



TRANSDIGM
GROUP INC.

FY 2024 Q3 Earnings Call

August 6, 2024

- TransDigm Overview, Highlights and Outlook
Kevin Stein
President and CEO
- Market Review
Joel Reiss
Co-COO
- Operating Performance and Financial Results
Sarah Wynne
CFO
- Q&A

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



FORWARD LOOKING STATEMENTS

This presentation contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including information regarding our guidance for future periods. These forward-looking statements are based on management's current expectations and beliefs, as well as a number of assumptions concerning future events, many of which are outside of our control. Consequently, such forward looking statements should be regarded solely as our current plans, estimates and beliefs. These statements are subject to risks and uncertainties that could cause actual results to differ materially from those expressed or implied in the forward-looking statement. The Company does not undertake, and specifically declines, any obligation, to publicly release the results of any revisions to these forward-looking statements that may be made to reflect any future events or circumstances after the date of such statements or to reflect the occurrence of anticipated or unanticipated events. All forward-looking statements attributable to the Company or persons acting on its behalf are expressly qualified in their entirety by these cautionary statements. These risks and uncertainties include but are not limited to: the 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; supply chain constraints; increases in raw material costs, taxes and labor costs that cannot be recovered in product pricing; failure to complete or successfully integrate acquisitions; our indebtedness; current and future geopolitical or other worldwide events, including, without limitation, wars or conflicts and public health crises; cybersecurity threats; risks related to the transition or physical impacts of climate change and other natural disasters or meeting sustainability-related voluntary goals or regulatory requirements; 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; risks related to changes in laws and regulations, including increases in compliance costs; potential environmental liabilities; liabilities arising in connection with litigation; risks and costs associated with our international sales and operations; and other factors. Further information regarding the important factors that could cause actual results to differ materially from projected results can be found in TransDigm Group's most recent Annual Report on Form 10-K and other reports that TransDigm Group or its subsidiaries have filed with the Securities and Exchange Commission.

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

SPECIAL NOTICE REGARDING PRO FORMA AND NON-GAAP INFORMATION

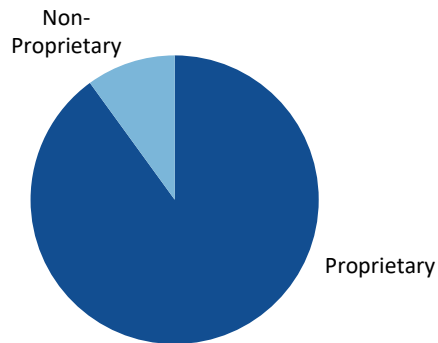
This presentation sets forth certain pro forma financial information. This pro forma financial information gives effect to certain recently completed acquisitions and divestitures. Such pro forma information is based on certain assumptions and adjustments and does not purport to present TransDigm's actual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

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

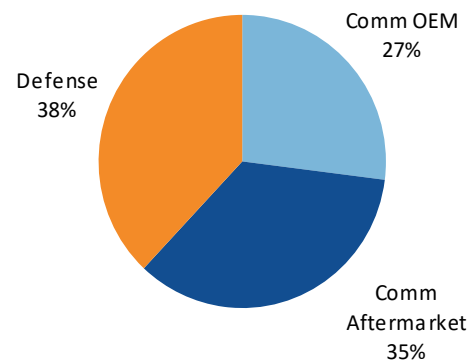
Distinguishing Characteristics

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

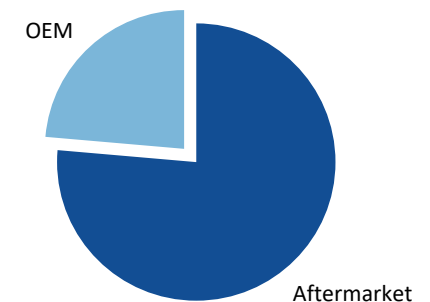
Proprietary Revenues ⁽¹⁾



Pro Forma Revenues ⁽¹⁾



Pro Forma EBITDA As Defined ⁽¹⁾



(1) Pro forma revenue is for the fiscal year ended 9/30/2023. Excludes full year impact of the CPI Electron Device Business acquisition completed June 2024 and SEI Industries acquisition completed May 2024. Includes full year impact of the Calspan Corporation acquisition completed May 2023. Please see the Special Notice Regarding Pro Forma and Non-GAAP Information.

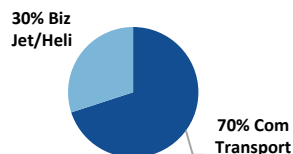
2024 Q3 Financial Performance by Markets – Pro Forma



Highlights

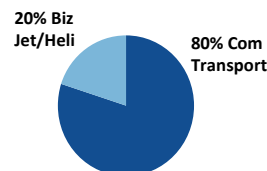
Commercial OEM:

- Q3 '24 Commercial Transport Revenue Up 26%
- Q3 '24 Business Jet/Helicopter Revenue Up 18%
- Strong Bookings Continue to Support FY24 Commercial OEM Guidance



Commercial Aftermarket:

- Q3 '24 Commercial Transport Revenue Up 11%
 - Q3 '24 Passenger Transport Revenue Up ~16%
 - Q3 '24 Freight Revenue Down ~8%
- Q3 '24 Business Jet/Helicopter Revenue Up 10%
- Strong Bookings Continue to Support FY24 Commercial Aftermarket Guidance



Defense:

- Q3 '24 Defense Aftermarket Growth Outpaced Defense OEM
- Revenue Growth Well Distributed Across Businesses
- Improvements in U.S. Government Defense Spend Outlays

Q3 Review – Pro Forma Revenues⁽¹⁾



	Actual vs. Prior Year	
	Q3	YTD
Commercial OEM:	Up 23%	Up 22%
Commercial Aftermarket:	Up 11%	Up 14%
Defense:	Up 13%	Up 20%



(1) Pro forma revenue for all periods excludes the impact of the CPI Electron Device Business acquisition completed June 2024 and SEI Industries acquisition completed May 2024, and includes the impact of the Calspan Corporation acquisition completed May 2023. Please see the Special Notice Regarding Pro Forma and Non-GAAP information.

Third Quarter 2024 Select Financial Results

(\$ in millions, except per share amounts)

	<u>Q3 FY 2024</u>	<u>Q3 FY 2023</u>		
Revenue	\$2,046	\$1,744	17%	Increase
Gross Profit	\$1,220	\$1,029		
	59.6%	59.0%	0.6%	
SG&A	\$248	\$209		
<i>% to Sales</i>	12.1%	12.0%	0.1%	
Interest Expense - Net	\$316	\$291	9%	Increase
Refinancing Costs	\$30	\$32		
EBITDA As Defined	\$1,091	\$915	19%	Increase
<i>Margin %</i>	53.3%	52.5%		
Adjusted EPS	\$9.00	\$7.25	24%	Increase
GAAP Tax Rate	23.4%	24.9%		
Adjusted Tax Rate	25.5%	25.5%		

- Application of our value-driven operating strategy 
- Fixed overhead spread over higher production volumes 

- Higher acquisition transaction-related expenses 
- Lower non-cash stock and deferred compensation expense 

- Interest on new debt, partially offset by higher interest income

- Primarily due to the refinancing of Tranche J term loans and the refinancing of a portion of the Tranche I term loans

Market Growth Assumptions

FY 2023 Pro Forma Revenue Mix ⁽¹⁾	Market	FY 2024 Expected Growth
27%	Commercial OEM	Around 20%
35%	Commercial Aftermarket	Mid-Teens % Range
38%	Defense	High-Teens % Range

Guidance Summary

(\$ in millions, except per share amounts)

	FY 24 Guidance			FY 24 Guidance Midpoint Change		
	Low	High		Current	Prior	Δ
Revenues	\$ 7,870	\$ 7,930	Revenues	\$ 7,900	\$ 7,740	\$ 160
Net Income	\$ 1,632	\$ 1,678				
GAAP EPS	\$ 26.47	\$ 27.27				
EBITDA As Defined	\$ 4,100	\$ 4,160	EBITDA As Defined	\$ 4,130	\$ 4,045	\$ 85
<i>% of sales</i>	52.1%	52.5%	<i>% of sales</i>	52.3%	52.3%	
Adj. EPS	\$ 32.62	\$ 33.42	Adj. EPS	\$ 33.02	\$ 32.42	\$ 0.60

(1) Pro forma revenue is for the fiscal year ended 9/30/2023. Excludes full year impact of the CPI Electron Device Business acquisition completed June 2024 and SEI Industries acquisition completed May 2024. Includes full year impact of the Calspan Corporation acquisition completed May 2023. Please see the Special Notice Regarding Pro Forma and Non-GAAP Information.

Fiscal 2024 Select Financial Assumptions

Select Financial Assumptions for Fiscal 2024		
	Prior Assumptions (Issued May 2024)	Updated Assumptions
Capital Expenditures	\$185 to \$215 million	No change
Full Year Net Interest Expense	≈ \$1.32 billion (includes \$110 million of interest income)	≈ \$1.29 billion (includes \$150 million of interest income)
Full Year Effective Tax Rate	≈ 22% to 24% for GAAP EPS, Adjusted EPS and Cash Taxes	≈ 23% to 25% for GAAP EPS, Adjusted EPS and Cash Taxes
Depreciation & Amortization Expense (ex backlog)	\$290 to \$295 million	No change
Backlog Amortization	n/a	\$10 to \$15 million
Non-Cash Stock Compensation and Deferred Compensation Expense	\$205 to \$225 Million	No change
Other EBITDA As Defined Add-Backs ⁽¹⁾	\$75 to \$80 million	\$120 to \$125 million
Weighted Average Shares	57.85 million	No change

(1) Other EBITDA As Defined Add-Backs primarily include estimates for refinancing costs, foreign currency gains or losses, employer withholding taxes on stock option exercises, acquisition-related expenses and adjustments and other, net.

Reconciliation of Fiscal 2024 Outlook

TRANSDIGM
GROUP INC.

(\$ in millions, except per share amounts)

	Guidance Midpoint	
Net income	\$ 1,655	
Adjustments:		
Depreciation and amortization expense	302	Includes approx. \$10m of backlog amortization
Interest expense - net	1,290	
Income tax provision	552	
EBITDA	<u>3,799</u>	
Adjustments:		
Acquisition transaction-related expenses and adjustments ⁽¹⁾	63	
Non-cash stock and deferred compensation expense ⁽¹⁾	210	
Refinancing costs ⁽¹⁾	59	
Other, net ⁽¹⁾	<u>(1)</u>	
Gross Adjustments to EBITDA	331	
EBITDA As Defined	<u>\$4,130</u>	
<i>EBITDA As Defined, Margin ⁽¹⁾</i>	<i>52.3%</i>	
GAAP earnings per share	\$26.87	
Adjustments to earnings per share:		
Inclusion of the dividend equivalent payments	1.75	
Non-cash stock and deferred compensation expense	2.73	
Acquisition transaction-related expenses and adjustments	0.92	
Refinancing costs	0.76	
Other, net	<u>(0.01)</u>	
Adjusted earnings per share	<u>\$33.02</u>	
Weighted-average shares outstanding	57.85	
GAAP & Adj Tax Rate	23% - 25%	

(1) Refer to tables in Appendix for definitions of Non-GAAP measurement adjustments.

Reconciliation of GAAP EPS to Adjusted EPS - Guidance



	Thirteen Week Periods Ended		Thirty-Nine Week Periods Ended		Full Year Guidance
	June 29, 2024	July 1, 2023	June 29, 2024	July 1, 2023	Mid-Point September 30, 2024
GAAP earnings per share from continuing operations	\$ 7.96	\$ 6.14	\$ 19.81	\$ 14.80	\$ 26.87
Adjustments to earnings per share:					
Dividend equivalent payments	-	-	1.75	0.67	1.75
Acquisition transaction-related expenses and adjustments	0.36	0.10	0.61	0.20	0.92
Non-cash stock and deferred compensation expense	0.61	0.70	2.05	1.71	2.73
Refinancing costs	0.39	0.42	0.76	0.54	0.76
Tax adjustment on income from continuing operations before taxes	(0.23)	(0.05)	(0.75)	(0.28)	-
Other, net	(0.09)	(0.06)	(0.08)	0.16	(0.01)
Adjusted earnings per share	\$ 9.00	\$ 7.25	\$ 24.15	\$ 17.80	\$ 33.02

Capital Structure

Capital Structure

(\$ in millions)

	Actual 6/29/24	Rate
Cash	<u>\$3,360</u>	
\$910mm revolver	–	S + 2.250%
\$450mm AR securitization facility ⁽¹⁾	450	S + 1.600%
First lien term loan I due 2028	1,876	S + 2.750%
First lien term loan J due 2031	3,641	S + 2.500%
First lien term loan K due 2030	1,703	S + 2.750%
Senior secured notes due 2028	2,100	6.750%
Senior secured notes due 2029	2,750	6.375%
Senior secured notes due 2030	1,450	6.875%
Senior secured notes due 2031	1,000	7.125%
Senior secured notes due 2032	2,200	6.625%
Total secured debt	\$17,170	4.3x
Total net secured debt	\$13,810	3.5x
Senior subordinated notes due 2027	2,650	5.500%
Senior subordinated notes due 2029	1,200	4.625%
Senior subordinated notes due 2029	750	4.875%
Finance Lease Obligations (Gross)	271	
Total debt	\$22,041	5.5x
Total net debt	\$18,681	4.7x

**FY24 Weighted
Average Interest Rate
5.85%**

(1) On July 12, 2024, the Company amended the AR securitization facility to increase the borrowing capacity from \$450 million to \$650 million at an interest rate of Term SOFR plus 1.450%.

Interest Rate Sensitivity

- Interest rates on TDG’s \$22Bn of gross Debt is ~ 75% hedged/fixed rate through fiscal year 2027
- Achieved via a combination of interest rate caps, swaps and collars
- Significantly reduces near-term exposure to any variable rate increases

\$ in millions

	Current FY 24 Assumptions		
Average Variable Rate ⁽¹⁾	~ 5.35%	6.0%	7.0%
Interest Expense - Pre-Tax ⁽²⁾	\$1,290	\$1,310	\$1,345
Interest Rate - Pre-Tax	5.85%	5.95%	6.10%

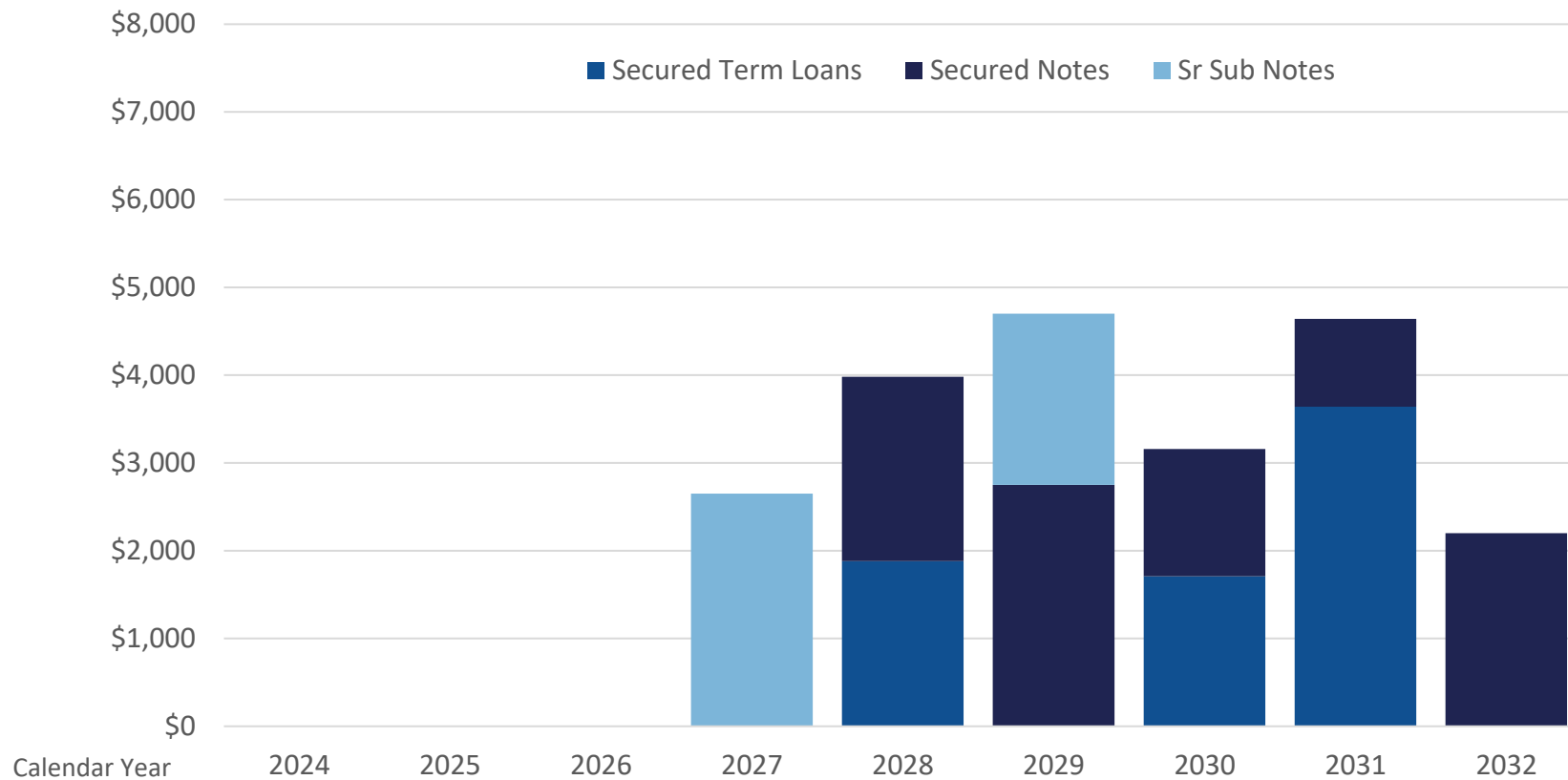
(1) FY 24 Weighted Average Variable rate is the average Term SOFR for TDG's 2024 fiscal year based on current consensus and management estimates.

(2) Interest expense shown includes \$55M amortization of debt issuance costs and fees and \$150M of Interest income.

Debt Maturity Profile

Debt Maturity Profile

(\$MM)



Note 1: \$910M Revolver matures in February 2029

Note 2: \$650M AR Securitization renews annually in July

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



(\$ in millions)

	Thirteen Week Periods Ended		Thirty-Nine Week Periods Ended	
	June 29, 2024	July 1, 2023	June 29, 2024	July 1, 2023
Net Income	\$ 461	\$ 352	\$ 1,248	\$ 885
Adjustments:				
Depreciation and amortization expense	77	70	219	199
Interest expense - net	316	291	943	872
Income tax provision	141	117	362	281
EBITDA	995	830	2,772	2,237
Adjustments:				
Acquisition transaction-related expenses and adjustments ⁽¹⁾	27	6	43	12
Non-cash stock and deferred compensation expense ⁽²⁾	47	53	158	131
Refinancing costs ⁽³⁾	30	32	59	41
Other, net ⁽⁴⁾	(8)	(6)	(9)	11
Gross Adjustments to EBITDA	96	85	251	195
EBITDA As Defined	\$ 1,091	\$ 915	\$ 3,023	\$ 2,432
EBITDA As Defined, Margin ⁽⁵⁾	53.3%	52.5%	52.5%	51.4%

⁽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 acquisitions 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 other miscellaneous (income) expense.

⁽⁵⁾ The EBITDA As Defined margin represents the amount of EBITDA As Defined as a percentage of net sales.

Appendix: Reconciliation of Reported EPS to Adjusted EPS



(\$ in millions, except per share amounts)

Reported Earnings Per Share	Thirteen Week Periods Ended		Thirty-Nine Week Periods Ended	
	June 29, 2024	July 1, 2023	June 29, 2024	July 1, 2023
Net income	\$ 461	\$ 352	\$ 1,248	\$ 885
Less: Net income attributable to noncontrolling interests	-	(1)	(2)	(2)
Net income attributable to TD Group	461	351	1,246	883
Less: Dividends paid on participating securities	-	-	(101)	(38)
Net income applicable to TD Group common stockholders - basic and diluted	<u>\$ 461</u>	<u>\$ 351</u>	<u>\$ 1,145</u>	<u>\$ 845</u>
Weighted-average shares outstanding under the two-class method:				
Weighted-average common shares outstanding	56.0	55.0	55.7	54.7
Vested options deemed participating securities	1.9	2.2	2.1	2.4
Total shares for basic and diluted earnings per share	<u>57.9</u>	<u>57.2</u>	<u>57.8</u>	<u>57.1</u>
Earnings per share -- basic and diluted	\$ 7.96	\$ 6.14	\$ 19.81	\$ 14.80
Adjusted Earnings Per Share				
Net income	\$ 461	\$ 352	\$ 1,248	\$ 885
Gross adjustments to EBITDA	96	85	251	195
Purchase accounting backlog amortization	2	2	5	4
Tax adjustment ⁽¹⁾	(38)	(25)	(108)	(67)
Adjusted net income	<u>\$ 521</u>	<u>\$ 414</u>	<u>\$ 1,396</u>	<u>\$ 1,017</u>
Adjusted diluted earnings per share under the two-class method	<u>\$ 9.00</u>	<u>\$ 7.25</u>	<u>\$ 24.15</u>	<u>\$ 17.80</u>

⁽¹⁾ For the thirteen and thirty-nine week periods ended June 29, 2024 and July 1, 2023, the Tax adjustment represents the tax effect of the adjustments at the applicable effective tax rate, as well as the impact on the effective tax rate when excluding the excess tax benefits on stock option exercises. Stock compensation expense is excluded from adjusted net income and therefore we have excluded the impact that the excess tax benefits on stock option exercises have on the effective tax rate for determining adjusted net income.

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



(\$ in millions)

	Thirty-Nine Week Periods Ended	
	June 29, 2024	July 1, 2023
Net cash provided by operating activities	\$ 1,473	\$ 913
Adjustments:		
Changes in assets and liabilities, net of effects from acquisitions and sales of businesses	218	345
Interest expense - net ⁽¹⁾	912	842
Income tax provision - current	362	282
Loss contract amortization	24	27
Non-cash stock and deferred compensation expense ⁽²⁾	(158)	(131)
Refinancing costs ⁽³⁾	(59)	(41)
EBITDA	2,772	2,237
Adjustments:		
Acquisition transaction-related expenses and adjustments ⁽⁴⁾	43	12
Non-cash stock and deferred compensation expense ⁽²⁾	158	131
Refinancing costs ⁽³⁾	59	41
Other, net ⁽⁵⁾	(9)	11
EBITDA As Defined	\$ 3,023	\$ 2,432

⁽¹⁾ Represents interest expense, net of interest income, 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 acquisitions 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 other miscellaneous (income) expense.