FY 2020 Q2 Earnings Call

May 5, 2020

Agenda

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

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

TRANSDIGM GROUP INC.

FORWARD LOOKING STATEMENTS

This presentation contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including information regarding our guidance for future periods. These forward-looking statements are based on management's current expectations and beliefs, as well as a number of assumptions concerning future events, many of which are outside of our control. Consequently, such forward looking statements should be regarded solely as our current plans, estimates and beliefs. These statements are subject to risks and uncertainties that could cause actual results to differ materially from those expressed or implied in the forward-looking statement. The Company does not undertake, and specifically declines, any obligation, to publicly release the results of any revisions to these forward-looking statements that may be made to reflect any future events or circumstances after the date of such statements or to reflect the occurrence of anticipated or unanticipated events. All forward –looking statements attributable to the Company or persons acting on its behalf are expressly qualified in their entirety by these cautionary statements. These risks and uncertainties include but are not limited to: the impact that the COVID-19 pandemic has on our business, results of operations, financial condition and liquidity; the sensitivity of our business to the number of flight hours that our customers' planes spend aloft and our customers' profitability, both of which are affected by general economic conditions; future geopolitical or other worldwide events; cyber-security threats and natural disasters; our reliance on certain customers; the U.S. defense budget and risks associated with being a government supplier, including government audits and investigations; failure to maintain government or industry approvals; failure to complete or successfully integrate acquisitions, including our acquisition of Esterline; our indebtedness; potential environmental liabilities; liabilities arising in connection with litigation; increases in raw material costs, taxes and labor costs that cannot be recovered in product pricing; risks and costs associated with our international sales and operations; and other risk factors. Further information regarding the important factors that could cause actual results to differ materially from projected results can be found in TransDigm Group's Annual Report on Form 10-K for the fiscal year ended September 30, 2019 and other reports that TransDigm Group or its subsidiaries have filed with the Securities and Exchange Commission.

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

SPECIAL NOTICE REGARDING PRO FORMA AND NON-GAAP INFORMATION

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

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

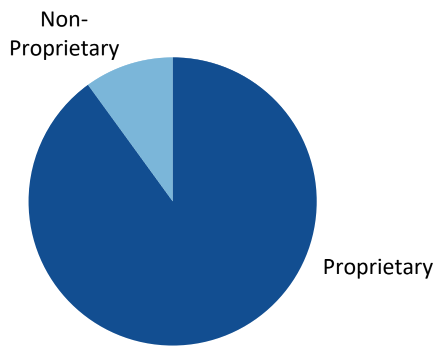
TransDigm Overview (Includes Esterline)

TRANSDIGM GROUP INC.

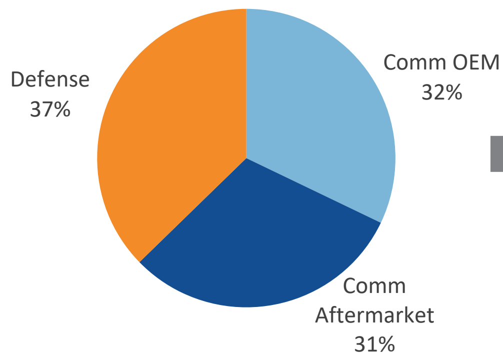
Distinguishing Characteristics

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

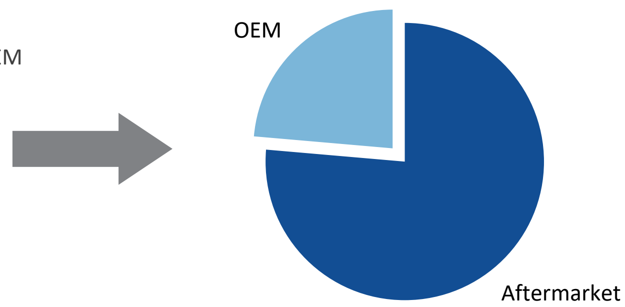
Proprietary Revenues [(1)]



Pro Forma Revenues [(1)]



Pro Forma EBITDA As Defined [(1)]



(1) Pro forma revenue is for the fiscal year ended 9/30/19 includes the Esterline acquisition, excluding the completed divestitures of EIT (divested September 2019) and Souriau-Sunbank (divested December 2019), which results were reclassified to discontinued operations as of 9/30/2019. Please see the Special Notice Regarding Pro Forma and Non-GAAP Information.

2020 Q2 Financial Performance by Markets – Pro Forma (Includes Esterline)

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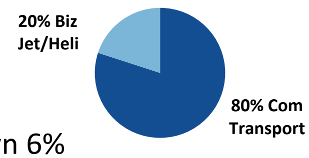
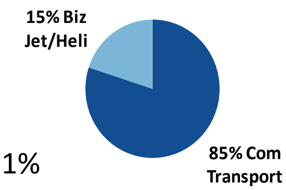
Highlights

Commercial OEM:



- Q2 ’20 Commercial Transport Revenue Down 6%
- Q2 ’20 Business Jet/Helicopter Revenue Up 5%

Commercial Aftermarket:



- Q2 ’20 Commercial Transport Revenue Flat
- Q2 ’20 Business Jet/Helicopter Revenue Up 11%

Defense:

- Q2 ’20 Defense Aftermarket Revenue Growth Outpaced Defense OEM
- Strong YTD ’20 Defense OEM Bookings

Q2 Review – Pro Forma Revenues(1)

	Actual vs. Prior Year Q2	Actual vs. Prior Year YTD
Commercial OEM:	Down 3%	Down 1%
Commercial Aftermarket:	Up 1%	Up 9%
Defense:	Flat	Up 4%

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

Second Quarter 2020 Select Financial Results

TRANSDIGM GROUP INC.

($ in millions, except per share amounts)	Q2 FY 2020	Q2 FY 2019			
Revenue	**$1,443**	**$1,168**	**23.5%**	**Increase**	
Gross Profit	**$818**	**$650**	**1.0%**	**Margin Increase**	• Lower Esterline gross margins vs. legacy TDG • Legacy TDG business margins expanded • Lower acquisition integration related costs
Margin %	***56.7%***	***55.7%***			
SG&A	**$180**	**$160**	**-1.2%**		• Higher Esterline SG&A spend vs. legacy TDG • Lower acquisition integration related costs • Lower non-cash stock compensation expense
% to Sales	***12.5%***	***13.7%***			
Interest Expense- Net	**$252**	**$202**	**24.8%**	**Increase**	• Interest on new debt
EBITDA As Defined	**$675**	**$566**	**19.3%**	**Increase**	• Includes the benefit of $8M in loss contract reserves offsetting negative margins on sales related to former Esterline businesses
Margin %	***46.8%***	***48.5%***			
Adjusted EPS	**$5.10**	**$4.16**	**22.6%**	**Increase**	
Adjusted Tax Rate	**20.4%**	**28.9%**			

Misc. Financial

TRANSDIGM GROUP INC.

($ in millions)

Cash

	YTD Q2 FY 20 3/28/20	FY 19 9/30/19
Net Cash Provided by Operating Activities	$594	$1,029
Capital Expenditures	($50)	($103)
Free Cash Flow	$544	$926
Cash on the Balance Sheet	$2,668	$1,467

Taxes

- YTD Q2 FY 20 GAAP ETR: 11.6%
- YTD Q2 FY 20 Adjusted ETR: 22.4%

Fiscal 2020 Current Misc. Financial Assumptions

- Full year net interest expense:

  ≈ $1.03 billion (includes new debt issuance)

- Full year effective tax rate:

  ≈ 15% to 18% for GAAP EPS and Cash Taxes;

  ≈ 22% to 23% for Adjusted EPS

- Weighted average shares:

  57.4 million

- Depreciation & amortization expense (ex backlog):

  ≈ $230 million

Liquidity

TRANSDIGM GROUP INC.

($ in millions)

Pro Forma Capital Structure

Pro forma capitalization ($ in millions)	Actual 3/28/20		Adj.	Pro forma (1) 3/28/20		Rate
Cash	$2,668		$1,500	$4,168		
$760mm revolver	$200		–	200		L + 3.000%
$350mm AR securitization facility	350		–	350		L + 0.900%
First lien term loan E due 2025	2,215		–	2,215		L + 2.250%
First lien term loan F due 2025	3,515		–	3,515		L + 2.250%
First lien term loan G due 2024	1,773		–	1,773		L + 2.250%
Senior secured notes due 2025	–		1,100	1,100		8.000%
Senior secured notes due 2026	4,000		400	4,400		6.250%
Total secured debt	**$12,053**	**4.4x**		**$13,553**	**5.0x**	
Total net secured debt	**$9,385**	**3.4x**		**$9,385**	**3.4x**	
Senior subordinated notes due 2024	1,200		–	1,200		6.500%
Senior subordinated notes due 2025	750		–	750		6.500%
Senior subordinated notes due 2026	950		–	950		6.375%
Senior subordinated notes due 2026	500		–	500		6.875%
Senior subordinated notes due 2027	550		–	550		7.500%
Senior subordinated notes due 2027	2,650		–	2,650		5.500%
Capital Lease Obligations (Gross)	58		–	58		
Total debt	**$18,711**	**6.9x**		**$20,211**	**7.4x**	
Total net debt	**$16,043**	**5.9x**		**$16,043**	**5.9x**	

FY20 Weighted Average Interest Rate 5.4%

Run Rate Annualized Interest Expense $1.1B

(1) Pro forma capital structure reflects the issuance of the 8.00% Senior Secured Notes due 2025 and additional issuance of existing 6.25% Senior Secured Notes due 2026. Both offerings were completed subsequent to the fiscal quarter ended 3/28/20.

Capital Structure Summary

TRANSDIGM GROUP INC.

As of April 30, 2020

- No financial maintenance covenants in place on any of TransDigm's $20.2 billion of Secured and Unsecured Debt
- No maturity due on any term loans or bonds until July 2024
- $760 million revolving credit facility; over $500 million available
  - Drew $200 million on revolver in March 2020
  - Subject to a covenant only if drawn greater than $265 million
  - No covenants apply below the $265 million level
- $4.2 billion cash balance

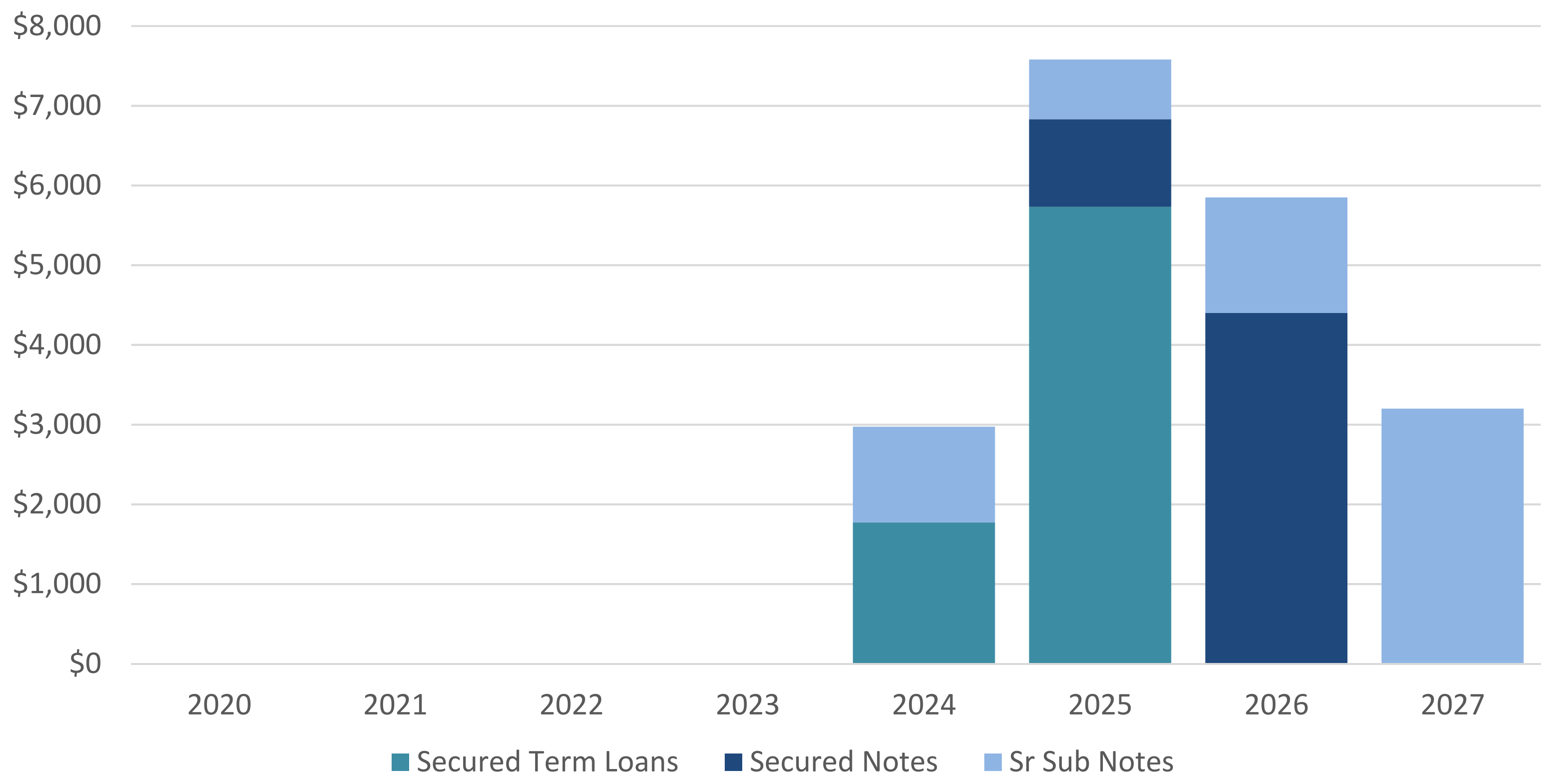
(1) Includes proceeds from the issuance of the 8.00% Senior Secured Notes due 2025 and additional issuance of existing 6.25% Senior Secured Notes due 2026. Both offerings were completed in April 2020.

Debt Maturity Profile:
Pro Forma to Include April Financing

TRANSDIGM GROUP INC.

Pro Forma Debt Maturity Profile – *No Sizable Maturity Until July 2024*

($ in millions)



Note: $350M AR Securitization renews annually in July

Appendix: Credit Agreement Highlights

TRANSDIGM GROUP INC.

Summary of Key Provisions in Credit Agreement

- **TransDigm has no maintenance covenants in its existing Term Loan and Bond Indenture documents**
- **Only exception to this is that if the company should draw greater than 35% of its revolver, there is a Net Debt / EBITDA limit of 7.25x. Provided the Revolver is less than 35% drawn, there is no covenant in place.**

PROVISION	MATERIAL DETAILS
Incremental Facility	▪ Unlimited if Consolidated Net Leverage Ratio would be no greater than 7.25 to 1.00 and Consolidated Secured Net Debt Ratio would be no greater than 5.00 to 1.00
Financial Covenant	▪ Springing for the benefit of the Revolving Lenders if the Revolving Credit Exposure (Borrowings and LCs) as of the last day of a fiscal quarter exceeds an amount equal to 35% of the Revolving Commitments ▪ Consolidated Net Leverage Ratio of no more than 7.25 to 1.00 (or 7.75 to 1.00 for the first two fiscal quarters ending after the consummation of a material acquisition)

(1) This summary is based on the Second Amended and Restated Credit Agreement, dated as of June 4, 2014 (as amended through Amendment No. 7, dated as of February 2020) and does not purport to be complete. Reference should be made to the Credit Agreement and related Loan Documents for their complete terms and provisions.

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

TRANSDIGM GROUP INC.

($ in millions)

	Thirteen Week Periods Ended		Twenty-Six Week Periods Ended	
	March 28, 2020	March 30, 2019	March 28, 2020	March 30, 2019
Income from continuing operations	$ 323	$ 200	$ 556	$ 396
Adjustments:				
Depreciation and amortization expense	72	39	141	74
Interest expense - net	252	202	501	374
Income tax provision	14	63	73	117
EBITDA	661	504	1,271	961
Adjustments:				
Acquisition-related expenses and adjustments [1]	9	38	16	49
Non-cash stock compensation expense [2]	11	21	37	38
Refinancing costs [3]	3	3	26	3
Other - net [4]	(9)	-	6	2
Gross Adjustments to EBITDA	14	62	85	92
EBITDA As Defined	$ 675	$ 566	$ 1,356	$ 1,053
EBITDA As Defined, Margin [5]	46.8%	48.5%	46.6%	48.7%

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

[4] Primarily represents foreign currency transaction gain or loss, payroll withholding taxes related to dividend equivalent payments and stock option exercises, non-service related pension costs, deferred compensation and gain or loss on sale of fixed assets.

[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

TRANSDIGM GROUP INC.

($ in millions, except per share amounts)

	Thirteen Week Periods Ended		Twenty-Six Week Periods Ended	
Reported Earnings Per Share	**March 28, 2020**	**March 30, 2019**	**March 28, 2020**	**March 30, 2019**
Income from continuing operations	$ 323	$ 200	$ 556	$ 396
Less: Net income attributable to noncontrolling interests	-	-	(1)	-
Net income from continuing operations attributable to TD Group	323	200	555	396
Less: Special dividends declared or paid on participating securities	-	-	(185)	(24)
	323	200	370	372
Loss (income) from discontinued operations, net of tax	(4)	2	68	2
Net income applicable to TD Group common stock - basic and diluted	$ 319	$ 202	$ 438	$ 374
Weighted-average shares outstanding under the two-class method:				
Weighted-average common shares outstanding	53.8	53.0	53.7	52.9
Vested options deemed participating securities	3.6	3.3	3.7	3.4
Total shares for basic and diluted earnings per share	57.4	56.3	57.4	56.3
Net earnings per share from continuing operations -- basic and diluted	$ 5.63	$ 3.56	$ 6.45	$ 6.61
Net earnings per share from discontinued operations -- basic and diluted	(0.07)	0.04	1.18	0.04
Basic and diluted earnings per share	$ 5.56	$ 3.60	$ 7.63	$ 6.65
Adjusted Earnings Per Share				
Net income from continuing operations attributable to TD Group	$ 323	$ 200	$ 555	$ 396
Gross adjustments to EBITDA	14	62	85	92
Purchase accounting backlog amortization	16	4	28	5
Tax adjustment [1]	(61)	(32)	(93)	(42)
Adjusted net income	$ 292	$ 234	$ 575	$ 451
Adjusted diluted earnings per share under the two-class method	$ 5.10	$ 4.16	$ 10.03	$ 8.00

[1] For the thirteen and twenty-six week periods ended March 28, 2020 and March 30, 2019, 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 GAAP to Adjusted EPS

	Thirteen Week Periods Ended		Twenty-Six Week Periods Ended	
	March 28, 2020	March 30, 2019	March 28, 2020	March 30, 2019
GAAP earnings per share from continuing operations	**$ 5.63**	**$ 3.56**	**$ 6.45**	**$ 6.61**
Adjustments to earnings per share:				
Dividend equivalent payments	-	-	3.22	0.43
Acquisition-related expenses	0.35	0.53	0.59	0.72
Non-cash stock compensation expense	0.16	0.26	0.50	0.50
Refinancing costs	0.05	0.04	0.35	0.05
Reduction in income tax provision due to excess tax benefits on stock compensation	(0.95)	(0.23)	(1.19)	(0.31)
Other, net	(0.14)	-	0.11	-
Adjusted earnings per share	**$ 5.10**	**$ 4.16**	**$ 10.03**	**$ 8.00**
Weighted-average shares outstanding	**57.4**	**56.3**	**57.4**	**56.3**

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

TRANSDIGM GROUP INC.

($ in millions)

	Twenty-Six Week Periods Ended	
	March 28, 2020	**March 30, 2019**
Net cash provided by operating activities	**$ 594**	**$ 453**
Adjustments:		
Changes in assets and liabilities, net of effects from acquisitions of businesses	173	64
Interest expense - net [1]	485	361
Income tax provision - current	82	124
Non-cash stock compensation expense [2]	(37)	(38)
Refinancing costs [3]	(26)	(3)
EBITDA	**1,271**	**961**
Adjustments:		
Acquisition-related expenses and adjustments [4]	16	49
Non-cash stock compensation expense [2]	37	38
Refinancing costs [3]	26	3
Other, net [5]	6	2
EBITDA As Defined	**$ 1,356**	**$ 1,053**

[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 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 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.

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