



Onward & Upward

FY 2017 Third Quarter Earnings Conference Call

August 8, 2017

Agenda

- TransDigm Overview, Highlights and Outlook

W. Nicholas Howley
Chairman and CEO

- Operating Performance and Market Review

Kevin Stein
President and COO

- Financial Results

Terrance Paradie
Executive Vice President and CFO

- Q&A

Forward Looking Statements

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

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

Special Notice Regarding Pro Forma and Non-GAAP Information

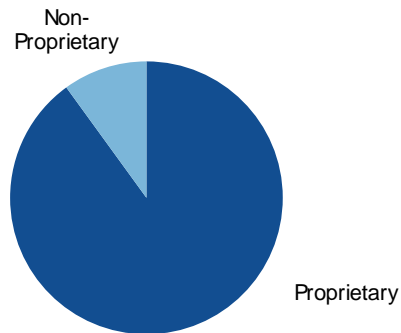
This presentation sets forth certain pro forma financial information. This pro forma financial information gives effect to certain recently completed acquisitions. Such pro forma information is based on certain assumptions and adjustments and does not purport to present TransDigm's actual results of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

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

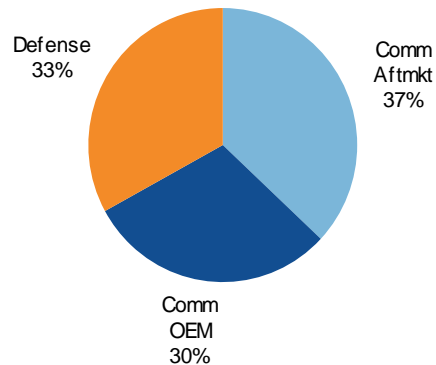
Distinguishing Characteristics

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

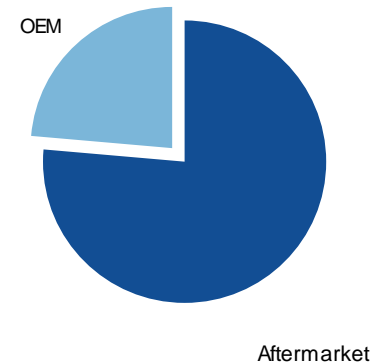
Proprietary Revenues ⁽¹⁾



Pro Forma Revenues ⁽¹⁾



Pro Forma EBITDA As Defined ⁽¹⁾



(1) Pro forma revenue is for the fiscal year ended 9/30/16. Includes the full year impact of acquisitions. Please see the Special Notice Regarding Pro Forma and Non-GAAP Information.

2017 Q3 Financial Performance by Markets – Pro Forma

Highlights⁽¹⁾

Commercial OEM

- Q3 FY17 commercial transport revenue up 1%

Defense

- Strong Q3 FY17 bookings

Q3 Market Review – Pro Forma Revenues⁽¹⁾

	Actual vs. Prior Year	
	Q3	YTD
Commercial OEM:	Down 1%	Flat
Commercial Aftermarket - Transport:	Up 7.5%	Up 3.5%
Commercial Aftermarket - Total:	Up 5%	Up 2.5%
Defense:	Up 8%	Up 4%

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

Commercial Aftermarket Submarket Pro Forma Revenue Trends ⁽¹⁾

Commercial Aftermarket Submarket	% of Revenue	FY14 - FY16 3 YR Avg.	FY17 YTD	FY 17 Q3
Commercial Transport - Passenger	60%	10%	8%	12%
Commercial Transport - Interior	10%	14%	(14%)	(19%)
Commercial Transport - Freight	15%	(1%)	(1%)	9%
Business Jet/Helicopter	15%	2%	(5%)	(9%)

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

Fiscal 2017 Outlook

FY 2016 Pro Forma Sales Mix ⁽¹⁾	Market	FY 2017 Expected Growth
30%	Commercial OEM	Up Low Single-Digit %
37%	Commercial Aftermarket	Up Low to Mid Single-Digit %
33%	Defense	Up Low to Mid Single-Digit %

Assumptions

- Full year interest expense ≈ \$600 million
- Full year effective tax rate ≈ 31% adjusted net income; ≈ 27% GAAP net income
- Weighted average shares of 55.6 million

Guidance Summary

	(\$ in millions)	
	Low	High
Revenues	\$ 3,530	\$ 3,570
EBITDA As Defined	\$ 1,693	\$ 1,713
% to sales	48.0%	48.0%
Net Income	\$ 605	\$ 619
GAAP EPS	\$ 9.16	\$ 9.40
Adj. EPS	\$ 12.09	\$ 12.33

(1) Pro forma revenue is for the fiscal year ended 9/30/16. Includes the full year impact of acquisitions. Please see the Special Notice Regarding Pro Forma and Non-GAAP Information.

Third Quarter 2017 Results

(\$ in millions, except
per share amounts)

	Q3 FY 2017	Q3 FY 2016	
Revenue	\$907.7	\$797.7	13.8% Increase
Gross Profit	\$521.8	\$443.5	1.9 Margin Point Increase
<i>Margin %</i>	57.5%	55.6%	<ul style="list-style-type: none"> • Strength of our proprietary products and productivity improvements 
SG&A	\$110.6	\$94.2	
<i>% to Sales</i>	12.2%	11.8%	
Interest Expense- Net	\$152.2	\$120.8	26.0% Increase
			<ul style="list-style-type: none"> • Weighted average outstanding borrowings increased
Refinancing Costs	\$0.3	\$15.7	
Net Income	\$169.1	\$160.6	5.2% Increase
<i>% to Sales</i>	18.6%	20.1%	
Adjusted EPS	\$3.30	\$3.09	6.8% Increase

Liquidity & Taxes

(\$ in millions)

Cash

	<u>YTD 7/1/2017</u>	<u>FY 9/30/2016</u>
Net Cash Provided by Operating Activities	\$555.2	\$668.9
Capital Expenditures	(\$55.7)	(\$44.0)
Free Cash Flow	\$499.5	\$624.9
Cash on the Balance Sheet	\$970.6	\$1,587.0

Taxes

- YTD FY 17 GAAP ETR: 25%
- YTD FY 17 Adjusted ETR: 31%

Capitalization

	<u>Actual 7/1/2017</u>	<u>Net Debt to Pro Forma EBITDA As Defined Multiple</u>	<u>Rate</u>
Cash	\$971		
\$600m revolver	–		L + 3.00%
\$300m AR securitization facility	200		L + 0.90%
First lien term loan C due 2020	1,219		L + 3.00%
First lien term loan D due 2021	800		L + 3.00%
First lien term loan E due 2022	1,507		L + 3.00%
First lien term loan F due 2023	2,864		L + 3.00%
Total senior secured debt	\$6,590	3.3x	
Senior sub notes due 2020	550		5.50%
Senior sub notes due 2022	1,150		6.00%
Senior sub notes due 2024	1,200		6.50%
Senior sub notes due 2025	750		6.50%
Senior sub notes due 2026	950		6.375%
Total debt	\$11,190	6.1x	

Interest Rate Sensitivity Analysis

(\$ in millions)

		TDG Weighted Average			
		Pre-Tax		After-Tax ⁽¹⁾	
	<u>LIBOR %</u>	<u>Cash Interest Exp \$</u>	<u>Cash Interest Rate %</u>	<u>Cash Interest Exp \$</u>	<u>Cash Interest Rate %</u>
Current →	1.0%	\$ 580	5.2%	\$ 400	3.6%
	2%	\$ 620	5.6%	\$ 430	3.9%
	4%	\$ 685	6.1%	\$ 470	4.2%
	6%	\$ 740	6.6%	\$ 510	4.6%

(1) After tax calculations assume a 31% effective tax rate, the same rate assumed in the FY 2017 guidance.

Reconciliation of GAAP to Adjusted EPS - Guidance

	Thirteen Week Periods Ended		Thirty-Nine Week Periods Ended		Full Year Guidance
	July 1, 2017	July 2, 2016	July 1, 2017	July 2, 2016	Mid-Point September 30, 2017
Earnings per share	\$ 3.08	\$ 2.88	\$ 6.23	\$ 7.63	\$ 9.28
Adjustments to earnings per share:					
Dividend equivalent payment	-	-	1.72	0.05	1.73
Non-cash stock compensation expense	0.15	0.15	0.41	0.42	0.55
Acquisition-related expenses / other	0.17	0.21	0.70	0.57	0.80
Refinancing costs	-	0.20	0.45	0.20	0.45
Reduction in income tax provision net income per common share related to the adoption of ASU 2016-09	(0.10)	(0.35)	(0.60)	(0.67)	(0.60)
Adjusted earnings per share	<u>\$ 3.30</u>	<u>\$ 3.09</u>	<u>\$ 8.91</u>	<u>\$ 8.20</u>	<u>\$ 12.21</u>
Weighted-average shares outstanding	54,890	55,832	55,773	56,263	55,600

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

(\$ in thousands)

	Thirteen Week Periods Ended		Thirty-Nine Week Periods Ended	
	July 1, 2017	July 2, 2016	July 1, 2017	July 2, 2016
Net income	\$ 169,053	\$ 160,622	\$ 443,429	\$ 431,746
Adjustments:				
Depreciation and amortization expense	36,924	29,564	109,851	85,101
Interest expense - net	152,227	120,812	446,073	344,083
Income tax provision	66,015	33,554	145,573	127,276
EBITDA	424,219	344,552	1,144,926	988,206
Adjustments:				
Acquisition-related expenses and adjustments ⁽¹⁾	6,192	9,849	32,864	34,696
Non-cash stock compensation expense ⁽²⁾	11,580	11,371	32,707	33,819
Refinancing costs ⁽³⁾	345	15,654	35,936	15,654
Other - net ⁽⁴⁾	547	2,451	2,615	(480)
Gross Adjustments to EBITDA	18,664	39,325	104,122	83,689
EBITDA As Defined	\$ 442,883	\$ 383,877	\$ 1,249,048	\$ 1,071,895
EBITDA As Defined, Margin ⁽⁵⁾	48.8%	48.1%	48.1%	46.7%

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

⁽²⁾ Represents the compensation expense recognized by TD Group under our stock incentive plans.

⁽³⁾ For the thirteen week period ended July 1, 2017, represents debt issuance costs expensed in conjunction with the additional 2025 Notes. For the thirty-nine week period ended July 1, 2017, represents debt issuance costs expensed in conjunction with the incremental term loan (tranche F), refinancing of the 2021 Notes and the additional 2025 Notes.

⁽⁴⁾ Primarily represents foreign currency transaction gain or loss on intercompany loans to be settled and gain or loss on sale of fixed assets and payroll withholding taxes related to dividend equivalent payments.

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

Appendix - Reconciliation of Reported EPS to Adjusted EPS

(\$ in thousands, except per share amounts)

	Thirteen Week Periods Ended		Thirty-Nine Week Periods Ended	
	July 1, 2017	July 2, 2016	July 1, 2017	July 2, 2016
Reported Earnings Per Share				
Net income	\$ 169,053	\$ 160,622	\$ 443,429	\$ 431,746
Less: dividends on participating securities	-	-	(95,971)	(3,000)
Net income applicable to common stock - basic and diluted	<u>\$ 169,053</u>	<u>\$ 160,622</u>	<u>\$ 347,458</u>	<u>\$ 428,746</u>
Weighted-average shares outstanding under the two-class method:				
Weighted-average common shares outstanding	51,932	53,076	52,718	53,339
Vested options deemed participating securities	<u>2,958</u>	<u>2,756</u>	<u>3,055</u>	<u>2,924</u>
Total shares for basic and diluted earnings per share	<u>54,890</u>	<u>55,832</u>	<u>55,773</u>	<u>56,263</u>
Basic and diluted earnings per share	<u>\$ 3.08</u>	<u>\$ 2.88</u>	<u>\$ 6.23</u>	<u>\$ 7.63</u>
Adjusted Earnings Per Share				
Net income	\$ 169,053	\$ 160,622	\$ 443,429	\$ 431,746
Gross adjustments to EBITDA	18,664	39,325	104,122	83,689
Purchase accounting backlog amortization	6,805	4,387	21,345	11,385
Tax adjustment	<u>(13,397)</u>	<u>(32,079)</u>	<u>(71,768)</u>	<u>(65,682)</u>
Adjusted net income	<u>\$ 181,125</u>	<u>\$ 172,255</u>	<u>\$ 497,128</u>	<u>\$ 461,138</u>
Adjusted diluted earnings per share under the two-class method	<u>\$ 3.30</u>	<u>\$ 3.09</u>	<u>\$ 8.91</u>	<u>\$ 8.20</u>

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

(\$ in thousands)

	Thirty-Nine Week Periods Ended	
	July 1, 2017	July 2, 2016
Net cash provided by operating activities	\$ 555,216	\$ 482,176
Adjustments:		
Changes in assets and liabilities, net of effects from acquisitions of businesses	82,507	100,344
Interest expense - net ⁽¹⁾	430,543	332,372
Income tax provision - current	145,303	122,787
Non-cash stock compensation expense ⁽²⁾	(32,707)	(33,819)
Refinancing costs ⁽⁴⁾	(35,936)	(15,654)
EBITDA	1,144,926	988,206
Adjustments:		
Acquisition-related expenses and adjustments ⁽³⁾	32,864	34,696
Non-cash stock compensation expense ⁽²⁾	32,707	33,819
Refinancing costs ⁽⁴⁾	35,936	15,654
Other, net ⁽⁵⁾	2,615	(480)
EBITDA As Defined	\$ 1,249,048	\$ 1,071,895

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

⁽²⁾ Represents the compensation expense recognized by TD Group under our stock incentive plans.

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

⁽⁴⁾ For the thirty-nine week period ended July 1, 2017, represents debt issuance costs expensed in conjunction with the incremental term loan (tranche F), refinancing of the 2021 Notes and the additional 2025 Notes.

⁽⁵⁾ Primarily represents foreign currency transaction gain or loss on intercompany loans to be settled and gain or loss on sale of fixed assets and payroll withholding taxes on dividend equivalent payments.

Appendix – Current Fiscal Year 2017 Guidance Versus Prior Fiscal Year 2017 Guidance

(\$ in millions, except per share amounts)

	Current Fiscal Year 2017 Guidance <u>Issued August 8, 2017</u>	Current Fiscal Year 2017 Guidance <u>Issued May 9, 2017</u>	<u>Change at Mid-Point</u>
Sales	\$3,530 to \$3,570	\$3,530 to \$3,570	-
GAAP Net Income	\$605 to \$619	\$605 to \$619	-
GAAP Earnings Per Share	\$9.16 to \$9.40	\$9.16 to \$9.40	-
EBITDA As Defined	\$1,693 to \$1,713	\$1,693 to \$1,713	-
Adjusted Earnings Per Share	\$12.09 to \$12.33	\$12.09 to \$12.33	-
Weighted-Average Shares Outstanding	55.6	55.6	-