FY 2019 Q3 Earnings Call

August 6, 2019

Agenda

TRANSDIGM 25 YEARS

- TransDigm Overview and Highlights — Nick Howley, Executive Chairman
- Operating Performance, Market Review and Outlook — Kevin Stein, President and CEO
- Financial Results — Mike Lisman, CFO
- Q&A

Forward Looking Statements & Special Notice Regarding Pro Forma and Non-GAAP Information

TRANSDIGM 25 YEARS

FORWARD LOOKING STATEMENTS

This presentation contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including information regarding our guidance for future periods. These forward-looking statements are based on management's current expectations and beliefs, as well as a number of assumptions concerning future events, many of which are outside of our control. Consequently, such forward looking statements should be regarded solely as our current plans, estimates and beliefs. These statements are subject to risks and uncertainties that could cause actual results to differ materially from those expressed or implied in the forward-looking statement. The Company does not undertake, and specifically declines, any obligation, to publicly release the results of any revisions to these forward-looking statements that may be made to reflect any future events or circumstances after the date of such statements or to reflect the occurrence of anticipated or unanticipated events. All foreword –looking statements attributable to the Company or persons acting on its behalf are expressly qualified in their entirety by these cautionary statements. These risks and uncertainties include but are not limited to: the 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 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 associated with our international sales and operations; 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. This pro forma financial information gives effect to certain recently completed acquisitions. Such pro forma information is based on certain assumptions and adjustments and does not purport to present TransDigm's actual results of operations or financial condition had the transactions reflected in such pro forma financial information occurred at the beginning of the relevant period, in the case of income statement information, or at the end of such period, in the case of balance sheet information, nor is it necessarily indicative of the results of operations that may be achieved in the future.

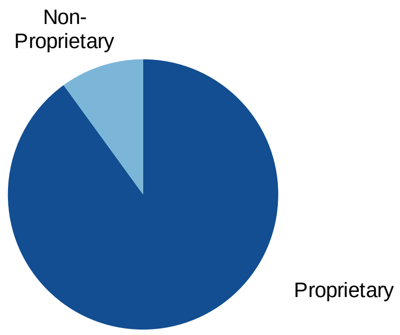
This presentation also sets forth certain non-GAAP financial measures. A presentation of the most directly comparable GAAP measures and a reconciliation to such measures are set forth in the appendix.

TransDigm Overview (Excludes Esterline)

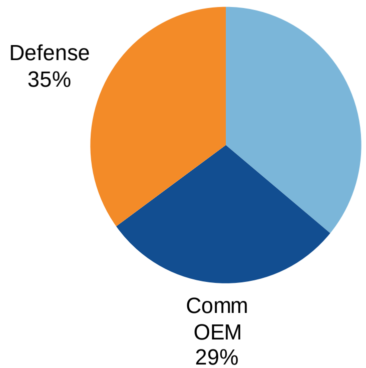
Distinguishing Characteristics

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

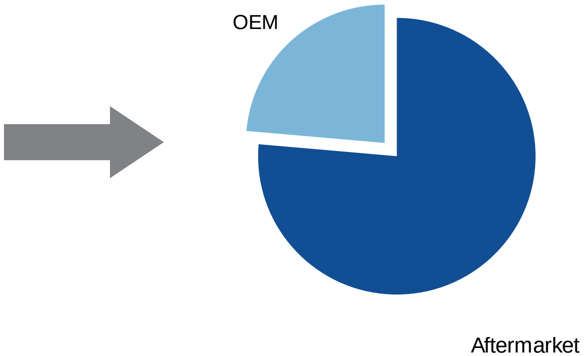
Proprietary Revenues (1)



Pro Forma Revenues (1)



Pro Forma EBITDA As Defined (1)



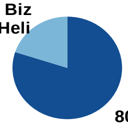
Excludes Esterline

(1) Pro forma revenue is for the fiscal year ended 9/30/18. Excludes Esterline. Includes the full year impact of acquisitions Kirkhill, Extant and Skandia. Please see the Special Notice Regarding Pro Forma and Non-GAAP Information.

2019 Q3 Financial Performance by Markets – Pro Forma (Excludes Esterline)

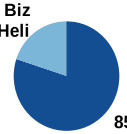
TRANSDIGM 25 YEARS

Highlights



Commercial OEM:

- Q3 ‘19 Commercial Transport Revenue Up 10%
- Q3 ’19 Business Jet/Helicopter Revenue Mid-teens%
- YTD ’19 Total Commercial Bookings Up Mid-teens%



Commercial Aftermarket:

- Q3 ‘19 Commercial Transport Revenue Up 9%
- Q3 ’19 Business Jet/Helicopter Revenue Up 2%
- YTD ’19 Total Commercial Bookings Mid-teens%

Defense:

- Q3 ’19 Strength in Both Defense OEM and Aftermarket
- Revenue Growth Well Distributed Across Businesses

Q3 Review – Pro Forma Revenues(1)

	Actual vs. Prior Year Q3	Actual vs. Prior Year YTD
Commercial OEM:	Up 10%	Up 10%
Commercial Aftermarket:	Up 8%	Up 7%
Defense:	Up 19%	Up 17%

Excludes Esterline

(1) Information is on a pro forma basis versus the prior year period. Excludes Esterline. Includes the full year impacts of acquisitions Kirkhill, Extant and Skandia. Please see the Special Notice Regarding Pro Forma and Non-GAAP Information.

Third Quarter 2019 Select Financial Results

TRANSDIGM 25 YEARS

($ in millions, except per share amounts)

	Q3 FY 2019	Q3 FY 2018			Comments
Revenue	**$1,658**	**$981**	**69.1%**	**Increase**	• 11.8% organic sales growth • $545M Esterline sales contribution
Gross Profit	**$762**	**$570**	**-12.2%**	**Margin Decrease**	• Lower Esterline gross margins vs. legacy TDG • Higher acquisition integration related costs • Legacy TDG business margins expanded
Margin %	***45.9%***	***58.1%***			
SG&A	**$275**	**$113**	**4.9%**		• Higher Esterline SG&A spend vs. legacy TDG • Higher acquisition related integration costs • $16m voluntary refund payment recorded in Q3 FY19
% to Sales	***16.5%***	***11.6%***			
Interest Expense- Net	**$241**	**$168**	**44.0%**	**Increase**	• Interest on new debt to fund Esterline
EBITDA As Defined	**$691**	**$487**	**41.9%**	**Increase**	• $134M Esterline EBITDA As Defined contribution
Margin %	***41.7%***	***49.7%***			
Adjusted EPS	**$4.95**	**$4.01**	**23.4%**	**Increase**	
Adjusted Tax Rate	**28.8%**	**22.4%**			• Includes $10M non-recurring tax restructuring charge related to Souriau-Sunbank transaction • ≈26% adj tax rate if exclude charge

Third Quarter & YTD 2019 Esterline Results

Esterline contribution includes Souriau-Sunbank and other businesses contemplated for potential divestiture

Esterline Contribution	Q3 FY 19	YTD FY 19
Revenue	$545 M	$667 M
EBITDA As Defined (1)	$134 M	$161 M
EBITDA As Defined Margin	*24.6%*	*24.1%*

(1) Esterline EBITDA As Defined includes $12M in loss contract reserves offsetting negative margins on sales in Q3 FY 19.

Fiscal 2019 Outlook

TRANSDIGM 25 YEARS

Guidance Summary – INCLUDES 6.5 Months of Esterline

($ in millions)

	FY 19 Current Guidance (1)	
	Low	High
Revenues	$ 5,500	$ 5,550
EBITDA As Defined	$ 2,425	$ 2,445
% of sales	*44.1%*	*44.1%*
Net Income	$ 767	$ 785
GAAP EPS	$ 13.19	$ 13.51
Adj. EPS	$ 17.93	$ 18.25

	FY 19 Guidance Midpoint Change (1)		
	Current	Prior	Δ
Revenues	$ 5,525	$ 5,440	$ 85
EBITDA As Defined	$ 2,435	$ 2,345	$ 90
% of sales	*44.1%*	*43.1%*	*1.0%*
Adj. EPS	$ 18.09	$ 16.81	$ 1.28

- $2,435M EBITDA midpoint is reduced by $16M voluntary refund payment
- Excluding this payment, of the $106M increase in EBITDA guidance, 40% driven by Legacy TDG and 60% from Esterline

(1) Prior FY 19 guidance issued 5/7/2019, current guidance issued 8/6/2019.

Fiscal 2019 Outlook - Continued

TRANSDIGM 25 YEARS

Market Growth Assumptions

FY 2018 Pro Forma Sales Mix [(1)] - Excludes Esterline	Market	Prior [(2)] FY 2019 Expected Growth - Excludes Esterline	Current [(2)] FY 2019 Expected Growth - Excludes Esterline
29%	Commercial OEM	Up MSD%	Up MSD% to HSD%
36%	Commercial Aftermarket	Up HSD%	Up HSD%
35%	Defense	Up HSD%	Up Low-Teens %

Misc. Financial Assumptions

- Full year net interest expense ≈ $865 million
- Full year effective tax rate ≈ 26.5% Adjusted EPS; 24% to 25% GAAP EPS and Cash taxes
- Weighted average shares of 56.3 million

(1) Pro forma revenue is for the fiscal year ended 9/30/18. Excludes Esterline. Includes the full year impact of acquisitions Kirkhill, Extant and Skandia. Please see the Special Notice Regarding Pro Forma and Non-GAAP Information.

(2) Prior FY19 guidance assumptions issued 5/7/19; current FY 19 guidance assumptions issued 8/6/19.

Reconciliation of Fiscal 2019 Outlook

($ in millions, except per share amounts)

	FY 19 Guidance Midpoint [2]		
	Current	Prior	Δ
Net income	$ 776	$ 705	$ 71
Adjustments:			
Depreciation and amortization expense	220	220	0
Interest expense - net	865	880	-15
Income tax provision	247	227	20
EBITDA	2,108	2,032	76
Adjustments:			
Acquisition-related expenses and adjustments [1] and other, net [1]	230	235	-5
Non-cash stock compensation expense [1]	93	74	19
Refinancing costs [1]	4	4	0
Gross Adjustments to EBITDA	327	313	14
EBITDA As Defined	**$2,435**	**$2,345**	**$90**
EBITDA As Defined, Margin [1]	*44.1%*	*43.1%*	*1.0%*
GAAP earnings per share	$13.35	$12.09	1.26
Adjustments to earnings per share:			
Inclusion of the dividend equivalent payments	0.43	0.43	-
Non-cash stock compensation expense	1.21	0.98	0.23
Acquisition-related expenses and adjustments and other, net	3.42	3.52	(0.10)
Refinancing costs	0.05	0.04	0.01
Reduction in income tax provision due to excess tax benefits on stock compensation	-0.37	-0.25	(0.12)
Adjusted earnings per share	**$18.09**	**$16.81**	**$1.28**
Weighted-average shares outstanding	56.3	56.3	-
GAAP Tax Rate	24% to 25%	24% to 25%	-
Adj Tax Rate	26.5%	26%	0%-1%

Current Guide primarily includes $125m inventory step-up amort. & $100m M&A transaction related costs (ie. ESL severance, banker fees, legal fees, etc.)

Current Guide primarily includes backlog amort., inventory step-up amort., M&A transaction related costs and other

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

(2) Prior FY 19 guidance issued 5/7/19; current FY 19 guidance issued 8/6/19.

Liquidity & Taxes

($ in millions)

Cash

	YTD Q3 FY19 6/29/19	FY 18 9/30/18
Net Cash Provided by Operating Activities	**$768.4**	**$1,022.2**
Capital Expenditures	**($80.4)**	**($73.3)**
Free Cash Flow	**$688.0**	**$948.9**
Cash on the Balance Sheet	**$2,716.8**	**$2,073.0**

Taxes

- YTD Q3 FY 19 GAAP ETR: 24.8%
- YTD Q3 FY 19 Adjusted ETR: 27.3%

Pro Forma Capital Structure

($ in millions)	Actual 6/29/19	Rate
$760mm revolver	–	L + 3.000%
$350mm AR securitization facility	300	L + 0.900%
First lien term loan E due 2025	2,227	L + 2.500%
First lien term loan F due 2023	3,533	L + 2.500%
First lien term loan G due 2024	1,783	L + 2.500%
Senior secured notes due 2026	4,000	6.250%
Total senior secured debt	**$11,843**	
Senior subordinated notes due 2022	1,150	6.000%
Senior subordinated notes due 2024	1,200	6.500%
Senior subordinated notes due 2025	750	6.500%
Senior subordinated notes due 2026	950	6.375%
Senior subordinated notes due 2026 (UK)	500	6.875%
Senior subordinated notes due 2027	550	7.500%
Total debt (1)	**$16,943**	

≈80% Fixed

Weighted Average Interest Rate 5.7%

(1) Total debt excludes $106K of capital lease obligations and government refundable advances.

Reconciliation of GAAP to Adjusted EPS - Guidance

TRANSDIGM 25 YEARS

	Thirteen Week Periods Ended		Thirty-Nine Week Periods Ended		Full Year Guidance Mid-Point
	June 29, 2019	June 30, 2018	June 29, 2019	June 30, 2018	September 30, 2019
Earnings per share from continuing operations	$ 2.57	$ 3.91	$ 9.22	$ 12.14	$ 13.35
Adjustments to earnings per share:					
Dividend equivalent payments	-	-	0.43	1.01	0.43
Non-cash stock compensation expense	0.40	0.19	0.91	0.64	1.21
Acquisition-related expenses	1.90	0.17	2.65	0.35	3.42
Refinancing costs	-	0.06	0.04	0.10	0.05
Reduction in income tax provision due to excess tax benefits on stock compensation	0.02	(0.20)	(0.32)	(0.86)	(0.37)
Other, net	0.06	(0.12)	0.08	0.06	-
Adjusted earnings per share	$ 4.95	$ 4.01	$ 13.01	$ 13.44	$ 18.09
Weighted-average shares outstanding	56,265	55,597	56,265	55,598	56,300

APPENDIX

Appendix: Depreciation & Amortization Reconciliation

TRANSDIGM 25 YEARS

($ in millions)

	FY 19 Guidance Midpoint [1]			FY 19 Pro Forma
	Current	Prior	Change	Assumes 12 months of ESL ownership
Depreciation expense	$ 96	$ 96	$ -	$ 122
Amortization (ex backlog)	92	92	0	99
Total depreciation and amortization (ex backlog)	**$ 188**	**$ 188**	**$ -**	**$ 221**
Backlog amortization	**$ 32**	**$ 32**	**$ -**	**$ 52**

Note: Backlog amortization is a result of purchase price accounting and is amortized over a shortened period (1.5 years useful life). Backlog amortization does NOT reduce adjusted earnings per share or adjusted net income.

(1) Prior FY 19 Adjusted EPS guidance issued 5/7/19; current FY 19 Adjusted EPS guidance issued 8/6/19.

Appendix - Reconciliation of Net Income to EBITDA and EBITDA As Defined

TRANSDIGM 25 YEARS

($ in thousands)

	Thirteen Week Periods Ended		Thirty-Nine Week Period Ended	
	June29, 2019	June30, 2018	June29, 2019	June30, 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:				
Acquisition-related expenses and adjustments[2]	136,385	10,381	186,451	16,940
Non-cash stock compensation expense[3]	31,809	13,708	70,082	36,411
Refinancing costs [4]	106	4,159	3,540	5,910
Other - net [5]	4,568	(8,150)	4,658	3,534
Gross Adjustments to EBITDA	172,868	20,098	264,731	62,795
EBITDA As Defined	$ 690,997	$ 487,141	$ 1,749,443	$ 1,351,797
EBITDA As Defined, Margin [6]	41.7%	49.7%	45.5%	48.9%

[1] During the fourth quarter of 2017, the Company committed to disposing of Schroth in connection with the settlement of a Department of Justice investigation into the competitive effects of the acquisition. Therefore, Schroth was classified as a held-for-sale beginning September 30, 2017. 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 in cash, which included a working capital adjustment of $0.3 million that was settled in July 2018.

[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: 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.

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

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

[5] Primarily represents foreign currency transaction gain or loss, payroll withholding taxes related to dividend equivalent payments and stock option exercises and gain or loss on sale of fixed assets.

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

Appendix - Reconciliation of Reported EPS to Adjusted EPS

TRANSDIGM 25 YEARS

($ in thousands, except per share amounts)

	Thirteen Week Periods Ended		Thirty-Nine Week Periods Ended	
Reported Earnings Per Share	**June 29, 2019**	**June 30, 2018**	**June 29, 2019**	**June 30, 2018**
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
Weighted-average shares outstanding 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 earnings per share from discontinued operations -- basic and diluted	-	-	-	(0.05)
Basic and diluted earnings per share	$ 2.57	$ 3.91	$ 9.22	$ 12.09
Adjusted Earnings Per Share				
Net income from continuing operations	$ 144,610	$ 217,391	$ 543,284	$ 731,242
Gross adjustments to EBITDA	172,868	20,098	264,731	62,795
Purchase accounting backlog amortization	14,233	2,024	18,943	3,108
Tax adjustment	(53,328)	(16,292)	(95,259)	(49,998)
Adjusted net income	$ 278,383	$ 223,221	$ 731,699	$ 747,147
Adjusted diluted earnings per share under the two-class method	$ 4.95	$ 4.01	$ 13.01	$ 13.44

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

TRANSDIGM 25 YEARS

($ 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	27,947
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 [4]	(3,540)	(5,910)
EBITDA from discontinued operations [6]	-	(364)
EBITDA	1,484,712	1,289,002
Adjustments:		
Acquisition-related expenses and adjustments [3]	186,451	16,940
Non-cash stock compensation expense [2]	70,082	36,411
Refinancing costs [4]	3,540	5,910
Other, net [5]	4,658	3,534
EBITDA As Defined	$ 1,749,443	$ 1,351,797

[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 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.

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

[5] Primarily represents foreign currency transaction gain or loss, payroll withholding taxes related to dividend equivalent payments and stock option exercises and gain or loss on sale of fixed assets.

[6] During the fourth quarter of 2017, the Company committed to disposing of Schroth in connection with the settlement of a Department of Justice investigation into the competitive effects of the acquisition. Therefore, Schroth was classified as a held-for-sale beginning September 30, 2017. 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 in cash, which included a working capital adjustment of $0.3 million that was settled in July 2018.