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 1, 2023

☐ **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 54,928,292 as of April 30, 2023.

TABLE OF CONTENTS

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

	April 1, 2023	September 30, 2022
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 3,418	$ 3,001
Restricted cash	1,100	—
Trade accounts receivable—Net	1,018	967
Inventories—Net	1,529	1,332
Prepaid expenses and other	391	349
Total current assets	7,456	5,649
PROPERTY, PLANT AND EQUIPMENT—NET	872	807
GOODWILL	8,743	8,641
OTHER INTANGIBLE ASSETS—NET	2,725	2,750
OTHER NON-CURRENT ASSETS	212	260
TOTAL ASSETS	$ 20,008	$ 18,107
LIABILITIES AND STOCKHOLDERS' DEFICIT		
CURRENT LIABILITIES:		
Current portion of long-term debt	$ 1,162	$ 76
Short-term borrowings—trade receivable securitization facility	350	350
Accounts payable	292	279
Accrued and other current liabilities	718	721
Total current liabilities	2,522	1,426
LONG-TERM DEBT	19,349	19,369
DEFERRED INCOME TAXES	599	596
OTHER NON-CURRENT LIABILITIES	431	482
Total liabilities	22,901	21,873
TD GROUP STOCKHOLDERS' DEFICIT:		
Common stock - $.01 par value; authorized 224,400,000 shares; issued 60,571,649 and 60,049,685 at April 1, 2023 and September 30, 2022, respectively	1	1
Additional paid-in capital	2,284	2,113
Accumulated deficit	(3,384)	(3,914)
Accumulated other comprehensive loss	(96)	(267)
Treasury stock, at cost; 5,688,639 shares at April 1, 2023 and September 30, 2022, respectively	(1,706)	(1,706)
Total TD Group stockholders' deficit	(2,901)	(3,773)
NONCONTROLLING INTERESTS	8	7
Total stockholders' deficit	(2,893)	(3,766)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	$ 20,008	$ 18,107

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 1, 2023	April 2, 2022	April 1, 2023	April 2, 2022
NET SALES	$ 1,592	$ 1,327	$ 2,989	$ 2,521
COST OF SALES	663	591	1,268	1,124
GROSS PROFIT	929	736	1,721	1,397
SELLING AND ADMINISTRATIVE EXPENSES	199	183	369	353
AMORTIZATION OF INTANGIBLE ASSETS	35	33	68	69
INCOME FROM OPERATIONS	695	520	1,284	975
INTEREST EXPENSE—NET	295	266	581	530
REFINANCING COSTS	5	—	9	—
OTHER INCOME	(2)	(6)	(3)	(8)
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	397	260	697	453
INCOME TAX PROVISION	93	61	164	91
INCOME FROM CONTINUING OPERATIONS	304	199	533	362
INCOME FROM DISCONTINUED OPERATIONS, NET OF TAX	—	—	—	1
NET INCOME	304	199	533	363
LESS: NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	—	—	(1)	(1)
NET INCOME ATTRIBUTABLE TO TD GROUP	$ 304	$ 199	$ 532	$ 362
NET INCOME APPLICABLE TO TD GROUP COMMON STOCKHOLDERS	$ 304	$ 199	$ 494	$ 316
Earnings per share attributable to TD Group common stockholders:				
Earnings per share from continuing operations—basic and diluted	$ 5.32	$ 3.38	$ 8.65	$ 5.33
Earnings per share from discontinued operations—basic and diluted	—	—	—	0.02
Earnings per share	$ 5.32	$ 3.38	$ 8.65	$ 5.35
Weighted-average shares outstanding:				
Basic and diluted	57.1	58.9	57.1	59.0

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 1, 2023	April 2, 2022	April 1, 2023	April 2, 2022
Net income	$ 304	$ 199	$ 533	$ 363
Less: Net income attributable to noncontrolling interests	—	—	(1)	(1)
Net income attributable to TD Group	$ 304	$ 199	$ 532	$ 362
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustment	43	(43)	180	(53)
Unrealized (losses) gains on derivatives	(31)	170	(9)	228
Pension and postretirement benefit plans adjustment	—	—	—	—
Other comprehensive income, net of tax, attributable to TD Group	12	127	171	175
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO TD GROUP	$ 316	$ 326	$ 703	$ 537

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 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, 2022	60,049,685	$ 1	$ 2,113	$ (3,914)	$ (267)	(5,688,639)	$ (1,706)	$ 7	$ (3,766)
Changes in noncontrolling interest of consolidated subsidiaries, net	—	—	—	—	—	—	—	1	1
Accrued unvested dividend equivalents and other	—	—	—	(1)	—	—	—	—	(1)
Compensation expense recognized for employee stock options	—	—	24	—	—	—	—	—	24
Exercise of employee stock options	121,490	—	27	—	—	—	—	—	27
Net income attributable to TD Group	—	—	—	228	—	—	—	—	228
Foreign currency translation adjustment, net of tax	—	—	—	—	137	—	—	—	137
Unrealized gain on derivatives, net of tax	—	—	—	—	22	—	—	—	22
Pension and postretirement benefit plans adjustment, net of tax	—	—	—	—	—	—	—	—	—
BALANCE—December 31, 2022	60,171,175	$ 1	$ 2,164	$ (3,687)	$ (108)	(5,688,639)	$ (1,706)	$ 8	$ (3,328)
Accrued unvested dividend equivalents and other	—	—	—	(1)	—	—	—	—	(1)
Compensation expense recognized for employee stock options	—	—	28	—	—	—	—	—	28
Exercise of employee stock options	400,474	—	92	—	—	—	—	—	92
Net income attributable to TD Group	—	—	—	304	—	—	—	—	304
Foreign currency translation adjustment, net of tax	—	—	—	—	43	—	—	—	43
Unrealized loss on derivatives, net of tax	—	—	—	—	(31)	—	—	—	(31)
Pension and postretirement benefit plans adjustment, net of tax	—	—	—	—	—	—	—	—	—
BALANCE—April 1, 2023	60,571,649	$ 1	$ 2,284	$ (3,384)	$ (96)	(5,688,639)	$ (1,706)	$ 8	$ (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 1, 2023	**April 2, 2022**
OPERATING ACTIVITIES:		
Net income	$ 533	$ 363
Income from discontinued operations, net of tax	—	(1)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	61	58
Amortization of intangible assets and product certification costs	68	69
Amortization of debt issuance costs, original issue discount and premium	20	17
Amortization of inventory step-up	2	1
Amortization of loss contract reserves	(19)	(20)
Refinancing costs	9	—
Gain on sale of businesses, net	—	(3)
Non-cash stock and deferred compensation expense	77	82
Deferred income taxes	—	(1)
Foreign currency exchange losses (gains)	22	(2)
Changes in assets/liabilities, net of effects from acquisitions and sales of businesses:		
Trade accounts receivable	(33)	(8)
Inventories	(176)	(62)
Income taxes payable (receivable)	21	(20)
Other assets	(26)	(16)
Accounts payable	6	13
Accrued interest	14	(64)
Accrued and other liabilities	(72)	(40)
Net cash provided by operating activities	507	366
INVESTING ACTIVITIES:		
Capital expenditures	(66)	(57)
Acquisition of businesses, net of cash acquired	(10)	—
Net proceeds from sale of businesses	—	3
Net cash used in investing activities	(76)	(54)
FINANCING ACTIVITIES:		
Proceeds from exercise of stock options	119	80
Dividend equivalent payments	(38)	(46)
Repurchases of common stock	—	(667)
Proceeds from issuance of senior secured notes, net	2,066	—
Repayment on revolving credit facility	—	(200)
Proceeds from term loans, net	6,235	—
Repayment on term loans	(7,303)	(38)
Financing costs and other, net	(11)	(1)
Net cash provided by (used in) financing activities	1,068	(872)
EFFECT OF EXCHANGE RATE CHANGES ON CASH, CASH EQUIVALENTS AND RESTRICTED CASH	18	(11)
NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	1,517	(571)
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, BEGINNING OF PERIOD	3,001	4,787
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, END OF PERIOD	$ 4,518	$ 4,216
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the period for interest, net	$ 545	$ 574
Cash paid during the period for income taxes, net of refunds	$ 154	$ 95

See notes to condensed consolidated financial statements

TRANSDIGM GROUP INCORPORATED
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
TWENTY-SIX WEEK PERIODS ENDED APRIL 1, 2023 AND APRIL 2, 2022
(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, 2022 included in TD Group’s Form 10-K filed on November 10, 2022. 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, 2022 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 1, 2023 are not necessarily indicative of the results to be expected for the full year. Certain reclassifications have been made to the prior year amounts to conform to the current year presentation, none of which are material.

3. ACQUISITIONS

Calspan Corporation – On March 14, 2023, the Company entered into a definitive agreement to acquire all the outstanding stock of Calspan Corporation (“Calspan”) for a total purchase price of approximately $725 million in cash. The acquisition was completed on May 8, 2023 and financed through existing cash on hand. Calspan operates from seven primary facilities within the United States and is a leading independent provider of proprietary highly engineered testing and technology development services and systems primarily for the aerospace and defense industry. Calspan’s state of the art transonic wind tunnel is used across a range of important aftermarket-focused development activities for both the commercial and defense aerospace end markets. Calspan will be included within TransDigm's Airframe segment.

DART Aerospace – On May 25, 2022, the Company acquired all the outstanding stock of DART Aerospace (“DART”) for a total purchase price of $359 million in cash, which is net of a working capital settlement received in the fourth quarter of fiscal 2022 of approximately $1 million. The acquisition was financed through existing cash on hand. DART operates from four primary facilities 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. DART's operating results are included within TransDigm's Airframe segment.

The Company accounted for the DART 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 date of the acquisition. The total purchase price of DART was allocated to the underlying assets acquired and liabilities assumed based upon the respective fair value at the date 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. As of April 1, 2023, the measurement period (not to exceed one year) is open; therefore, the assets acquired and liabilities assumed related to the DART acquisition are subject to adjustment until the end of the respective measurement period, including those related to deferred taxes and income taxes. The fair values of acquired intangibles are determined based on estimates and assumptions that are deemed reasonable by the Company. Significant assumptions include the discount rates and certain assumptions that form the basis of the forecasted results of the acquired business including revenue, earnings before interest, taxes, depreciation and amortization (“EBITDA”), growth rates, royalty rates and technology obsolescence rates. These assumptions are forward looking and could be affected by future economic and market conditions. Pro forma net sales and results of operations for the acquisition had it occurred at the beginning of the twenty-six week periods ended April 1, 2023 or April 2, 2022 are not material and, accordingly, are not provided.

The allocation of the estimated fair value of assets acquired and liabilities assumed in the DART acquisition as of the May 25, 2022 acquisition date is summarized in the table below (in millions):

	Preliminary Allocation	Measurement Period Adjustments [2]	Adjusted Preliminary Allocation
Assets acquired (excluding cash):			
Trade accounts receivable	$ 16	$ (1)	$ 15
Inventories	33	(1)	32
Prepaid expenses and other	4	1	5
Property, plant and equipment	9	—	9
Goodwill	236	(33)	203 [1]
Other intangible assets	112	36	148 [1]
Other non-current assets	8	9	17
Total assets acquired (excluding cash)	418	11	429
Liabilities assumed:			
Accounts payable	4	—	4
Accrued and other current liabilities	11	3	14
Deferred income taxes	35	1	36
Other non-current liabilities	8	8	16
Total liabilities assumed	58	12	70
Net assets acquired	$ 360	$ (1)	$ 359

(1) The Company expects that none of the approximately $203 million of goodwill and $148 million of other intangible assets recognized for the acquisition will be deductible for tax purposes.

(2) Measurement period adjustments primarily relate to the adjustments in the fair values of the acquired other intangible assets from the third-party valuation. The principal offset was to goodwill.

Extant Aerospace Acquisitions – For the fiscal year ended September 30, 2022, the Company's Extant Aerospace subsidiary, which is included within TransDigm’s Power & Control segment, completed a series of acquisitions of substantially all of the assets and technical data rights of certain product lines, each meeting the definition of a business, for a total purchase price of $88 million, of which $10 million was paid using existing cash on hand in the first quarter of fiscal 2023. The allocation of the purchase prices for certain acquisitions remains preliminary and will likely change in future periods up to the expiration of the respective one year measurement period as fair value estimates of the assets acquired and liabilities assumed are finalized. The Company expects that all of the approximately $60 million of goodwill and all of the approximately $37 million of other intangible assets recognized for the acquisitions will be deductible for tax purposes over 15 years. Pro forma net sales and results of operations for the Extant Aerospace acquisitions had they occurred at the beginning of the twenty-six week periods ended April 1, 2023 or April 2, 2022 are not material and, accordingly, are not provided.

The acquisitions completed by the Company strengthen and expand the Company’s position to design, produce and supply highly engineered proprietary aerospace components, services and systems 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 prices paid reflect the current 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.

4. RECENT ACCOUNTING PRONOUNCEMENTS

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, and ASU 2022-06, “Reference Rate Reform (ASC 848): Deferral of the Sunset Date.” ASU 2021-01 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. As a result of ASU 2022-06 deferring the sunset date, ASC 848 is effective through December 31, 2024. During the second quarter of fiscal 2023, the Company entered into LIBOR to Term Secured Overnight Financing Rate (“Term SOFR”) basis interest rate swap and cap agreements to effectively convert its existing swaps and caps from LIBOR-based to Term SOFR-based. The practical expedients permissible under ASC 848 were applied and resulted in the Company preserving the presentation of its existing swaps and caps as qualifying cash flow hedges. Refer to Note 13, “Derivatives and Hedging Activities,” for further disclosure of the hedging transactions entered into during the second quarter of fiscal 2023. 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 original equipment manufacturers (“OEMs”), various armed forces of the United States (“U.S.”) and friendly foreign governments, defense OEMs, system suppliers, and various other industrial customers.

The Company's revenue is primarily recorded at a point in time basis. 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 (Deferred revenue) 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 1, 2023	September 30, 2022
Contract assets, current (1)	$ 160	$ 119
Contract assets, non-current (2)	1	1
Total contract assets	161	120
Contract liabilities, current (3)	60	45
Contract liabilities, non-current (4)	7	9
Total contract liabilities	67	54
Net contract assets	$ 94	$ 66

(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.

The increase in the Company's total contract assets at April 1, 2023 compared to September 30, 2022 is primarily due to the timing and status of work in process and/or milestones of certain contracts. The increase in the Company's total contract liabilities at April 1, 2023 compared to September 30, 2022 is primarily due to the receipt of advance payments. For the twenty-six week period ended April 1, 2023, 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. The allowance also incorporates a provision for the estimated impact of disputes with customers. All provisions for allowances for uncollectible accounts are included in selling and administrative expenses. The determination of the amount of the allowance for uncollectible accounts is subject to judgment and estimation by management. If circumstances change or economic conditions deteriorate or improve, the allowance for uncollectible accounts could increase or decrease.

As of April 1, 2023 and September 30, 2022, the allowance for uncollectible accounts was $35 million. 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 1, 2023	April 2, 2022	April 1, 2023	April 2, 2022
Numerator for earnings per share:				
Income from continuing operations	$ 304	$ 199	$ 533	$ 362
Less: Net income attributable to noncontrolling interests	—	—	(1)	(1)
Net income from continuing operations attributable to TD Group	304	199	532	361
Less: Dividends paid on participating securities	—	—	(38)	(46)
Income from discontinued operations, net of tax	—	—	—	1
Net income applicable to TD Group common stockholders—basic and diluted	$ 304	$ 199	$ 494	$ 316
Denominator for basic and diluted earnings per share under the two-class method:				
Weighted-average common shares outstanding	54.7	55.2	54.6	55.2
Vested options deemed participating securities	2.4	3.7	2.5	3.8
Total shares for basic and diluted earnings per share	57.1	58.9	57.1	59.0
Earnings per share from continuing operations—basic and diluted	$ 5.32	$ 3.38	$ 8.65	$ 5.33
Earnings per share from discontinued operations—basic and diluted	—	—	—	0.02
Earnings per share	$ 5.32	$ 3.38	$ 8.65	$ 5.35

7. STOCK REPURCHASE PROGRAM

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, and/or Indentures governing the Company's existing Notes. There is no expiration date for this program.

During fiscal year 2022, the Company repurchased 1,490,413 shares of common stock at an average price of $612.13 per share for a total amount of $912 million, of which 1,046,815 shares of common stock were repurchased during the second quarter of fiscal 2022 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. No repurchases were made under the program in the first half of fiscal 2023. As of April 1, 2023, $1,288 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 1, 2023	September 30, 2022
Raw materials and purchased component parts	$ 1,082	$ 959
Work-in-progress	427	359
Finished goods	227	210
Total	1,736	1,528
Reserves for excess and obsolete inventory	(207)	(196)
Inventories—Net	$ 1,529	$ 1,332

9. INTANGIBLE ASSETS

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

	April 1, 2023			September 30, 2022		
	Gross Carrying Amount	Accumulated Amortization	Net	Gross Carrying Amount	Accumulated Amortization	Net
Trademarks & trade names	$ 1,000	$ —	$ 1,000	$ 990	$ —	$ 990
Technology	2,081	836	1,245	2,054	780	1,274
Order backlog	7	5	2	7	3	4
Customer relationships	595	121	474	580	104	476
Other	9	5	4	9	3	6
Total	$ 3,692	$ 967	$ 2,725	$ 3,640	$ 890	$ 2,750

The aggregate amortization expense on identifiable intangible assets is approximately $35 million and $33 million for the thirteen week periods ended April 1, 2023 and April 2, 2022, respectively, and $68 million and $69 million for the twenty-six week periods ended April 1, 2023 and April 2, 2022, respectively.

The following is a summary of changes in the carrying value of goodwill by segment from September 30, 2022 through April 1, 2023 (in millions):

	Power & Control	Airframe	Non-aviation	Total
Balance at September 30, 2022	$ 4,155	$ 4,393	$ 93	$ 8,641
Purchase price allocation adjustments [1]	3	1	—	4
Currency translation adjustments and other	32	66	—	98
Balance at April 1, 2023	$ 4,190	$ 4,460	$ 93	$ 8,743

(1) Primarily related to opening balance sheet adjustments recorded from the series of acquisitions completed during fiscal year 2022 by the Company's Extant Aerospace subsidiary (Power & Control) and the acquisition of DART (Airframe). Refer to Note 3, “Acquisitions,” for further information.

The Company performs its annual impairment test for goodwill and other intangible assets as of the first day of the fourth fiscal quarter of each year, or more frequently, if events or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying value. We assessed the changes in events and circumstances during the first and second quarters of fiscal 2023 and concluded that no triggering events occurred that would require interim quantitative testing.

10. DEBT

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

	April 1, 2023			
	Gross Amount	Debt Issuance Costs	Original Issue (Discount) or Premium	Net Amount
Short-term borrowings—trade receivable securitization facility	$ 350	$ —	$ —	$ 350
Term loans	$ 6,278	$ (28)	$ (54)	$ 6,196
8.00% senior secured notes due 2025 (“2025 Secured Notes”)	1,100	(5)	—	1,095
6.375% senior subordinated notes due 2026 (“6.375% 2026 Notes”)	950	(3)	—	947
6.875% senior subordinated notes due 2026 (“6.875% 2026 Notes”)	500	(3)	(1)	496
6.25% secured notes due 2026 (“2026 Secured Notes”)	4,400	(30)	3	4,373
7.50% senior subordinated notes due 2027 (“7.50% 2027 Notes”)	550	(3)	—	547
5.50% senior subordinated notes due 2027 (“5.50% 2027 Notes”)	2,650	(14)	—	2,636
6.75% secured notes due 2028 (“2028 Secured Notes”)	2,100	(22)	(11)	2,067
4.625% senior subordinated notes due 2029 (“4.625% 2029 Notes”)	1,200	(8)	—	1,192
4.875% senior subordinated notes due 2029 (“4.875% 2029 Notes”)	750	(5)	—	745
Government refundable advances	22	—	—	22
Finance lease obligations	195	—	—	195
	20,695	(121)	(63)	20,511
Less: current portion	1,168	(6)	—	1,162
Long-term debt	$ 19,527	$ (115)	$ (63)	$ 19,349

	September 30, 2022			
	Gross Amount	Debt Issuance Costs	Original Issue (Discount) or Premium	Net Amount
Short-term borrowings—trade receivable securitization facility	$ 350	$ —	$ —	$ 350
Term loans	$ 7,298	$ (29)	$ (13)	$ 7,256
2025 Secured Notes	1,100	(6)	—	1,094
6.375% 2026 Notes	950	(4)	—	946
6.875% 2026 Notes	500	(3)	(2)	495
2026 Secured Notes	4,400	(35)	3	4,368
7.50% 2027 Notes	550	(3)	—	547
5.50% 2027 Notes	2,650	(15)	—	2,635
4.625% 2029 Notes	1,200	(9)	—	1,191
4.875% 2029 Notes	750	(6)	—	744
Government refundable advances	23	—	—	23
Finance lease obligations	146	—	—	146
	19,567	(110)	(12)	19,445
Less: current portion	77	(1)	—	76
Long-term debt	$ 19,490	$ (109)	$ (12)	$ 19,369

Accrued interest, which is classified as a component of accrued and other current liabilities on the condensed consolidated balance sheets, was $184 million and $170 million as of April 1, 2023 and September 30, 2022, respectively.

Amendment No. 10, Loan Modification Agreement and Refinancing Facility Agreement – On December 14, 2022, the Company entered into Amendment No. 10, Loan Modification Agreement and Refinancing Facility Agreement (herein, "Amendment No. 10") to the Second Amended and Restated Credit Agreement dated as of June 4, 2014 (the "Credit Agreement"). Under the terms of Amendment No. 10, the Company, among other things, repaid in full its existing approximately $1,725 million in Tranche G term loans maturing August 22, 2024 and replaced such loans with approximately $1,725 million in Tranche H term loans maturing February 22, 2027. The Tranche H term loans bear interest at Term SOFR plus 3.25% compared to the former Tranche G term loans which bore interest at LIBOR plus 2.25%. The Tranche H term loans were issued at a discount of 2.00%, or approximately $34.5 million. The Tranche H term loans were fully drawn on December 14, 2022 and the other terms and conditions that apply to the Tranche H term loans are substantially the same as the terms and conditions that applied to the term loans immediately prior to Amendment No. 10.

The Company capitalized $0.9 million and expensed $3.0 million of refinancing costs associated with the refinancing during the twenty-six week period ended April 1, 2023. Additionally, the Company wrote-off $0.2 million in unamortized debt issuance costs and $0.1 million of original issue discount related to the Tranche G terms loans during the twenty-six week period ended April 1, 2023.

Amendment No. 11, Loan Modification Agreement and Refinancing Facility Agreement – On February 24, 2023, the Company entered into Amendment No. 11, Loan Modification Agreement and Refinancing Facility Agreement (herein, "Amendment No. 11") to the Credit Agreement. Under the terms of Amendment No. 11, the Company, among other things, repaid in full its existing approximately $2,149 million in Tranche E term loans maturing May 30, 2025 and approximately $3,410 million in Tranche F term loans maturing December 9, 2025 and replaced such loans with approximately $4,559 million in Tranche I term loans maturing August 24, 2028 and the $1,000 million 2028 Secured Notes further described below. The Tranche I term loans bear interest at Term SOFR plus 3.25% compared to the former Tranche E and Tranche F term loans which bore interest at LIBOR plus 2.25%. The Tranche I term loans were issued at a discount of 0.25%, or approximately $11.4 million. The Tranche I term loans were fully drawn on February 24, 2023 and the other terms and conditions that apply to the Tranche I term loans are substantially the same as the terms and conditions that applied to the term loans immediately prior to Amendment No. 11.

The Company capitalized $2.5 million and expensed $5.6 million of refinancing costs associated with the refinancing during the twenty-six week period ended April 1, 2023. Additionally, the Company wrote-off $0.1 million in unamortized debt issuance costs and $0.1 million of original issue discount related to the Tranche I terms loans during the twenty-six week period ended April 1, 2023.

Issuance of $1,000 million Senior Secured Notes due 2028 – On February 24, 2023, the Company entered into a purchase agreement in connection with a private offering of $1,000 million in aggregate principal amount of 6.75% senior secured notes due 2028 (the "$1,000 million 2028 Secured Notes") at an issue price of 100% of the principal amount. The $1,000 million 2028 Secured Notes were issued pursuant to an indenture, dated as of February 24, 2023, amongst TransDigm, as issuer, TransDigm Group, TransDigm UK and the other subsidiaries of TransDigm named therein, as guarantors. The $1,000 million 2028 Secured Notes are secured by a first-priority security interest in substantially all the assets of TransDigm, TransDigm Group, TransDigm UK and each other guarantor on an equal and ratable basis with any other existing and future senior secured debt, including indebtedness under the Company's senior secured credit facilities, the 2025 Secured Notes and 2026 Secured Notes. The proceeds were used, along with the proceeds from the Tranche I term loans further described above, to repurchase the Tranche E and Tranche F term loans.

The $1,000 million 2028 Secured Notes bear interest at a rate of 6.75% per annum, which accrues from February 24, 2023 and is payable semiannually in arrears on February 15th and August 15th of each year, commencing on August 15, 2023. The $1,000 million 2028 Secured Notes mature on August 15, 2028, unless earlier redeemed or repurchased, and are subject to the terms and conditions set forth in the indenture.

The Company capitalized $11.4 million in debt issuance costs associated with the $1,000 million 2028 Secured Notes during the twenty-six week period ended April 1, 2023.

Issuance of $1,100 million Senior Secured Notes due 2028 – On March 9, 2023, the Company entered into into a purchase agreement in connection with a private offering of $1,100 million in aggregate principal amount of 6.75% senior secured notes due 2028 (the "$1,100 million 2028 Secured Notes") at an issue price of 99% of the principal amount, which represents an approximately $11.0 million discount. The $1,100 million 2028 Secured Notes are an additional issuance of the Company's existing $1,000 million 2028 Secured Notes (collectively, the "2028 Secured Notes"), and were issued under the indenture dated as of February 24, 2023 pursuant to which the Company previously issued $1,000 million 2028 Secured Notes and a supplemental indenture dated as of March 9, 2023. The $1,100 million 2028 Secured Notes are the same class and series as, and otherwise identical to, the $1,000 million 2028 Secured Notes other than with respect to the date of issuance and issue price. The proceeds are classified as restricted cash on the condensed consolidated balance sheet as of April 1, 2023, as they were committed to be used to redeem the $1,100 million in 2025 Secured Notes further described below.

The $1,100 million 2028 Secured Notes bear interest at a rate of 6.75% per annum, which accrues from February 24, 2023 and is payable semiannually in arrears on February 15th and August 15th of each year, commencing on August 15, 2023. The $1,100 million 2028 Secured Notes mature on August 15, 2028, unless earlier redeemed or repurchased, and are subject to the terms and conditions set forth in the indentures.

The Company capitalized $11.2 million in debt issuance costs associated with the $1,100 million 2028 Secured Notes during the twenty-six week period ended April 1, 2023.

Subsequent Event - ***Redemption of Senior Secured Notes due 2025*** – On March 9, 2023, the Company announced a cash tender offer for any and all of its outstanding 2025 Secured Notes. On April 10, 2023, the Company redeemed the principal amount of $1,100 million, plus accrued interest of approximately $1.7 million and an early redemption premium of $22.0 million associated with the 2025 Secured Notes. As the notification of redemption was made in March 2023, the 2025 Secured Notes obligation is classified as current portion of long-term debt on the condensed consolidated balance sheet as of April 1, 2023.

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 1, 2023 and September 30, 2022, the outstanding balance of these advances was $22 million and $23 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 $195 million and $146 million at April 1, 2023 and September 30, 2022, respectively. The increase in the current fiscal year is attributable to certain new leases of facilities and amendments to previous agreements qualifying as lease modifications resulting in a change in classification from an operating lease to a finance lease. Refer to Note 16, "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 1, 2023 and April 2, 2022, the effective income tax rate was 23.4% and 23.5%, respectively. The Company's slightly lower effective income tax rate for the thirteen week period ended April 1, 2023 was primarily the result of a more significant impact of the discrete tax benefit associated with share-based payments. During the twenty-six week periods ended April 1, 2023 and April 2, 2022, the effective income tax rate was 23.5% and 20.1%, respectively. The Company's higher effective income tax rate for the twenty-six week period ended April 1, 2023 was primarily due to a decrease in the impact of the discrete tax benefit associated with share-based payments relative to the comparable prior 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 twenty-six week period ended April 1, 2023. The Company's effective income tax rate for the thirteen and twenty-six week period ended April 1, 2023 was higher than the federal statutory tax rate of 21% primarily due to an increase in the valuation allowance applicable to the Company's net interest deduction limitation carryforward, partially offset by the discrete impact of excess tax benefits associated with share-based payments.

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 1, 2023 and September 30, 2022, the recognition of which would have an impact on the effective tax rate for each fiscal year, amounted to $17.0 million and $16.6 million, respectively. The Company classifies all income tax-related interest and penalties as income tax expense, which were not material for the thirteen and twenty-six week periods ended April 1, 2023 and April 2, 2022. As of April 1, 2023 and September 30, 2022, the Company accrued $5.7 million and $4.5 million, respectively, for the potential payment of interest and penalties. Within the next 12 months, the Company does not anticipate a material increase or decrease in the amount of unrecognized tax benefits.

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 1, 2023		September 30, 2022	
	Level	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets:					
Cash and cash equivalents	1	$ 3,418	$ 3,418	$ 3,001	$ 3,001
Restricted cash	1	1,100	1,100	—	—
Interest rate swap agreements (1)	2	82	82	77	77
Interest rate swap agreements (2)	2	42	42	68	68
Interest rate cap agreement (2)	2	49	49	50	50
Interest rate collar agreements (2)	2	3	3	—	—
Liabilities:					
Foreign currency forward exchange contracts (3)	2	2	2	11	11
Interest rate cap agreement (4)	2	1	1	—	—
Interest rate swap agreements (4)	2	5	5	—	—
Short-term borrowings - trade receivable securitization facility (5)	2	350	350	350	350
Long-term debt, including current portion:					
Term loans (5)	2	6,196	6,226	7,256	6,976
2025 Secured Notes (5)	1	1,095	1,110	1,094	1,115
6.375% 2026 Notes (5)	1	947	929	946	884
6.875% 2026 Notes (5)	1	496	494	495	473
2026 Secured Notes (5)	1	4,373	4,400	4,368	4,257
7.50% 2027 Notes (5)	1	547	550	547	524
5.50% 2027 Notes (5)	1	2,636	2,465	2,635	2,286
2028 Secured Notes (5)	1	2,067	2,116	—	—
4.625% 2029 Notes (5)	1	1,192	1,059	1,191	966
4.875% 2029 Notes (5)	1	745	664	744	606
Government refundable advances	2	22	22	23	23
Finance lease obligations	2	195	195	146	146

(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.

(5) 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).

The Company's derivatives consist of interest rate swap, cap and collar agreements and foreign currency exchange contracts. The fair values of the interest rate swap, cap and collar agreements were derived by taking the net present value of the expected cash flows using observable market inputs (Level 2) such as LIBOR or SOFR rate curves, futures, volatilities and basis spreads (when applicable). The fair values of the foreign currency exchange contracts were derived by using Level 2 inputs based on observable spot and forward exchange rates in active markets. 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 material impact to the fair value of derivative assets based on the Company's evaluation of counterparties' credit risks.

The estimated fair value of the Company's term loans was based on information provided by the agent under the Company's Credit Agreement. The estimated fair values of the Company's notes were based upon quoted market prices.

The fair value of cash and cash equivalents, restricted cash, trade accounts receivable-net and accounts payable approximated carrying value due to the short-term nature of these instruments at April 1, 2023 and September 30, 2022.

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, cap and collar counterparties that contain a provision whereby if the Company defaults on the Credit Agreement, the Company could also be declared in default on its swaps, cap and collars resulting in an acceleration of payment under the swaps, cap and collars.

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, Cap and Collar Agreements – Interest rate swap, cap and collar agreements are used to manage interest rate risk associated with floating rate borrowings (i.e., term loans - see Note 10, "Debt") under our Credit Agreement. 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. The 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 from the effective date through the maturity date of the respective interest rate swap, cap and collar agreements, thereby reducing the impact of interest rate movements on future interest expense.

Prior to amending the Credit Agreement (as disclosed in Note 10, "Debt"), the Company was exposed to floating rates of LIBOR via the term loans' benchmark interest rate. During the second fiscal quarter ended April 1, 2023, in connection with the amendment of the Credit Agreement impacting the term loans, we entered into LIBOR to Term SOFR basis interest rate swap and cap transactions to effectively convert our existing swaps and cap from LIBOR-based to Term SOFR-based. The basis swaps and cap offset the LIBOR exposure of the existing swaps and cap and effectively fix the Term SOFR rate for the notional amount.

We also entered into forward starting interest rate collar agreements during the second quarter of fiscal 2023. The interest rate collar agreements establish a range where we will pay the counterparties if the three-month Term SOFR rate falls below the established floor rate of 2.0%, and the counterparties will pay us if the three-month Term SOFR rate exceeds the ceiling rate of 3.5%. The collar will settle quarterly from the effective date through the maturity date. No payments or receipts will be exchanged on the interest rate collar contracts unless interest rates rise above or fall below the contracted ceiling or floor rates.

The tables below summarize the key terms of the swaps, cap and collars (aggregated by effective date).

Interest rate swap agreements:

Aggregate Notional Amount (in millions)	Effective Date	Maturity Date	Conversion of Related Variable Rate Debt subject to Term SOFR to Fixed Rate of:
$400	3/31/2023	6/28/2024	6.25% (3.0% plus the 3.25% margin percentage)
$900	3/31/2023	6/28/2024	6.35% (3.1% plus the 3.25% margin percentage)
$500	3/31/2023	3/31/2025	6.25% (3.0% plus the 3.25% margin percentage)
$1,500	3/31/2023	3/31/2025	6.35% (3.1% plus the 3.25% margin percentage)
$700	3/31/2023	9/30/2025	4.55% (1.3% plus the 3.25% margin percentage)

Interest rate cap agreement:

Aggregate Notional Amount (in millions)	Effective Date	Maturity Date	Offsets Variable Rate Debt Attributable to Fluctuations Above:
$700	3/31/2023	9/30/2025	Three-month Term SOFR rate of 1.25%

Interest rate collar agreements:

Aggregate Notional Amount (in millions)	Effective Date	Maturity Date	Offsets Variable Rate Debt Attributable to Fluctuations Below and Above:
$1,100	3/31/2025	9/30/2026	Three-month Term SOFR rate of 2.00% (floor) and 3.50% (cap)
$500	9/30/2025	9/30/2026	Three-month Term SOFR rate of 2.00% (floor) and 3.50% (cap)

These derivative instruments qualify as effective cash flow hedges under U.S. GAAP. For the LIBOR to Term SOFR basis interest rate swap and cap agreements referenced above, we applied the practical expedients permissible under ASC 848 to continue hedge accounting for our existing swaps and cap as effective cash flow hedges. For our cash flow hedges, the effective portion of the gain or loss from the financial instruments is 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 affects earnings. As the interest rate swap, cap and collar 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. Cash flows related to the derivative contracts are included in cash flows from operating activities on the condensed consolidated statements of cash flows.

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 1, 2023		September 30, 2022	
	Asset	Liability	Asset	Liability
Interest rate cap agreement	$ 49	$ 1	$ 50	$ —
Interest rate collar agreements	3	—	—	—
Interest rate swap agreements	124	5	145	—
Net derivatives as classified in the condensed consolidated balance sheets [(1)]	$ 176	$ 6	$ 195	$ —

(1) Refer to Note 12, "Fair Value Measurements," for the condensed consolidated balance sheets classification of our interest rate swap, cap and collar agreements.

Based on the fair value amounts determined as of April 1, 2023, the estimated net amount of existing (gains) and losses and caplet amortization expected to be reclassified into interest expense-net within the 12 months is approximately $(80.0) 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 1, 2023, the Company has outstanding foreign currency forward exchange contracts to sell U.S. dollars with notional amounts of $93.3 million. The maximum duration of the Company’s foreign currency cash flow hedge contracts at April 1, 2023 is 6 months. These notional values consist of contracts for the Canadian dollar and the 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 1, 2023, the losses reclassified on settlements of foreign currency forward exchange contracts designated as cash flow hedges into net sales was approximately $0.6 million. The losses were previously recorded as a component of accumulated other comprehensive loss in stockholders' deficit.

As of April 1, 2023, the Company expects to record a net loss of approximately $0.9 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 or deferred compensation plans, foreign currency gains and losses, acquisition-integration costs, acquisition and divestiture transaction-related expenses, and refinancing costs. 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 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 is allocated to the operating segments.

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

	Thirteen Week Periods Ended		Twenty-Six Week Periods Ended	
	April 1, 2023	April 2, 2022	April 1, 2023	April 2, 2022
Net sales to external customers				
Power & Control				
Commercial and non-aerospace OEM	$ 167	$ 153	$ 319	$ 288
Commercial and non-aerospace aftermarket	276	202	520	405
Defense	373	353	702	665
Total Power & Control	816	708	1,541	1,358
Airframe				
Commercial and non-aerospace OEM	235	178	437	320
Commercial and non-aerospace aftermarket	268	184	503	348
Defense	230	217	429	417
Total Airframe	733	579	1,369	1,085
Total Non-aviation	43	40	79	78
Net Sales	$ 1,592	$ 1,327	$ 2,989	$ 2,521

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 1, 2023	April 2, 2022	April 1, 2023	April 2, 2022
EBITDA As Defined				
Power & Control	$ 452	$ 374	$ 853	$ 703
Airframe	373	273	685	499
Non-aviation	17	14	31	28
Total segment EBITDA As Defined	842	661	1,569	1,230
Less: Unallocated corporate EBITDA As Defined	25	28	53	32
Total Company EBITDA As Defined	817	633	1,516	1,198
Depreciation and amortization expense	65	62	129	127
Interest expense, net	295	266	581	530
Acquisition and divestiture transaction-related expenses	3	3	6	8
Non-cash stock and deferred compensation expense	42	45	77	82
Refinancing costs	5	—	9	—
Other, net	10	(3)	17	(2)
Income from continuing operations before income taxes	$ 397	$ 260	$ 697	$ 453

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

	April 1, 2023	September 30, 2022
Total assets		
Power & Control	$ 7,234	$ 6,994
Airframe	8,049	7,781
Non-aviation	233	238
Corporate	4,492	3,094
	$ 20,008	$ 18,107

15. 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 1, 2023 and April 2, 2022 (in millions):

	Unrealized gains (losses) on derivatives [1]	Pension and postretirement benefit plans adjustment [2]	Foreign currency translation adjustment [3]	Total
Balance at September 30, 2022	$ 123	$ (10)	$ (380)	$ (267)
Net current-period other comprehensive income (loss) [4]	(9)	—	180	171
Balance at April 1, 2023	$ 114	$ (10)	$ (200)	$ (96)
Balance at September 30, 2021	$ (229)	$ (18)	$ (1)	$ (248)
Net current-period other comprehensive income (loss) [4]	228	—	(53)	175
Balance at April 2, 2022	$ (1)	$ (18)	$ (54)	$ (73)

(1) Represents unrealized gains (losses) on derivatives designated and qualifying as cash flow hedges, net of taxes, of $7.8 million and $51.5 million for the thirteen week periods ended April 1, 2023 and April 2, 2022, respectively, and $1.2 million and $69.3 million for the twenty-six week periods ended April 1, 2023 and April 2, 2022, respectively.

(2) There were no material pension liability adjustments, net of taxes, related to activity on the defined pension plan and postretirement benefit plan for the thirteen and twenty-six week periods ended April 1, 2023 and April 2, 2022, respectively.

(3) Represents gains (losses) resulting from foreign currency translation of financial statements, including gains (losses) from certain intercompany transactions, into U.S. dollars at the rates of exchange in effect at the balance sheet dates.

(4) Presented net of reclassifications out of AOCI into earnings, specifically interest expense - net, for realized gains (losses) on derivatives designated and qualifying as cash flow hedges of $20.4 million (net of taxes of $6.3 million) and ($53.8) million (net of taxes of $16.5 million) for the twenty-six week periods ended April 1, 2023 and April 2, 2022, respectively.

16. 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 1, 2023	April 2, 2022	April 1, 2023	April 2, 2022
Operating lease cost	Cost of sales or selling and administrative expenses	$ 5	$ 4	$ 10	$ 12
Finance lease cost					
Amortization of leased assets	Cost of sales	2	2	5	3
Interest on lease liabilities	Interest expense - net	3	2	6	4
Total lease cost		$ 10	$ 8	$ 21	$ 19

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

	Twenty-Six Week Periods Ended	
	April 1, 2023	April 2, 2022
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash outflows from operating leases	$ 10	$ 12
Operating cash outflows from finance leases	5	4
Financing cash outflows from finance leases	2	1
Lease assets obtained in exchange for new lease obligations:		
Operating leases	$ 5	$ 8
Financing leases	48	33

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

	Classification	April 1, 2023	September 30, 2022
Operating Leases			
Operating lease right-of-use assets	Other non-current assets	$ 61	$ 85
Current operating lease liabilities	Accrued and other current liabilities	16	18
Long-term operating lease liabilities	Other non-current liabilities	49	71
Total operating lease liabilities		$ 65	$ 89
Finance Leases			
Finance lease right-of-use assets, net	Property, plant and equipment - net	$ 181	$ 137
Current finance lease liabilities	Current portion of long-term debt	5	2
Long-term finance lease liabilities	Long-term debt	190	144
Total finance lease liabilities		$ 195	$ 146

As of April 1, 2023, the Company has the following remaining lease term and weighted average discount rates:

Weighted-average remaining lease term	
Operating leases	5.3 years
Finance leases	20.4 years
Weighted-average discount rate	
Operating leases	5.9%
Finance leases	7.0%

Maturities of lease liabilities at April 1, 2023 are as follows (in millions):

	Operating Leases	Finance Leases
2023	$ 10	$ 8
2024	18	16
2025	15	17
2026	11	17
2027	9	17
Thereafter	13	313
Total future minimum lease payments	76	388
Less: imputed interest	11	193
Present value of lease liabilities reported	$ 65	$ 195

17. 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.

Litigation Claims – On November 1, 2021, a purported stockholder of the Company filed a derivative complaint, captioned *Sciabacucchi v Howley, et al.* C.A. No. 2021-0938-LWW (the “Derivative Action”), in the Delaware Court of Chancery (the “Court”). The complaint, which names certain directors of the Company (the “Director Defendants”) as defendants, alleges that the Director Defendants awarded and received excessive compensation. The Director Defendants have denied, and continue to deny, any and all allegations of wrongdoing or liability asserted in the Derivative Action.

Nonetheless, solely to eliminate the uncertainty, distraction, disruption, burden, risk and expense of further litigation, the Company and the Director Defendants entered into a Stipulation and Agreement of Compromise, Settlement and Release (the “Stipulation”) with the plaintiff on August 19, 2022. Pursuant to the terms of the Stipulation, the Director Defendants have agreed to implement and maintain certain changes to the Company’s compensation policies and practices such as to the extent dividend equivalent payments are declared payable to any Company director, those DEPs will not be paid in cash, but instead will be paid via a reduction to the strike price of options that are issued to that director. Other corporate governance enhancements were also agreed to by the Company. The Company is also responsible for the payment of plaintiff’s attorneys’ fees. The proposed settlement as set forth in the Stipulation, other than the amount of the attorneys’ fees, was approved by the Court on November 10, 2022. The settlement (i) fully resolves the Derivative Action by dismissing all asserted claims with prejudice and (ii) releases all claims related to the allegations in the Derivative Action. The settlement is not expected to have a material adverse impact on the Company’s financial statements.

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 1, 2023 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; current and future geopolitical or other worldwide events; cybersecurity threats, natural disasters and climate-change related events; our reliance on certain customers; the United States ("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; climate-related regulations; 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 our 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 2023, we generated net sales of $1,592 million and net income attributable to TD Group of $304 million. EBITDA As Defined was $817 million, or 51.3% 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 commercial aerospace industry has been significantly disrupted, both domestically and internationally, by the COVID-19 pandemic. The pandemic 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, throughout fiscal 2022 and in the first half of fiscal 2023, we have continued to see a rebound in our commercial aerospace end markets. While there is still a sizeable amount of progress that needs to take place before the commercial aerospace industry returns to normalcy and stability, we are encouraged by the progression of the commercial aerospace market recovery to date. Commercial air travel in domestic markets continues to lead the air traffic recovery with certain domestic markets nearing or achieving pre-pandemic air traffic levels. The pace of the international recovery has been slower than the domestic recovery, but international revenue passenger miles ("RPMs"), a metric used to measure air traffic demand, continues to make positive strides as most countries have now fully reopened to international travelers and there is pent-up demand for long-haul travel. The commercial original equipment manufacturer ("OEM") market is continuing to show signs of recovery with airlines returning to the commercial OEMs to place orders; however, the commercial OEM supply chain challenges impacting manufacturers such as Boeing and Airbus are slowing the pace of new aircraft manufacturing. Although the exact pace and timing of the commercial aerospace recovery, particularly internationally, remains uncertain and continues to evolve, we expect the Company's commercial aerospace end markets to continue progressing in fiscal 2023 barring any significant disruptions or setbacks.

The defense aerospace market has been impacted by the pandemic to a lesser extent than the commercial aerospace market with this impact arising primarily from supply chain shortages. Additionally, within the defense market, the pace of U.S. government defense spending outlays and government funding reprioritization provides for uncertainty.

The pandemic has also disrupted the global supply chain and labor markets. The disruption has resulted in delays in the availability of certain raw materials and increased freight costs, raw material costs and labor costs. Our business has been adversely affected, though not materially, and could continue to be adversely affected by disruptions in our ability to timely obtain 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 aviation authority and OEM certification processes associated with aerospace products could prevent efficient replacement of a supplier, raw material or component part.

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, 2022, filed on November 10, 2022. 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

Recent acquisitions are described in Note 3, "Acquisitions," 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 1, 2023	% of Net Sales	April 2, 2022	% of Net Sales
Net sales	$ 1,592	100.0 %	$ 1,327	100.0 %
Cost of sales	663	41.6 %	591	44.5 %
Selling and administrative expenses	199	12.5 %	183	13.8 %
Amortization of intangible assets	35	2.2 %	33	2.5 %
Income from operations	695	43.7 %	520	39.2 %
Interest expense-net	295	18.5 %	266	20.0 %
Refinancing costs	5	0.3 %	—	— %
Other income	(2)	(0.1)%	(6)	(0.5)%
Income tax provision	93	5.8 %	61	4.6 %
Income from continuing operations	304	19.1 %	199	15.0 %
Less: Net income attributable to noncontrolling interests	—	— %	—	— %
Income from continuing operations attributable to TD Group	304	19.1 %	199	15.0 %
Income from discontinued operations, net of tax	—	— %	—	— %
Net income attributable to TD Group	$ 304	19.1 %	$ 199	15.0 %
Net income applicable to TD Group common stockholders	$ 304 (1)	19.1 %	$ 199 (1)	15.0 %
Earnings per share attributable to TD Group common stockholders:				
Earnings per share from continuing operations—basic and diluted	$ 5.32 (2)		$ 3.38 (2)	
Earnings per share from discontinued operations—basic and diluted	— (2)		— (2)	
Earnings per share	$ 5.32		$ 3.38	
Weighted-average shares outstanding—basic and diluted	57.1		58.9	
Other Data:				
EBITDA	$ 757 (3)		$ 588 (3)	
EBITDA As Defined	$ 817 (3)	51.3 %	$ 633 (3)	47.7 %

(1) Net income applicable to TD Group common stockholders represents net income attributable to TD Group less special dividends 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 1, 2023 and April 2, 2022.

(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. There were no earnings per share from discontinued operations for the thirteen week periods ended April 1, 2023 and April 2, 2022.

(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 U.S. GAAP financial measure.

	Twenty-Six Week Periods Ended			
	April 1, 2023	% of Net Sales	April 2, 2022	% of Net Sales
Net sales	$ 2,989	100.0 %	$ 2,521	100.0 %
Cost of sales	1,268	42.4 %	1,124	44.6 %
Selling and administrative expenses	369	12.3 %	353	14.0 %
Amortization of intangible assets	68	2.3 %	69	2.7 %
Income from operations	1,284	43.0 %	975	38.7 %
Interest expense-net	581	19.4 %	530	21.0 %
Refinancing costs	9	0.3 %	—	— %
Other income	(3)	(0.1)%	(8)	(0.3)%
Income tax provision	164	5.5 %	91	3.6 %
Income from continuing operations	533	17.8 %	362	14.4 %
Less: Net income attributable to noncontrolling interests	(1)	— %	(1)	— %
Income from continuing operations attributable to TD Group	532	17.8 %	361	14.3 %
Income from discontinued operations, net of tax	—	— %	1	— %
Net income attributable to TD Group	$ 532	17.8 %	$ 362	14.4 %
Net income applicable to TD Group common stockholders	$ 494 (1)	16.5 %	$ 316 (1)	12.5 %
Earnings per share attributable to TD Group common stockholders:				
Earnings per share from continuing operations—basic and diluted	$ 8.65 (2)		$ 5.33 (2)	
Earnings per share from discontinued operations—basic and diluted	— (2)		0.02 (2)	
Earnings per share	$ 8.65		$ 5.35	
Weighted-average shares outstanding—basic and diluted	57.1		59.0	
Other Data:				
EBITDA	$ 1,407 (3)		$ 1,110 (3)	
EBITDA As Defined	$ 1,516 (3)	50.7 %	$ 1,198 (3)	47.5 %

(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 of $38 million and $46 million for the twenty-six week periods ended April 1, 2023 and April 2, 2022, 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 U.S. GAAP financial measure.

Changes in Results of Operations

Thirteen week period ended April 1, 2023 compared with the thirteen week period ended April 2, 2022

Total Company

- ***Net Sales.*** Net organic sales and acquisition sales and the related dollar and percentage changes for the thirteen week periods ended April 1, 2023 and April 2, 2022 were as follows (amounts in millions):

	Thirteen Week Periods Ended			
	April 1, 2023	April 2, 2022	Change	% Change Net Sales
Organic sales	$ 1,561	$ 1,327	$ 234	17.6 %
Acquisition sales	31	—	31	2.3 %
Net sales	$ 1,592	$ 1,327	$ 265	20.0 %

Organic sales represent net sales from existing businesses owned by the Company, excluding sales from acquisitions. Acquisition sales represent net sales from acquired businesses for the period up to one year subsequent to their respective acquisition date. We believe this measure provides investors with a supplemental understanding of underlying sales trends by providing sales growth on a consistent basis. Refer to Note 3, “Acquisitions,” in the notes to the condensed consolidated financial statements included herein for further information on the Company's recent acquisitions activity.

The increase in organic sales of $234 million for the thirteen week period ended April 1, 2023 compared to the thirteen week period ended April 2, 2022 is primarily related to increases in commercial aftermarket sales ($143 million, an increase of 38.1%), commercial OEM sales ($68 million, an increase of 23.7%) and defense sales ($28 million, an increase of 5.0%). The increase in commercial aftermarket sales is primarily attributable to the continued recovery in commercial air travel demand and the resulting higher flight hours and utilization of aircraft in the second quarter of fiscal 2023 compared to fiscal 2022. The increase in commercial OEM sales is primarily attributable to the continued recovery in both narrow-body and wide-body aircraft production and deliveries. The increase in defense sales is primarily attributable to slowly improving U.S. government defense spend outlays (though, in management’s estimation, the current lag between spend authorizations and outlays remains longer than historical average levels).

The acquisition sales for the thirteen week period ended April 1, 2023 are attributable to DART Aerospace (“DART”), which was acquired in the third quarter of fiscal 2022.

- ***Cost of Sales and Gross Profit.*** Cost of sales increased by $72 million, or 12.2%, to $663 million for the thirteen week period ended April 1, 2023 compared to $591 million for the thirteen week period ended April 2, 2022. Cost of sales and the related percentage of net sales for the thirteen week periods ended April 1, 2023 and April 2, 2022 were as follows (amounts in millions):

	Thirteen Week Periods Ended			
	April 1, 2023	April 2, 2022	Change	% Change
Cost of sales - excluding costs below	$ 661	$ 595	$ 66	11.1 %
% of net sales	41.5 %	44.8 %		
Non-cash stock and deferred compensation expense	5	4	1	25.0 %
% of net sales	0.3 %	0.3 %		
Foreign currency losses (gains)	4	(1)	5	500.0 %
% of net sales	0.3 %	(0.1)%		
Inventory acquisition accounting adjustments	—	1	(1)	(100.0)%
% of net sales	— %	0.1 %		
Loss contract amortization	(7)	(8)	1	12.5 %
% of net sales	(0.4)%	(0.6)%		
Total cost of sales	$ 663	$ 591	$ 72	12.2 %
% of net sales	41.6 %	44.5 %		
Gross profit (Net sales less Total cost of sales)	$ 929	$ 736	$ 193	26.2 %
Gross profit percentage (Gross profit / Net sales)	58.4 %	55.5 %		

Excluding the specific components to cost of sales listed above, the change in cost of sales during the thirteen week period ended April 1, 2023 decreased as a percentage of net sales despite increased inflationary pressures. This was primarily driven by 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) coupled with fixed overhead costs incurred being spread over a higher production volume. A favorable sales mix, specifically, higher commercial aftermarket sales as a percentage of net sales compared to commercial OEM net sales, also contributed to the gross profit as a percentage of net sales increasing by 2.9 percentage points to 58.4% for the thirteen week period ended April 1, 2023 from 55.5% for the thirteen week period ended April 2, 2022.

- ***Selling and Administrative Expenses.*** Selling and administrative expenses increased by $16 million to $199 million, or 12.5% of net sales, for the thirteen week period ended April 1, 2023 from $183 million, or 13.8% of net sales, for the thirteen week period ended April 2, 2022. Selling and administrative expenses and the related percentage of net sales for the thirteen week periods ended April 1, 2023 and April 2, 2022 were as follows (amounts in millions):

	Thirteen Week Periods Ended			
	April 1, 2023	April 2, 2022	Change	% Change
Selling and administrative expenses - excluding costs below	$ 159	$ 138	$ 21	15.2 %
% of net sales	10.0 %	10.4 %		
Non-cash stock and deferred compensation expense	37	39	(2)	(5.1)%
% of net sales	2.3 %	2.9 %		
Acquisition integration costs	2	2	—	— %
% of net sales	0.1 %	0.2 %		
Acquisition and divestiture transaction-related expenses	1	—	1	100.0 %
% of net sales	0.1 %	— %		
Bad debt expense	—	4	(4)	(100.0)%
% of net sales	— %	0.3 %		
Total selling and administrative expenses	$ 199	$ 183	$ 16	8.7 %
% of net sales	12.5 %	13.8 %		

Excluding the specific components to selling and administrative expenses listed above, selling and administrative expenses during the thirteen week period ended April 1, 2023 improved as a percentage of net sales compared to the thirteen week period ended April 2, 2022 as a result of higher net sales and our continued strategic cost mitigation efforts.

- ***Amortization of Intangible Assets.*** Amortization of intangible assets was $35 million for the thirteen week period ended April 1, 2023 compared to $33 million for the thirteen week period ended April 2, 2022. The slight increase in amortization expense of $2 million was due to the amortization expense recognized on intangible assets from the third quarter of fiscal 2022 acquisition of DART.

- ***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, finance leases and interest income. Interest expense-net increased $29 million, or 10.9%, to $295 million for the thirteen week period ended April 1, 2023 from $266 million for the comparable thirteen week period in the prior fiscal year. The increase in interest expense-net was primarily due to an increase in interest rates, particularly London Interbank Offered Rate (“LIBOR”), which adversely impacted the interest expense on the gross debt that is variable rate and not hedged via an interest rate swap or cap. This was partially offset by a $27 million increase in interest income. The weighted average interest rate for cash interest payments on total borrowings outstanding for the thirteen week period ended April 1, 2023 was 6.2% compared to 5.1% for the thirteen week period ended April 2, 2022.

- ***Refinancing Costs.*** Refinancing costs of $5 million incurred for the thirteen week period ended April 1, 2023 were primarily related to third party fees incurred for the refinancing activity completed during the second quarter of fiscal 2023, as summarized in Note 10, “Debt,” in the notes to the condensed consolidated financial statements included herein. No refinancing costs were incurred for the thirteen week period ended April 2, 2022.

- ***Other Income.*** Other income was $2 million for the thirteen week period ended April 1, 2023 compared to $6 million recorded for the thirteen week period ended April 2, 2022. Other income for the thirteen week period ended April 1, 2023 primarily related to the non-service related components of benefit costs on the Company's benefit plans. Other income for the thirteen week period ended April 2, 2022 primarily related to a final working capital settlement of $3 million received on the divestiture of the ScioTeq and TREALITY Simulation Visual Systems businesses (“ScioTeq and TREALITY”) and the non-service related components of benefit costs on the Company's benefit plans.

- ***Income Tax Provision.*** Income tax expense as a percentage of income before income taxes was approximately 23.4% for the thirteen week period ended April 1, 2023 compared to 23.5% for the thirteen week period ended April 2, 2022. The Company's lower effective tax rate for the thirteen week period ended April 1, 2023 was primarily the result of a more significant impact of the discrete tax benefit associated with share-based payments on the effective tax rate.
- ***Net Income Attributable to TD Group.*** Net income attributable to TD Group increased $105 million, or 52.8%, to $304 million for the thirteen week period ended April 1, 2023 compared to net income attributable to TD Group of $199 million for the thirteen week period ended April 2, 2022, primarily as a result of the factors referenced above.
- ***Earnings per Share.*** Basic and diluted earnings per share from continuing operations was $5.32 for the thirteen week period ended April 1, 2023 and $3.38 for the thirteen week period ended April 2, 2022. There was no impact on earnings per share from discontinued operations for the thirteen week periods ended April 1, 2023 and April 2, 2022.

Business Segments

- ***Segment Net Sales.*** Net sales by segment for the thirteen week periods ended April 1, 2023 and April 2, 2022 were as follows (amounts in millions):

	Thirteen Week Periods Ended					
	April 1, 2023	% of Net Sales	April 2, 2022	% of Net Sales	Change	% Change
Power & Control	$ 816	51.3 %	$ 708	53.4 %	$ 108	15.3 %
Airframe	733	46.0 %	579	43.6 %	154	26.6 %
Non-aviation	43	2.7 %	40	3.0 %	3	7.5 %
Net sales	$ 1,592	100.0 %	$ 1,327	100.0 %	$ 265	20.0 %

Net sales for the Power & Control segment increased $108 million, an increase of 15.3%, for the thirteen week period ended April 1, 2023 compared to the thirteen week period ended April 2, 2022. The sales increase resulted primarily from increases in organic sales in the commercial aftermarket ($78 million, an increase of 40.4%), commercial OEM ($16 million, an increase of 12.0%) and defense ($20 million, an increase of 5.6%). The increase in commercial aftermarket sales is primarily attributable to the continued recovery in commercial air travel demand and the resulting higher flight hours and utilization of aircraft in the second quarter of fiscal 2023 compared to fiscal 2022. The increase in commercial OEM sales is primarily attributable to the continued recovery in both narrow-body and wide-body aircraft production and deliveries. The increase in defense sales is primarily attributable to slowly improving U.S. government defense spend outlays (though, in management's estimation, the current lag between spend authorizations and outlays remains longer than historical average levels).

Net sales for the Airframe segment increased $154 million, an increase of 26.6%, for the thirteen week period ended April 1, 2023 compared to the thirteen week period ended April 2, 2022. The sales increase resulted primarily from increases in organic sales in the commercial aftermarket ($65 million, an increase of 35.6%), commercial OEM ($50 million, an increase of 33.1%) and defense ($10 million, an increase of 4.4%). The increase in commercial aftermarket sales is primarily attributable to the continued recovery in commercial air travel demand and the resulting higher flight hours and utilization of aircraft in the second quarter of fiscal 2023 compared to fiscal 2022. The increase in commercial OEM sales is primarily attributable to the continued recovery in both narrow-body and wide-body aircraft production and deliveries. The increase in defense sales is primarily attributable to slowly improving U.S. government defense spend outlays (though, in management's estimation, the current lag between spend authorizations and outlays remains longer than historical average levels). Acquisition sales increased approximately $31 million for the thirteen week period ended April 1, 2023 due to the impact of the DART acquisition.

The change in Non-aviation net sales compared to the thirteen week period in the prior fiscal year was not material.

- ***EBITDA As Defined.*** 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 U.S. GAAP financial measure. EBITDA As Defined by segment for the thirteen week periods ended April 1, 2023 and April 2, 2022 were as follows (amounts in millions):

	Thirteen Week Periods Ended					
	April 1, 2023	% of Segment Net Sales	April 2, 2022	% of Segment Net Sales	Change	% Change
Power & Control	$ 452	55.4 %	$ 374	52.8 %	$ 78	20.9 %
Airframe	373	50.9 %	273	47.2 %	100	36.6 %
Non-aviation	17	39.5 %	14	35.0 %	3	21.4 %
Total segment EBITDA As Defined	842	52.9 %	661	49.8 %	181	27.4 %
Less: Unallocated corporate EBITDA As Defined	25	1.6 % (1)	28	2.1 % (1)	(3)	(10.7)%
Total Company EBITDA As Defined	$ 817	51.3 % (1)	$ 633	47.7 % (1)	$ 184	29.1 %

(1) Calculated as a percentage of consolidated net sales.

EBITDA As Defined for the Power & Control segment increased approximately $78 million, an increase of 20.9%, resulting from higher organic sales in the commercial aftermarket, commercial OEM and defense 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 ongoing inflationary environment for freight, labor and certain raw materials.

EBITDA As Defined for the Airframe segment increased approximately $100 million, an increase of 36.6%, resulting primarily from higher organic sales, particularly in the commercial aftermarket and commercial 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 ongoing inflationary environment for freight, labor and certain raw materials. EBITDA As Defined for the Airframe segment from acquisitions increased by $10 million due to the impact of the DART acquisition. EBITDA As Defined from acquisitions represents EBITDA As Defined from acquired businesses for the period up to one year subsequent to the respective acquisition date.

EBITDA As Defined for the Non-aviation segment increased approximately $3 million, an increase of 21.4% to the comparable period from the prior fiscal year.

Corporate expenses consist primarily of compensation, benefits, professional services and other administrative costs incurred by the corporate offices. An immaterial amount of corporate expenses is allocated to the operating segments. The decrease compared to the thirteen week period in the prior fiscal year was not material.

Twenty-six week period ended April 1, 2023 compared with the twenty-six week period ended April 2, 2022

Total Company

- ***Net Sales.*** Net organic sales and acquisition sales and the related dollar and percentage changes for the twenty-six week periods ended April 1, 2023 and April 2, 2022 were as follows (amounts in millions):

	Twenty-Six Week Periods Ended			
	April 1, 2023	April 2, 2022	Change	% Change Net Sales
Organic sales	$ 2,936	$ 2,521	$ 415	16.5 %
Acquisition sales	53	—	53	2.1 %
Net sales	$ 2,989	$ 2,521	$ 468	18.6 %

Organic sales represent net sales from existing businesses owned by the Company, excluding sales from acquisitions. Acquisition sales represent net sales from acquired businesses for the period up to one year subsequent to their respective acquisition date. We believe this measure provides investors with a supplemental understanding of underlying sales trends by providing sales growth on a consistent basis. Refer to Note 3, “Acquisitions,” in the notes to the condensed consolidated financial statements included herein for further information on the Company's recent acquisitions activity.

The increase in organic sales of $415 million for the twenty-six week period ended April 1, 2023 compared to the twenty-six week period ended April 2, 2022 is primarily related to increases in commercial aftermarket sales ($258 million, an increase of 35.9%), commercial OEM sales ($120 million, an increase of 22.4%) and defense sales ($45 million, an increase of 4.2%). The increase in commercial aftermarket sales is primarily attributable to the continued recovery in commercial air travel demand and the resulting higher flight hours and utilization of aircraft in the first half of fiscal 2023 compared to fiscal 2022. The increase in commercial OEM sales is primarily attributable to the continued recovery in both narrow-body and wide-body aircraft production and deliveries. The increase in defense sales is primarily attributable to slowly improving U.S. government defense spend outlays (though, in management’s estimation, the current lag between spend authorizations and outlays remains longer than historical average levels).

The acquisition sales for the twenty-six week period ended April 1, 2023 are attributable to the acquisition of DART, which was completed in the third quarter of fiscal 2022.

- ***Cost of Sales and Gross Profit.*** Cost of sales increased by $144 million, or 12.8%, to $1,268 million for the twenty-six week period ended April 1, 2023 compared to $1,124 million for the twenty-six week period ended April 2, 2022. Cost of sales and the related percentage of net sales for the twenty-six week periods ended April 1, 2023 and April 2, 2022 were as follows (amounts in millions):

	Twenty-Six Week Periods Ended			
	April 1, 2023	April 2, 2022	Change	% Change
Cost of sales - excluding costs below	$ 1,255	$ 1,136	$ 119	10.5 %
% of net sales	42.0 %	45.1 %		
Foreign currency losses (gains)	22	(2)	24	1,200.0 %
% of net sales	0.7 %	(0.1)%		
Non-cash stock and deferred compensation expense	8	8	—	— %
% of net sales	0.3 %	0.3 %		
Inventory acquisition accounting adjustments	2	1	1	100.0 %
% of net sales	0.1 %	— %		
Acquisition integration costs	—	1	(1)	(100.0)%
% of net sales	— %	— %		
Loss contract amortization	(19)	(20)	1	5.0 %
% of net sales	(0.6)%	(0.7)%		
Total cost of sales	$ 1,268	$ 1,124	$ 144	12.8 %
% of net sales	42.4 %	44.6 %		
Gross profit (Net sales less Total cost of sales)	$ 1,721	$ 1,397	$ 324	23.2 %
Gross profit percentage (Gross profit / Net sales)	57.6 %	55.4 %		

Excluding the specific components to cost of sales listed above, the change in cost of sales during the twenty-six week period ended April 1, 2023 decreased as a percentage of net sales despite increased inflationary pressures. This was primarily driven by 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) coupled with fixed overhead costs incurred being spread over a higher production volume. A favorable sales mix, specifically, higher commercial aftermarket sales as a percentage of net sales compared to commercial OEM net sales also contributed to the gross profit as a percentage of net sales increasing by 2.2 percentage points to 57.6% for the twenty-six week period ended April 1, 2023 from 55.4% for the twenty-six week period ended April 2, 2022.

Regarding the specific components to cost of sales listed above, foreign exchange rates, particularly the U.S. dollar compared to the British pound and the euro, weakened in the first half of fiscal 2023 resulting in unfavorable movement. No other material movement in the components to cost of sales were identified.

- ***Selling and Administrative Expenses.*** Selling and administrative expenses increased by $16 million to $369 million, or 12.3% of net sales, for the twenty-six week period ended April 1, 2023 from $353 million, or 14.0% of net sales, for the twenty-six week period ended April 2, 2022. Selling and administrative expenses and the related percentage of net sales for the twenty-six week periods ended April 1, 2023 and April 2, 2022 were as follows (amounts in millions):

	Twenty-Six Week Periods Ended			
	April 1, 2023	April 2, 2022	Change	% Change
Selling and administrative expenses - excluding costs below	$ 296	$ 269	$ 27	10.0 %
% of net sales	9.9 %	10.7 %		
Non-cash stock and deferred compensation expense	69	74	(5)	(6.8)%
% of net sales	2.3 %	2.9 %		
Acquisition integration costs	3	5	(2)	(40.0)%
% of net sales	0.1 %	0.2 %		
Acquisition and divestiture transaction-related expenses	1	1	—	— %
% of net sales	— %	— %		
Bad debt expense	—	4	(4)	(100.0)%
% of net sales	— %	0.2 %		
Total selling and administrative expenses	$ 369	$ 353	$ 16	4.5 %
% of net sales	12.3 %	14.0 %		

Excluding the specific components to selling and administrative expenses listed above, selling and administrative expenses during the twenty-six week period ended April 1, 2023 improved as a percentage of net sales compared to the twenty-six week period in the prior fiscal year as a result of higher net sales and our continued strategic cost mitigation efforts.

- ***Amortization of Intangible Assets.*** Amortization of intangible assets was $68 million for the twenty-six week period ended April 1, 2023 compared to $69 million for the twenty-six week period ended April 2, 2022. The slight decrease in amortization expense of $1 million was due to the amortization expense recognized on intangible assets from the fiscal 2022 acquisition of DART being offset by sales order backlog recorded in connection with the Cobham Aero Connectivity ("CAC") acquisition (acquired January 2021) becoming fully amortized in the first half of fiscal 2022.

- ***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, finance leases and interest income. Interest expense-net increased $51 million, or 9.6%, to $581 million for the twenty-six week period ended April 1, 2023 from $530 million for the comparable twenty-six week period in the prior fiscal year. The increase in interest expense-net was primarily due to an increase in interest rates, particularly LIBOR, compared to the prior year, which adversely impacted the interest expense on the gross debt that is variable rate and not hedged via an interest rate swap or cap. This was partially offset by a $45 million increase in interest income. The weighted average interest rate for cash interest payments on total borrowings outstanding for the twenty-six week period ended April 1, 2023 was 6.2% compared to 5.1% for the twenty-six week period ended April 2, 2022.

- ***Refinancing Costs.*** Refinancing costs of $9 million incurred for the twenty-six week period ended April 1, 2023 were primarily related to third party fees incurred for the refinancing activity completed during the first and second quarter of fiscal 2023 as summarized in Note 10, "Debt," in the notes to the condensed consolidated financial statements included herein. No refinancing costs were incurred for the twenty-six week period ended April 2, 2022.

- ***Other Income.*** Other income was $3 million for the twenty-six week period ended April 1, 2023 compared to $8 million recorded for the twenty-six week period ended April 2, 2022. Other income for the twenty-six week period ended April 1, 2023 primarily related to the non-service related components of benefit costs on the Company's benefit plans. Other income for the thirteen week period ended April 2, 2022 primarily related to a final working capital settlement of $3 million received on the divestiture of the ScioTeq and TREALITY businesses and the non-service related components of benefit costs on the Company's benefit plans.

- ***Income Tax Provision.*** Income tax expense as a percentage of income before income taxes was approximately 23.5% for the twenty-six week period ended April 1, 2023 compared to 20.1% for the twenty-six week period ended April 2, 2022. The Company's higher effective tax rate for the twenty-six week period ended April 1, 2023 was 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 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 twenty-six week period ended April 1, 2023.

- ***Income from Discontinued Operations, net of tax.*** No income from discontinued operations, net of tax, was recorded for the twenty-six week period ended April 1, 2023. Income from discontinued operations, net of tax, was $1 million for the twenty-six week period ended April 2, 2022 and related to a final working capital settlement received on the divestiture of the Souriau-Sunbank Connection Technologies business.

- ***Net Income Attributable to TD Group.*** Net income attributable to TD Group increased $170 million, or 47.0%, to $532 million for the twenty-six week period ended April 1, 2023 compared to net income attributable to TD Group of $362 million for the twenty-six week period ended April 2, 2022, primarily as a result of the factors referenced above.

- ***Earnings per Share.*** Basic and diluted earnings per share from continuing operations was $8.65 for the twenty-six week period ended April 1, 2023 and $5.33 for the twenty-six week period ended April 2, 2022. 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 1, 2023. Net income attributable to TD Group for the twenty-six week period ended April 1, 2023 of $532 million was decreased by dividend equivalent payments of $38 million, or $0.67 per share, resulting in net income applicable to TD Group common stockholders of $494 million. Net income attributable to TD Group for the twenty-six week period ended April 2, 2022 of $362 million was decreased by dividend equivalent payments of $46 million, or $0.78 per share, resulting in net income applicable to TD Group common stockholders of $316 million.

Business Segments

- ***Segment Net Sales.*** Net sales by segment for the twenty-six week periods ended April 1, 2023 and April 2, 2022 were as follows (amounts in millions):

	Twenty-Six Week Periods Ended					
	April 1, 2023	% of Net Sales	April 2, 2022	% of Net Sales	Change	% Change
Power & Control	$ 1,541	51.6 %	$ 1,358	53.9 %	$ 183	13.5 %
Airframe	1,369	45.8 %	1,085	43.0 %	284	26.2 %
Non-aviation	79	2.6 %	78	3.1 %	1	1.3 %
Net sales	$ 2,989	100.0 %	$ 2,521	100.0 %	$ 468	18.6 %

Net sales for the Power & Control segment increased $183 million, an increase of 13.5%, for the twenty-six week period ended April 1, 2023 compared to the twenty-six week period ended April 2, 2022. The sales increase resulted primarily from increases in organic sales in the commercial aftermarket ($134 million, an increase of 35.6%), commercial OEM ($30 million, an increase of 11.7%) and defense ($36 million, an increase of 5.5%). The increase in commercial aftermarket sales is primarily attributable to the continued recovery in commercial air travel demand and the resulting higher flight hours and utilization of aircraft in the first half of fiscal 2023 compared to fiscal 2022. The increase in commercial OEM sales is primarily attributable to the continued recovery in both narrow-body and wide-body aircraft production and deliveries. The increase in defense sales is primarily attributable to slowly improving U.S. government defense spend outlays (though, in management's estimation, the current lag between spend authorizations and outlays remains longer than historical average levels).

Net sales for the Airframe segment increased $284 million, an increase of 26.2%, for the twenty-six week period ended April 1, 2023 compared to the twenty-six week period ended April 2, 2022. The sales increase resulted primarily from increases in organic sales in the commercial aftermarket ($124 million, an increase of 36.2%), commercial OEM ($89 million, an increase of 32.2%) and defense ($8 million, an increase of 2.0%). The increase in commercial aftermarket sales is primarily attributable to the continued recovery in commercial air travel demand and the resulting higher flight hours and utilization of aircraft in the first half of fiscal 2023 compared to fiscal 2022. The increase in commercial OEM sales is primarily attributable to the continued recovery in both narrow-body and wide-body aircraft production and deliveries. The slight increase in defense sales is primarily attributable to slowly improving U.S. government defense spend outlays (though, in management's estimation, the current lag between spend authorizations and outlays remains longer than historical average levels). Acquisition sales increased by $53 million for the twenty-six week period ended April 1, 2023 due to the impact of the DART acquisition.

The change in Non-aviation net sales compared to the twenty-six week period in the prior fiscal year was not material.

- ***EBITDA As Defined.*** 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 U.S. GAAP financial measure. EBITDA As Defined by segment for the twenty-six week periods ended April 1, 2023 and April 2, 2022 were as follows (amounts in millions):

	Twenty-Six Week Periods Ended					
	April 1, 2023	% of Segment Net Sales	April 2, 2022	% of Segment Net Sales	Change	% Change
Power & Control	$ 853	55.4 %	$ 703	51.8 %	$ 150	21.3 %
Airframe	685	50.0 %	499	46.0 %	186	37.3 %
Non-aviation	31	39.2 %	28	35.9 %	3	10.7 %
Total segment EBITDA As Defined	1,569	52.5 %	1,230	48.8 %	339	27.6 %
Less: Unallocated corporate EBITDA As Defined	53	1.8 % (1)	32	1.3 % (1)	21	65.6 %
Total Company EBITDA As Defined	$ 1,516	50.7 % (1)	$ 1,198	47.5 % (1)	$ 318	26.5 %

(1) Calculated as a percentage of consolidated net sales.

EBITDA As Defined for the Power & Control segment increased approximately $150 million, an increase of 21.3%, resulting from higher organic sales in the commercial aftermarket, commercial OEM and defense 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 ongoing inflationary environment for freight, labor and certain raw materials.

EBITDA As Defined for the Airframe segment increased approximately $186 million, an increase of 37.3%, resulting primarily from higher organic sales, particularly in the commercial aftermarket and commercial 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 ongoing inflationary environment for freight, labor and certain raw materials. EBITDA As Defined for the Airframe segment from acquisitions increased by $16 million due to the impact of DART. EBITDA As Defined from acquisitions represents EBITDA As Defined from acquired businesses for the period up to one year subsequent to the respective acquisition date.

The change in Non-aviation EBITDA as Defined compared to the twenty-six week period in the prior fiscal year was not material.

Corporate expenses consist primarily of compensation, benefits, professional services and other administrative costs incurred by the corporate offices. An immaterial amount of corporate expenses is allocated to the operating segments. The increase compared to the twenty-six week period in the prior fiscal year is primarily attributable to the deferred compensation plan adopted in the fourth quarter of fiscal 2022 for certain members of non-executive management and certain non-recurring transactions recorded in the first quarter of fiscal 2022.

Table of Contents

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 1, 2023	September 30, 2022
Selected Balance Sheet Data:		
Cash and cash equivalents	$ 3,418	$ 3,001
Working capital (Total current assets less total current liabilities)	4,934	4,223
Total assets [(1)]	20,008	18,107
Total debt [(1)]	20,861	19,795
TD Group stockholders’ deficit	(2,901)	(3,773)

(1) Total assets include the proceeds from the $1,100 million in 6.75% senior secured notes due 2028 (the “$1,100 million 2028 Secured Notes”) classified as restricted cash as they were used to redeem the 8.00% senior secured notes due 2025 (the “2025 Secured Notes”) on April 10, 2023 (redemption notification was issued in March 2023). Total debt includes the 2025 Secured Notes and also $184 million in debt issuance costs, 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 1, 2023	April 2, 2022
Selected Cash Flow and Other Financial Data:		
Cash flows provided by (used in):		
Operating activities	$ 507	$ 366
Investing activities	(76)	(54)
Financing activities	1,068	(872)
Capital expenditures	66	57
Ratio of earnings to fixed charges [(1)]	2.2x	1.8x

(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.

The Company continues to strategically manage its cash and cash equivalents. 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.

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 pandemic.

In the first half of fiscal 2023, the Company refinanced approximately $8,384 million of its gross debt to extend maturity dates, reduce interest rates (in the case of refinancing the $1,100 million of 2025 Secured Notes) and transition the benchmark rate of our variable rate debt from based on LIBOR to Term Secured Overnight Financing Rate (“Term SOFR”). As a result of the refinancing activity, the maturity dates of the impacted term loans and notes were extended until fiscal years 2027 and 2028.

In connection with the refinancing activity during the first half of fiscal 2023, we entered into forward starting interest rate collar agreements aggregating to a notional amount of $1,600 million. For the remaining $4,700 million notional amount of interest rate swaps and cap, we entered into LIBOR to Term SOFR basis interest rate swap and cap transactions to effectively convert our existing swaps and cap from LIBOR-based to Term SOFR-based. The basis swaps and cap offset the LIBOR exposure of the existing swaps and cap and effectively fix the Term SOFR rate for the notional amount.

The Company's objective is to maintain an allocation of at least 75% fixed rate and 25% variable rate debt thereby limiting its exposure to changes in near-term interest rates. Interest rate swaps, caps and collars used to hedge and offset, respectively, the variable interest rates on our term loans are further described in Note 13, “Derivatives and Hedging Activities,” in the notes to the condensed consolidated financial statements included herein. As of April 1, 2023, over 75% of our gross debt is at a fixed rate.

As of April 1, 2023, the Company has significant cash liquidity as illustrated in the table presented below (in millions):

	As of April 1, 2023
Cash and cash equivalents	$ 3,418
Availability on revolving credit facility	779
Cash liquidity [(1)]	$ 4,197

[(1)] Excludes the proceeds from the $1,100 million 2028 Secured Notes used to redeem the 2025 Secured Notes on April 10, 2023 (redemption notification was issued in March 2023). Refer to Note 10, “Debt,” in the notes to the condensed consolidated financial statements included herein for further information.

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 March 2026.

We used existing cash on hand to fund the approximately $725 million acquisition of Calspan Corporation (“Calspan”), which was completed on May 8, 2023.

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 continue to have the financial flexibility to focus on effective capital allocation, which includes making strategic business acquisitions, pay dividends to our shareholders and make opportunistic investments in our own stock.

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 $507 million of net cash from operating activities during the twenty-six week period ended April 1, 2023 compared to $366 million during the twenty-six week period ended April 2, 2022.

The change in accounts receivable during the twenty-six week period ended April 1, 2023 was a use of cash of $33 million compared to a use of cash of $8 million during the twenty-six week period ended April 2, 2022. The increase in the use of cash of $25 million is primarily attributable to the increase in sales volume and related timing of cash receipts. The Company continues to actively manage its accounts receivable, the related agings and collection efforts.

The change in inventories during the twenty-six week period ended April 1, 2023 was a use of cash of $176 million compared to a use of cash of $62 million during the twenty-six week period ended April 2, 2022. The increase in the use of cash of $114 million is primarily driven by increased purchasing from higher demand in fiscal 2023 as raw materials inventory increased approximately $196 million compared to at April 2, 2022. The Company also continues to actively and strategically manage inventory levels in response to the ongoing supply chain challenges.

The change in accounts payable during the twenty-six week period ended April 1, 2023 was a source of cash of $6 million compared to a source of cash of $13 million during the twenty-six week period ended April 2, 2022. The change is due to the timing of payments to suppliers.

Investing Activities. Net cash used in investing activities was $76 million during the twenty-six week period ended April 1, 2023, consisting of capital expenditures of $66 million and the remaining $10 million cash payment due for a certain product line acquired at the end of fiscal 2022.

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.

Financing Activities. Net cash provided by financing activities was $1,068 million during the twenty-six week period ended April 1, 2023. The source of cash was primarily attributable to the total net proceeds from the issuance of Tranche H and Tranche I term loans of $6,235 million, net proceeds of $2,066 million from the completion of the 2028 Secured Notes offering and $119 million in proceeds from stock option exercises. This was primarily offset by repayments on term loans of $7,303 million, which consists of the full repayment of the existing principal for the Tranche E, Tranche F and Tranche G term loans ($7,284 million), plus normal course principal payments on the Tranche E, Tranche F and Tranche H term loans ($19 million), dividend equivalent payments of $38 million and other financing fees of $11 million.

Net cash used in financing activities was $872 million during the twenty-six week period ended April 2, 2022. The use of cash was primarily attributable to $667 million in common stock repurchases, a $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.

Contractual Obligations

We have future obligations under various contracts relating to debt and interest payments, finance and operating leases, pension and postretirement benefit plans and purchase obligations. During the twenty-six week period ended April 1, 2023, other than the refinancing activity further described in Note 10, “Debt,” in the notes to the condensed consolidated financial statements included herein, there were no material changes to these obligations as reported in our Annual Report on Form 10-K for the fiscal year ended September 30, 2022.

Description of Senior Secured Term Loans and Indentures

Senior Secured Credit Facilities

On December 14, 2022, the Company entered into Amendment No. 10, Loan Modification Agreement and Refinancing Facility Agreement (herein, “Amendment No. 10”) to the Second Amended and Restated Credit Agreement dated as of June 4, 2014 (the “Credit Agreement”). Under the terms of Amendment No. 10, the Company, among other things, repaid in full its existing approximately $1,725 million in Tranche G term loans maturing August 22, 2024 and replaced such loans with approximately $1,725 million in Tranche H term loans maturing February 22, 2027. The Tranche H term loans bear interest at Term SOFR plus 3.25% compared to the former Tranche G term loans which bore interest at LIBOR plus 2.25%. The Tranche H term loans were issued at a discount of 2.00%, or approximately $34.5 million. The Tranche H term loans were fully drawn on December 14, 2022 and the other terms and conditions that apply to the Tranche H term loans are substantially the same as the terms and conditions that applied to the term loans immediately prior to Amendment No. 10.

On February 24, 2023, the Company entered into Amendment No. 11, Loan Modification Agreement and Refinancing Facility Agreement (herein, “Amendment No. 11”), to the Credit Agreement. Under the terms of Amendment No. 11, the Company, among other things, repaid in full its existing approximately $2,149 million in Tranche E term loans maturing May 30, 2025 and approximately $3,410 million in Tranche F term loans maturing December 9, 2025 and replaced such loans with approximately $4,559 million in Tranche I term loans maturing August 24, 2028 and the $1,000 million 2028 Secured Notes further described below. The Tranche I term loans bear interest at Term SOFR plus 3.25% compared to the former Tranche E and Tranche F term loans which bore interest at LIBOR plus 2.25%. The Tranche I term loans were issued at a discount of 0.25%, or approximately $11.4 million. The Tranche I term loans were fully drawn on February 24, 2023 and the other terms and conditions that apply to the Tranche I term loans are substantially the same as the terms and conditions that applied to the term loans immediately prior to Amendment No. 11.

As of April 1, 2023, TransDigm has $6,278 million in fully drawn term loans (the “Term Loans Facility”) and an $810 million revolving credit facility. The Term Loans Facility consists of two tranches of term loans as follows (aggregate principal amount disclosed is as of April 1, 2023):

Term Loans Facility	Aggregate Principal	Maturity Date	Interest Rate
Tranche H	$1,719 million	February 22, 2027	Term SOFR plus 3.25%
Tranche I	$4,559 million	August 24, 2028	Term SOFR plus 3.25%

The Term Loans Facility requires quarterly aggregate principal payments of $16 million. The revolving commitments consist of two tranches which include up to $152 million of multicurrency revolving commitments. At April 1, 2023, the Company had $31 million in letters of credit outstanding and $779 million in borrowings available under the revolving commitments. Draws on the revolving commitments are subject to an interest rate of 2.50% per annum. The unused portion of the revolving commitments is subject to a fee of 0.5% per annum.

The interest rates per annum applicable to the Tranche H and Tranche I term loans under the Credit Agreement are, at TransDigm's option, equal to either an alternate base rate or an adjusted Term SOFR for one, three or six-month interest periods chosen by TransDigm, in each case plus an applicable margin percentage. The adjusted Term SOFR related to the Tranche H and Tranche I term loans are not subject to a floor. For the twenty-six week periods ended April 1, 2023 and April 2, 2022, the applicable interest rate was approximately 7.83% and 2.71%, respectively, on the existing term loans.

Refer to Note 13, "Derivatives and Hedging Activities," in the notes to the condensed consolidated financial statements included herein for information about how our interest rate swaps, cap and collar agreements are used to hedge and offset, respectively, the variable interest rates on the Credit Agreement.

Indentures

The following table represents the senior subordinated and secured notes outstanding as of April 1, 2023:

Description	Aggregate Principal	Maturity Date	Interest Rate
2025 Secured Notes (1)	$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%
2028 Secured Notes (1)	$2,100 million	August 15, 2028	6.75%
4.625% 2029 Notes	$1,200 million	July 15, 2029	4.625%
4.875% 2029 Notes	$750 million	October 15, 2029	4.875%

(1) In the second quarter of fiscal 2023, the Company entered into a purchase agreement in connection with the private offerings of $1,000 million and $1,100 million in aggregate principal of 2028 Secured Notes. The 2025 Secured Notes were redeemed on April 10, 2023 using proceeds from the 2028 Secured Notes. As the notification of redemption was made in March 2023, the 2025 Secured Notes obligation is classified as current portion of long-term debt on the condensed consolidated balance sheet as of April 1, 2023. Refer to Note 10, "Debt," in the notes to the condensed consolidated financial statements included herein for additional details.

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" which, along with the TransDigm Inc. Notes, are collectively referred to as the "Notes," 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 million. The 2025 Secured Notes were issued at a price of 100% of the principal amount. The initial $3,800 million offering of the 2026 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 $4,411 million. The initial $1,000 million offering of the 2028 Secured Notes and the subsequent $1,100 million offering of the 2028 Secured Notes (which, along with the 2025 Secured Notes and 2026 Secured Notes, are collectively referred to as the "Secured Notes") in the second quarter of fiscal 2023 were issued at a price of 100% and 99%, respectively, of their principal amount, resulting in gross proceeds of $2,089 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 (as defined in the applicable Indentures). 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 Inc.'s Domestic Restricted 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 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 1, 2023**
Current assets	$ 5,529
Goodwill	6,853
Other non-current assets	2,779
Current liabilities	1,818
Non-current liabilities	20,005
Amounts (from) due to subsidiaries that are non-issuers and non-guarantors - net	(1,443)

(in millions)	**Twenty-Six Week Period Ended April 1, 2023**
Net sales	$ 2,329
Sales to subsidiaries that are non-issuers and non-guarantors	17
Cost of sales	918
Expense from subsidiaries that are non-issuers and non-guarantors - net	20
Income from continuing operations	358
Net income attributable to TD Group	358

Certain Restrictive Covenants in Our Debt Documents

The Credit Agreement and the Indentures governing the Notes and Secured 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. 11, executed on February 24, 2023.

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 and Secured 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 and the holders of the Secured Notes 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 $284 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 1, 2023, 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 Receivable 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 25, 2022, the Company amended the Securitization Facility to, among other things, extend the maturity date to July 25, 2023 and bear interest at a rate of Term SOFR plus 1.30%, compared to an interest rate of LIBOR plus 1.20% 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 1, 2023, the Company has borrowed $350 million under the Securitization Facility, which is fully drawn. For the twenty-six week periods ended April 1, 2023 and April 2, 2022, the applicable interest rate was 5.36% and 1.41%, respectively.

Dividend and Dividend Equivalent Payments

No dividends were declared in the first half of fiscal 2023. Pursuant to the Fourth Amended and Restated TransDigm Group Incorporated 2006 Stock Incentive Plan Dividend Equivalent Plan, the Amended and Restated 2014 Stock Option Plan Dividend Equivalent Plan and the 2019 Stock Option Plan Dividend Equivalent Plan, all of the options granted under the existing stock option plans, except for grants to the members of the Board of Directors, are entitled to certain dividend equivalent payments in the event of the declaration of a dividend by the Company. In August 2022, all members of the Board of Directors executed amendments to their option agreements resulting in the directors no longer receiving dividend equivalent payments in cash, but rather for dividends declared after June 1, 2022, dividends result in a reduction of strike price on the outstanding options held by the directors.

Dividend equivalent payments are made during the Company's first fiscal quarter each year and also upon payment of any dividends declared within the current fiscal year. Total dividend equivalent payments in the first quarter of fiscal 2023 were approximately $38 million.

Any future declaration of special cash dividends on our common stock 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 Credit Agreement 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 Term Loans Facility and Indentures and may be limited by future debt or other agreements that we may enter into.

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 1, 2023, the Company had $31 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 1, 2023	April 2, 2022	April 1, 2023	April 2, 2022
Income from continuing operations	$ 304	$ 199	$ 533	$ 362
Adjustments:				
Depreciation and amortization expense	65	62	129	127
Interest expense, net	295	266	581	530
Income tax provision	93	61	164	91
EBITDA	757	588	1,407	1,110
Adjustments:				
Acquisition and divestiture transaction-related expenses and adjustments [1]	3	3	6	8
Non-cash stock and deferred compensation expense [2]	42	45	77	82
Refinancing costs [3]	5	—	9	—
Other, net [4]	10	(3)	17	(2)
EBITDA As Defined	$ 817	$ 633	$ 1,516	$ 1,198

(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 and deferred compensation plans.

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

(4) Primarily represents foreign currency transaction (gains) or losses, payroll withholding taxes related to dividend equivalent payments and stock option exercises, non-service related pension costs, deferred compensation payments and, for fiscal 2022, proceeds received from a final working capital settlement for the ScioTeq and TREALITY divestiture.

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 1, 2023	April 2, 2022
Net cash provided by operating activities	$ 507	$ 366
Adjustments:		
Changes in assets and liabilities, net of effects from acquisitions and sales of businesses	242	201
Interest expense, net [1]	561	513
Income tax provision - current	164	92
Loss contract amortization	19	20
Non-cash stock and deferred compensation expense [2]	(77)	(82)
Refinancing costs [3]	(9)	—
EBITDA	1,407	1,110
Adjustments:		
Acquisition and divestiture transaction-related expenses and adjustments [4]	6	8
Non-cash stock and deferred compensation expense [2]	77	82
Refinancing costs [3]	9	—
Other, net [5]	17	(2)
EBITDA As Defined	$ 1,516	$ 1,198

(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 and deferred compensation 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) Primarily represents foreign currency transaction (gains) or losses, payroll withholding taxes related to dividend equivalent payments and stock option exercises, non-service related pension costs, deferred compensation payments and, for fiscal 2022, proceeds received from a final working capital settlement for the ScioTeq and TREALITY divestiture.

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 Term Loans 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, 2022, filed on November 10, 2022). These market risks have not materially changed for the second quarter of fiscal year 2023.

ITEM 4. CONTROLS AND PROCEDURES

As of April 1, 2023, 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 Executive Vice President 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 Executive Vice President 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 Executive Vice President 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 1, 2023, 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 17, "Commitments and Contingencies," in the notes to the condensed consolidated financial statements included 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, 2022, filed on November 10, 2022. 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, 2022, filed on November 10, 2022. 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

On January 27, 2022, the Board of Directors of the Company 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 Credit Agreement and/or Indentures governing the Company's existing Notes. There is no expiration date for this program. During fiscal year 2022, the Company repurchased 1,490,413 shares of common stock at an average price of $612.13 per share for a total amount of $912 million, of which 1,046,815 shares of common stock were repurchased during the second quarter of fiscal 2022 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.

No repurchases were made under the program in the first half of fiscal 2023. As of April 1, 2023, $1,288 million remains available for repurchase under the $2,200 million stock repurchase program.

ITEM 6. EXHIBITS

Exhibit No.	Description	Filed Herewith or Incorporated by Reference From
4.1	Indenture, dated as of February 24, 2023, among TransDigm Inc., as issuer, TransDigm Group Incorporated, as a guarantor, the subsidiary guarantors party thereto, The Bank of New York Mellon Trust Company, N.A., as trustee and US collateral agent, and The Bank of New York Mellon, as UK collateral agent, relating to TransDigm Inc.'s 6.75% Senior Secured Notes due 2028	Incorporated by reference to TransDigm Group Incorporated's Form 8-K, filed February 24, 2023 (File No. 001-32833)
4.2	First Supplemental Indenture, dated as of March 9, 2023, among TransDigm Inc., as issuer, TransDigm Group Incorporated, as a guarantor, the subsidiary guarantors party thereto, The Bank of New York Mellon Trust Company, N.A., as trustee and US collateral agent, and The Bank of New York Mellon, as UK collateral agent, relating to TransDigm Inc.'s 6.75% Senior Secured Notes due 2028	Incorporated by reference to TransDigm Group Incorporated's Form 8-K, filed March 9, 2023 (File No. 001-32833)
10.1	Amendment No. 11, Loan Modification Agreement and Refinancing Facility Agreement, dated February 24, 2023, to the Second Amended and Restated Credit Agreement, dated June 4, 2014, among TransDigm Inc., TransDigm Group Incorporated, each subsidiary of TransDigm Inc. party thereto, the lenders party thereto, and Goldman Sachs Bank USA, as administrative agent and collateral agent for the lender**	Incorporated by reference to TransDigm Group Incorporated's Form 8-K, filed February 24, 2023 (File No. 001-32833)
10.2	TransDigm Group Incorporated 2019 Stock Option Plan Dividend Equivalent Plan*	Filed Herewith
10.3	Separation and Consulting Agreement, dated February 3, 2023, between TransDigm Group Incorporated and Halle Martin*	Filed Herewith
10.4	Employment Agreement, dated February 6, 2023, between TransDigm Group Incorporated and Jessica Warren*	Filed Herewith
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 Inveractive 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

* Indicates management contract or compensatory plan contract or arrangement.

** Schedules and exhibits have been omitted pursuant to Item 601(a)(5) of Regulation S-K. The Company hereby undertakes to furnish on a supplemental basis a copy of any omitted schedule or exhibit upon request by the Securities and Exchange Commission.

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 9, 2023
/s/ Michael Lisman Michael Lisman	Executive Vice President and Chief Financial Officer (Principal Financial Officer)	May 9, 2023

Exhibit 10.2

TRANSDIGM GROUP INCORPORATED
2019 STOCK OPTION PLAN DIVIDEND EQUIVALENT PLAN

Section 1. PURPOSE

The purpose of this Plan is to provide certain participants in the Company's 2019 Stock Option Plan with the right to receive dividend equivalent payments in the event that a dividend is declared by the Company in connection with a recapitalization or a similar corporate event.

Section 2. DEFINITIONS

(a) "Affiliate" means any parent corporation or subsidiary corporation of the Company, whether now or hereafter existing, as those terms are defined in Section 424(e) and (f), respectively, of the Code.

(b) "Board" means the Board of Directors of the Company.

(c) "Code" means the Internal Revenue Code of 1986, as amended.

(d) "Committee" means the Compensation Committee of the Board.

(e) "Company" means TransDigm Group Incorporated, a Delaware corporation.

(f) "Corporate Transaction" means a transaction that qualifies as a "corporate transaction" for purposes of Treasury Regulation Section 1.409A-1(b)(5)(v)(D).

(g) "Option" means an option to purchase common stock of the Company under the 2014 Stock Option Plan.

(h) "Participant" means a person or entity to whom an Option is granted pursuant to the 2014 Stock Option Plan or, if applicable, such other person or entity who holds an outstanding Option.

(i) "Plan" means the TransDigm Group Incorporated Dividend Equivalent Plan, as the same may be amended from time to time.

(j) "2019 Stock Option Plan" means the TransDigm Group Incorporated 2019 Stock Option Plan, as the same may be amended from time to time.

Section 3. ADMINISTRATION

(a) General. The Plan shall be administered by the Committee.

(b) Powers of the Committee. Subject to the provisions of the Plan, the Committee shall have sole authority, in its absolute discretion: (i) to construe and interpret the Plan, and to establish, amend and revoke rules and regulations for its administration; (ii) to amend the Plan as provided in Section 5(a); and (iii) to exercise such powers and to perform such acts as the Committee deems necessary or expedient to promote the best interests of the Company which are not in conflict with the provisions of the Plan. Notwithstanding any other provision of the Plan, any action required or permitted to be taken by the Committee may be taken by the Board.

(c) Committee Determinations. All determinations, interpretations and constructions made by the Committee in good faith shall not be subject to review by any person or entity and shall be final, binding and conclusive on all persons and entities.

Section 4. PAYMENT OF DIVIDEND EQUIVALENT

(a) Dividend Equivalents. If the Company declares a dividend on common stock of the Company, Participants shall be eligible to receive a cash dividend equivalent payment or a reduction of the exercise price of unvested Options as follows:

(i) Vested Options. Participants who hold vested Options on the ex-dividend date with respect to any such dividend shall be eligible to receive a cash dividend equivalent payment equal to the amount that such Participant would otherwise have been entitled to receive had his or her vested Option been fully exercised immediately prior to such ex-dividend date. The cash dividend equivalent payment shall be paid to Participants eligible for such payments under this Section 4(a)(i) no later than the later of (A) December 31 of the year in which the dividend is declared or (B) two and one-half (2 1/2) months following end of the calendar month in which the dividend is declared by the Company dividend is declared by the Company in accordance with this Section 4(a).

(ii) Unvested Options. If the Company declares such dividend, Participants who hold unvested Options on the record date with respect to such dividend shall be eligible to receive a cash dividend equivalent payment equal to the amount that such Participant would otherwise have been entitled to receive had his or her unvested Option been fully vested and exercised immediately prior to such record date; provided that such cash dividend equivalent amount shall not be paid to any such Participant until the date such Option vests pursuant to the terms set forth in such Participant's applicable Option agreement and no later than two and one-half (2 1/2) months following the calendar year in which the Option vests. In no event shall a cash dividend equivalent payment be tied to or otherwise dependent upon the exercise of an Option.

(b) Taxes. Dividend equivalent payments made in accordance with subsection (a) shall be subject to withholding of all applicable taxes.

(c) Section 409A. The dividend equivalent payments made in accordance with subsection (a) are not intended to constitute "nonqualified deferred compensation" within the meaning of Section 409A of the Code. Notwithstanding any provision of the Plan to the contrary, in the event that the Committee determines that any dividend equivalent payments may be subject to Section 409A of the Code, the Committee may adopt such amendments to the Plan or take any other actions that the Committee determines are necessary or appropriate to (i) exempt such dividend equivalent payment from Section 409A of the Code or (ii) comply with the requirements of Section 409A of the Code and thereby avoid the application of penalty taxes thereunder. To the extent that any dividend equivalent payments are deemed to be subject to Section 409A of the Code, the Plan will be interpreted to comply with Section 409A of the Code and the Department of Treasury Regulations and other interpretive guidance issued thereunder.

Section 5. MISCELLANEOUS

(a) Amendment of Plan. The Committee at any time, and from time to time, may amend the Plan.

(b) Termination or Suspension of the Plan. The Committee may suspend or terminate the Plan at any time. Unless sooner terminated, the Plan shall terminate on the first business day following the later to occur of (i) the date on which the 2014 Stock Option Plan is terminated, or (ii) the date on which no Options are outstanding under the 2014 Stock Option Plan.

(c) Effective Date of the Plan. The Plan shall be effective as of January 26, 2023.

(d) Governing Law. The Plan shall be governed by and construed in accordance with the internal laws of the State of Delaware without reference to the principles of conflicts of laws thereof.

(e) Reliance on Reports. Each member of the Committee and each member of the Board shall be fully justified in relying, acting or failing to act, and shall not be liable for having so relied, acted or failed to act in good faith, upon any report made by the independent public accountant of the Company and its Affiliates and upon any other information furnished in connection with the Plan by any person or persons other than himself.

(f) Titles and Headings. The titles and headings of the sections in the Plan are for convenience of reference only, and in the event of any conflict, the text of the Plan, rather than such titles or headings shall control.

Exhibit 10.3

SEPARATION AND CONSULTING AGREEMENT

This Agreement is entered into by TransDigm Inc. (“Company”) and Halle Martin (“Executive”).

WHEREAS, Executive’s employment with Company ceased on February 3, 2023;

WHEREAS, Company and Executive desire to set forth the benefits to which Executive will be entitled from Company in connection with the cessation of her employment with Company and her execution and non-revocation of a satisfactory release;

WHEREAS, Company and Executive desire to set forth the terms and conditions upon which Executive will providing consulting services to Company during a transition period following the Separation Date; and

WHEREAS, Company and Executive wish to resolve and settle all matters, claims and issues between them, including, without limitation, Executive’s separation from employment with Company.

NOW, THEREFORE, in consideration of the promises and agreements contained herein and other good and valuable consideration, the sufficiency of which is hereby acknowledged, and intending to be legally bound, Company and Executive hereby agree as follows:

ARTICLE I
TERMS

Section 1.01 (a) <u>Retirement; Treatment of Options; No Other Benefits</u>. Executive’s last date of employment was February 3, 2023 (the “Separation Date”) by way of her retirement.

(b) <u>Treatment of Options</u>. Notwithstanding the provisions of the applicable Option Agreements between TransDigm Group Incorporated (“TGI”) and Executive: (i) 60% of the unvested options granted on November 15, 2019 shall be permitted to continue to vest in accordance with their terms after the Separation Date and 20% of the unvested options granted on November 12, 2021 shall be permitted to continue to vest in accordance with their terms after the Separation Date and any other unvested options shall terminate as of the Separation Date; and (ii) all of Executive’s options that are vested as of the Separation Date or vest after the Separation Date pursuant to clause (i) will remain exercisable under the expiration date set forth in the applicable Option Agreement.

(c) <u>No Other Benefits</u>. Executive shall not be entitled to severance or other post-employment payments. Unless otherwise provided in this Agreement, all of the insurance and other benefit programs which covered Executive and/or her eligible dependents terminate as of the Separation Date, except that Executive’s medical (including pharmacy, SurgeryPlus and health savings account), dental and vision coverage will continue until February 28, 2023 in accordance with the terms of the applicable plan(s). Executive retains any vested interest(s) Executive may otherwise have under any qualified retirement plan(s) of Company, which interest(s) shall be available to Executive subject to the terms and conditions of such plan(s) and applicable law.

ARTICLE II
RELEASE AND RESOLUTION

Section 2.01 Release. Executive, for herself, and for her heirs, successors, administrators, executors, legal representatives and assigns, does hereby settle, release, acquit and forever discharge Company and its predecessors, successors, parents, subsidiaries, divisions, affiliated entities and their respective officers, shareholders, directors, agents, employees, insurers, sureties, attorneys, representatives and assigns of and from any and all actions, suits, debts, claims, liabilities, damages, demands, costs, fees (including attorney fees), and expenses whatsoever, whether at law or in equity, whether known or unknown, arising prior to and up to and including the date Executive signs this Agreement. This release includes, but is not limited to: (i) all claims, demands and causes of action arising out of or in any way related to Executive's employment and/or separation from employment with Company including, without limiting the generality of the foregoing, any actions sounding in tort, contract (expressed or implied), any claim for promissory estoppel, emotional distress, pain and suffering, punitive damages, wrongful discharge, violation of public policy, discrimination, harassment or retaliation of any kind, any claim for wages, and/or causes of action arising under federal, state or local laws prohibiting age, sex, religion, national origin, disability, genetic information, race or any other forms of discrimination, harassment or retaliation, including, but not limited to, the Age Discrimination in Employment Act (ADEA), Title VII of the Civil Rights Act of 1964, the Americans with Disabilities Act, the Family and Medical Leave Act, the Genetic Information Nondiscrimination Act, the Ohio Civil Rights Act, or any other state civil rights statutes and/or claims growing out of any legal restrictions, if any, on an employer's right to terminate its employees; or (ii) out of any act, failure to act, transaction or other occurrence of any sort arising on or prior to the date Executive signs this Agreement. Excluded from this Agreement are: (i) claims to interpret or enforce this Agreement; (ii) claims under applicable workers compensation statutes; (iii) claims that may arise after the date Executive signs this Agreement; and (iv) any claims which by law cannot be waived or released.

Section 2.02 No Admission of Liability. The parties agree that: (i) this Agreement and Executive's resignation is a means of amicably resolving any differences relating to Executive's employment and separation from employment; (ii) this Agreement is not intended to be, and should not be construed as, an admission of liability on the part of Company or Executive; and (iii) this Agreement was proposed and entered into as an accommodation solely for the purpose of amicably resolving all issues arising out of Executive's employment and separation from employment with Company.

Section 2.03 Not Otherwise Entitled to Consideration. Executive further acknowledges that the consideration provided in this Agreement is solely in exchange for the promises she is making in this Agreement and that she is not otherwise entitled to receive the consideration provided for in this Agreement. By signing this Agreement, Executive expressly waives any claims to compensation under Section 6 of her Employment Agreement dated November 5, 2018, as amended.

ARTICLE III
TIME TO CONSIDER/ADVISED TO CONSULT ATTORNEY

Section 3.01 Time to Consider/Advised to Consult an Attorney. Executive acknowledges she has been given a period of twenty-one (21) days to consider the terms of this Agreement and the Release before she signs them. Executive is advised to consult with an attorney of her choice prior to signing this Agreement and the Release, and acknowledges that she is an attorney and if she wished to consult with another attorney, she has done so.

Section 3.02 Effectiveness of Agreement. This Agreement shall become effective seven calendar days after Executive has signed it. Prior to the expiration of the seven-day period, Executive has the right to revoke this Agreement by delivering written notice of revocation to Company c/o Kevin Stein, TransDigm Inc., 1301 E. Ninth St., Suite 3000, Cleveland, Ohio 44114, before the seven-day period ends. If Executive does not revoke this Agreement after signing it and within the seven-day revocation period, this Agreement shall become effective upon the expiration of the revocation period.

ARTICLE IV
NON-DISPARAGEMENT

Section 4.01 Non-Disparagement. Executive further agrees that she will not, directly or indirectly, make or cause to be made any statement to any third party criticizing or disparaging any of the Released Parties or their products and services. Company agrees that no officer of Company will make any statement regarding the reasons for Executive's separation from employment, other than that Executive retired. Any request for a reference on behalf of Employee shall be directed to Company's Chief Executive Officer and such person will respond to such request for reference by confirming Employee's dates of employment, position held and if requested, final compensation, and by making a nondisparaging statement about Executive's performance.

ARTICLE V
NO OTHER PAYMENTS

Section 5.01 No Other Payments. Other than the consideration described in this Agreement, Executive acknowledges and agrees that (i) she is not entitled to any severance or other post-employment payments and (ii) she has not earned, and is not eligible for, any other monies, bonuses, commissions or other unpaid compensation from Company.

ARTICLE VI
COMPANY CONFIDENTIAL INFORMATION

Section 6.01 Company Confidential Information. Executive acknowledges that as an employee of Company, she acquired valuable and confidential knowledge, including but not limited to information relating to Company's financial status, business requirements, marketing sources, product designs, ideas, discoveries, creations, developments, improvements, and/or processes ("Confidential Information"), which is very valuable to Company. Executive also acknowledges that she may acquire Confidential Information after the Separation Date pursuant to the consultation and cooperation provisions hereof. Executive agrees not to disclose to or use with any person or entity, any Confidential Information.

Section 6.02 Federal Defend Trade Secrets Act of 2016 - Immunity Notice. Notice is hereby provided to Executive that nothing in this Agreement shall prohibit, and Company will not retaliate against Executive and Executive cannot be held criminally or civilly liable under any Federal or State trade secret law for: (a) disclosure of a trade secret to a governmental entity solely for the purpose of reporting or investigating a suspected violation of law, or in a complaint or other document filed in a lawsuit or other proceeding if such filing is made under seal; or (b) disclosure of a trade secret to Executive's attorney or in a court document under seal in connection with a lawsuit Executive files for retaliation by Company for reporting a suspected violation of law.

ARTICLE VII
RETURN OF COMPANY PROPERTY; RESIGNATION OF POSITIONS

Section 7.01 Return of Property/Passwords/User ID. Executive has returned all Company property in her possession. Such property includes, but is not limited to, any Company equipment, keys, Company credit cards, Company records, files, lists and/or any other materials prepared by her or any other Company employee which relate in any way to Company; provided, however, that Executive may retain her cell phone, laptop computer, keyboard and monitor, for purposes of providing the Services in accordance with Article VIII. After the conclusion of these Services, Executive shall remove any confidential information of Company or its affiliates on such devices. Executive may retain these devices after such confidential information is removed from them. Executive also agrees to immediately provide Company with a written list (identified by Company computer/program/system) of all passwords and any user IDs, if any, Executive used while operating Company equipment when in employ of Company.

Section 7.02 Resignation of Positions. Executive hereby resigns, effective as of the date hereof, as a director and/or officer of Company, TGI and any and all direct and indirect subsidiaries of Company and TGI. Executive shall cooperate with Company or any such subsidiary in any documentation required to evidence or effect such resignation.

ARTICLE VIII
CONSULTATION AND COOPERATION; INDEMNIFICATION

Section 8.01 Consultation and Cooperation.

(a) Company hereby engages Executive to provide consulting services after the Separation Date through the first anniversary of the Separation Date, and Executive hereby accepts such engagement, as an independent contractor to provide legal services on an as-needed basis to the Company under the general direction of the Company's Chief Executive Officer or General Counsel on the terms and conditions set forth in this Article VIII (the "Services"); provided, that the services shall not unreasonably interfere with new employment or other obligations or activities which Executive may undertake. Company shall not unreasonably control the manner or means by which Executive performs the Services, including but not limited to the time and place Executive performs the Services. Executive will advise the Company's Chief Executive Officer or General Counsel of matters that may reasonably be expected to require substantial amounts of time and any non-routine matters that may be particularly sensitive or entail unusual risks to the Company.

(b) As full compensation for the Services and the rights granted to Company in this Article VIII, Company shall pay Executive $1,000 per hour of Services performed. Executive shall invoice Company monthly, with reasonably detail of Services performed, and Company will provide payment promptly absent a good faith dispute (in the event of such a dispute, the amount not in dispute will be paid promptly and the parties will reasonably cooperate to resolve the disputed amount). Executive will receive an IRS Form 1099-MISC from Company for such services, and Executive shall be solely responsible for all federal, state, and local taxes. Company shall reimburse Executive for any travel or other costs or expenses reasonably incurred by Executive and directly related to the performance of the Services, provided such costs or expenses are incurred and documented in accordance with Company's existing travel and expense reimbursement policies.

(c) The term of the Services provided under this Article VIII may be terminated early or extended upon mutual written agreement of Company and Executive. In addition, (i) Company may terminate the term of the Services upon fifteen (15) days' written notice and (ii) Executive may terminate the term of the Services upon written notice in the event of a material breach by Company of the terms hereof (provided that Executive has provided Company notice of the nature of the breach and thirty (30) days to cure such breach and such breach remains uncured).

(d) In performing the Services, Executive will be an independent contractor of Company, and this Article VIII shall not be construed to create any association, partnership, joint venture, employee, or agency relationship between Executive and Company for any purpose. As of and after the Separation Date, Executive has no authority (and shall not hold herself out as having authority) to bind Company or its affiliates, and Executive shall not make any agreements or representations on Company's or its affiliates' behalf without Company's prior written consent.

(e) Without limiting the foregoing, following the term of the Services, Executive agrees to continue to reasonably cooperate with Company in connection with any litigation matters pending as of the Separation Date to which Company, TGI, a member of TGI's Board of Directors or Executive is a party, and agrees to make herself reasonably available to Company for cooperation by telephone or in person as Company may from time to time reasonably request.

Section 8.02. Malpractice Insurance; Indemnification.

(a) In providing Services hereunder, Executive will not be required to, and does not intend to, maintain professional liability (malpractice) insurance in any amount. The parties will execute the notice with respect to the foregoing in the form attached as Exhibit A.

(b) *Indemnification in Non-Derivative Actions*. Company shall indemnify Executive if she is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of Company) by reason of the fact that she is or was providing services to Company against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by her in connection with such action, suit or proceeding if she acted in good faith and in a manner she reasonably believed to be in or not opposed to the best interests of Company, and, with respect to any criminal action or proceeding, had no reasonable cause to believe her conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that Executive did not act in good faith and in a manner which she reasonably believed to be in or not opposed to the best interests of Company, and, with respect to any criminal action or proceeding, had reasonable cause to believe that her conduct was unlawful.

(c) *Indemnification in Derivative Actions*. Company shall indemnify Executive if she is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of Company to procure a judgment in its favor by reason of the fact that she is or was providing services to Company against expenses (including attorneys' fees) actually and reasonably incurred by her in connection with the defense or settlement of such action or suit if she acted in good faith and in a manner she reasonably believed to be in or not opposed to the best interests of Company and except that no indemnification shall be made in respect of any claim, issue or matter as to which Executive shall have been adjudged to be liable to Company unless and only to the extent that the Delaware Court of Chancery or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, Executive is fairly and reasonably entitled to indemnity for such expenses which the Court of Chancery or such other court shall deem proper.

(d) *Indemnification as a Matter of Right*. To the extent that Executive has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in paragraph (i) or (ii), or in defense of any claim, issue or matter therein, she shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by her in connection therewith.

(e) *Determination of Conduct*. Any indemnification under paragraph 8.02(b) or (c) (unless ordered by a court) shall be made by Company only as authorized in the specific case upon a determination that indemnification of Executive is proper in the circumstances because she has met the applicable standard of conduct set forth in paragraph 8.02(b) or (c). Such determination shall be made by Company's chief executive officer, or, if the chief executive officer so elects, by independent legal counsel in a written opinion.

(f) *Advance Payment of Expenses*. Expenses incurred in defending a civil or criminal action, suit or proceeding shall be paid by Company in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of Executive to repay such amount if it shall ultimately be determined that she is not entitled to be indemnified by the Company as authorized in this section.

(g) *Nonexclusivity*. The indemnification and advancement of expenses provided by, or granted pursuant to, this Agreement shall not be deemed exclusive of any other rights to which Executive be entitled under any by-law, agreement, approval or otherwise.

(h) *Continuation*. The indemnification and advancement of expenses provided by, or granted pursuant to, this Agreement shall, unless otherwise provided when authorized or ratified, continue as to Executive after she has ceased to provide services to Company and shall inure to the benefit of her heirs, executors and administrators.

(i) *Continued Indemnification.* Company shall indemnify Executive to the fullest extent permitted by the laws of the State of Delaware, as in effect at the time of the subject act or omission, and shall advance to Executive reasonable attorneys' fees and expenses as such fees and expenses are incurred (subject to an undertaking from Executive to repay such advances if it shall be finally determined by a judicial decision which is not subject to further appeal that Executive was not entitled to the reimbursement of such fees and expenses) and she shall be entitled to the protection of any insurance policies Company shall elect to maintain generally for the benefit of its directors and officers against all costs, charges and expenses incurred or sustained by her in connection with any action, suit or proceeding to which she may be made a party by reason of her being or having been a director, officer or employee of Company, TGI or any of its subsidiaries or her serving or having served any other enterprise as a director, officer or employee at the request of the Company (other than any dispute, claim or controversy arising under or relating to this Agreement).

ARTICLE IX
GOVERNMENT AGENCY PROCEEDINGS

Section 9.01 Government Agency Proceedings. Nothing in this Agreement, including but not limited to the non-disparagement or non-disclosure of Company confidential information or release provisions of this Agreement, nor the Release prevents or prohibits Executive from filing a claim or charge with a government agency that is responsible for enforcing a law or from cooperating, participating or assisting in any government agency or regulatory entity investigation or proceeding. Notwithstanding the foregoing, Executive agrees and understands that Executive will not accept or be entitled to any further personal relief, recovery or monetary damages from any source whatsoever with respect to any claim that has been released in the Release and that this Agreement and the Release shall control and is the exclusive remedy as to any of the claims released herein.

ARTICLE X
MISCELLANEOUS

Section 10.01 Entire Agreement. This Agreement, along with Executive's Employment Agreement and Option Agreements (as modified by this Agreement), constitute the entire understanding between the parties with respect to their subject matter and supersede all prior agreements and understandings, written or oral, with respect to such subject matter.

Section 10.02 Binding Effect. This Agreement shall be binding upon and inure to the benefit of Executive and Executive's heirs, executors and administrators, and upon Company and its affiliates, and Company's and affiliates' successors and assigns.

Section 10.03 Governing Law. This Agreement shall be governed by the laws of the State of Ohio. Notwithstanding the choice or conflict of law rules of any court of competent jurisdiction, the laws of Ohio shall be used to interpret and enforce this Agreement.

Section 10.04 Section 409A. This Agreement is intended to be exempt from or to comply with Section 409A of the Internal Revenue Code of 1986, as amended ("Section 409A") and shall be construed and administered in accordance with such exemption from or compliance with Section 409A. Notwithstanding any other provision of this Agreement, payments and benefits provided hereunder will only be made or provided upon an event and in a manner exempt from or in compliance with Section 409A or an applicable exemption. Any payments and benefits hereunder that may be excluded from Section 409A either as separation pay due to an involuntary separation from service or as a short-term deferral shall be deemed excluded from Section 409A to the maximum extent possible. Notwithstanding the foregoing, Company makes no representations that the payments and benefits provided under this Agreement comply with Section 409A.

Section 10.05 Executive Has Read Separation Agreement. Executive acknowledges that she has read and understands this Agreement in its entirety; that she is signing it knowingly and voluntarily; and that she intends to be bound by it.

[REMAINDER OF PAGE LEFT INTENTIONALLY BLANK]

IN WITNESS WHEREOF, the parties have set their hands as of the day written.

	TRANSDIGM INC.
/s/ Halle Martin	By: /s/ Kevin Stein
HALLE MARTIN	
2/3/23	2/3/23
DATE	DATE

Exhibit A

NOTICE TO CLIENT

Pursuant to Rule 1.4 of the Ohio Rules of Professional Conduct, I am required to notify you that I do not maintain professional liability (malpractice) insurance of at least $100,000 per occurrence and $300,000 in the aggregate.

/s/ Halle Martin
HALLE MARTIN

CLIENT ACKNOWLEDGEMENT

I acknowledge receipt of the notice required by Rule 1.4 of the Ohio Rules of Professional Conduct that Halle Martin does not maintain professional liability (malpractice) insurance of at least $100,000 per occurrence and $300,000 in the aggregate.

TRANSDIGM INC.
By: /s/ Kevin Stein

2/3/23
DATE

027056.000001 4887-4485-8951

Exhibit 10.4

EMPLOYMENT AGREEMENT

THIS AGREEMENT, dated as of February 6, 2023, is made by and between TransDigm Group Incorporated, a Delaware corporation (the "Company"), and Jessica Warren (the "Executive").

RECITALS:

WHEREAS, the Executive is being promoted to the position of General Counsel, Chief Compliance Officer and Secretary of the Company; and

WHEREAS, the parties would like to enter into an employment agreement on the terms and subject to the conditions set forth in this Agreement.

NOW, THEREFORE, in consideration of the foregoing and of the respective covenants and agreements set forth below, the parties hereto agree as follows:

1. Certain Definitions.

(a) "Annual Base Salary" shall have the meaning set forth in Section 4(a).

(b) "Board" shall mean the Board of Directors of the Company.

(c) "Cause" shall mean either of the following: (i) the repeated failure by the Executive, after written notice from the Board, substantially to perform her material duties and responsibilities as an officer or employee or director of the Company or any of its subsidiaries (other than any such failure resulting from incapacity due to reasonably documented physical or mental illness), or (ii) any willful misconduct by the Executive that has the effect of materially injuring the business of the Company or any of its subsidiaries, including, without limitation, the disclosure of material secret or confidential information of the Company or any of its subsidiaries.

(d) "COBRA" shall mean the Consolidated Omnibus Budget Reconciliation Act of 1985, as may be amended from time to time.

(e) "Code" shall mean the Internal Revenue Code of 1986, as amended. Reference to a Section of the Code includes all rulings, regulations, notices, announcements, decisions, orders and other pronouncements that are issued by the United States Department of the Treasury, the Internal Revenue Service, or any court of competent jurisdiction that are lawful and pertinent to the interpretation, application or effectiveness of such Section.

(f) "Common Stock" shall mean the common stock of the Company, $0.01 par value per share.

(g) "Company" shall have the meaning set forth in the preamble hereto.

(h) "Compensation Committee" shall mean the Compensation Committee of the Board whose members shall be appointed by the Board from time to time.

(i) "Date of Termination" shall mean (i) if the Executive's employment is terminated by reason of her death, the date of her death, and (ii) if the Executive's employment is terminated pursuant to Sections 5(a)(ii) - (vi), the date specified in the Notice of Termination.

(j) "Disability" shall mean the Executive's absence from employment with the Company due to: (i) her inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than twelve months; or (ii) such medically determinable physical or mental impairment, which can be expected to result in death or can be expected to last for a continuous period of not less than twelve months, and for which the Executive is receiving income replacement benefits for a period of not less than three months under an accident and health plan covering the Company's employees.

(k) "Effective Date" shall mean the date of this Agreement.

(l) "Equity Compensation Agreements" shall mean any written agreements between the Company and the Executive pursuant to which the Executive holds or is granted options to purchase Common Stock, including, without limitation, agreements evidencing options granted under any option plan adopted or maintained by the Company for employees generally, and any management deferred compensation or similar plans of the Company.

(m) "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.

(n) "Executive" shall have the meaning set forth in the preamble hereto.

(o) "Good Reason" shall mean the occurrence of any of the following: (i) a material diminution in the Executive's title, duties or responsibilities, without her prior written consent, or (ii) a reduction of the Executive's aggregate cash compensation (including bonus opportunities), benefits or perquisites, without her prior written consent, or (iii) any material breach of this Agreement by the Company.

(p) "Notice of Termination" shall have the meaning set forth in Section 5(b).

(q) "Payment Period" shall have the meaning set forth in Section 6(b).

(r) "Specified Employee" shall have the meaning set forth in Code Section 409A

(s) "Term" shall have the meaning set forth in Section 2.

2. Employment. The Company shall employ the Executive, for the period set forth in this Section 2, in the position(s) set forth in Section 3 and upon the other terms and conditions herein provided. The term of employment under this Agreement (the "Term") shall be for the period beginning on the Effective Date and ending on December 31, 2027 unless earlier terminated as provided in Section 5.

3. Position and Duties. During the Term, the Executive shall serve as General Counsel, Chief Compliance Officer and Secretary of each of the Company and its subsidiary, TransDigm, Inc. ("TransDigm"), with such customary responsibilities, duties and authority as may from time to time be assigned to the Executive by the Chief Executive Officer. During the Term, the Executive shall devote substantially all her working time and efforts to the business and affairs of the Company and TransDigm; provided, that it shall not be considered a violation of the foregoing for the Executive to (i) with the prior consent of the Board (which consent shall not unreasonably be withheld), serve on corporate, industry, civic or charitable boards or committees, and (ii) manage her personal investments, so long as none of such activities significantly interferes with the Executive's duties hereunder.

4. Compensation and Related Matters.

(a) Annual Base Salary. During the Term, the Executive shall receive a base salary at a rate of $500,000 per annum, payable in accordance with the Company's normal payroll practices, which shall be reviewed by the Compensation Committee annually and may be increased, but not decreased, upon such review (the "Annual Base Salary").

(b) Bonus. For each fiscal year during the Term, the Executive shall be eligible to participate in the Company's annual cash bonus plan in accordance with terms and provisions which shall be consistent with the Company's executive bonus policy in effect as of the date hereof. The Executive's target bonus for fiscal year 2023 and thereafter will be 65% of her Annual Base Salary and may be pro rated based on time in position.

(c) Non-Qualified Deferred Compensation. During the Term, the Executive shall be eligible to participate in any non-qualified deferred compensation plan or program (if any) offered by the Company to its executives.

(d) Long Term Incentive Compensation. During the Term, the Executive shall be entitled to participate in the Option Plan or any successor plan thereto.

(e) Benefits. During the Term, the Executive shall be entitled to participate in the other employee benefit plans, programs and arrangements of the Company now (or, to the extent determined by the Board or Compensation Committee, hereafter) in effect which are applicable to the senior officers of the Company generally, subject to and on a basis consistent with the terms, conditions and overall administration thereof (including the right of the Company to amend, modify or terminate such plans).

(f) Expenses. Pursuant to the Company's customary policies in force at the time of payment, the Executive shall be reimbursed for all expenses properly incurred by the Executive on the Company's behalf in the performance of the Executive's duties hereunder.

(g) Vacation. The Executive shall be entitled to an amount of annual vacation days, and to compensation in respect of earned but unused vacation days in accordance with the Company's vacation policy as in effect as of the Effective Date. The Executive shall also be entitled to paid holidays in accordance with the Company's practices with respect to same as in effect as of the Effective Date.

5. Termination.

(a) The Executive's employment hereunder may be terminated by the Company or the Executive, as applicable, without any breach of this Agreement only under the following circumstances and in accordance with subsection (b):

(i) Death. The Executive's employment hereunder shall terminate upon her death.

(ii) Disability. If the Company determines in good faith that the Executive has incurred a Disability, the Company may give the Executive written notice of its intention to terminate the Executive's employment. In such event, the Executive's employment with the Company shall terminate effective on the 30th day after receipt of such notice by the Executive, provided that within such 30-day period the Executive shall not have returned to full-time performance of her duties. The Executive shall continue to receive her Annual Base Salary until the 90th day following the date of the Notice of Termination.

(iii) Termination for Cause. The Company may terminate the Executive's employment hereunder for Cause.

(iv) Resignation for Good Reason. The Executive may terminate her employment hereunder for Good Reason.

(v) Termination without Cause. The Company may terminate the Executive's employment hereunder without Cause.

(vi) Resignation without Good Reason. The Executive may resign her employment hereunder without Good Reason.

(b) Notice of Termination. Any termination of the Executive's employment by the Company or by the Executive under this Section 5 (other than termination pursuant to subsection (a)(i)) shall be communicated by a written notice from the Chief Executive Officer of the Company or the Executive to the other indicating the specific termination provision in this Agreement relied upon, (and, in the case of Resignation for Good Reason, setting forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under Section 5(a)(iv), and specifying a Date of Termination which, in the case of Resignation for Good Reason or Resignation without Good Reason pursuant to Section 5(a)(iv) or 5(a)(vi), respectively, shall be at least 90 days following the date of such notice (a "Notice of Termination"). In the event of the Executive's Resignation for Good Reason pursuant to Section 5(a)(iv), the Company shall have the right, if the basis for such Good Reason is curable, to cure the same within 30 days following the receipt of the Notice of Termination, and Good Reason shall not be deemed to exist if the Company cures the event giving rise to Good Reason within such 30-day period. The Executive shall continue to receive her Annual Base Salary, annual bonus and all other compensation and perquisites referenced in Section 4 through the Date of Termination.

6. Severance Payments.

(a) Termination for any Reason. In the event the Executive's employment with the Company is terminated for any reason, the Company shall pay the Executive (or her beneficiary in the event of her death) any unpaid Annual Base Salary that has accrued as of the Date of Termination, any unreimbursed expenses due to the Executive in accordance with the Company's expense reimbursement policy and an amount equal to compensation for accrued but unused sick days and vacation days. The Company shall permit the Executive to elect to continue health plan coverage in accordance with the requirements of applicable law (e.g. COBRA coverage), at the applicable monthly cost charged for such coverage (the "Monthly COBRA Coverage Continuation Rate"). The Company may require the Executive to complete and file any election forms that are generally required of other employees to obtain COBRA coverage; and the Executive's COBRA coverage may be terminable in accordance with applicable law. The Executive shall also be entitled to accrued, vested benefits under the Company's benefit plans and programs as provided therein. The Executive shall be entitled to the additional payments and benefits described below only as set forth herein.

(b) Termination without Cause, Resignation for Good Reason or Termination by Reason of Death or Disability. Subject to Sections 6(c) and (d) and the restrictions contained herein, in the event of the Executive's Termination without Cause (pursuant to Section 5(a)(v)), Resignation for Good Reason (pursuant to Section 5(a)(iv)) or termination by reason of death or Disability (pursuant to Section 5(a)(i) or (ii), respectively), the Company shall pay to the Executive the amounts described in subsection (a). In addition, subject to Sections 6(c) and (d) and the restrictions contained herein, and in the case of Termination without Cause (pursuant to Section 5(a)(v), Resignation for Good Reason (pursuant to Section 5(a)(iv) or Disability (pursuant to Section 5(a)(ii)) subject to the Executive's execution and non-revocation of a customary release in favor of the Company (the "Release") no later than thirty (30) days following the Date of Termination, the Company shall pay to the Executive (or his beneficiary in the event of his death) an amount equal to the "Severance Amount" described below. For purposes of this Agreement the Severance Amount is equal to the sum of:

(i) 1.25 times her Annual Base Salary,

(ii) 1.25 times the greater of (A) the total of all bonuses paid (or payable) to executive in respect of the fiscal year ending immediately prior to the Date of Termination, excluding any bonuses that are extraordinary in nature (e.g., a transaction related bonus) or (B) the target bonuses for the fiscal year in which the Date of Termination falls, determined in accordance with the Company's bonus program or programs, if any, and

(iii) 18.0 times the difference of (A) the Monthly COBRA Continuation Coverage Rate determined as of the Date of Termination for the Executive's applicable health plan coverage as in effect on such date, less (B) the monthly cost to Executive that is being charged for such coverage as of the Date of Termination.

The Severance Amount as so determined shall be payable to the Executive (or her beneficiary) in substantially equal installments over the 12-month period following the Date of Termination (the "Payment Period") commencing no later than thirty (30) days following the execution and non-revocation of the Release, in accordance with the Company's regular payroll practices. The first installment payment shall include all amounts that would have otherwise been paid to the Executive during the period beginning on the Date of Termination and ending on the first installment payment date. Notwithstanding the foregoing, in the event that the end of the thirty (30) day notice and revocation period for the Release would result in the first installment payment occurring in the taxable year following the year in which the Date of Termination occurs, the first installment payment shall be made in the taxable year following the year in which the Date of Termination occurs.

(c) <u>Benefits Provided Upon Termination of Employment</u>. If the Executive's termination or resignation does not constitute a "separation from service," as such term is defined under Code Section 409A, the Executive shall nevertheless be entitled to receive all of the payments and benefits that the Executive is entitled to receive under this Agreement on account of her termination of employment. However, the payments and benefits that the Executive is entitled to under this Agreement shall not be provided to the Executive until such time as the Executive has incurred a "separation from services" within the meaning of Code Section 409A.

(d) <u>Payments on Account of Termination to a Specified Employee</u>. Notwithstanding the foregoing provisions of Sections 6(a) or 6(b), in the event that the Executive is determined to be a Specified Employee at the time of her termination of employment under this Agreement (or, if later, her "separation from service" under Code Section 409A), to the extent that a payment, reimbursement or benefit under Section 6(b) is considered to provide for a "deferral of compensation" (as determined under Code Section 409A), then such payment, reimbursement or benefit shall not be paid or provided until six months after the Executive's separation from service, or her death, whichever occurs first. Any payments, reimbursements or benefits that are withheld under this provision for the first six months shall be payable in a lump sum on the 181st day after such termination of employment (or, if later, separation from service). The restrictions in this Section 6(d) shall be interpreted and applied solely to the minimum extent necessary to comply with the requirements of Code Section 409A(a)(2)(B). Accordingly, payments, benefits or reimbursements under Section 6(b) or any other part of this Agreement may nevertheless be provided to Executive with the six-month period following the date of Executive's termination of employment under this Agreement (or, if later, her "separation from service" under Code Section 409A), to the extent that it would nevertheless be permissible to do so under Code Section 409A because those payments, reimbursements or benefits are (i) described in Treasury Regulations Section 1.409A-1(b)(9)(iii) (i.e., payments within the limitations therein that are being made on account of an involuntary termination or termination for good reason, within the meaning of the Treasury Regulations), or (ii) described in Treasury Regulation Section 1.409A-1(b)(4) (i.e., payments which are treated as short-term deferrals within the meaning of the Treasury Regulations), or (iii) benefits described in Treasury Regulations Section 1.409A-1(b)(9)(v) (e.g. health care benefits).

7. Competition; Nonsolicitation.

(a) During the Term and, following any termination of Executive's employment, for a period equal to (i) the Payment Period, in the case of a termination of employment for which payments are made pursuant to Section 6(b) hereof, or (ii) 24 months from the date of such termination in the event of a voluntary termination of employment by the Executive without Good Reason, or a termination by the Company for Cause, the Executive shall not, without the prior written consent of the Board, directly or indirectly engage in, or have any interest in, or manage or operate any person, firm, corporation, partnership or business (whether as director, officer, employee, agent, representative, partner, security holder, consultant or otherwise) that engages in any business (other than a business that constitutes less than 5% of the relevant entity's net revenue and a proportionate share of its operating income) which competes with any business of the Company or any entity owned by it anywhere in the world; provided, however, that the Executive shall be permitted to acquire a stock interest in such a corporation provided such stock is publicly traded and the stock so acquired does not represent more than one percent of the outstanding shares of such corporation.

(b) During the Term and for a period of two years following any termination of the Executive's employment, the Executive shall not, directly or indirectly, on her own behalf or on behalf of any other person or entity, whether as an owner, employee, service provider or otherwise, solicit or induce any person who is or was employed by, or providing consulting services to, the Company or any of its subsidiaries during the twelve-month period prior to the date of such termination, to terminate their employment or consulting relationship with the Company or any such subsidiary.

(c) In the event the agreement in this Section 7 shall be determined by any court of competent jurisdiction to be unenforceable by reason of its extending for too great a period of time or over too great a geographical area or by reason of its being too extensive in any other respect, it shall be interpreted to extend only over the maximum period of time for which it may be enforceable, and/or over the maximum geographical area as to which it may be enforceable and/or to the maximum extent in all other respects as to which it may be enforceable, all as determined by such court in such action.

8. Nondisclosure of Proprietary Information.

(a) Except as required in the faithful performance of the Executive's duties hereunder or pursuant to subsection (c), the Executive shall, in perpetuity, maintain in confidence and shall not directly, indirectly or otherwise, use, disseminate, disclose or publish, or use for her benefit or the benefit of any person, firm, corporation or other entity any confidential or proprietary information or trade secrets of or relating to the Company, including, without limitation, information with respect to the Company's operations, processes, products, inventions, business practices, finances, principals, vendors, suppliers, customers, potential customers, marketing methods, costs, prices, contractual relationships, regulatory status, compensation paid to employees or other terms of employment, except for such information which is or becomes publicly available other than as a result of a breach by the Executive of this Section 8, or deliver to any person, firm, corporation or other entity any document, record, notebook, computer program or similar repository of or containing any such confidential or proprietary information or trade secrets. The parties hereby stipulate and agree that as between them the foregoing matters are important, material and confidential proprietary information and trade secrets and affect the successful conduct of the businesses of the Company (and any successor or assignee of the Company).

(b) Upon termination of the Executive's employment with the Company for any reason, the Executive shall promptly deliver to the Company all correspondence, drawings, manuals, letters, notes, notebooks, reports, programs, plans, proposals, financial documents, or any other documents concerning the Company's customers, business plans, marketing strategies, products or processes and/or which contain proprietary information or trade secrets.

(c) The Executive may respond to a lawful and valid subpoena or other legal process but shall give the Company the earliest possible notice thereof, shall, as much in advance of the return date as possible, make available to the Company and its counsel the documents and other information sought and shall assist such counsel in resisting or otherwise responding to such process.

9. Injunctive Relief. It is recognized and acknowledged by the Executive that a breach of the covenants contained in Sections 7 and 8 will cause irreparable damage to the Company and its goodwill, the exact amount of which will be difficult or impossible to ascertain, and that the remedies at law for any such breach will be inadequate. Accordingly, the Executive agrees that in the event of a breach of any of the covenants contained in Sections 7 and 8, in addition to any other remedy which may be available at law or in equity, the Company shall be entitled to specific performance and injunctive relief.

10. Survival. The expiration or termination of the Term shall not impair the rights or obligations of any party hereto which shall have accrued hereunder prior to such expiration.

11. Binding on Successors. This Agreement shall be binding upon and inure to the benefit of the Company, the Executive and their respective successors, assigns, personnel and legal representatives, executors, administrators, heirs, distributees, devisees, and legatees, as applicable.

12. Governing Law. This Agreement shall be governed, construed, interpreted and enforced in accordance with the substantive laws of the State of Ohio.

13. Validity. The invalidity or unenforceability of any provision or provisions of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect.

14. Notices. Any notice, request, claim, demand, document or other communication hereunder to any party shall be effective upon receipt (or refusal of receipt) and shall be in writing and delivered personally or sent by telex, telecopy, or certified or registered mail, postage prepaid, as follows:

(a) If to the Company, to:

TransDigm Group Incorporated
The Tower at Erieview
1301 E. 9th Street, Suite 3000
Cleveland, Ohio 44114
Attention: Kevin Stein, CEO

(b) If to the Executive, to her at the address set forth below under her signature;

or at any other address as any party shall have specified by notice in writing to the other party in accordance with this Section 14.

15. Counterparts. This Agreement may be executed in several counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same agreement.

16. Entire Agreement; Prior Employment Agreement. The terms of this Agreement, together with the Equity Compensation Agreements are intended by the parties to be the final expression of their agreement with respect to the employment of the Executive by the Company and may not be contradicted by evidence of any prior or contemporaneous agreement. The parties further intend that this Agreement, and the aforementioned contemporaneous documents, shall constitute the complete and exclusive statement of its terms and that no extrinsic evidence whatsoever may be introduced in any judicial, administrative, or other legal proceeding to vary the terms of this Agreement.

17. Amendments; Waivers. This Agreement may not be modified, amended, or terminated except by an instrument in writing, signed by the Executive and the Chief Executive Officer. By an instrument in writing similarly executed, the Executive or the Company may waive compliance by the other party or parties with any provision of this Agreement that such other party was or is obligated to comply with or perform; provided, however, that such waiver shall not operate as a waiver of, or estoppel with respect to, any other or subsequent failure. No failure to exercise and no delay in exercising any right, remedy or power hereunder shall preclude any other or further exercise of any other right, remedy or power provided herein or by law or in equity.

18. No Inconsistent Actions. The parties hereto shall not voluntarily undertake or fail to undertake any action or course of action inconsistent with the provisions or essential intent of this Agreement. Furthermore, it is the intent of the parties hereto to act in a fair and reasonable manner with respect to the interpretation and application of the provisions of this Agreement.

19. Arbitration. Any dispute or controversy arising under or in connection with this Agreement shall be settled exclusively by arbitration, conducted before a panel of three arbitrators in Cleveland, Ohio, in accordance with the rules of the American Arbitration Association then in effect. Judgment may be entered on the arbitrator's award in any court having jurisdiction; provided, however, that the Company shall be entitled to seek a restraining order or injunction in any court of competent jurisdiction to prevent any continuation of any violation of the provisions of Section 7 or 8 of this Agreement and the Executive hereby consents that such restraining order or injunction may be granted without the necessity of the Company's posting any bond; and provided further, that the Executive shall be entitled to seek specific performance of her right to be paid until the Date of Termination during the pendency of any dispute or controversy arising under or in connection with this Agreement. Each of the parties hereto shall bear its share of the fees and expenses of any arbitration hereunder.

20. Indemnification and Insurance; Legal Expenses. During the Term and so long as the Executive has not breached any of her obligations set forth in Sections 7 and 8, the Company shall indemnify the Executive to the fullest extent permitted by the laws of the State of Delaware, as in effect at the time of the subject act or omission, and shall advance to the Executive reasonable attorneys' fees and expenses as such fees and expenses are incurred (subject to an undertaking from the Executive to repay such advances if it shall be finally determined by a judicial decision which is not subject to further appeal that the Executive was not entitled to the reimbursement of such fees and expenses) and he shall be entitled to the protection of any insurance policies the Company shall elect to maintain generally for the benefit of its directors and officers ("Directors and Officers Insurance") against all costs, charges and expenses incurred or sustained by her in connection with any action, suit or proceeding to which he may be made a party by reason of her being or having been a director, officer or employee of the Company or any of its subsidiaries or her serving or having served any other enterprise as a director, officer or employee at the request of the Company (other than any dispute, claim or controversy arising under or relating to this Agreement). The Company covenants to maintain during the Term for the benefit of the Executive (in her capacity as an officer and director of the Company) Directors and Officers Insurance providing customary benefits to the Executive.

(SIGNATURE PAGE FOLLOWS)

IN WITNESS WHEREOF, the parties have executed this Agreement on the date and year first above written.

TRANSDIGM GROUP INCORPORATED

By: /s/ Kevin Stein
Name: Kevin Stein
Title: Chief Executive Officer

EXECUTIVE

/s/ Jessica Warren
Jessica Warren

Exhibit 22

LISTING OF SUBSIDIARY GUARANTORS

TransDigm Group Incorporated has unconditionally guaranteed, on a joint and several basis, each of the following senior subordinated and secured notes with each of the subsidiaries listed below under "Subsidiary Guarantors."

Description
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")
6.75% senior secured notes due 2028 ("2028 Secured 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
Apical Industries, Inc.	California
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 LLC	Delaware
Breeze-Eastern LLC	Delaware
Bridport Erie Aviation, Inc.	Delaware

Subsidiary Guarantors	Jurisdiction of Incorporation or Organization
Bridport Holdings, Inc.	Delaware
Bridport-Air Carrier, Inc.	Washington
Bruce Aerospace, Inc.	Delaware
CDA InterCorp LLC	Florida
CEF Industries, LLC	Delaware
Century Helicopters, Inc.	Colorado
Champion Aerospace LLC	Delaware
Chelton Avionics Holdings, Inc.	Delaware
Chelton Avionics, Inc.	Delaware
Chelton Defense Products, Inc.	Delaware
CMC Electronics Aurora LLC	Delaware
Dart Aerospace USA, Inc.	Washington
Dart Buyer, Inc.	Delaware
Dart Helicopter Services, Inc.	Delaware
Dart Intermediate, Inc.	Delaware
Dart TopCo, 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
HarcoSemco LLC	Connecticut
Hartwell Corporation	California
Heli Tech Inc.	Oregon
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

Subsidiary Guarantors	Jurisdiction of Incorporation or Organization
Nordisk Aviation Products LLC	Delaware
North Hills Signal Processing Corp.	Delaware
North Hills Signal Processing Overseas LLC	Delaware
Norwich Aero Products Inc.	New York
Offshore Helicopter Support Services, Inc.	Louisiana
Palomar Products, Inc.	Delaware
Paravion Technologies Inc.	Colorado
Pexco Aerospace, Inc.	Delaware
PneuDraulics, Inc.	California
Power Device Corporation	New York
Schneller LLC	Delaware
Semco Instruments, Inc.	Delaware
Shield Restraint Systems, Inc.	Delaware
Simplex Manufacturing Co.	Oregon
Skandia, Inc.	Illinois
Skurka Aerospace, Inc.	Delaware
Symetrics Industries, LLC	Florida
TA Aerospace Co.	California
Tactair Fluid Controls, Inc.	New York
TDG ESL 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 9, 2023

/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 9, 2023

/s/ Michael Lisman

Name: Michael Lisman
Title: Executive Vice President and 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 1, 2023 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 9, 2023

/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 1, 2023 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Michael Lisman, Executive Vice President and 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 9, 2023

/s/ Michael Lisman
Name: Michael Lisman
Title: Executive Vice President and Chief Financial Officer
(Principal Financial Officer)