



TRANSDIGM  
GROUP INC.

CONSISTENT STRATEGY, MORE RUNWAY  
MORE VALUE

**FY 2014 SECOND QUARTER EARNINGS CALL**

May 6, 2014

# Agenda



- TransDigm Overview
- Highlights, Market Review, Operating Performance and Outlook
- Operations and Value Creation
- Financial Results
- Q&A

W. Nicholas Howley  
Chairman and CEO

W. Nicholas Howley  
Chairman and CEO

Raymond F. Laubenthal  
President and COO

Gregory Rufus  
Executive Vice President and CFO

# Forward Looking Statements



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

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

# Special Notice Regarding Pro Forma and Non-GAAP Information



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

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

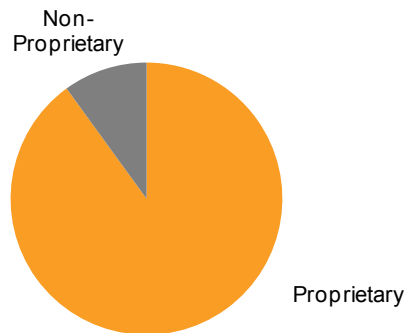
# TransDigm Overview



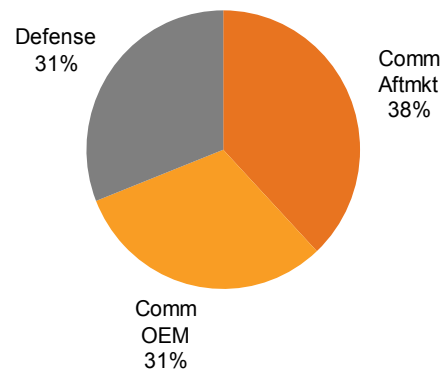
## DISTINGUISHING CHARACTERISTICS

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

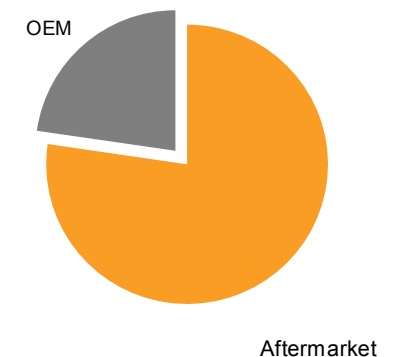
### Proprietary Revenues <sup>(1)</sup>



### Est FY 2014 Pro Forma Revenues (Excluding Non-Aviation Segment) <sup>(1)</sup>



### Pro Forma EBITDA As Defined <sup>(1)</sup>



(1) Estimated FY 2014 pro forma revenue is current mid-point of guidance for the fiscal year ended 9/30/14 (excluding the Non-Aviation Segment sales of ≈ \$101 million or ≈ 5% of total sales). Estimate includes the impact of recent acquisitions of Airborne and EME. Please see the Special Notice Regarding Pro Forma and Non-GAAP Information.

# 2014 Q2 Financial Performance by Markets – Pro Forma



TRANSDIGM  
GROUP INC.

## Highlights<sup>(1)</sup>

### ■ Commercial OEM

- Commercial transport OEM up 14%
- Business jet revenues up 6% YTD

### ■ Commercial Aftermarket:

- Bookings up 17% YTD and up sequentially

### ■ Defense

- YTD Bookings about equal to shipments

## Q2 Market Review – Pro Forma Revenues<sup>(1)</sup>

	Actual vs. Prior Year	
	Q2 2014	YTD 2014
Commercial OEM:	Up 11%	Up 11%
Commercial Aftermarket:	Up 8%	Up 7.5%
Defense:	Up 1%	Up 1%

(1) Information is on a pro forma basis versus the prior year period including the recent acquisitions of Airborne Systems and EME. Please see the Special Notice Regarding Pro Forma and Non-GAAP Information.

# Fiscal 2014 Outlook



## Est FY 2014 Pro Forma

Sales Mix <sup>(1)</sup>	Market	FY 2013 Expected Growth <sup>(1)</sup>
31%	Commercial OEM	Up High Single-Digit %
38%	Commercial Aftermarket	Up High Single-Digit %
31%	Defense	Flat

## Assumptions

- Worldwide RPM growth ≈ 4% to 5%
- OEM production rate increases proceeding
- Full year tax rate ≈ 34%
- Weighted average shares of 57.2 million

## Guidance Summary

(\$ in millions)

	Low	High
<b>Revenues</b>	\$ 2,317	\$ 2,367
<b>EBITDA As Defined</b>	\$ 1,046	\$ 1,068
<b>% to sales</b>	45.1%	45.1%
<b>Net Income</b>	\$ 380	\$ 394
<b>GAAP EPS</b>	\$ 6.33	\$ 6.57
<b>Adj. EPS</b>	\$ 7.46	\$ 7.70

(1) Estimated FY 2014 pro forma revenue is current mid-point of guidance for the fiscal year ended 9/30/14 (excluding the Non-Aviation Segment sales of ≈ \$101 million or ≈ 5% of total sales). Estimate includes the impact of recent acquisitions of Airborne and EME. Please see the Special Notice Regarding Pro Forma and Non-GAAP Information.

# Second Quarter 2014 Results



TRANSDIGM  
GROUP INC.

(\$ in millions)

	Q2 FY14	Q2 FY13	
<b>Revenue</b>	<b>\$590.8</b>	<b>\$465.6</b>	<b>26.9% Increase</b>
<b>Gross Profit</b>	<b>\$307.6</b>	<b>\$259.3</b>	<b>3.6 Margin Point Decline</b>
<i>Margin %</i>	<i>52.1%</i>	<i>55.7%</i>	<ul style="list-style-type: none"> <li>● Dilutive impact from acquisitions</li> <li>● Strength of our proprietary products and productivity improvements</li> </ul>
<b>SG&amp;A</b>	<b>\$71.5</b>	<b>\$55.5</b>	
<i>% to Sales</i>	<i>12.1%</i>	<i>11.9%</i>	
<b>Interest Expense- Net</b>	<b>\$82.3</b>	<b>\$64.1</b>	<b>28.4% Increase</b>
			<ul style="list-style-type: none"> <li>● Outstanding borrowings increased</li> </ul>
<b>Refinancing Costs</b>	<b>\$0.0</b>	<b>\$30.3</b>	
			<ul style="list-style-type: none"> <li>● One-time costs from February 2013 refinancing</li> </ul>
<b>Net Income</b>	<b>\$90.4</b>	<b>\$67.9</b>	<b>33.0% Increase</b>
<i>% to Sales</i>	<i>15.3%</i>	<i>14.6%</i>	
<b>EBITDA As Defined</b>	<b>\$263.0</b>	<b>\$219.3</b>	<b>19.9% Increase</b>
	<i>44.5%</i>	<i>47.1%</i>	
<b>Adjusted EPS</b>	<b>\$1.87</b>	<b>\$1.74</b>	<b>7.5% Increase</b>
			<ul style="list-style-type: none"> <li>● Increase in weighted avg. shares outstanding</li> </ul>





# Liquidity & Taxes



(\$ in millions)

## Cash

	3/29/2014	FY 9/30/2013
Net Cash Provided by Operating Activities	\$220.5	\$470.2
Capital Expenditures	(\$17.7)	(\$35.5)
Free Cash Flow	\$202.8	\$434.7
<b>Cash on the Balance Sheet</b>	<b>\$475.7</b>	<b>\$564.7</b>

## Taxes

- FY 14 Q2 ETR: 33.7%
- FY 14 Full Year ETR: ≈ 34%

## Liquidity

	3/29/2014	EBITDA As Defined Multiple	Rate (1)
Cash	\$476		
Revolver	-	-	
Existing Term Loan B	495	0.5x	L + 2.75%
Existing Term Loan C	2,578	2.5x	L + 3.00%
<b>Total senior secured debt</b>	<b>3,073</b>	<b>3.0x</b>	
Senior Sub Notes	1,600	1.6x	7.75%
Senior Sub Notes	550	0.5x	5.50%
Senior Sub Notes	500	0.5x	7.50%
<b>Total Debt</b>	<b>5,723</b>	<b>5.6x</b>	
<b>Net Debt to EBITDA As Defined</b>		<b>5.1x</b>	

(1) LIBOR floor on term loan at .75%

# Reconciliation of GAAP to Adjusted EPS - Guidance



TRANSDIGM  
GROUP INC.

(\$ in millions)

	Thirteen Week Periods Ended		Twenty-Six Week Periods Ended		Full Year Guidance Mid-Point
	March 29, 2014	March 30, 2013	March 29, 2014	March 30, 2013	September 30, 2014
Earnings per share	\$ 1.49	\$ 1.25	\$ 2.93	\$ 1.91	\$ 6.45
Adjustments to earnings per share:					
Dividend equivalent payment	0.10	-	0.17	0.70	0.32
Non-cash stock compensation expense	0.09	0.09	0.14	0.18	0.29
Acquisition-related expenses	0.19	0.02	0.29	0.09	0.52
Refinancing costs	-	0.38	-	0.38	-
Adjusted earnings per share	<u>\$ 1.87</u>	<u>\$ 1.74</u>	<u>\$ 3.53</u>	<u>\$ 3.26</u>	<u>\$ 7.58</u>
Weighted-average shares outstanding	57,068	54,453	57,030	54,453	57,200

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



(\$ in thousands)

	Thirteen Week Periods Ended		Twenty-Six Week Periods Ended	
	March 29, 2014	March 30, 2013	March 29, 2014	March 30, 2013
Net income	\$ 90,355	\$ 67,937	\$ 176,478	\$ 142,107
Adjustments:				
Depreciation and amortization expense	25,881	16,321	49,720	33,773
Interest expense, net	82,289	64,094	163,142	126,970
Income tax provision	45,850	31,800	89,500	67,600
EBITDA	244,375	180,152	478,840	370,450
Adjustments:				
Acquisition related expenses and adjustments <sup>(1)</sup>	10,435	1,708	15,352	5,175
Non-cash stock compensation expense <sup>(2)</sup>	8,158	7,131	12,333	14,262
Refinancing costs <sup>(3)</sup>	-	30,281	-	30,281
Gross Adjustments to EBITDA	18,593	39,120	27,685	49,718
EBITDA As Defined	\$ 262,968	\$ 219,272	\$ 506,525	\$ 420,168
EBITDA As Defined, Margin <sup>(4)</sup>	44.5%	47.1%	45.2%	46.9%

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

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

<sup>(3)</sup> Represents debt issue costs expensed in conjunction with the refinancing of our 2010 Credit Facility and 2011 Credit Facility in February 2013.

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

# Appendix - Reconciliation of Reported EPS to Adjusted EPS



TRANSDIGM  
GROUP INC.

(\$ in thousands, except per share amounts)

	Thirteen Week Periods Ended		Twenty-Six Week Periods Ended	
	March 29, 2014	March 30, 2013	March 29, 2014	March 30, 2013
<b>Reported Earnings Per Share</b>				
Net income	\$ 90,355	\$ 67,937	\$ 176,478	\$ 142,107
Less: dividends on participating securities	(5,486)	-	(9,625)	(38,130)
Net income applicable to common stock - basic and diluted	<u>\$ 84,869</u>	<u>\$ 67,937</u>	<u>\$ 166,853</u>	<u>\$ 103,977</u>
<b>Weighted-average shares outstanding under the two-class method:</b>				
Weighted average common shares outstanding	52,803	52,204	52,745	52,001
Vested options deemed participating securities	4,265	2,249	4,285	2,452
Total shares for basic and diluted earnings per share	<u>57,068</u>	<u>54,453</u>	<u>57,030</u>	<u>54,453</u>
Basic and diluted earnings (loss) per share	<u>\$ 1.49</u>	<u>\$ 1.25</u>	<u>\$ 2.93</u>	<u>\$ 1.91</u>
<b>Adjusted Earnings Per Share</b>				
Net income	\$ 90,355	\$ 67,937	\$ 176,478	\$ 142,107
Gross adjustments to EBITDA	18,593	39,120	27,685	49,718
Purchase accounting backlog amortization	5,949	725	9,965	2,186
Tax adjustment	<u>(8,260)</u>	<u>(12,805)</u>	<u>(12,669)</u>	<u>(16,731)</u>
Adjusted net income	<u>\$ 106,637</u>	<u>\$ 94,977</u>	<u>\$ 201,459</u>	<u>\$ 177,280</u>
Adjusted diluted earnings per share under the two-class method	<u>\$ 1.87</u>	<u>\$ 1.74</u>	<u>\$ 3.53</u>	<u>\$ 3.26</u>

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



(\$ in thousands)

	Twenty-Six Week Periods Ended	
	March 29, 2014	March 30, 2013
Net Cash Provided by Operating Activities	\$ 220,488	\$ 197,289
Adjustments:		
Changes in assets and liabilities, net of effects from acquisitions of businesses:	6,841	(4,462)
Net gain on sale of real estate	804	
Interest expense - net <sup>(1)</sup>	156,712	120,004
Income tax provision - current	95,630	62,118
Non-cash stock compensation expense <sup>(2)</sup>	(12,333)	(14,262)
Excess tax benefit from exercise of stock options	10,698	40,044
Refinancing costs <sup>(4)</sup>	-	(30,281)
EBITDA	478,840	370,450
Adjustments:		
Acquisition related expenses <sup>(3)</sup>	15,352	5,175
Non-cash stock compensation expense <sup>(2)</sup>	12,333	14,262
Refinancing costs <sup>(4)</sup>	-	30,281
EBITDA As Defined	\$ 506,525	\$ 420,168

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

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

<sup>(3)</sup> Represents accounting adjustments to inventory associated with acquisitions of businesses and product lines that were charged to cost of sales when the inventory was sold; costs incurred to integrate acquired businesses and product lines into TD Group's operations, facility relocation costs and other acquisition-related costs; transaction-related costs comprising deal fees; legal, financial and tax due diligence expenses and valuation costs that are required to be expensed as incurred and other acquisition accounting adjustments.

<sup>(4)</sup> Represents debt issue costs expensed in conjunction with the refinancing of our 2010 Credit Facility and 2011 Credit Facility in February 2013.