FY 2021 Q3 Earnings Call

August 10, 2021

TRANSDIGM GROUP INC.

Agenda

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

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

TRANSDIGM GROUP INC.

FORWARD LOOKING STATEMENTS

This presentation contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including information regarding our guidance for future periods. These forward-looking statements are based on management's current expectations and beliefs, as well as a number of assumptions concerning future events, many of which are outside of our control. Consequently, such forward looking statements should be regarded solely as our current plans, estimates and beliefs. These statements are subject to risks and uncertainties that could cause actual results to differ materially from those expressed or implied in the forward-looking statement. The Company does not undertake, and specifically declines, any obligation, to publicly release the results of any revisions to these forward-looking statements that may be made to reflect any future events or circumstances after the date of such statements or to reflect the occurrence of anticipated or unanticipated events. All forward –looking statements attributable to the Company or persons acting on its behalf are expressly qualified in their entirety by these cautionary statements. These risks and uncertainties include but are not limited to: the 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 risk 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 for the fiscal year ended September 30, 2020 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.

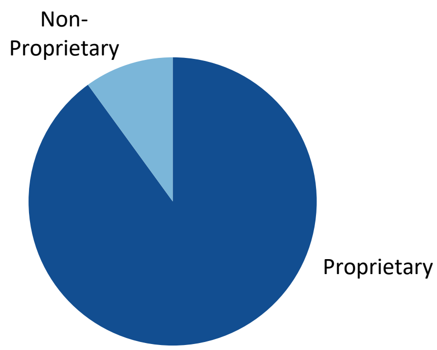
This presentation also sets forth certain non-GAAP financial measures. A presentation of the most directly comparable GAAP measures and a reconciliation to such measures are set forth in the appendix.

TransDigm Overview

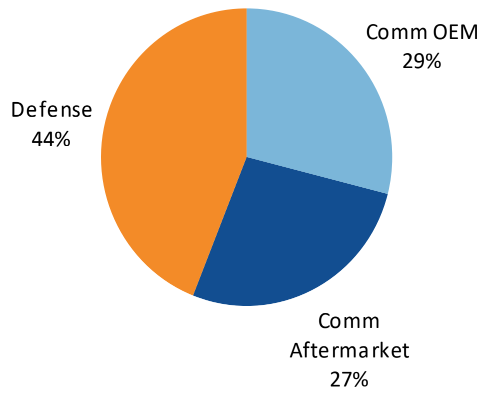
Distinguishing Characteristics

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

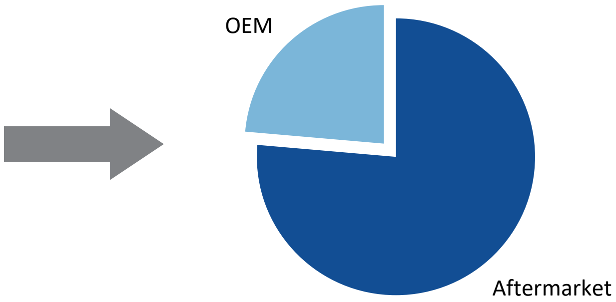
Proprietary Revenues (1)



Pro Forma Revenues (1)



Pro Forma EBITDA As Defined (1)



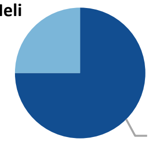
(1) Pro forma revenue is for the fiscal year ended 9/30/2020. Includes full year impact of the Cobham Aero Connectivity acquisition completed January 2021. Excludes full year impact of FY 20 and FY 21 divestitures completed as of 7/3/2021 including Souriau-Sunbank (divested December 2019), Avista (divested November 2020), Racal Acoustics (divested January 2021), Technical Airborne Components (divested April 2021), and ScioTeq and TREALITY Simulation Visual Systems (divested June 2021). Please see the Special Notice Regarding Pro Forma and Non-GAAP Information.

2021 Q3 Financial Performance by Markets – Pro Forma

TRANSDIGM GROUP INC.

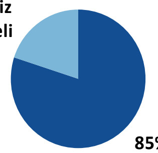
Highlights

Commercial OEM:



- Q3 '21 Commercial Transport Revenue Down 2%
- Q3 '21 Business Jet/Helicopter Revenue Up 6%
- Q3 '21 Bookings Outpace Shipments

Commercial Aftermarket:



- Q3 '21 Commercial Transport Revenue Up 33%
- Q3 '21 Business Jet/Helicopter Revenue Up 32%
- Q3 '21 Bookings Outpace Shipments

Defense:

- Q3 '21 Defense OEM Revenue Growth Outpaced Defense Aftermarket
- Revenue Growth Well Distributed Across Businesses

Q3 Review – Pro Forma Revenues(1)

	Actual vs. Prior Year Q3	YTD
Commercial OEM:	Up 1%	Down 32%
Commercial Aftermarket:	Up 33%	Down 30%
Defense:	Up 12%	Up 6%

(1) Pro forma revenue is for the fiscal year ended 9/30/2020. Includes full year impact of the Cobham Aero Connectivity acquisition completed January 2021. Excludes full year impact of FY 20 and FY 21 divestitures completed as of 7/3/2021 including Souriau-Sunbank (divested December 2019), Avista (divested November 2020), Racal Acoustics (divested January 2021), Technical Airborne Components (divested April 2021), and ScioTeq and TREALITY Simulation Visual Systems (divested June 2021). Please see the Special Notice Regarding Pro Forma and Non-GAAP Information.

Third Quarter 2021 Select Financial Results

TRANSDIGM GROUP INC.

($ in millions, except per share amounts)	Q3 FY 2021	Q3 FY 2020			
Revenue	**$1,218**	**$1,022**	**19%**	**Increase**	
Gross Profit	**$655**	**$491**			• Favorable Aftermarket vs. OEM sales mix • Lower COVID-19 restructuring costs • Increase in loss contract amortization
	53.8%	***48.0%***			
SG&A	**$172**	**$163**			
% to Sales	***14.1%***	***15.9%***	**-1.8%**		
Interest Expense- Net	**$263**	**$262**	**0.4%**	**Flat**	
Refinancing Costs	**$13**	**$1**			• One senior subordinated note refinancing completed
EBITDA As Defined	**$559**	**$424**	**32%**	**Increase**	
Margin %	***45.9%***	***41.5%***			
Adjusted EPS	**$3.33**	**$1.54**	**116%**	**Increase**	
GAAP Tax Rate	**-30.0%**	**113.5%**			• GAAP tax rate favorably impacted by release of valuation allowance applicable to the net interest deduction limitation carryforward and the discrete impact of excess tax benefits associated with share-based payments
Adjusted Tax Rate	**17.3%**	**16.8%**			

Fiscal 2021 Select Financial Assumptions

TRANSDIGM GROUP INC.

Select Financial Assumptions for Fiscal 2021		
	Prior Assumptions (issued May 2021)	**Updated Assumptions**
Defense Revenue Growth	MSD% Growth	No change
Full Year EBITDA Margin	≈ 44% (Highly Dependent on Pace of Commercial Aftermarket Recovery)	No change
Full Year Net Interest Expense	≈ $1.06 billion	No change
Full Year Effective Tax Rate	≈ 18% - 22% for GAAP EPS, Cash Taxes and Adjusted EPS	≈ 0% - 3% for GAAP EPS and Cash Taxes ≈ 18% - 20% for Adjusted EPS
Depreciation & Amortization Expense (ex backlog)	$245 to $250 million	No change
Backlog Amortization	$10 to $15 million	No change
Non-Cash Stock Compensation Expense	$105 to $120 Million	No change
Other EBITDA As Defined Add-Backs (1)	$110 to $125 Million	No change
Weighted Average Shares	58.4 million	No change

(1) Other EBITDA As Defined Add-Backs primarily include estimates for acquisition-related expenses and adjustments, COVID-19 and other restructuring charges, refinancing costs and other, net.

Capital Structure

TRANSDIGM GROUP INC.

Pro Forma Capital Structure

($ in millions)

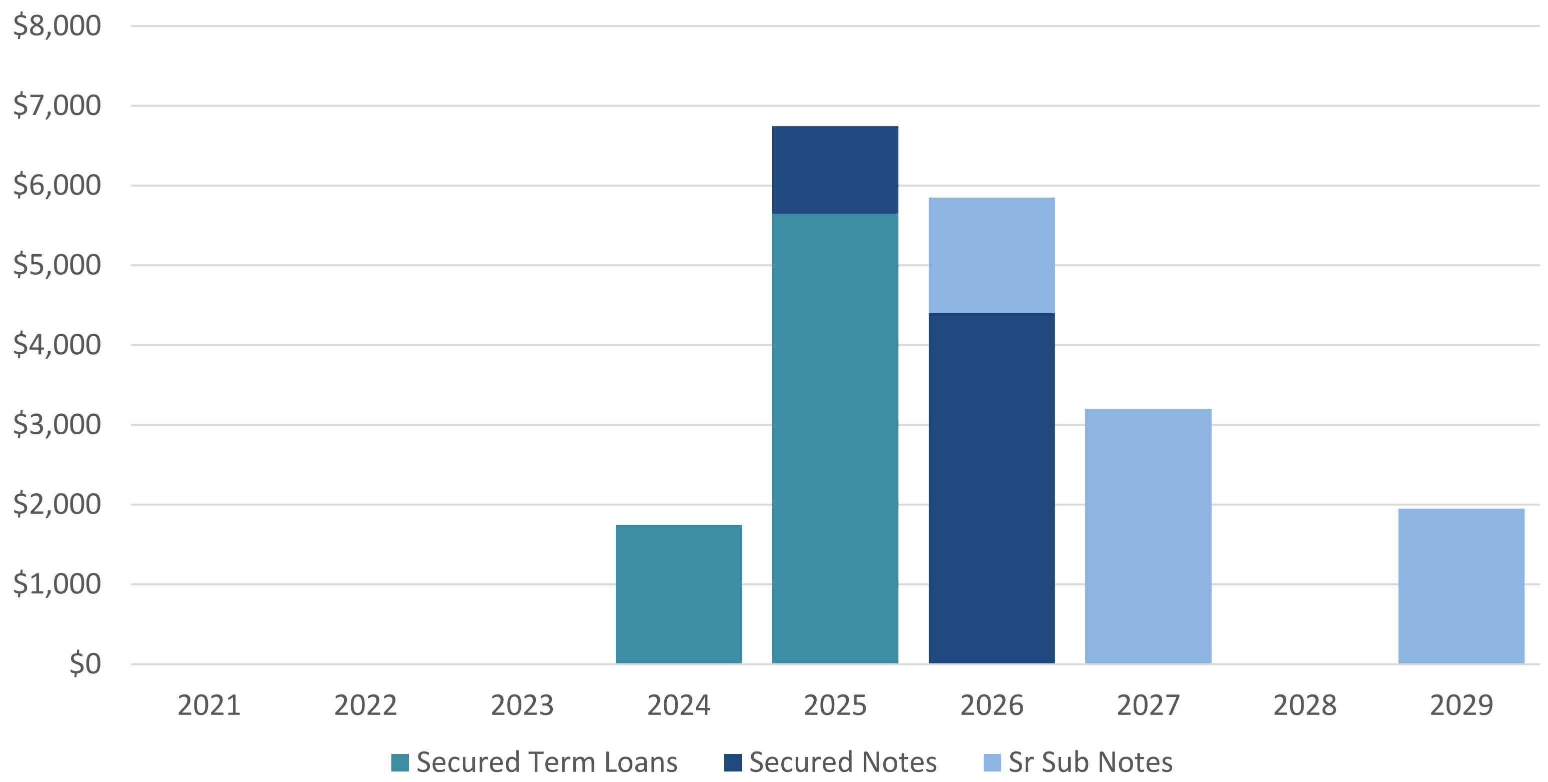
	Actual 7/3/21		Rate
Cash	$4,529		
$760mm revolver	$200		L + 2.500%
$350mm AR securitization facility	350		L + 1.200%
First lien term loan E due 2025	2,182		L + 2.250%
First lien term loan F due 2025	3,462		L + 2.250%
First lien term loan G due 2024	1,747		L + 2.250%
Senior secured notes due 2025	1,100		8.000%
Senior secured notes due 2026	4,400		6.250%
Total secured debt	**$13,441**	**6.6x**	
Total net secured debt	**$8,912**	**4.4x**	
Senior subordinated notes due 2026	950		6.375%
Senior subordinated notes due 2026	500		6.875%
Senior subordinated notes due 2027	550		7.500%
Senior subordinated notes due 2027	2,650		5.500%
Senior subordinated notes due 2029	1,200		4.625%
Senior subordinated notes due 2029	750		4.875%
Capital Lease Obligations (Gross)	101		
Total debt	**$20,142**	**9.9x**	
Total net debt	**$15,613**	**7.6x**	

FY21 Weighted Average Interest Rate 5.2%

Debt Maturity Profile

TRANSDIGM GROUP INC.

Debt Maturity Profile
($MM)



Note: $350M AR Securitization renews annually in July

Appendix: Reconciliation of Income (Loss) from Continuing Operations to EBITDA and EBITDA As Defined

TRANSDIGM GROUP INC.

($ in millions)	Thirteen Week Periods Ended		Thirty-Nine Week Periods Ended	
	July 3, 2021	June 27, 2020	July 3, 2021	June 27, 2020
Income (loss) from continuing operations	**$ 317**	**$ (5)**	**$ 473**	**$ 552**
Adjustments:				
Depreciation and amortization expense	65	70	188	211
Interest expense, net	263	262	798	762
Income tax (benefit) provision	(73)	39	(45)	112
EBITDA	**572**	**366**	**1,414**	**1,637**
Adjustments:				
Acquisition-related expenses and adjustments (1)	6	3	24	19
Non-cash stock compensation expense (2)	35	21	105	59
Refinancing costs (3)	13	1	36	27
COVID-19 pandemic restructuring costs (4)	1	30	40	30
Gain on sale of businesses, net (5)	(68)	-	(69)	-
Other, net (6)	-	3	2	8
Gross Adjustments to EBITDA	(13)	58	138	143
EBITDA As Defined	**$ 559**	**$ 424**	**$ 1,552**	**$ 1,780**
EBITDA As Defined, Margin (7)	45.9%	41.5%	44.1%	45.3%

(1) 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.

(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 (less than $1 million and $36 million for the thirteen and thirty-nine week periods ended July 3, 2021, respectively, and $24 million for the thirteen and thirty-nine week periods ended June 27, 2020) and also includes restructuring costs related to the 737 MAX production rate change ($3 million for the thirteen and thirty-nine week periods ended June 27, 2020). 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 $4 million for the thirteen and thirty-nine week periods ended July 3, 2021 , respectively, and $3 million for the thirteen and thirty-nine week periods ended June 27, 2020 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).

(5) Represents the gain or loss on sale of businesses, which is primarily attributable to the net gain on sale recognized as a result of the divestitures completed during the third quarter of fiscal 2021 (TAC, ScioTeq and TREALITY).

(6) Primarily represents gain on insurance proceeds from the Leach International Europe fire, 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 and gain or loss on sale of fixed assets.

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

Appendix: Reconciliation of Reported EPS to Adjusted EPS

TRANSDIGM GROUP INC.

($ in millions, except per share amounts)

	Thirteen Week Periods Ended		Thirty-Nine Week Periods Ended	
Reported Earnings (Loss) Per Share	**July 3, 2021**	**June 27, 2020**	**July 3, 2021**	**June 27, 2020**
Income (loss) from continuing operations	$ 317	$ (5)	$ 473	$ 552
Less: Net income attributable to noncontrolling interests	-	-	(2)	(1)
Net income (loss) from continuing operations attributable to TD Group	317	(5)	471	551
Less: Special dividends declared or paid on participating securities, including dividend equivalent payments	-	-	(73)	(185)
	317	(5)	398	366
(Loss) income from discontinued operations, net of tax	-	(1)	-	66
Net income (loss) applicable to TD Group common stockholders - basic and diluted	$ 317	$ (6)	$ 398	$ 432
Weighted-average shares outstanding under the two-class method:				
Weighted-average common shares outstanding	55.0	54.1	54.8	53.9
Vested options deemed participating securities	3.4	3.2	3.6	3.5
Total shares for basic and diluted earnings (loss) per share	58.4	57.3	58.4	57.4
Earnings (Loss) per share from continuing operations -- basic and diluted	$ 5.43	$ (0.09)	$ 6.83	$ 6.38
(Loss) Earnings per share from discontinued operations -- basic and diluted	-	(0.01)	-	1.15
Earnings (Loss) per share	$ 5.43	$ (0.10)	$ 6.83	$ 7.53
Adjusted Earnings Per Share				
Income (loss) from continuing operations	$ 317	$ (5)	$ 473	$ 552
Gross adjustments to EBITDA	(13)	58	138	143
Purchase accounting backlog amortization	3	14	7	41
Tax adjustment [1]	(113)	21	(158)	(72)
Adjusted net income	$ 194	$ 88	$ 460	$ 664
Adjusted diluted earnings per share under the two-class method	$ 3.33	$ 1.54	$ 7.88	$ 11.57

[1] For the thirteen and thirty-nine week periods ended July 3, 2021 and June 27, 2020, the Tax adjustment represents the tax effect of the adjustments at the applicable effective tax rate, as well as the impact on the effective tax rate when excluding the release of the valuation allowance applicable to the net interest deduction limitation carryforward and the discrete impact of excess tax benefits on stock option exercises. Interest expense and stock compensation expense are excluded from adjusted net income and therefore we have excluded the impact that the release of the valuation allowance applicable to the net interest deduction limitation carryforward and excess tax benefits on stock option exercises have on the effective tax rate for determining adjusted net income.

Appendix: Reconciliation of GAAP EPS to Adjusted EPS

TRANSDIGM GROUP INC.

	Thirteen Week Periods Ended		Thirty-Nine Week Periods Ended	
	July 3, 2021	June 27, 2020	July 3, 2021	June 27, 2020
GAAP earnings (loss) per share from continuing operations	**$ 5.43**	**$ (0.09)**	**$ 6.83**	**$ 6.38**
Adjustments to earnings (loss) per share:				
Dividend & dividend equivalent payments	-	-	1.24	3.22
Acquisition-related expenses and adjustments	0.13	0.24	0.44	0.82
Non-cash stock compensation expense	0.50	0.31	1.45	0.80
Refinancing costs	0.18	0.01	0.50	0.37
Tax adjustment on pre-tax income	(1.97)	0.58	(2.22)	(0.56)
COVID-19 pandemic restructuring costs	0.02	0.43	0.54	0.42
Gain on sale of businesses, net	(0.96)	-	(0.95)	-
Other, net	-	0.06	0.05	0.12
Adjusted earnings per share	**$ 3.33**	**$ 1.54**	**$ 7.88**	**$ 11.57**

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

($ in millions)

	Thirty-Nine Week Periods Ended	
	July 3, 2021	June 27, 2020
Net cash provided by operating activities	$ 624	$ 991
Adjustments:		
Changes in assets and liabilities, net of effects from acquisitions and sales of businesses	102	(166)
Interest expense, net [1]	772	737
Income tax (benefit) provision - current	(59)	129
Loss contract amortization	47	32
Non-cash stock compensation expense [2]	(105)	(59)
Refinancing costs [3]	(36)	(27)
Gain on sale of businesses, net [4]	69	-
EBITDA	**1,414**	**1,637**
Adjustments:		
Acquisition-related expenses and adjustments [5]	24	19
Non-cash stock compensation expense [2]	105	59
Refinancing costs [3]	36	27
COVID-19 pandemic restructuring costs [6]	40	30
Gain on sale of businesses, net [4]	(69)	-
Other, net [7]	2	8
EBITDA As Defined	**$ 1,552**	**$ 1,780**

[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 the gain or loss on sale of businesses, which is primarily attributable to the net gain on sale recognized as a result of the divestitures completed during the third quarter of fiscal 2021 (TAC, ScioTeq and TREALITY).

[5] 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 comprising deal fees; legal, financial and tax due diligence expenses and valuation costs that are required to be expensed as incurred.

[6] Represents restructuring costs related to the Company's cost reduction measures in response to the COVID-19 pandemic ($36 million and $24 million for the thirty-nine week periods ended July 3, 2021 and June 27, 2020, respectively) and also includes restructuring costs related to the 737 MAX production rate change ($3 million for the thirty-nine week period ended June 27, 2020). 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 $4 million and $3 million for the thirty-nine week periods ended July 3, 2021 and June 27, 2020, 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).

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