FY 2019 Q2 Earnings Call

May 7, 2019

Agenda

- TransDigm Overview and Highlights — Nick Howley, Executive Chairman
- Operating Performance, Market Review, Outlook and Esterline Integration — 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 25 YEARS

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; liabilities arising in connection with litigation; 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.

2019 Q2 Financial Performance by Markets – Pro Forma (Excludes Esterline)

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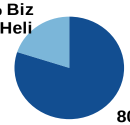
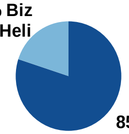
Highlights

Commercial OEM:



- Q2 ‘19 Commercial Transport Revenue Up 6%
- Q2 ’19 Business Jet/Helicopter Revenue Up Over 20%
- YTD ’19 Total Commercial Bookings Up Over 20%

Commercial Aftermarket:



- Q2 ‘19 Commercial Transport Revenue Up 7%
- Q2 ’19 Business Jet/Helicopter Revenue Up 3%
- YTD ’19 Total Commercial Bookings Up Over 20%

Defense:

- Q2 ’19 Defense OEM Outpaced Aftermarket Revenue
- Revenue Growth Well Distributed Across Businesses

Q2 Review – Pro Forma Revenues(1)

	Actual vs. Prior Year	
	Q2	YTD
Commercial OEM:	Up 10%	Up 11%
Commercial Aftermarket:	Up 6%	Up 6%
Defense:	Up 18%	Up 16%

Excludes Esterline

(1) Information is on a pro forma basis versus the prior year period. Excludes Esterline. Includes the full year impacts of acquisitions Kirkhill, Extant and Skandia. Please see the Special Notice Regarding Pro Forma and Non-GAAP Information.

Second Quarter 2019 Results

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($ in millions, except per share amounts)

	Q2 FY 2019			Q2 FY 2018	
	TransDigm Consolidated	Esterline & New Debt	**TransDigm Excluding Esterline & New Debt**	**TransDigm Consolidated**	
Revenue	$1,195.9	$122.0	**$1,073.9**	**$933.1**	**15.1% Increase**
Gross Profit	$659.3	$34.1	**$625.2**	**$534.1**	**1.0% Margin Increase**
Margin %	*55.1%*	*27.9%*	***58.2%***	***57.2%***	
SG&A	$164.4	$39.6	**$124.8**	**$107.5**	
% to Sales	*13.7%*	*32.4%*	***11.6%***	***11.5%***	
Interest Expense- Net	$201.4	$24.5	**$176.9**	**$161.3**	**9.7% Increase**
Pre-tax Income from Cont. Ops	$267.2		**$302.0**	**$247.2**	**22.2% Increase**
% to Sales	*22.3%*		***28.1%***	***26.5%***	
Adjusted EPS	$4.21		**$4.63**	**$3.79**	**22.2% Increase**
EBITDA As Defined	$571.8	$26.7	**$545.1**	**$463.1**	**17.7% Increase**
Margin %	*47.8%*	*21.9%*	***50.8%***	***49.6%***	

Dilutive impact from higher acquisition costs and dilutive acquisition margin mix from FY18 acquisitions

Strength of our proprietary products and productivity improvements

Excluding all acquisition related costs and non-cash stock compensation expense, SG&A was 10.4% in Q2 FY19 vs. 10.2% in Q2 FY18

Fiscal 2019 Outlook

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Guidance Summary – INCLUDES 6.5 Months of Esterline

($ in millions)

	FY 19 Current Guidance [1]	
	Low	**High**
Revenues	$ 5,395	$ 5,485
EBITDA As Defined	$ 2,325	$ 2,365
% of sales	*43.1%*	*43.1%*
Net Income	$ 686	$ 724
GAAP EPS	$ 11.75	$ 12.43
Adj. EPS	$ 16.47	$ 17.15

	FY 19 Guidance Midpoint Change [1]		
	Current	**Prior**	**Δ**
Revenues	$ 5,440	$ 4,190	$1,250
EBITDA As Defined	$ 2,345	$ 2,090	$ 255
% of sales	*43.1%*	*49.9%*	*-6.8%*
Adj. EPS	$ 16.81	$ 16.76	$ 0.05

Of the $255M increase in EBITDA versus prior *guidance*, approximately 20% is from TDG base; remainder is from inclusion of Esterline from March 14th closing date onward (6.5 months).

(1) Prior FY 19 guidance issued 2/5/2019, current guidance issued 5/7/2019.

Fiscal 2019 Outlook - Continued

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Market Growth Assumptions

FY 2018 Pro Forma Sales Mix (1) - Excludes Esterline	Market	Prior (2) FY 2019 Expected Growth - Excludes Esterline	Current (2) FY 2019 Expected Growth - Excludes Esterline
29%	Commercial OEM	Up LSD to MSD%	Up MSD%
36%	Commercial Aftermarket	Up MSD to HSD%	Up HSD%
35%	Defense	Up MSD to HSD%	Up HSD%

Misc. Financial Assumptions

- Full year net interest expense ≈ $880 million
- Full year effective tax rate ≈ 26% Adjusted EPS; 24% to 25% GAAP EPS and Cash taxes
- Weighted average shares of 56.3 million

(1) Pro forma revenue is for the fiscal year ended 9/30/18. Excludes Esterline. Includes the full year impact of acquisitions Kirkhill, Extant and Skandia. Please see the Special Notice Regarding Pro Forma and Non-GAAP Information.

(2) Prior FY19 guidance assumptions issued 2/5/19; current FY 19 guidance assumptions issued 5/7/19.

Reconciliation of Fiscal 2019 Outlook

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($ in millions, except per share amounts)

	FY 19 Guidance Midpoint [2]		
	Current	Prior	Δ
Net income	$ 705	$ 874	$ (169)
Adjustments:			
Depreciation and amortization expense (ex backlog)	188	139	49
Backlog amortization expense	32	4	28
Interest expense - net	880	725	155
Income tax provision	227	244	(17)
EBITDA	2,032	1,986	46
Adjustments:			
Acquisition-related expenses and adjustments [1] and other, net [1]	235	32	203
Non-cash stock compensation expense [1]	74	72	2
Refinancing costs [1]	4	-	4
Gross Adjustments to EBITDA	313	104	209
EBITDA As Defined	**$2,345**	**$2,090**	**$255**
EBITDA As Defined, Margin [1]	*43.1%*	*49.9%*	*-7%*
GAAP earnings per share	$12.09	$15.10	(3.01)
Adjustments to earnings per share:			
Inclusion of the dividend equivalent payments	0.43	0.43	-
Non-cash stock compensation expense	0.98	0.99	(0.01)
Acquisition-related expenses and adjustments and other, net	3.52	0.48	3.04
Refinancing costs	0.04	-	0.04
Reduction in income tax provision due to excess tax benefits on stock compensation	(0.25)	(0.24)	(0.01)
Adjusted earnings per share	**$16.81**	**$16.76**	**$0.05**
Weighted-average shares outstanding	56.3	56.3	-
GAAP Tax Rate	24% to 25%	21% to 23%	2% to 3%
Adj Tax Rate	26%	21% to 23%	3% to 5%

Primarily $125m inventory step-up amort. & $105m M&A transaction related costs (ie. ESL severance, banker fees, legal fees, etc.)

Primarily backlog amort., inventory step-up amort., M&A transaction related costs and other

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

(2) Prior FY 19 guidance issued 2/5/19; current FY 19 guidance issued 5/7/19.

Liquidity & Taxes

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($ in millions)

Cash

	YTD Q2 FY19 3/30/19	FY 18 9/30/18
Net Cash Provided by Operating Activities	**$453.0**	**$1,022.2**
Capital Expenditures	**($43.4)**	**($73.3)**
Free Cash Flow	**$409.6**	**$948.9**
Cash on the Balance Sheet- Unresticted	**$2,441.3**	**$2,073.0**

Taxes

- YTD Q2 FY 19 GAAP ETR: 22.9%
- YTD Q2 FY 19 Adjusted ETR: 26.1%

Pro Forma Capital Structure

($ in millions)	Actual 3/30/19	Rate
$760mm revolver	–	L + 3.000%
$350mm AR securitization facility	300	L + 0.900%
First lien term loan E due 2025	2,232	L + 2.500%
First lien term loan F due 2023	3,542	L + 2.500%
First lien term loan G due 2024	1,787	L + 2.500%
Senior secured notes due 2026	4,000	6.250%
Total senior secured debt	**$11,861**	
Senior subordinated notes due 2022	1,150	6.000%
Senior subordinated notes due 2024	1,200	6.500%
Senior subordinated notes due 2025	750	6.500%
Senior subordinated notes due 2026	950	6.375%
Senior subordinated notes due 2026 (UK)	500	6.875%
Senior subordinated notes due 2027	550	7.500%
Total debt	**$16,961**	

≈80% Fixed Post-Financing

Weighted Average Interest Rate 5.8% Post-Financing

Reconciliation of GAAP to Adjusted EPS - Guidance

	Thirteen Week Periods Ended		Twenty-Six Week Periods Ended		Full Year Guidance Mid-Point
	March 30, 2019	March 31, 2018	March 30, 2019	March 31, 2018	September 30, 2019
Earnings per share from continuing operations	$ 3.60	$ 3.63	$ 6.65	$ 8.23	$ 12.09
Adjustments to earnings per share:					
Dividend equivalent payments	-	-	0.43	1.01	0.43
Non-cash stock compensation expense	0.26	0.16	0.50	0.44	0.98
Acquisition-related expenses	0.53	0.07	0.72	0.15	3.52
Refinancing costs	0.04	0.01	0.05	0.03	0.04
Reduction in income tax provision due to excess tax benefits on stock compensation	(0.22)	(0.18)	(0.29)	(0.72)	(0.25)
Other, net	-	0.10	-	0.23	-
Adjusted earnings per share	$ 4.21	$ 3.79	$ 8.06	$ 9.37	$ 16.81
Weighted-average shares outstanding	56,265	55,605	56,265	55,599	56,300

ESTERLINE OVERVIEW

Esterline: …A Misunderstood Business

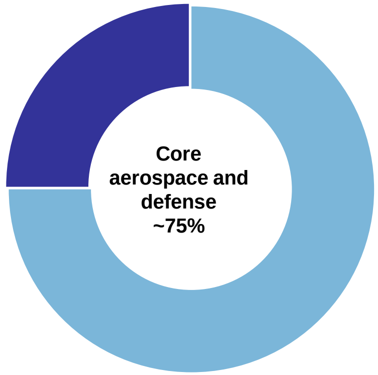
Esterline Overview

Esterline designs and manufactures highly-engineered products primarily for the aerospace and defense industry

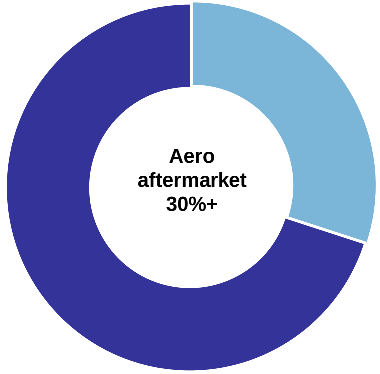
- FY 2018 net sales: $2,035M
- FY 2018 EBITDA As Defined[(1)]: $319MM
- Employees: 12,500+
- Large global footprint

Net Sales Breakdown
FY 2018

By Sector



Core Aerospace and Defense by Market



The core aerospace and defense net sales mix of proprietary and sole sourced products is similar to TransDigm's sales profile

(1) EBITDA As Defined is a non-GAAP financial measure. For a FY 2018 reconciliation of EBITDA As Defined to income from continuing operations, please see the appendix.

Esterline: Overview

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Standalone Operating Units

Armtec DEFENSE TECHNOLOGIES
LEACH INTERNATIONAL EUROPE
NMC
AVISTA
CMC Electronics
LRE Medical
AUXITROL WESTON ADVANCED SENSORS
PALOMAR
Hytek
ADVANCED INPUT SYSTEMS
Gamesman
Korry
RACAL ACOUSTICS
SOURIAU - SUNBANK Connection Technologies
TA AEROSPACE
TREALITY Simulation Visual Systems
MASON RELIABLE • PRECISION • CONTROLS
DARCHEM ENGINEERING
ScioTeq
LEACH® INTERNATIONAL CORPORATION

Products – Avionics & Electronics, Sensors & Connectors, Advanced Materials

Esterline: Acquisition Rationale

Esterline is a misunderstood business, with characteristics more similar to TransDigm than appreciated

Core Esterline

Highly proprietary and sole source aerospace product offerings

Significant aftermarket exposure

Strong positions on a broad base of good and growing platforms

Clear path to achieving our targeted private equity-like returns through our normal playbook of implementing our value-based operating strategy

Esterline: Integration Plan

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Administration / Corporate Office

- Close Esterline's Bellevue corporate office
- Eliminate operational layers

Operating Culture

- Educate the key principles of TransDigm's value creation strategy
- Focus on new business and the aftermarket
- Decentralized organization in order to produce better accountability

Control & Quality

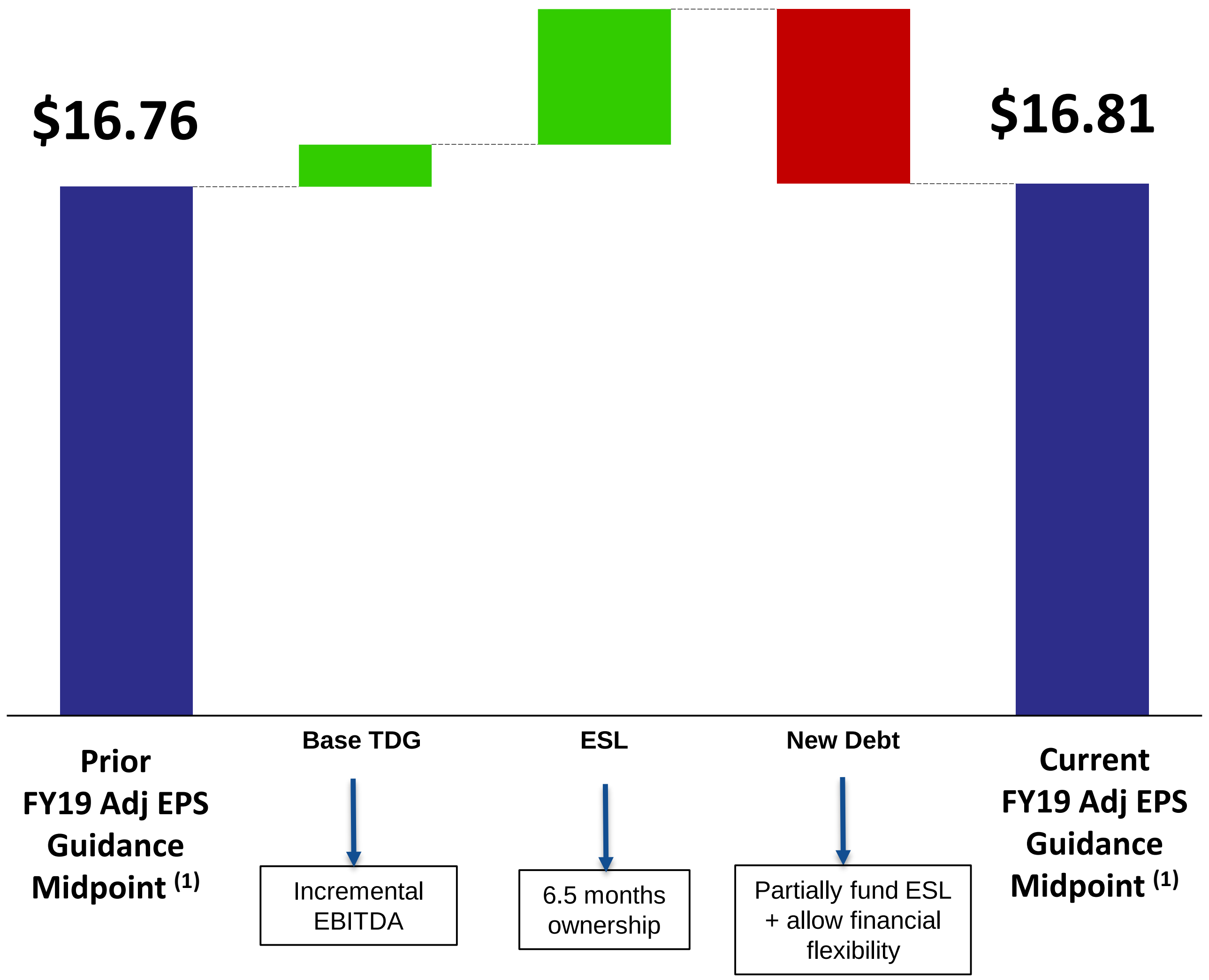
- Improve on-time delivery and quality-control metrics

Potential Divestitures

- Review Esterline's business portfolio to understand the likelihood of potential divestures of assets that TransDigm considers non-core

APPENDIX

Appendix: ADJ EPS Guidance Midpoint Bridge



(1) Prior FY 19 Adjusted EPS guidance issued 2/5/19; current FY 19 Adjusted EPS guidance issued 5/7/19.

Appendix: Depreciation & Amortization Reconciliation

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($ in millions)

	FY 19 Guidance Midpoint [1]			FY 19 Pro Forma
	Current	**Prior**	**Δ= 6.5 months of ESL ownership in FY 19**	**Assumes 12 months of ESL ownership**
Depreciation expense	$ 96	$ 66	$ 30	$ 122
Amortization (ex backlog)	92	73	19	99
Total depreciation and amortization (ex backlog)	**$ 188**	**$ 139**	**$ 49**	**$ 221**
Backlog amortization	**$ 32**	**$ 4**	**$ 28**	**$ 52**

Note: Backlog amortization is a result of purchase price accounting and is amortized over a shortened period (1.5 years useful life). Backlog amortization does NOT reduce adjusted earnings per share or adjusted net income.

(1) Prior FY 19 Adjusted EPS guidance issued 2/5/19; current FY 19 Adjusted EPS guidance issued 5/7/19.

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

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($ in thousands)

	Thirteen Week Periods Ended		Twenty-Six Week Period Ended	
	March 30, 2019	March 31, 2018	March 30, 2019	March 31, 2018
Net income including noncontrolling interests	$ 202,632	$ 196,278	$ 398,674	$ 511,053
Less: Loss from Discontinued Operations, net of tax [1]	-	(5,562)	-	(2,798)
Income from continuing operations including noncontrolling interests	202,632	201,840	398,674	513,851
Adjustments:				
Depreciation and amortization expense	40,808	30,970	76,226	61,609
Interest expense - net	201,409	161,266	373,409	322,199
Income tax provision	64,552	45,347	118,274	(75,700)
EBITDA	509,401	439,423	966,583	821,959
Adjustments:				
Acquisition-related expenses and adjustments [2]	38,327	4,485	50,066	6,559
Non-cash stock compensation expense [3]	20,543	11,590	38,273	22,703
Refinancing costs [4]	3,298	638	3,434	1,751
Other - net [5]	189	6,987	90	11,684
Gross Adjustments to EBITDA	62,357	23,700	91,863	42,697
EBITDA As Defined	$ 571,758	$ 463,123	$ 1,058,446	$ 864,656
EBITDA As Defined, Margin [6]	47.8%	49.6%	48.3%	48.5%

(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 beginning September 30, 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 $61.4 million in cash, which included a working capital adjustment of $0.3 million that was settled in July 2018.

(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 stock option exercises and gain or loss on sale of fixed assets.

(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

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($ in thousands, except per share amounts)

	Thirteen Week Periods Ended		Twenty-Six Week Periods Ended	
Reported Earnings Per Share	**March 30, 2019**	**March 31, 2018**	**March 30, 2019**	**March 31, 2018**
Income from continuing operations including noncontrolling interests	$ 202,632	$ 201,840	$ 398,674	$ 513,851
Net income attributable to noncontrolling interests	(224)	-	(224)	-
Net income from continuing operations attributable to TD Group	202,408	201,840	398,450	513,851
Less dividends paid on participating securities	-	-	(24,309)	(56,148)
	202,408	201,840	374,141	457,703
Loss from discontinued operations, net of tax	-	(5,562)	-	(2,798)
Net income applicable to TD Group common stock - basic and diluted	$ 202,408	$ 196,278	$ 374,141	$ 454,905
Weighted-average shares outstanding under the two-class method:				
Weighted-average common shares outstanding	52,979	52,229	52,886	52,127
Vested options deemed participating securities	3,286	3,376	3,379	3,472
Total shares for basic and diluted earnings per share	56,265	55,605	56,265	55,599
Net earnings per share from continuing operations -- basic and diluted	$ 3.60	$ 3.63	$ 6.65	$ 8.23
Net earnings per share from discontinued operations -- basic and diluted	-	(0.10)	-	(0.05)
Basic and diluted earnings per share	$ 3.60	$ 3.53	$ 6.65	$ 8.18
Adjusted Earnings Per Share				
Net income from continuing operations	$ 202,632	$ 201,840	$ 398,674	$ 513,851
Gross adjustments to EBITDA	62,357	23,700	91,863	42,697
Purchase accounting backlog amortization	3,776	675	4,710	1,084
Tax adjustment	(31,795)	(15,374)	(41,932)	(36,759)
Adjusted net income	$ 236,970	$ 210,841	$ 453,315	$ 520,873
Adjusted diluted earnings per share under the two-class method	$ 4.21	$ 3.79	$ 8.06	$ 9.37

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

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($ in thousands)

	Twenty-Six Week periods Ended	
	March 30, 2019	March 31, 2018
Net cash provided by operating activities	$ 452,997	$ 453,684
Adjustments:		
Changes in assets and liabilities, net of effects from acquisitions of businesses	69,377	(9,404)
Interest expense - net [1]	360,123	311,605
Income tax provision - current	125,793	90,892
Non-cash stock compensation expense [2]	(38,273)	(22,703)
Refinancing costs [4]	(3,434)	(1,751)
EBITDA from discontinued operations [6]	-	(364)
EBITDA	966,583	821,959
Adjustments:		
Acquisition-related expenses and adjustments [3]	50,066	6,559
Non-cash stock compensation expense [2]	38,273	22,703
Refinancing costs [4]	3,434	1,751
Other, net [5]	90	11,684
EBITDA As Defined	$ 1,058,446	$ 864,656

(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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(5) Primarily represents foreign currency transaction gain or loss, payroll withholding taxes related to dividend equivalent payments and stock option exercises and gain or loss on sale of fixed assets.

(6) 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 beginning September 30, 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 $61.4 million in cash, which included a working capital adjustment of $0.3 million that was settled in July 2018.