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 April 2, 2022

☐ **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 54,584,999 as of April 27, 2022.

TABLE OF CONTENTS

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

	April 2, 2022	September 30, 2021
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 4,216	$ 4,787
Trade accounts receivable—Net	794	791
Inventories—Net	1,242	1,185
Prepaid expenses and other	312	267
Total current assets	6,564	7,030
PROPERTY, PLANT AND EQUIPMENT—NET	810	770
GOODWILL	8,544	8,568
OTHER INTANGIBLE ASSETS—NET	2,709	2,791
OTHER	214	156
TOTAL ASSETS	$ 18,841	$ 19,315
LIABILITIES AND STOCKHOLDERS' DEFICIT		
CURRENT LIABILITIES:		
Current portion of long-term debt	$ 79	$ 277
Short-term borrowings—trade receivable securitization facility	350	349
Accounts payable	238	227
Accrued and other current liabilities	634	810
Total current liabilities	1,301	1,663
LONG-TERM DEBT	19,394	19,372
DEFERRED INCOME TAXES	552	485
OTHER NON-CURRENT LIABILITIES	487	705
Total liabilities	21,734	22,225
TD GROUP STOCKHOLDERS' DEFICIT:		
Common stock - $.01 par value; authorized 224,400,000 shares; issued 59,810,320 and 59,403,100 at April 2, 2022 and September 30, 2021, respectively	1	1
Additional paid-in capital	1,984	1,830
Accumulated deficit	(3,350)	(3,705)
Accumulated other comprehensive loss	(73)	(248)
Treasury stock, at cost; 5,245,041 and 4,198,226 shares at April 2, 2022 and September 30, 2021, respectively	(1,461)	(794)
Total TD Group stockholders' deficit	(2,899)	(2,916)
NONCONTROLLING INTERESTS	6	6
Total stockholders' deficit	(2,893)	(2,910)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	$ 18,841	$ 19,315

See notes to condensed consolidated financial statements

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

	Thirteen Week Periods Ended		Twenty-Six Week Periods Ended	
	April 2, 2022	April 3, 2021	April 2, 2022	April 3, 2021
NET SALES	$ 1,327	$ 1,194	$ 2,521	$ 2,301
COST OF SALES	591	602	1,124	1,169
GROSS PROFIT	736	592	1,397	1,132
SELLING AND ADMINISTRATIVE EXPENSES	183	162	353	358
AMORTIZATION OF INTANGIBLE ASSETS	33	36	69	65
INCOME FROM OPERATIONS	520	394	975	709
INTEREST EXPENSE—NET	266	268	530	535
REFINANCING COSTS	—	24	—	24
OTHER INCOME	(6)	(28)	(8)	(33)
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	260	130	453	183
INCOME TAX PROVISION	61	25	91	28
INCOME FROM CONTINUING OPERATIONS	199	105	362	155
INCOME FROM DISCONTINUED OPERATIONS, NET OF TAX	—	—	1	—
NET INCOME	199	105	363	155
LESS: NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	—	(1)	(1)	(1)
NET INCOME ATTRIBUTABLE TO TD GROUP	$ 199	$ 104	$ 362	$ 154
NET INCOME APPLICABLE TO TD GROUP COMMON STOCKHOLDERS	$ 199	$ 104	$ 316	$ 81
Earnings per share attributable to TD Group common stockholders				
Earnings per share from continuing operations—basic and diluted	$ 3.38	$ 1.79	$ 5.33	$ 1.40
Earnings per share from discontinued operations—basic and diluted	—	—	0.02	—
Earnings per share	$ 3.38	$ 1.79	$ 5.35	$ 1.40
Weighted-average shares outstanding:				
Basic and diluted	58.9	58.4	59.0	58.4

See notes to condensed consolidated financial statements

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

	Thirteen Week Periods Ended		Twenty-Six Week Periods Ended	
	April 2, 2022	April 3, 2021	April 2, 2022	April 3, 2021
Net income	$ 199	$ 105	$ 363	$ 155
Less: Net income attributable to noncontrolling interests	—	(1)	(1)	(1)
Net income attributable to TD Group	$ 199	$ 104	$ 362	$ 154
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustment	(43)	—	(53)	111
Unrealized gain on derivatives	170	43	228	56
Pension and postretirement benefit plans adjustment	—	—	—	—
Other comprehensive income, net of tax, attributable to TD Group	127	43	175	167
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO TD GROUP	$ 326	$ 147	$ 537	$ 321

See notes to condensed consolidated financial statements

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

	TD Group Stockholders								
	Common Stock					Treasury Stock			
	Number of Shares	Par Value	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Number of Shares	Value	Noncontrolling Interests	Total
BALANCE—September 30, 2020	58,612,028	$ 1	$ 1,581	$ (4,359)	$ (401)	(4,198,226)	$ (794)	$ 4	$ (3,968)
Changes in noncontrolling interest of consolidated subsidiaries, net	—	—	—	—	—	—	—	3	3
Accrued unvested dividend equivalents and other	—	—	—	(5)	—	—	—	—	(5)
Compensation expense recognized for employee stock options	—	—	43	—	—	—	—	—	43
Exercise of employee stock options	240,979	—	32	—	—	—	—	—	32
Net income attributable to TD Group	—	—	—	50	—	—	—	—	50
Foreign currency translation adjustment, net of tax	—	—	—	—	111	—	—	—	111
Unrealized gain on derivatives, net of tax	—	—	—	—	13	—	—	—	13
Pension and postretirement benefit plans adjustment, net of tax	—	—	—	—	—	—	—	—	—
BALANCE—January 2, 2021	58,853,007	$ 1	$ 1,656	$ (4,314)	$ (277)	(4,198,226)	$ (794)	$ 7	$ (3,721)
Changes in noncontrolling interest of consolidated subsidiaries, net	—	—	—	—	—	—	—	—	—
Accrued unvested dividend equivalents and other	—	—	—	(5)	—	—	—	—	(5)
Compensation expense recognized for employee stock options	—	—	21	—	—	—	—	—	21
Exercise of employee stock options	207,509	—	37	—	—	—	—	—	37
Net income attributable to TD Group	—	—	—	104	—	—	—	—	104
Foreign currency translation adjustment, net of tax	—	—	—	—	—	—	—	—	—
Unrealized gain on derivatives, net of tax	—	—	—	—	43	—	—	—	43
Pension and postretirement benefit plans adjustment, net of tax	—	—	—	—	—	—	—	—	—
BALANCE—April 3, 2021	59,060,516	$ 1	$ 1,714	$ (4,215)	$ (234)	(4,198,226)	$ (794)	$ 7	$ (3,521)

See notes to condensed consolidated financial statements

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

	TD Group Stockholders								
	Common Stock					Treasury Stock			
	Number of Shares	Par Value	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Number of Shares	Value	Noncontrolling Interests	Total
BALANCE—September 30, 2021	59,403,100	$ 1	$ 1,830	$ (3,705)	$ (248)	(4,198,226)	$ (794)	$ 6	$ (2,910)
Changes in noncontrolling interest of consolidated subsidiaries, net	—	—	—	—	—	—	—	1	1
Accrued unvested dividend equivalents and other	—	—	—	(3)	—	—	—	—	(3)
Compensation expense recognized for employee stock options	—	—	35	—	—	—	—	—	35
Exercise of employee stock options	215,817	—	40	—	—	—	—	—	40
Net income attributable to TD Group	—	—	—	163	—	—	—	—	163
Foreign currency translation adjustment, net of tax	—	—	—	—	(10)	—	—	—	(10)
Unrealized gain on derivatives, net of tax	—	—	—	—	58	—	—	—	58
Pension and postretirement benefit plans adjustment, net of tax	—	—	—	—	—	—	—	—	—
BALANCE—January 1, 2022	59,618,917	$ 1	$ 1,905	$ (3,545)	$ (200)	(4,198,226)	$ (794)	$ 7	$ (2,626)
Changes in noncontrolling interest of consolidated subsidiaries, net	—	—	—	—	—	—	—	(1)	(1)
Accrued unvested dividend equivalents and other	—	—	—	(4)	—	—	—	—	(4)
Compensation expense recognized for employee stock options	—	—	39	—	—	—	—	—	39
Exercise of employee stock options	191,403	—	40	—	—	—	—	—	40
Stock repurchases under repurchase program	—	—	—	—	—	(1,046,815)	(667)	—	(667)
Net income attributable to TD Group	—	—	—	199	—	—	—	—	199
Foreign currency translation adjustment, net of tax	—	—	—	—	(43)	—	—	—	(43)
Unrealized gain on derivatives, net of tax	—	—	—	—	170	—	—	—	170
Pension and postretirement benefit plans adjustment, net of tax	—	—	—	—	—	—	—	—	—
BALANCE—April 2, 2022	59,810,320	$ 1	$ 1,984	$ (3,350)	$ (73)	(5,245,041)	$ (1,461)	$ 6	$ (2,893)

See notes to condensed consolidated financial statements

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

	Twenty-Six Week Periods Ended	
	April 2, 2022	**April 3, 2021**
OPERATING ACTIVITIES:		
Net income	$ 363	$ 155
Income from discontinued operations, net of tax	(1)	—
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	58	58
Amortization of intangible assets and product certification costs	69	66
Amortization of debt issuance costs, original issue discount and premium	17	17
Amortization of inventory step-up	1	6
Amortization of loss contract reserves	(20)	(27)
Refinancing costs	—	24
Gain on sale of businesses, net	(3)	(1)
Non-cash stock compensation expense	79	70
Deferred income taxes	(1)	—
Foreign currency exchange (gain) loss	(2)	23
Gain on insurance proceeds from fire	—	(22)
Changes in assets/liabilities, net of effects from acquisitions and sales of businesses:		
Trade accounts receivable	(8)	39
Inventories	(62)	32
Income taxes (receivable) payable	(20)	38
Other assets	(16)	(9)
Accounts payable	13	(7)
Accrued interest	(64)	(47)
Accrued and other liabilities	(37)	(43)
Net cash provided by operating activities	366	372
INVESTING ACTIVITIES:		
Capital expenditures	(57)	(60)
Acquisition of businesses, net of cash acquired	—	(951)
Net proceeds from sale of businesses	3	35
Insurance proceeds for fixed assets damaged from fire	—	24
Net cash used in investing activities	(54)	(952)
FINANCING ACTIVITIES:		
Proceeds from exercise of stock options	80	69
Dividend equivalent payments	(46)	(73)
Repurchases of common stock	(667)	—
Proceeds from issuance of senior subordinated notes, net	—	1,189
Repayments of senior subordinated notes, net	—	(1,220)
Proceeds from revolving credit facility	—	200
Repayment on revolving credit facility	(200)	(200)
Repayment on term loans	(38)	(38)
Financing costs and other, net	(1)	—
Net cash used in financing activities	(872)	(73)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(11)	8
NET DECREASE IN CASH AND CASH EQUIVALENTS	(571)	(645)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	4,787	4,717
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 4,216	$ 4,072
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the period for interest	$ 574	$ 565
Cash paid during the period for income taxes, net of refunds	$ 95	$ 26

See notes to condensed consolidated financial statements

TRANSDIGM GROUP INCORPORATED
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
TWENTY-SIX WEEK PERIODS ENDED APRIL 2, 2022 AND APRIL 3, 2021
(UNAUDITED)

1. 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 products. 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, 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, engineered audio, radio and antenna 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.

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 condensed consolidated financial statements for the interim periods presented. These financial statements and notes should be read in conjunction with the financial statements and related notes for the fiscal year ended September 30, 2021 included in TD Group's Form 10-K filed on November 16, 2021. As disclosed therein, the Company's annual consolidated financial statements were prepared in conformity with generally accepted accounting principles in the United States ("U.S. GAAP"). The September 30, 2021 condensed consolidated balance sheet was derived from TD Group's audited financial statements. The results of operations for the twenty-six week period ended April 2, 2022 are not necessarily indicative of the results to be expected for the full year.

3. ACQUISITIONS AND DIVESTITURES

Acquisitions

DART Aerospace – On March 14, 2022, the Company entered into a definitive agreement to acquire DART Aerospace ("DART") for a total purchase price of $360 million. The acquisition, which is expected to close during the second half of fiscal 2022, is subject to regulatory approvals and customary closing conditions and will be financed through existing cash on hand. DART operates from four primary facilities (Hawkesbury, Ontario, Canada; Portland, Oregon; Fort Collins, Colorado and Chihuahua, Mexico) and is a leading provider of highly engineered, unique helicopter mission equipment solutions that predominantly service civilian aircraft. The products are primarily proprietary with significant aftermarket content.

Cobham Aero Connectivity – On November 24, 2020, the Company entered into a definitive agreement to acquire all the outstanding stock of Chelton Limited, Chelton Avionics Holdings, Inc. and Mastsystem Int'l Oy, collectively, Cobham Aero Connectivity ("CAC"), for a total purchase price of $945 million. The acquisition was substantially completed on January 5, 2021 and financed through existing cash on hand. The Company completed the remainder of the acquisition of CAC on February 12, 2021, also through existing cash on hand. CAC operates from two primary facilities (Marlow, United Kingdom and Prescott, Arizona) and is a leading provider of highly engineered antennas and radios for the aerospace end market. The products are primarily proprietary with significant aftermarket content and have a strong presence across major defense platforms as well as select commercial applications. CAC's operating results are included within TransDigm's Airframe segment.

The Company accounted for the CAC acquisition using the acquisition method of accounting and third-party valuation appraisals and included the results of operations of the acquisition in its condensed consolidated financial statements from the effective dates of the acquisition. The total purchase price of CAC was allocated to the underlying assets acquired and liabilities assumed based upon the respective fair value at the dates 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 fair values of acquired intangibles and certain liabilities, such as loss contract reserves, are determined based on estimates and assumptions that are deemed reasonable by the Company. Significant assumptions used to determine the fair values of acquired intangible assets include the discount rates and certain assumptions that form the basis of the forecasted results of the acquired business including revenue growth rates, EBITDA margins, royalty rates and technology obsolescence rates. Significant assumptions used to determine the fair value of the loss contract reserves using the discounted cash flow model include discount rates and forecasted costs to be incurred under the long-term contracts and at-market bid prices for respective contracts. These assumptions are forward looking and could be affected by future economic and market conditions.

The final allocation of the fair value of assets acquired and liabilities assumed in the CAC acquisition as of the acquisition dates, as well as measurement period adjustments recorded within the permissible one year measurement period, are summarized in the table below (in millions):

	Preliminary Allocation	Measurement Period Adjustments	Final Allocation
Assets acquired (excluding cash):			
Trade accounts receivable	$ 31	$ 1	$ 32
Inventories	27	2	29
Prepaid expenses and other	10	(3)	7
Property, plant and equipment	18	3	21
Goodwill	636	61	697 (1)
Other intangible assets	309	15	324 (1)
Other	34	(3)	31
Total assets acquired (excluding cash)	1,065	76	1,141
Liabilities assumed:			
Accounts payable	15	3	18
Accrued and other current liabilities	38	6 (2)	44
Deferred income taxes	38	(7)	31
Other non-current liabilities	29	74 (2)	103
Total liabilities assumed	120	76	196
Net assets acquired	$ 945	$ —	$ 945

(1) Of the approximately $697 million of goodwill recognized for the acquisition, approximately $65 million is deductible for tax purposes. Of the approximately $324 million of other intangible assets recognized for the acquisition, approximately $105 million is deductible for tax purposes. The goodwill and intangible assets are deductible over 15 years.

(2) Primarily relates to the recording of loss contract reserves associated with acquired ongoing long-term contracts with customers that were incurring negative gross margins as of the date of acquisition. Based on our review of these contracts, we concluded that the terms of certain contracts were unfavorable when compared to market terms as of the acquisition date. The loss contract reserves, totaling $80.6 million, will be released over an estimated three to five year period.

The CAC and DART 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, continually improving our cost structure, and providing highly engineered value-added products to customers). The purchase price paid / to be paid reflect 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 businesses, 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.

Divestitures

ScioTeq and TREALITY Simulation Visual Systems – On June 30, 2021, TransDigm completed the divestiture of its ScioTeq and TREALITY Simulation Visual Systems businesses (“ScioTeq and TREALITY”) to OpenGate Capital (“OpenGate”) for approximately $200 million in cash. During the second quarter of fiscal 2021, the Company determined ScioTeq and TREALITY met the criteria to be classified as held for sale. ScioTeq and TREALITY were acquired by TransDigm as part of its acquisition of Esterline Technologies Corporation (“Esterline”) in March 2019 and were included in TransDigm’s Airframe segment.

Technical Airborne Components – On April 27, 2021, TransDigm completed the divestiture of the Technical Airborne Components business (“TAC”) to Searchlight Capital Partners for approximately $40 million in cash. TAC was included in TransDigm’s Airframe segment.

The net gain on sale recognized in fiscal 2021 as a result of the ScioTeq and TREALITY and TAC divestitures was approximately $68 million, which was classified as a component of gain on sale of businesses-net within the condensed consolidated statements of income during the third quarter of fiscal 2021. During the second quarter of fiscal 2022, the Company received approximately $3 million in cash proceeds related to a final working capital settlement for the ScioTeq and TREALITY divestiture. These proceeds are classified as a component of other income in the condensed consolidated statements of income.

Racal Acoustics – On January 29, 2021, TransDigm completed the divestiture of the Racal Acoustics business (“Racal”) to Invisio Communications AB for approximately $20 million in cash. Racal was acquired by TransDigm as part of its acquisition of Esterline in March 2019 and was included in TransDigm's Non-aviation segment. The gain on sale recognized in the second quarter of fiscal 2021 as a result of the divestiture was immaterial and classified as a component of other income in the condensed consolidated statements of income.

Avista, Inc. – On November 17, 2020, TransDigm completed the divestiture of the Avista, Inc. business (“Avista”) to Belcan, LLC for approximately $8 million in cash. Avista was acquired by TransDigm as part of its acquisition of Esterline in March 2019 and was included in TransDigm's Airframe segment. The gain on sale recognized in the first quarter of fiscal 2021 as a result of the divestiture was immaterial and classified as a component of other income in the condensed consolidated statements of income.

Souriau-Sunbank Connection Technologies – On December 20, 2019, TransDigm completed the divestiture of the Souriau-Sunbank Connection Technologies business (“Souriau-Sunbank”) to Eaton Corporation plc (“Eaton”) for approximately $920 million. Souriau-Sunbank was acquired by TransDigm as part of its acquisition of Esterline in March 2019 and was included in TransDigm's Non-aviation segment. During the first quarter of fiscal 2022, the Company received approximately $1 million in cash proceeds related to a final working capital settlement for the Souriau-Sunbank divestiture. These proceeds are classified as income from discontinued operations, net of tax, in the condensed consolidated statements of income.

4. RECENT ACCOUNTING PRONOUNCEMENTS

In December 2019, the FASB issued ASU 2019-12, “Income Taxes (Accounting Standards Codification (“ASC”) 740) - Simplifying the Accounting for Income Taxes,” which simplifies the accounting for income taxes by removing certain exceptions to the general principles in ASC 740. The amendments also improve consistent application of and simplify U.S. GAAP for other areas of ASC 740 by clarifying and amending existing guidance. This guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020. The Company adopted ASU 2019-12 on October 1, 2021. The adoption of this standard did not have a material impact on our condensed consolidated financial statements and disclosures.

In March 2020, the FASB issued ASU 2020-04, “Reference Rate Reform." Certain amendments were provided for in ASU 2021-01, “Reference Rate Reform (ASC 848): Scope,” which was issued in January 2021. This ASU provides optional guidance for a limited period of time to ease potential accounting impacts associated with transitioning away from reference rates that are expected to be discontinued, such as the London Interbank Offered Rate (“LIBOR”). The amendments in this ASU apply only to contracts, hedging relationships, and other transactions that reference LIBOR or another reference rate expected to be discontinued. The amendments in this ASU are effective through December 31, 2022. The Company is evaluating the impact of reference rate reform on our existing Credit Agreement and our interest rate swap and cap agreements. To the extent that, prior to December 31, 2022, the Company enters into any transactions for which the optional practical expedients permissible under ASC 848 are applied, the adoption of this standard is not expected to have a material impact on the Company's condensed consolidated financial statements and disclosures.

5. REVENUE RECOGNITION

TransDigm's sales are concentrated in the aerospace and defense industry. The Company’s customers include: distributors of aerospace components, commercial airlines, large commercial transport and regional and business aircraft OEMs, various armed forces of the United States and friendly foreign governments, defense OEMs, system suppliers, and various other industrial customers.

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

In some contracts, control transfers 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. Therefore, we recognize revenue over time for those agreements that have a right to margin and where the products being produced have no alternative use.

Based on our production cycle, it is generally expected that goods related to the revenue 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.

We consider the contractual consideration payable by the customer and assess variable consideration that may affect the total transaction price. Variable consideration is included in the estimated transaction price when there is a basis to reasonably estimate the amount, including whether the estimate should be constrained in order to avoid a significant reversal of revenue in a future period. These estimates are based on historical experience, anticipated performance under the terms of the contract and our best judgment at the time.

When contracts are modified to account for changes in contract specifications and requirements, the Company considers whether the modification either creates new or changes the existing enforceable rights and obligations. Contract modifications that are for goods or services that are not distinct from the existing contract, due to the significant integration with the original good or service provided, are accounted for as if they were part of that existing contract. The effect of a contract modification to an existing contract on the transaction price and our measure of progress for the performance obligation to which it relates, is recognized as an adjustment to revenue on a cumulative catch-up basis. When the modifications include additional performance obligations that are distinct and at relative stand-alone selling price, they are accounted for as a new contract and performance obligation, which are recognized prospectively.

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.

Shipping and handling fees and costs incurred in connection with products sold are recorded in cost of sales in the condensed 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 condensed consolidated statements of income.

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 millions):

	April 2, 2022	September 30, 2021
Contract assets, current [1]	$ 96	$ 72
Contract assets, non-current [2]	1	2
Total contract assets	97	74
Contract liabilities, current [3]	36	27
Contract liabilities, non-current [4]	8	5
Total contract liabilities	44	32
Net contract assets	$ 53	$ 42

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

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

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

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

For the thirteen and twenty-six week periods ended April 2, 2022, the revenue recognized that was previously included in contract liabilities was not material.

Refer to Note 14, “Segments,” for disclosures related to the disaggregation of revenue.

Allowance for Credit Losses – The Company's allowance for credit losses is the allowance for uncollectible accounts. The allowance for uncollectible accounts reduces the trade accounts receivable balance to the estimated net realizable value equal to the amount that is expected to be collected.

The Company’s method for developing its allowance for credit losses is based on historical write-off experience, the aging of receivables, an assessment of the creditworthiness of customers, economic conditions and other external market information. All provisions for allowances for uncollectible accounts are included in selling and administrative expenses.

As of April 2, 2022 and September 30, 2021, the allowance for uncollectible accounts was $33 million and $30 million, respectively. The allowance for uncollectible accounts is assessed individually at each operating unit by the operating unit’s management team.

6. EARNINGS PER SHARE

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

	Thirteen Week Periods Ended		Twenty-Six Week Periods Ended	
	April 2, 2022	April 3, 2021	April 2, 2022	April 3, 2021
Numerator for earnings per share:				
Income from continuing operations	$ 199	$ 105	$ 362	$ 155
Less: Net income attributable to noncontrolling interests	—	(1)	(1)	(1)
Net income from continuing operations attributable to TD Group	199	104	361	154
Less: Special dividends declared or paid on participating securities, including dividend equivalent payments	—	—	(46)	(73)
Income from discontinued operations, net of tax	—	—	1	—
Net income applicable to TD Group common stockholders—basic and diluted	$ 199	$ 104	$ 316	$ 81
Denominator for basic and diluted earnings per share under the two-class method:				
Weighted-average common shares outstanding	55.2	54.8	55.2	54.7
Vested options deemed participating securities	3.7	3.6	3.8	3.7
Total shares for basic and diluted earnings per share	58.9	58.4	59.0	58.4
Earnings per share from continuing operations—basic and diluted	$ 3.38	$ 1.79	$ 5.33	$ 1.40
Earnings per share from discontinued operations—basic and diluted	—	—	0.02	—
Earnings per share	$ 3.38	$ 1.79	$ 5.35	$ 1.40

7. STOCK REPURCHASE PROGRAM

Occasionally at management's discretion, the Company repurchases its common stock in the open market, depending on market conditions, stock price and other factors. On January 27, 2022, the Board of Directors of the Company (the “Board”) authorized a new stock repurchase program to permit repurchases of its outstanding common stock not to exceed $2,200 million in the aggregate (the “$2,200 million stock repurchase program”), replacing the $650 million stock repurchase program previously authorized by the Board on November 8, 2017, subject to any restrictions specified in the Second Amended and Restated Credit Agreement dated as of June 4, 2014 (the “Credit Agreement”), and/or Indentures governing the Company's existing Notes. There is no expiration date for this program.

During the second quarter of fiscal 2022, the Company repurchased 1,046,815 shares of common stock at an average price of $636.93 per share, for a total amount of $667 million. The repurchased shares of common stock are classified as treasury stock in the statement of changes in stockholders' deficit. As of April 2, 2022, $1,533 million remains available for repurchase under the $2,200 million stock repurchase program.

8. 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 millions):

	April 2, 2022	September 30, 2021
Raw materials and purchased component parts	$ 886	$ 850
Work-in-progress	357	322
Finished goods	197	207
Total	1,440	1,379
Reserves for excess and obsolete inventory	(198)	(194)
Inventories—Net	$ 1,242	$ 1,185

9. INTANGIBLE ASSETS

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

	April 2, 2022			September 30, 2021		
	Gross Carrying Amount	Accumulated Amortization	Net	Gross Carrying Amount	Accumulated Amortization	Net
Trademarks & trade names	$ 981	$ —	$ 981	$ 983	$ —	$ 983
Technology	2,010	737	1,273	2,009	679	1,330
Order backlog	16	15	1	16	11	5
Customer relationships	541	93	448	545	78	467
Other	10	4	6	18	12	6
Total	$ 3,558	$ 849	$ 2,709	$ 3,571	$ 780	$ 2,791

The aggregate amortization expense on identifiable intangible assets is approximately $69 million and $65 million for the twenty-six week periods ended April 2, 2022 and April 3, 2021, respectively.

The following is a summary of changes in the carrying value of goodwill by segment from September 30, 2021 through April 2, 2022 (in millions):

	Power & Control	Airframe	Non-aviation	Total
Balance at September 30, 2021	$ 4,149	$ 4,326	$ 93	$ 8,568
Purchase price allocation adjustments (1)	—	3	—	3
Currency translation adjustments	(12)	(15)	—	(27)
Balance at April 2, 2022	$ 4,137	$ 4,314	$ 93	$ 8,544

(1) Primarily related to opening balance sheet adjustments recorded from the acquisition of CAC up to the expiration of the one year measurement period in January 2022.

10. DEBT

The Company’s debt consists of the following (in millions):

	April 2, 2022			
	Gross Amount	Debt Issuance Costs	Original Issue (Discount) or Premium	Net Amount
Short-term borrowings—trade receivable securitization facility	$ 350	$ —	$ —	$ 350
Term loans	$ 7,336	$ (35)	$ (15)	$ 7,286
8.00% senior secured notes due 2025 (“2025 Secured Notes”)	1,100	(7)	—	1,093
6.375% senior subordinated notes due 2026 (“6.375% 2026 Notes”)	950	(4)	—	946
6.875% senior subordinated notes due 2026 (“6.875% 2026 Notes”)	500	(3)	(2)	495
6.25% secured notes due 2026 (“2026 Secured Notes”)	4,400	(41)	4	4,363
7.50% senior subordinated notes due 2027 (“7.50% 2027 Notes”)	550	(4)	—	546
5.50% senior subordinated notes due 2027 (“5.50% 2027 Notes”)	2,650	(17)	—	2,633
4.625% senior subordinated notes due 2029 (“4.625% 2029 Notes”)	1,200	(10)	—	1,190
4.875% senior subordinated notes due 2029 (“4.875% 2029 Notes”)	750	(6)	—	744
Government refundable advances	28	—	—	28
Finance lease obligations	149	—	—	149
	19,613	(127)	(13)	19,473
Less: current portion	80	(1)	—	79
Long-term debt	$ 19,533	$ (126)	$ (13)	$ 19,394

	September 30, 2021			
	Gross Amount	Debt Issuance Costs	Original Issue (Discount) or Premium	Net Amount
Short-term borrowings—trade receivable securitization facility	$ 350	$ (1)	$ —	$ 349
Term loans	$ 7,374	$ (39)	$ (17)	$ 7,318
Revolving credit facility	200	—	—	200
2025 Secured Notes	1,100	(7)	—	1,093
6.375% 2026 Notes	950	(5)	—	945
6.875% 2026 Notes	500	(4)	(2)	494
2026 Secured Notes	4,400	(45)	4	4,359
7.50% 2027 Notes	550	(4)	—	546
5.50% 2027 Notes	2,650	(18)	—	2,632
4.625% 2029 Notes	1,200	(10)	—	1,190
4.875% 2029 Notes	750	(7)	—	743
Government refundable advances	29	—	—	29
Finance lease obligations	100	—	—	100
	19,803	(139)	(15)	19,649
Less: current portion	278	(1)	—	277
Long-term debt	$ 19,525	$ (138)	$ (15)	$ 19,372

Accrued interest, which is classified as a component of accrued and other current liabilities on the condensed consolidated balance sheets, was $127 million and $191 million as of April 2, 2022 and September 30, 2021, respectively.

Amendment No. 9 and Loan Modification Agreement – On December 29, 2021, the Company entered into Amendment No. 9 and Incremental Revolving Credit Assumption Agreement (herein, “Amendment No. 9”) to the Credit Agreement, which increases the capacity under the revolving credit facility from $760 million to $810 million. The terms and conditions that apply to Amendment No. 9 are the same as the terms and conditions that apply to the existing dollar revolving commitments and term loans under the Credit Agreement. As of April 2, 2022, the borrowings available under the revolving commitments were $774.7 million.

The Company capitalized $0.2 million representing debt issuance costs associated with Amendment No. 9 during the twenty-six week period ended April 2, 2022.

Revolving Credit Facility – On October 6, 2021, the Company repaid $200 million previously drawn on the revolving credit facility, in addition to $0.1 million of accrued interest.

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 based on year-over-year commercial aviation revenue growth for certain product lines at CMC Electronics, which is a wholly-owned subsidiary of TransDigm. As of April 2, 2022 and September 30, 2021, the outstanding balance of these advances was $28 million and $29 million, respectively.

Obligations under Finance Leases – The Company leases certain buildings and equipment under finance leases. The present value of the minimum finance lease payments, net of the current portion, represents a balance of $149 million and $100 million at April 2, 2022 and September 30, 2021, respectively. The increase in the current fiscal year is attributable to certain lease renewals and amendments qualifying as lease modifications resulting in a change in classification from an operating lease to a finance lease. Refer to Note 17, “Leases,” for further disclosure of the Company's lease obligations.

11. 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 April 2, 2022 and April 3, 2021, the effective income tax rate was 23.5% and 19.2%, respectively. During the twenty-six week periods ended April 2, 2022 and April 3, 2021, the effective income tax rate was 20.1% and 15.3%, respectively. The Company's higher effective tax rate for the thirteen week period ended April 2, 2022 is primarily due to a decrease in the impact of the discrete tax benefit associated with share-based payments on the effective tax rate relative to comparable prior-year periods. The reduced impact of the discrete tax benefit was the result of an increase in income from continuing operations before income taxes for the same period. The Company's effective income tax rate for the twenty-six week period ended April 2, 2022 was lower than the federal statutory tax rate of 21% primarily due to the discrete impact of excess tax benefits associated with share-based payments through the first half of fiscal 2022, partially offset by an increase in the Company's net interest deduction limitation pursuant to IRC Section 163(j).

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 no longer subject to U.S. federal examinations for years before fiscal 2017. The Company is currently under examination for its federal income taxes in Canada for fiscal years 2013 through 2019, and in Germany for fiscal years 2014 through 2017. In addition, the Company is subject to state income tax examinations for fiscal years 2015 and later.

Unrecognized tax benefits at April 2, 2022 and September 30, 2021, the recognition of which would have an impact on the effective tax rate for each fiscal year, amounted to $18.6 million and $19.1 million, respectively. The Company classifies all income tax-related interest and penalties as income tax expense, which were not material for the twenty-six week periods ended April 2, 2022 and April 3, 2021. As of April 2, 2022 and September 30, 2021, the Company accrued $5.0 million and $4.9 million, respectively, for the potential payment of interest and penalties. Within the next 12 months, it is reasonably possible that unrecognized tax benefits could be reduced by approximately $3.8 million. Any increase in the amount of unrecognized tax benefits within the next 12 months is not expected to be material.

12. 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 millions):

		April 2, 2022		September 30, 2021	
	Level	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets:					
Cash and cash equivalents	1	$ 4,216	$ 4,216	$ 4,787	$ 4,787
Interest rate swap agreements (1)	2	37	37	—	—
Interest rate cap agreements (1)	2	32	32	8	8
Liabilities:					
Interest rate swap agreements (2)	2	46	46	100	100
Interest rate swap agreements (3)	2	—	—	180	180
Foreign currency forward exchange contracts (2)	2	3	3	4	4
Short-term borrowings - trade receivable securitization facility (4)	2	350	350	349	349
Long-term debt, including current portion:					
Term loans (4)	2	7,286	7,201	7,318	7,268
Revolving credit facility (4)	2	—	—	200	200
2025 Secured Notes (4)	1	1,093	1,145	1,093	1,170
6.375% 2026 Notes (4)	1	946	955	945	981
6.875% 2026 Notes (4)	1	495	509	494	527
2026 Secured Notes (4)	1	4,363	4,505	4,359	4,593
7.50% 2027 Notes (4)	1	546	567	546	578
5.50% 2027 Notes (4)	1	2,633	2,617	2,632	2,730
4.625% 2029 Notes (4)	1	1,190	1,119	1,190	1,196
4.875% 2029 Notes (4)	1	744	701	743	751
Government refundable advances	2	28	28	29	29
Finance lease obligations	2	149	149	100	100

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

(2) Included in accrued and other current liabilities on the condensed consolidated balance sheets.

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

(4) The carrying amount of the debt instrument is presented net of debt issuance costs, premium and discount. Refer to Note 10, "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 or disclosed using unobservable inputs (i.e., Level 3).

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 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 significant 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, trade accounts receivable-net and accounts payable approximated carrying value due to the short-term nature of these instruments at April 2, 2022 and September 30, 2021.

13. 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 sheets in accumulated other comprehensive loss 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 loss 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 U.S. 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 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:
$500	6/29/2018	3/31/2025	Tranche E	5.25% (3.0% plus the 2.25% margin percentage)
$750	6/30/2020	6/30/2022	Tranche E	4.75% (2.5% plus the 2.25% margin percentage)
$1,500	6/30/2022	3/31/2025	Tranche E	5.35% (3.1% plus the 2.25% margin percentage)
$700	3/31/2023	9/30/2025	Tranche F	3.55% (1.3% plus the 2.25% margin percentage)
$1,400	6/30/2021	3/31/2023	Tranche F	5.25% (3.0% plus the 2.25% margin percentage)
$400	9/30/2017	9/30/2022	Tranche G	4.15% (1.9% plus the 2.25% margin percentage)
$900	12/31/2021	6/28/2024	Tranche G	5.35% (3.1% plus the 2.25% margin percentage)
$400	9/30/2022	6/28/2024	Tranche G	5.25% (3.0% plus the 2.25% 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	6/30/2020	6/30/2022	Tranche E	Three month LIBOR rate of 2.50%
$700	3/31/2023	9/30/2025	Tranche F	Three month LIBOR rate of 1.25%

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 sheets and the net amounts of assets and liabilities presented therein (in millions):

	April 2, 2022		September 30, 2021	
	Asset	Liability	Asset	Liability
Interest rate cap agreements	$ 32	$ —	$ 8	$ —
Interest rate swap agreements	37	(47)	—	(280)
Net derivatives as classified in the condensed consolidated balance sheets [1]	$ 69	$ (47)	$ 8	$ (280)

(1) Refer to Note 12, "Fair Value Measurements," for the condensed consolidated balance sheets classification of our interest rate swap and cap agreements. The change in the fair value of the interest rate swap and cap agreements is attributable to the upward trend in LIBOR during the first half of fiscal 2022.

Based on the fair value amounts of the interest rate swap and cap agreements determined as of April 2, 2022, the estimated net amount of existing gains and losses and caplet amortization expected to be reclassified into interest expense-net within the next 12 months is approximately $46.2 million.

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 April 2, 2022, the Company has outstanding foreign currency forward exchange contracts to sell U.S. dollars with notional amounts of $64.1 million. The maximum duration of the Company's foreign currency cash flow hedge contracts at April 2, 2022 is 6 months. These notional values consist of contracts for the Canadian dollar and the European euro and are stated in U.S. dollar equivalents at spot exchange rates at the respective trade dates. Amounts related to foreign currency forward exchange contracts included in accumulated other comprehensive loss in stockholders' deficit are reclassified into net sales when the hedged transaction settles.

During the twenty-six week period ended April 2, 2022, the losses reclassified on settlements of foreign currency forward exchange contracts designated as cash flow hedges into net sales was approximately $2.6 million. The losses were previously recorded as a component of accumulated other comprehensive loss in stockholders' deficit.

As of April 2, 2022, the Company expects to record a net loss of approximately $2.9 million on foreign currency forward exchange contracts designated as cash flow hedges to net sales over the next 12 months.

14. 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, batteries and chargers, databus and power controls, advanced sensor products, switches and relay panels, high performance hoists, winches and lifting devices, and cargo loading, handling and delivery 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, engineered rods, engineered connectors and elastomer sealing solutions, cockpit security components and systems, specialized and advanced cockpit displays, engineered audio, radio and antenna systems, specialized lavatory components, seat belts and safety restraints, engineered and customized interior surfaces and related components, thermal protection and insulation, lighting and control technology and parachutes. 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 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 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 non-cash compensation charges incurred in connection with the Company’s stock incentive plans, restructuring costs related to the Company's cost reduction measures in response to the COVID-19 pandemic, foreign currency gains and losses, acquisition-integration costs, acquisition and divestiture transaction-related expenses, and refinancing costs. COVID-19 pandemic restructuring costs represent actions taken by the Company to reduce its workforce to align with customer demand, as well as 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). Acquisition and divestiture-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 for both acquisitions and divestitures 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 U.S. 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 U.S. 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 condensed 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. Corporate consists of our corporate offices. Corporate office expenses consist primarily of compensation, benefits, professional services and other administrative costs incurred by the corporate offices. Corporate assets consist primarily of cash and cash equivalents. Corporate expenses and assets reconcile reportable segment data to the consolidated totals. An immaterial amount of corporate expenses are allocated to the operating segments.

Table of Contents

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

	Thirteen Week Periods Ended		Twenty-Six Week Periods Ended	
	April 2, 2022	April 3, 2021	April 2, 2022	April 3, 2021
Net sales to external customers				
Power & Control				
Commercial and non-aerospace OEM	$ 153	$ 127	$ 289	$ 253
Commercial and non-aerospace aftermarket	202	148	404	280
Defense	353	366	665	709
Total Power & Control	708	641	1,358	1,242
Airframe				
Commercial and non-aerospace OEM	177	141	320	283
Commercial and non-aerospace aftermarket	184	129	348	241
Defense	218	243	417	453
Total Airframe	579	513	1,085	977
Total Non-aviation	40	40	78	82
Net Sales	$ 1,327	$ 1,194	$ 2,521	$ 2,301

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

	Thirteen Week Periods Ended		Twenty-Six Week Periods Ended	
	April 2, 2022	April 3, 2021	April 2, 2022	April 3, 2021
EBITDA As Defined				
Power & Control	$ 374	$ 309	$ 703	$ 613
Airframe	273	208	499	385
Non-aviation	14	16	28	31
Total segment EBITDA As Defined	661	533	1,230	1,029
Less: Unallocated corporate expenses	28	14	32	36
Total Company EBITDA As Defined	633	519	1,198	993
Depreciation and amortization expense	62	66	127	124
Interest expense, net	266	268	530	535
Acquisition and divestiture transaction-related expenses and adjustments	3	15	8	19
Non-cash stock compensation expense	42	21	79	70
Refinancing costs	—	24	—	24
COVID-19 pandemic restructuring costs	—	18	—	39
Other, net	—	(23)	1	(1)
Income from continuing operations before income taxes	$ 260	$ 130	$ 453	$ 183

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

	April 2, 2022	September 30, 2021
Total assets		
Power & Control	$ 6,928	$ 6,980
Airframe	7,559	7,472
Non-aviation	230	229
Corporate	4,124	4,634
	$ 18,841	$ 19,315

15. RETIREMENT PLANS

The components of net periodic pension benefit cost (income) for the Company's U.S. and non-U.S. defined benefit pension plans consisted of the following (in millions):

	Thirteen Week Periods Ended				Twenty-Six Week Periods Ended			
	April 2, 2022		April 3, 2021		April 2, 2022		April 3, 2021	
	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	$ —	$ 1	$ —	$ 2	$ 2	$ 2
Interest cost	1	1	1	1	2	2	3	2
Expected return on plan assets	(1)	(2)	(4)	(1)	(3)	(4)	(9)	(3)
Amortization of net loss	—	1	—	—	—	1	—	1
Net periodic pension benefit cost (income)	$ —	$ 1	$ (3)	$ 1	$ (1)	$ 1	$ (4)	$ 2

Net periodic pension benefit cost (income) for the Company's U.S. and non-U.S. postretirement pension plans was less than $1 million for the thirteen and twenty-six week periods ended April 2, 2022 and April 3, 2021, respectively. The components of net periodic pension benefit cost, other than service cost, are included in other income in the condensed consolidated statements of income.

Effective June 30, 2021, the Company terminated the Esterline Technologies Retirement Plan (the "ERP") in accordance with IRS regulations. Pension obligations will be distributed through a combination of lump sum payments to eligible plan participants and the purchase of a group annuity contract. Upon settlement of the pension obligations, the Company will reclassify unrecognized actuarial gains or losses, currently recorded as a component of accumulated other comprehensive loss in stockholders' deficit, to the Company's condensed consolidated statements of income as settlement gains or charges. The Company anticipates the termination process will be completed by the end of fiscal year 2022.

16. ACCUMULATED OTHER COMPREHENSIVE LOSS

The following table presents the total changes by component in accumulated other comprehensive loss ("AOCI"), net of taxes, for the twenty-six week periods ended April 2, 2022 and April 3, 2021 (in millions):

	Unrealized gains (losses) on derivatives designated and qualifying as cash flow hedges (1)	Pension and postretirement benefit plans activity (2)	Foreign currency translation adjustment	Total
Balance at September 30, 2021	$ (229)	$ (18)	$ (1)	$ (248)
Current-period other comprehensive income (loss) before reclassification	231	—	(53)	178
Amounts reclassified from AOCI related to derivative instruments	(3)	—	—	(3)
Net current-period other comprehensive income (loss)	228	—	(53)	175
Balance at April 2, 2022	$ (1)	$ (18)	$ (54)	$ (73)
Balance at September 30, 2020	$ (302)	$ (8)	$ (91)	$ (401)
Net current-period other comprehensive income	56	—	111	167
Balance at April 3, 2021	$ (246)	$ (8)	$ 20	$ (234)

---

(1) Represents unrealized gains (losses) on derivatives designated and qualifying as cash flow hedges, net of tax expense (benefit), of $51.5 million and $(13.5) million for the thirteen week periods ended April 2, 2022 and April 3, 2021, respectively, and $69.3 million and $(18.5) million for the twenty-six week periods ended April 2, 2022 and April 3, 2021, respectively.

(2) Defined pension plan and postretirement benefit plan activity represents pension liability adjustments, net of tax. There were no material pension liability adjustments, net of taxes, for the thirteen and twenty-six week periods ended April 2, 2022 and April 3, 2021.

The following table presents a summary of reclassifications out of AOCI for the twenty-six week period ended April 2, 2022. Reclassifications out of AOCI for the twenty-six week period ended April 3, 2021 were not material (in millions):

Description of reclassifications out of AOCI	Amount Reclassified
Amortization from redesignated interest rate swap and cap agreements (1)	$ 1
Losses from settlement of foreign currency forward exchange contracts (2)	(3)
Deferred tax expense on reclassifications out of AOCI	(1)
Amounts reclassified into earnings, net of tax	$ (3)

(1) This component of AOCI is included in interest expense-net. Refer to Note 13, "Derivatives and Hedging Activities," for additional information.

(2) This component of AOCI is included in net sales. Refer to Note 13, "Derivatives and Hedging Activities," for additional information.

17. LEASES

The Company leases certain manufacturing facilities, offices, land, equipment and vehicles. Such leases, some of which are noncancellable and, in many cases, include renewals, expire at various dates. Such options to renew are included in the lease term when it is reasonably certain that the option will be exercised. The Company's lease agreements typically do not contain any significant residual value guarantees or restrictive covenants, and payments within certain lease agreements are adjusted periodically for changes in an index or rate.

The Company determines if an arrangement is a lease at inception. Operating lease assets and liabilities are recognized at the commencement date of the lease based on the present value of lease payments over the lease term. Lease assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. The discount rate implicit within our leases is generally not determinable and therefore we determine the discount rate based on our incremental borrowing rate. The incremental borrowing rate for our leases is determined based on the lease term and the currency in which lease payments are made. The length of a lease term includes options to extend or terminate the lease when it is reasonably certain that the Company will exercise those options. The Company made an accounting policy election to not recognize lease assets or liabilities for leases with a term of 12 months or less. Additionally, when accounting for leases, the Company combines payments for leased assets, related services and other components of a lease.

The components of lease expense are as follows (in millions):

		Thirteen Week Periods Ended		Twenty-Six Week Periods Ended	
	Classification	April 2, 2022	April 3, 2021	April 2, 2022	April 3, 2021
Operating lease cost	Cost of sales or selling and administrative expenses	$ 4	$ 7	$ 12	$ 14
Finance lease cost					
Amortization of leased assets	Cost of sales	2	1	3	2
Interest on lease liabilities	Interest expense - net	2	2	4	3
Total lease cost		$ 8	$ 10	$ 19	$ 19

Supplemental cash flow information related to leases is as follows (in millions):

	Twenty-Six Week Periods Ended	
	April 2, 2022	April 3, 2021
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash outflows from operating leases	$ 12	$ 14
Operating cash outflows from finance leases	4	2
Financing cash outflows from finance leases	1	1
Lease assets obtained in exchange for new lease obligations:		
Operating leases	$ 8	$ 38
Financing leases	33	25

Supplemental balance sheet information related to leases is as follows (in millions):

	Classification	April 2, 2022	September 30, 2021
Operating Leases			
Operating lease right-of-use assets	Other assets	$ 88	$ 94
Current operating lease liabilities	Accrued and other current liabilities	18	20
Long-term operating lease liabilities	Other non-current liabilities	74	79
Total operating lease liabilities		$ 92	$ 99
Finance Leases			
Finance lease right-of-use assets, net	Property, plant and equipment - net	$ 135	$ 104
Current finance lease liabilities	Current portion of long-term debt	5	2
Long-term finance lease liabilities	Long-term debt	144	98
Total finance lease liabilities		$ 149	$ 100

As of April 2, 2022, the Company has the following remaining lease term and weighted average discount rates:

Weighted-average remaining lease term	
Operating leases	6.5 years
Finance leases	20.6 years
Weighted-average discount rate	
Operating leases	5.2%
Finance leases	7.1%

Maturities of lease liabilities at April 2, 2022 are as follows (in millions):

	Operating Leases	Finance Leases
2022	$ 11	$ 6
2023	19	15
2024	16	13
2025	14	13
2026	11	13
Thereafter	47	242
Total future minimum lease payments	118	302
Less: imputed interest	26	153
Present value of lease liabilities reported	$ 92	$ 149

18. COMMITMENTS AND CONTINGENCIES

During the ordinary course of business, the Company is from time to time threatened with, or may become a party to, legal actions and other proceedings. While the Company is currently involved in certain legal proceedings, it believes the results of these proceedings will not have a material adverse effect on its financial condition, results of operations, or cash flows.

DoD OIG Audit – TransDigm's subsidiaries are periodically subject to pricing reviews and government buying agencies that purchase some of our subsidiaries' products are periodically subject to audits by the Department of Defense ("DoD") Office of Inspector General ("OIG") with respect to prices paid for such products. In 2019, the DoD OIG received a congressional letter requesting a comprehensive review of TransDigm's contracts with the DoD from January 2017 through June 2019 to identify whether TransDigm earned excess profits. This subsequently resulted in an audit by the DoD OIG in which the objective was to determine whether TransDigm's business model impacted the DoD's ability to pay fair and reasonable prices for spare parts. In December 2021, the OIG completed the audit and issued the related audit report. Despite the audit report making clear there was no wrongdoing by TransDigm, its businesses, or the DoD, the report recommended that TransDigm voluntarily refund at least $20.8 million in excess profit on 150 contracts subject to the audit.

TransDigm disagrees with many of the implications contained in the report, and objects to the use of arbitrary standards and analysis which render many areas of the report inaccurate and misleading. These include: (1) The report expressly acknowledges that it used arbitrary standards that are not applicable to the audited contracts and warns that its arbitrary standards should not be used in the future. The use of inapplicable standards results in flawed analysis and is misleading; (2) The report ignores significant real costs incurred by the business and contrary to law reports these costs as excess profit; (3) Despite data demonstrating that the DoD paid lower prices compared to the commercial prices for similar parts, the report did not conduct a price analysis and instead implies that the DoD negotiated prices were too high.

No loss contingency related to the voluntary refund request has been recorded as of April 2, 2022 as the Company has concluded that based on the current facts and circumstances, it's uncertain as to whether or not the requested voluntary refund will be made.

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 condensed 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 contains both historical and "forward-looking statements" within the meaning of Section 21E of the Exchange Act, and 27A of the Securities Act. All statements other than statements of historical fact included that address activities, events or developments that we expect, believe or anticipate will or may occur in the future are forward-looking statements, including, in particular, the statements about our plans, objectives, strategies and prospects regarding, among other things, our financial condition, results of operations and business. We have identified some of these forward-looking statements with words like "believe," "may," "will," "should," "expect," "intend," "plan," "predict," "anticipate," "estimate" or "continue" and other words and terms of similar meaning. These forward-looking statements may be contained throughout this Quarterly Report on Form 10-Q. These forward-looking statements are based on current expectations about future events affecting us and are subject to uncertainties and factors relating to, among other things, our operations and business environment, all of which are difficult to predict and many of which are beyond our control. Many factors mentioned in our discussion in this Quarterly Report on Form 10-Q, including the risks outlined under "Risk Factors," will be important in determining future results. Although we believe that the expectations reflected in these forward-looking statements are reasonable, we do not know whether our expectations will prove correct. They can be affected by inaccurate assumptions we might make or by known or unknown risks and uncertainties, including those described under "Risk Factors" in the Quarterly Report on Form 10-Q. Since our actual results, performance or achievements could differ materially from those expressed in, or implied by, these forward-looking statements, we cannot give any assurance that any of the events anticipated by these forward-looking statements will occur or, if any of them does occur, what impact they will have on our business, results of operations and financial condition. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date they are made. We do not undertake any obligation to update these forward-looking statements or the risk factors contained in this Quarterly Report on Form 10-Q to reflect new information, future events or otherwise, except as may be required under federal securities laws.

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 impact that the COVID-19 pandemic has on our business, results of operations, financial condition and liquidity; the sensitivity of our business to the number of flight hours that our customers' planes spend aloft and our customers' profitability, both of which are affected by general economic conditions; 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 including government audits and investigations; failure to maintain government or industry approvals; failure to complete or successfully integrate acquisitions; our indebtedness; potential environmental liabilities; liabilities arising in connection with litigation; 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. Refer to Part II, Item 1A included in this Quarterly Report on Form 10-Q and to Part II, 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 proprietary aerospace components with significant aftermarket content. We seek to develop highly customized products to solve specific needs for aircraft operators and manufacturers. We attempt to differentiate ourselves based on engineering, service and manufacturing capabilities. We typically choose not to compete for non-proprietary "build to print" business because it frequently offers lower margins than proprietary products. We believe that our products have strong brand names within the industry and that we have a reputation for high quality, reliability and strong customer support. Our business is well diversified due to the broad range of products that we offer to our customers. Our 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, engineered audio, radio and antenna 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. 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.

For the second quarter of fiscal year 2022, we generated net sales of $1,327 million and net income attributable to TD Group of $199 million. EBITDA As Defined was $633 million, or 47.7% of net sales. Refer to the "Non-GAAP Financial Measures" section for certain information regarding EBITDA and EBITDA As Defined, including reconciliations of EBITDA and EBITDA As Defined to income from continuing operations and net cash provided by operating activities.

The COVID-19 pandemic is continuing to cause an adverse impact on our employees, operations, supply chain and distribution system and the long-term impact to our business remains unknown. This is due to the numerous uncertainties that have risen from the pandemic, including the severity of the disease, the duration of the outbreak, the likelihood of resurgences of the outbreak, including due to the emergence and spread of variants, actions that may be taken by governmental authorities in response to the disease including vaccination mandates, the continued efficacy and public acceptance of vaccines, and unintended consequences of the foregoing.

The commercial aerospace industry, in particular, has been significantly disrupted, both domestically and internationally, by the pandemic. The pandemic has resulted in governments around the world implementing stringent measures to help control the spread of the virus, including quarantines, "shelter in place" and "stay at home" orders, travel restrictions, business curtailments and other measures. As a result, demand for travel declined at a rapid pace beginning in the second half of fiscal 2020 and has remained depressed compared to pre-pandemic levels. However, commercial air travel has increasingly shown signs of recovery in recent months with increasing air traffic, primarily in certain domestic markets. The recovery in international commercial air travel has been slower with international travel only slightly recovered from COVID-19 pandemic lows. The exact pace and timing of the commercial air travel recovery remains uncertain and is expected to continue to be uneven depending on factors such as trends in the number of COVID-19 infections (e.g., impact of new variants of COVID-19 resurfacing), the continued efficacy and public acceptance of vaccines and easing of quarantines and travel restrictions, among other factors.

The COVID-19 pandemic has also disrupted the global supply chain to a certain extent and availability of raw materials, particularly electronic parts. Because we strive to limit the volume of raw materials and component parts on hand, our business could be adversely affected if we were unable to obtain these raw materials and components from our suppliers in the quantities we require or on favorable terms. Although we believe in most cases that we could identify alternative suppliers, or alternative raw materials or component parts, the lengthy and expensive Federal Aviation Administration ("FAA") and OEM certification processes associated with aerospace products could prevent efficient replacement of a supplier, raw material or component part.

We currently expect COVID-19 to continue to cause an adverse impact on our net sales, net income and EBITDA As Defined compared to pre-pandemic levels for the duration of fiscal 2022. Longer-term, because the duration of the pandemic is unclear, it is difficult to forecast a precise impact on the Company's future results. We will continue to evaluate the nature and extent to which COVID-19 will impact our business, supply chain, consolidated results of operations, financial condition, and liquidity.

We are also monitoring the ongoing conflict between Russia and Ukraine and the related export controls and financial and economic sanctions imposed on certain industry sectors, including the aviation sector, and parties in Russia by the U.S., the U.K., the European Union and others. Although we currently do not believe there will be a direct material adverse impact on TransDigm's business, the implications of the Russia and Ukraine conflict in the short-term and long-term are difficult to predict at this time. Factors such as increased energy costs, the availability of certain raw materials for aircraft manufacturers, embargoes on flights from Russian airlines, sanctions on Russian companies, and the stability of Ukrainian customers could impact the global economy and aviation sector.

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 conformity with generally accepted accounting principles in the United States ("U.S. GAAP") 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 Part II, Item 7 of our Annual Report on Form 10-K for the fiscal year ended September 30, 2021, filed on November 16, 2021. Refer to Note 4, "Recent Accounting Pronouncements," in the notes to the condensed consolidated financial statements included herein for further disclosure of accounting standards recently adopted or required to be adopted in the future.

Acquisitions and Divestitures

Recent acquisitions and divestitures are described in Note 3, "Acquisitions and Divestitures," in the notes to the condensed consolidated financial statements included herein.

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 millions, except per share data):

	Thirteen Week Periods Ended			
	April 2, 2022	% of Net Sales	April 3, 2021	% of Net Sales
Net sales	$ 1,327	100.0 %	$ 1,194	100.0 %
Cost of sales	591	44.5 %	602	50.4 %
Selling and administrative expenses	183	13.8 %	162	13.6 %
Amortization of intangible assets	33	2.5 %	36	3.0 %
Income from operations	520	39.2 %	394	33.0 %
Interest expense, net	266	20.0 %	268	22.4 %
Refinancing costs	—	— %	24	2.0 %
Other income	(6)	(0.5)%	(28)	(2.3)%
Income tax provision	61	4.6 %	25	2.1 %
Income from continuing operations	199	15.0 %	105	8.8 %
Less: Net income attributable to noncontrolling interests	—	— %	(1)	(0.1)%
Income from continuing operations attributable to TD Group	199	15.0 %	104	8.7 %
Net income attributable to TD Group	$ 199	15.0 %	$ 104	8.7 %
Net income applicable to TD Group common stockholders	$ 199 (1)	15.0 %	$ 104 (1)	8.7 %
Earnings per share:				
Earnings per share from continuing operations—basic and diluted	$ 3.38 (2)		$ 1.79 (2)	
Earnings per share from discontinued operations—basic and diluted	— (2)		— (2)	
Earnings per share	$ 3.38		$ 1.79	
Weighted-average shares outstanding—basic and diluted	58.9		58.4	
Other Data:				
EBITDA	$ 588 (3)		$ 464 (3)	
EBITDA As Defined	$ 633 (3)	47.7 %	$ 519 (3)	43.5 %

(1) Net income applicable to TD Group common stockholders represents net income attributable to TD Group less special dividends declared or paid on participating securities, including dividend equivalent payments. No special dividends were declared or paid on participating securities, including dividend equivalent payments, for the thirteen week periods ended April 2, 2022 and April 3, 2021, respectively.

(2) Earnings per share from continuing operations is calculated by dividing net income applicable to TD Group common stockholders, excluding income from discontinued operations, net of tax, by the basic and diluted weighted average common shares outstanding. Earnings per share from discontinued operations is calculated by dividing income from discontinued operations, net of tax, by the basic and diluted weighted average common shares outstanding.

(3) Refer to “Non-GAAP Financial Measures” in this discussion and analysis for additional information and limitations regarding these non-GAAP financial measures, including a reconciliation to the comparable GAAP financial measure.

	Twenty-Six Week Periods Ended			
	April 2, 2022	% of Net Sales	April 3, 2021	% of Net Sales
Net sales	$ 2,521	100.0 %	$ 2,301	100.0 %
Cost of sales	1,124	44.6 %	1,169	50.8 %
Selling and administrative expenses	353	14.0 %	358	15.6 %
Amortization of intangible assets	69	2.7 %	65	2.8 %
Income from operations	975	38.7 %	709	30.8 %
Interest expense, net	530	21.0 %	535	23.3 %
Refinancing costs	—	— %	24	1.0 %
Other income	(8)	(0.3)%	(33)	(1.4)%
Income tax provision	91	3.6 %	28	1.2 %
Income from continuing operations	362	14.4 %	155	6.7 %
Less: Net income attributable to noncontrolling interests	(1)	— %	(1)	— %
Income from continuing operations attributable to TD Group	361	14.3 %	154	6.7 %
Income from discontinued operations, net of tax	1	— %	—	— %
Net income attributable to TD Group	$ 362	14.4 %	$ 154	6.7 %
Net income applicable to TD Group common stockholders	$ 316 [(1)]	12.5 %	$ 81 [(1)]	3.5 %
Earnings per share:				
Earnings per share from continuing operations—basic and diluted	$ 5.33 [(2)]		$ 1.40 [(2)]	
Earnings per share from discontinued operations—basic and diluted	0.02 [(2)]		— [(2)]	
Earnings per share	$ 5.35		$ 1.40	
Weighted-average shares outstanding—basic and diluted	59.0		58.4	
Other Data:				
EBITDA	$ 1,110 [(3)]		$ 842 [(3)]	
EBITDA As Defined	$ 1,198 [(3)]	47.5 %	$ 993 [(3)]	43.2 %

---

(1) Net income applicable to TD Group common stockholders represents net income attributable to TD Group less special dividends declared or paid on participating securities, including dividend equivalent payments of $46 million and $73 million for the twenty-six week periods ended April 2, 2022 and April 3, 2021, respectively.

(2) Earnings per share from continuing operations is calculated by dividing net income applicable to TD Group common stockholders, excluding income from discontinued operations, net of tax, by the basic and diluted weighted average common shares outstanding. Earnings per share from discontinued operations is calculated by dividing income from discontinued operations, net of tax, by the basic and diluted weighted average common shares outstanding.

(3) Refer to “Non-GAAP Financial Measures” in this discussion and analysis for additional information and limitations regarding these non-GAAP financial measures, including a reconciliation to the comparable GAAP financial measure.

Changes in Results of Operations

Thirteen week period ended April 2, 2022 compared with the thirteen week period ended April 3, 2021

Total Company

- ***Net Sales.*** Net organic sales and acquisition and divestiture sales and the related dollar and percentage changes for the thirteen week periods ended April 2, 2022 and April 3, 2021 were as follows (amounts in millions):

	Thirteen Week Periods Ended			
	April 2, 2022	April 3, 2021	Change	% Change Net Sales
Organic sales	$ 1,327	$ 1,146	$ 181	15.1 %
Acquisition and divestiture sales	—	48	(48)	(4.0)%
Net sales	$ 1,327	$ 1,194	$ 133	11.1 %

Organic sales represent net sales from existing businesses owned by the Company, excluding sales from acquisitions and divestitures. Acquisition sales represent net sales from acquired businesses for the period up to one year subsequent to their respective acquisition date. Therefore, beginning in the second quarter of fiscal 2022, Cobham Aero Connectivity's (“CAC's”) net sales, including the comparable thirteen week period in the prior year, are included in the organic growth calculation (acquisition date was January 2021). Divestiture sales represent net sales from businesses up to the date the respective divestiture was completed. Acquisition and divestiture sales are excluded from organic sales due to the variability in the nature, timing and extent of acquisitions and divestitures and resulting variable impact on underlying trends. No acquisitions or divestitures occurred in the second quarter of fiscal 2022. Refer to Note 3, “Acquisitions and Divestitures,” in the notes to the condensed consolidated financial statements included herein for further information on the Company's recent acquisition and divestiture activity.

The increase in organic sales of $181 million for the thirteen week period ended April 2, 2022 compared to the thirteen week period ended April 3, 2021 is primarily related to increases in commercial aftermarket sales ($117 million, an increase of 45.6%) and commercial OEM sales ($62 million, an increase of 27.8%); partially offset by a decrease in defense sales ($12 million, a decrease of 2.1%). The increase in commercial aftermarket sales is primarily attributable to the continued recovery in commercial air travel demand, particularly the increase in the utilization of narrow-body aircraft, and air cargo demand and the resulting higher flight hours in the second quarter of fiscal 2022 compared to the second quarter of fiscal 2021. The increase in OEM sales is primarily attributable to a higher volume of narrow-body aircraft deliveries by aircraft manufacturers to airlines and also expected production rate increases of narrow-body aircraft compared to the second quarter of fiscal 2021. Partially offsetting the OEM sales growth are wide-body aircraft production and delivery slowdowns due to the COVID-19 pandemic adversely impacting international travel and also due to Boeing's quality control issues with the 787 aircraft. The decrease in defense sales is primarily attributable to supply chain-induced delays in fulfilling orders at certain operating units, particularly related to the OEM market.

The decrease in acquisition and divestiture sales for the thirteen week period ended April 2, 2022 is attributable to the divestitures of ScioTeq and TREALITY Simulation Visual Systems (“ScioTeq and TREALITY”), Technical Airborne Components (“TAC”), Racal Acoustics (“Racal”) and Avista, Inc. (“Avista”), all of which were completed in fiscal 2021.

- ***Cost of Sales and Gross Profit.*** Cost of sales decreased by $11 million, or 1.8%, to $591 million for the thirteen week period ended April 2, 2022 compared to $602 million for the thirteen week period ended April 3, 2021. Cost of sales and the related percentage of net sales for the thirteen week periods ended April 2, 2022 and April 3, 2021 were as follows (amounts in millions):

	Thirteen Week Periods Ended			
	April 2, 2022	April 3, 2021	Change	% Change
Cost of sales - excluding costs below	$ 595	$ 585	$ 10	1.7 %
% of net sales	44.8 %	49.0 %		
Non-cash stock compensation expense	4	2	2	100.0 %
% of net sales	0.3 %	0.2 %		
Inventory acquisition accounting adjustments	1	6	(5)	(83.3)%
% of net sales	0.1 %	0.5 %		
Acquisition integration costs	—	2	(2)	(100.0)%
% of net sales	— %	0.2 %		
COVID-19 pandemic restructuring costs	—	15	(15)	(100.0)%
% of net sales	— %	1.3 %		
Foreign currency (gains) losses	(1)	1	(2)	(200.0)%
% of net sales	(0.1)%	0.1 %		
Loss contract amortization	(8)	(9)	1	11.1 %
% of net sales	(0.6)%	(0.8)%		
Total cost of sales	$ 591	$ 602	$ (11)	(1.8)%
% of net sales	44.5 %	50.4 %		
Gross profit	$ 736	$ 592	$ 144	24.3 %
Gross profit percentage	55.5 %	49.6 %		

Excluding the specific components to cost of sales listed above, the change in cost of sales during the thirteen week period ended April 2, 2022, which decreased as a percentage of net sales, was primarily driven by a favorable sales mix, specifically, higher commercial aftermarket net sales as a percentage of net sales compared to commercial OEM net sales in the comparable period one year ago.

In addition, despite the inflationary pressures existing for labor and certain raw materials, particularly those related to electronics and castings, 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) coupled with fixed overhead costs incurred being spread over a higher production volume, resulted in gross profit as a percentage of net sales increasing by 5.9 percentage points to 55.5% for the thirteen week period ended April 2, 2022 from 49.6% for the thirteen week period ended April 3, 2021.

- ***Selling and Administrative Expenses.*** Selling and administrative expenses increased by $21 million to $183 million, or 13.8% of net sales, for the thirteen week period ended April 2, 2022 from $162 million, or 13.6% of net sales, for the thirteen week period ended April 3, 2021. Selling and administrative expenses and the related percentage of net sales for the thirteen week periods ended April 2, 2022 and April 3, 2021 were as follows (amounts in millions):

	Thirteen Week Periods Ended			
	April 2, 2022	April 3, 2021	Change	% Change
Selling and administrative expenses - excluding costs below	$ 139	$ 133	$ 6	4.5 %
% of net sales	10.5 %	11.1 %		
Non-cash stock compensation expense	38	19	19	100.0 %
% of net sales	2.9 %	1.6 %		
Bad debt expense	4	—	4	100.0 %
% of net sales	0.3 %	— %		
Acquisition integration costs	2	3	(1)	(33.3)%
% of net sales	0.2 %	0.3 %		
Acquisition and divestiture transaction-related expenses	—	4	(4)	(100.0)%
% of net sales	— %	0.3 %		
COVID-19 pandemic restructuring costs	—	3	(3)	(100.0)%
% of net sales	— %	0.3 %		
Total selling and administrative expenses	$ 183	$ 162	$ 21	13.0 %
% of net sales	13.8 %	13.6 %		

Excluding the specific components to selling and administrative expenses listed above, the change in selling and administrative expenses during the thirteen week period ended April 2, 2022 improved as a percentage of net sales compared to the thirteen week period in the prior year. This is a result of the increased costs incurred compared to the prior year for travel and other sales support and administrative costs being offset by the continued realization of the cost mitigation measures that were enacted in the second half of fiscal 2020 and in fiscal 2021 in response to the COVID-19 pandemic.

Regarding the specific components to selling and administrative expenses listed above, the increase in non-cash stock compensation expense is attributable to the new stock option grants awarded in fiscal 2022 and the impact on the Black-Scholes fair value under ASC 718 on the options granted in fiscal 2021 and fiscal 2020 from the Compensation Committee of the Board of Directors approving, in November 2021, the Company's established performance criteria required to be achieved for these grants for the remainder of their respective vesting periods. Bad debt expense was primarily related to an increase in the estimate for credit losses on accounts receivable for certain customers impacted by the Russia and Ukraine conflict.

- ***Amortization of Intangible Assets.*** Amortization of intangible assets was $33 million for the thirteen week period ended April 2, 2022 compared to $36 million for the thirteen week period ended April 3, 2021. The decrease in amortization expense of $3 million was due to amortization expense on sales order backlog for the CAC acquisition becoming fully amortized in the second quarter of fiscal 2022 reducing the total amortization expense recorded in the second quarter of fiscal 2022 compared to fiscal 2021.

- ***Interest Expense-net.*** Interest expense-net includes interest on borrowings outstanding, amortization of debt issuance costs, original issue discount and premium, revolving credit facility fees and interest on finance leases; slightly offset by interest income. Interest expense-net decreased $2 million, or 0.7%, to $266 million for the thirteen week period ended April 2, 2022 from $268 million for the comparable thirteen week period in the prior fiscal year. The decrease in interest expense-net was primarily due to the repayment of $200 million previously drawn on the revolving credit facility and the favorable impact from refinancing the 6.50% Senior Subordinated Notes due 2025 (the "2025 Notes") in the third quarter of fiscal 2021, effectively resulting in a reduced interest rate of 4.875% and an extended maturity date of $750 million in senior subordinated notes. The weighted average interest rate for cash interest payments on total borrowings outstanding for the thirteen week period ended April 2, 2022 was 5.1%.

- ***Other Income.*** Other income was $6 million for the thirteen week period ended April 2, 2022 compared to $28 million for the thirteen week period ended April 3, 2021. Other income for the thirteen week period ended April 2, 2022 was primarily driven by cash proceeds received from a final working capital settlement for the ScioTeq and TREALITY divestiture ($3 million), the release of a contingent liability ($2 million) and the non-service related components of net periodic benefit costs on the Company's defined benefit pension plans ($1 million). Other income for the thirteen week period ended April 3, 2021 was primarily driven by a $22 million gain on the settlement of the property insurance portion of the claim for Leach International Europe's Niort, France operating facility fire in August 2019. The gain represented the insurance proceeds received in excess of the carrying value of the damaged fixed assets and inventory. The remaining $6 million was primarily driven by non-service related components of net periodic benefit costs on the Company's defined benefit pension plans ($3 million), receipt of payment of Canadian governmental subsidies ($2 million) and a net gain on sale recorded on the completed divestitures of certain businesses ($1 million).

- ***Income Taxes.*** Income tax expense as a percentage of income before income taxes was approximately 23.5% for the thirteen week period ended April 2, 2022 compared to 19.2% for the thirteen week period ended April 3, 2021. The Company's higher effective tax rate for the thirteen week period ended April 2, 2022 was primarily a result of a decrease in the impact of the discrete tax benefit associated with share-based payments on the effective tax rate relative to comparable prior fiscal year periods. The reduced impact of the discrete tax benefit was the result of an increase in income from continuing operations before income taxes compared to the prior year.

- ***Net Income Attributable to TD Group.*** Net income attributable to TD Group increased $95 million, or 91.3%, to $199 million for the thirteen week period ended April 2, 2022 compared to net income attributable to TD Group of $104 million for the thirteen week period ended April 3, 2021, primarily as a result of the factors referenced above.

- ***Earnings per Share.*** Basic and diluted earnings per share was $3.38 for the thirteen week period ended April 2, 2022 and $1.79 per share for the thirteen week period ended April 3, 2021. There was no impact on earnings per share from discontinued operations for the thirteen week periods ended April 2, 2022 and April 3, 2021.

Business Segments

- ***Segment Net Sales.*** Net sales by segment for the thirteen week periods ended April 2, 2022 and April 3, 2021 were as follows (amounts in millions):

	Thirteen Week Periods Ended					
	April 2, 2022	**% of Net Sales**	**April 3, 2021**	**% of Net Sales**	**Change**	**% Change**
Power & Control	$ 708	53.4 %	$ 641	53.7 %	$ 67	10.5 %
Airframe	579	43.6 %	513	43.0 %	66	12.9 %
Non-aviation	40	3.0 %	40	3.3 %	—	— %
Net sales	$ 1,327	100.0 %	$ 1,194	100.0 %	$ 133	11.1 %

Net sales for the Power & Control segment increased $67 million, an increase of 10.5%, for the thirteen week period ended April 2, 2022 compared to the thirteen week period ended April 3, 2021. The sales increase resulted primarily from increases in organic sales in the commercial aftermarket ($51 million, an increase of 35.9%) and commercial OEM ($25 million, an increase of 23.9%); partially offset by a decrease in organic defense sales ($13 million, a decrease of 3.6%). The increase in commercial aftermarket sales is primarily attributable to the continued recovery in commercial air travel demand, particularly the increase in the utilization of narrow-body aircraft, and air cargo demand and the resulting higher flight hours in the second quarter of fiscal 2022 compared to the second quarter of fiscal 2021. The increase in OEM sales is primarily attributable to a higher volume of narrow-body aircraft deliveries by aircraft manufacturers to airlines and also expected production rate increases of narrow-body aircraft compared to the second quarter of fiscal 2021. Partially offsetting the OEM sales growth are wide-body aircraft production and delivery slowdowns due to the COVID-19 pandemic adversely impacting international travel and also due to Boeing's quality control issues with the 787 aircraft. The decrease in defense sales is primarily attributable to supply chain-induced delays in fulfilling orders at certain operating units, particularly related to the OEM market. The change in acquisition and divestiture sales was not material for the thirteen week period ended April 2, 2022.

Net sales for the Airframe segment increased $66 million, an increase of 12.9%, for the thirteen week period ended April 2, 2022 compared to the thirteen week period ended April 3, 2021. The sales increase resulted primarily from increases in organic sales in the commercial aftermarket ($67 million, an increase of 57.5%) and commercial OEM sales ($38 million, an increase of 34.2%). The change in organic defense sales was less than $1 million for the thirteen week period ended April 2, 2022 compared to the thirteen week period ended April 3, 2021. The increase in commercial aftermarket sales is primarily attributable to the continued recovery in commercial air travel demand, particularly the increase in the utilization of narrow-body aircraft, and air cargo demand and the resulting higher flight hours in the second quarter of fiscal 2022 compared to the second quarter of fiscal 2021. The increase in OEM sales is primarily attributable to a higher volume of narrow-body aircraft deliveries by aircraft manufacturers to airlines and also expected production rate increases of narrow-body aircraft compared to the second quarter of fiscal 2021. Partially offsetting the OEM sales growth are wide-body aircraft production and delivery slowdowns due to the COVID-19 pandemic adversely impacting international travel and also due to Boeing's quality control issues with the 787 aircraft. Acquisition and divestiture sales decreased by $47 million for the thirteen week period ended April 2, 2022 due to the impact on the comparable period from the divestitures completed in fiscal 2021.

- ***EBITDA As Defined.*** Refer to “Non-GAAP Financial Measures” in this discussion and analysis for further information on EBITDA As Defined. EBITDA As Defined by segment for the thirteen week periods ended April 2, 2022 and April 3, 2021 were as follows (amounts in millions):

	Thirteen Week Periods Ended					
	April 2, 2022	% of Segment Net Sales	April 3, 2021	% of Segment Net Sales	Change	% Change
Power & Control	$ 374	52.8 %	$ 309	48.2 %	$ 65	21.0 %
Airframe	273	47.2 %	208	40.5 %	65	31.3 %
Non-aviation	14	35.0 %	16	40.0 %	(2)	(12.5)%
	$ 661	49.8 %	$ 533	44.6 %	$ 128	24.0 %

Organic EBITDA As Defined represents EBITDA As Defined from existing businesses owned by the Company as of April 2, 2022, excluding EBITDA As Defined from acquisitions and divestitures. EBITDA As Defined from acquisitions and divestitures represents EBITDA As Defined from acquired businesses for the period up to one year subsequent to the respective acquisition date and from businesses up to the date the respective divestiture was completed. Therefore, beginning in the second quarter of fiscal 2022, CAC's EBITDA As Defined, including the comparable thirteen week period in the prior year, is included in the organic growth calculation (acquisition date was January 2021). No acquisitions or divestitures occurred in the second quarter of fiscal 2022.

EBITDA As Defined for the Power & Control segment increased approximately $65 million, an increase of 21.0%, resulting from higher organic sales, particularly in the commercial aftermarket and OEM channels. Also contributing to the increase in EBITDA As Defined was the application of our three core value-driven operating strategies and positive leverage on our fixed overhead costs spread over a higher production volume despite the current inflationary environment for labor and certain raw materials. The change in EBITDA As Defined for the Power & Control segment from acquisitions and divestitures was immaterial for the thirteen week period ended April 2, 2022.

EBITDA As Defined for the Airframe segment increased approximately $65 million, an increase of 31.3%, resulting primarily from higher organic sales, particularly in the commercial aftermarket and OEM channels. Also contributing to the increase in EBITDA As Defined was the application of our three core value-driven operating strategies and positive leverage on our fixed overhead costs spread over a higher production volume despite the current inflationary environment for labor and certain raw materials. EBITDA As Defined for the Airframe segment from acquisitions and divestitures decreased by $10 million, primarily due to the impact on the comparable period from the divestitures completed in fiscal year 2021.

EBITDA As Defined for the Non-aviation segment decreased approximately $2 million, a decrease of 12.5% to the comparable period from the prior year.

Twenty-six week period ended April 2, 2022 compared with the twenty-six week period ended April 3, 2021

Total Company

- ***Net Sales.*** Net organic sales and acquisition and divestiture sales and the related dollar and percentage changes for the twenty-six week periods ended April 2, 2022 and April 3, 2021 were as follows (amounts in millions):

	Twenty-Six Week Periods Ended			
	April 2, 2022	April 3, 2021	Change	% Change Net Sales
Organic sales	$ 2,480	$ 2,203	$ 277	12.0 %
Acquisition and divestiture sales	41	98	(57)	(2.5)%
Net sales	$ 2,521	$ 2,301	$ 220	9.5 %

Organic sales represent net sales from existing businesses owned by the Company, excluding sales from acquisitions and divestitures. Acquisition sales represent net sales from acquired businesses for the period up to one year subsequent to their respective acquisition date. Therefore, beginning in the second quarter of fiscal 2022, CAC's net sales, including the comparable period in the prior year, are included in the organic growth calculation (acquisition date was January 2021). Divestiture sales represent net sales from businesses up to the date the respective divestiture was completed. Acquisition and divestiture sales are excluded from organic sales due to the variability in the nature, timing and extent of acquisitions and divestitures and resulting variable impact on underlying trends. No acquisitions or divestitures occurred in the first half of fiscal 2022. Therefore, the acquisition and divestiture sales presented above relate to acquisitions and divestitures completed in fiscal 2021. Refer to Note 3, "Acquisitions and Divestitures," in the notes to the condensed consolidated financial statements included herein for further information on the Company's recent acquisition and divestiture activity.

The increase in organic sales of $277 million for the twenty-six week period ended April 2, 2022 compared to the twenty-six week period ended April 3, 2021 is primarily related to increases in commercial aftermarket sales ($229 million, an increase of 47.5%) and commercial OEM sales ($90 million, an increase of 20.2%); partially offset by a decrease in defense sales ($58 million, a decrease of 5.2%). The increase in commercial aftermarket sales is primarily attributable to the continued recovery in commercial air travel demand, particularly the increase in the utilization of narrow-body aircraft, and air cargo demand and the resulting higher flight hours in the first half of fiscal 2022 compared to the first half of fiscal 2021. The increase in OEM sales is primarily attributable to a higher volume of narrow-body aircraft deliveries by aircraft manufacturers to airlines and also expected production rate increases of narrow-body aircraft compared to the first half of fiscal 2021. Partially offsetting the OEM sales growth are wide-body aircraft production and delivery slowdowns due to the COVID-19 pandemic adversely impacting international travel and also due to Boeing's quality control issues with the 787 aircraft. The decrease in defense sales is primarily attributable to supply chain-induced delays in fulfilling orders at certain operating units.

The decrease in acquisition and divestiture sales for the twenty-six week period ended April 2, 2022 is primarily attributable to the divestitures of ScioTeq and TREALITY, TAC, Racal and Avista, all of which were completed in fiscal 2021; partially offset by the acquisition of CAC. CAC's sales were classified as acquisition and divestiture sales through the first quarter of fiscal 2022, and upon reaching one year subsequent to the acquisition date in the second quarter of fiscal 2022, CAC's sales were included within organic sales.

- ***Cost of Sales and Gross Profit.*** Cost of sales decreased by $45 million, or 3.8%, to $1,124 million for the twenty-six week period ended April 2, 2022 compared to $1,169 million for the twenty-six week period ended April 3, 2021. Cost of sales and the related percentage of net sales for the twenty-six week periods ended April 2, 2022 and April 3, 2021 were as follows (amounts in millions):

	Twenty-Six Week Periods Ended			
	April 2, 2022	April 3, 2021	Change	% Change
Cost of sales - excluding costs below	$ 1,136	$ 1,130	$ 6	0.5 %
% of net sales	45.1 %	49.1 %		
Non-cash stock compensation expense	8	7	1	14.3 %
% of net sales	0.3 %	0.3 %		
Inventory acquisition accounting adjustments	1	6	(5)	(83.3)%
% of net sales	— %	0.3 %		
Acquisition integration costs	1	2	(1)	(50.0)%
% of net sales	— %	0.1 %		
COVID-19 pandemic restructuring costs	—	28	(28)	(100.0)%
% of net sales	— %	1.2 %		
Foreign currency (gains) losses	(2)	23	(25)	(108.7)%
% of net sales	(0.1)%	1.0 %		
Loss contract amortization	(20)	(27)	7	25.9 %
% of net sales	(0.8)%	(1.1)%		
Total cost of sales	$ 1,124	$ 1,169	$ (45)	(3.8)%
% of net sales	44.6 %	50.8 %		
Gross profit	$ 1,397	$ 1,132	$ 265	23.4 %
Gross profit percentage	55.4 %	49.2 %		

Excluding the specific components to cost of sales listed above, the change in cost of sales during the twenty-six week period ended April 2, 2022, which decreased as a percentage of net sales, was primarily driven by a favorable sales mix, specifically, higher commercial aftermarket sales as a percentage of net sales compared to commercial OEM net sales in the comparable period one year ago.

Regarding the specific components to cost of sales listed above, COVID-19 pandemic restructuring costs were not material in the first half of fiscal 2022 and foreign exchange rates, particularly the U.S. dollar compared to the British pound and the Euro, were significantly less volatile compared to the first half of fiscal 2021 when the U.S. dollar depreciated against both the British pound and Euro resulting in foreign currency losses.

In addition, despite the inflationary pressures existing for labor and certain raw materials, particularly those related to electronics and castings, 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) coupled with fixed overhead costs incurred being spread over a higher production volume, resulted in gross profit as a percentage of net sales increasing by 6.2 percentage points to 55.4% for the twenty-six week period ended April 2, 2022 from 49.2% for the twenty-six week period ended April 3, 2021.

- ***Selling and Administrative Expenses.*** Selling and administrative expenses decreased by $5 million to $353 million, or 14.0% of net sales, for the twenty-six week period ended April 2, 2022 from $358 million, or 15.6% of net sales, for the twenty-six week period ended April 3, 2021. Selling and administrative expenses and the related percentage of net sales for the twenty-six week periods ended April 2, 2022 and April 3, 2021 were as follows (amounts in millions):

	Twenty-Six Week Periods Ended			
	April 2, 2022	April 3, 2021	Change	% Change
Selling and administrative expenses - excluding costs below	$ 272	$ 269	$ 3	1.1 %
% of net sales	10.8 %	11.7 %		
Non-cash stock compensation expense	71	63	8	12.7 %
% of net sales	2.8 %	2.7 %		
Acquisition integration costs	5	5	—	— %
% of net sales	0.2 %	0.2 %		
Bad debt expense	4	5	(1)	(20.0)%
% of net sales	0.2 %	0.2 %		
Acquisition and divestiture transaction-related expenses	1	6	(5)	(83.3)%
% of net sales	— %	0.3 %		
COVID-19 pandemic restructuring costs	—	10	(10)	(100.0)%
% of net sales	— %	0.4 %		
Total selling and administrative expenses	$ 353	$ 358	$ (5)	(1.4)%
% of net sales	14.0 %	15.6 %		

Excluding the specific components to selling and administrative expenses listed above, the change in selling and administrative expenses during the twenty-six week period ended April 2, 2022 improved as a percentage of net sales compared to the twenty-six week period in the prior year. This is a result of the increased costs incurred compared to the prior year for travel and other sales support and administrative costs being offset by the continued realization of the cost mitigation measures that were enacted in the second half of fiscal 2020 and in fiscal 2021 in response to the COVID-19 pandemic.

Regarding the specific components to selling and administrative expenses listed above, the increase in non-cash stock compensation expense is attributable to the new stock option grants awarded in fiscal 2022 and the impact on the Black-Scholes fair value under ASC 718 on the options granted in fiscal 2021 and fiscal 2020 from the Compensation Committee of the Board of Directors approving, in November 2021, the Company's established performance criteria required to be achieved for these grants for the remainder of their respective vesting periods. COVID-19 pandemic restructuring costs were not material for the twenty-six week period ended April 2, 2022.

- ***Amortization of Intangible Assets.*** Amortization of intangible assets was $69 million for the twenty-six week period ended April 2, 2022 compared to $65 million for the twenty-six week period ended April 3, 2021. The increase in amortization expense of $4 million was primarily due to the amortization expense recognized on intangible assets from the acquisition of CAC.

- ***Interest Expense-net.*** Interest expense-net includes interest on borrowings outstanding, amortization of debt issuance costs, original issue discount and premium, revolving credit facility fees and interest on finance leases; slightly offset by interest income. Interest expense-net decreased $5 million, or 0.9%, to $530 million for the twenty-six week period ended April 2, 2022 from $535 million for the comparable twenty-six week period last year. The decrease in interest expense-net was primarily due to the repayment of $200 million previously drawn on the revolving credit facility and the favorable impact from refinancing the 2025 Notes in the third quarter of fiscal 2021, effectively resulting in a reduced interest rate of 4.875% and an extended maturity date of $750 million in senior subordinated notes. The weighted average interest rate for cash interest payments on total borrowings outstanding for the twenty-six week period ended April 2, 2022 was 5.1%.

- ***Refinancing Costs.*** Refinancing costs were not material for the twenty-six week period ended April 2, 2022. Refinancing costs of $24 million recorded for the twenty-six week period ended April 3, 2021 were primarily related to fees incurred on the early redemption of the 6.50% Senior Subordinated Notes due 2024 (the "2024 Notes") that occurred in the second quarter of fiscal 2021.

- ***Other Income.*** Other income was $8 million for the twenty-six week period ended April 2, 2022 compared to $33 million for the twenty-six week period ended April 3, 2021. Other income for the twenty-six week period ended April 2, 2022 was primarily driven by cash proceeds received from a final working capital settlement for the ScioTeq and TREALITY divestiture ($3 million), the release of a contingent liability ($2 million) and the non-service related components of net periodic benefit costs on the Company's defined benefit pension plans ($2 million). Other income for the twenty-six week period ended April 3, 2021 was primarily driven by a $22 million gain on the settlement of the property insurance portion of the claim for Leach International Europe's Niort, France operating facility fire in August 2019. The gain represented the insurance proceeds received in excess of the carrying value of the damaged fixed assets and inventory. The remaining $11 million was primarily driven by non-service related components of net periodic benefit costs on the Company's defined benefit pension plans ($6 million), receipt of payment of Canadian governmental subsidies ($4 million) and a net gain on sale recorded on the completed divestitures of certain businesses ($1 million).

- ***Income Tax Provision.*** Income tax expense as a percentage of income before income taxes was approximately 20.1% for the twenty-six week period ended April 2, 2022 compared to 15.3% for the twenty-six week period ended April 3, 2021. The Company’s higher effective income tax rate for the twenty-six week period ended April 2, 2022, which was still lower than the federal statutory tax rate of 21%, was primarily due to the discrete impact of excess tax benefits associated with share-based payments through the first half of fiscal 2022, partially offset by an increase in the Company’s net interest deduction limitation pursuant to IRC Section 163(j).

- ***Income from Discontinued Operations.*** Income from discontinued operations, net of tax, for the twenty-six week period ended April 2, 2022 was $1 million, which was driven by cash proceeds received during the first quarter of fiscal 2022 from a final working capital settlement for the Souriau-Sunbank Connection Technologies (“Souriau-Sunbank”) divestiture. There was no income from discontinued operations for the twenty-six week period ended April 3, 2021. Refer to Note 3, “Acquisitions and Divestitures,” in the notes to the condensed consolidated financial statements included herein for further information.

- ***Net Income Attributable to TD Group.*** Net income attributable to TD Group increased $208 million, or 135.1%, to $362 million for the twenty-six week period ended April 2, 2022 compared to net income attributable to TD Group of $154 million for the twenty-six week period ended April 3, 2021, primarily as a result of the factors referenced above.

- ***Earnings per Share.*** Basic and diluted earnings per share was $5.35 for the twenty-six week period ended April 2, 2022 compared to $1.40 per share for the twenty-six week period ended April 3, 2021. Basic and diluted earnings per share from discontinued operations was $0.02 for the twenty-six week period ended April 2, 2022. There was no impact on earnings per share from discontinued operations for the twenty-six week period ended April 3, 2021.

Business Segments

- ***Segment Net Sales.*** Net sales by segment for the twenty-six week periods ended April 2, 2022 and April 3, 2021 were as follows (amounts in millions):

	Twenty-Six Week Periods Ended					
	April 2, 2022	% of Net Sales	April 3, 2021	% of Net Sales	Change	% Change
Power & Control	$ 1,358	53.9 %	$ 1,242	54.0 %	$ 116	9.3 %
Airframe	1,085	43.0 %	977	42.4 %	108	11.1 %
Non-aviation	78	3.1 %	82	3.6 %	(4)	(4.9)%
Net sales	$ 2,521	100.0 %	$ 2,301	100.0 %	$ 220	9.6 %

Net sales for the Power & Control segment increased $116 million, an increase of 9.3%, for the twenty-six week period ended April 2, 2022. The sales increase resulted primarily from increases in organic sales in commercial aftermarket ($109 million, an increase of 41.0%) and commercial OEM ($45 million, an increase of 21.6%); partially offset by a decrease in organic defense sales ($43 million, a decrease of 6.1%). The increase in commercial aftermarket sales is primarily attributable to the continued recovery in commercial air travel demand, particularly the increase in the utilization of narrow-body aircraft, and air cargo demand and the resulting higher flight hours in the second half of fiscal 2022 compared to the second half of fiscal 2021. The increase in OEM sales is primarily attributable to a higher volume of narrow-body aircraft deliveries by aircraft manufacturers to airlines and also expected production rate increases of narrow-body aircraft compared to the second half of fiscal 2021. Partially offsetting the OEM sales growth are wide-body aircraft production and delivery slowdowns due to the COVID-19 pandemic adversely impacting international travel and also due to Boeing's quality control issues with the 787 aircraft. The decrease in defense sales is primarily attributable to supply chain-induced delays in fulfilling orders at certain operating units. The change in acquisition and divestiture sales was not material for the twenty-six week period ended April 2, 2022.

Net sales for the Airframe segment increased $108 million, an increase of 11.1%, for the twenty-six week period ended April 2, 2022. The sales increase resulted primarily from increases in organic sales in commercial aftermarket ($120 million, an increase of 55.5%) and commercial OEM ($47 million, an increase of 20.7%); partially offset by a decrease in organic defense sales ($14 million, a decrease of 3.6%). The increase in commercial aftermarket sales is primarily attributable to the continued recovery in commercial air travel demand, particularly the increase in the utilization of narrow-body aircraft, and air cargo demand and the resulting higher flight hours in the second half of fiscal 2022 compared to the second half of fiscal 2021. The increase in OEM sales is primarily attributable to a higher volume of narrow-body aircraft deliveries by aircraft manufacturers to airlines and also expected production rate increases of narrow-body aircraft compared to the second half of fiscal 2021. Partially offsetting the OEM sales growth are wide-body aircraft production and delivery slowdowns due to the COVID-19 pandemic adversely impacting international travel and also due to Boeing's quality control issues with the 787 aircraft. The decrease in defense sales is primarily attributable to supply chain-induced delays in fulfilling orders at certain operating units. Acquisition and divestiture sales decreased $51 million, primarily due to the divestitures completed during fiscal 2021, partially offset by the impact of CAC's sales being included in acquisition and divestiture sales through the first quarter of fiscal 2022.

Net sales for the Non-aviation segment decreased by $4 million, a decrease of 4.9%, for the twenty-six week period ended April 2, 2022. The sales decrease resulted primarily from the decrease in acquisition and divestiture sales of $5 million for the divestitures completed during fiscal 2021.

- ***EBITDA As Defined.*** EBITDA As Defined by segment for the twenty-six week periods ended April 2, 2022 and April 3, 2021 were as follows (amounts in millions):

	Twenty-Six Week Periods Ended					
	April 2, 2022	% of Segment Net Sales	April 3, 2021	% of Segment Net Sales	Change	% Change
Power & Control	$ 703	51.8 %	$ 613	49.4 %	$ 90	14.7 %
Airframe	499	46.0 %	385	39.4 %	114	29.6 %
Non-aviation	28	35.9 %	31	37.8 %	(3)	(9.7)%
	$ 1,230	48.8 %	$ 1,029	44.7 %	$ 201	19.5 %

Organic EBITDA As Defined represents EBITDA As Defined from existing businesses owned by the Company as of April 2, 2022, excluding EBITDA As Defined from acquisitions and divestitures. EBITDA As Defined from acquisitions and divestitures represents EBITDA As Defined from acquired businesses for the period up to one year subsequent to the respective acquisition date and from businesses up to the date the respective divestiture was completed. Therefore, beginning in the second quarter of fiscal 2022, CAC's EBITDA As Defined, including the comparable thirteen week period in the prior year, is included in the organic growth calculation (acquisition date was January 2021). No acquisitions or divestitures occurred in the first half of fiscal 2022.

EBITDA As Defined for the Power & Control segment increased approximately $90 million, an increase of 14.7%, resulting from higher organic sales, particularly in the commercial aftermarket and OEM channels. Also contributing to the increase in EBITDA As Defined was the application of our three core value-driven operating strategies and positive leverage on our fixed overhead costs spread over a higher production volume despite the current inflationary environment for labor and certain raw materials. The change in EBITDA As Defined for the Power & Control segment from acquisitions and divestitures was immaterial for the twenty-six week period ended April 2, 2022.

EBITDA As Defined for the Airframe segment increased approximately $114 million, an increase of 29.6%, resulting primarily from higher organic sales, particularly in the commercial aftermarket and OEM channels. Also contributing to the increase in EBITDA As Defined was the application of our three core value-driven operating strategies and positive leverage on our fixed overhead costs spread over a higher production volume despite the current inflationary environment for labor and certain raw materials. EBITDA As Defined for the Airframe segment from acquisitions and divestitures decreased by $9 million, primarily due to the impact on the comparable period from the divestitures completed in fiscal year 2021, partially offset by the impact of CAC's sales being included in acquisition and divestiture sales through the first quarter of fiscal 2022.

EBITDA As Defined for the Non-aviation segment decreased approximately $3 million, a decrease of 9.7% to the comparable period from the prior year.

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.

The following tables present selected balance sheet, cash flow and other financial data relevant to the liquidity or capital resources of the Company for the periods specified below (amounts in millions):

	April 2, 2022	September 30, 2021
Selected Balance Sheet Data:		
Cash and cash equivalents	$ 4,216	$ 4,787
Working capital	5,263	5,367
Total assets	18,841	19,315
Total debt [1]	19,823	19,998
TD Group stockholders’ deficit	(2,899)	(2,916)

[1] Includes debt issuance costs and original issue discount and premiums. Reference Note 10, “Debt,” in the notes to the condensed consolidated financial statements included herein for additional information.

	Twenty-Six Week Periods Ended	
	April 2, 2022	April 3, 2021
Selected Cash Flow and Other Financial Data:		
Cash flows provided by (used in):		
Operating activities	$ 366	$ 372
Investing activities	(54)	(952)
Financing activities	(872)	(73)
Capital expenditures	57	60
Ratio of earnings to fixed charges [1]	1.8x	1.3x

[1] For purposes of computing the ratio of earnings to fixed charges, earnings consist of earnings from continuing operations before income taxes plus fixed charges. Fixed charges consist of interest expense, amortization of debt issuance costs, original issue discount and premium and the “interest component” of rental expense.

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.

In the second quarter of fiscal 2022, the Company repurchased 1,046,815 shares of common stock at an average price of $636.93 per share, aggregating to approximately $667 million in repurchases. The Company may make additional share repurchases in the second half of fiscal year 2022. Whether the Company undertakes additional share repurchases or other aforementioned activities will depend on prevailing market conditions, the Company's liquidity requirements, contractual restrictions and other factors.

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, including the ongoing COVID-19 pandemic.

The Company is continuing to strategically manage the Company's cash and cash equivalents in response to the ongoing COVID-19 pandemic and related uncertainty of the duration and impact of the pandemic on the Company's business in fiscal 2022 and beyond. In the first quarter of fiscal 2022, the Company entered into Amendment No. 9 and Incremental Revolving Credit Assumption Agreement (herein, "Amendment No. 9") to the Second Amended and Restated Credit Agreement dated as of June 4, 2014 (the "Credit Agreement"), increasing the capacity under the revolving credit facility from $760 million to $810 million. The Company also repaid $200 million previously drawn on the revolving credit facility. In fiscal 2021, due to favorable market conditions in the high yield bond market, the Company refinanced $1,950 million of its senior subordinated notes resulting in a reduced interest rate (estimated $35 million reduction in annual interest payments) and an extended maturity date.

As of April 2, 2022, the Company has significant cash liquidity as illustrated in the table presented below (in millions):

	As of April 2, 2022
Cash and cash equivalents	$ 4,216
Availability on revolving credit facility [1]	775
Cash liquidity	$ 4,991

(1) On December 29, 2021, the Company entered into Amendment No. 9 and Incremental Revolving Credit Assumption Agreement to the Second Amended and Restated Credit Agreement dated as of June 4, 2014, which increased the capacity under the revolving credit facility from $760 million to $810 million.

We believe our significant cash liquidity will allow us to meet our anticipated funding requirements. We expect to meet our short-term cash liquidity requirements (including interest obligations and capital expenditures) through net cash from operating activities, cash on hand and, if needed, draws on the revolving credit facility. Long-term cash liquidity requirements consist primarily of obligations under our long-term debt agreements. There is no maturity on any tranche of term loans or notes until August 2024.

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 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 strategic business acquisitions, pay dividends to our shareholders and make opportunistic investments in our own stock, such as the $667 million in common stock repurchases in the second quarter of fiscal 2022, subject to any restrictions in our existing credit agreement and market conditions in consideration of the ongoing COVID-19 pandemic.

The Company may issue additional debt if prevailing market conditions are favorable to doing so. In addition, the Company may increase its borrowings in connection with acquisitions, if cash flow from operating activities becomes insufficient to fund current operations or for other short-term cash needs or for common stock repurchases or dividends. Our future leverage will also be impacted by the then current conditions of the credit markets.

Operating Activities. The Company generated $366 million of net cash from operating activities during the twenty-six week period ended April 2, 2022 compared to $372 million during the twenty-six week period ended April 3, 2021.

The change in accounts receivable during the twenty-six week period ended April 2, 2022 was a use of cash of $8 million compared to a source of cash of $39 million during the twenty-six week period ended April 3, 2021. The change of $47 million is primarily attributable to the timing of cash receipts as there were a higher amount of sales in the month of March 2022 compared to March 2021. The Company continues to actively manage its accounts receivable, the related agings and collection efforts in response to the COVID-19 pandemic.

The change in inventories during the twenty-six week period ended April 2, 2022 was a use of cash of $62 million compared to a source of cash of $32 million during the twenty-six week period ended April 3, 2021. The change is primarily driven by increased purchasing from higher demand in fiscal 2022. The Company continues to actively manage inventory levels in response to the pandemic and its adverse impact on the supply chain.

The change in accounts payable during the twenty-six week period ended April 2, 2022 was a source of cash of $13 million compared to a use of cash of $7 million during the twenty-six week period ended April 3, 2021. The change is due to the timing of payments to suppliers.

Investing Activities. Net cash used in investing activities was $54 million during the twenty-six week period ended April 2, 2022, consisting of capital expenditures of $57 million, slightly offset by $3 million in proceeds received from the final working capital settlement for the ScioTeq and TREALITY divestiture.

Net cash used in investing activities was $952 million during the twenty-six week period ended April 3, 2021, consisting primarily of the acquisition of CAC for $951 million and capital expenditures of $60 million. This was partially offset by proceeds of $35 million from the completion of the divestiture of certain businesses and $24 million of insurance proceeds received from the Leach International Europe fire property claim.

Financing Activities. Net cash used in financing activities during the twenty-six week period ended April 2, 2022 was $872 million. The use of cash was primarily attributable to $667 million in common stock repurchases, the $200 million repayment of a previous draw on the revolving credit facility, dividend equivalent payments of $46 million and repayment on term loans of $38 million. This was partially offset by $80 million in proceeds from stock option exercises.

Net cash used in financing activities during the twenty-six week period ended April 3, 2021 was $73 million. The use of cash was primarily attributable to the redemption of the 2024 Notes for $1,220 million, dividend equivalent payments of $73 million and repayments on term loans of $38 million. This was partially offset by $1,189 million in net proceeds from the completion of the 4.625% Senior Subordinated Notes due 2029 (the "4.625% 2029 Notes") offering and $69 million in proceeds from stock option exercises.

Contractual Obligations

We have future obligations under various contracts relating to debt and interest payments, finance and operating leases, pension and post-retirement benefit plans and purchase obligations. There were no material changes during the twenty-six week period ended April 2, 2022 to these obligations as reported in our Annual Report on Form 10-K for the fiscal year ended September 30, 2021 other than the first quarter fiscal 2022 repayment of $200 million previously drawn on the revolving credit facility.

Description of Senior Secured Term Loans and Indentures

Senior Secured Term Loans Facility

TransDigm has $7,336 million in fully drawn term loans (the "Term Loans Facility") and an $810 million revolving credit facility. The Term Loans Facility consists of three tranches of term loans as follows (aggregate principal amount disclosed is as of April 2, 2022):

Term Loans Facility	Aggregate Principal	Maturity Date	Interest Rate
Tranche E	$2,166 million	May 30, 2025	LIBOR + 2.25%
Tranche F	$3,436 million	December 9, 2025	LIBOR + 2.25%
Tranche G	$1,734 million	August 22, 2024	LIBOR + 2.25%

The Term Loans Facility requires quarterly aggregate principal payments of $18.8 million. The revolving commitments consist of two tranches which include up to $151.5 million of multicurrency revolving commitments. At April 2, 2022, the Company had $35.3 million in letters of credit outstanding and $774.7 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 LIBOR 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 LIBOR related to tranche E, tranche F and tranche G term loans are not subject to a floor. For the twenty-six week period ended April 2, 2022, the applicable interest rate was approximately 2.71% 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 13, "Derivatives and Hedging Activities," in the notes to the condensed consolidated financial statements included herein.

Fiscal 2022 Amendment to the Credit Agreement

On December 29, 2021, the Company entered into Amendment No. 9 and Incremental Revolving Credit Assumption Agreement to the Credit Agreement, which increases the capacity under the revolving credit facility from $760 million to $810 million. The terms and conditions that apply to Amendment No. 9 are the same as the terms and conditions that apply to the existing dollar revolving commitments and term loans under the Credit Agreement.

Indentures

The following table represents the notes outstanding as of April 2, 2022:

Description	Aggregate Principal	Maturity Date	Interest Rate
2025 Secured Notes	$1,100 million	December 15, 2025	8.00%
2026 Secured Notes	$4,400 million	March 15, 2026	6.25%
6.875% 2026 Notes	$500 million	May 15, 2026	6.875%
6.375% 2026 Notes	$950 million	June 15, 2026	6.375%
7.50% 2027 Notes	$550 million	March 15, 2027	7.50%
5.50% 2027 Notes	$2,650 million	November 15, 2027	5.50%
4.625% 2029 Notes	$1,200 million	July 15, 2029	4.625%
4.875% 2029 Notes	$750 million	October 15, 2029	4.875%

The 6.375% 2026 Notes, the 7.50% 2027 Notes, the 5.50% 2027 Notes, the 4.625% 2029 Notes and the 4.875% 2029 Notes (collectively, the “TransDigm Inc. Notes”) were issued at a price of 100% of the principal amount. 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 2025 Secured Notes (the “Secured Notes”) were issued at a price 100% of the principal amount. The initial $3,800 million offering of the 2026 Secured Notes (the “Secured Notes”) was issued at a price of 100% of its principal amount and the subsequent $200 million and $400 million offerings of the 2026 Secured Notes in the second quarter of fiscal 2019 and the third quarter of fiscal 2020, respectively, were issued at a price of 101% of their principal amount, resulting in gross proceeds of $4,410.5 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 contain many of the restrictive covenants included in the Credit Agreement. TransDigm is in compliance with all of the covenants contained in the Notes.

Guarantor Information

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 fully and unconditionally 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 Secured Notes are senior secured obligations of TransDigm and rank equally in right of payment with all of TransDigm’s existing and future senior secured debt, including indebtedness under TransDigm’s existing senior secured credit facilities, and are senior in right of payment to all of TransDigm’s existing and future senior subordinated debt, including the Notes, TransDigm’s other outstanding senior subordinated notes and TransDigm’s guarantees in respect of TransDigm UK’s outstanding senior subordinated notes. The Secured Notes are guaranteed on a senior secured basis by TD Group, TransDigm UK and TransDigm’s wholly-owned U.S. subsidiaries named in the Secured Notes Indenture. The guarantees of the Secured Notes rank equally in right of payment with all of the guarantors’ existing and future senior secured debt and are senior in right of payment to all of their existing and future senior subordinated debt. The Secured Notes are structurally subordinated to all of the liabilities of TransDigm’s non-guarantor subsidiaries. The Secured Notes contain many of the restrictive covenants included in the Credit Agreement. TransDigm is in compliance with all of the covenants contained in the Secured Notes.

Separate financial statements of TransDigm Inc. are not presented because the Secured Notes are fully and unconditionally guaranteed on a senior secured basis by TD Group, TransDigm UK and all of TransDigm Inc.'s Domestic Restricted Subsidiaries. TD Group has no significant operations or assets separate from its investment in TransDigm Inc.

Separate financial statements of TransDigm Inc. are not presented because the TransDigm Inc. 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. 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. TD Group has no significant operations or assets separate from its investment in TransDigm Inc.

The financial information presented is that of TD Group and the Guarantors, which includes TransDigm Inc. and TransDigm UK, on a combined basis and the financial information of non-issuer and non-guarantor subsidiaries has been excluded. Intercompany balances and transactions between TD Group and Guarantors have been eliminated, and amounts due from, amounts due to, and transactions with non-issuer and non-guarantor subsidiaries have been presented separately.

(in millions)	**April 2, 2022**
Current assets	$ 4,947
Goodwill	6,726
Other non-current assets	2,708
Current liabilities	627
Non-current liabilities	20,065
Amounts (from) due to subsidiaries that are non-issuers and non-guarantors - net	(685)

(in millions)	**Twenty-Six Week Period Ended April 2, 2022**
Net sales	$ 1,935
Sales to subsidiaries that are non-issuers and non-guarantors	20
Cost of sales	785
Expense from subsidiaries that are non-issuers and non-guarantors - net	22
Income from continuing operations	380
Net income attributable to TD Group	380

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. 7.

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 7.25x and the consolidated secured net debt ratio would be no greater than 5.00x, in each case, after giving effect to such incremental term loans or additional revolving commitments.

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.

With the exception of the revolving credit facility, the Company has no maintenance covenants in its existing term loan and indenture agreements. Under the Credit Agreement, if the usage of the revolving credit facility exceeds 35%, or $283.5 million, of the total revolving commitments, the Company is required to maintain a maximum consolidated net leverage ratio of net debt to trailing four-quarter EBITDA As Defined of 7.25x as of the last day of the fiscal quarter.

As of April 2, 2022, the Company was in compliance with all of its debt covenants and expects to remain in compliance with its debt covenants in subsequent periods.

Trade Receivables Securitization Facility

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 one 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 27, 2021, the Company amended the Securitization Facility to, among other things, (i) extend the maturity date to July 26, 2022, and (ii) bear interest at a rate of 1.20% plus three month LIBOR, compared to the interest rate of 1.35% plus 0.50% or three month LIBOR, whichever is greater, that applied prior to the amendment. The Securitization Facility is collateralized by substantially all of the Company’s domestic operations’ trade accounts receivable. As of April 2, 2022, the Company has borrowed $350 million under the Securitization Facility, which is fully drawn.

Dividend and Dividend Equivalent Payments

No dividends were declared or paid in the first half of fiscal year 2022. We do not anticipate declaring regular quarterly or annual cash dividends on our common stock in the near future. Any declaration of special cash dividends on our common stock in the future will be at the discretion of our Board of Directors and will depend upon our results of operations, earnings, capital requirements, financial condition, future prospects, contractual restrictions under the senior secured credit facility and Indentures, the availability of surplus under Delaware law and other factors deemed relevant by our Board of Directors. TD Group is a holding company and conducts all of its operations through direct and indirect subsidiaries. Unless TD Group receives dividends, distributions, advances, transfers of funds or other payments from our subsidiaries, TD Group will be unable to pay any dividends on our common stock in the future. The ability of any subsidiaries to take any of the foregoing actions is limited by the terms of our senior secured credit facility and Indentures and may be limited by future debt or other agreements that we may enter into.

Dividend equivalent payments made in fiscal year 2022 were $46 million. Pursuant to the Third Amended and Restated TransDigm Group Incorporated 2003 Stock Option Plan Dividend Equivalent Plan, the Second Amended and Restated TransDigm Group Incorporated 2006 Stock Incentive Plan Dividend Equivalent Plan and the 2014 Stock Option Plan Dividend Equivalent Plan, all of the options granted under the existing stock option plans are entitled to certain dividend equivalent payments in the event of the declaration of a dividend by the Company.

Off-Balance Sheet Arrangements

The Company utilizes letters of credit to back certain payment and performance obligations. Letters of credit are subject to limits based on amounts outstanding under the Company’s revolving credit facility. As of April 2, 2022, the Company had $35.3 million in letters of credit outstanding.

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 income from continuing operations 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 U.S. 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 U.S. 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 U.S. 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 U.S. GAAP, and neither should be considered as an alternative to net income or cash flow from operations determined in accordance with U.S. 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 income from continuing operations to EBITDA and EBITDA As Defined (in millions):

	Thirteen Week Periods Ended		Twenty-Six Week Periods Ended	
	April 2, 2022	April 3, 2021	April 2, 2022	April 3, 2021
Income from continuing operations	$ 199	$ 105	$ 362	$ 155
Adjustments:				
Depreciation and amortization expense	62	66	127	124
Interest expense, net	266	268	530	535
Income tax provision	61	25	91	28
EBITDA	588	464	1,110	842
Adjustments:				
Acquisition and divestiture transaction-related expenses and adjustments [1]	3	16	8	19
Non-cash stock compensation expense [2]	42	21	79	70
Refinancing costs [3]	—	24	—	24
COVID-19 pandemic restructuring costs [4]	—	18	—	39
Other, net [5]	—	(24)	1	(1)
EBITDA As Defined	$ 633	$ 519	$ 1,198	$ 993

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

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

(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 of $17 million and $36 million for the thirteen and twenty-six week periods ended April 3, 2021, respectively. These are costs related to the Company's actions to reduce its workforce and consolidate certain facilities to align with customer demand. This also includes $1 million and $3 million for the thirteen and twenty-six week periods ended April 3, 2021, 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.). Restructuring costs incurred in response to the COVID-19 pandemic for the thirteen and twenty-six week periods ended April 2, 2022 were not material.

(5) 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, proceeds received from a final working capital settlement for the ScioTeq and TREALITY divestiture and gain or loss on sale of fixed assets.

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

	Twenty-Six Week Periods Ended	
	April 2, 2022	April 3, 2021
Net cash provided by operating activities	$ 366	$ 372
Adjustments:		
Changes in assets and liabilities, net of effects from acquisitions and sales of businesses	198	(9)
Interest expense, net [(1)]	513	518
Income tax provision - current	92	28
Loss contract amortization	20	27
Non-cash stock compensation expense [(2)]	(79)	(70)
Refinancing costs [(3)]	—	(24)
EBITDA	1,110	842
Adjustments:		
Acquisition and divestiture transaction-related expenses and adjustments [(4)]	8	19
Non-cash stock compensation expense [(2)]	79	70
Refinancing costs [(3)]	—	24
COVID-19 pandemic restructuring costs [(5)]	—	39
Other, net [(6)]	1	(1)
EBITDA As Defined	$ 1,198	$ 993

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

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

(5) Represents restructuring costs related to the Company's cost reduction measures in response to the COVID-19 pandemic of $36 million for the twenty-six week period ended April 3, 2021. These are costs related to the Company's actions to reduce its workforce and consolidate certain facilities to align with customer demand. This also includes $3 million for the twenty-six week period ended April 3, 2021 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.). Restructuring costs incurred in response to the COVID-19 pandemic for the twenty-six week period ended April 2, 2022 were not material.

(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, proceeds received from a final working capital settlement for the ScioTeq and TREALITY divestiture and gain or loss on sale of fixed assets.

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” in Part I, 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 (for the fiscal year ended September 30, 2021, filed on November 16, 2021). These market risks have not materially changed for the second quarter of fiscal year 2022.

ITEM 4. CONTROLS AND PROCEDURES

As of April 2, 2022, 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 Exchange Act 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 its 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.

Changes in Internal Control over Financial Reporting

There have been no changes in the Company’s internal control over financial reporting that occurred during the fiscal quarter ended April 2, 2022, 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

The Company is involved in various claims and legal actions arising in the ordinary course of business. SEC regulations require us to disclose certain information about environmental proceedings when a governmental authority is a party to the proceedings if we reasonably believe that such proceedings may result in monetary sanctions above a stated threshold. Pursuant to such regulations, the Company uses a threshold of $1 million or more for purposes of determining whether disclosure of any such proceedings is required as we believe matters under this threshold are not material to the Company. While the Company is currently involved in certain legal proceedings, it believes the results of these proceedings will not have a material adverse effect on its financial condition, results of operations, or cash flows.

Information with respect to our legal proceedings is contained in Note 18, “Commitments and Contingencies,” to the condensed consolidated financial statements herein and Note 15, “Commitments and Contingencies,” in Part IV, Item 15. *Exhibits and Financial Statement Schedules*, of our Annual Report on Form 10-K for the fiscal year ended September 30, 2021, filed on November 16, 2021. There have been no material changes to this information.

ITEM 1A. RISK FACTORS

In addition to the other information set forth in this report, you should carefully consider the risk factors disclosed in Part I, Item 1A of our Annual Report on Form 10-K for the fiscal year ended September 30, 2021, filed on November 16, 2021. There have been no material changes to the risk factors described in the Form 10-K.

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

The following table presents information about share repurchases of TransDigm Group Inc. common stock made by us during the second quarter of fiscal year 2022 (in millions, except shares and average price per share data):

Period	Total Number of Shares Repurchased	Average Price Paid Per Share	Total Number of Shares Repurchased as Part of Publicly Announced Plans or Programs	Dollar Value of Shares That May Yet Be Purchased Under the Plans or Programs [(1) (2)]
January 2, 2022 - January 29, 2022	—	$ —	—	$ 2,200
January 30, 2022 - February 26, 2022	243,319	646.69	243,319	2,043
February 26, 2022 - April 2, 2022	803,496	633.97	803,496	1,533
Total	1,046,815	636.93	1,046,815	

(1) On November 8, 2017, the Company's Board of Directors, authorized a stock repurchase program permitting repurchases of our outstanding shares not to exceed $650 million in the aggregate (the “$650 million stock repurchase program”), subject to any restrictions specified in the Credit Agreement and/or Indentures governing the existing Notes. This plan was effective through January 26, 2022.

(2) On January 27, 2022, our Board of Directors authorized a new stock repurchase program permitting repurchases of our outstanding shares not to exceed $2,200 million in the aggregate (the “$2,200 million stock repurchase program”), replacing the $650 million stock repurchase program, subject to any restrictions specified in the Credit Agreement and/or Indentures governing the existing Notes. There is no expiration date for this program. As of April 2, 2022, $1,533 million remains available for repurchase under the $2,200 million stock repurchase program. Refer to Note 7, “Stock Repurchase Program” in the notes to the condensed consolidated financial statements included herein for further information.

ITEM 6. EXHIBITS

Exhibit No.	Description	Filed Herewith or Incorporated by Reference From
22	Listing of Subsidiary Guarantors	Filed Herewith
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	Filed Herewith
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	Filed Herewith
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	Furnished Herewith
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	Furnished Herewith
101.INS	Inline XBRL Instance Document: The XBRL Instance Document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document	Filed Herewith
101.SCH	Inline XBRL Taxonomy Extension Schema	Filed Herewith
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase	Filed Herewith
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase	Filed Herewith
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase	Filed Herewith
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase	Filed Herewith
104	Cover Page Interactive Data File: the cover page XBRL tags are embedded within the Inline XBRL document and are contained within Exhibit 101	Filed Herewith

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)	May 10, 2022
/s/ Michael Lisman Michael Lisman	Chief Financial Officer (Principal Financial Officer)	May 10, 2022

Exhibit 22

LISTING OF SUBSIDIARY GUARANTORS

TransDigm Group Incorporated has unconditionally guaranteed, on a joint and several basis, each of the following registered debt securities with each of the subsidiaries listed below under "Subsidiary Guarantors."

Registered Debt Securities
8.00% Senior Secured Notes due 2025 (2025 Secured Notes)
6.375% Senior Subordinated Notes due 2026 (6.375% 2026 Notes)
6.875% Senior Subordinated Notes due 2026 (6.875% 2026 Notes)
6.25% Senior Secured Notes due 2026 (2026 Secured Notes)
7.50% Senior Subordinated Notes due 2027 (7.50% 2027 Notes)
5.50% Senior Subordinated Notes due 2027 (5.50% 2027 Notes)
4.625% Senior Subordinated Notes due 2029 (4.625% 2029 Notes)
4.875% Senior Subordinated Notes due 2029 (4.875% 2029 Notes)

Subsidiary Guarantors	Jurisdiction of Incorporation or Organization
17111 Waterview Pkwy LLC	Delaware
Acme Aerospace, Inc.	Delaware
Adams Rite Aerospace, Inc.	California
AeroControlex Group, Inc.	Delaware
Aerosonic LLC	Delaware
Airborne Acquisition, Inc.	Delaware
Airborne Global, Inc.	Delaware
Airborne Holdings, Inc.	Delaware
Airborne Systems NA Inc.	Delaware
Airborne Systems North America Inc.	Delaware
Airborne Systems North America of CA Inc.	Delaware
Airborne Systems North America of NJ Inc.	New Jersey
AmSafe Global Holdings, Inc.	Delaware
AmSafe, Inc.	Delaware
Angus Electronics Co.	Delaware
Arkwin Industries, Inc.	New York
Armtec Countermeasures Co.	Delaware
Armtec Countermeasures TNO Co.	Delaware
Armtec Defense Products Co.	Delaware
Auxitrol Weston USA, Inc.	Delaware
Aviation Technologies, Inc.	Delaware
Avionic Instruments LLC	Delaware
Avionics Specialties, Inc.	Virginia
AvtechTyee, Inc.	Washington
Beta Transformer Technology Corporation	New York
Beta Transformer Technology LLC	Delaware
Breeze-Eastern LLC	Delaware
Bridport Erie Aviation, Inc.	Delaware
Bridport Holdings, Inc.	Delaware

Subsidiary Guarantors	Jurisdiction of Incorporation or Organization
Bridport-Air Carrier, Inc.	Washington
Bruce Aerospace Inc.	Delaware
CDA InterCorp LLC	Florida
CEF Industries, LLC	Delaware
Champion Aerospace LLC	Delaware
Chelton Avionics Holdings, Inc.	Delaware
Chelton Avionics, Inc.	Delaware
CMC Electronics Aurora LLC	Delaware
Chelton Defense Products, Inc.	Delaware
Data Device Corporation	Delaware
Dukes Aerospace, Inc.	Delaware
Electromech Technologies LLC	Delaware
Esterline Europe Company LLC	Delaware
Esterline International Company	Delaware
Esterline Technologies Corporation	Delaware
Esterline Technologies SGIP LLC	Delaware
Extant Components Group Holdings, Inc.	Delaware
Extant Components Group Intermediate, Inc.	Delaware
HarcoSemco LLC	Connecticut
Hartwell Corporation	California
Hytek Finishes Co.	Delaware
ILC Holdings, Inc.	Delaware
Janco Corporation	California
Johnson Liverpool LLC	Delaware
Kirkhill Inc.	Delaware
Korry Electronics Co.	Delaware
Leach Holding Corporation	Delaware
Leach International Corporation	Delaware
Leach Mexico Holding LLC	Delaware
Leach Technology Group, Inc.	Delaware
MarathonNorco Aerospace, Inc.	Delaware
Mason Electric Co.	Delaware
McKechnie Aerospace DE, Inc.	Delaware
McKechnie Aerospace Holdings, Inc.	Delaware
McKechnie Aerospace US LLC	Delaware
NAT Seattle Inc.	Delaware
NMC Group, Inc.	California
Nordisk Aviation Products LLC	Delaware
North Hills Signal Processing Corp.	Delaware
North Hills Signal Processing Overseas LLC	Delaware
Norwich Aero Products, Inc.	New York
Palomar Products, Inc.	Delaware
Pexco Aerospace, Inc.	Delaware

Subsidiary Guarantors	Jurisdiction of Incorporation or Organization
PneuDraulics, Inc.	California
Schneller LLC	Delaware
Semco Instruments, Inc.	Delaware
Shield Restraint Systems, Inc.	Delaware
Skandia, Inc.	Illinois
Skurka Aerospace, Inc.	Delaware
Symetrics Industries, LLC	Florida
Symetrics Technology Group, LLC	Florida
TA Aerospace Co.	California
Tactair Fluid Controls, Inc.	New York
TDG ESL Holdings Inc.	Delaware
TEAC Aerospace Holdings, Inc.	Delaware
TEAC Aerospace Technologies, Inc.	Delaware
Telair US LLC	Delaware
Texas Rotronics, Inc.	Texas
(1) TransDigm Inc.	Delaware
(1) TransDigm UK Holdings plc	United Kingdom
Transicoil LLC	Delaware
Whippany Actuation Systems, LLC	Delaware
Young & Franklin Inc.	New York

(1) Entity is also a subsidiary issuer.

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 second 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: May 10, 2022

/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 second 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: May 10, 2022

/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 quarter ended April 2, 2022 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: May 10, 2022

/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 quarter ended April 2, 2022 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: May 10, 2022

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