



FLYING
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FY 2018 Second Quarter
Earnings Conference Call

May 1, 2018

TRANSDIGM
GROUP INC.

Agenda

TRANSDIGM
GROUP INC.

- TransDigm Overview, Highlights and Outlook

W. Nicholas Howley
Executive Chairman

- Operating Performance and Market Review

Kevin Stein
President and CEO

- Financial Results

James Skulina
Executive Vice President and
CFO

- Q&A

Forward Looking Statements

TRANSDIGM
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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

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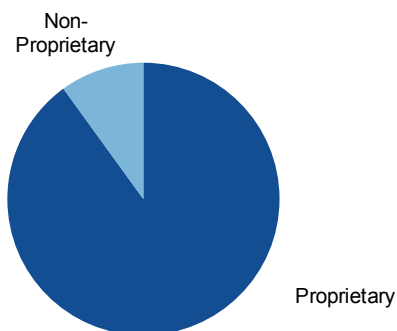
This presentation sets forth certain pro forma financial information. This pro forma financial information gives effect to certain recently completed acquisitions. Such pro forma information is based on certain assumptions and adjustments and does not purport to present TransDigm's actual results of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

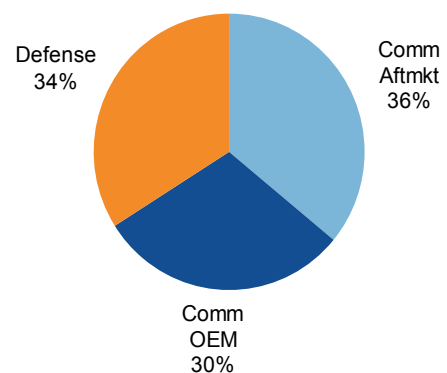
Distinguishing Characteristics

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

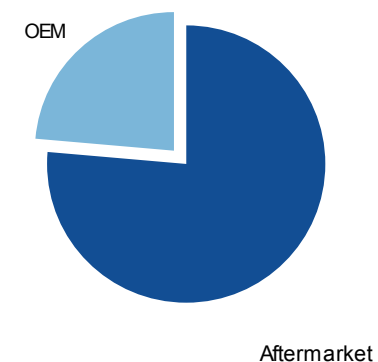
Proprietary Revenues ⁽¹⁾



Pro Forma Revenues ⁽¹⁾



**Pro Forma EBITDA
As Defined ⁽¹⁾**



(1) Pro forma revenue is for the fiscal year ended 9/30/17. Includes the full year impact of acquisitions purchased in the third quarter of FY 2017, excludes Kirkhill and Extant. Please see the Special Notice Regarding Pro Forma and Non-GAAP Information.

2018 Q2 Financial Performance by Markets – Pro Forma

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Q2 Market Review – Pro Forma Revenues⁽¹⁾

	Actual vs. Prior Year	
	Q2	YTD
Commercial OEM:	Down 2%	Down 1%
Commercial Aftermarket:	Up 15%	Up 12%
Defense:	Up 5%	Up 2%

(1) Information is on a pro forma basis versus the prior year period and includes the full year impacts of acquisitions purchased in the third quarter of FY 17, excludes Kirkhill and Extant. Please see the Special Notice Regarding Pro Forma and Non-GAAP Information.

Fiscal 2018 Outlook

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FY 2017 Pro Forma Sales Mix ⁽¹⁾	Market	FY 2018 Expected Growth - Updated
30%	Commercial OEM	Up Low-Single-Digit %
36%	Commercial Aftermarket	Up Mid to High-Single-Digit %
34%	Defense	Up Mid-Single-Digit %

Assumptions

- Full year interest expense ≈ \$650 million
- Full year effective tax rate ≈ 9-10% adjusted net income; ≈ 6-7% GAAP net income
- Weighted average shares of 55.6 million

Guidance Summary

(\$ in millions)

	Low	High
Revenues	\$ 3,740	\$ 3,820
EBITDA As Defined	\$ 1,830	\$ 1,880
<i>% to sales</i>	48.9%	49.2%
Net Income	\$ 902	\$ 938
GAAP EPS	\$ 15.22	\$ 15.86
Adj. EPS	\$ 17.35	\$ 17.99

(1) Pro forma revenue is for the fiscal year ended 9/30/17. Includes the full year impact of acquisitions purchased in the third quarter of FY 17, excludes Kirkhill and Extant. Please see the Special Notice Regarding Pro Forma and Non-GAAP Information.

Second Quarter 2018 Results

TRANSDIGM
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(\$ in millions, except
per share amounts)

	<u>Q2 FY 2018</u>	<u>Q2 FY 2017</u>	
Revenue	\$933.1	\$868.7	7.4% Increase
Gross Profit	\$534.1	\$489.4	0.9 Margin Point Increase
<i>Margin %</i>	<i>57.2%</i>	<i>56.3%</i>	<ul style="list-style-type: none"> • Strength of our proprietary products and productivity improvements
SG&A	\$107.5	\$100.9	
<i>% to Sales</i>	<i>11.5%</i>	<i>11.6%</i>	
Interest Expense- Net	\$161.3	\$147.8	9.1% Increase
			<ul style="list-style-type: none"> • Weighted average outstanding borrowings increased • Weighted average interest rate increased
Pre-tax Income from Continuing Operations	\$247.2	\$215.2	14.9% Increase
<i>% to Sales</i>	<i>26.5%</i>	<i>24.8%</i>	
Net Income from Continuing Operations	\$201.8	\$155.7	29.6% Increase
<i>% to Sales</i>	<i>21.6%</i>	<i>17.9%</i>	
Loss from Discontinued Operations	(\$5.6)	(\$0.2)	
Adjusted EPS	\$3.79	\$3.03	25.2% Increase

Liquidity & Taxes

TRANSDIGM
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(\$ in millions)

Cash

	YTD 3/31/2018	FY 9/30/2017
Net Cash Provided by Operating Activities	\$453.7	\$788.7
Capital Expenditures	(\$30.9)	(\$71.0)
Free Cash Flow	\$422.8	\$717.7
Cash on the Balance Sheet	\$1,011.0	\$650.6

Taxes

- YTD FY 18 GAAP ETR: (17.3%)
- YTD FY 18 Adjusted ETR: (8.1%)

Capitalization

	3/31/18	Net Debt to Pro Forma EBITDA As Defined Multiple	Rate
Cash	\$1,011		
\$600m revolver	—		L + 3.00%
\$350m AR securitization facility	300		L + 0.90%
First lien term loan E due 2022	1,496		L + 2.75%
First lien term loan F due 2023	3,637		L + 2.75%
First lien term loan G due 2024	1,805		L + 2.50%
Total senior secured debt	\$7,238	3.5x	
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	\$11,838	6.1x	

Reconciliation of GAAP to Adjusted EPS - Guidance

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	Thirteen Week Periods Ended		Twenty-Six Week Periods Ended		Full Year Guidance
	March 31, 2018	April 1, 2017	March 31, 2018	April 1, 2017	Mid-Point September 30, 2018
Earnings per share from continuing operations	\$ 3.63	\$ 2.78	\$ 8.23	\$ 3.17	\$ 15.54
Adjustments to earnings per share:					
Dividend equivalent payment	-	-	1.01	1.71	1.01
Non-cash stock compensation expense	0.16	0.14	0.44	0.26	0.78
Acquisition-related expenses / other	0.17	0.19	0.38	0.49	0.78
Refinancing costs	0.01	0.04	0.03	0.44	0.03
Reduction in income tax provision net income per common share related to ASU 2016-09	(0.18)	(0.12)	(0.72)	(0.52)	(0.47)
Adjusted earnings per share	<u>\$ 3.79</u>	<u>\$ 3.03</u>	<u>\$ 9.37</u>	<u>\$ 5.55</u>	<u>\$ 17.67</u>
Weighted-average shares outstanding	55,605	55,894	55,599	56,211	55,600

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

TRANSDIGM
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(\$ in thousands)

	Thirteen Week Periods Ended		Twenty-Six Week Periods Ended	
	March 31, 2018	April 1, 2017	March 31, 2018	April 1, 2017
Net income	\$ 196,278	\$ 155,505	\$ 511,053	\$ 274,376
Less: Loss from Discontinued Operations, net of tax ⁽¹⁾	(5,562)	(186)	(2,798)	(186)
Income from Continuing Operations	201,840	155,691	513,851	274,562
Adjustments:				
Depreciation and amortization expense	30,970	34,661	61,609	72,708
Interest expense - net	161,266	147,842	322,199	293,846
Income tax provision	45,347	59,508	(75,700)	79,558
EBITDA	439,423	397,702	821,959	720,674
Adjustments:				
Acquisition-related expenses and adjustments ⁽²⁾	4,485	7,752	6,559	26,320
Non-cash stock compensation expense ⁽³⁾	11,590	11,105	22,703	21,126
Refinancing costs ⁽⁴⁾	638	3,507	1,751	35,591
Other - net ⁽⁵⁾	6,987	1,610	11,684	(841)
Gross Adjustments to EBITDA	23,700	23,974	42,697	82,196
EBITDA As Defined	\$ 463,123	\$ 421,676	\$ 864,656	\$ 802,870
EBITDA As Defined, Margin ⁽⁶⁾	49.6%	48.5%	48.5%	47.7%

⁽¹⁾ During the fourth quarter of 2017, the Company committed to disposing of Schroth in connection with the settlement of a Department of Justice investigation into the competitive effects of the acquisition. Therefore, Schroth was classified as a held-for-sale and as discontinued operations beginning September 30, 2017 for all periods presented. The Company acquired Schroth in February 2017. On January 26, 2018, the Company completed the sale of Schroth in a management buyout to a private equity fund and certain members of Schroth management for approximately \$61 million in cash.

⁽²⁾ 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.

⁽³⁾ Represents the compensation expense recognized by TD Group under our stock incentive plans.

⁽⁴⁾ Represents cost expensed related to debt financing activities, including new issuances, extinguishments, refinancings and amendments to existing agreements.

⁽⁵⁾ Primarily represents foreign currency transaction gain or loss, payroll withholding taxes related to dividend equivalent payments and gain or loss on sale of fixed assets. Prior to the fourth quarter of fiscal 2017, foreign currency transaction gain or loss other than related to intercompany loans was not included in the adjustments to EBITDA, as the foreign currency transaction gain or loss was immaterial during those periods. Therefore, the prior periods presented herein were adjusted to conform to the current year presentation.

⁽⁶⁾ 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
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(\$ in thousands, except per share amounts)

Reported Earnings Per Share	Thirteen Week Periods Ended		Twenty-Six Week Periods Ended	
	March 31, 2018	April 1, 2017	March 31, 2018	April 1, 2017
Net income from continuing operations	\$ 201,840	\$ 155,691	\$ 513,851	\$ 274,562
Less: dividends on participating securities	-	-	(56,148)	(95,971)
Net income applicable to common stock - basic and diluted	201,840	155,691	457,703	178,591
Net loss from discontinued operations	(5,562)	(186)	(2,798)	(186)
Net income applicable to common stock - basic and diluted	<u>\$ 196,278</u>	<u>\$ 155,505</u>	<u>\$ 454,905</u>	<u>\$ 178,405</u>
Weighted-average shares outstanding under the two-class method:				
Weighted-average common shares outstanding	52,229	52,849	52,127	53,108
Vested options deemed participating securities	<u>3,376</u>	<u>3,045</u>	<u>3,472</u>	<u>3,103</u>
Total shares for basic and diluted earnings per share	<u>55,605</u>	<u>55,894</u>	<u>55,599</u>	<u>56,211</u>
Net earnings per share from continuing operations – basic and diluted	\$ 3.63	\$ 2.78	\$ 8.23	\$ 3.17
Net loss per share from discontinued operations – basic and diluted	<u>(0.10)</u>	<u>-</u>	<u>(0.05)</u>	<u>-</u>
Basic and diluted earnings per share	<u>\$ 3.53</u>	<u>\$ 2.78</u>	<u>\$ 8.18</u>	<u>\$ 3.17</u>
Adjusted Earnings Per Share				
Net income from continuing operations	\$ 201,840	\$ 155,691	\$ 513,851	\$ 274,562
Gross adjustments to EBITDA	23,700	23,974	42,697	82,196
Purchase accounting backlog amortization	675	5,348	1,084	14,495
Tax adjustment	<u>(15,374)</u>	<u>(15,676)</u>	<u>(36,759)</u>	<u>(59,247)</u>
Adjusted net income	<u>\$ 210,841</u>	<u>\$ 169,337</u>	<u>\$ 520,873</u>	<u>\$ 312,006</u>
Adjusted diluted earnings per share under the two-class method	<u>\$ 3.79</u>	<u>\$ 3.03</u>	<u>\$ 9.37</u>	<u>\$ 5.55</u>

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

TRANSDIGM
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(\$ in thousands)

	Twenty-Six Week Periods Ended	
	March 31, 2018	April 1, 2017
Net cash provided by operating activities	\$ 453,684	\$ 390,500
Adjustments:		
Changes in assets and liabilities, net of effects from acquisitions of businesses	(9,404)	24,036
Interest expense - net ⁽¹⁾	311,605	283,676
Income tax provision - current	90,892	79,212
Non-cash stock compensation expense ⁽²⁾	(22,703)	(21,126)
Refinancing costs ⁽⁴⁾	(1,751)	(35,591)
EBITDA from discontinued operations ⁽⁶⁾	(364)	(33)
EBITDA	821,959	720,674
Adjustments:		
Acquisition-related expenses and adjustments ⁽³⁾	6,559	26,320
Non-cash stock compensation expense ⁽²⁾	22,703	21,126
Refinancing costs ⁽⁴⁾	1,751	35,591
Other, net ⁽⁵⁾	11,684	(841)
EBITDA As Defined	\$ 864,656	\$ 802,870

⁽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.

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