
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d)
of The Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): November 12, 2020

TransDigm Group Incorporated
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation)

001-32833
(Commission
File Number)

41-2101738
(IRS Employer
Identification No.)

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

44114
(Zip Code)

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

Not Applicable
(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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

Title of each class:
Common Stock, \$0.01 par value

Trading Symbol:
TDG

Name of each exchange on which registered:
New York Stock Exchange

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

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.

Item 2.02. Results of Operations and Financial Condition.

On November 12, 2020, TransDigm Group Incorporated (“TransDigm Group” or the “Company”) issued a press release (the "Press Release") announcing its financial results for its fourth quarter ended September 30, 2020 and certain other information. A copy of this press release is furnished with this Current Report as Exhibit 99.1 and is incorporated herein by reference.

The information contained in this item and in the accompanying exhibit shall not be incorporated by reference into any filing of the Registrant, whether made before or after the date hereof. The information in this item, including the exhibit hereto, shall not be deemed to be “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that section or Sections 11 and 12(a) (2) of the Securities Act of 1933, as amended.

TransDigm Group will host a conference call for investors and security analysts on November 12, 2020, beginning at 11:00 a.m., Eastern Time. To join the call, dial (833) 397-0943 and enter the pass code 8789968. International callers should dial (720) 405-3217 and use the same pass code. A live audio webcast can be accessed online at <http://www.transdigm.com>. A slide presentation will also be available for reference during the conference call; go to the investor relations page of our website and click on “Presentations.”

The call will be archived on the website and available for replay later that day. A telephone replay will be available for one week by dialing (855) 859-2056 and entering the pass code 8789968. International callers should dial (404) 537-3406 and use the same pass code.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits

The following exhibits are being filed with this Current Report on Form 8-K:

| Exhibit No. | Description |
|----------------------|---|
| 99.1 | Press Release |
| 104 | Cover Page Interactive Data File (embedded within the Inline XBRL document) |



TransDigm Group Reports Fiscal 2020 Fourth Quarter Results

Cleveland, Ohio, November 12, 2020/PRNewswire/ -- TransDigm Group Incorporated (NYSE: TDG), a leading global designer, producer and supplier of highly engineered aircraft components, today reported results for the fourth quarter ended September 30, 2020, which were significantly impacted by the COVID-19 pandemic.

Fourth quarter highlights include:

- Net sales of \$1,173 million, down 23.9% from \$1,541 million in the prior year's quarter;
- Income from continuing operations of \$101 million;
- Earnings per share from continuing operations of \$1.76;
- EBITDA As Defined margin of 42.4%;
- EBITDA As Defined of \$498 million is down 29.6% from \$707 million in the prior year's quarter;
- Adjusted earnings per share of \$2.89, down 48.6% from \$5.62; and
- Strong operating cash flow generation of \$222 million.

Fiscal 2020 highlights include:

- Net sales of \$5,103 million, down 2.3% from \$5,223 million in the prior year;
- Income from continuing operations of \$653 million;
- Earnings per share from continuing operations of \$8.14;
- EBITDA As Defined margin of 44.6%;
- EBITDA As Defined of \$2,278 million is down 5.8% from \$2,419 million in the prior year; and
- Adjusted earnings per share of \$14.47, down 20.8% from \$18.27.

Fiscal 2021 financial guidance will not be issued at this time.

Quarter-to-Date Results

Net sales for the quarter declined 23.9%, or \$368 million, to \$1,173 million from \$1,541 million in the comparable quarter a year ago. In the current quarter, all sales represent organic sales.

Income from continuing operations for the quarter was \$101 million, a decrease of 68.1% compared to \$317 million in the comparable quarter a year ago. The decrease in income from continuing operations primarily reflects the decline in net sales described above. This decline in income from continuing operations was partially offset by a lower effective tax rate.

Adjusted net income for the quarter decreased 47.5% to \$166 million, or \$2.89 per share, from \$316 million, or \$5.62 per share, in the comparable quarter a year ago.

EBITDA for the quarter decreased 40.9% to \$414 million from \$700 million for the comparable quarter a year ago. EBITDA As Defined for the period decreased 29.6% to \$498 million compared with \$707 million in the comparable quarter a year ago. EBITDA As Defined as a percentage of net sales for the quarter was 42.4%.

"Throughout our fourth fiscal quarter, both passenger demand and air traffic remained depressed due to the COVID-19 pandemic. The pandemic has resulted in governments around the world implementing measures to control the spread of the virus, including quarantines, travel restrictions and other measures. Certain markets have reopened, while others, particularly international markets, remained closed or are enforcing extended quarantines. Despite these headwinds, I am pleased that we were able to sequentially expand our EBITDA As Defined margin to about forty-two and a half percent as a result of careful management of our cost structure," stated Kevin Stein, TransDigm Group's President and Chief Executive Officer.

Year-to-Date Results

Fiscal 2020 net sales declined 2.3%, or \$120 million, to \$5,103 million from \$5,223 million in the comparable period last year. Organic sales declined 13.8%. Acquisition sales growth was \$603 million, all of which are attributable to Esterline.

Fiscal 2020 income from continuing operations declined 22.4% to \$653 million compared to \$841 million in the comparable period a year ago. This decrease in income from continuing operations primarily reflects the decline in net sales described above, along with higher interest expense, higher operating costs and amortization expense attributable to Esterline and COVID-19 restructuring costs. The decline in income from continuing operations was offset partially by lower acquisition related expenses and a lower effective tax rate. The effective tax rate for fiscal 2020 was positively impacted by a one-time provisional benefit from dividend and dividend equivalent payments made in the period, as well as the enactment of the CARES Act which included favorable modifications to the interest deduction limitation. The effective tax rate for full-year fiscal 2020 was 11.7% compared to 20.9% for fiscal 2019.

GAAP earnings per share were reduced in fiscal 2020 and 2019 by \$3.22 per share and \$1.97 per share, respectively, as a result of dividend and dividend equivalent payments made during each year.

Fiscal 2020 adjusted net income decreased 19.3% to \$829 million, or \$14.47 per share, from \$1,028 million, or \$18.27 per share, in the comparable period a year ago.

Fiscal 2020 EBITDA decreased 4.4% to \$2,052 million from \$2,148 million for the comparable period a year ago. EBITDA As Defined for the period decreased 5.8% to \$2,278 million compared with \$2,419 million in the comparable period a year ago. EBITDA As Defined as a percentage of net sales for the current period was 44.6%.

Mr. Stein continued, "Fiscal 2020 has been a challenging year given the unprecedented COVID-19 pandemic and ensuing disruption of the commercial aerospace industry. These circumstances required actions that were necessary, but difficult to implement. The purposeful management of our cost structure, along with tight management of our balance sheet, better positions us as a Company to emerge strongly from the ongoing weakness in our primary commercial end markets. With the recent uptick in global COVID-19 cases as well as renewed lockdowns in certain countries, much uncertainty remains about the duration of the pandemic and pace of recovery. We will continue to be focused in our management of the details and look forward to the opportunity to create value for our stakeholders in fiscal 2021."

Please see the attached tables for a reconciliation of income from continuing operations to EBITDA, EBITDA As Defined, and adjusted net income; a reconciliation of net cash provided by operating activities to EBITDA and EBITDA As Defined, and a reconciliation of earnings per share to adjusted earnings per share for the periods discussed in this press release.

Fiscal 2021 Outlook

Given the considerable uncertainty around the extent and duration of business disruptions related to the COVID-19 pandemic, and how that will impact operations, the Company will not provide fiscal year 2021 guidance at this time.

Earnings Conference Call

TransDigm Group will host a conference call for investors and security analysts on November 12, 2020, beginning at 11:00 a.m., Eastern Time. To join the call, dial (833) 397-0943 and enter the passcode 8789968. International callers should dial (720) 405-3217 and use the same passcode. A live audio webcast can be accessed online at <http://www.transdigm.com>. A slide presentation will also be available for reference during the conference call; go to the investor relations page of our website and click on "Presentations."

The call will be archived on the website and available for replay at approximately 2:00 p.m., Eastern Time. A telephone replay will be available for one week by dialing (855) 859-2056 and entering the passcode 8789968. International callers should dial (404) 537-3406 and use the same passcode.

About TransDigm Group

TransDigm Group, through its wholly-owned subsidiaries, is a leading global designer, producer and supplier of highly engineered aircraft components for use on nearly all commercial and military aircraft in service today. 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, batteries and chargers, engineered latching and locking devices, engineered rods, engineered connectors and elastomer sealing solutions, databus and power controls, cockpit security components and systems, specialized and advanced cockpit displays, aircraft audio systems, specialized lavatory components, seat belts and safety restraints, engineered and customized interior surfaces and related components, advanced sensor products, switches and relay panels, thermal protection and insulation, lighting and control technology, parachutes, high performance hoists, winches and lifting devices, and cargo loading, handling and delivery systems.

Non-GAAP Supplemental Information

EBITDA, EBITDA As Defined, EBITDA As Defined Margin, adjusted net income and adjusted earnings per share are non-GAAP financial measures presented in this press release as supplemental disclosures to net income and reported results. TransDigm Group defines EBITDA as earnings before interest, taxes, depreciation and amortization and defines EBITDA As Defined as EBITDA plus certain non-operating items, refinancing costs, acquisition-related costs, transaction-related costs and non-cash charges incurred in connection with certain employee benefit plans. TransDigm Group defines adjusted net income as net income plus purchase accounting backlog amortization expense, effects from the sale on businesses, refinancing costs, acquisition-related costs, transaction-related costs and non-cash charges incurred in connection with certain employee benefit plans. EBITDA As Defined Margin represents EBITDA As Defined as a percentage of net sales. TransDigm Group defines adjusted diluted earnings per share as adjusted net income divided by the total shares for basic and diluted earnings per share. For more information regarding the computation of EBITDA, EBITDA As Defined and adjusted net income and adjusted earnings per share, please see the attached financial tables.

TransDigm Group presents these non-GAAP financial measures because it believes that they are useful indicators of its operating performance. TransDigm Group believes that EBITDA is useful to investors because it is frequently used by securities analysts, investors and other interested parties to measure operating performance among companies with different capital structures, effective tax rates and tax attributes, capitalized asset values and employee compensation structures, all of which can vary substantially from company to company. In addition, analysts, rating agencies and others use EBITDA to evaluate a company's ability to incur and service debt. EBITDA As Defined is used to measure TransDigm Inc.'s compliance with the financial covenant contained in its credit facility. TransDigm Group's management also uses EBITDA As Defined to review and assess its operating performance, to prepare its annual budget and financial projections and to review and evaluate its management team in connection with employee incentive programs. Moreover, TransDigm Group's management uses EBITDA As Defined to evaluate acquisitions and as a liquidity measure. In addition, TransDigm Group's management uses adjusted net income as a measure of comparable operating performance between time periods and among companies as it is reflective of changes in pricing decisions, cost controls and other factors that affect operating performance.

None of EBITDA, EBITDA As Defined, EBITDA As Defined Margin, adjusted net income or adjusted earnings per share is a measurement of financial performance under GAAP and such financial measures should not be considered as an alternative to net income, operating income, earnings per share, cash flows from operating activities or other measures of performance determined in accordance with GAAP. In addition, TransDigm Group's calculation of these non-GAAP financial measures may not be comparable to the calculation of similarly titled measures reported by other companies.

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.

Forward-Looking Statements

Statements in this press release that are not historical facts, including statements under the heading “Fiscal 2021 Outlook,” are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Words such as “believe,” “may,” “will,” “should,” “expect,” “intend,” “plan,” “predict,” “anticipate,” “estimate,” or “continue” and other words and terms of similar meaning may identify forward-looking statements.

All forward-looking statements involve risks and uncertainties that could cause TransDigm Group’s actual results to differ materially from those expressed or implied in any forward-looking statements made by, or on behalf of, TransDigm Group. These risks and uncertainties include but are not limited to: the impact that the COVID-19 pandemic has on the TransDigm Group's business, results of operations, financial condition and liquidity; the sensitivity of TransDigm Group's business to the number of flight hours that its customers’ planes spend aloft and its customers’ profitability, both of which are affected by general economic conditions; future geopolitical or other worldwide events; cyber-security threats and natural disasters; TransDigm Group's reliance on certain customers; the U.S. defense budget and risks associated with being a government supplier including government audits and investigations; failure to maintain government or industry approvals; failure to complete or successfully integrate acquisitions, including TransDigm Group's acquisition of Esterline; TransDigm Group's 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 TransDigm Group's international sales and operations; and other risk factors. Further information regarding the important factors that could cause actual results to differ materially from projected results can be found in TransDigm Group’s Annual Report on Form 10-K for the fiscal year ended September 30, 2020 and other reports that TransDigm Group or its subsidiaries have filed with the Securities and Exchange Commission. Except as required by law, TransDigm Group undertakes no obligation to revise or update the forward-looking statements contained in this press release.

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TRANSDIGM GROUP INCORPORATED
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
FOR THE THIRTEEN WEEK PERIODS AND FISCAL YEARS ENDED
SEPTEMBER 30, 2020 AND SEPTEMBER 30, 2019

(Amounts in millions, except per share amounts)
(Unaudited)

Table 1

| | Thirteen Week Periods Ended | | Fiscal Year Ended | |
|--|-----------------------------|--------------------|--------------------|--------------------|
| | September 30, 2020 | September 30, 2019 | September 30, 2020 | September 30, 2019 |
| NET SALES | \$ 1,173 | \$ 1,541 | \$ 5,103 | \$ 5,223 |
| COST OF SALES | 637 | 659 | 2,456 | 2,414 |
| GROSS PROFIT | 536 | 882 | 2,647 | 2,809 |
| SELLING AND ADMINISTRATIVE EXPENSES | 182 | 212 | 727 | 748 |
| AMORTIZATION OF INTANGIBLE ASSETS | 41 | 55 | 169 | 135 |
| INCOME FROM OPERATIONS | 313 | 615 | 1,751 | 1,926 |
| INTEREST EXPENSE - NET | 267 | 245 | 1,029 | 859 |
| REFINANCING COSTS | 1 | — | 28 | 3 |
| OTHER (INCOME) EXPENSE | (31) | 3 | (46) | 1 |
| INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES | 76 | 367 | 740 | 1,063 |
| INCOME TAX PROVISION | (25) | 50 | 87 | 222 |
| INCOME FROM CONTINUING OPERATIONS | 101 | 317 | 653 | 841 |
| (LOSS) INCOME FROM DISCONTINUED OPERATIONS, NET OF TAX | (19) | 31 | 47 | 51 |
| NET INCOME | 82 | 348 | 700 | 892 |
| LESS: NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS | — | (1) | (1) | (2) |
| NET INCOME ATTRIBUTABLE TO TD GROUP | \$ 82 | \$ 347 | \$ 699 | \$ 890 |
| NET INCOME APPLICABLE TO TD GROUP COMMON STOCKHOLDERS | \$ 82 | \$ 260 | \$ 514 | \$ 779 |
| Earnings per share attributable to TD Group common stockholders: | | | | |
| Earnings per share from continuing operations - basic and diluted | \$ 1.76 | \$ 4.08 | \$ 8.14 | \$ 12.94 |
| (Loss) Earnings per share from discontinued operations - basic and diluted | (0.33) | 0.55 | 0.82 | 0.90 |
| Earnings per share | \$ 1.43 | \$ 4.63 | \$ 8.96 | \$ 13.84 |
| Cash dividends declared per common share | \$ — | \$ 30.00 | \$ 32.50 | \$ 30.00 |
| Weighted-average shares outstanding: | | | | |
| Basic and diluted | 57.3 | 56.3 | 57.3 | 56.3 |

TRANSDIGM GROUP INCORPORATED
SUPPLEMENTAL INFORMATION - RECONCILIATION OF EBITDA,
EBITDA AS DEFINED TO INCOME FROM CONTINUING OPERATIONS
FOR THE THIRTEEN WEEK PERIODS AND FISCAL YEARS ENDED
SEPTEMBER 30, 2020 AND SEPTEMBER 30, 2019
(Amounts in millions, except per share amounts)
(Unaudited)

Table 2

| | Thirteen Week Periods Ended | | Fiscal Year Ended | |
|---|-----------------------------|--------------------|--------------------|--------------------|
| | September 30, 2020 | September 30, 2019 | September 30, 2020 | September 30, 2019 |
| Income from continuing operations | \$ 101 | \$ 317 | \$ 653 | \$ 841 |
| Adjustments: | | | | |
| Depreciation and amortization expense | 71 | 88 | 283 | 226 |
| Interest expense, net | 267 | 245 | 1,029 | 859 |
| Income tax provision | (25) | 50 | 87 | 222 |
| EBITDA | 414 | 700 | 2,052 | 2,148 |
| Adjustments: | | | | |
| Acquisition-related expenses and adjustments ⁽¹⁾ | 13 | (16) | 31 | 169 |
| Non-cash stock compensation expense ⁽²⁾ | 34 | 23 | 93 | 93 |
| Refinancing costs ⁽³⁾ | 1 | — | 28 | 3 |
| COVID-19 & 737 MAX restructuring costs ⁽⁴⁾ | 23 | — | 54 | — |
| Other, net ⁽⁵⁾ | 13 | — | 20 | 6 |
| Gross Adjustments to EBITDA | 84 | 7 | 226 | 271 |
| EBITDA As Defined | \$ 498 | \$ 707 | \$ 2,278 | \$ 2,419 |
| EBITDA As Defined, Margin ⁽⁶⁾ | 42.4 % | 45.9 % | 44.6 % | 46.3 % |

⁽¹⁾ Represents accounting adjustments to inventory associated with acquisitions of businesses and product lines that were charged to cost of sales when the inventory was sold; costs incurred to integrate acquired businesses and product lines into TD Group's operations, facility relocation costs and other acquisition-related costs; transaction-related costs comprising deal fees; legal, financial and tax due diligence expenses; and valuation costs that are required to be expensed as incurred.

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

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

⁽⁴⁾ Represents restructuring costs related to the Company's cost reduction measures in response to the COVID-19 pandemic (\$22 million and \$46 million for the thirteen week period and fiscal year ended September 30, 2020, respectively) and the 737 MAX production rate changes (\$3 million for the fiscal year ended September 30, 2020. None in the thirteen week period ended September 30, 2020). These were costs related to the Company's actions to reduce its workforce to align with customer demand. This also includes \$1 million and \$5 million for the thirteen week period and fiscal year ended September 30, 2020, respectively, of incremental costs related to the pandemic that are not expected to recur once the pandemic has subsided and are clearly separable from normal operations (e.g., additional cleaning and disinfecting of facilities by contractors above and beyond normal requirements, personal protective equipment, etc.).

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

⁽⁶⁾ The EBITDA As Defined margin represents the amount of EBITDA As Defined as a percentage of sales.

TRANSDIGM GROUP INCORPORATED
SUPPLEMENTAL INFORMATION - RECONCILIATION OF
REPORTED EARNINGS PER SHARE TO
ADJUSTED EARNINGS PER SHARE
FOR THE THIRTEEN WEEK PERIODS AND FISCAL YEARS ENDED
SEPTEMBER 30, 2020 AND SEPTEMBER 30, 2019
(Amounts in millions, except per share amounts)
(Unaudited)

Table 3

| | Thirteen Week Periods Ended | | Fiscal Year Ended | |
|--|-----------------------------|--------------------|--------------------|--------------------|
| | September 30, 2020 | September 30, 2019 | September 30, 2020 | September 30, 2019 |
| Reported Earnings Per Share | | | | |
| Income from continuing operations | \$ 101 | \$ 317 | \$ 653 | \$ 841 |
| Less: Net income attributable to noncontrolling interests | — | (2) | (1) | (2) |
| Net income from continuing operations attributable to TD Group | 101 | 315 | 652 | 839 |
| Less: Special dividends declared or paid on participating securities, including dividend equivalent payments | — | (87) | (185) | (111) |
| | 101 | 228 | 467 | 728 |
| (Loss) Income from discontinued operations, net of tax | (19) | 32 | 47 | 51 |
| Net income applicable to TD Group common stockholders - basic and diluted | \$ 82 | \$ 260 | \$ 514 | \$ 779 |
| Weighted-average shares outstanding under the two-class method | | | | |
| Weighted-average common shares outstanding | 54.3 | 53.4 | 53.9 | 53.1 |
| Vested options deemed participating securities | 3.0 | 2.9 | 3.4 | 3.2 |
| Total shares for basic and diluted earnings per share | 57.3 | 56.3 | 57.3 | 56.3 |
| Earnings per share from continuing operations - basic and diluted | \$ 1.76 | \$ 4.08 | \$ 8.14 | \$ 12.94 |
| (Loss) Earnings per share from discontinued operations - basic and diluted | (0.33) | 0.55 | 0.82 | 0.90 |
| Earnings per share | \$ 1.43 | \$ 4.63 | \$ 8.96 | \$ 13.84 |
| Adjusted Earnings Per Share | | | | |
| Income from continuing operations | \$ 101 | \$ 317 | \$ 653 | \$ 841 |
| Gross adjustments to EBITDA | 84 | 7 | 226 | 271 |
| Purchase accounting backlog amortization | 12 | 20 | 53 | 38 |
| Tax adjustment ⁽¹⁾ | (31) | (28) | (103) | (122) |
| Adjusted net income | \$ 166 | \$ 316 | \$ 829 | \$ 1,028 |
| Adjusted diluted earnings per share under the two-class method | \$ 2.89 | \$ 5.62 | \$ 14.47 | \$ 18.27 |
| Diluted Earnings Per Share to Adjusted Earnings Per Share | | | | |
| Diluted earnings per share from continuing operations | \$ 1.76 | \$ 4.08 | \$ 8.14 | \$ 12.94 |
| Adjustments to diluted earnings per share: | | | | |
| Inclusion of the dividend equivalent payments | — | 1.54 | 3.22 | 1.97 |
| Acquisition-related expenses | 0.42 | 0.05 | 1.20 | 2.77 |
| Non-cash stock compensation expense | 0.57 | 0.33 | 1.32 | 1.24 |
| Refinancing costs | 0.02 | — | 0.40 | 0.04 |
| Change in income tax provision due to excess tax benefits on stock compensation | (0.48) | (0.40) | (0.89) | (0.79) |
| COVID-19 & 737 MAX restructuring costs | 0.39 | — | 0.76 | — |
| Other, net | 0.21 | 0.02 | 0.32 | 0.10 |
| Adjusted earnings per share | \$ 2.89 | \$ 5.62 | \$ 14.47 | \$ 18.27 |

⁽¹⁾ For the thirteen week periods and fiscal years ended September 30, 2020 and 2019, the Tax adjustment represents the tax effect of the adjustments at the applicable effective tax rate, as well as the impact on the effective tax rate when excluding the excess tax benefits on stock option exercises. Stock compensation expense is excluded from adjusted net income and therefore we have excluded the impact that the excess tax benefits on stock option exercises have on the effective tax rate for determining adjusted net income.

TRANSDIGM GROUP INCORPORATED
SUPPLEMENTAL INFORMATION - RECONCILIATION OF NET CASH
PROVIDED BY OPERATING ACTIVITIES TO EBITDA,
EBITDA AS DEFINED
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2020 AND SEPTEMBER 30, 2019
(Amounts in millions)
(Unaudited)

Table 4

| | Fiscal Year Ended | |
|---|--------------------|--------------------|
| | September 30, 2020 | September 30, 2019 |
| Net cash provided by operating activities | \$ 1,213 | \$ 1,015 |
| Adjustments: | | |
| Changes in assets and liabilities, net of effects from acquisitions of businesses | (99) | 176 |
| Interest expense, net ⁽¹⁾ | 996 | 831 |
| Income tax provision - current | 63 | 222 |
| Non-cash stock compensation expense ⁽²⁾ | (93) | (93) |
| Refinancing costs ⁽³⁾ | (28) | (3) |
| EBITDA | 2,052 | 2,148 |
| Adjustments: | | |
| Acquisition-related expenses ⁽⁴⁾ | 31 | 169 |
| Non-cash stock compensation expense ⁽²⁾ | 93 | 93 |
| Refinancing costs ⁽³⁾ | 28 | 3 |
| COVID-19 & 737 MAX restructuring costs ⁽⁵⁾ | 54 | — |
| Other, net ⁽⁶⁾ | 20 | 6 |
| EBITDA As Defined | \$ 2,278 | \$ 2,419 |

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

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

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

⁽⁴⁾ Represents accounting adjustments to inventory associated with acquisitions of businesses and product lines that were charged to cost of sales when the inventory was sold; costs incurred to integrate acquired businesses and product lines into TD Group's operations, facility relocation costs and other acquisition-related costs; transaction-related costs comprising deal fees; legal, financial and tax due diligence expenses and valuation costs that are required to be expensed as incurred.

⁽⁵⁾ Represents restructuring costs related to the Company's cost reduction measures in response to the COVID-19 pandemic (\$46 million) and the 737 MAX production rate changes (\$3 million). These were costs related to the Company's actions to reduce its workforce to align with customer demand. This also includes \$5 million of incremental costs related to the pandemic that are not expected to recur once the pandemic has subsided and are clearly separable from normal operations (e.g., additional cleaning and disinfecting of facilities by contractors above and beyond normal requirements, personal protective equipment, etc.).

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

TRANSDIGM GROUP INCORPORATED
SUPPLEMENTAL INFORMATION - BALANCE SHEET DATA

(Amounts in millions)
(Unaudited)

Table 5

| | September 30, 2020 | September 30, 2019 |
|--|--------------------|--------------------|
| Cash and cash equivalents | \$ 4,717 | \$ 1,467 |
| Trade accounts receivable - net | 720 | 1,068 |
| Inventories - net | 1,283 | 1,233 |
| Current portion of long-term debt | 276 | 80 |
| Short-term borrowings-trade receivable securitization facility | 349 | 350 |
| Accounts payable | 218 | 276 |
| Accrued current liabilities | 773 | 675 |
| Long-term debt | 19,384 | 16,469 |
| Total TD Group stockholders' deficit | (3,972) | (2,894) |