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# FY 2012 Fourth Quarter Earnings Call

**November 15, 2012**

TRANSDIGM
GROUP INC.

# Agenda

| | |
|---|---|
| ■ TransDigm Overview | W. Nicholas Howley<br>Chairman and CEO |
| ■ Highlights, Market Review, Operating Performance and Outlook | W. Nicholas Howley<br>Chairman and CEO |
| ■ Operations and Value Creation | Raymond F. Laubenthal<br>President and COO |
| ■ Financial Results | Gregory Rufus<br>Executive Vice President and CFO |
| ■ Q&A | |

# Forward Looking Statements

This presentation contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including information regarding our guidance for future periods. These forward-looking statements are based on management's current expectations and beliefs, as well as a number of assumptions concerning future events, many of which are outside of our control. These statements are subject to risks and uncertainties that could cause actual results to differ materially from those expressed or implied in the forward-looking statement. These risks and uncertainties include but are not limited to: the sensitivity of our business to the number of flight hours that our customers' planes spend aloft and our customers' profitability, both of which are affected by general economic conditions; future terrorist attacks; 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; our substantial indebtedness; potential environmental liabilities; and other factors. Further information regarding the important factors that could cause actual results to differ materially from projected results can be found in TransDigm Group's Annual Report on Form 10-K and other reports that TransDigm Group or its subsidiaries have filed with the Securities and Exchange Commission.

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

# Special Notice Regarding Pro Forma and Non-GAAP Information

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

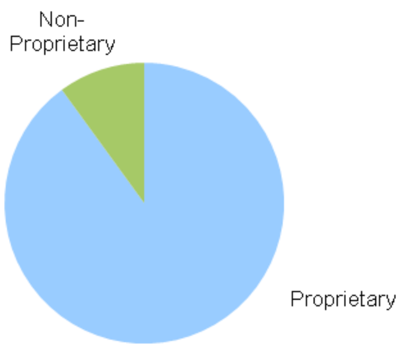
This presentation also sets forth certain non-GAAP financial measures. A presentation of the most directly comparable GAAP measures and a reconciliation to such measures are set forth in the appendix.

# TransDigm Overview

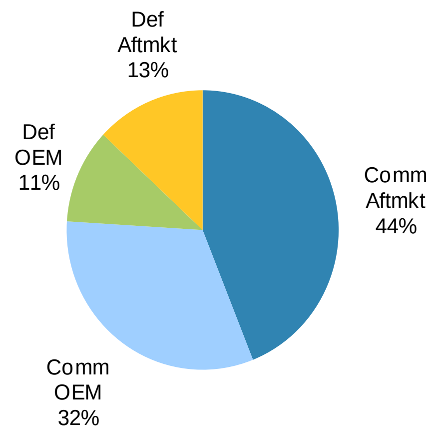
## DISTINGUISHING CHARACTERISTICS

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

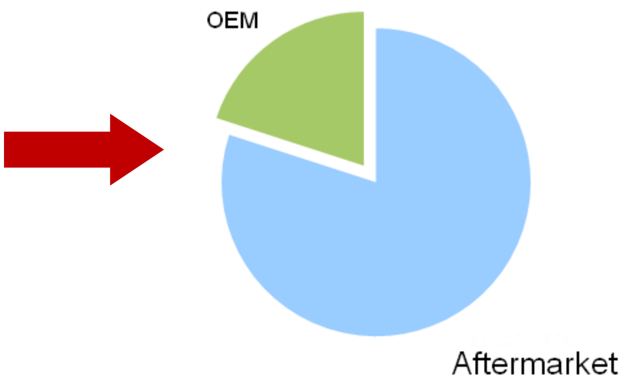
**Proprietary Revenues**




**Pro Forma Revenues (Excluding Ground Transportation) (1)**




**Pro Forma EBITDA As Defined**




(1) Pro Forma revenue for the fiscal year ended 9/30/12 (excluding Ground Transportation sales of ~ $65 million or ~ 4% of combined sales).

# 2012 Financial Performance by Market Channel – Pro Forma

## Highlights[1]

- Commercial OEM
  - 2012 YTD includes one-time customer payments
- Commercial Aftermarket:
  - Softening as year progressed
  - Q4 revenue up 4% vs. prior year
  - Sequential revenue ≈ flat vs. Q3
- Defense:
  - Continues to perform better than expected

## Market Review – Pro Forma Revenues[1]

| | Actual vs. Prior Year Fiscal 2012 |
|---|---|
| **Commercial OEM:** | 23% |
| **Commercial Aftermarket:** | Up 8% |
| **Defense:** | Up 5% |

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

# Fiscal 2013 Outlook

| FY 2012 Pro Forma Sales Mix [(1)] | Market | FY 2013 Expected Growth[(1)] |
|---|---|---|
| 32% | Commercial OEM | Up Low Single-Digit % |
| 44% | Commercial Aftermarket | Up 5 - 10 % |
| 24% | Defense | Modestly Down |

## Assumptions

- Worldwide RPM growth 4-5 %
- OEM production rate increases proceeding, however:
  - Concern over 2014/2015 flattening
  - 787 inventory overhang
- Defense excludes any impact from sequestration
- Full year tax rate between 34 to 35%
- Weighted average shares of 54.5 million

## Guidance Summary

| ($ in millions) | Low | | High | |
|---|---|---|---|---|
| **Revenues** | $ | 1,800 | $ | 1,900 |
| **EBITDA As Defined** | $ | 864 | $ | 912 |
| ***% to sales*** | | *48.0%* | | *48.0%* |
| **Net Income** | $ | 336 | $ | 360 |
| **GAAP EPS** | $ | 5.44 | $ | 5.88 |
| **Adj. EPS** | $ | 6.54 | $ | 6.98 |

(1) Pro Forma revenue for the fiscal year ended 9/30/12 (excluding Ground Transportation sales of ~ $65 million or ~ 4% of combined sales).

# Fourth Quarter 2012 Results

**($ in millions)**

| | Q4 FY12 | Q4 FY11 | |
|---|---|---|---|
| **Revenue** | **$462.6** | **$343.0** | **34.9% Increase**<br>• Organic sales growth 7% |
| **Gross Profit** | **$256.8** | **$193.0** | **.8 Margin Point Decrease** |
| *Margin %* | *55.5%* | *56.3%* | • Dilutive acquisition mix of ≈ 2 margin points<br>• Unfavorable OEM vs. aftermarket product mix |
| **SG&A** | **$54.3** | **$38.5** | |
| *% to Sales* | *11.7%* | *11.2%* | • Dilutive acquisition mix of ≈ 1 margin point |
| **Interest Exp.** | **$55.2** | **$48.7** | **13.2% Increase** |
| **Net Income From Continuing Ops.** | **$87.9** | **$64.3** | **36.6% Increase** |
| *% to Sales* | *19.0%* | *18.8%* | |
| **EBITDA As Defined** | **$215.1** | **$171.9** | **25.1% Increase** |
| *% to Sales* | *46.5%* | *50.1%* | • Dilutive acquisition mix of ≈ 3 margin points |
| **Adjusted EPS** | **$1.72** | **$1.45** | **18.6% Increase** |

# Liquidity & Taxes

## Cash

| | FY 9/30/2011 | FY 9/30/2012 |
|---|---|---|
| **Net Cash Provided by Operating Activities** | **$260.6** | **$413.9** |
| **Capital Expenditures** | **($18.0)** | **($25.2)** |
| **Free Cash Flow** | **$242.6** | **$388.7** |
| **Cash on the Balance Sheet** | **$376.2** | **$440.5** |

## Liquidity

| | Actual 9/30/2012 | EBITDA As Defined multiple | Proforma [(2)] 9/30/2012 | EBITDA As Defined multiple | Rate |
|---|---|---|---|---|---|
| Cash | $440.5 | | $430.5 | | |
| Revolver[(1)] | – | – | – | – | L + 3.75% |
| Existing First Lien Term Loan | 2,019.1 | 2.4x | 2,019.1 | 2.4x | L + 3.00% |
| Tack on First Lien Term Loan | – | – | 150.0 | 0.2x | L + 3.00% |
| **Total senior secured debt** | **$2,019.1** | **2.4x** | **$2,169.1** | **2.6x** | |
| Existing Senior Sub Notes | 1,600.0 | 1.9x | 1,600.0 | 1.9x | 7.75% |
| New Senior Sub Notes | – | – | 550.0 | 0.7x | 5.50% |
| **Total debt** | **$3,619.1** | **4.4x** | **$4,319.1** | **5.2x** | |
| Net Debt to Proforma EBITDA As Defined | | 3.8x | | 4.7x | |

(1) $310 million Revolving Credit Facility.
(2) Adjusted for the issuance of the Senior Subordinated Notes and the tack-on Term Loan in October 2012 in connection with the payment of a special dividend on November 5, 2012.

## Taxes

- FY12 Full Year ETR: 33.4%

# Reconciliation of GAAP to Adjusted EPS

($ in millions)

| | Fiscal Year Ended | | Full Year Guidance Mid-Point |
|---|---|---|---|
| | September 30, 2012 | September 30, 2011 | September 30, 2013 |
| Earnings per share from continuing operations | $ 5.97 | $ 2.80 | $ 5.66 |
| Adjustments to earnings per share: | | | |
| Refinancing costs | - | 0.90 | - |
| Dividend equivalent payment | 0.06 | 0.05 | 0.71 |
| Non-cash compensation costs | 0.27 | 0.16 | 0.34 |
| Acquisition-related expenses | 0.37 | 0.57 | 0.05 |
| Adjusted earnings per share | $ 6.67 | $ 4.48 | $ 6.76 |
| Weighted-average shares outstanding | 53,882 | 53,333 | 54,500 |

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# Appendix

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# Reconciliation of Net Income to EBITDA and EBITDA As Defined

| | Thirteen Week Periods Ended | | Fiscal Years Ended | |
|---|---|---|---|---|
| | September 30, 2012 | September 30, 2011 | September 30, 2012 | September 30, 2011 |
| Net income | $ 87,866 | $ 67,395 | $ 324,969 | $ 172,134 |
| Less income from discontinued operations | - | 3,082 | - | 19,909 |
| Income from continuing operations | 87,866 | 64,313 | 324,969 | 152,225 |
| Adjustments: | | | | |
| Depreciation and amortization expense | 17,582 | 17,601 | 68,227 | 60,460 |
| Interest expense, net | 55,152 | 48,703 | 211,906 | 185,256 |
| Income tax provision | 48,400 | 29,337 | 162,900 | 77,200 |
| EBITDA, excluding discontinued operations | 209,000 | 159,954 | 768,002 | 475,141 |
| Adjustments: | | | | |
| Acquisition related expenses and adjustments [1] | (1,676) | 6,168 | 18,866 | 29,711 |
| Stock option expense[2] | 7,758 | 5,736 | 22,151 | 12,568 |
| Refinancing costs [3] | - | 37 | - | 72,454 |
| Gross Adjustments to EBITDA | 6,082 | 11,941 | 41,017 | 114,733 |
| EBITDA As Defined | $ 215,082 | $ 171,895 | $ 809,019 | $ 589,874 |
| EBITDA As Defined, Margin [4] | 46.5% | 50.1% | 47.6% | 48.9% |

(1) Represents accounting adjustments to inventory associated with acquisitions of businesses and product lines that were charged to cost of sales when the

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

(3) Represents costs incurred in connection with the refinancing in December 2010, including the premium paid to redeem our 7¾% senior subordinated notes due

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

# Reconciliation of Reported EPS to Adjusted EPS

| | Thirteen Week Periods Ended | | Fiscal Years Ended | |
|---|---|---|---|---|
| **Reported Earnings Per Share** | **September 30, 2012** | **September 30, 2011** | **September 30, 2012** | **September 30, 2011** |
| Net income from continuing operations | $ 87,866 | $ 64,313 | $ 324,969 | $ 152,225 |
| Less: dividends paid on participating securities | - | - | (3,299) | (2,811) |
| | 87,866 | 64,313 | 321,670 | 149,414 |
| Net income from discontinued operations | - | 3,082 | - | 19,909 |
| Net income applicable to common stock - basic and diluted | $ 87,866 | $ 67,395 | $ 321,670 | $ 169,323 |
| **Weighted-average shares outstanding under the two-class method:** | | | | |
| Weighted average common shares outstanding | 51,535 | 50,206 | 50,996 | 49,888 |
| Vested options deemed participating securities | 2,347 | 3,127 | 2,886 | 3,445 |
| Total shares for basic and diluted earnings per share | 53,882 | 53,333 | 53,882 | 53,333 |
| Net earnings per share from continuing operations - basic and diluted | $ 1.63 | $ 1.20 | $ 5.97 | $ 2.80 |
| Net earnings per share from discontinued operations - basic and diluted | - | 0.06 | - | 0.37 |
| Net earnings per share | $ 1.63 | $ 1.26 | $ 5.97 | $ 3.17 |
| **Adjusted Earnings Per Share** | | | | |
| Net income from continuing operations | $ 87,866 | $ 64,313 | $ 324,969 | $ 152,225 |
| Gross adjustments to EBITDA | 6,082 | 11,941 | 41,017 | 114,733 |
| Purchase accounting backlog amortization | 2,113 | 5,360 | 11,056 | 15,858 |
| Tax adjustment | (3,098) | (4,402) | (17,387) | (43,943) |
| Adjusted net income | $ 92,963 | $ 77,212 | $ 359,655 | $ 238,873 |
| Adjusted diluted earnings per share under the two-class method | $ 1.72 | $ 1.45 | $ 6.67 | $ 4.48 |

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

| | Fiscal Years Ended | |
|---|---|---|
| | September 30, 2012 | September 30, 2011 |
| Net Cash Provided by Operating Activities | $ 413,885 | $ 260,386 |
| Adjustments: | | |
| Changes in assets and liabilities, net of effects from acquisitions of businesses | (11,749) | (30,874) |
| Interest expense - net (1) | 199,362 | 175,414 |
| Income tax provision - current | 138,100 | 130,109 |
| Non-cash equity compensation (2) | (22,151) | (12,574) |
| Excess tax benefit from exercise of stock options | 50,555 | 23,411 |
| Refinancing costs (3) | - | (72,454) |
| EBITDA | 768,002 | 473,418 |
| Adjustments: | | |
| Acquisition related expenses (4) | 18,866 | 33,466 |
| Stock option expense (5) | 22,151 | 12,568 |
| Refinancing costs (3) | - | 72,454 |
| EBITDA from discontinued operations | - | (2,032) |
| EBITDA As Defined | $ 809,019 | $ 589,874 |

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

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

(3) Represents costs incurred in connection with the refinancing in December 2010, including the premium paid to redeem our 7 3/4% senior subordinated notes due 2014, the write-off of debt issue costs and unamortized note premium and discount, and settlement of the interest rate swap agreement and other expenses.

(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, reversal of the earn-out liability related to the Duke's Aerospace earn-out arrangement and other acquisition accounting adjustments.

(5) Represents the compensation expense recognized by TD Group under our stock option plans.

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**November 15, 2012**

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