



TRANSDIGM
GROUP INC.

FY 2024 Q2 Earnings Call

May 7, 2024

- TransDigm Overview, Highlights and Outlook
Kevin Stein
President and CEO
- Market Review
Mike Lisman
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

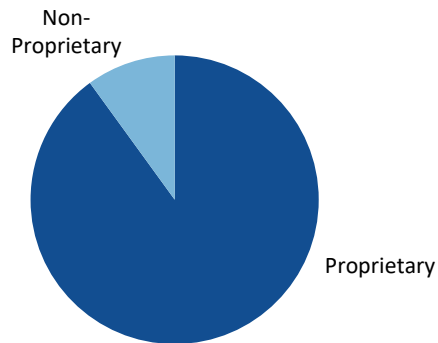
This presentation sets forth certain pro forma financial information. This pro forma financial information gives effect to certain recently completed acquisitions. Such pro forma information is based on certain assumptions and adjustments and does not purport to present TransDigm's actual results of 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.

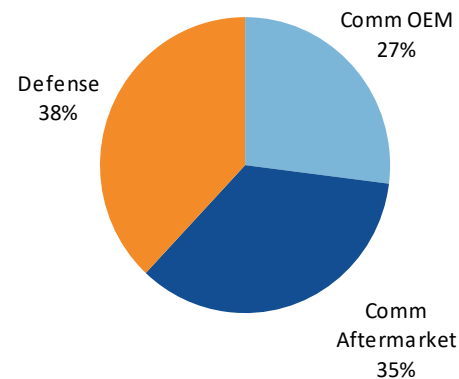
Distinguishing Characteristics

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

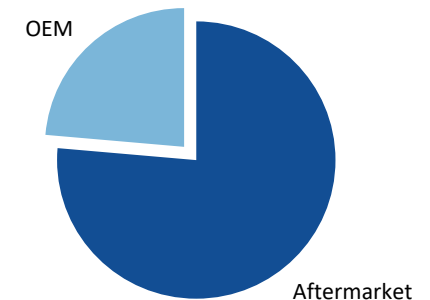
Proprietary Revenues ⁽¹⁾



Pro Forma Revenues ⁽¹⁾



**Pro Forma EBITDA
As Defined ⁽¹⁾**



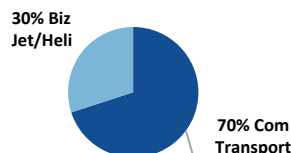
(1) Pro forma revenue is for the fiscal year ended 9/30/2023. Includes full year impact of the Calspan Corporation acquisition completed May 2023. Please see the Special Notice Regarding Pro Forma and Non-GAAP Information.

2024 Q2 Financial Performance by Markets – Pro Forma

Highlights

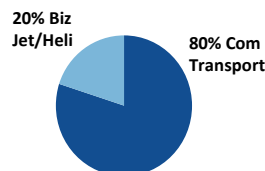
Commercial OEM:

- Q2 '24 Commercial Transport Revenue Up 25%
- Q2 '24 Business Jet/Helicopter Revenue Up 15%
- Strong Bookings Continue to Support FY24 Commercial OEM Guidance



Commercial Aftermarket:

- Q2 '24 Commercial Transport Revenue Up 12%
 - Q2 '24 Passenger Transport Revenue Up ~20%
 - Q2 '24 Freight Revenue Down ~15%
- Q2 '24 Business Jet/Helicopter Revenue Down 5%
- Strong Bookings Continue to Support FY24 Commercial Aftermarket Guidance



Defense:

- Q2 '24 Defense Aftermarket Growth Outpaced Defense OEM
- Revenue Growth Well Distributed Across Businesses
- Improvements in U.S. Government Defense Spend Outlays

Q2 Review – Pro Forma Revenues⁽¹⁾



	Actual vs. Prior Year	
	Q2	YTD
Commercial OEM:	Up 21%	Up 22%
Commercial Aftermarket:	Up 8%	Up 15%
Defense:	Up 21%	Up 25%



(1) Pro forma revenue for all periods includes the impact of the Calspan Corporation acquisition completed May 2023. Please see the Special Notice Regarding Pro Forma and Non-GAAP information.

Second Quarter 2024 Select Financial Results

(\$ in millions, except per share amounts)

	Q2 FY 2024	Q2 FY 2023		
Revenue	\$1,919	\$1,592	21%	Increase
Gross Profit	\$1,152	\$929		
	60.0%	58.4%	1.6%	
SG&A	\$248	\$199		
<i>% to Sales</i>	12.9%	12.5%	0.4%	
Interest Expense - Net	\$326	\$295	11%	Increase
Refinancing Costs	\$28	\$5		
EBITDA As Defined	\$1,021	\$817	25%	Increase
<i>Margin %</i>	53.2%	51.3%		
Adjusted EPS	\$7.99	\$5.98	34%	Increase
GAAP Tax Rate	22.2%	23.4%		
Adjusted Tax Rate	26.0%	25.5%		

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

- Continued cost mitigation efforts 
- Higher non-cash stock and deferred compensation expense 

- Interest on new debt and increase in rates on variable rate debt, partially offset by higher interest income

- Due to the completed refinancing of one senior secured note, one senior subordinated note and the refinancing of Tranche H & I term loans

Market Growth Assumptions

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

Guidance Summary

(\$ in millions, except per share amounts)

	FY 24 Guidance			FY 24 Guidance Midpoint Change		
	Low	High		Current	Prior	Δ
Revenues	\$ 7,680	\$ 7,800	Revenues	\$ 7,740	\$ 7,665	\$ 75
Net Income	\$ 1,608	\$ 1,686				
GAAP EPS	\$ 26.06	\$ 27.40				
EBITDA As Defined	\$ 3,995	\$ 4,095	EBITDA As Defined	\$ 4,045	\$ 3,985	\$ 60
<i>% of sales</i>	52.0%	52.5%	<i>% of sales</i>	52.3%	52.0%	
Adj. EPS	\$ 31.75	\$ 33.09	Adj. EPS	\$ 32.42	\$ 30.85	\$ 1.57

(1) Pro forma revenue is for the fiscal year ended 9/30/2023. 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 February 2024)	Updated Assumptions
Capital Expenditures	\$185 to \$215 million	No change
Full Year Net Interest Expense	≈ \$1.38 billion (includes \$60 million of interest income)	≈ \$1.32 billion (includes \$110 million of interest income)
Full Year Effective Tax Rate	≈ 22% to 24% for GAAP EPS, Adjusted EPS and Cash Taxes	No change
Depreciation & Amortization Expense (ex backlog)	\$290 to \$295 million	No change
Non-Cash Stock Compensation and Deferred Compensation Expense	\$175 to \$195 Million	\$205 to \$225 Million
Other EBITDA As Defined Add-Backs ⁽¹⁾	\$30 to \$35 million	\$75 to \$80 million
Weighted Average Shares	57.8 million	57.85 million

(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	\$ 1,647
Adjustments:	
Depreciation and amortization expense	294
Interest expense - net	1,320
Income tax provision	491
EBITDA	<u>3,752</u>
Adjustments:	
Acquisition transaction-related expenses and adjustments ⁽¹⁾	41
Non-cash stock and deferred compensation expense ⁽¹⁾	215
Refinancing costs ⁽¹⁾	29
Other, net ⁽¹⁾	8
Gross Adjustments to EBITDA	<u>293</u>
EBITDA As Defined	<u>\$4,045</u>
<i>EBITDA As Defined, Margin ⁽¹⁾</i>	<i>52.3%</i>
GAAP earnings per share	\$26.73
Adjustments to earnings per share:	
Inclusion of the dividend equivalent payments	1.75
Non-cash stock and deferred compensation expense	2.87
Acquisition transaction-related expenses and adjustments	0.60
Refinancing costs	0.38
Other, net	0.09
Adjusted earnings per share	<u>\$32.42</u>
Weighted-average shares outstanding	57.85
GAAP & Adj Tax Rate	22% - 24%

(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		Twenty-Six Week Periods Ended		Full Year Guidance
	March 30, 2024	April 1, 2023	March 30, 2024	April 1, 2023	Mid-Point September 30, 2024
GAAP earnings per share from continuing operations	\$ 6.97	\$ 5.32	\$ 11.83	\$ 8.65	\$ 26.73
Adjustments to earnings per share:					
Dividend equivalent payments	-	-	1.75	0.67	1.75
Acquisition and divestiture transaction-related expenses and adjustments	0.21	0.05	0.25	0.10	0.60
Non-cash stock and deferred compensation expense	0.77	0.55	1.44	1.01	2.87
Refinancing costs	0.37	0.07	0.37	0.12	0.38
Tax adjustment on income from continuing operations before taxes	(0.33)	(0.15)	(0.52)	(0.23)	-
Other, net	-	0.14	0.03	0.23	0.09
Adjusted earnings per share	\$ 7.99	\$ 5.98	\$ 15.15	\$ 10.55	\$ 32.42

Capital Structure

Pro Forma Capital Structure

(\$ in millions)

	Actual 3/30/24	Adj.	Pro forma (1) 3/30/24	Rate
Cash	\$4,288	–	\$4,288	
Restricted Cash ⁽¹⁾	550	(550)	–	
Total Cash	<u>\$4,838</u>		<u>\$4,288</u>	
\$910mm revolver	–	–	–	L + 2.250%
\$450mm AR securitization facility	450	–	450	S + 1.600%
First lien term loan H due 2027	–	–	–	S + 3.250%
First lien term loan I due 2028	4,525	–	4,525	S + 2.750%
First lien term loan J due 2031	997	–	997	S + 3.250%
New First lien term loan K due 2030	1,708	–	1,708	S + 2.750%
Senior secured notes due 2026	–	–	–	6.250%
Senior secured notes due 2028	2,100	–	2,100	6.750%
New Senior secured notes due 2029	2,750	–	2,750	6.375%
Senior secured notes due 2030	1,450	–	1,450	6.875%
Senior secured notes due 2031	1,000	–	1,000	7.125%
New Senior secured notes due 2032	2,200	–	2,200	6.625%
Total secured debt	\$17,180		\$17,180	4.5x
Total net secured debt	\$12,892		\$12,892	3.4x
Senior subordinated notes due 2027	550	(550)	–	7.500%
Senior subordinated notes due 2027	2,650	–	2,650	5.500%
Senior subordinated notes due 2029	1,200	–	1,200	4.625%
Senior subordinated notes due 2029	750	–	750	4.875%
Finance Lease Obligations (Gross)	259	–	259	
Total debt	\$22,589		\$22,039	5.8x
Total net debt	\$18,301		\$17,751	4.6x

**FY24 Weighted
Average Interest Rate
6.0%**

(1) Pro forma capital structure reflects the April 2024 repayment of the \$550 million of 7.500% Senior Subordinated Notes due 2027. Restricted cash at period ended March 30, 2024, represents the cash committed from the issuance of \$550 million in 6.375% Senior Secured Notes due 2029, to redeem the outstanding \$550 million in 7.500% Senior Subordinated Notes due 2027. The notification of the redemption of the \$550 million 7.500% Senior Subordinated Notes due 2027 occurred on March 22, 2024, and the redemption occurred on April 22, 2024.

Interest Rate Sensitivity

- Interest rates on TDG's \$22Bn of gross Debt is ~ 75% hedged/fixed rate through fiscal year 2026
- 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⁾	~ 5.3%	6.0%	7.0%
Interest Expense - Pre-Tax ⁽²⁾	\$1,320	\$1,341	\$1,373
Interest Rate - Pre-Tax	6.0%	6.1%	6.2%

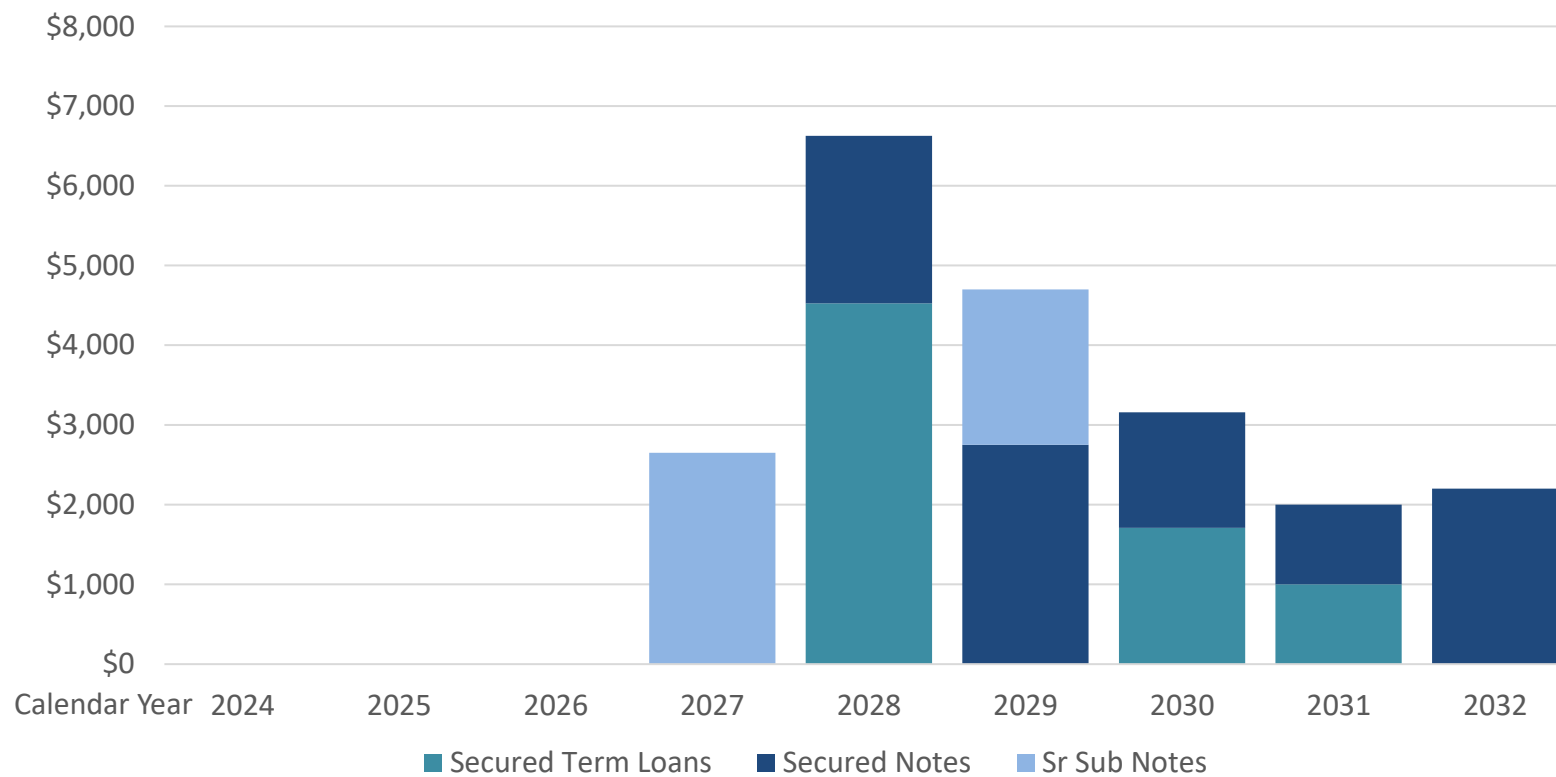
(1) FY 24 Weighted Average Variable rate is the average Term SOFR for TDG's 2024 fiscal year based on current consensus and management estimates.

(2) Interest expense shown includes \$45M amortization of debt issuance costs and fees and \$110M of Interest income.

Debt Maturity Profile

Debt Maturity Profile

(\$MM)



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

Note 2: \$450M AR Securitization renews annually in July

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



(\$ in millions)

	Thirteen Week Periods Ended		Twenty-Six Week Periods Ended	
	March 30, 2024	April 1, 2023	March 30, 2024	April 1, 2023
Net Income	\$ 404	\$ 304	\$ 786	\$ 533
Adjustments:				
Depreciation and amortization expense	74	65	143	129
Interest expense - net	326	295	626	581
Income tax provision	115	93	222	164
EBITDA	919	757	1,777	1,407
Adjustments:				
Acquisition and divestiture transaction-related expenses and adjustments ⁽¹⁾	14	3	16	6
Non-cash stock and deferred compensation expense ⁽²⁾	60	42	111	77
Refinancing costs ⁽³⁾	28	5	28	9
Other, net ⁽⁴⁾	-	10	1	17
Gross Adjustments to EBITDA	102	60	156	109
EBITDA As Defined	\$ 1,021	\$ 817	\$ 1,933	\$ 1,516
EBITDA As Defined, Margin ⁽⁵⁾	53.2%	51.3%	52.1%	50.7%

⁽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 and deferred compensation payments.

⁽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		Twenty-Six Week Periods Ended	
	March 30, 2024	April 1, 2023	March 30, 2024	April 1, 2023
Net income	\$ 404	\$ 304	\$ 786	\$ 533
Less: Net income attributable to noncontrolling interests	(1)	-	(1)	(1)
Net income attributable to TD Group	403	304	785	532
Less: Dividends paid on participating securities	-	-	(101)	(38)
Net income applicable to TD Group common stockholders - basic and diluted	<u>\$ 403</u>	<u>\$ 304</u>	<u>\$ 684</u>	<u>\$ 494</u>
Weighted-average shares outstanding under the two-class method:				
Weighted-average common shares outstanding	55.7	54.7	55.6	54.6
Vested options deemed participating securities	2.1	2.4	2.2	2.5
Total shares for basic and diluted earnings per share	<u>57.8</u>	<u>57.1</u>	<u>57.8</u>	<u>57.1</u>
Earnings per share -- basic and diluted	\$ 6.97	\$ 5.32	\$ 11.83	\$ 8.65
Adjusted Earnings Per Share				
Net income	\$ 404	\$ 304	\$ 786	\$ 533
Gross adjustments to EBITDA	102	60	156	109
Purchase accounting backlog amortization	3	1	3	2
Tax adjustment ⁽¹⁾	(47)	(24)	(70)	(42)
Adjusted net income	<u>\$ 462</u>	<u>\$ 341</u>	<u>\$ 875</u>	<u>\$ 602</u>
Adjusted diluted earnings per share under the two-class method	<u>\$ 7.99</u>	<u>\$ 5.98</u>	<u>\$ 15.15</u>	<u>\$ 10.55</u>

⁽¹⁾ For the thirteen and twenty-six week periods ended March 30, 2024 and April 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)

	Twenty-Six Week Periods Ended	
	March 30, 2024	April 1, 2023
Net cash provided by operating activities	\$ 865	\$ 507
Adjustments:		
Changes in assets and liabilities, net of effects from acquisitions and sales of businesses	207	242
Interest expense - net ⁽¹⁾	604	561
Income tax provision - current	223	164
Loss contract amortization	17	19
Non-cash stock and deferred compensation expense ⁽²⁾	(111)	(77)
Refinancing costs ⁽³⁾	(28)	(9)
EBITDA	1,777	1,407
Adjustments:		
Acquisition and divestiture transaction-related expenses and adjustments ⁽⁴⁾	16	6
Non-cash stock and deferred compensation expense ⁽²⁾	111	77
Refinancing costs ⁽³⁾	28	9
Other, net ⁽⁵⁾	1	17
EBITDA As Defined	\$ 1,933	\$ 1,516

⁽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 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 and deferred compensation payments.