FY 2019 Q1 Earnings Call

February 5, 2019

Agenda

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

Forward Looking Statements

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; geopolitical or worldwide events; cyber-security threats and natural disasters; our reliance on certain customers; the U.S. defense budget and risks associated with being a government supplier; failure to maintain government or industry approvals; failure to complete or successfully integrate acquisitions; our substantial indebtedness; potential environmental liabilities; liabilities arising in connection with litigation; increases in raw material costs that cannot be recovered in product pricing; risks associated with our international sales and operations; and other factors. Further information regarding the important factors that could cause actual results to differ materially from projected results can be found in TransDigm Group's Annual Report on Form 10-K and other reports that TransDigm Group or its subsidiaries have filed with the Securities and Exchange Commission.

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

Special Notice Regarding Pro Forma and Non-GAAP Information

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

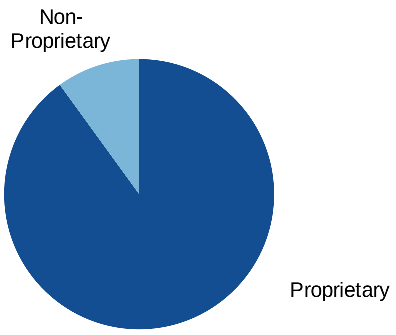
This presentation also sets forth certain non-GAAP financial measures. A presentation of the most directly comparable GAAP measures and a reconciliation to such measures are set forth in the appendix.

TransDigm Overview

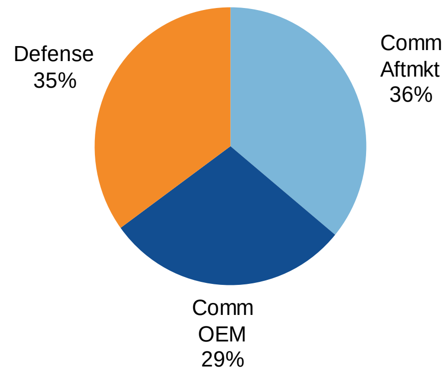
Distinguishing Characteristics

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

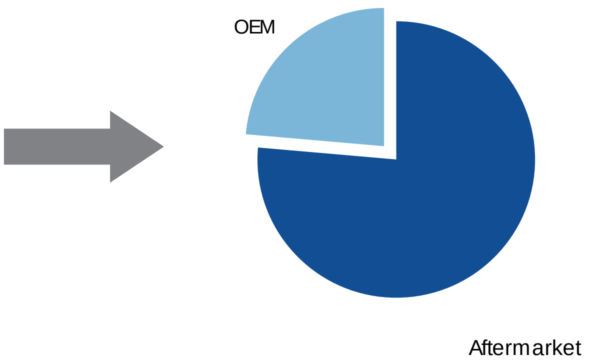
Proprietary Revenues (1)



Pro Forma Revenues (1)



Pro Forma EBITDA As Defined (1)



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

2019 Q1 Financial Performance by Markets – Pro Forma

TRANSDIGM 25 YEARS

Q1 Market Review – Pro Forma Revenues(1)

	Actual vs. Prior Year Q1
Commercial OEM:	**Up 13%**
Commercial Aftermarket:	**Up 6%**
Defense:	**Up 15%**

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

Fiscal 2019 Outlook

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FY 2018 Pro Forma Sales Mix (1)	Market	FY 2019 Expected Growth
29%	Commercial OEM	Up Low to Mid-Single-Digit %
36%	Commercial Aftermarket	Up Mid to High-Single-Digit %
35%	Defense	Up Mid to High-Single-Digit %

Assumptions

- Full year net interest expense ≈ $725 million
- Full year effective tax rate ≈ 21% to 23% for GAAP EPS, Adjusted EPS and Cash taxes
- Weighted average shares of 56.3 million

Guidance Summary

($ in millions)		Low		High
Revenues	$	4,145	$	4,235
EBITDA As Defined	$	2,065	$	2,115
% to sales		*49.8%*		*49.9%*
Net Income	$	855	$	893
GAAP EPS	$	14.76	$	15.44
Adj. EPS	$	16.42	$	17.10

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

First Quarter 2019 Results

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($ in millions, except per share amounts)

	Q1 FY 2019	Q1 FY 2018	
Revenue	**$993.3**	**$848.0**	**17.1% Increase**
Gross Profit	**$564.1**	**$476.7**	**0.6% Margin Increase**
Margin %	***56.8%***	***56.2%***	
SG&A	**$122.2**	**$106.5**	
% to Sales	***12.3%***	***12.6%***	
Interest Expense- Net	**$172.0**	**$160.9**	**6.9% Increase**
Pre-tax Income from Continuing Operations	**$249.8**	**$191.0**	**30.8% Increase**
% to Sales	***25.1%***	***22.5%***	
Net Income from Continuing Operations	**$196.0**	**$312.0**	**(37.2%) Decrease**
% to Sales	***19.7%***	***36.8%***	
Adjusted EPS	**$3.85**	**$5.58**	**(31.1%) Decrease**

Dilutive impact from higher acquisition costs and dilutive acquisition margin mix ≈ 1.5%

Strength of our proprietary products and productivity improvements

Excluding all acquisition related costs and non-cash stock compensation expense, SG&A was 10.1% in Q1 FY19 vs. 11.3% in Q1 FY18

Q1 FY18 included discrete tax benefit of $147.1 million, or $2.65 per share related to enactment of tax reform

Liquidity & Taxes

($ in millions)

Cash

	Q1 FY19 12/29/18	FY 18 9/30/18
Net Cash Provided by Operating Activities	$329.9	$1,022.2
Capital Expenditures	($23.8)	($73.3)
Free Cash Flow	$306.1	$948.9
Cash on the Balance Sheet	$2,337.3	$2,073.0

Taxes

- Q1 FY 19 GAAP ETR: 21.5%
- Q1 FY 19 Adjusted ETR: 22.8%

Pro Forma Capital Structure

($ in millions)	Actual 12/29/18	Pro Forma 12/29/18 (1)	Rate
$600mm revolver	–	–	L + 3.000%
$350mm AR securitization facility	300	300	L + 0.900%
First lien term loan E due 2025	2,244	2,244	L + 2.500%
First lien term loan F due 2023	3,560	3,560	L + 2.500%
First lien term loan G due 2024	1,796	1,796	L + 2.500%
Senior secured notes due 2026(1)	–	4,000	6.250%
Total senior secured debt	**$7,900**	**$11,900**	
Senior subordinated notes due 2020	550	–	5.500%
Senior subordinated notes due 2022	1,150	1,150	6.000%
Senior subordinated notes due 2024	1,200	1,200	6.500%
Senior subordinated notes due 2025	750	750	6.500%
Senior subordinated notes due 2026	950	950	6.375%
Senior subordinated notes due 2026 (UK)	500	500	6.875%
Senior subordinated notes due 2027	–	550	7.500%
Total debt	**$13,000**	**$17,000**	

≈80% Fixed Post-Financing

Weighted Average Interest Rate 5.7% Post-Financing

1) Pro forma capital structure includes recent financing activities expected to be completed February 13, 2019.

Reconciliation of GAAP to Adjusted EPS - Guidance

TRANSDIGM 25 YEARS

	Thirteen Week Periods Ended				Full Year Guidance Mid-Point	
	December 29, 2018		December 30, 2017		September 30, 2019	
Earnings per share from continuing operations	$	3.05	$	4.60	$	15.10
Adjustments to earnings per share:						
Dividend equivalent payments		0.43		1.01		0.43
Non-cash stock compensation expense		0.24		0.29		0.99
Acquisition-related expenses		0.17		0.07		0.48
Refinancing costs		0.01		0.03		-
Reduction in income tax provision due to excess tax benefits on stock compensation		(0.06)		(0.55)		(0.24)
Other, net		0.01		0.13		-
Adjusted earnings per share	$	3.85	$	5.58	$	16.76
Weighted-average shares outstanding		56,266		55,600		56,300

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

TRANSDIGM 25 YEARS

($ in thousands)

	Thirteen Week Periods Ended	
	December 29, 2018	December 30, 2017
Net income	$ 196,042	$ 314,775
Less: Income from Discontinued Operations, net of tax [1]	-	2,764
Income from Continuing Operations	196,042	312,011
Adjustments:		
Depreciation and amortization expense	35,418	30,639
Interest expense - net	172,000	160,933
Income tax provision	53,722	(121,047)
EBITDA	457,182	382,536
Adjustments:		
Acquisition-related expenses and adjustments[2]	11,739	2,074
Non-cash stock compensation expense[3]	17,730	11,113
Refinancing costs [4]	136	1,113
Other - net [5]	(99)	4,697
Gross Adjustments to EBITDA	29,506	18,997
EBITDA As Defined	$ 486,688	$ 401,533
EBITDA As Defined, Margin [6]	49.0%	47.4%

[1] During the fourth quarter of 2017, the Company committed to disposing of Schroth in connection with the settlement of a Department of Justice investigation into the competitive effects of the acquisition. Therefore, Schroth was classified as a held-for-sale and as discontinued operations beginning September 30, 2017 for all periods presented. On January 26, 2018, the Company completed the sale of Schroth in a management buyout to a private equity fund and certain members of Schroth management for approximately $61.4 million in cash, which includes a working capital adjustment of $0.3 million that was settled in July 2018.

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

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

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

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

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

Appendix - Reconciliation of Reported EPS to Adjusted EPS

TRANSDIGM 25 YEARS

($ in thousands, except per share amounts)

Reported Earnings Per Share	Thirteen Week Periods Ended December 29, 2018	Thirteen Week Periods Ended December 30, 2017
Net income from continuing operations	$ 196,042	$ 312,011
Less: dividends on participating securities	(24,309)	(56,148)
Net income applicable to common stock - basic and diluted	171,733	255,863
Net income from discontinued operations	-	2,764
Net income applicable to common stock - basic and diluted	$ 171,733	$ 258,627
Weighted-average shares outstanding under the two-class method:		
Weighted-average common shares outstanding	52,793	52,024
Vested options deemed participating securities	3,473	3,576
Total shares for basic and diluted earnings per share	56,266	55,600
Net earnings per share from continuing operations -- basic and diluted	$ 3.05	$ 4.60
Net earnings per share from discontinued operations -- basic and diluted	-	0.05
Basic and diluted earnings per share	$ 3.05	$ 4.65
Adjusted Earnings Per Share		
Net income from continuing operations	$ 196,042	$ 312,011
Gross adjustments to EBITDA	29,506	18,997
Purchase accounting backlog amortization	934	409
Tax adjustment	(10,136)	(21,332)
Adjusted net income	$ 216,346	$ 310,085
Adjusted diluted earnings per share under the two-class method	$ 3.85	$ 5.58

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

TRANSDIGM 25 YEARS

($ in thousands)	Thirteen Week Periods Ended December 29, 2018	Thirteen Week Periods Ended December 30, 2017
Net cash provided by operating activities	$ 329,888	$ 292,811
Adjustments:		
Changes in assets and liabilities, net of effects from acquisitions of businesses	(74,592)	(101,926)
Interest expense - net [1]	166,033	155,614
Income tax provision - current	53,719	49,090
Non-cash stock compensation expense [2]	(17,730)	(11,113)
Refinancing costs [4]	(136)	(1,113)
EBITDA from discontinued operations [6]	-	(827)
EBITDA	457,182	382,536
Adjustments:		
Acquisition-related expenses and adjustments [3]	11,739	2,074
Non-cash stock compensation expense [2]	17,730	11,113
Refinancing costs [4]	136	1,113
Other, net [5]	(99)	4,697
EBITDA As Defined	$ 486,688	$ 401,533

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

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

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

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