Report on Form 10-Q. References in this section to "TransDigm," "the Company," "we," "us," "our," and similar references refer to TD Group, TransDigm Inc. and TransDigm Inc.'s subsidiaries, unless the context otherwise indicates.

This Quarterly Report on Form 10-Q includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, including, in particular, the statements about the Company's plans, strategies and prospects under this section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations." When used in this Quarterly Report on Form 10-Q, the words "believe," "may," "will," "should," "expect," "intend," "plan," "predict," "anticipate," "estimate" or "continue" and other words and terms of similar meaning are intended to identify forward-looking statements. Although the Company believes that its plans, intentions and expectations reflected in or suggested by such forward-looking statements are reasonable, such forward-looking statements are subject to a number of risks and uncertainties that could cause actual results to differ materially from the forward-looking statements made in this report. Many such factors are outside the control of the Company. Consequently, such forward-looking statements should be regarded solely as our current plans, estimates and beliefs. 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.

Important factors that could cause actual results to differ materially from the forward-looking statements made in this Quarterly Report on Form 10-Q 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 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; 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 and costs associated with our international sales and operations; and other factors. Please refer to the other information included in this Quarterly Report on Form 10-Q and to Item 1A of the Annual Report on Form 10-K for additional information regarding the foregoing factors that may affect our business.

Overview

We believe we are a leading global designer, producer and supplier of highly engineered aircraft components for use on nearly every commercial and military aircraft in service today. Our business is well diversified due to the broad range of products we offer to our customers. Some of our more significant product offerings, substantially all of which are ultimately provided to end-users in the aerospace industry, include mechanical/electro-mechanical actuators and controls, ignition systems and engine technology, specialized pumps and valves, power conditioning devices, specialized AC/DC electric motors and generators, NiCad batteries and chargers, engineered latching and locking devices, rods and locking devices, engineered connectors and elastomers, databus and power controls, cockpit security components and systems, specialized cockpit displays, aircraft audio systems, specialized lavatory components, seat belts and safety restraints, engineered interior surfaces and related components, advanced sensor products, switches and relay panels, advanced displays, thermal protection and insulation, lighting and control technology, military personnel parachutes, high performance hoists, winches and lifting devices, and cargo loading, handling and delivery systems. Each of these product offerings is composed of many individual products that are typically customized to meet the needs of a particular aircraft platform or customer.

On March 14, 2019, TransDigm completed its acquisition of Esterline Technologies Corporation ("Esterline"). Refer to Note 3, "Acquisitions and Divestitures," for further information on this acquisition. Esterline includes a collection of businesses that primarily develop, produce and market products for the aerospace and defense industry. TransDigm evaluated the strategic fit and description of each Esterline reporting unit to determine the appropriate business segment for the reporting unit. Each Esterline reporting unit is included in one of TransDigm's segments: Power and Control, Airframe, or Non-aviation.

For the third quarter of fiscal year 2019, we generated net sales of $1,658.3 million and net income attributable to TD Group of $144.5 million. EBITDA As Defined was $691.0 million, or 41.7% of net sales. See the "Non-GAAP Financial Measures" section for certain information regarding EBITDA and EBITDA As Defined, including reconciliations of EBITDA and EBITDA As Defined to net income and net cash provided by operating activities.

Critical Accounting Policies and Estimates

The preparation and fair presentation of the consolidated unaudited interim financial statements and accompanying notes included in this report are the responsibility of management. The financial statements and footnotes have been prepared in accordance with U.S. generally accepted accounting principles for interim financial statements and contain certain amounts that were based upon management's best estimates, judgments and assumptions that were believed to be reasonable under the circumstances. On an ongoing basis, we evaluate the accounting policies and estimates used to prepare financial statements. Estimates are based on historical experience, judgments and assumptions believed to be reasonable under current facts and circumstances. Actual amounts and results could differ from these estimates used by management.

A comprehensive discussion of the Company's critical accounting policies and management estimates and significant accounting policies followed in the preparation of the financial statements is included in Item 7 of our Annual Report on Form 10-K for the fiscal year ended September 30, 2018. Other than the adoption of ASC 606, "Revenue from Contracts with Customers," and an update to the Company's pension benefits policy, there have been no significant changes in critical accounting policies, management estimates or accounting policies followed since the fiscal year ended September 30, 2018. With an increase in the significance of pension benefits at the Company after the acquisition of Esterline, the key assumptions in the Company's accounting policy for pension benefits was refreshed. Refer to Note 4, "Recent Accounting Pronouncements," and Note 5, "Revenue Recognition," for a discussion of accounting standards recently adopted or required to be adopted in the future.

Pension Benefits: The Company accounts for pension expense using the end of the fiscal year as our measurement date. Management selects appropriate assumptions including discount rate, rate of increase in future compensation levels and assumed long-term rate of return on plan assets. The assumptions are based upon historical results, the current economic environment and reasonable expectations of future events. Actual results which vary from our assumptions are accumulated and amortized over future periods, and accordingly, are recognized in expense in these periods. Significant differences between the assumptions and actual experience or significant changes in assumptions could impact the pension costs and the pension obligation.

Acquisitions

Recent acquisitions and divestitures are described in Note 3, "Acquisitions and Divestitures," and Note 17, "Subsequent Events," to the condensed consolidated financial statements.

Results of Operations

The following table sets forth, for the periods indicated, certain operating data of the Company, including presentation of the amounts as a percentage of net sales (amounts in thousands):

	Thirteen Week Periods Ended			
	June 29, 2019	% of Sales	June 30, 2018	% of Sales
Net sales	$ 1,658,319	100.0 %	$ 980,662	100.0 %
Cost of sales	896,845	54.1 %	411,142	41.9 %
Selling and administrative expenses	274,557	16.6 %	112,816	11.5 %
Amortization of intangible assets	41,889	2.5 %	19,224	2.0 %
Income from operations	445,028	26.8 %	437,480	44.6 %
Interest expense, net	241,292	14.6 %	167,577	17.1 %
Refinancing costs	106	— %	4,159	0.4 %
Other (income) expense	(1,889)	(0.1)%	203	— %
Income tax provision	60,909	3.7 %	48,150	4.9 %
Income from continuing operations including noncontrolling interests	144,610	8.7 %	217,391	22.2 %
Net income attributable to noncontrolling interests	(160)	— %	—	— %
Net income from continuing operations attributable to TD Group	144,450	8.7 %	217,391	22.2 %
Loss from discontinued operations, net of tax	—	— %	(145)	— %
Net income attributable to TD Group	$ 144,450	8.7 %	$ 217,246	22.2 %

	Thirty-Nine Week Periods Ended			
	June 29, 2019	% of Sales	June 30, 2018	% of Sales
Net sales	$ 3,847,559	100.0 %	$ 2,761,692	100.0 %
Cost of sales	1,862,648	48.4 %	1,181,448	42.8 %
Selling and administrative expenses	561,307	14.6 %	326,208	11.8 %
Amortization of intangible assets	84,986	2.2 %	53,793	2.0 %
Income from operations	1,338,618	34.8 %	1,200,243	43.5 %
Interest expense, net	614,701	15.9 %	489,776	17.7 %
Refinancing costs	3,540	0.1 %	5,910	0.2 %
Other (income) expense	(2,090)	(0.1)%	865	— %
Income tax provision	179,183	4.7 %	(27,550)	(1.0)%
Income from continuing operations including noncontrolling interests	543,284	14.1 %	731,242	26.5 %
Net income attributable to noncontrolling interests	(384)	— %	—	— %
Net income from continuing operations attributable to TD Group	542,900	14.1 %	731,242	26.5 %
Loss from discontinued operations, net of tax	—	— %	(2,943)	(0.1)%
Net income attributable to TD Group	$ 542,900	14.1 %	$ 728,299	26.4 %

Changes in Results of Operations

Thirteen week period ended June 29, 2019 compared with the thirteen week period ended June 30, 2018

Total Company

- ***Net Sales.*** Net organic sales and acquisition sales and the related dollar and percentage changes for the thirteen week periods ended June 29, 2019 and June 30, 2018 were as follows (amounts in millions):

	Thirteen Week Periods Ended			
	June 29, 2019	June 30, 2018	Change	% Change Total Sales
Organic sales	$ 1,096.9	$ 980.7	116.2	11.8%
Acquisition sales	561.4	—	561.4	57.2%
	$ 1,658.3	$ 980.7	$ 677.6	69.0%

The increase in organic sales for the thirteen week period ended June 29, 2019 compared to the thirteen week period ended June 30, 2018, is primarily related to an increase in defense sales ($58.4 million, an increase of 17.5%), commercial OEM sales ($23.8 million, an increase of 9.4%), and commercial aftermarket sales ($28.6 million, an increase of 8.3%).

Acquisition sales represent sales of acquired businesses for the period up to one year subsequent to their respective acquisition dates. The amount of acquisition sales displayed in the table above for the thirteen week period ended June 29, 2019 are attributable to the acquisitions of Esterline, Skandia, and Extant.

- ***Cost of Sales and Gross Profit.*** Cost of sales increased by $485.7 million, or 118.1%, to $896.8 million for the thirteen week period ended June 29, 2019 compared to $411.1 million for the thirteen week period ended June 30, 2018. Cost of sales and the related percentage of total sales for the thirteen week periods ended June 29, 2019 and June 30, 2018 were as follows (amounts in millions):

	Thirteen Week Periods Ended			
	June 29, 2019	June 30, 2018	Change	% Change
Cost of sales - excluding costs below	$ 790.3	$ 412.4	$ 377.9	91.6%
% of total sales	47.7%	42.1 %		
Inventory acquisition accounting adjustments	88.9	3.2	85.7	2,678.1%
% of total sales	5.4%	0.3 %		
Foreign currency loss (gain)	5.1	(9.4)	14.5	154.3%
% of total sales	0.3%	(1.0)%		
Acquisition integration costs	9.3	3.5	5.8	165.7%
% of total sales	0.6%	0.4 %		
Stock compensation expense	3.2	1.4	1.8	128.6%
% of total sales	0.2%	0.1 %		
Total cost of sales	$ 896.8	$ 411.1	$ 485.7	118.1%
% of total sales	54.1%	41.9 %		
Gross profit	$ 761.5	$ 569.5	$ 192.0	33.7%
Gross profit percentage	45.9%	58.1 %		

The increase in the dollar amount of cost of sales during the thirteen week period ended June 29, 2019 was primarily due to increased sales volume, both organic and from recent acquisitions, an increase in inventory acquisition accounting adjustments resulting from the Esterline acquisition, losses in foreign currency and an increase in acquisition integration costs as presented in the table above.

Gross profit as a percentage of sales decreased by 12.2 percentage points to 45.9% for the thirteen week period ended June 29, 2019 from 58.1% for the thirteen week period ended June 30, 2018. The dollar amount of gross profit increased by $192.0 million, or 33.7%, for the quarter ended June 29, 2019 compared to the comparable quarter in the prior year due to the following factors:

- Gross profit on the sales from acquisitions included above (excluding acquisition-related costs) was approximately $215.1 million for the quarter ended June 29, 2019, which represented gross profit of approximately 38% of acquisition sales.
- Organic sales growth as described above, application of our three core value-driven operating strategies (obtaining profitable new business, continually improving our cost structure, and providing highly engineered value-added products to customers) and positive leverage on our fixed overhead costs spread over a higher production volume resulted in an increase in gross profit of approximately $84.7 million for the quarter ended June 29, 2019.
- Offsetting increases in gross profit by $107.8 million compared to the same period in the prior fiscal year was attributable to increased inventory acquisition accounting adjustments, foreign currency losses, higher integration costs and stock compensation expense.

- ***Selling and Administrative Expenses.*** Selling and administrative expenses increased by $161.8 million to $274.6 million, or 16.5% of sales, for the thirteen week period ended June 29, 2019 from $112.8 million, or 11.6% of sales, for the thirteen week period ended June 30, 2018. Selling and administrative expenses and the related percentage of total sales for the thirteen week periods ended June 29, 2019 and June 30, 2018 were as follows (amounts in millions):

	Thirteen Week Periods Ended			
	June 29, 2019	June 30, 2018	Change	% Change
Selling and administrative expenses - excluding costs below	$ 207.9	$ 96.8	$ 111.1	114.8%
% of total sales	12.5%	9.9%		
Acquisition-related expenses	38.1	3.7	34.4	929.7%
% of total sales	2.3%	0.4%		
Stock compensation expense	28.6	12.3	16.3	132.5%
% of total sales	1.7%	1.3%		
Total selling and administrative expenses	$ 274.6	$ 112.8	$ 161.8	143.4%
% of total sales	16.5%	11.6%		

The increase in the dollar amount of selling and administrative expenses during the quarter ended June 29, 2019 is primarily due to higher acquisition-related expenses of $34.4 million, higher stock compensation expense of $16.3 million and higher selling and administrative expenses resulting from the businesses acquired in fiscal 2018 and fiscal 2019. Also contributing to the increase in selling and administrative expenses was a $16.1 million payment of a voluntary refund to several U.S. Department of Defense agencies during the quarter ended June 29, 2019.

- ***Amortization of Intangible Assets.*** Amortization of intangible assets was $41.9 million for the quarter ended June 29, 2019 compared to $19.2 million in the quarter ended June 30, 2018. The increase in amortization expense of $22.7 million was primarily due to the amortization expense on the definite-lived intangible assets recorded in connection with the fiscal 2019 acquisition of Esterline.

- ***Refinancing Costs.*** Refinancing costs of $0.1 million were recorded for the quarter ended June 29, 2019 primarily related to the debt financing activities that occurred in the second quarter of fiscal 2019. Refinancing costs of $4.2 million were recorded for the quarter ended June 30, 2018 representing debt issuance costs expensed in connection with the fiscal year 2018 debt financing activity.

- ***Interest Expense-Net.*** Interest expense-net includes interest on borrowings outstanding, amortization of debt issuance costs, original issue discount and premium and revolving credit facility fees slightly offset by interest income. Interest expense-net increased $73.7 million, or 44.0%, to $241.3 million for the quarter ended June 29, 2019 from $167.6 million for the comparable quarter last year. The net increase in interest expense-net was primarily due to an increase in the weighted average level of outstanding borrowings, which was approximately $17.0 billion for the quarter ended June 29, 2019 and approximately $13.0 billion for the quarter ended June 30, 2018. The increase in the weighted average level of borrowings was primarily due to the activity in the second quarter of fiscal 2019 consisting of the issuance of $4.0 billion in 2026 Secured Notes and $550 million in 2027 Notes and the activity in the third quarter of fiscal 2018 consisting of the issuance of additional term loans of $700 million (gross) and issuance of $500 million in 6.875% 2026 Notes. The increases in new debt described above were partially offset by principal payments made on the term loans over the comparable period and redemption of the 2020 Notes. The weighted average interest rate for cash interest payments on the total borrowings outstanding at June 29, 2019 was 5.7%.

- ***Income Taxes.*** Income tax expense as a percentage of income before income taxes was approximately 29.6% for the quarter ended June 29, 2019 compared to 18.1% for the quarter ended June 30, 2018. The Company's higher effective tax rate for the thirteen week period ended June 29, 2019 was primarily due to a net interest expense limitation under IRC Section 163(j) resulting from the provisions of The Tax Cuts and Jobs Act described in Note 10, "Income Taxes" in addition to a discrete detriment associated with the entity restructuring in anticipation of the Souriau-Sunbank Companies transaction described further in Note 17, "Subsequent Events." The Company’s effective tax rate for the period ended June 29, 2019 was higher than the Federal statutory rate of 21% primarily resulting from a net interest expense limitation under IRC Section 163(j), foreign earnings taxed at rates higher than the U.S. statutory rate, the taxes resulting from the entity restructuring described above offset by the benefit associated with the deduction for foreign-derived intangible income (FDII) and excess tax benefits for share-based payments.

- ***Loss from Discontinued Operations***. On January 26, 2018, the Company completed the sale of Schroth in a management buyout to a private equity fund and certain members of Schroth management for approximately $61.4 million which included a working capital adjustment of $0.3 million paid in July 2018. There was no activity from the discontinued operations for the quarter ended June 29, 2019. Loss from discontinued operations was $0.1 million for the quarter ended June 30, 2018.

- ***Net Income Attributable to TD Group.*** Net income attributable to TD Group decreased $72.8 million, or 33.5%, to $144.5 million for the quarter ended June 29, 2019 compared to net income attributable to TD Group of $217.2 million for the quarter ended June 30, 2018, primarily as a result of the factors referred to above.
- ***Earnings per Share.*** Basic and diluted earnings per share was $2.57 for the quarter ended June 29, 2019 and $3.91 per share for the quarter ended June 30, 2018. There was no impact on earnings per share from discontinued operations for the quarter ended June 29, 2019 and June 30, 2018.

Business Segments

- ***Segment Net Sales.*** Net sales by segment for the thirteen week periods ended June 29, 2019 and June 30, 2018 were as follows (amounts in millions):

	Thirteen Week Periods Ended					
	June 29, 2019	% of Sales	June 30, 2018	% of Sales	Change	% Change
Power & Control	$ 768.6	46.4%	$ 546.9	55.8%	$ 221.7	40.5%
Airframe	711.5	42.9%	398.6	40.6%	312.9	78.5%
Non-aviation	178.2	10.7%	35.2	3.6%	143.0	406.3%
	$ 1,658.3	100.0%	$ 980.7	100.0%	$ 677.6	69.1%

Acquisition sales for the Power & Control segment totaled $154.8 million, an increase of 28.3%, resulting from the acquisitions of Esterline and Extant. Organic sales for the Power & Control segment increased $66.9 million, an increase of 12.2%, for the thirteen week period ended June 29, 2019 compared to the thirteen week period ended June 30, 2018. The organic sales increase resulted primarily from increases in defense sales ($39.1 million, an increase of 15.6%), commercial aftermarket sales ($13.6 million, an increase of 8.2%) and commercial OEM sales ($10.9 million, an increase of 9.2%).

Acquisition sales for the Airframe segment totaled $265.3 million, or an increase of 66.6%, resulting from the acquisitions of Esterline and Skandia. Organic sales for the Airframe segment increased $47.6 million, an increase of 11.9%, for the thirteen week period ended June 29, 2019 compared to the thirteen week period ended June 30, 2018. The organic sales increase resulted primarily from increases in defense sales ($19.5 million, an increase of 23.7%), commercial aftermarket sales ($15.0 million, an increase of 8.4%) and commercial OEM sales ($12.9 million, an increase of 9.8%).

Acquisition sales for the Non-aviation segment totaled $141.4 million, or an increase of 401.7%, resulting from the acquisition of Esterline. Organic sales for the Non-aviation segment increased by $1.6 million, an increase of 4.6%, for the thirteen week period ended June 29, 2019 compared to the thirteen week period ended June 30, 2018.

- ***EBITDA As Defined.*** EBITDA As Defined by segment for the thirteen week periods ended June 29, 2019 and June 30, 2018 were as follows (amounts in millions):

	Thirteen Week Periods Ended					
	June 29, 2019	% of Segment Sales	June 30, 2018	% of Segment Sales	Change	% Change
Power & Control	$ 377.5	49.1%	$ 288.2	52.7%	$ 89.3	31.0%
Airframe	306.0	43.0%	196.7	49.4%	109.3	55.6%
Non-aviation	45.2	25.3%	11.1	31.5%	34.1	307.2%
	$ 728.7	43.9%	$ 496.0	50.6%	$ 232.7	46.9%

EBITDA As Defined for the Power & Control segment from the acquisitions of Esterline and Extant was approximately $41.3 million for the thirteen week period ended June 29, 2019. Organic EBITDA As Defined for the Power & Control segment increased approximately $48.0 million, an increase of 16.7%, resulting from organic sales growth in defense, commercial aftermarket, and commercial OEM along with the application of our three core value-driven operating strategies and positive leverage on our fixed overhead costs spread over a higher production volume.

EBITDA As Defined for the Airframe segment from the acquisitions of Esterline and Skandia was approximately $84.8 million for the thirteen week period ended June 29, 2019. Organic EBITDA As Defined for the Airframe segment increased approximately $24.5 million, an increase of 12.5%, resulting from organic sales growth in defense, commercial aftermarket, and commercial OEM along with the application of our three core value-driven operating strategies, and positive leverage on our fixed overhead costs spread over a higher production volume.

EBITDA As Defined for the Non-aviation segment from the acquisition of Esterline was approximately $32.5 million for the thirteen week period ended June 29, 2019. Organic EBITDA As Defined for the Non-aviation segment increased approximately $1.6 million, an increase of 14.4%.

Thirty-nine week period ended June 29, 2019 compared with the thirty-nine week period ended June 30, 2018

Total Company

- ***Net Sales.*** Net organic sales and acquisition sales and the related dollar and percentage changes for the thirty-nine week periods ended June 29, 2019 and June 30, 2018 were as follows (amounts in millions):

	Thirty-Nine Week Periods Ended			
	June 29, 2019	June 30, 2018	Change	% Change Total Sales
Organic sales	$ 3,079.0	$ 2,761.7	$ 317.3	11.5%
Acquisition sales	768.6	—	768.6	27.8%
	$ 3,847.6	$ 2,761.7	$ 1,085.9	39.3%

The increase in organic sales for the thirty-nine week period ended June 29, 2019 compared to the thirty-nine week period ended June 30, 2018, is primarily related to an increase in defense sales ($158.5 million, an increase of 17.1%), commercial OEM sales ($77.7 million, an increase of 11.0%), and commercial aftermarket sales ($74.4 million, and increase of 7.5%).

Acquisition sales represent sales of acquired businesses for the period up to one year subsequent to their respective acquisition dates. The amount of acquisition sales displayed in the table above for the thirty-nine week period ended June 29, 2019 were attributable to the acquisitions of Esterline, Skandia, Extant and Kirkhill.

- ***Cost of Sales and Gross Profit.*** Cost of sales increased by $681.2 million, or 57.7%, to $1,862.6 million for the thirty-nine week period ended June 29, 2019 compared to $1,181.4 million for the thirty-nine week period ended June 30, 2018. Cost of sales and the related percentage of total sales for the thirty-nine week periods ended June 29, 2019 and June 30, 2018 were as follows (amounts in millions):

	Thirty-Nine Week Periods Ended			
	June 29, 2019	June 30, 2018	Change	% Change
Cost of sales - excluding costs below	$ 1,731.9	$ 1,168.8	$ 563.1	48.2%
% of total sales	45.0%	42.3 %		
Inventory acquisition accounting adjustments	109.3	3.2	106.1	3,315.6%
% of total sales	2.8%	0.1 %		
Acquisition integration costs	12.1	7.0	5.1	72.9%
% of total sales	0.3%	0.3 %		
Foreign currency loss (gain)	2.3	(1.2)	3.5	291.7%
% of total sales	0.1%	— %		
Stock compensation expense	7.0	3.6	3.4	94.4%
% of total sales	0.2%	0.1 %		
Total cost of sales	$ 1,862.6	$ 1,181.4	$ 681.2	57.7%
% of total sales	48.4%	42.8 %		
Gross profit	$ 1,984.9	$ 1,580.2	$ 404.7	25.6%
Gross profit percentage	51.6%	57.2 %		

The increase in the dollar amount of cost of sales during the thirty-nine week period ended June 29, 2019 was primarily due to increased sales volume, both organic and from recent acquisitions, an increase in inventory acquisition accounting adjustments resulting from the Esterline acquisition, foreign currency losses and an increase in acquisition integration costs as presented in the table above.

Gross profit as a percentage of sales decreased by 5.6 percentage points to 51.6% for the thirty-nine week period ended June 29, 2019 from 57.2% for the thirty-nine week period ended June 30, 2018. The dollar amount of gross profit increased by $404.7 million, or 25.6%, for the thirty-nine week period ended June 29, 2019 compared to the thirty-nine week period in the prior year due to the following items:

- Gross profit on the sales from the acquisitions indicated above (excluding acquisition-related costs) was approximately $280.8 million for the thirty-nine week period ended June 29, 2019, which represented gross profit of approximately 36% of the acquisition sales.
- Organic sales growth described above, application of our three core value-driven operating strategies (obtaining profitable new business, continually improving our cost structure, and providing highly engineered value-added products to

customers) and positive leverage on our fixed overhead costs spread over a higher production volume resulted in an increase in gross profit of approximately $242.0 million for the thirty-nine week period ended June 29, 2019.

- Offsetting increases in gross profit by $118.1 million compared to the same period in the prior fiscal year was attributable to increased inventory acquisition accounting adjustments, foreign currency losses, stock compensation expense and acquisition integration costs.

- ***Selling and Administrative Expenses.*** Selling and administrative expenses increased by $235.1 million to $561.3 million, or 14.6% of sales, for the thirty-nine week period ended June 29, 2019 from $326.2 million, or 11.8% of sales, for the thirty-nine week period ended June 30, 2018. Selling and administrative expenses and the related percentage of total sales for the thirty-nine week periods ended June 29, 2019 and June 30, 2018 were as follows (amounts in millions):

	Thirty-Nine Week Periods Ended			
	June 29, 2019	June 30, 2018	Change	% Change
Selling and administrative expenses - excluding costs below	$ 433.2	$ 286.6	$ 146.6	51.2%
% of total sales	11.3%	10.4%		
Acquisition-related expenses	65.0	6.8	58.2	855.9%
% of total sales	1.7%	0.2%		
Stock compensation expense	63.1	32.8	30.3	92.4%
% of total sales	1.6%	1.2%		
Total selling and administrative expenses	$ 561.3	$ 326.2	$ 235.1	72.1%
% of total sales	14.6%	11.8%		

The increase in the dollar amount of selling and administrative expenses during the thirty-nine week period ended June 29, 2019 is primarily due to higher acquisition-related expenses of $58.2 million, higher stock compensation expense of $30.3 million and higher selling and administration expenses resulting from the businesses acquired in fiscal 2018 and fiscal 2019, particularly Esterline. Also contributing to the increase in selling and administrative expenses was a $16.1 million payment of a voluntary refund to several U.S. Department of Defense agencies during the quarter ended June 29, 2019.

- ***Amortization of Intangible Assets.*** Amortization of intangible assets was $85.0 million for the thirty-nine week period ended June 29, 2019 compared to $53.8 million in the thirty-nine week period ended June 30, 2018. The increase in amortization expense of $31.2 million was primarily due to the amortization expense on the definite-lived intangible assets recorded in connection with the fiscal 2019 acquisition of Esterline.

- ***Refinancing Costs.*** Refinancing costs of $3.5 million were recorded for the thirty-nine week period ended June 29, 2019 and primarily related to the debt financing activities that occurred in the second quarter of fiscal 2019. Refinancing costs of $5.9 million were recorded for the thirty-nine week period ended June 30, 2018 representing debt issuance costs expensed in connection with the fiscal 2018 debt financing activity.

- ***Interest Expense-net.*** Interest expense-net includes interest on borrowings outstanding, amortization of debt issuance costs, original issue discount and premium and revolving credit facility fees slightly offset by interest income. Interest expense-net increased $124.9 million, or 25.5%, to $614.7 million for the thirty-nine week period ended June 29, 2019 from $489.8 million for the comparable thirty-nine week period last year. The net increase in interest expense-net was primarily due to an increase in the weighted average level of outstanding borrowings, which was approximately $15.1 billion for the thirty-nine week period ended June 29, 2019 and approximately $12.5 billion for the thirty-nine week period ended June 30, 2018. The increase in weighted average level of borrowings was primarily due to the activity in the second quarter of fiscal 2019 consisting of the issuance of $4.0 billion in 2026 Secured Notes and $550 million in 2027 Notes and the activity in the third quarter of fiscal 2018 consisting of issuing additional term loans of $700 million (gross) and issuing $500 million in 6.875% 2026 Notes. The increases in new debt described above were partially offset by principal payments on the term loans over the comparable period and redemption of the 2020 Notes. The weighted average interest rate for cash interest payments on total borrowings outstanding at June 29, 2019 was 4.2%.

- ***Income Taxes***. Income tax expense as a percentage of income before income taxes was approximately 24.8% for the thirty-nine week period ended June 29, 2019 compared to (3.9)% for the thirty-nine week period ended June 30, 2018. The Company's higher effective tax rate for the thirty-nine week period ended June 29, 2019 was due to the discrete benefit recognized in the thirty-nine week period ended June 30, 2018 related to the enactment of the Tax Cuts and Jobs Act along with additional taxes recognized in the thirty-nine week period ended June 29, 2019 as described in Note 10, "Income Taxes".

- ***Loss from Discontinued Operations.*** On January 26, 2018, the Company completed the sale of Schroth in a management buyout to a private equity fund and certain members of Schroth management for approximately $61.4 million which included a working capital adjustment of $0.3 million paid in July 2018. There was no activity from the discontinued operations for the thirty-nine week period ended June 29, 2019. The loss from discontinued operations was $2.9 million for the thirty-nine week period ended June 30, 2018.

- ***Net Income Attributable to TD Group.*** Net income attributable to TD Group decreased $185.4 million, or 25.5%, to $542.9 million for the thirty-nine week period ended June 29, 2019 compared to net income attributable to TD Group of $728.3 million for the thirty-nine week period ended June 30, 2018, primarily as a result of the factors referred to above.
- ***Earnings per Share.*** Basic and diluted earnings per share was $9.22 for the thirty-nine week period ended June 29, 2019 and $12.09 per share for the thirty-nine week period ended June 30, 2018. There was no impact on earnings per share from discontinued operations for the thirty-nine week period ended June 29, 2019. For the thirty-nine week period ended June 30, 2018, basic and diluted earnings (loss) per share from continuing operations and discontinued operations were $12.14 and $(0.05), respectively. Net income attributable to TD Group for the thirty-nine week period ended June 29, 2019 of $542.9 million was decreased by dividend equivalent payments of $24.3 million, or $0.43 per share, resulting in net income available to common shareholders of $518.6 million, or $9.22 per share. Net income for the thirty-nine week period ended June 30, 2018 of $728.3 million was decreased by dividend equivalent payments of $56.1 million, or $1.01 per share, resulting in net income available to common shareholders of $672.2 million, or $12.09 per share.

Business Segments

- ***Segment Net Sales.*** Net sales by segment for the thirty-nine week period ended June 29, 2019 and June 30, 2018 were as follows (amounts in millions):

	Thirty-Nine Week Periods Ended					
	June 29, 2019	% of Sales	June 30, 2018	% of Sales	Change	% Change
Power & Control	$ 1,960.0	51.0%	$ 1,558.1	56.4%	$ 401.9	25.8%
Airframe	1,609.4	41.8%	1,101.8	39.9%	507.6	46.1%
Non-aviation	278.2	7.2%	101.8	3.7%	176.4	173.3%
	$ 3,847.6	100.0%	$ 2,761.7	100.0%	$ 1,085.9	39.3%

Acquisition sales for the Power & Control segment totaled $222.9 million, or an increase of 14.3%, resulting from the acquisitions of Esterline and Extant. Organic sales for the Power & Control segment increased $179.0 million, an increase of 11.5%, for the thirty-nine week period ended June 29, 2019 compared to the thirty-nine week period ended June 30, 2018. The organic sales increase resulted primarily from an increase in defense sales ($113.6 million, an increase of 16.2%), an increase in commercial OEM sales ($31.7 million, an increase of 9.3%), and an increase commercial aftermarket sales ($30.5 million, an increase of 6.4%).

Acquisition sales for the Airframe segment totaled $375.3 million, or an increase of 34.1%, resulting from the acquisitions of Esterline, Skandia and Kirkhill. Organic sales for the Airframe business increased $132.3 million, an increase of 12.0%, for the thirty-nine week period ended June 29, 2019 compared to the thirty-nine week period ended June 30, 2018. The organic sales increase resulted primarily from increases in defense sales ($44.9 million, an increase of 20.2%), commercial OEM sales ($43.9 million, an increase of 12.2%) and commercial aftermarket sales ($43.8 million, an increase of 8.6%).

Acquisition sales for the Non-aviation segment totaled $170.4 million, or an increase of 167.3%, resulting from the acquisition of Esterline. Organic sales for the Non-aviation segment increased by $6.0 million, an increase of 6.0%, for the thirty-nine week period ended June 29, 2019 compared to the thirty-nine week period ended June 30, 2018.

- ***EBITDA As Defined.*** EBITDA As Defined by segment for the thirty-nine week periods ended June 29, 2019 and June 30, 2018 were as follows (amounts in millions):

	Thirty-Nine Week Periods Ended					
	June 29, 2019	% of Segment Sales	June 30, 2018	% of Segment Sales	Change	% Change
Power & Control	$ 1,006.0	51.3%	$ 808.5	51.9%	$ 197.5	24.4%
Airframe	740.1	46.0%	541.2	49.1%	198.9	36.8%
Non-aviation	73.2	26.3%	30.4	29.8%	42.8	140.8%
	$ 1,819.3	47.3%	$ 1,380.1	50.0%	$ 439.2	31.8%

EBITDA As Defined for the Power & Control segment from the acquisitions of Esterline and Extant was approximately $65.3 million for the thirty-nine week period ended June 29, 2019. Organic EBITDA As Defined for the Power & Control segment increased approximately $132.2 million, an increase of 16.4%, resulting from organic sales growth in defense, commercial OEM and commercial aftermarket, as well as the application of our three core value-driven operating strategies, and positive leverage on our fixed overhead costs spread over a higher production volume.

EBITDA As Defined for the Airframe segment from the acquisitions of Esterline, Skandia and Kirkhill was approximately $99.4 million for the thirty-nine week period ended June 29, 2019. Organic EBITDA as Defined for the Airframe segment increased approximately $99.5 million, an increase of 18.4%, resulting from organic sales growth in defense, commercial OEM, and commercial aftermarket, as well as the application of our three core value-driven operating strategies, and positive leverage on our fixed overhead costs spread over a higher production volume.

EBITDA As Defined for the Non-aviation segment from the acquisition of Esterline was approximately $38.0 million for the thirty-nine week period ended June 29, 2019. Organic EBITDA As Defined for the Non-aviation segment increased approximately $4.8 million, an increase of 15.8%.

Backlog

As of June 29, 2019, the Company estimated its sales order backlog at $3,856 million compared to an estimated sales order backlog of $2,018 million as of June 30, 2018. The increase in backlog is due to growth from recent acquisitions, particularly the Esterline acquisition, and organic growth in the commercial aftermarket, commercial OEM and defense markets. The majority of the purchase orders outstanding as of June 29, 2019 are scheduled for delivery within the next twelve months. Purchase orders may be subject to cancellation or deferral by the customer prior to shipment. The level of unfilled purchase orders at any given date during the year will be materially affected by the timing of the Company's receipt of purchase orders and the speed with which those orders are filled. Accordingly, the Company's backlog as of June 29, 2019 may not necessarily represent the actual amount of shipments or sales for any future period.

Foreign Operations

Although we manufacture a significant portion of our products in the United States, we manufacture certain products in Europe, Asia, Canada, Mexico and other countries globally. We sell our products in the United States as well as in foreign countries. Although the majority of sales of our products are made to customers (including distributors) located in the United States, our products are ultimately sold to and used by customers, including airlines and other end users of aircraft, throughout the world. A number of risks inherent in international operations could have a material adverse effect on our results of operations, including currency fluctuations, difficulties in staffing and managing multi-national operations, general economic and political uncertainties and potential for social unrest in countries in which we operate, limitations on our ability to enforce legal rights and remedies, restrictions on the repatriation of funds, change in trade policies, tariff regulation, difficulties in obtaining export and import licenses and the risk of government financed competition.

There can be no assurance that foreign governments will not adopt regulations or take other action that would have a direct or indirect adverse impact on the business or market opportunities of the Company within such governments' countries. Furthermore, there can be no assurance that the political, cultural and economic climate outside the United States will be favorable to our operations and growth strategy.

Liquidity and Capital Resources

We have historically maintained a capital structure comprising a mix of equity and debt financing. We vary our leverage both to optimize our equity return and to pursue acquisitions. We expect to meet our current debt obligations as they come due through internally generated funds from current levels of operations and/or through refinancing in the debt markets prior to the maturity dates of our debt.

We continually evaluate our debt facilities to assess whether they most efficiently and effectively meet the current and future needs of our business. The Company evaluates from time to time the appropriateness of its current leverage, taking into consideration the Company's debt holders, equity holders, credit ratings, acquisition opportunities and other factors.

If the Company has excess cash, it generally prioritizes allocating the excess cash in the following manner: (1) capital spending at existing businesses, (2) acquisitions of businesses, (3) payment of a special dividend and/or repurchases of our common stock and (4) prepayment of indebtedness or repurchase of debt. Whether the Company undertakes common stock repurchases or other aforementioned activities will depend on prevailing market conditions, the Company's liquidity requirements, contractual restrictions and other factors. The amounts involved may be material. In addition, the Company may issue additional debt if prevailing market conditions are favorable to doing so.

The Company's ability to make scheduled interest payments on, or to refinance, the Company's indebtedness, or to fund non-acquisition related capital expenditures and research and development efforts, will depend on the Company's ability to generate cash in the future. This is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond its control.

As a result of the debt financing activity during the second quarter of fiscal 2019, interest payments will increase going forward in accordance with the terms of the related debt agreements. However, in connection with the continued application of our three core value-driven operating strategies (obtaining profitable new business, continually improving our cost structure and providing highly engineered value-added products to customers), we expect our efforts will continue to generate strong margins and provide more than sufficient cash provided by operating activities to meet our interest obligations and liquidity needs. We believe our cash provided by operating activities and available borrowing capacity will enable us to make opportunistic investments in our own stock, make strategic business combinations and/or pay dividends to our shareholders. On August 6, 2019, the Company announced that TD Group's Board of Directors authorized and declared a special cash dividend of $30.00 on each outstanding share of common stock and cash dividend equivalent payments on options granted under its stock incentive plans. The record date for the special dividend is August 16, 2019, and the payment date for the dividend is August 23, 2019. The total cash payment related to the special dividend and dividend equivalent payments in the fourth quarter of fiscal 2019 will be approximately $1.7 billion.

Operating Activities. The Company generated $768.4 million of net cash from operating activities during the thirty-nine week period ended June 29, 2019 compared to $690.9 million during the thirty-nine week period ended June 30, 2018.

The change in accounts receivable during the thirty-nine week period ended June 29, 2019 was a use of cash of $65.3 million compared to a use of cash of $0.9 million during the thirty-nine week period ended June 30, 2018. The increase in the use of cash of $64.5 million is primarily attributable to an increase in sales and related timing of receipt of payment from customers.

The change in inventories during the thirty-nine week period ended June 29, 2019 was a use of cash of $100.0 million compared to a use of cash of $25.2 million during the thirty-nine week period ended June 30, 2018. The increase in the use of cash is related to an increase in backlog and expected order fulfillments in the fourth fiscal quarter.

The change in accounts payable during the thirty-nine week period ended June 29, 2019 was a use of cash of $7.4 million compared to a source of cash of $0.7 million during the thirty-nine week period ended June 30, 2018.

Investing Activities. Net cash used in investing activities was $4,037.4 million during the thirty-nine week period ended June 29, 2019, consisting of capital expenditures of $80.4 million and payments for acquisitions, net of cash acquired, of $3,956.9 million which is primarily comprised of the acquisitions of Esterline for $3,923.9 million and NavCom for $27.0 million.

Net cash used in investing activities was $574.7 million during the thirty-nine week period ended June 30, 2018 consisting of capital expenditures of $50.1 million and payments for acquisitions of $582.3 million which is primarily comprised of the acquisitions of Kirkhill for $49.3 million and Extant for $532.5 million. The uses of cash related to investing activities was partially offset by the cash proceeds received from the sale of Schroth of $57.7 million.

Financing Activities. Net cash provided by financing activities during the thirty-nine week period ended June 29, 2019 was $3,911.6 million. The source of cash was primarily attributable to $4,479.2 million in net proceeds from the completion of the 2026 Secured Notes and 2027 Notes offerings in the second quarter of fiscal 2019 and $64.3 million in proceeds from stock option exercises. Sources were partially offset by the cash tender and redemption of the 2020 Notes for $550.0 million, repayments on term loans of $57.3 million, and the payment of $24.3 million in dividend equivalent payments in the second quarter of fiscal 2019.

Net cash provided by financing activities during the thirty-nine week period ended June 30, 2018 was $1,089.6 million. The source of cash was primarily attributable to the net proceeds of $678.6 million from the fiscal 2018 term loan activity and the net proceeds of $490.4 million from the issuance of the 2026 Notes in the third quarter of fiscal 2018, along with $40.6 million in proceeds from stock option exercises. Partially offsetting these sources of cash was $56.1 million in dividend equivalent payments and $54.0 million in debt service payments on term loans.

Description of Senior Secured Term Loans and Indentures

Senior Secured Term Loans Facility

TransDigm has $7,542.6 million in fully drawn term loans (the "Term Loans Facility") and a $760.0 million revolving credit facility. The Term Loans Facility consists of three tranches of term loans as follows (aggregate principal amount disclosed is as of June 29, 2019):

Term Loans Facility	Aggregate Principal	Maturity Date	Interest Rate
Tranche E	$2,226.8 million	May 30, 2025	LIBO rate + 2.5%
Tranche F	$3,533.0 million	June 9, 2023	LIBO rate + 2.5%
Tranche G	$1,782.8 million	August 22, 2024	LIBO rate + 2.5%

The Term Loans Facility requires quarterly aggregate principal payments of $19.1 million. The revolving commitments consist of two tranches which includes up to $151.5 million of multicurrency revolving commitments. At June 29, 2019, the Company had $34.0 million in letters of credit outstanding and $726.0 million in borrowings available under the revolving commitments.

The interest rates per annum applicable to the loans under the Credit Agreement are, at TransDigm's option, equal to either an alternate base rate or an adjusted LIBO rate for one, two, three or six-month (or to the extent agreed to by each relevant lender, nine or twelve-month) interest periods chosen by TransDigm, in each case plus an applicable margin percentage. The adjusted LIBO rate related to the tranche E, tranche F and tranche G term loans are not subject to a floor. For the thirty-nine week period ended June 29, 2019, the applicable interest rates ranged from approximately 4.7% to 5.0% on the existing term loans. Interest rate swaps and caps used to hedge and offset, respectively, the variable interest rates on the credit facility are described in Note 12, "Derivatives and Hedging Activities," to the condensed consolidated financial statements.

Recent Amendments to the Credit Agreement

On November 30, 2017, the Company entered into Amendment No. 4 to the Second Amended and Restated Credit Agreement (“Amendment No. 4”). Pursuant to Amendment No. 4, TransDigm, among other things, converted approximately $798.2 million of existing tranche D term loans into additional tranche F term loans and decreased the margin applicable to the existing tranche E term loans and tranche F term loans to LIBO rate plus 2.75% per annum and also removed the LIBO rate floor of 0.75%. The terms and conditions (other than maturity date and pricing) that apply to the tranche F term loans are substantially the same as the terms and conditions that apply to the tranche D term loans immediately prior to Amendment No. 4.

On February 22, 2018, the Company entered into a refinancing facility agreement to the Second Amended and Restated Credit Agreement. TransDigm, among other things, incurred new tranche G term loans in an aggregate principal amount equal to $1,809 million and repaid in full all of the existing tranche G term loans outstanding under the Second and Amended Restated Credit Agreement immediately prior to the refinancing facility agreement. The refinancing facility agreement also decreased the margin applicable to the tranche G term loans to LIBO rate plus 2.5% per annum. The terms and conditions that apply to the tranche G term loans, excluding pricing, are substantially the same as the terms and conditions that apply to the tranche G term loans immediately prior to the refinancing facility agreement.

On May 30, 2018, the Company entered into Amendment No. 5 to the Second Amended and Restated Credit Agreement ("Amendment No. 5"). Pursuant to Amendment No. 5, TransDigm, among other things, incurred new tranche E term loans in an aggregate principal amount equal to $1,322.0 million, and repaid in full all of the existing tranche E term loans outstanding under the Second Amended and Restated Credit Agreement immediately prior to Amendment No. 5. The Company also incurred incremental tranche E term loans in an aggregate principal amount equal to $933.0 million. The new tranche E term loans and incremental tranche E term loans mature on May 30, 2025. Amendment No. 5 also decreased the margin applicable to the new tranche E term loans to LIBO rate plus 2.5% per annum. The terms and conditions that apply to the tranche E term loans, other than the maturity date and margin, are substantially the same as the terms and conditions that apply to the tranche E term loans immediately prior to Amendment No. 5.

Additionally, pursuant to Amendment No. 5, the Company incurred new tranche F term loans in an aggregate principal amount equal to $3,577.7 million, and repaid in full all of the existing tranche F term loans outstanding under the Second and Amended Restated Credit Agreement immediately prior to Amendment No. 5. Amendment No. 5 also decreased the margin applicable to the tranche F term loans to LIBO rate plus 2.5% per annum.

Under the terms of Amendment No. 5, the maturity date of the existing $600.0 million revolving credit facility was extended to December 28, 2022. The terms and conditions that applied to the revolving credit facility upon execution of Amendment No. 5 , other than the maturity date, were substantially the same as the terms and conditions that applied to the revolving credit facility immediately prior to Amendment No. 5.

Amendment No. 5 extended our ability to make certain additional restricted payments (including the ability of the Company to declare or pay dividends or repurchase stock) in an aggregate amount not to exceed $1.5 billion, so long as, among other conditions, the consolidated secured net debt ratio is no greater than 4.00 to 1.00 (in the case of share repurchases) or the consolidated net leverage ratio is no greater than 6.75 to 1.00 (in the case of dividends or other distributions), in each case, after giving pro forma effect to such transactions. As there were no dividends or share repurchases paid prior to December 31, 2018, up to $500 million may be used to repurchase stock in future periods. No share repurchases were made during the quarter ended June 29, 2019.

On March 14, 2019, the Company entered into Amendment No. 6 to the Second Amended and Restated Credit Agreement ("Amendment No. 6"). Under the terms of Amendment No. 6, the capacity of the revolving credit facility increased from $600 million to $760 million. The revolving commitments consist of two tranches which include up to $151.5 million of multicurrency revolving commitments. The terms and conditions that apply to the revolving credit facility, other than the additional revolving credit commitments, are substantially the same as the terms and conditions that applied to the revolving credit facility immediately prior to Amendment No. 6.

Indentures

Senior Subordinated Notes	Aggregate Principal	Maturity Date	Interest Rate
2022 Notes	$1,150 million	July 15, 2022	6.00%
2024 Notes	$1,200 million	July 15, 2024	6.50%
2025 Notes	$750 million	May 15, 2025	6.50%
2026 Secured Notes	$4,000 million	March 15, 2026	6.250%
6.875% 2026 Notes	$500 million	May 15, 2026	6.875%
6.375% 2026 Notes	$950 million	June 15, 2026	6.375%
2027 Notes	$550 million	March 15, 2027	7.50%

The 2022 Notes, the 2024 Notes, the 6.375% 2026 Notes and the 2027 Notes (the “TransDigm Inc. Notes”) were issued at a price of 100% of the principal amount. The initial $450 million offering of the 2025 Notes (also considered to be part of the “TransDigm Inc. Notes”) were issued at a price of 100% of the principal amount and the subsequent $300 million offering of 2025 Notes in the second quarter of fiscal 2017 were issued at a price of 101.5% of the principal amount, resulting in gross proceeds of $304.5 million. The 6.875% 2026 Notes (the "TransDigm UK Notes" and together with the TransDigm Inc. Notes, the "Notes," are further described below) offered in May 2018 were issued at a price of 99.24% of the principal amount, resulting in gross proceeds of $496.2 million. The 2026 Secured Notes (the "Secured Notes") offered in the second quarter of fiscal 2019 were issued at a price of 102.0% of the principal amount, resulting in gross proceeds of $4,002 million.

The Notes do not require principal payments prior to their maturity. Interest under the Notes is payable semi-annually. The Notes represent our unsecured obligations ranking subordinate to our senior debt, as defined in the applicable indentures.

The Notes are subordinated to all of our existing and future senior debt, rank equally with all of our existing and future senior subordinated debt and rank senior to all of our future debt that is expressly subordinated to the Notes. The TransDigm Inc. Notes are guaranteed on a senior subordinated unsecured basis by TD Group and TransDigm Inc.'s domestic restricted subsidiaries. The TransDigm UK Notes are guaranteed on a senior subordinated basis by TransDigm Inc., TD Group and TransDigm Inc.'s domestic restricted subsidiaries. The guarantees of the Notes are subordinated to all of the guarantors’ existing and future senior debt, rank equally with all of their existing and future senior subordinated debt and rank senior to all of their future debt that is expressly subordinated to the guarantees of the Notes. The Notes are structurally subordinated to all of the liabilities of TD Group’s non-guarantor subsidiaries. The Notes contain many of the restrictive covenants included in the Credit Agreement. TransDigm is in compliance with all of the covenants contained in the Notes.

During the third quarter of fiscal 2018, TransDigm UK, a wholly-owned, indirect subsidiary of TD Group, issued $500 million in aggregate principal amount of the TransDigm UK Notes at a discount of 0.76%. The TransDigm UK Notes bear interest at the rate of 6.875% per annum and mature on May 15, 2026.

On January 30, 2019, the Company entered into a purchase agreement in connection with a private offering of $3.8 billion aggregate principal amount in 6.25% senior secured notes due 2026. In addition, on February 1, 2019, the Company entered into a purchase agreement in connection with a private offering of $200 million aggregate principal amount of 6.25% senior secured notes due 2026. All $4.0 billion aggregate principal amount of the secured notes will constitute a single class and was issued under a single indenture (herein the "2026 Secured Notes"). The notes in the first secured notes offering were issued at a price of 100% of their principal amount and the notes in the second secured notes offering were issued at a price of 101% of their principal amount. The Notes are guaranteed, with certain exceptions, by TransDigm Group, TransDigm UK and all of TransDigm Inc.’s existing U.S. subsidiaries on a senior secured basis. The 2026 Secured Notes offerings closed on February 13, 2019 and mature on March 15, 2026.

On February 13, 2019, the Company announced a cash tender offer for any and all of its outstanding 2020 Notes. On March 15, 2019, the Company redeemed the principal amount of $550 million in 2020 Notes, plus accrued and unpaid interest of approximately $12.6 million. The Company recorded refinancing costs of $1.7 million during the thirteen and thirty-nine week periods ended June 29, 2019 representing unamortized debt issuance costs expensed in conjunction with the redemption of the 2020 Notes.

On March 14, 2019, in connection with the closing of the acquisition of Esterline, the Company announced a cash tender offer for any and all of its outstanding 2023 Notes. On April 15, 2019, the Company redeemed the principal amount of approximately $373.8 million (€330.0 million as the 2023 Notes were denominated in Euros), plus accrued interest of approximately $6.8 million, the early redemption premium of $6.8 million and fees of approximately $0.2 million.

Certain Restrictive Covenants in Our Debt Documents

The Credit Agreement and the Indentures governing the Notes contain restrictive covenants that, among other things, limit the incurrence of additional indebtedness, the payment of special dividends, transactions with affiliates, asset sales, acquisitions, mergers and consolidations, liens and encumbrances, and prepayments of certain other indebtedness.

The restrictive covenants included in the Credit Agreement are subject to amendments executed periodically. The most recent amendment that impacted the restrictive covenants contained in the Credit Agreement is Amendment No. 6. The restrictive covenants are described above in the *Recent Amendments to the Credit Agreement* section.

Under the terms of the Credit Agreement, TransDigm is entitled, on one or more occasions, to request additional term loans or additional revolving commitments to the extent that the existing or new lenders agree to provide such incremental term loans or additional revolving commitments provided that, among other conditions, our consolidated net leverage ratio would be no greater than 7.25 to 1.00 and the consolidated secured net debt ratio would be no greater than 5.00 to 1.00, in each case, after giving effect to such incremental term loans or additional revolving commitments.

The Credit Agreement requires mandatory prepayments of principal based on certain percentages of Excess Cash Flow (as defined in the Credit Agreement), commencing 90 days after the end of each fiscal year, subject to certain exceptions. In addition, subject to certain exceptions (including, with respect to asset sales, the reinvestment in productive assets), TransDigm will be required to prepay the loans outstanding under the Credit Agreement at 100% of the principal amount thereof, plus accrued and unpaid interest, with the net cash proceeds of certain asset sales and issuance or incurrence of certain indebtedness. No matters mandating prepayments occurred during the quarter ended June 29, 2019.

In addition, under the Credit Agreement, if the usage of the revolving credit facility exceeds 25% of the total revolving commitments, the Company will be required to maintain a maximum consolidated net leverage ratio of net debt, as defined, to trailing four-quarter EBITDA As Defined. A breach of any of the covenants or an inability to comply with the required leverage ratio could result in a default under the Credit Agreement or the Indentures.

If any such default occurs, the lenders under the Credit Agreement and the holders of the Notes may elect to declare all outstanding borrowings, together with accrued interest and other amounts payable thereunder, to be immediately due and payable. The lenders under the Credit Agreement also have the right in these circumstances to terminate any commitments they have to provide further borrowings. In addition, following an event of default under the Credit Agreement, the lenders thereunder will have the right to proceed against the collateral granted to them to secure the debt, which includes our available cash, and they will also have the right to prevent us from making debt service payments on the Notes.

As of June 29, 2019, the Company was in compliance with all of its debt covenants.

Trade Receivables Securitization

During fiscal 2014, the Company established a trade receivable securitization facility (the “Securitization Facility”). The Securitization Facility effectively increases the Company’s borrowing capacity depending on the amount of the domestic operations’ trade accounts receivable. The Securitization Facility includes the right for the Company to exercise annual 1 year extensions as long as there have been no termination events as defined by the agreement. The Company uses the proceeds from the Securitization Facility as an alternative to other forms of debt, effectively reducing borrowing costs.

On July 30, 2019, the Company amended the Securitization Facility to extend the maturity date to July 28, 2020. As of June 29, 2019, the Company has borrowed $300 million under the Securitization Facility and has an unused borrowing capacity of $50 million. The Securitization Facility is collateralized by substantially all of the Company’s domestic operations’ trade accounts receivable.

Stock Repurchase Program

On November 8, 2017, our Board of Directors, authorized a stock repurchase program permitting repurchases of our outstanding shares not to exceed $650 million in the aggregate, subject to any restrictions specified in the Credit Agreement and/or Indentures governing the existing Notes. No repurchases were made under the program during the quarter and year-to-date period ended June 29, 2019. As of June 29, 2019, $650 million in repurchases are allowable under the program subject to any restrictions specified in the Credit Agreement and/or Indentures governing the existing Notes.

Non-GAAP Financial Measures

We present below certain financial information based on our EBITDA and EBITDA As Defined. References to "EBITDA" mean earnings before interest, taxes, depreciation and amortization, and references to "EBITDA As Defined" mean EBITDA plus, as applicable for each relevant period, certain adjustments as set forth in the reconciliations of net income to EBITDA and EBITDA As Defined and the reconciliations of net cash provided by operating activities to EBITDA and EBITDA As Defined presented below.

Neither EBITDA nor EBITDA As Defined is a measurement of financial performance under accounting principles generally accepted in the United States of America ("GAAP"). We present EBITDA and EBITDA As Defined because we believe they are useful indicators for evaluating operating performance and liquidity.

Our management believes that EBITDA and EBITDA As Defined are useful as indicators of liquidity because securities analysts, investors, rating agencies and others use EBITDA to evaluate a company's ability to incur and service debt. In addition, EBITDA As Defined is useful to investors because the revolving credit facility under our senior secured credit facility requires compliance under certain circumstances, on a pro forma basis, with a financial covenant that measures the ratio of the amount of our secured indebtedness to the amount of our Consolidated EBITDA defined in the same manner as we define EBITDA As Defined herein.

In addition to the above, our management uses EBITDA As Defined to review and assess the performance of the management team in connection with employee incentive programs and to prepare its annual budget and financial projections. Moreover, our management uses EBITDA As Defined to evaluate acquisitions.

Although we use EBITDA and EBITDA As Defined as measures to assess the performance of our business and for the other purposes set forth above, the use of these non-GAAP financial measures as analytical tools has limitations, and you should not consider any of them in isolation, or as a substitute for analysis of our results of operations as reported in accordance with GAAP. Some of these limitations are:

- neither EBITDA nor EBITDA As Defined reflects the significant interest expense, or the cash requirements, necessary to service interest payments on our indebtedness;
- although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and neither EBITDA nor EBITDA As Defined reflects any cash requirements for such replacements;
- the omission of the substantial amortization expense associated with our intangible assets further limits the usefulness of EBITDA and EBITDA As Defined;
- neither EBITDA nor EBITDA As Defined includes the payment of taxes, which is a necessary element of our operations; and
- EBITDA As Defined excludes the cash expense we have incurred to integrate acquired businesses into our operations, which is a necessary element of certain of our acquisitions.

Because of these limitations, EBITDA and EBITDA As Defined should not be considered as measures of discretionary cash available to us to invest in the growth of our business. Management compensates for these limitations by not viewing EBITDA or EBITDA As Defined in isolation and specifically by using other GAAP measures, such as net income, net sales and operating profit, to measure our operating performance. Neither EBITDA nor EBITDA As Defined is a measurement of financial performance under GAAP, and neither should be considered as an alternative to net income or cash flow from operations determined in accordance with GAAP. Our calculation of EBITDA and EBITDA As Defined may not be comparable to the calculation of similarly titled measures reported by other companies.

The following table sets forth a reconciliation of net income to EBITDA and EBITDA As Defined (in thousands):

	Thirteen Week Periods Ended		Thirty-Nine Week Periods Ended	
	June 29, 2019	June 30, 2018	June 29, 2019	June 30, 2018
Net income including noncontrolling interests	$ 144,610	$ 217,246	$ 543,284	$ 728,299
Less: Loss from discontinued operations, net of tax[(1)]	—	(145)	—	(2,943)
Income from continuing operations including noncontrolling interests	144,610	217,391	543,284	731,242
Adjustments:				
Depreciation and amortization expense	71,318	33,925	147,544	95,534
Interest expense, net	241,292	167,577	614,701	489,776
Income tax provision	60,909	48,150	179,183	(27,550)
EBITDA	518,129	467,043	1,484,712	1,289,002
Adjustments:				
Inventory acquisition accounting adjustments[(2)]	88,923	3,165	109,348	3,165
Acquisition integration costs[(3)]	42,355	5,486	49,768	10,815
Acquisition transaction-related expenses[(4)]	5,107	1,730	27,335	2,960
Non-cash stock compensation expense[(5)]	31,809	13,708	70,082	36,411
Refinancing costs[(6)]	106	4,159	3,540	5,910
Other, net[(7)]	4,568	(8,150)	4,658	3,534
EBITDA As Defined	$ 690,997	$ 487,141	$ 1,749,443	$ 1,351,797

(1) Refer to Note 3, "Acquisitions and Divestitures," to the condensed consolidated financial statements included herein for further information.

(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.

(3) Represents costs incurred to integrate acquired businesses and product lines into TD Group's operations, facility relocation costs and other acquisition-related costs.

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

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

(7) 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.

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The following table sets forth a reconciliation of net cash provided by operating activities to EBITDA and EBITDA As Defined (in thousands):

	Thirty-Nine Week Periods Ended	
	June 29, 2019	June 30, 2018
Net cash provided by operating activities	$ 768,356	$ 690,910
Adjustments:		
Changes in assets and liabilities, net of effects from acquisitions of businesses	21,442	31,112
Interest expense, net [1]	594,503	473,597
Income tax provision - current	174,033	139,233
Non-cash stock compensation expense [2]	(70,082)	(36,411)
Refinancing costs [6]	(3,540)	(5,910)
EBITDA from discontinued operations [8]	—	(364)
EBITDA	1,484,712	1,292,167
Adjustments:		
Inventory acquisition accounting adjustments [3]	109,348	3,165
Acquisition integration costs [4]	49,768	10,815
Acquisition transaction-related expenses [5]	27,335	2,960
Non-cash stock compensation expense [2]	70,082	36,411
Refinancing costs [6]	3,540	5,910
Other, net [7]	4,658	3,534
EBITDA As Defined	$ 1,749,443	$ 1,354,962

(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 accounting adjustments to inventory associated with acquisitions of businesses and product lines that were charged to cost of sales when the inventory was sold.
(4) Represents costs incurred to integrate acquired businesses and product lines into TD Group's operations, facility relocation costs and other acquisition-related costs.
(5) Represents transaction-related costs comprising deal fees; legal, financial and tax due diligence expenses, and valuation costs that are required to be expensed as incurred.
(6) Represents costs expensed related to debt financing activities, including new issuances, extinguishments, refinancings and amendments to existing agreements.
(7) 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.
(8) Refer to Note 3, "Acquisitions and Divestitures," to the condensed consolidated financial statements included herein for further information.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

The information called for by this item is provided under the caption '*Description of Senior Secured Credit Facilities and Indentures*' under Item 2 - "Management's Discussion and Analysis of Financial Condition and Results of Operations." Market risks are described more fully within "Quantitative and Qualitative Disclosures About Market Risk" in Part II, Item 7A of our most recent Form 10-K. These market risks have not materially changed since the date our most recent Form 10-K was filed with the SEC.

ITEM 4. CONTROLS AND PROCEDURES

As of June 29, 2019, TD Group carried out an evaluation, under the supervision and with the participation of TD Group's management, including its President, Chief Executive Officer and Director (Principal Executive Officer) and Chief Financial Officer (Principal Financial Officer), of the effectiveness of the design and operation of TD Group's disclosure controls and procedures. Based upon that evaluation, the President, Chief Executive Officer and Director and Chief Financial Officer concluded that TD Group's disclosure controls and procedures are effective to ensure that information required to be disclosed by TD Group in the reports it files or submits under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported, within the time periods specified by the Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to TD Group's management, including President, Chief Executive Officer and Director and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, TD Group's management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management necessarily was required to apply its judgment in designing and evaluating the controls and procedures. There have been no significant changes in TD Group's internal controls or other factors that could significantly affect the internal controls subsequent to the date of TD Group's evaluations. During the fiscal quarter ended March 30, 2019, the Company completed the acquisition of Esterline. The Company is currently integrating the acquisition into its operations, compliance programs and internal control processes. As permitted by SEC rules and regulations, the Company has excluded the acquisition from management's evaluation of internal controls over financial reporting as of June 29, 2019. The acquisition constituted approximately 32% of the Company's total assets (inclusive of acquired intangible assets) as of June 29, 2019, and approximately 33% of the Company's net sales in the fiscal quarter ended June 29, 2019.

Changes in Internal Control over Financial Reporting

There was no change in the Company's internal control over financial reporting that occurred during the fiscal quarter ended June 29, 2019, that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II: OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We and certain of our current or former officers and directors are defendants in a consolidated securities class action captioned *In re TransDigm Group, Inc. Securities Litigation*, Case No. 1:17-cv-01677-DCN (N.D. Ohio). The cases were originally filed on August 10, 2017, and September 18, 2017 and were consolidated on December 5, 2017. The plaintiffs allege that the defendants made false or misleading statements with respect to, or failed to disclose, the impact of certain alleged business practices in connection with sales to the U.S. government on the Company's growth and profitability. The plaintiffs assert claims under Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder and Section 20(a) of the Exchange Act, and seek unspecified monetary damages and other relief. In addition, we, as nominal defendant, and certain of our current or former officers and directors are defendants in a shareholder derivative action captioned *Sciabacucchi v. Howley et al.*, No. 1:17-cv-1971-DCN (N.D. Ohio). The case was filed on September 19, 2017. The plaintiffs allege breach of fiduciary duty and other claims arising out of substantially the same actions or inactions alleged in the securities class actions described above. This action has been stayed pending the outcome of a motion to dismiss on the securities class action. Although we are only a nominal defendant in the derivative action, we could have indemnification obligations and/or be required to advance the costs and expenses of the officer and director defendants in the action.

We intend to vigorously defend these matters and believe they are without merit. We also believe we have sufficient insurance coverage available for these matters. Therefore, we do not expect these matters to have a material adverse impact on our financial condition or results of operations. However, given the preliminary status of the litigation, it is difficult to predict the likelihood of an adverse outcome or estimate a range of any potential loss.

ITEM 1A. RISK FACTORS

In addition to the other information set forth in this report, you should carefully consider the risk factors disclosed in Item 1A of our Annual Report on Form 10-K for the fiscal year ended September 30, 2018, filed on November 9, 2018. There have been no material changes to the risk factors set forth therein.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS: PURCHASES OF EQUITY SECURITIES BY THE ISSUER

On November 8, 2017, our Board of Directors, authorized a stock repurchase program permitting repurchases of our outstanding shares not to exceed $650 million in the aggregate, subject to any restrictions specified in the Credit Agreement and/or Indentures governing the existing Notes. No repurchases were made under the program during the thirteen and thirty-nine week periods ended June 29, 2019. As of June 29, 2019, $650 million in repurchases are allowable under the program subject to any restrictions specified in the Credit Agreement and/or Indentures governing the existing Notes.

ITEM 6. EXHIBITS

Exhibit No.	Description
10.1	Amended and Restated TransDigm Group Incorporated 2014 Stock Option Plan*
31.1	Certification by Principal Executive Officer of TransDigm Group Incorporated pursuant to Rule 13a-14(a) or 15d- 14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification by Principal Financial Officer of TransDigm Group Incorporated pursuant to Rule 13a-14(a) or 15d- 14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification by Principal Executive Officer of TransDigm Group Incorporated pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification by Principal Financial Officer of TransDigm Group Incorporated pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101	Financial Statements and Notes to the Condensed Consolidated Financial Statements formatted in XBRL

* Indicates management contract or compensatory plan contract or arrangement.

SIGNATURES

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

TRANSDIGM GROUP INCORPORATED

SIGNATURE	TITLE	DATE
/s/ Kevin Stein Kevin Stein	President, Chief Executive Officer and Director (Principal Executive Officer)	August 7, 2019
/s/ Michael Lisman Michael Lisman	Chief Financial Officer (Principal Financial Officer)	August 7, 2019

AMENDED AND RESTATED TRANSDIGM GROUP INCORPORATED
2014 STOCK OPTION PLAN

1. Purpose.

The purpose of the Plan is to assist the Company in attracting, retaining, motivating and rewarding certain key employees, officers, directors and consultants of the Company and its Affiliates, and promoting the creation of long-term value for stockholders of the Company by closely aligning the interests of such individuals with those of such stockholders. The Plan authorizes the award of Options to Eligible Persons to encourage such persons to expend their maximum efforts in the creation of stockholder value. The Plan does not authorize the issuance of any equity awards other than Options.

2. Definitions.

For purposes of the Plan and related Option Agreements, the following terms shall be defined as set forth below:

(a) "Affiliate" means, with respect to any entity, any other entity that, directly or indirectly through one or more intermediaries, controls, is controlled by or is under common control with, such entity.

(b) "Applicable Laws" means the requirements related to or implicated by the administration or the Plan under applicable state corporate law, federal and statute securities laws, the Code, any stock exchange or quotation system on which the shares of Stock are listed or quoted and the applicable laws of any foreign country or jurisdiction where Options are granted under the Plan.

(c) "Board" means the Board of Directors of the Company.

(d) "Cause" means, in the absence of any employment agreement between a Participant and the Employer otherwise defining Cause, (i) acts of personal dishonesty, gross negligence or willful misconduct on the part of a Participant in the course of his or her employment or services; (ii) a Participant's engagement in conduct that results, or could be reasonably expected to result, in material injury to the reputation or business of the Company or its Affiliates; (iii) misappropriation by a Participant of the assets or business opportunities of the Company or its Affiliates; (iv) embezzlement or fraud committed by a Participant, at his or her direction, or with his or her personal knowledge; (v) a Participant's conviction by a court of competent jurisdiction of, or pleading "guilty" or "no contest" to, (x) a felony, or (y) any other criminal charge (other than minor traffic violations) that has, or could be reasonably expected to have, an adverse impact on the performance of the Participant's duties to the Company or its Affiliates; or (vi) failure by a Participant to follow the lawful directions of a superior officer or the Board. If there is an employment agreement between a Participant and the Employer defining Cause, "Cause" shall have the meaning provided in such agreement. Unless an applicable employment agreement otherwise provides, the Committee, in its absolute discretion, will determine the effect of all matters on questions relating to whether a Participant has been discharged for Cause.

(e) "Change in Control" means:

(i) A change in ownership or control of the Company effected through a transaction or series of transactions (other than an offering of Stock to the general public through a registration statement filed with the Securities and Exchange Commission) whereby any "person" or related "group" of "persons" (as such terms are used in Sections 13(d) and 14(d)(2) of the Exchange Act) (other than the Company or any of its Affiliates, or an employee benefit plan maintained by the Company or any of its Affiliates) directly or indirectly acquires beneficial ownership (within the meaning of Rule 13d-3 under the Exchange Act) of securities of the Company possessing more than fifty percent (50%) of the total combined voting power of the Company's securities outstanding immediately after such acquisition;

(ii) Individuals who, as of the Effective Date, constitute the Board (the "Incumbent Board"), cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the Company's stockholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a person other than the Board; or

(iii) the sale or disposition, in one or a series of related transactions, of all or substantially all of the assets of the Company to any "person" or "group" (as such terms are defined in Sections 13(d)(3) and 14(d)(2) of the Exchange Act) other than the Company's Affiliates.

(f) "Code" means the Internal Revenue Code of 1986, as amended from time to time, including regulations thereunder and successor provisions and regulations thereto.

(g) "Committee" means the Board or such other committee appointed by the Board consisting of two or more individuals.

(h) "Company" means TransDigm Group Incorporated, a Delaware corporation.

(i) "Disability" means, in the absence of any employment agreement between a Participant and the Employer otherwise defining Disability, the permanent and total disability of a person within the meaning of Section 22(e)(3) of the Code. If there is an employment agreement between a Participant and the Employer defining Disability, "Disability" has the meaning provided in such agreement.

(j) "Disqualifying Disposition" means any disposition (including any sale) of Stock acquired by exercise of an Incentive Stock Option made within the period that is (i) two years after the date the Participant was granted the Incentive Stock Option or (ii) one year after the date the Participant acquired Stock by exercising the Incentive Stock Option.

(k) "Effective Date" shall mean the date this Plan was originally adopted by the Board of Directors.

(l) "Eligible Person" means (i) each employee of the Company or of any of its Affiliates, including each such person who may also be a director of the Company and/or its Affiliates; (ii) each non-employee director of the Company and/or its Affiliates; (iii) each other person who provides substantial consulting or advisory services to the Company and/or its Affiliates and who is designated as eligible by the Committee; and (iv) any person who has been offered employment by the Company or its Affiliates; provided, that such prospective employee may not receive any payment or exercise any right relating to an Option until such person has commenced employment with the Company or its Affiliates. An employee on an approved leave of absence may be considered as still in the employ of the Company or its Affiliates for purposes of eligibility for participation in the Plan.

(m) "Employer" means either the Company or an Affiliate of the Company that the Participant (determined without regard to any transfer of an Option) is principally employed by or provides services to, as applicable.

(n) "Exchange Act" means the Securities Exchange Act of 1934, as amended from time to time, including rules thereunder and successor provisions and rules thereto.

(o) "Expiration Date" means the date upon which the term of an Option expires, as determined under Section 5(b).

(p) "Fair Market Value" means (i) if the Stock is listed on a national securities exchange, the closing price reported on the primary exchange with which the Stock is listed and traded on the date of determination, or if there is no such sale on that date, then on the last preceding date on which such a sale was reported, or (ii) if the Stock is not listed on any national securities exchange but is listed on the Nasdaq National Market System, the last sale price reported on the date of determination, or, if there is no such sale on that date then on the last preceding date on which such a sale was reported. If the Stock is not listed on a national securities exchange or the Nasdaq National Market System, the Fair Market Value means the amount determined by the Board in good faith to be the fair market value per share of Stock, on a fully diluted basis.

(q) "Incentive Stock Option" means an Option intended to qualify as an incentive stock option within the meaning of Section 422 of the Code and the regulations promulgated thereunder.

(r) "Nonqualified Stock Option" means an Option not intended to qualify as an Incentive Stock Option.

(s) "Option" means a conditional right, granted to a Participant under Section 5, to purchase Stock at a specified price during specified time periods. Options under the Plan may be Incentive Stock Options or Nonqualified Stock Options.

(t) "Option Agreement" means a written agreement between the Company and a Participant evidencing the terms and conditions of an individual Option grant.

(u) "Participant" means an Eligible Person who has been granted an Option under the Plan, or if applicable, such other person or entity who holds an Option.

(v) "Plan" means this Amended and Restated TransDigm Group Incorporated 2019 Stock Option Plan.

(w) "Qualified Member" means a member of the Committee who is a "Non-Employee Director" within the meaning of Rule 16b-3.

(x) "Securities Act" means the Securities Act of 1933, as amended from time to time, including rules thereunder and successor provisions and rules thereto.

(y) "Stock" means the Company's common stock, $0.01 par value, and such other securities as may be substituted for Stock pursuant to Section 6.

3. Administration.

(a) Authority of the Committee. Except as otherwise provided below, the Plan shall be administered by the Committee. The Committee has full and final authority, in each case subject to and consistent with the provisions of the Plan, to (i) select Eligible Persons to become Participants; (ii) grant Options; (iii) determine the type, number of shares of Stock subject to, and other terms and conditions of, and all other matters relating to, Options; (iv) prescribe Option agreements (which need not be identical for each Participant) and rules and regulations for the administration of the Plan; (v) construe and interpret the Plan and Option agreements and correct defects, supply omissions, or reconcile inconsistencies therein; and (vi) make all other decisions and determinations as the Committee may deem necessary or advisable for the administration of the Plan. The foregoing notwithstanding, the Board shall perform the functions of the Committee for purposes of granting Options under the Plan to non-employee directors. In any case in which the Board is performing a function of the Committee under the Plan, each reference to the Committee herein shall be deemed to refer to the Board, except where the context otherwise requires. Any action of the Committee shall be final, conclusive and binding on all persons, including, without limitation, the Company, its Affiliates, Eligible Persons, Participants and beneficiaries of Participants.

(b) Manner of Exercise of Committee Authority. At any time that a member of the Committee is not a Qualified Member, any action relating to an Option granted or to be granted to a Participant who is then subject to Section 16 of the Exchange Act in respect of the Company may be taken either by such a subcommittee or by the Committee but with each such member who is not a Qualified Member abstaining or recusing himself or herself from such action; provided, that upon such abstention or recusal, the Committee remains composed of two or more Qualified Members. Such action, authorized by such a subcommittee or by the Committee upon the abstention or recusal of such non-Qualified Member(s), shall be the action of the Committee for purposes of the Plan. The express grant of any specific power to the Committee, and the taking of any action by the Committee, shall not be construed as limiting any power or authority of the Committee.

(c) Delegation. The Committee may delegate to officers or employees of the Company or any of its Affiliates, or committees thereof, the authority, subject to such terms as the Committee shall determine, to perform such functions, including but not limited to administrative functions, as the Committee may determine appropriate. The Committee may appoint agents to assist it in administering the Plan. Notwithstanding the foregoing or any other provision of the Plan to the contrary, any Option granted under the Plan to (i) any person who is an “insider” within the meaning of Section 16 of the Exchange Act or (ii) any person or entity who is not an employee of the Company or any of its Affiliates shall be expressly approved by the Committee.

(d) Section 409A. The Committee shall take into account compliance with Section 409A of the Code in connection with any grant of an Option under the Plan, to the extent applicable.

4. Shares Available Under the Plan.

(a) Number of Shares Available for Delivery. Subject to adjustment as provided in Section 6, the total number of shares of Stock reserved and available for delivery in connection with Options under the Plan is 5,000,000. Shares of Stock delivered under the Plan shall consist of authorized and unissued shares or previously issued shares of Stock reacquired by the Company on the open market or by private purchase.

(b) Share Counting Rules. The Committee may adopt reasonable counting procedures to ensure appropriate counting, avoid double counting (as, for example, in the case of tandem or substitute awards) and make adjustments if the number of shares of Stock actually delivered differs from the number of shares previously counted in connection with an Option. To the extent that an Option expires or is canceled, forfeited, or otherwise terminated without a delivery to the Participant of the full number of shares to which the Option related, the undelivered shares will again be available for grant; provided, however, that any shares subject to an Option that are surrendered to pay the exercise price or taxes related to the exercise of such Option shall not be available for re-granting and shall be extinguished from the Plan.

(c) Award Limitation. Subject to the provisions of Section 8, no Employee shall be eligible to be granted Options covering more than 1,500,000 shares of Stock during any calendar year. This subsection (c) shall not apply until the earliest date required by Section 162(m) of the Code and the rules and regulations promulgated thereunder.

5. Options.

(a) General. Options may be granted to Eligible Persons in such form and having such terms and conditions as the Committee shall deem appropriate; provided, however, that Incentive Stock Options may only be granted to Eligible Persons who are employed by the Employer and in accordance with Section 5(h). The provisions of separate Options shall be set forth in an Option Agreement, which agreements need not be identical.

(b) Term. The term of each Option shall be set by the Committee at the time of grant; provided, however, that no Option granted hereunder shall be exercisable after the expiration of ten (10) years from the date it was granted.

(c) Exercise Price. The exercise price per share of Stock for each Option shall be set by the Committee at the time of grant but shall not be less than the Fair Market Value of a share of Stock on the date of grant.

(d) Payment for Stock. Payment for shares of Stock acquired pursuant to Options granted hereunder shall be made in full, upon exercise of the Options and paid, to the extent permitted by applicable statutes and regulations: (a) in immediately available funds in United States dollars, or by certified or bank cashier's check at the time the option is exercised; (ii) by surrender to the Company of shares of Stock that (A) have been held by the Participant for at least six-months (or such longer or shorter period of time required to avoid a charge to earnings for financial accounting purposes), or (B) were acquired from a person other than the Company (i.e., a stock-for-stock exchange); (iii) a "cashless" exercise program established with a broker selected by the Company; or (iv) at the discretion of the Committee, (A) by reduction in the number of shares of Common Stock otherwise deliverable upon exercise of such Option with a Fair Market Value on the date of exercise equal to the aggregate Option Exercise Price or (B) in any other form of legal consideration that may be acceptable to the Committee; or (v) by any combination of the foregoing methods. Anything herein to the contrary notwithstanding, the Company shall not directly or indirectly extend or maintain credit, or arrange for the extension of credit, in the form of a personal loan to or for any director or executive officer of the Company through the Plan in violation of Section 402 of the Sarbanes-Oxley Act of 2002 ("Section 402 of SOX"), and to the extent that any form of payment would, in the opinion of the Company's counsel, result in a violation of Section 402 of SOX, such form of payment shall not be available.

(e) Vesting. Options shall vest and become exercisable in such manner, on such date or dates, or upon the achievement of performance or other conditions, in each case, as may be determined by the Committee and set forth in the Option Agreement; provided, however, that notwithstanding any such vesting dates, the Committee may in its sole discretion accelerate the vesting of any Option, which acceleration shall not affect the terms and conditions of any such Option other than with respect to vesting. Unless otherwise specifically determined by the Committee, the vesting of an Option shall occur only while the Participant is employed or rendering services to the Employer, and all vesting shall cease upon a Participant's termination of employment or services with the Employer for any reason. If an Option is exercisable in installments, such installments or portions thereof that become exercisable shall remain exercisable until the Option expires.

(f) Transferability of Options. An Incentive Stock Option shall not be transferable except by will or by the laws of descent and distribution and shall be exercisable during the lifetime of the Participant only by the Participant. Nonqualified Stock Options shall not be transferable except by will or the laws of descent and distribution, except that the Committee may permit any portion of a Nonqualified Stock Option to be transferred to, exercised by and paid to certain persons or entities related to such Participant, including but not limited to members of such Participant's family, charitable institutions or trusts or other entities whose beneficiaries or beneficial owners are members of such Participant's family and/or charitable institutions, or to such other persons or entities as may be expressly approved by the Committee, pursuant to such conditions and procedures as the Committee may establish. Any permitted transfer shall be subject to the condition that the Committee receive evidence satisfactory to it that the transfer is being made for estate and/or tax planning purposes (or to a "blind trust" in connection with such Participant's termination of employment or service with the Company or a Subsidiary to assume a position with a governmental, charitable, educational or similar non-profit institution) and on a basis consistent with the Company's lawful issue of securities.

(g) Termination of Employment or Service. Except as may otherwise be provided by the Committee in the Option Agreement or otherwise:

(i) If prior to the Expiration Date, a Participant's employment or service, as applicable, with the Employer terminates for any reason other than (A) by the Employer for Cause, or (B) by reason of the Participant's death or Disability, (1) all vesting with respect to the Options shall cease, (2) any unvested Options shall expire as of the date of such termination, and (3) any vested Options shall remain exercisable until the earlier of the Expiration Date or the date that is six (6) months after the date of such termination.

(ii) If prior to the Expiration Date, a Participant's employment or service, as applicable, with the Employer terminates by reason of such Participant's death or Disability, (A) all vesting with respect to the Options shall cease, (B) any unvested Options shall expire as of the date of such termination, and (C) any vested Options shall expire on the earlier of the Expiration Date or the date that is twelve (12) months after the date of such termination due to death or Disability of the Participantand shall be exercisable by the person or persons to whom a Participant's rights under the Options pass by will or the applicable laws of descent and distribution.

(iii) If prior to the Expiration Date, a Participant's employment or service, as applicable, with the Employer is terminated by the Employer for Cause, all Options (whether or not vested) shall immediately expire as of the date of such termination.

(h) Special Provisions Applicable to Incentive Stock Options.

(i) No Incentive Stock Option may be granted to any Participant who, at the time the option is granted, owns directly, or indirectly within the meaning of Section 424(d) of the Code, stock possessing more than ten percent (10%) of the total combined voting power of all classes of stock of the Company or of any parent or subsidiary thereof, unless such Option (A) has an exercise price of at least one hundred ten percent (110%) of the Fair Market Value on the date of the grant of such Option; and (B) cannot be exercised more than five (5) years after the date it is granted.

(ii) To the extent the aggregate Fair Market Value (determined as of the date of grant) of Stock for which Incentive Stock Options are exercisable for the first time by any Participant during any calendar year (under all plans of the Company and its Affiliates) exceeds $100,000, such excess Incentive Stock Options shall be treated as Nonqualified Stock Options.

(iii) Each Participant who receives an Incentive Stock Option must agree to notify the Company in writing immediately after the Participant makes a Disqualifying Disposition of any Stock acquired pursuant to the exercise of an Incentive Stock Option.

6. Adjustment for Recapitalization, Merger, etc.

(a) Capitalization Adjustments. The aggregate number of shares of Stock that may be granted or purchased pursuant to Options granted hereunder, the number of shares that may be granted or purchased pursuant to Options in any calendar year, the number of shares of Stock covered by each outstanding Option, and the price per share thereof in each such Option shall be equitably and proportionally adjusted or substituted, as determined by the Committee, as to the number, price or kind of a share of Stock or other consideration subject to such Options (i) in the event of changes in the outstanding Stock or in the capital structure of the Company by reason of stock dividends, stock splits, reverse stock splits, recapitalizations, reorganizations, mergers, consolidations, combinations, exchanges, or other relevant changes in capitalization occurring after the date of grant of any such Option; or (ii) in the event of any change in applicable laws or any change in circumstances that results in or would result in any substantial dilution or enlargement of the rights granted to, or available for, Participants in the Plan.

(b) Corporate Events. Notwithstanding the foregoing, except as may otherwise be provided in an Option agreement, in the event of (i) a merger or consolidation involving the Company in which the Company is not the surviving corporation; (ii) a merger or consolidation involving the Company in which the Company is the surviving corporation but the holders of shares of Stock receive securities of another corporation and/or other property, including cash; (iii) a Change in Control; or (iv) the reorganization or liquidation of the Company (each, a "Corporate Event"), in lieu of providing the adjustment set forth in subsection (a) above, the Committee may, in its discretion, "cash-out" vested and/or unvested Options by providing that such vested and/or unvested Options shall be cancelled as of the consummation of such Corporate Event, and that holders of Options will receive a payment in respect of cancellation of their Options based on the amount of the per share consideration being paid for the Stock in connection with such Corporate Event, less, in the case of Options and other Options subject to exercise, the applicable exercise price; provided, however, that holders of "performance vested" Options shall only be entitled to consideration in respect of cancellation of such Options to the extent that applicable performance criteria are achieved prior to or as a result of such Corporate Event, and shall not otherwise be entitled to payment in consideration of cancelled unvested Options. Payments to holders pursuant to the preceding sentence shall be made in cash, or, in the sole discretion of the Committee, in such other consideration necessary for a holder of an Option to receive property, cash or securities as such holder would have been entitled to receive upon the occurrence of the transaction if the holder had been, immediately prior to such transaction, the holder of the number of shares of Stock covered by the Option at such time.

(c) Fractional Shares. Any such adjustment may provide for the elimination of any fractional share that might otherwise become subject to an Option.

7. Use of Proceeds.

The proceeds received from the sale of Stock pursuant to the Plan shall be used for general corporate purposes.

8. Rights and Privileges as a Stockholder.

Except as otherwise specifically provided in the Plan, no person shall be entitled to the rights and privileges of stock ownership in respect of shares of Stock that are subject to Options hereunder until such shares have been issued to that person.

9. Employment or Service Rights.

No individual shall have any claim or right to be granted an Option under the Plan or, having been selected for the grant of an Option, to be selected for a grant of any other Option. Neither the Plan nor any action taken hereunder shall be construed as giving any individual any right to be retained in the employ or service of the Company or an Affiliate of the Company.

10. Compliance with Laws.

The obligation of the Company to deliver Stock upon vesting and/or exercise of any Option shall be subject to all applicable laws, rules, and regulations, and to such approvals by governmental agencies as may be required. Notwithstanding any terms or conditions of any Option to the contrary, the Company shall be under no obligation to offer to sell or to sell and shall be prohibited from offering to sell or selling any shares of Stock pursuant to an Option unless such shares have been properly registered for sale pursuant to the Securities Act with the Securities and Exchange Commission or unless the Company has received an opinion of counsel, satisfactory to the Company, that such shares may be offered or sold without such registration pursuant to an available exemption therefrom and the terms and conditions of such exemption have been fully complied with. The Company shall be under no obligation to register for sale or resale under the Securities Act any of the shares of Stock to be offered or sold under the Plan or any shares of Stock issued upon exercise or settlement of Options. If the shares of Stock offered for sale or sold under the Plan are offered or sold pursuant to an exemption from registration under the Securities Act, the Company may restrict the transfer of such shares and may legend the Stock certificates representing such shares in such manner as it deems advisable to ensure the availability of any such exemption.

11. Withholding Obligations.

As a condition to the vesting and/or exercise of any Option, the Committee may require that a Participant satisfy, through deduction or withholding from any payment of any kind otherwise due to the Participant, or through such other arrangements as are satisfactory to the Committee, the minimum amount of all Federal, state and local income and other taxes of any kind required or permitted to be withheld in connection with such vesting and/or exercise. The Committee, in its discretion, may permit shares of Stock to be used to satisfy tax withholding requirements and such shares shall be valued at their Fair Market Value as of the settlement date of the Option; provided, however, that the aggregate Fair Market Value of the number of shares of Stock that may be used to satisfy tax withholding requirements may not exceed the minimum statutory required withholding amount with respect to such Option.

13. Amendment of the Plan or Options.

(a) Amendment of Plan. The Board at any time, and from time to time, may amend the Plan; provided, however, that, except as contemplated by Section 6, no amendment shall be effective unless approved by the stockholders of the Company to the extent stockholder approval is necessary to satisfy any Applicable Laws. At the time of such amendment, the Board shall determine, upon advice of counsel, whether such amendment will be contingent on stockholder approval.

(b) Amendment of Options. The Committee, at any time, and from time to time, may amend the terms of any one or more Option awards; provided, however, that the rights under any Option shall not be impaired by any such amendment unless the Participant consents in writing.

14. Termination or Suspension of the Plan.

The Board may suspend or terminate the Plan at any time. Unless sooner terminated, the Plan shall terminate on the day before the tenth (10^{th}) anniversary of the Effective Date. No Options may be granted under the Plan while the Plan is suspended or after it is terminated.

15. Effective Date of the Plan Amendment.

The amendments to the original Plan, as revised by this Amended and Restated 2014 Stock Option Plan document, are effective as of the date of adoption by the Board of Directors of this document.

16. Miscellaneous.

(a) Participants Outside of the United States. The Committee may modify the terms of any Option under the Plan made to or held by a Participant who is then a resident or primarily employed outside of the United States in any manner deemed by the Committee to be necessary or appropriate in order that such Option shall conform to laws, regulations and customs of the country in which the Participant is then a resident or primarily employed, or so that the value and other benefits of the Option to the Participant, as affected by foreign tax laws and other restrictions applicable as a result of the Participant's residence or employment abroad, shall be comparable to the value of such Option to a Participant who is a resident or primarily employed in the United States. An Option may be modified under this Section 16(a) in a manner that is inconsistent with the express terms of the Plan, so long as such modifications will not contravene any applicable law or regulation or result in actual liability under Section 16(b) of the Exchange Act for the Participant whose Option is modified.

(b) No Liability of Committee Members. No member of the Committee shall be personally liable by reason of any contract or other instrument executed by such member or on his or her behalf in his or her capacity as a member of the Committee nor for any mistake of judgment made in good faith, and the Company shall indemnify and hold harmless each member of the Committee and each other employee, officer or director of the Company to whom any duty or power relating to the administration or interpretation of the Plan may be allocated or delegated, against any cost or expense (including counsel fees) or liability (including any sum paid in settlement of a claim) arising out of any act or omission to act in connection with the Plan unless arising out of such person's own fraud or willful bad faith; provided, however, that approval of the Board shall be required for the payment of any amount in settlement of a claim against any such person. The foregoing right of indemnification shall not be exclusive of any other rights of indemnification to which such persons may be entitled under the Company's certificate or articles of incorporation or by-laws, each as may be amended from time to time, as a matter of law, or otherwise, or any power that the Company may have to indemnify them or hold them harmless.

(c) Payments Following Accidents or Illness. If the Committee finds that any person to whom any amount is payable under the Plan is unable to care for his or her affairs because of illness or accident, or is a minor, or has died, then any payment due to such person or his or her estate (unless a prior claim therefor has been made by a duly appointed legal representative) may, if the Committee so directs the Company, be paid to his or her spouse, child, relative, an institution maintaining or having custody of such person, or any other person deemed by the Committee to be a proper recipient on behalf of such person otherwise entitled to payment. Any such payment shall be a complete discharge of the liability of the Committee and the Company therefor.

(d) Governing Law. The Plan shall be governed by and construed in accordance with the internal laws of the State of Delaware without reference to the principles of conflicts of laws thereof.

(e) Funding. No provision of the Plan shall require the Company, for the purpose of satisfying any obligations under the Plan, to purchase assets or place any assets in a trust or other entity to which contributions are made or otherwise to segregate any assets, nor shall the Company maintain separate bank accounts, books, records or other evidence of the existence of a segregated or separately maintained or administered fund for such purposes. Participants shall have no rights under the Plan other than as unsecured general creditors of the Company, except that insofar as they may have become entitled to payment of additional compensation by performance of services, they shall have the same rights as other employees under general law.

(f) Reliance on Reports. Each member of the Committee and each member of the Board shall be fully justified in relying, acting or failing to act, and shall not be liable for having so relied, acted or failed to act in good faith, upon any report made by the independent public accountant of the Company and its Affiliates and upon any other information furnished in connection with the Plan by any person or persons other than such member.

(g) Titles and Headings. The titles and headings of the sections in the Plan are for convenience of reference only, and in the event of any conflict, the text of the Plan, rather than such titles or headings, shall control.

(h) Clawback. Notwithstanding any other provisions in the Plan, Options, any shares of Stock acquired on exercise and any proceeds from the sale thereof will be subject to such deduction and clawback recovery to the extent required by Applicable Laws.

Exhibit 31.1

CERTIFICATION

I, Kevin Stein, certify that:

1. I have reviewed this quarterly report on Form 10-Q of TransDigm Group Incorporated;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's third fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Directors:

   (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 7, 2019

/s/ Kevin Stein

Name: Kevin Stein

Title: President, Chief Executive Officer and Director

(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION

I, Michael Lisman, certify that:

1. I have reviewed this quarterly report on Form 10-Q of TransDigm Group Incorporated;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's third fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Directors:

   (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 7, 2019

/s/ Michael Lisman

Name: Michael Lisman
Title: Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of TransDigm Group Incorporated (the “Company”) for the period ended June 29, 2019 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Kevin Stein, President, Chief Executive Officer and Director (Principal Executive Officer), certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities and Exchange Act of 1934; and

2. The information contained in the Report fairly presents in all material respects, the financial condition of the Company as of the dates indicated and results of operations of the Company for the periods indicated.

Date: August 7, 2019

/s/ Kevin Stein

Name: Kevin Stein

Title: President, Chief Executive Officer and Director

(Principal Executive Officer)

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of TransDigm Group Incorporated (the "Company") for the period ended June 29, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Michael Lisman, Chief Financial Officer (Principal Financial Officer) certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities and Exchange Act of 1934; and
2. The information contained in the Report fairly presents in all material respects, the financial condition of the Company as of the dates indicated and results of operations of the Company for the periods indicated.

Date: August 7, 2019

/s/ Michael Lisman

Name: Michael Lisman
Title: Chief Financial Officer
(Principal Financial Officer)