UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

☒ **Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the quarterly period ended December 31, 2022

☐ **Transition Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the transition period from to
Commission File Number 001-32833

TransDigm Group Incorporated

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)

41-2101738
(I.R.S. Employer Identification No.)

1301 East 9th Street, Suite 3000, Cleveland, Ohio	**44114**
(Address of principal executive offices)	**(Zip Code)**

(216) 706-2960
(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report.)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, accelerated filer, non-accelerated filer, smaller reporting company or emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer	☒	Accelerated Filer	☐
Non-Accelerated Filer	☐	Smaller Reporting Company	☐
Emerging Growth Company	☐		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Securities registered pursuant to Section 12(b) of the Act:

Title of each class:	Trading Symbol:	Name of each exchange on which registered:
Common Stock, $0.01 par value	TDG	New York Stock Exchange

The number of shares outstanding of TransDigm Group Incorporated's common stock, par value $.01 per share, was 54,598,064 as of January 31, 2023.

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TRANSDIGM GROUP INCORPORATED
CONDENSED CONSOLIDATED BALANCE SHEETS
(Amounts in millions, except share amounts)
(Unaudited)

	December 31, 2022	September 30, 2022
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 3,288	$ 3,001
Trade accounts receivable—Net	860	967
Inventories—Net	1,439	1,332
Prepaid expenses and other	342	349
Total current assets	5,929	5,649
PROPERTY, PLANT AND EQUIPMENT—NET	864	807
GOODWILL	8,719	8,641
OTHER INTANGIBLE ASSETS—NET	2,750	2,750
OTHER NON-CURRENT ASSETS	227	260
TOTAL ASSETS	$ 18,489	$ 18,107
LIABILITIES AND STOCKHOLDERS' DEFICIT		
CURRENT LIABILITIES:		
Current portion of long-term debt	$ 78	$ 76
Short-term borrowings—trade receivable securitization facility	350	350
Accounts payable	271	279
Accrued and other current liabilities	709	721
Total current liabilities	1,408	1,426
LONG-TERM DEBT	19,375	19,369
DEFERRED INCOME TAXES	607	596
OTHER NON-CURRENT LIABILITIES	427	482
Total liabilities	21,817	21,873
TD GROUP STOCKHOLDERS' DEFICIT:		
Common stock - $.01 par value; authorized 224,400,000 shares; issued 60,171,175 and 60,049,685 at December 31, 2022 and September 30, 2022, respectively	1	1
Additional paid-in capital	2,164	2,113
Accumulated deficit	(3,687)	(3,914)
Accumulated other comprehensive loss	(108)	(267)
Treasury stock, at cost; 5,688,639 shares at December 31, 2022 and September 30, 2022, respectively	(1,706)	(1,706)
Total TD Group stockholders' deficit	(3,336)	(3,773)
NONCONTROLLING INTERESTS	8	7
Total stockholders' deficit	(3,328)	(3,766)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	$ 18,489	$ 18,107

See notes to condensed consolidated financial statements

TRANSDIGM GROUP INCORPORATED
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Amounts in millions, except per share amounts)
(Unaudited)

	Thirteen Week Periods Ended	
	December 31, 2022	January 1, 2022
NET SALES	$ 1,397	$ 1,194
COST OF SALES	604	533
GROSS PROFIT	793	661
SELLING AND ADMINISTRATIVE EXPENSES	169	170
AMORTIZATION OF INTANGIBLE ASSETS	34	36
INCOME FROM OPERATIONS	590	455
INTEREST EXPENSE—NET	286	264
REFINANCING COSTS	4	—
OTHER INCOME	(1)	(2)
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	301	193
INCOME TAX PROVISION	72	30
INCOME FROM CONTINUING OPERATIONS	229	163
INCOME FROM DISCONTINUED OPERATIONS, NET OF TAX	—	1
NET INCOME	229	164
LESS: NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	(1)	(1)
NET INCOME ATTRIBUTABLE TO TD GROUP	$ 228	$ 163
NET INCOME APPLICABLE TO TD GROUP COMMON STOCKHOLDERS	$ 190	$ 117
Earnings per share attributable to TD Group common stockholders		
Earnings per share from continuing operations—basic and diluted	$ 3.33	$ 1.96
Earnings per share from discontinued operations—basic and diluted	—	0.02
Earnings per share	$ 3.33	$ 1.98
Weighted-average shares outstanding:		
Basic and diluted	57.1	59.2

See notes to condensed consolidated financial statements

TRANSDIGM GROUP INCORPORATED
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Amounts in millions)
(Unaudited)

	Thirteen Week Periods Ended	
	December 31, 2022	January 1, 2022
Net income	$ 229	$ 164
Less: Net income attributable to noncontrolling interests	(1)	(1)
Net income attributable to TD Group	$ 228	$ 163
Other comprehensive income, net of tax:		
Foreign currency translation adjustment	137	(10)
Unrealized gain on derivatives	22	58
Pension and postretirement benefit plans adjustment	—	—
Other comprehensive income, net of tax, attributable to TD Group	159	48
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO TD GROUP	$ 387	$ 211

See notes to condensed consolidated financial statements

TRANSDIGM GROUP INCORPORATED
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' DEFICIT
(Amounts in millions, except share amounts)
(Unaudited)

	TD Group Stockholders								
	Common Stock					Treasury Stock			
	Number of Shares	Par Value	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Number of Shares	Value	Noncontrolling Interests	Total
BALANCE—September 30, 2021	59,403,100	$ 1	$ 1,830	$ (3,705)	$ (248)	(4,198,226)	$ (794)	$ 6	$ (2,910)
Changes in noncontrolling interest of consolidated subsidiaries, net	—	—	—	—	—	—	—	1	1
Accrued unvested dividend equivalents and other	—	—	—	(3)	—	—	—	—	(3)
Compensation expense recognized for employee stock options	—	—	35	—	—	—	—	—	35
Exercise of employee stock options	215,817	—	40	—	—	—	—	—	40
Net income attributable to TD Group	—	—	—	163	—	—	—	—	163
Foreign currency translation adjustment, net of tax	—	—	—	—	(10)	—	—	—	(10)
Unrealized gain on derivatives, net of tax	—	—	—	—	58	—	—	—	58
Pension and postretirement benefit plans adjustment, net of tax	—	—	—	—	—	—	—	—	—
BALANCE—January 1, 2022	59,618,917	$ 1	$ 1,905	$ (3,545)	$ (200)	(4,198,226)	$ (794)	$ 7	$ (2,626)

	TD Group Stockholders								
	Common Stock					Treasury Stock			
	Number of Shares	Par Value	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Number of Shares	Value	Noncontrolling Interests	Total
BALANCE—September 30, 2022	60,049,685	$ 1	$ 2,113	$ (3,914)	$ (267)	(5,688,639)	$ (1,706)	$ 7	$ (3,766)
Changes in noncontrolling interest of consolidated subsidiaries, net	—	—	—	—	—	—	—	1	1
Accrued unvested dividend equivalents and other	—	—	—	(1)	—	—	—	—	(1)
Compensation expense recognized for employee stock options	—	—	24	—	—	—	—	—	24
Exercise of employee stock options	121,490	—	27	—	—	—	—	—	27
Net income attributable to TD Group	—	—	—	228	—	—	—	—	228
Foreign currency translation adjustment, net of tax	—	—	—	—	137	—	—	—	137
Unrealized gain on derivatives, net of tax	—	—	—	—	22	—	—	—	22
Pension and postretirement benefit plans adjustment, net of tax	—	—	—	—	—	—	—	—	—
BALANCE—December 31, 2022	60,171,175	$ 1	$ 2,164	$ (3,687)	$ (108)	(5,688,639)	$ (1,706)	$ 8	$ (3,328)

See notes to condensed consolidated financial statements

TRANSDIGM GROUP INCORPORATED
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in millions)
(Unaudited)

	Thirteen Week Periods Ended	
	December 31, 2022	January 1, 2022
OPERATING ACTIVITIES:		
Net income	$ 229	$ 164
Income from discontinued operations, net of tax	—	(1)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	29	29
Amortization of intangible assets and product certification costs	34	36
Amortization of debt issuance costs, original issue discount and premium	9	8
Amortization of inventory step-up	2	—
Amortization of loss contract reserves	(12)	(12)
Refinancing costs	4	—
Non-cash stock compensation expense	29	37
Foreign currency exchange losses (gains)	18	(1)
Changes in assets/liabilities, net of effects from acquisitions and sales of businesses:		
Trade accounts receivable	121	117
Inventories	(89)	(32)
Income taxes payable (receivable)	77	(6)
Other assets	(2)	(2)
Accounts payable	(13)	(14)
Accrued interest	3	(19)
Accrued and other liabilities	(62)	(25)
Net cash provided by operating activities	377	279
INVESTING ACTIVITIES:		
Capital expenditures	(31)	(25)
Acquisition of businesses, net of cash acquired	(10)	—
Net cash used in investing activities	(41)	(25)
FINANCING ACTIVITIES:		
Proceeds from exercise of stock options	27	40
Dividend equivalent payments	(38)	(46)
Repayment on revolving credit facility	—	(200)
Proceeds from term loans, net	1,690	—
Repayment on term loans	(1,739)	(19)
Financing costs and other, net	(5)	—
Net cash used in financing activities	(65)	(225)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	16	(3)
NET INCREASE IN CASH AND CASH EQUIVALENTS	287	26
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	3,001	4,787
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 3,288	$ 4,813
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the period for interest, net	$ 272	$ 273
Cash (refunded) paid during the period for income taxes, net	$ (2)	$ 17

See notes to condensed consolidated financial statements

TRANSDIGM GROUP INCORPORATED
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
THIRTEEN WEEK PERIODS ENDED DECEMBER 31, 2022 AND JANUARY 1, 2022
(UNAUDITED)

1. DESCRIPTION OF THE BUSINESS

TransDigm Group Incorporated (“TD Group”), through its wholly-owned subsidiary, TransDigm Inc., is a leading global designer, producer and supplier of highly engineered aircraft components for use on nearly every commercial and military aircraft in service today. TransDigm Inc., along with TransDigm Inc.’s direct and indirect wholly-owned operating subsidiaries (collectively, with TD Group, the “Company” or “TransDigm”), offers a broad range of proprietary aerospace products. TD Group has no significant assets or operations other than its 100% ownership of TransDigm Inc. TD Group’s common stock is listed on the New York Stock Exchange, or the NYSE, under the trading symbol “TDG.”

TransDigm's major product offerings, substantially all of which are ultimately provided to end-users in the aerospace industry, include mechanical/electro-mechanical actuators and controls, ignition systems and engine technology, specialized pumps and valves, power conditioning devices, specialized AC/DC electric motors and generators, batteries and chargers, engineered latching and locking devices, engineered rods, engineered connectors and elastomer sealing solutions, databus and power controls, cockpit security components and systems, specialized and advanced cockpit displays, engineered audio, radio and antenna systems, specialized lavatory components, seat belts and safety restraints, engineered and customized interior surfaces and related components, advanced sensor products, switches and relay panels, thermal protection and insulation, lighting and control technology, parachutes, high performance hoists, winches and lifting devices, and cargo loading, handling and delivery systems.

2. UNAUDITED INTERIM FINANCIAL INFORMATION

The financial information included herein is unaudited; however, the information reflects all adjustments (consisting of normal recurring adjustments) that are, in the opinion of management, necessary for a fair presentation of the Company’s condensed consolidated financial statements for the interim periods presented. These financial statements and notes should be read in conjunction with the financial statements and related notes for the fiscal year ended September 30, 2022 included in TD Group’s Form 10-K filed on November 10, 2022. As disclosed therein, the Company’s annual consolidated financial statements were prepared in conformity with generally accepted accounting principles in the United States (“U.S. GAAP”). The September 30, 2022 condensed consolidated balance sheet was derived from TD Group’s audited financial statements. The results of operations for the thirteen week period ended December 31, 2022 are not necessarily indicative of the results to be expected for the full year. Certain reclassifications have been made to the prior year amounts to conform to the current year presentation, none of which are material.

3. ACQUISITIONS

DART Aerospace – On May 25, 2022, the Company acquired all the outstanding stock of DART Aerospace (“DART”) for a total purchase price of $359 million in cash, which is net of a working capital settlement received in the fourth quarter of fiscal 2022 of approximately $1 million. The acquisition was financed through existing cash on hand. DART operates from four primary facilities (Hawkesbury, Ontario, Canada; Portland, Oregon; Fort Collins, Colorado and Chihuahua, Mexico) and is a leading provider of highly engineered, unique helicopter mission equipment solutions that predominantly service civilian aircraft. The products are primarily proprietary with significant aftermarket content. DART's operating results are included within TransDigm's Airframe segment.

The Company accounted for the DART acquisition using the acquisition method of accounting and third-party valuation appraisals and included the results of operations of the acquisition in its condensed consolidated financial statements from the effective date of the acquisition. The total purchase price of DART was allocated to the underlying assets acquired and liabilities assumed based upon the respective fair value at the date of acquisition. To the extent the purchase price exceeded the fair value of the net identifiable tangible and intangible assets acquired, such excess was allocated to goodwill. As of December 31, 2022, the measurement period (not to exceed one year) is open; therefore, the assets acquired and liabilities assumed related to the DART acquisition are subject to adjustment until the end of the respective measurement period, including those related to deferred taxes and income taxes. The fair values of acquired intangibles are determined based on estimates and assumptions that are deemed reasonable by the Company. Significant assumptions include the discount rates and certain assumptions that form the basis of the forecasted results of the acquired business including revenue, earnings before interest, taxes, depreciation and amortization ("EBITDA"), growth rates, royalty rates and technology obsolescence rates. These assumptions are forward looking and could be affected by future economic and market conditions. Pro forma net sales and results of operations for the acquisition had it occurred at the beginning of the thirteen week periods ended December 31, 2022 or January 1, 2022 are not material and, accordingly, are not provided.

The allocation of the estimated fair value of assets acquired and liabilities assumed in the DART acquisition as of the May 25, 2022 acquisition date is summarized in the table below (in millions):

	Preliminary Allocation	Measurement Period Adjustments [(2)]	Adjusted Preliminary Allocation
Assets acquired (excluding cash):			
Trade accounts receivable	$ 16	$ (1)	$ 15
Inventories	33	—	33
Prepaid expenses and other	4	1	5
Property, plant and equipment	9	—	9
Goodwill	236	(34)	202 [(1)]
Other intangible assets	112	36	148 [(1)]
Other non-current assets	8	9	17
Total assets acquired (excluding cash)	418	11	429
Liabilities assumed:			
Accounts payable	4	—	4
Accrued and other current liabilities	11	3	14
Deferred income taxes	35	1	36
Other non-current liabilities	8	8	16
Total liabilities assumed	58	12	70
Net assets acquired	$ 360	$ (1)	$ 359

(1) The Company expects that none of the approximately $202 million of goodwill and $148 million of other intangible assets recognized for the acquisition will be deductible for tax purposes.

(2) Measurement period adjustments primarily relate to the adjustments in the fair values of the acquired other intangible assets from the third-party valuation. The principal offset was to goodwill.

Extant Aerospace Acquisitions – For the fiscal year ended September 30, 2022, the Company's Extant Aerospace subsidiary, which is included in TransDigm's Power & Control segment, completed a series of acquisitions of substantially all of the assets and technical data rights of certain product lines, each meeting the definition of a business, for a total purchase price of $88 million. The allocation of the purchase prices is preliminary and will likely change in future periods up to the expiration of the respective one year measurement period as fair value estimates of the assets acquired and liabilities assumed are finalized. The Company expects that all of the approximately $60 million of goodwill and all of the approximately $37 million of other intangible assets recognized for the acquisitions will be deductible for tax purposes over 15 years. Pro forma net sales and results of operations for the Extant Aerospace acquisitions had they occurred at the beginning of the thirteen week periods ended December 31, 2022 or January 1, 2022 are not material and, accordingly, are not provided.

The acquisitions completed by the Company strengthen and expand the Company's position to design, produce and supply highly engineered proprietary aerospace components in niche markets with significant aftermarket content and provide opportunities to create value through the application of our three core value-driven operating strategies (obtaining profitable new business, continually improving our cost structure, and providing highly engineered value-added products to customers). The purchase price paid reflect the current EBITDA and cash flows, as well as the future EBITDA and cash flows expected to be generated by the businesses, which are driven in most cases by the recurring aftermarket consumption over the life of a particular aircraft, estimated to be approximately 25 to 30 years.

4. RECENT ACCOUNTING PRONOUNCEMENTS

In March 2020, the FASB issued ASU 2020-04, "Reference Rate Reform." Certain amendments were provided for in ASU 2021-01, "Reference Rate Reform (ASC 848): Scope," which was issued in January 2021, and ASU 2022-06, "Reference Rate Reform (ASC 848): Deferral of the Sunset Date." ASU 2021-01 provides optional guidance for a limited period of time to ease potential accounting impacts associated with transitioning away from reference rates that are expected to be discontinued, such as the London Interbank Offered Rate ("LIBOR"). The amendments in this ASU apply only to contracts, hedging relationships, and other transactions that reference LIBOR or another reference rate expected to be discontinued. As a result of ASU 2022-06 deferring the sunset date, ASC 848 is effective through December 31, 2024. The Company is evaluating the impact of reference rate reform on our existing Credit Agreement and our interest rate swap and cap agreements. To the extent that, prior to December 31, 2024, the Company enters into any transactions for which the optional practical expedients permissible under ASC 848 are applied, the adoption of this standard is not expected to have a material impact on the Company's condensed consolidated financial statements and disclosures.

5. REVENUE RECOGNITION

TransDigm's sales are concentrated in the aerospace and defense industry. The Company's customers include: distributors of aerospace components, commercial airlines, large commercial transport and regional and business aircraft OEMs, various armed forces of the United States and friendly foreign governments, defense OEMs, system suppliers, and various other industrial customers.

The Company's revenue is primarily recorded at a point in time basis. Revenue is recognized from the sale of products when control transfers to the customer, which is demonstrated by our right to payment, a transfer of title, a transfer of the risk and rewards of ownership, or the customer acceptance, but most frequently upon shipment where the customer obtains physical possession of the goods.

In some contracts, control transfers to the customer over time, primarily in contracts where the customer is required to pay for the cost of both the finished and unfinished goods at the time of cancellation plus a reasonable profit relative to the work performed for products that were customized for the customer. Therefore, we recognize revenue over time for those agreements that have a right to margin and where the products being produced have no alternative use.

Based on our production cycle, it is generally expected that goods related to the revenue will be shipped and billed within the current year. For revenue recognized over time, we estimate the amount of revenue attributable to a contract earned at a given point during the production cycle based on certain costs, such as materials and labor incurred to date, plus the expected profit, which is a cost-to-cost input method.

We consider the contractual consideration payable by the customer and assess variable consideration that may affect the total transaction price. Variable consideration is included in the estimated transaction price when there is a basis to reasonably estimate the amount, including whether the estimate should be constrained in order to avoid a significant reversal of revenue in a future period. These estimates are based on historical experience, anticipated performance under the terms of the contract and our best judgment at the time.

When contracts are modified to account for changes in contract specifications and requirements, the Company considers whether the modification either creates new or changes the existing enforceable rights and obligations. Contract modifications that are for goods or services that are not distinct from the existing contract, due to the significant integration with the original good or service provided, are accounted for as if they were part of that existing contract. The effect of a contract modification to an existing contract on the transaction price and our measure of progress for the performance obligation to which it relates, is recognized as an adjustment to revenue on a cumulative catch-up basis. When the modifications include additional performance obligations that are distinct and at relative stand-alone selling price, they are accounted for as a new contract and performance obligation, which are recognized prospectively.

The Company's payment terms vary by the type and location of the customer and the products or services offered. The Company does not offer any payment terms that would meet the requirements for consideration as a significant financing component.

Shipping and handling fees and costs incurred in connection with products sold are recorded in cost of sales in the condensed consolidated statements of income, and are not considered a performance obligation to our customers.

The Company pays sales commissions that relate to contracts for products or services that are satisfied at a point in time or over a period of one year or less and are expensed as incurred. These costs are reported as a component of selling and administrative expenses in the condensed consolidated statements of income.

Contract Assets and Liabilities – Contract assets reflect revenue recognized and performance obligations satisfied in advance of customer billing or reimbursable costs related to a specific contract. Contract liabilities (Deferred revenue) relate to payments received in advance of the satisfaction of performance under the contract. We receive payments from customers based on the terms established in our contracts. The following table summarizes our contract assets and liabilities balances (in millions):

	December 31, 2022	September 30, 2022
Contract assets, current [1]	$ 137	$ 119
Contract assets, non-current [2]	1	1
Total contract assets	138	120
Contract liabilities, current [3]	59	45
Contract liabilities, non-current [4]	9	9
Total contract liabilities	68	54
Net contract assets	$ 70	$ 66

(1) Included in prepaid expenses and other on the condensed consolidated balance sheets.

(2) Included in other non-current assets on the condensed consolidated balance sheets.

(3) Included in accrued and other current liabilities on the condensed consolidated balance sheets.

(4) Included in other non-current liabilities on the condensed consolidated balance sheets.

The increase in the Company's total contract assets at December 31, 2022 compared to September 30, 2022 primarily is due to the timing and status of work in process and/or milestones of certain contracts. The increase in the Company's total contract liabilities at December 31, 2022 compared to September 30, 2022 primarily is due to the receipt of advance payments. For the thirteen week period ended December 31, 2022, the revenue recognized that was previously included in contract liabilities was not material.

Refer to Note 13, "Segments," for disclosures related to the disaggregation of revenue.

Allowance for Credit Losses – The Company's allowance for credit losses is the allowance for uncollectible accounts. The allowance for uncollectible accounts reduces the trade accounts receivable balance to the estimated net realizable value equal to the amount that is expected to be collected.

The Company's method for developing its allowance for credit losses is based on historical write-off experience, the aging of receivables, an assessment of the creditworthiness of customers, economic conditions and other external market information. The allowance also incorporates a provision for the estimated impact of disputes with customers. All provisions for allowances for uncollectible accounts are included in selling and administrative expenses. The determination of the amount of the allowance for uncollectible accounts is subject to judgment and estimation by management. If circumstances change or economic conditions deteriorate or improve, the allowance for uncollectible accounts could increase or decrease.

As of December 31, 2022 and September 30, 2022, the allowance for uncollectible accounts was $36 million. The allowance for uncollectible accounts is assessed individually at each operating unit by the operating unit's management team.

6. EARNINGS PER SHARE

The following table sets forth the computation of basic and diluted earnings per share (in millions, except per share data) using the two-class method:

	Thirteen Week Periods Ended	
	December 31, 2022	January 1, 2022
Numerator for earnings per share:		
Income from continuing operations	$ 229	$ 163
Less: Net income attributable to noncontrolling interests	(1)	(1)
Net income from continuing operations attributable to TD Group	228	162
Less: Dividends paid on participating securities	(38)	(46)
Income from discontinued operations, net of tax	—	1
Net income applicable to TD Group common stockholders—basic and diluted	$ 190	$ 117
Denominator for basic and diluted earnings per share under the two-class method:		
Weighted-average common shares outstanding	54.4	55.3
Vested options deemed participating securities	2.7	3.9
Total shares for basic and diluted earnings per share	57.1	59.2
Earnings per share from continuing operations—basic and diluted	$ 3.33	$ 1.96
Earnings per share from discontinued operations—basic and diluted	—	0.02
Earnings per share	$ 3.33	$ 1.98

7. INVENTORIES

Inventories are stated at the lower of cost or net realizable value. Cost of inventories is generally determined by the average cost and the first–in, first–out (“FIFO”) methods and includes material, labor and overhead related to the manufacturing process.

Inventories consist of the following (in millions):

	December 31, 2022	September 30, 2022
Raw materials and purchased component parts	$ 1,037	$ 959
Work-in-progress	390	359
Finished goods	216	210
Total	1,643	1,528
Reserves for excess and obsolete inventory	(204)	(196)
Inventories—Net	$ 1,439	$ 1,332

8. INTANGIBLE ASSETS

Other intangible assets–net in the condensed consolidated balance sheets consist of the following (in millions):

	December 31, 2022			September 30, 2022		
	Gross Carrying Amount	Accumulated Amortization	Net	Gross Carrying Amount	Accumulated Amortization	Net
Trademarks & trade names	$ 998	$ —	$ 998	$ 990	$ —	$ 990
Technology	2,075	810	1,265	2,054	780	1,274
Order backlog	7	4	3	7	3	4
Customer relationships	592	113	479	580	104	476
Other	9	4	5	9	3	6
Total	$ 3,681	$ 931	$ 2,750	$ 3,640	$ 890	$ 2,750

The aggregate amortization expense on identifiable intangible assets is approximately $34 million and $36 million for the thirteen week periods ended December 31, 2022 and January 1, 2022, respectively.

The following is a summary of changes in the carrying value of goodwill by segment from September 30, 2022 through December 31, 2022 (in millions):

	Power & Control	Airframe	Non-aviation	Total
Balance at September 30, 2022	$ 4,155	$ 4,393	$ 93	$ 8,641
Purchase price allocation adjustments [(1)]	3	—	—	3
Currency translation adjustments and other	25	50	—	75
Balance at December 31, 2022	$ 4,183	$ 4,443	$ 93	$ 8,719

(1) Primarily related to opening balance sheet adjustments recorded from the series of acquisitions by the Company's Extant Aerospace subsidiary completed during fiscal year 2022. Refer to Note 3, “Acquisitions,” for further information.

The Company performs its annual impairment test for goodwill and other intangible assets as of the first day of the fourth fiscal quarter of each year, or more frequently, if events or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying value. We assessed the changes in events and circumstances during the first quarter of fiscal 2023 and concluded that no triggering events occurred that would require interim quantitative testing.

9. DEBT

The Company's debt consists of the following (in millions):

	December 31, 2022			
	Gross Amount	Debt Issuance Costs	Original Issue (Discount) or Premium	Net Amount
Short-term borrowings—trade receivable securitization facility	$ 350	$ —	$ —	$ 350
Term loans	$ 7,284	$ (27)	$ (45)	$ 7,212
8.00% senior secured notes due 2025 ("2025 Secured Notes")	1,100	(5)	—	1,095
6.375% senior subordinated notes due 2026 ("6.375% 2026 Notes")	950	(4)	—	946
6.875% senior subordinated notes due 2026 ("6.875% 2026 Notes")	500	(3)	(2)	495
6.25% secured notes due 2026 ("2026 Secured Notes")	4,400	(33)	3	4,370
7.50% senior subordinated notes due 2027 ("7.50% 2027 Notes")	550	(3)	—	547
5.50% senior subordinated notes due 2027 ("5.50% 2027 Notes")	2,650	(14)	—	2,636
4.625% senior subordinated notes due 2029 ("4.625% 2029 Notes")	1,200	(8)	—	1,192
4.875% senior subordinated notes due 2029 ("4.875% 2029 Notes")	750	(6)	—	744
Government refundable advances	23	—	—	23
Finance lease obligations	193	—	—	193
	19,600	(103)	(44)	19,453
Less: current portion	79	(1)	—	78
Long-term debt	$ 19,521	$ (102)	$ (44)	$ 19,375

	September 30, 2022			
	Gross Amount	Debt Issuance Costs	Original Issue (Discount) or Premium	Net Amount
Short-term borrowings—trade receivable securitization facility	$ 350	$ —	$ —	$ 350
Term loans	$ 7,298	$ (29)	$ (13)	$ 7,256
2025 Secured Notes	1,100	(6)	—	1,094
6.375% 2026 Notes	950	(4)	—	946
6.875% 2026 Notes	500	(3)	(2)	495
2026 Secured Notes	4,400	(35)	3	4,368
7.50% 2027 Notes	550	(3)	—	547
5.50% 2027 Notes	2,650	(15)	—	2,635
4.625% 2029 Notes	1,200	(9)	—	1,191
4.875% 2029 Notes	750	(6)	—	744
Government refundable advances	23	—	—	23
Finance lease obligations	146	—	—	146
	19,567	(110)	(12)	19,445
Less: current portion	77	(1)	—	76
Long-term debt	$ 19,490	$ (109)	$ (12)	$ 19,369

Accrued interest, which is classified as a component of accrued and other current liabilities on the condensed consolidated balance sheets, was $173 million and $170 million as of December 31, 2022 and September 30, 2022, respectively.

Amendment No. 10 to the Second Amended and Restated Credit Agreement – On December 14, 2022, the Company entered into Amendment No. 10, Loan Modification Agreement and Refinancing Facility Agreement, to the Second Amended and Restated Credit Agreement, dated June 4, 2014 (herein, "Amendment No. 10"). Under the terms of Amendment No. 10, the Company, among other things, repaid in full its existing approximately $1,725 million in Tranche G term loans maturing August 22, 2024 and replaced such loans with approximately $1,725 million in Tranche H term loans maturing February 22, 2027. The applicable margin for the Tranche H term loans bearing interest at Term Secured Overnight Financing Rate ("SOFR") is 3.25% compared to an applicable margin for the former Tranche G term loans which bore interest at LIBOR plus 2.25%. Original issue discount of 2%, or approximately $34.5 million, was paid to lenders of the Tranche H term loans. The Tranche H term loans were fully drawn on December 14, 2022 and the other terms and conditions that apply to the Tranche H term loans are substantially the same as the terms and conditions that applied to the term loans immediately prior to Amendment No 10.

In addition to a discount of $34.5 million recorded in conjunction with the Tranche H term loans, the Company expensed $3.0 million of refinancing costs associated with the refinancing during the thirteen week period ended December 31, 2022. Additionally, the Company wrote off $0.2 million in unamortized debt issuance costs and $0.1 million of original issue discount related to the Tranche G terms loans during the thirteen week period ended December 31, 2022.

Government Refundable Advances – Government refundable advances consist of payments received from the Canadian government to assist in research and development related to commercial aviation. The requirement to repay this advance is based on year-over-year commercial aviation revenue growth for certain product lines at CMC Electronics, which is a wholly-owned subsidiary of TransDigm. As of December 31, 2022 and September 30, 2022, the outstanding balance of these advances was $23 million.

Obligations under Finance Leases – The Company leases certain buildings and equipment under finance leases. The present value of the minimum finance lease payments, net of the current portion, represents a balance of $193 million and $146 million at December 31, 2022 and September 30, 2022, respectively. The increase in the current fiscal year is attributable to certain new leases of facilities and amendments to previous agreements qualifying as lease modifications resulting in a change in classification from an operating lease to a finance lease. Refer to Note 15, "Leases," for further disclosure of the Company's lease obligations.

10. INCOME TAXES

At the end of each reporting period, TD Group makes an estimate of its annual effective income tax rate. The estimate used in the year-to-date period may change in subsequent periods.

During the thirteen week periods ended December 31, 2022 and January 1, 2022, the effective income tax rate was 23.9% and 15.5%, respectively. The Company's higher effective tax rate for the thirteen week period ended December 31, 2022 was primarily due to a more significant discrete benefit associated with excess tax benefits applicable to share-based payments for the thirteen week period ended January 1, 2022. The Company's effective income tax rate for the thirteen week period ended December 31, 2022 was higher than the federal statutory tax rate of 21% primarily due to an increase in the valuation allowance applicable to the Company's net interest deduction limitation carryforward, partially offset by the discrete impact of excess tax benefits associated with share-based payments.

The Company and its subsidiaries file income tax returns in the U.S. federal jurisdiction and various state, local and foreign jurisdictions. The Company is no longer subject to U.S. federal examinations for years before fiscal 2017. The Company is currently under examination for its federal income taxes in Canada for fiscal years 2013 through 2019, and in Germany for fiscal years 2014 through 2017. In addition, the Company is subject to state income tax examinations for fiscal years 2015 and later.

Unrecognized tax benefits at December 31, 2022 and September 30, 2022, the recognition of which would have an impact on the effective tax rate for each fiscal year, amounted to $17.0 million and $16.6 million, respectively. The Company classifies all income tax-related interest and penalties as income tax expense, which were not material for the thirteen week periods ended December 31, 2022 and January 1, 2022. As of December 31, 2022 and September 30, 2022, the Company accrued $4.6 million and $4.5 million, respectively, for the potential payment of interest and penalties. Within the next 12 months, the Company does not anticipate a material increase or decrease in the amount of unrecognized tax benefits.

11. FAIR VALUE MEASUREMENTS

The following table presents our assets and liabilities that are measured at fair value on a recurring basis and are categorized using the fair value hierarchy. The fair value hierarchy has three levels based on the reliability of the inputs used to determine fair value. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, and inputs (other than quoted prices) that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability. A financial asset or liability's classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement.

The following summarizes the carrying amounts and fair values of financial instruments (in millions):

		December 31, 2022		September 30, 2022	
	Level	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets:					
Cash and cash equivalents	1	$ 3,288	$ 3,288	$ 3,001	$ 3,001
Interest rate swap agreements [1]	2	90	90	77	77
Interest rate swap agreements [2]	2	61	61	68	68
Interest rate cap agreements [2]	2	51	51	50	50
Liabilities:					
Foreign currency forward exchange contracts [3]	2	2	2	11	11
Short-term borrowings - trade receivable securitization facility [4]	2	350	350	350	350
Long-term debt, including current portion:					
Term loans [4]	2	7,212	7,226	7,256	6,976
2025 Secured Notes [4]	1	1,095	1,121	1,094	1,115
6.375% 2026 Notes [4]	1	946	929	946	884
6.875% 2026 Notes [4]	1	495	486	495	473
2026 Secured Notes [4]	1	4,370	4,334	4,368	4,257
7.50% 2027 Notes [4]	1	547	547	547	524
5.50% 2027 Notes [4]	1	2,636	2,491	2,635	2,286
4.625% 2029 Notes [4]	1	1,192	1,059	1,191	966
4.875% 2029 Notes [4]	1	744	664	744	606
Government refundable advances	2	23	23	23	23
Finance lease obligations	2	193	193	146	146

(1) Included in prepaid expenses and other on the condensed consolidated balance sheets.

(2) Included in other non-current assets on the condensed consolidated balance sheets.

(3) Included in accrued and other current liabilities on the condensed consolidated balance sheets.

(4) The carrying amount of the debt instrument is presented net of debt issuance costs, premium and discount. Refer to Note 9, "Debt," for gross carrying amounts.

The Company values its financial instruments using an industry standard market approach, in which prices and other relevant information are generated by market transactions involving identical or comparable assets or liabilities. No financial instruments were recognized or disclosed using unobservable inputs (i.e., Level 3).

Interest rate swaps were measured at fair value using quoted market prices for the swap interest rate indexes over the term of the swap discounted to present value versus the fixed rate of the contract. The interest rate caps were measured at fair value using implied volatility rates of each individual caplet and the yield curve for the related periods.

The Company's derivative contracts consist of foreign currency exchange contracts and interest rate swap and cap agreements. These derivative contracts are over-the-counter, and their fair value is determined using modeling techniques that include market inputs such as interest rates, yield curves, and currency exchange rates. These contracts are categorized as Level 2 in the fair value hierarchy.

The estimated fair value of the Company's term loans was based on information provided by the agent under the Company's senior secured credit facility. The estimated fair values of the Company's notes were based upon quoted market prices. There has not been any impact to the fair value of derivative liabilities due to the Company's own credit risk. Similarly, there has not been any significant impact to the fair value of derivative assets based on the Company's evaluation of counterparties' credit risks.

The fair value of cash and cash equivalents, trade accounts receivable-net and accounts payable approximated carrying value due to the short-term nature of these instruments at December 31, 2022 and September 30, 2022.

12. DERIVATIVES AND HEDGING ACTIVITIES

The Company is exposed to, among other things, the impact of changes in foreign currency exchange rates and interest rates in the normal course of business. The Company's risk management program is designed to manage the exposure and volatility arising from these risks, and utilizes derivative financial instruments to offset a portion of these risks. The Company uses derivative financial instruments only to the extent necessary to hedge identified business risks and does not enter into such transactions for trading purposes. The Company generally does not require collateral or other security with counterparties to these financial instruments and is therefore subject to credit risk in the event of nonperformance; however, the Company monitors credit risk and currently does not anticipate nonperformance by other parties. These derivative financial instruments do not subject the Company to undue risk, as gains and losses on these instruments generally offset gains and losses on the underlying assets, liabilities, or anticipated transactions that are being hedged. The Company has agreements with each of its swap and cap counterparties that contain a provision whereby if the Company defaults on the credit facility the Company could also be declared in default on its swaps and caps, resulting in an acceleration of payment under the swaps and caps.

All derivative financial instruments are recorded at fair value in the condensed consolidated balance sheets. For a derivative that has not been designated as an accounting hedge, the change in the fair value is recognized immediately through earnings. For a derivative that has been designated as an accounting hedge of an existing asset or liability (a fair value hedge), the change in the fair value of both the derivative and underlying asset or liability is recognized immediately through earnings. For a derivative designated as an accounting hedge of an anticipated transaction (a cash flow hedge), the change in the fair value is recorded on the condensed consolidated balance sheets in accumulated other comprehensive loss to the extent the derivative is effective in mitigating the exposure related to the anticipated transaction. The change in the fair value related to the ineffective portion of the hedge, if any, is immediately recognized in earnings. The amount recorded within accumulated other comprehensive loss is reclassified into earnings in the same period during which the underlying hedged transaction affects earnings.

Interest Rate Swap and Cap Agreements – Interest rate swap and cap agreements are used to manage interest rate risk associated with floating-rate borrowings under our credit facility. The interest rate swap and cap agreements utilized by the Company effectively modify the Company's exposure to interest rate risk by converting a portion of the Company's floating-rate debt involving LIBOR to a fixed rate basis through the expiration date of the interest rate swap and cap agreements, thereby reducing the impact of interest rate changes due to LIBOR movements on future interest expense. These agreements involve the receipt of floating rate amounts in exchange for fixed rate interest payments over the term of the agreements without an exchange of the underlying principal amount. These derivative instruments qualify as effective cash flow hedges under U.S. GAAP. For these cash flow hedges, the effective portion of the gain or loss from the financial instruments was initially reported as a component of accumulated other comprehensive loss in stockholders' deficit and subsequently reclassified into earnings in the same line as the hedged item in the same period or periods during which the hedged item affected earnings. As the interest rate swap and cap agreements are used to manage interest rate risk, any gains or losses from the derivative instruments that are reclassified into earnings are recognized in interest expense-net in the condensed consolidated statements of income.

The following table summarizes the Company's interest rate swap agreements:

Aggregate Notional Amount (in millions)	Start Date	End Date	Conversion of Related Variable Rate Debt subject to LIBOR to Fixed Rate of:
$500	6/29/2018	3/31/2025	5.25% (3.0% plus the 2.25% margin percentage)
$1,500	6/30/2022	3/31/2025	5.35% (3.1% plus the 2.25% margin percentage)
$700	3/31/2023	9/30/2025	3.55% (1.3% plus the 2.25% margin percentage)
$1,400	6/30/2021	3/31/2023	5.25% (3.0% plus the 2.25% margin percentage)
$900	12/31/2021	6/28/2024	5.35% (3.1% plus the 2.25% margin percentage)
$400	9/30/2022	6/28/2024	5.25% (3.0% plus the 2.25% margin percentage)

The following table summarizes the Company's interest rate cap agreement:

Aggregate Notional Amount (in millions)	Start Date	End Date	Offsets Variable Rate Debt Attributable to Fluctuations Above:
$700	3/31/2023	9/30/2025	Three-month LIBOR rate of 1.25%

Certain derivative asset and liability balances are offset where master netting agreements provide for the legal right of setoff. For classification purposes, we record the net fair value of each type of derivative position that is expected to settle in less than one year with each counterparty as a net current asset or liability and each type of long-term position as a net non-current asset or liability. The amounts shown in the table below represent the gross amounts of recognized assets and liabilities, the amounts offset in the condensed consolidated balance sheets and the net amounts of assets and liabilities presented therein (in millions):

	December 31, 2022		September 30, 2022	
	Asset	Liability	Asset	Liability
Interest rate cap agreement	$ 51	$ —	$ 50	$ —
Interest rate swap agreements	151	—	145	—
Net derivatives as classified in the condensed consolidated balance sheets (1)	$ 202	$ —	$ 195	$ —

(1) Refer to Note 11, “Fair Value Measurements,” for the condensed consolidated balance sheets classification of our interest rate swap and cap agreements.

Based on the fair value amounts of the interest rate swap and cap agreements determined as of December 31, 2022, the estimated net amount of existing (gains) and losses and caplet amortization expected to be reclassified into interest expense-net within the 12 months is approximately $(89.1) million.

Foreign Currency Forward Exchange Contracts – The Company transacts business in various foreign currencies, which subjects the Company’s cash flows and earnings to exposure related to changes in foreign currency exchange rates. These exposures arise primarily from purchases or sales of products and services from third parties. Foreign currency forward exchange contracts provide for the purchase or sale of foreign currencies at specified future dates at specified exchange rates, and are used to offset changes in the fair value of certain assets or liabilities or forecasted cash flows resulting from transactions denominated in foreign currencies. At December 31, 2022, the Company has outstanding foreign currency forward exchange contracts to sell U.S. dollars with notional amounts of $129.3 million. The maximum duration of the Company’s foreign currency cash flow hedge contracts at December 31, 2022 is 9 months. These notional values consist of contracts for the Canadian dollar and the euro and are stated in U.S. dollar equivalents at spot exchange rates at the respective trade dates. Amounts related to foreign currency forward exchange contracts included in accumulated other comprehensive loss in stockholders' deficit are reclassified into net sales when the hedged transaction settles.

During the thirteen week period ended December 31, 2022, the losses reclassified on settlements of foreign currency forward exchange contracts designated as cash flow hedges into net sales was approximately $1.9 million. The losses were previously recorded as a component of accumulated other comprehensive loss in stockholders' deficit.

As of December 31, 2022, the Company expects to record a net loss of approximately $2.2 million on foreign currency forward exchange contracts designated as cash flow hedges to net sales over the next 12 months.

13. SEGMENTS

The Company's businesses are organized and managed in three reporting segments: Power & Control, Airframe and Non-aviation.

The Power & Control segment includes operations that primarily develop, produce and market systems and components that predominately provide power to or control power of the aircraft utilizing electronic, fluid, power and mechanical motion control technologies. Major product offerings include mechanical/electro-mechanical actuators and controls, ignition systems and engine technology, specialized pumps and valves, power conditioning devices, specialized AC/DC electric motors and generators, batteries and chargers, databus and power controls, advanced sensor products, switches and relay panels, high performance hoists, winches and lifting devices, and cargo loading, handling and delivery systems. Primary customers of this segment are engine and power system and subsystem suppliers, airlines, third party maintenance suppliers, military buying agencies and repair depots. Products are sold in the original equipment and aftermarket market channels.

The Airframe segment includes operations that primarily develop, produce and market systems and components that are used in non-power airframe applications utilizing airframe and cabin structure technologies. Major product offerings include engineered latching and locking devices, engineered rods, engineered connectors and elastomer sealing solutions, cockpit security components and systems, specialized and advanced cockpit displays, engineered audio, radio and antenna systems, specialized lavatory components, seat belts and safety restraints, engineered and customized interior surfaces and related components, thermal protection and insulation, lighting and control technology and parachutes. Primary customers of this segment are airframe manufacturers and cabin system suppliers and subsystem suppliers, airlines, third party maintenance suppliers, military buying agencies and repair depots. Products are sold in the original equipment and aftermarket market channels.

The Non-aviation segment includes operations that primarily develop, produce and market products for non-aviation markets. Major product offerings include seat belts and safety restraints for ground transportation applications, mechanical/electro-mechanical actuators and controls for space applications, hydraulic/electromechanical actuators and fuel valves for land-based gas turbines, and refueling systems for heavy equipment used in mining, construction and other industries and turbine controls for the energy and oil and gas markets. Primary customers of this segment are off-road vehicle suppliers and subsystem suppliers, child restraint system suppliers, satellite and space system suppliers, manufacturers of heavy equipment used in mining, construction and other industries and turbine original equipment manufacturers, gas pipeline builders and electric utilities.

The primary measurement used by management to review and assess the operating performance of each segment is EBITDA As Defined. The Company defines EBITDA As Defined as earnings before interest, taxes, depreciation and amortization plus certain non-operating items recorded as corporate expenses including non-cash compensation charges incurred in connection with the Company's stock incentive or deferred compensation plans, foreign currency gains and losses, acquisition-integration costs, acquisition and divestiture transaction-related expenses, and refinancing costs. Acquisition and divestiture-related costs represent 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 the Company'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 diligence expenses and valuation costs that are required to be expensed as incurred and other acquisition accounting adjustments.

EBITDA As Defined is not a measurement of financial performance under U.S. GAAP. Although the Company uses EBITDA As Defined to assess the performance of its business and for various other purposes, the use of this non-GAAP financial measure as an analytical tool has limitations, and it should not be considered in isolation or as a substitute for analysis of the Company's results of operations as reported in accordance with U.S. GAAP.

The Company's segments are reported on the same basis used internally for evaluating performance and for allocating resources. The accounting policies for each segment are the same as those described in the summary of significant accounting policies in the Company's condensed consolidated financial statements. Intersegment sales and transfers are recorded at values based on market prices, which creates intercompany profit on intersegment sales or transfers that is eliminated in consolidation. Intersegment sales were immaterial for the periods presented below. Corporate consists of our corporate offices. Corporate expenses consist primarily of compensation, benefits, professional services and other administrative costs incurred by the corporate offices. Corporate assets consist primarily of cash and cash equivalents. Corporate expenses and assets reconcile reportable segment data to the consolidated totals. An immaterial amount of corporate expenses is allocated to the operating segments.

The following table presents net sales by reportable segment (in millions):

	Thirteen Week Periods Ended	
	December 31, 2022	January 1, 2022
Net sales to external customers		
Power & Control		
Commercial and non-aerospace OEM	$ 152	$ 135
Commercial and non-aerospace aftermarket	244	203
Defense	329	312
Total Power & Control	725	650
Airframe		
Commercial and non-aerospace OEM	202	143
Commercial and non-aerospace aftermarket	236	164
Defense	199	199
Total Airframe	637	506
Total Non-aviation	35	38
Net Sales	$ 1,397	$ 1,194

The following table reconciles EBITDA As Defined by segment to consolidated income from continuing operations before income taxes (in millions):

	Thirteen Week Periods Ended	
	December 31, 2022	January 1, 2022
EBITDA As Defined		
Power & Control	$ 401	$ 328
Airframe	312	226
Non-aviation	14	14
Total segment EBITDA As Defined	727	568
Less: Unallocated corporate EBITDA As Defined	28	3
Total Company EBITDA As Defined	699	565
Depreciation and amortization expense	63	65
Interest expense, net	286	264
Acquisition and divestiture transaction-related expenses	3	5
Non-cash stock and deferred compensation expense	35	37
Refinancing costs	4	—
Other, net	7	1
Income from continuing operations before income taxes	$ 301	$ 193

The following table presents total assets by segment (in millions):

	December 31, 2022	September 30, 2022
Total assets		
Power & Control	$ 7,081	$ 6,994
Airframe	7,935	7,781
Non-aviation	236	238
Corporate	3,237	3,094
	$ 18,489	$ 18,107

14. ACCUMULATED OTHER COMPREHENSIVE LOSS

The following table presents the total changes by component in accumulated other comprehensive loss ("AOCI"), net of taxes, for the thirteen week periods ended December 31, 2022 and January 1, 2022 (in millions):

	Unrealized gains (losses) on derivatives [(1)]	Pension and postretirement benefit plans adjustment [(2)]	Foreign currency translation adjustment [(3)]	Total
Balance at September 30, 2022	$ 123	$ (10)	$ (380)	$ (267)
Net current-period other comprehensive income (loss)	22	—	137	159
Balance at December 31, 2022	$ 145	$ (10)	$ (243)	$ (108)
Balance at September 30, 2021	$ (229)	$ (18)	$ (1)	$ (248)
Net current-period other comprehensive income (loss)	58	—	(10)	48
Balance at January 1, 2022	$ (171)	$ (18)	$ (11)	$ (200)

(1) Represents unrealized gains (losses) on derivatives designated and qualifying as cash flow hedges, net of taxes, of $6.6 million and $17.8 million for the thirteen week periods ended December 31, 2022 and January 1, 2022, respectively.

(2) There were no material pension liability adjustments, net of taxes, related to activity on the defined pension plan and postretirement benefit plan for the thirteen week periods ended December 31, 2022 and January 1, 2022, respectively.

(3) Represents gains (losses) resulting from foreign currency translation of financial statements, including gains (losses) from certain intercompany transactions, into U.S. dollars at the rates of exchange in effect at the balance sheet dates.

Reclassifications out of AOCI for the thirteen week periods ended December 31, 2022 and January 1, 2022 were not material.

15. LEASES

The Company leases certain manufacturing facilities, offices, land, equipment and vehicles. Such leases, some of which are noncancellable and, in many cases, include renewals, expire at various dates. Such options to renew are included in the lease term when it is reasonably certain that the option will be exercised. The Company's lease agreements typically do not contain any significant residual value guarantees or restrictive covenants, and payments within certain lease agreements are adjusted periodically for changes in an index or rate.

The Company determines if an arrangement is a lease at inception. Operating lease assets and liabilities are recognized at the commencement date of the lease based on the present value of lease payments over the lease term. Lease assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. The discount rate implicit within our leases is generally not determinable and therefore we determine the discount rate based on our incremental borrowing rate. The incremental borrowing rate for our leases is determined based on the lease term and the currency in which lease payments are made. The length of a lease term includes options to extend or terminate the lease when it is reasonably certain that the Company will exercise those options. The Company made an accounting policy election to not recognize lease assets or liabilities for leases with a term of 12 months or less. Additionally, when accounting for leases, the Company combines payments for leased assets, related services and other components of a lease.

The components of lease expense are as follows (in millions):

		Thirteen Week Periods Ended	
	Classification	December 31, 2022	January 1, 2022
Operating lease cost	Cost of sales or selling and administrative expenses	$ 5	$ 8
Finance lease cost			
Amortization of leased assets	Cost of sales	2	1
Interest on lease liabilities	Interest expense - net	3	2
Total lease cost		$ 10	$ 11

Supplemental cash flow information related to leases is as follows (in millions):

	Thirteen Week Periods Ended	
	December 31, 2022	January 1, 2022
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash outflows from operating leases	$ 5	$ 7
Operating cash outflows from finance leases	3	2
Financing cash outflows from finance leases	1	1
Lease assets obtained in exchange for new lease obligations:		
Operating leases	$ —	$ 2
Financing leases	48	25

Supplemental balance sheet information related to leases is as follows (in millions):

	Classification	December 31, 2022	September 30, 2022
Operating Leases			
Operating lease right-of-use assets	Other non-current assets	$ 60	$ 85
Current operating lease liabilities	Accrued and other current liabilities	15	18
Long-term operating lease liabilities	Other non-current liabilities	48	71
Total operating lease liabilities		$ 63	$ 89
Finance Leases			
Finance lease right-of-use assets, net	Property, plant and equipment - net	$ 182	$ 137
Current finance lease liabilities	Current portion of long-term debt	4	2
Long-term finance lease liabilities	Long-term debt	189	144
Total finance lease liabilities		$ 193	$ 146

As of December 31, 2022, the Company has the following remaining lease term and weighted average discount rates:

Weighted-average remaining lease term	
Operating leases	5.4 years
Finance leases	21.0 years
Weighted-average discount rate	
Operating leases	6.0%
Finance leases	7.2%

Maturities of lease liabilities at December 31, 2022 are as follows (in millions):

	Operating Leases	Finance Leases
2023	$ 14	$ 11
2024	16	16
2025	14	17
2026	10	17
2027	8	17
Thereafter	13	311
Total future minimum lease payments	75	389
Less: imputed interest	12	196
Present value of lease liabilities reported	$ 63	$ 193

16. COMMITMENTS AND CONTINGENCIES

During the ordinary course of business, the Company is from time to time threatened with, or may become a party to, legal actions and other proceedings. While the Company is currently involved in certain legal proceedings, it believes the results of these proceedings will not have a material adverse effect on its financial condition, results of operations, or cash flows.

Litigation Claims – On November 1, 2021, a purported stockholder of the Company filed a derivative complaint, captioned *Sciabacucchi v Howley, et al.* C.A. No. 2021-0938-LWW (the "Derivative Action"), in the Delaware Court of Chancery (the "Court"). The complaint, which names certain directors of the Company (the "Director Defendants") as defendants, alleges that the Director Defendants awarded and received excessive compensation. The Director Defendants have denied, and continue to deny, any and all allegations of wrongdoing or liability asserted in the Derivative Action.

Nonetheless, solely to eliminate the uncertainty, distraction, disruption, burden, risk and expense of further litigation, the Company and the Director Defendants entered into a Stipulation and Agreement of Compromise, Settlement and Release (the "Stipulation") with the plaintiff on August 19, 2022. Pursuant to the terms of the Stipulation, the Director Defendants have agreed to implement and maintain certain changes to the Company's compensation policies and practices such as to the extent dividend equivalent payments are declared payable to any Company director, those DEPs will not be paid in cash, but instead will be paid via a reduction to the strike price of options that are issued to that director. Other corporate governance enhancements were also agreed to by the Company. The Company is also responsible for the payment of plaintiff's attorneys' fees. The proposed settlement as set forth in the Stipulation, other than the amount of the attorneys' fees, was approved by the Court on November 10, 2022. The settlement (i) fully resolves the Derivative Action by dismissing all asserted claims with prejudice and (ii) releases all claims related to the allegations in the Derivative Action. The settlement is not expected to have a material adverse impact on the Company's financial statements.

DOD OIG Audit – TransDigm's subsidiaries are periodically subject to pricing reviews and government buying agencies that purchase some of our subsidiaries' products are periodically subject to audits by the Department of Defense ("DOD") Office of Inspector General ("OIG") with respect to prices paid for such products. In 2019, the DOD OIG received a congressional letter requesting a comprehensive review of TransDigm's contracts with the DOD from January 2017 through June 2019 to identify whether TransDigm earned excess profits. This subsequently resulted in an audit by the DOD OIG in which the objective was to determine whether TransDigm's business model impacted the DOD's ability to pay fair and reasonable prices for spare parts. In December 2021, the OIG completed the audit and issued the related audit report. Despite the audit report making clear there was no wrongdoing by TransDigm, its businesses, or the DOD, the report recommended that TransDigm voluntarily refund at least $20.8 million in excess profit on 150 contracts subject to the audit.

TransDigm disagrees with many of the implications contained in the report, and objects to the use of arbitrary standards and analysis which render many areas of the report inaccurate and misleading. These include: (1) The report expressly acknowledges that it used arbitrary standards that are not applicable to the audited contracts and warns that its arbitrary standards should not be used in the future. The use of inapplicable standards results in flawed analysis and is misleading; (2) The report ignores significant real costs incurred by the business and contrary to law reports these costs as excess profit; (3) Despite data demonstrating that the DOD paid lower prices compared to the commercial prices for similar parts, the report did not conduct a price analysis and instead implies that the DOD negotiated prices were too high.

No loss contingency related to the voluntary refund request has been recorded as of December 31, 2022 as the Company has concluded that based on the current facts and circumstances, it's uncertain as to whether or not the requested voluntary refund will be made.

ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Forward-looking Statements

The following discussion of the Company’s financial condition and results of operations should be read together with TD Group’s condensed consolidated financial statements and the related notes included elsewhere in this Quarterly Report on Form 10-Q. References in this section to “TransDigm,” “the Company,” “we,” “us,” “our,” and similar references refer to TD Group, TransDigm Inc. and TransDigm Inc.’s subsidiaries, unless the context otherwise indicates.

This Quarterly Report on Form 10-Q contains both historical and “forward-looking statements” within the meaning of Section 21E of the Exchange Act, and 27A of the Securities Act. All statements other than statements of historical fact included that address activities, events or developments that we expect, believe or anticipate will or may occur in the future are forward-looking statements, including, in particular, the statements about our plans, objectives, strategies and prospects regarding, among other things, our financial condition, results of operations and business. We have identified some of these forward-looking statements with words like “believe,” “may,” “will,” “should,” “expect,” “intend,” “plan,” “predict,” “anticipate,” “estimate” or “continue” and other words and terms of similar meaning. These forward-looking statements may be contained throughout this Quarterly Report on Form 10-Q. These forward-looking statements are based on current expectations about future events affecting us and are subject to uncertainties and factors relating to, among other things, our operations and business environment, all of which are difficult to predict and many of which are beyond our control. Many factors mentioned in our discussion in this Quarterly Report on Form 10-Q, including the risks outlined under “Risk Factors,” will be important in determining future results. Although we believe that the expectations reflected in these forward-looking statements are reasonable, we do not know whether our expectations will prove correct. They can be affected by inaccurate assumptions we might make or by known or unknown risks and uncertainties, including those described under “Risk Factors” in the Quarterly Report on Form 10-Q. Since our actual results, performance or achievements could differ materially from those expressed in, or implied by, these forward-looking statements, we cannot give any assurance that any of the events anticipated by these forward-looking statements will occur or, if any of them does occur, what impact they will have on our business, results of operations and financial condition. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date they are made. We do not undertake any obligation to update these forward-looking statements or the risk factors contained in this Quarterly Report on Form 10-Q to reflect new information, future events or otherwise, except as may be required under federal securities laws.

Important factors that could cause actual results to differ materially from the forward-looking statements made in this Quarterly Report on Form 10-Q 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; current and future geopolitical or other worldwide events; cybersecurity threats, natural disasters and climate-change related events; 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; failure to complete or successfully integrate acquisitions; our indebtedness; potential environmental liabilities; liabilities arising in connection with litigation; climate-related regulations; 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 factors. Refer to Part II, Item 1A included in this Quarterly Report on Form 10-Q and to Part II, Item 1A of the Annual Report on Form 10-K for additional information regarding the foregoing factors that may affect our business.

Overview

We believe we are a leading global designer, producer and supplier of highly engineered proprietary aerospace components with significant aftermarket content. We seek to develop highly customized products to solve specific needs for aircraft operators and manufacturers. We attempt to differentiate ourselves based on engineering, service and manufacturing capabilities. We typically choose not to compete for non-proprietary “build to print” business because it frequently offers lower margins than proprietary products. We believe that our products have strong brand names within the industry and that we have a reputation for high quality, reliability and strong customer support. Our business is well diversified due to the broad range of products that we offer to our customers. Our major product offerings, substantially all of which are ultimately provided to end-users in the aerospace industry, include mechanical/electro-mechanical actuators and controls, ignition systems and engine technology, specialized pumps and valves, power conditioning devices, specialized AC/DC electric motors and generators, batteries and chargers, engineered latching and locking devices, engineered rods, engineered connectors and elastomer sealing solutions, databus and power controls, cockpit security components and systems, specialized and advanced cockpit displays, engineered audio, radio and antenna systems, specialized lavatory components, seat belts and safety restraints, engineered and customized interior surfaces and related components, advanced sensor products, switches and relay panels, thermal protection and insulation, lighting and control technology, parachutes, high performance hoists, winches and lifting devices, and cargo loading, handling and delivery systems. Each of our product offerings is composed of many individual products that are typically customized to meet the needs of a particular aircraft platform or customer.

For the first quarter of fiscal year 2023, we generated net sales of $1,397 million and net income attributable to TD Group of $228 million. EBITDA As Defined was $699 million, or 50.0% of net sales. Refer to the "Non-GAAP Financial Measures" section for certain information regarding EBITDA and EBITDA As Defined, including reconciliations of EBITDA and EBITDA As Defined to income from continuing operations and net cash provided by operating activities.

The commercial aerospace industry has been significantly disrupted, both domestically and internationally, by the COVID-19 pandemic. The pandemic has resulted in governments around the world implementing stringent measures to help control the spread of the virus, including quarantines, "shelter in place" and "stay at home" orders, travel restrictions, business curtailments and other measures. As a result, demand for travel declined at a rapid pace beginning in the second half of fiscal 2020 and has remained depressed compared to pre-pandemic levels.

However, throughout fiscal 2022 and in the first quarter of fiscal 2023, we continued to see a rebound in our commercial aerospace end markets. While there is still a sizeable amount of progress that needs to take place before the commercial aerospace industry returns to normalcy and stability, we are encouraged by the progression of the commercial aerospace market recovery to date. Commercial air travel in domestic markets continues to lead the air traffic recovery with certain domestic markets nearing or achieving pre-pandemic air traffic levels. The pace of the international recovery has been slower than the domestic recovery, but international revenue passenger miles ("RPMs"), a metric used to measure air traffic demand, continues to make positive stride as most countries have now fully reopened to international travelers and there is pent-up demand for long-haul travel. The commercial OEM market is continuing to show signs of recovery with airlines returning to the commercial OEMs to place orders; however, the commercial OEM supply chain challenges impacting manufacturers such as Boeing and Airbus are slowing the pace of new aircraft manufacturing. Although the exact pace and timing of the commercial aerospace recovery, particularly internationally, remains uncertain and continues to evolve, we expect the Company's commercial aerospace end markets to continue progressing in fiscal 2023 barring any significant disruptions or setbacks.

The defense aerospace market has been impacted by the pandemic to a lesser extent than the commercial aerospace market with this impact arising primarily from supply chain shortages. Additionally, within the defense market, the pace of U.S. government defense spending outlays and government funding reprioritization provides for uncertainty.

The pandemic has also disrupted the global supply chain and labor markets. The disruption has resulted in delays in the availability of certain raw materials, increased freight costs, raw material costs and labor costs. Our business has been adversely affected and could continue to be adversely affected by disruptions in our ability to timely obtain raw materials and components from our suppliers in the quantities we require or on favorable terms. Although we believe in most cases that we could identify alternative suppliers, or alternative raw materials or component parts, the lengthy and expensive aviation authority and OEM certification processes associated with aerospace products could prevent efficient replacement of a supplier, raw material or component part.

Because the duration of the pandemic and its ancillary effects is unclear, it is difficult to forecast a precise impact on the Company's future results.

Critical Accounting Policies and Estimates

The preparation and fair presentation of the consolidated unaudited interim financial statements and accompanying notes included in this report are the responsibility of management. The financial statements and footnotes have been prepared in conformity with generally accepted accounting principles in the United States ("U.S. GAAP") for interim financial statements and contain certain amounts that were based upon management's best estimates, judgments and assumptions that were believed to be reasonable under the circumstances. On an ongoing basis, we evaluate the accounting policies and estimates used to prepare financial statements. Estimates are based on historical experience, judgments and assumptions believed to be reasonable under current facts and circumstances. Actual amounts and results could differ from these estimates used by management.

A comprehensive discussion of the Company's critical accounting policies and management estimates and significant accounting policies followed in the preparation of the financial statements is included in Part II, Item 7 of our Annual Report on Form 10-K for the fiscal year ended September 30, 2022, filed on November 10, 2022. Refer to Note 4, "Recent Accounting Pronouncements," in the notes to the condensed consolidated financial statements included herein for further disclosure of accounting standards recently adopted or required to be adopted in the future.

Acquisitions

Recent acquisitions are described in Note 3, "Acquisitions," in the notes to the condensed consolidated financial statements included herein.

Results of Operations

The following table sets forth, for the periods indicated, certain operating data of the Company, including presentation of the amounts as a percentage of net sales (amounts in millions, except per share data):

	Thirteen Week Periods Ended			
	December 31, 2022	% of Net Sales	January 1, 2022	% of Net Sales
Net sales	$ 1,397	100.0 %	$ 1,194	100.0 %
Cost of sales	604	43.2 %	533	44.6 %
Selling and administrative expenses	169	12.1 %	170	14.2 %
Amortization of intangible assets	34	2.4 %	36	3.0 %
Income from operations	590	42.2 %	455	38.1 %
Interest expense, net	286	20.5 %	264	22.1 %
Refinancing costs	4	0.3 %	—	— %
Other income	(1)	(0.1)%	(2)	(0.2)%
Income tax provision	72	5.2 %	30	2.5 %
Income from continuing operations	229	16.4 %	163	13.7 %
Less: Net income attributable to noncontrolling interests	(1)	(0.1)%	(1)	(0.1)%
Income from continuing operations attributable to TD Group	228	16.3 %	162	13.6 %
Income from discontinued operations, net of tax	—	— %	1	0.1 %
Net income attributable to TD Group	$ 228	16.3 %	$ 163	13.7 %
Net income applicable to TD Group common stockholders	$ 190 (1)	13.6 %	$ 117 (1)	9.8 %
Earnings per share:				
Earnings per share from continuing operations—basic and diluted	$ 3.33 (2)		$ 1.96 (2)	
Earnings per share from discontinued operations—basic and diluted	— (2)		0.02 (2)	
Earnings per share	$ 3.33		$ 1.98	
Weighted-average shares outstanding—basic and diluted	57.1		59.2	
Other Data:				
EBITDA	$ 650 (3)		$ 522 (3)	
EBITDA As Defined	$ 699 (3)	50.0 %	$ 565 (3)	47.3 %

(1) Net income applicable to TD Group common stockholders represents net income attributable to TD Group less special dividends paid on participating securities, including dividend equivalent payments of $38 million and $46 million for the thirteen week periods December 31, 2022 and January 1, 2022, respectively.

(2) Earnings per share from continuing operations is calculated by dividing net income applicable to TD Group common stockholders, excluding income from discontinued operations, net of tax, by the basic and diluted weighted average common shares outstanding. Earnings per share from discontinued operations is calculated by dividing income from discontinued operations, net of tax, by the basic and diluted weighted average common shares outstanding.

(3) Refer to “Non-GAAP Financial Measures” in this discussion and analysis for additional information and limitations regarding these non-GAAP financial measures, including a reconciliation to the comparable U.S. GAAP financial measure.

Changes in Results of Operations

Thirteen week period ended December 31, 2022 compared with the thirteen week period ended January 1, 2022

Total Company

- ***Net Sales.*** Net organic sales and acquisition sales and the related dollar and percentage changes for the thirteen week periods ended December 31, 2022 and January 1, 2022 were as follows (amounts in millions):

	Thirteen Week Periods Ended			
	December 31, 2022	January 1, 2022	Change	% Change Net Sales
Organic sales	$ 1,375	$ 1,194	$ 181	15.2 %
Acquisition sales	22	—	22	1.8 %
Net sales	$ 1,397	$ 1,194	$ 203	17.0 %

Organic sales represent net sales from existing businesses owned by the Company, excluding sales from acquisitions. Acquisition sales represent net sales from acquired businesses for the period up to one year subsequent to their respective acquisition date. We believe this measure provides investors with a supplemental understanding of underlying sales trends by providing sales growth on a consistent basis. Refer to Note 3, “Acquisitions,” in the notes to the condensed consolidated financial statements included herein for further information on the Company's recent acquisitions activity.

The increase in organic sales of $181 million for the thirteen week period ended December 31, 2022 compared to the thirteen week period ended January 1, 2022 is primarily related to increases in commercial aftermarket sales ($115 million, an increase of 33.5%), commercial OEM sales ($53 million, an increase of 21.0%) and defense sales ($17 million, an increase of 3.3%). The increase in commercial aftermarket sales is primarily attributable to the continued recovery in commercial air travel demand and the resulting higher flight hours and utilization of aircraft in the first quarter of fiscal 2023 compared to fiscal 2022. The increase in OEM sales is primarily attributable to the continued recovery in both narrow-body and wide-body aircraft production and deliveries. The slight increase in defense sales is primarily attributable to slowly improving U.S. government defense spend outlays (though, in management’s estimation, the current lag between spend authorizations and outlays remains longer than historical average levels).

The increase in acquisition sales for the thirteen week period ended December 31, 2022 is attributable to the acquisition of DART Aerospace (“DART”), which was completed in the third quarter of fiscal 2022.

- ***Cost of Sales and Gross Profit.*** Cost of sales increased by $71 million, or 13.3%, to $604 million for the thirteen week period ended December 31, 2022 compared to $533 million for the thirteen week period ended January 1, 2022. Cost of sales and the related percentage of net sales for the thirteen week periods ended December 31, 2022 and January 1, 2022 were as follows (amounts in millions):

	Thirteen Week Periods Ended			
	December 31, 2022	January 1, 2022	Change	% Change
Cost of sales - excluding costs below	$ 592	$ 542	$ 50	9.2 %
% of net sales	42.4 %	45.4 %		
Foreign currency losses (gains)	18	(1)	19	1,900.0 %
% of net sales	1.3 %	(0.1)%		
Non-cash stock and deferred compensation expense	4	4	—	— %
% of net sales	0.3 %	0.3 %		
Inventory acquisition accounting adjustments	2	—	2	100.0 %
% of net sales	0.1 %	— %		
Loss contract amortization	(12)	(12)	—	— %
% of net sales	(0.9)%	(1.0)%		
Total cost of sales	$ 604	$ 533	$ 71	13.3 %
% of net sales	43.2 %	44.6 %		
Gross profit (Net sales less Total cost of sales)	$ 793	$ 661	$ 132	20.0 %
Gross profit percentage (Gross profit / Net sales)	56.8 %	55.4 %		

Excluding the specific components to cost of sales listed above, the change in cost of sales during the thirteen week period ended December 31, 2022 decreased as a percentage of net sales despite increased inflationary pressures. This was primarily driven by the application of our three core value-driven operating strategies (obtaining profitable new business, continually improving our cost structure and providing highly engineered value-added products to customers) coupled with fixed overhead costs incurred being spread over a higher production volume. A favorable sales mix, specifically, higher commercial aftermarket sales as a percentage of net sales compared to commercial OEM net sales also contributed to the gross profit as a percentage of net sales increasing by 1.4 percentage points to 56.8% for the thirteen week period ended December 31, 2022 from 55.4% for the thirteen week period ended January 1, 2022.

Regarding the specific components to cost of sales listed above, foreign exchange rates, particularly the U.S. dollar compared to the British pound and the euro, weakened in the first quarter of fiscal 2023 resulting in unfavorable movement. No other material movement in the components to cost of sales were identified.

- ***Selling and Administrative Expenses.*** Selling and administrative expenses decreased by $1 million to $169 million, or 12.1% of net sales, for the thirteen week period ended December 31, 2022 from $170 million, or 14.2% of net sales, for the thirteen week period ended January 1, 2022. Selling and administrative expenses and the related percentage of net sales for the thirteen week periods ended December 31, 2022 and January 1, 2022 were as follows (amounts in millions):

	Thirteen Week Periods Ended			
	December 31, 2022	January 1, 2022	Change	% Change
Selling and administrative expenses - excluding costs below	$ 137	$ 132	$ 5	3.8 %
% of net sales	9.8 %	11.1 %		
Non-cash stock and deferred compensation expense	31	34	(3)	(8.8)%
% of net sales	2.2 %	2.8 %		
Acquisition integration costs	1	3	(2)	(66.7)%
% of net sales	0.1 %	0.3 %		
Acquisition and divestiture transaction-related expenses	—	1	(1)	(100.0)%
% of net sales	— %	0.1 %		
Total selling and administrative expenses	$ 169	$ 170	$ (1)	(0.6)%
% of net sales	12.1 %	14.2 %		

Excluding the specific components to selling and administrative expenses listed above, selling and administrative expenses during the thirteen week period ended December 31, 2022 improved as a percentage of net sales compared to the thirteen week period in the prior fiscal year as a result of higher sales and our continued strategic cost mitigation efforts.

- ***Amortization of Intangible Assets.*** Amortization of intangible assets was $34 million for the thirteen week period ended December 31, 2022 compared to $36 million for the thirteen week period ended January 1, 2022. The slight decrease in amortization expense of $2 million was due to the amortization expense recognized on intangible assets from the fiscal 2022 acquisition of DART being offset by sales order backlog recorded in connection with the Cobham Aero Connectivity ("CAC") acquisition (acquired January 2021) becoming fully amortized in the first quarter of fiscal 2022.

- ***Interest Expense-net.*** Interest expense-net includes interest on borrowings outstanding, amortization of debt issuance costs, original issue discount and premium, revolving credit facility fees, finance leases and interest income. Interest expense-net increased $22 million, or 8.3%, to $286 million for the thirteen week period ended December 31, 2022 from $264 million for the comparable thirteen week period in the prior fiscal year. The increase in interest expense-net was primarily due to an increase in the London Interbank Offered Rate ("LIBOR") compared to the prior year, which adversely impacted the interest expense on the gross debt that is variable rate and not hedged via an interest rate swap or cap. This was partially offset by a $19 million increase in interest income. The weighted average interest rate for cash interest payments on total borrowings outstanding for the thirteen week period ended December 31, 2022 was 5.9%.

- ***Refinancing Costs.*** Refinancing costs of $4 million recorded for the thirteen week period ended December 31, 2022 were primarily related to fees incurred for the refinancing activity under Amendment No. 10, Loan Modification Agreement and Refinancing Facility Agreement, to the Second Amended and Restated Credit Agreement, dated June 4, 2014 (herein, "Amendment No. 10") completed during the first quarter of fiscal 2023. No refinancing costs were recorded for the thirteen week period ended January 1, 2022.

- ***Other Income.*** Other income was $1 million for the thirteen week period ended December 31, 2022 compared to $2 million recorded for the thirteen week period ended January 1, 2022. The activity in both periods primarily relates to the non-service related components of benefit costs on the Company's benefit plans.
- ***Income Tax Provision.*** Income tax expense as a percentage of income before income taxes was approximately 23.9% for the thirteen week period ended December 31, 2022 compared to 15.5% for the thirteen week period ended January 1, 2022. The Company's higher effective tax rate for the thirteen week period ended December 31, 2022 was primarily due to a more significant discrete benefit associated with excess tax benefits applicable to share-based payments for the thirteen week period ended January 1, 2022.
- ***Income from Discontinued Operations, net of tax.*** No income from discontinued operations, net of tax, was recorded for the thirteen week period ended December 31, 2022. Income from discontinued operations, net of tax, was $1 million for the thirteen week period ended January 1, 2022 and related to a final working capital settlement received on the divestiture of the Souriau-Sunbank Connection Technologies business.
- ***Net Income Attributable to TD Group.*** Net income attributable to TD Group increased $65 million, or 39.9%, to $228 million for the thirteen week period ended December 31, 2022 compared to net income attributable to TD Group of $163 million for the thirteen week period ended January 1, 2022, primarily as a result of the factors referenced above.
- ***Earnings per Share.*** Basic and diluted earnings per share from continuing operations was $3.33 for the thirteen week period ended December 31, 2022 and $1.96 for the thirteen week period ended January 1, 2022. Basic and diluted earnings per share from discontinued operations was $0.02 for the thirteen week period ended January 1, 2022. There was no impact on earnings per share from discontinued operations for the thirteen week period ended December 31, 2022. Net income attributable to TD Group for the thirteen week period ended December 31, 2022 of $228 million was decreased by dividend equivalent payments of $38 million, or $0.67 per share, resulting in net income applicable to TD Group common stockholders of $190 million, or $3.33 per share. Net income attributable to TD Group for the thirteen week period ended January 1, 2022 of $163 million was decreased by dividend equivalent payments of $46 million, or $0.77 per share, resulting in net income applicable to TD Group common stockholders of $117 million, or $1.98 per share.

Business Segments

- ***Segment Net Sales.*** Net sales by segment for the thirteen week periods ended December 31, 2022 and January 1, 2022 were as follows (amounts in millions):

	Thirteen Week Periods Ended					
	December 31, 2022	% of Net Sales	January 1, 2022	% of Net Sales	Change	% Change
Power & Control	$ 725	51.9 %	$ 650	54.4 %	$ 75	11.5 %
Airframe	637	45.6 %	506	42.4 %	131	25.9 %
Non-aviation	35	2.5 %	38	3.2 %	(3)	(7.9)%
Net sales	$ 1,397	100.0 %	$ 1,194	100.0 %	$ 203	17.0 %

Net sales for the Power & Control segment increased $75 million, an increase of 11.5%, for the thirteen week period ended December 31, 2022 compared to the thirteen week period ended January 1, 2022. The sales increase resulted primarily from increases in organic sales in the commercial aftermarket ($56 million, an increase of 30.6%), commercial OEM ($14 million, an increase of 11.4%) and defense ($17 million, an increase of 5.4%). The increase in commercial aftermarket sales is primarily attributable to the continued recovery in commercial air travel demand and the resulting higher flight hours and utilization of aircraft in the first quarter of fiscal 2023 compared to fiscal 2022. The increase in OEM sales is primarily attributable to the continued recovery in both narrow-body and wide-body aircraft production and deliveries. The increase in defense sales is primarily attributable to slowly improving U.S. government defense spend outlays (though, in management's estimation, the current lag between spend authorizations and outlays remains longer than historical average levels).

Net sales for the Airframe segment increased $131 million, an increase of 25.9%, for the thirteen week period ended December 31, 2022 compared to the thirteen week period ended January 1, 2022. The sales increase resulted primarily from increases in organic sales in the commercial aftermarket ($59 million, an increase of 36.9%) and commercial OEM sales ($40 million, an increase of 31.2%). The change in organic defense sales was flat (a decrease of $1 million, or 0.7%). The increase in commercial aftermarket sales is primarily attributable to the continued recovery in commercial air travel demand and the resulting higher flight hours and utilization of aircraft in the first quarter of fiscal 2023 compared to fiscal 2022. The increase in OEM sales is primarily attributable to the continued recovery in both narrow-body and wide-body aircraft production and deliveries. Defense sales were flat primarily due to slowly improving U.S. government defense spend outlays (though, in management's estimation, the current lag between spend authorizations and outlays remains longer than historical average levels). Acquisition sales increased by $22 million for the thirteen week period ended December 31, 2022 due to the impact on the comparable period from the net sales of DART.

The change in Non-aviation net sales compared to the thirteen week period in the prior fiscal year was not material.

- ***EBITDA As Defined.*** Refer to "Non-GAAP Financial Measures" in this discussion and analysis for additional information and limitations regarding these non-GAAP financial measures, including a reconciliation to the comparable U.S. GAAP financial measure. EBITDA As Defined by segment for the thirteen week periods ended December 31, 2022 and January 1, 2022 were as follows (amounts in millions):

	Thirteen Week Periods Ended					
	December 31, 2022	% of Segment Net Sales	January 1, 2022	% of Segment Net Sales	Change	% Change
Power & Control	$ 401	55.3 %	$ 328	50.5 %	$ 73	22.3 %
Airframe	312	49.0 %	226	44.7 %	86	38.1 %
Non-aviation	14	40.0 %	14	36.8 %	—	— %
Total segment EBITDA As Defined	727	52.0 %	568	47.6 %	159	28.0 %
Less: Unallocated corporate EBITDA As Defined	28	2.0 % (1)	3	0.3 % (1)	25	833.3 %
Total Company EBITDA As Defined	$ 699	50.0 % (1)	$ 565	47.3 % (1)	$ 134	23.7 %

(1) Calculated as a percentage of consolidated net sales.

Organic EBITDA As Defined represents EBITDA As Defined from existing businesses owned by the Company as of December 31, 2022, excluding EBITDA As Defined from acquisitions. EBITDA As Defined from acquisitions represents EBITDA As Defined from acquired businesses for the period up to one year subsequent to the respective acquisition date. Refer to Note 3, "Acquisitions," in the notes to the condensed consolidated financial statements included herein for further information on the Company's recent acquisitions activity.

EBITDA As Defined for the Power & Control segment increased approximately $73 million, an increase of 22.3%, resulting from higher organic sales, particularly in the commercial aftermarket and OEM channels. Also contributing to the increase in EBITDA As Defined was the application of our three core value-driven operating strategies and positive leverage on our fixed overhead costs spread over a higher production volume despite the ongoing inflationary environment for freight, labor and certain raw materials.

EBITDA As Defined for the Airframe segment increased approximately $86 million, an increase of 38.1%, resulting primarily from higher organic sales, particularly in the commercial aftermarket and OEM channels. Also contributing to the increase in EBITDA As Defined was the application of our three core value-driven operating strategies and positive leverage on our fixed overhead costs spread over a higher production volume despite the ongoing inflationary environment for freight, labor and certain raw materials. EBITDA As Defined for the Airframe segment from acquisitions increased by $6 million due to the impact of DART.

The change in Non-aviation EBITDA as Defined compared to the thirteen week period in the prior fiscal year was not material.

Corporate expenses consist primarily of compensation, benefits, professional services and other administrative costs incurred by the corporate offices. An immaterial amount of corporate expenses is allocated to the operating segments. The increase compared to the thirteen week period in the prior fiscal year is primarily attributable to the deferred compensation plan adopted in the fourth quarter of fiscal 2022 for certain members of non-executive management and certain non-recurring transactions recorded in the first quarter of fiscal 2022.

Liquidity and Capital Resources

We have historically maintained a capital structure comprising a mix of equity and debt financing. We vary our leverage both to optimize our equity return and to pursue acquisitions. We expect to meet our current debt obligations as they come due through internally generated funds from current levels of operations and/or through refinancing in the debt markets prior to the maturity dates of our debt.

The following tables present selected balance sheet, cash flow and other financial data relevant to the liquidity or capital resources of the Company for the periods specified below (amounts in millions):

	December 31, 2022	September 30, 2022
Selected Balance Sheet Data:		
Cash and cash equivalents	$ 3,288	$ 3,001
Working capital (Total current assets less total current liabilities)	4,521	4,223
Total assets	18,489	18,107
Total debt [1]	19,803	19,795
TD Group stockholders' deficit	(3,336)	(3,773)

[1] Includes debt issuance costs and original issue discount and premiums. Reference Note 9, "Debt," in the notes to the condensed consolidated financial statements included herein for additional information.

	Thirteen Week Periods Ended	
	December 31, 2022	January 1, 2022
Selected Cash Flow and Other Financial Data:		
Cash flows provided by (used in):		
Operating activities	$ 377	$ 279
Investing activities	(41)	(25)
Financing activities	(65)	(225)
Capital expenditures	31	25
Ratio of earnings to fixed charges [1]	2.0x	1.7x

[1] For purposes of computing the ratio of earnings to fixed charges, earnings consist of earnings from continuing operations before income taxes plus fixed charges. Fixed charges consist of interest expense, amortization of debt issuance costs, original issue discount and premium and the "interest component" of rental expense.

If the Company has excess cash, it generally prioritizes allocating the excess cash in the following manner: (1) capital spending at existing businesses, (2) acquisitions of businesses, (3) payment of a special dividend and/or repurchases of our common stock and (4) prepayment of indebtedness or repurchase of debt.

The Company's ability to make scheduled interest payments on, or to refinance, the Company's indebtedness, or to fund non-acquisition related capital expenditures and research and development efforts, will depend on the Company's ability to generate cash in the future. This is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond its control, including the pandemic.

The Company's objective is to maintain an allocation of at least 75% fixed rate and 25% variable rate debt thereby limiting its exposure to changes in near-term interest rates. Interest rate swaps and caps used to hedge and offset, respectively, the variable interest rates on the credit facility are described in Note 12, "Derivatives and Hedging Activities," in the notes to the condensed consolidated financial statements included herein. As of December 31, 2022, over 75% of our gross debt is at a fixed rate.

The Company continues to strategically manage its cash and cash equivalents. In the first quarter of fiscal 2023, the Company entered into Amendment No. 10, extending the maturity date on the approximately $1,725 million in Tranche G term loans due August 2024 to new Tranche H term loans due February 2027.

As of December 31, 2022, the Company has significant cash liquidity as illustrated in the table presented below (in millions):

	As of December 31, 2022
Cash and cash equivalents	$ 3,288
Availability on revolving credit facility	779
Cash liquidity	$ 4,067

We believe our significant cash liquidity will allow us to meet our anticipated funding requirements. We expect to meet our short-term cash liquidity requirements (including interest obligations and capital expenditures) through net cash from operating activities, cash on hand and, if needed, draws on the revolving credit facility. Long-term cash liquidity requirements consist primarily of obligations under our long-term debt agreements. There is no maturity on any tranche of term loans or notes until May 2025.

In connection with the continued application of our three core value-driven operating strategies (obtaining profitable new business, continually improving our cost structure and providing highly engineered value-added products to customers), we expect our efforts will continue to generate strong margins and provide sufficient cash provided by operating activities to meet our interest obligations and liquidity needs. We believe our cash provided by operating activities and available borrowing capacity will enable us to continue to have the financial flexibility to focus on effective capital allocation, which includes making strategic business acquisitions, such as the fiscal 2022 DART acquisition for $359 million, pay dividends to our shareholders, such as the $18.50 per share special dividend paid in the fourth quarter of fiscal 2022, and make opportunistic investments in our own stock, such as the $912 million in share repurchases in fiscal 2022.

The Company may issue additional debt if prevailing market conditions are favorable to doing so. In addition, the Company may increase its borrowings in connection with acquisitions, if cash flow from operating activities becomes insufficient to fund current operations or for other short-term cash needs or for common stock repurchases or dividends. Our future leverage will also be impacted by the then current conditions of the credit markets.

Operating Activities. The Company generated $377 million of net cash from operating activities during the thirteen week period ended December 31, 2022 compared to $279 million during the thirteen week period ended January 1, 2022.

The change in accounts receivable during the thirteen week period ended December 31, 2022 was a source of cash of $121 million compared to a source of cash of $117 million during the thirteen week period ended January 1, 2022. The increase in the source of cash of $4 million is primarily attributable to the timing of cash receipts. The Company continues to actively manage its accounts receivable, the related agings and collection efforts.

The change in inventories during the thirteen week period ended December 31, 2022 was a use of cash of $89 million compared to a use of cash of $32 million during the thirteen week period ended January 1, 2022. The increase in the use of cash of $57 million is primarily driven by increased purchasing from higher demand in fiscal 2023 as raw materials inventory is up approximately $166 million compared to at January 1, 2022. The Company continues to actively and strategically manage inventory levels in response to the ongoing supply chain challenges.

The change in accounts payable during the thirteen week period ended December 31, 2022 was a use of cash of $13 million compared to a use of cash of $14 million during the thirteen week period ended January 1, 2022. The change is due to the timing of payments to suppliers.

Investing Activities. Net cash used in investing activities was $41 million during the thirteen week period ended December 31, 2022, consisting of capital expenditures of $31 million and the remaining $10 million cash payment due for a certain product line acquired at the end of fiscal 2022.

Net cash used in investing activities was $25 million during the thirteen week period ended January 1, 2022, consisting of capital expenditures of $25 million.

Financing Activities. Net cash used in financing activities during the thirteen week period ended December 31, 2022 was $65 million. The use of cash was primarily attributable to repayments on term loans of $1,739 million, which consists of the full repayment of existing Tranche G term loans and fees ($1,725 million) plus principal payments on Tranche E and Tranche F term loans ($14 million), dividend equivalent payments of $38 million and other financing fees of $5 million. This was partially offset by $1,690 million in proceeds of Tranche H term loans (replacing the Tranche G term loans) and $27 million in proceeds from stock option exercises.

Net cash used in financing activities during the thirteen week period ended January 1, 2022 was $225 million. The use of cash was primarily attributable to a $200 million repayment of a previous draw on the revolving credit facility, dividend equivalent payments of $46 million and repayment on term loans of $19 million. This was partially offset by $40 million in proceeds from stock option exercises.

Contractual Obligations

We have future obligations under various contracts relating to debt and interest payments, finance and operating leases, pension and postretirement benefit plans and purchase obligations. During the thirteen week period ended December 31, 2022, other than the execution of Amendment No. 10, which is described further in Note 9, “Debt,” in the notes to the condensed consolidated financial statements included herein, there were no material changes to these obligations as reported in our Annual Report on Form 10-K for the fiscal year ended September 30, 2022.

Description of Senior Secured Term Loans and Indentures

Senior Secured Term Loans Facility

On December 14, 2022, the Company entered into Amendment No. 10. Under the terms of Amendment No. 10, the Company, among other things, repaid in full its existing approximately $1,725 million in Tranche G term loans maturing August 22, 2024 and replaced such loans with approximately $1,725 million in Tranche H term loans maturing February 22, 2027. The applicable margin for the Tranche H term loans bearing interest at Term Secured Overnight Financing Rate (“SOFR”) is 3.25% compared to an applicable margin for the former Tranche G term loans which bore interest at LIBOR plus 2.25%. Original issue discount of 2%, or approximately $34.5 million, was paid to lenders of the Tranche H term loans. The Tranche H term loans were fully drawn on December 14, 2022 and the other terms and conditions that apply to the Tranche H term loans are substantially the same as the terms and conditions that applied to the term loans immediately prior to Amendment No. 10.

As of December 31, 2022, TransDigm has $7,284 million in fully drawn term loans (the “Term Loans Facility”) and an $810 million revolving credit facility. The Term Loans Facility consists of three tranches of term loans as follows:

Term Loans Facility	Aggregate Principal	Maturity Date	Interest Rate
Tranche E	$2,149 million	May 30, 2025	LIBOR plus 2.25%
Tranche F	$3,410 million	December 9, 2025	LIBOR plus 2.25%
Tranche H	$1,725 million	February 22, 2027	Term SOFR plus 3.25%

The Term Loans Facility requires quarterly aggregate principal payments of $19 million. The revolving commitments consist of two tranches which include up to $152 million of multicurrency revolving commitments. At December 31, 2022, the Company had $31 million in letters of credit outstanding and $779 million in borrowings available under the revolving commitments. Draws on the revolving commitments are subject to an interest rate of 2.50% per annum. The unused portion of the revolving commitments is subject to a fee of 0.5% per annum.

The interest rates per annum applicable to the Tranche E and Tranche F term loans under the Credit Agreement are, at TransDigm’s option, equal to either an alternate base rate or an adjusted LIBOR for one, three or six-month (or to the extent agreed to by each relevant lender, twelve-month or a period less than one month) interest periods chosen by TransDigm, in each case plus an applicable margin percentage. The adjusted LIBOR related to Tranche E and Tranche F term loans are not subject to a floor. For the thirteen week periods ended December 31, 2022 and January 1, 2022, the applicable interest rate (which excludes the impact of our interest rate swaps and caps) was approximately 5.92% and 2.34% on the existing term loans, respectively.

The interest rates per annum applicable to the Tranche H term loans under the Credit Agreement are, at TransDigm’s option, equal to either an alternate base rate or an adjusted Term SOFR for one, three or six-month interest periods chosen by TransDigm, in each case plus an applicable margin percentage. The adjusted Term SOFR related to Tranche H term loans are not subject to a floor. For the thirteen week period ended December 31, 2022, the applicable interest rate was approximately 7.57% on the existing term loans.

Refer to Note 12, “Derivatives and Hedging Activities,” in the notes to the condensed consolidated financial statements included herein for information about how our interest rate swaps and cap agreements are used to hedge and offset, respectively, the variable interest rates on the credit facility.

Indentures

The following table represents the senior subordinated and secured notes outstanding as of December 31, 2022:

Description	Aggregate Principal	Maturity Date	Interest Rate
2025 Secured Notes	$1,100 million	December 15, 2025	8.00%
2026 Secured Notes	$4,400 million	March 15, 2026	6.25%
6.875% 2026 Notes	$500 million	May 15, 2026	6.875%
6.375% 2026 Notes	$950 million	June 15, 2026	6.375%
7.50% 2027 Notes	$550 million	March 15, 2027	7.50%
5.50% 2027 Notes	$2,650 million	November 15, 2027	5.50%
4.625% 2029 Notes	$1,200 million	July 15, 2029	4.625%
4.875% 2029 Notes	$750 million	October 15, 2029	4.875%

The 6.375% 2026 Notes, the 7.50% 2027 Notes, the 5.50% 2027 Notes, the 4.625% 2029 Notes and the 4.875% 2029 Notes (collectively, the "TransDigm Inc. Notes") were issued at a price of 100% of the principal amount. The 6.875% 2026 Notes (the "TransDigm UK Notes" and together with the TransDigm Inc. Notes, the "Notes," are further described below) offered in May 2018 were issued at a price of 99.24% of the principal amount, resulting in gross proceeds of $496 million. The 2025 Secured Notes were issued at a price of 100% of the principal amount. The initial $3,800 million offering of the 2026 Secured Notes (which, along with the 2025 Secured Notes, are collectively referred to as the "Secured Notes") was issued at a price of 100% of its principal amount and the subsequent $200 million and $400 million offerings of the 2026 Secured Notes in the second quarter of fiscal 2019 and the third quarter of fiscal 2020, respectively, were issued at a price of 101% of their principal amount, resulting in gross proceeds of $4,411 million.

The Notes do not require principal payments prior to their maturity. Interest under the Notes is payable semi-annually. The Notes represent our unsecured obligations ranking subordinate to our senior debt, as defined in the applicable indentures. The Notes contain many of the restrictive covenants included in the Credit Agreement. TransDigm is in compliance with all of the covenants contained in the Notes.

Guarantor Information

The Notes are subordinated to all of our existing and future senior debt, rank equally with all of our existing and future senior subordinated debt and rank senior to all of our future debt that is expressly subordinated to the Notes. The TransDigm Inc. Notes are fully and unconditionally guaranteed on a senior subordinated unsecured basis by TD Group and TransDigm Inc.'s Domestic Restricted Subsidiaries (as defined in the applicable Indentures). The TransDigm UK Notes are guaranteed on a senior subordinated basis by TransDigm Inc., TD Group and TransDigm Inc.'s Domestic Restricted Subsidiaries. The guarantees of the Notes are subordinated to all of the guarantors' existing and future senior debt, rank equally with all of their existing and future senior subordinated debt and rank senior to all of their future debt that is expressly subordinated to the guarantees of the Notes. The Notes are structurally subordinated to all of the liabilities of TD Group's non-guarantor subsidiaries.

The Secured Notes are senior secured obligations of TransDigm and rank equally in right of payment with all of TransDigm's existing and future senior secured debt, including indebtedness under TransDigm's existing senior secured credit facilities, and are senior in right of payment to all of TransDigm's existing and future senior subordinated debt, including the Notes, TransDigm's other outstanding senior subordinated notes and TransDigm's guarantees in respect of TransDigm UK's outstanding senior subordinated notes. The Secured Notes are guaranteed on a senior secured basis by TD Group, TransDigm UK and TransDigm Inc.'s Domestic Restricted Subsidiaries named in the Secured Notes Indenture. The guarantees of the Secured Notes rank equally in right of payment with all of the guarantors' existing and future senior secured debt and are senior in right of payment to all of their existing and future senior subordinated debt. The Secured Notes are structurally subordinated to all of the liabilities of TransDigm's non-guarantor subsidiaries. The Secured Notes contain many of the restrictive covenants included in the Credit Agreement. TransDigm is in compliance with all of the covenants contained in the Secured Notes.

Separate financial statements of TransDigm Inc. are not presented because the Secured Notes are fully and unconditionally guaranteed on a senior secured basis by TD Group, TransDigm UK and all of TransDigm Inc.'s Domestic Restricted Subsidiaries. TD Group has no significant operations or assets separate from its investment in TransDigm Inc.

Separate financial statements of TransDigm UK are not presented because TransDigm UK's 6.875% 2026 Notes, issued in May 2018, are fully and unconditionally guaranteed on a senior subordinated basis by TD Group, TransDigm Inc. and all of TransDigm Inc.'s Domestic Restricted Subsidiaries. TD Group has no significant operations or assets separate from its investment in TransDigm Inc.

The financial information presented is that of TD Group and the Guarantors, which includes TransDigm Inc. and TransDigm UK, on a combined basis and the financial information of non-issuer and non-guarantor subsidiaries has been excluded. Intercompany balances and transactions between TD Group and Guarantors have been eliminated, and amounts due from, amounts due to, and transactions with non-issuer and non-guarantor subsidiaries have been presented separately.

(in millions)	December 31, 2022
Current assets	$ 4,232
Goodwill	6,853
Other non-current assets	2,821
Current liabilities	752
Non-current liabilities	20,038
Amounts (from) due to subsidiaries that are non-issuers and non-guarantors - net	(1,423)

(in millions)	Thirteen Week Period Ended December 31, 2022
Net sales	$ 1,080
Sales to subsidiaries that are non-issuers and non-guarantors	8
Cost of sales	427
Expense from subsidiaries that are non-issuers and non-guarantors - net	10
Income from continuing operations	151
Net income attributable to TD Group	151

Certain Restrictive Covenants in Our Debt Documents

The Credit Agreement and the Indentures governing the Notes and Secured Notes contain restrictive covenants that, among other things, limit the incurrence of additional indebtedness, the payment of special dividends, transactions with affiliates, asset sales, acquisitions, mergers and consolidations, liens and encumbrances, and prepayments of certain other indebtedness.

The restrictive covenants included in the Credit Agreement are subject to amendments executed periodically. The most recent amendment that impacted the restrictive covenants contained in the Credit Agreement is Amendment No. 7 and Refinancing Facility Agreement, executed on February 6, 2020.

Under the terms of the Credit Agreement, TransDigm is entitled, on one or more occasions, to request additional term loans or additional revolving commitments to the extent that the existing or new lenders agree to provide such incremental term loans or additional revolving commitments provided that, among other conditions, our consolidated net leverage ratio would be no greater than 7.25x and the consolidated secured net debt ratio would be no greater than 5.00x, in each case, after giving effect to such incremental term loans or additional revolving commitments.

If any such default occurs, the lenders under the Credit Agreement and the holders of the Notes and Secured Notes may elect to declare all outstanding borrowings, together with accrued interest and other amounts payable thereunder, to be immediately due and payable. The lenders under the Credit Agreement also have the right in these circumstances to terminate any commitments they have to provide further borrowings. In addition, following an event of default under the Credit Agreement, the lenders thereunder and the holders of the Secured Notes will have the right to proceed against the collateral granted to them to secure the debt, which includes our available cash, and they will also have the right to prevent us from making debt service payments on the Notes.

With the exception of the revolving credit facility, the Company has no maintenance covenants in its existing term loan and indenture agreements. Under the Credit Agreement, if the usage of the revolving credit facility exceeds 35%, or $284 million, of the total revolving commitments, the Company is required to maintain a maximum consolidated net leverage ratio of net debt to trailing four-quarter EBITDA As Defined of 7.25x as of the last day of the fiscal quarter.

As of December 31, 2022, the Company was in compliance with all of its debt covenants and expects to remain in compliance with its debt covenants in subsequent periods.

Trade Receivable Securitization Facility

During fiscal 2014, the Company established a trade receivable securitization facility (the “Securitization Facility”). The Securitization Facility effectively increases the Company’s borrowing capacity depending on the amount of the domestic operations’ trade accounts receivable. The Securitization Facility includes the right for the Company to exercise annual one year extensions as long as there have been no termination events as defined by the agreement. The Company uses the proceeds from the Securitization Facility as an alternative to other forms of debt, effectively reducing borrowing costs.

On July 25, 2022, the Company amended the Securitization Facility to, among other things, extend the maturity date to July 25, 2023 and bear interest at a rate of Term SOFR plus 1.30%, compared to an interest rate of LIBOR plus 1.20% that applied prior to the amendment. The Securitization Facility is collateralized by substantially all of the Company’s domestic operations’ trade accounts receivable. As of December 31, 2022, the Company has borrowed $350 million under the Securitization Facility, which is fully drawn. For the thirteen week periods ended December 31, 2022 and January 1, 2022, the applicable interest rate was 5.36% and 1.41%, respectively.

Dividend and Dividend Equivalent Payments

No dividends were declared in the first quarter of fiscal 2023. Pursuant to the Fourth Amended and Restated TransDigm Group Incorporated 2006 Stock Incentive Plan Dividend Equivalent Plan and the Amended and Restated 2014 Stock Option Plan Dividend Equivalent Plan, all of the options granted under the existing stock option plans, except for grants to the members of the Board of Directors, are entitled to certain dividend equivalent payments in the event of the declaration of a dividend by the Company. In August 2022, all members of the Board of Directors executed amendments to their option agreements resulting in the directors no longer receiving dividend equivalent payments in cash, but rather for dividends declared after June 1, 2022, dividends result in a reduction of strike price on the outstanding options held by the directors.

Dividend equivalent payments are made during the Company's first fiscal quarter each year and also upon payment of any dividends declared within the current fiscal year. Total dividend equivalent payments in the first quarter of fiscal 2023 were approximately $38 million.

Any future declaration of special cash dividends on our common stock will be at the discretion of our Board of Directors and will depend upon our results of operations, earnings, capital requirements, financial condition, future prospects, contractual restrictions under the Credit Agreement and Indentures, the availability of surplus under Delaware law and other factors deemed relevant by our Board of Directors. TD Group is a holding company and conducts all of its operations through direct and indirect subsidiaries. Unless TD Group receives dividends, distributions, advances, transfers of funds or other payments from our subsidiaries, TD Group will be unable to pay any dividends on our common stock in the future. The ability of any subsidiaries to take any of the foregoing actions is limited by the terms of our Term Loans Facility and Indentures and may be limited by future debt or other agreements that we may enter into.

Off-Balance Sheet Arrangements

The Company utilizes letters of credit to back certain payment and performance obligations. Letters of credit are subject to limits based on amounts outstanding under the Company’s revolving credit facility. As of December 31, 2022, the Company had $31 million in letters of credit outstanding.

Non-GAAP Financial Measures

We present below certain financial information based on our EBITDA and EBITDA As Defined. References to “EBITDA” mean earnings before interest, taxes, depreciation and amortization, and references to “EBITDA As Defined” mean EBITDA plus, as applicable for each relevant period, certain adjustments as set forth in the reconciliations of income from continuing operations to EBITDA and EBITDA As Defined and the reconciliations of net cash provided by operating activities to EBITDA and EBITDA As Defined presented below.

Neither EBITDA nor EBITDA As Defined is a measurement of financial performance under U.S. GAAP. We present EBITDA and EBITDA As Defined because we believe they are useful indicators for evaluating operating performance and liquidity.

Our management believes that EBITDA and EBITDA As Defined are useful as indicators of liquidity because securities analysts, investors, rating agencies and others use EBITDA to evaluate a company’s ability to incur and service debt. In addition, EBITDA As Defined is useful to investors because the revolving credit facility under our senior secured credit facility requires compliance under certain circumstances, on a pro forma basis, with a financial covenant that measures the ratio of the amount of our secured indebtedness to the amount of our Consolidated EBITDA defined in the same manner as we define EBITDA As Defined herein.

In addition to the above, our management uses EBITDA As Defined to review and assess the performance of the management team in connection with employee incentive programs and to prepare its annual budget and financial projections. Moreover, our management uses EBITDA As Defined to evaluate acquisitions.

Although we use EBITDA and EBITDA As Defined as measures to assess the performance of our business and for the other purposes set forth above, the use of these non-GAAP financial measures as analytical tools has limitations, and you should not consider any of them in isolation, or as a substitute for analysis of our results of operations as reported in accordance with U.S. GAAP. Some of these limitations are:

- neither EBITDA nor EBITDA As Defined reflects the significant interest expense, or the cash requirements, necessary to service interest payments on our indebtedness;
- although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and neither EBITDA nor EBITDA As Defined reflects any cash requirements for such replacements;
- the omission of the substantial amortization expense associated with our intangible assets further limits the usefulness of EBITDA and EBITDA As Defined;
- neither EBITDA nor EBITDA As Defined includes the payment of taxes, which is a necessary element of our operations; and
- EBITDA As Defined excludes the cash expense we have incurred to integrate acquired businesses into our operations, which is a necessary element of certain of our acquisitions.

Because of these limitations, EBITDA and EBITDA As Defined should not be considered as measures of discretionary cash available to us to invest in the growth of our business. Management compensates for these limitations by not viewing EBITDA or EBITDA As Defined in isolation and specifically by using other U.S. GAAP measures, such as net income, net sales and operating profit, to measure our operating performance. Neither EBITDA nor EBITDA As Defined is a measurement of financial performance under U.S. GAAP, and neither should be considered as an alternative to net income or cash flow from operations determined in accordance with U.S. GAAP. Our calculation of EBITDA and EBITDA As Defined may not be comparable to the calculation of similarly titled measures reported by other companies.

The following table sets forth a reconciliation of income from continuing operations to EBITDA and EBITDA As Defined (in millions):

	Thirteen Week Periods Ended	
	December 31, 2022	January 1, 2022
Income from continuing operations	$ 229	$ 163
Adjustments:		
Depreciation and amortization expense	63	65
Interest expense, net	286	264
Income tax provision	72	30
EBITDA	650	522
Adjustments:		
Acquisition and divestiture transaction-related expenses and adjustments (1)	3	5
Non-cash stock and deferred compensation expense (2)	35	37
Refinancing costs (3)	4	—
Other, net (4)	7	1
EBITDA As Defined	$ 699	$ 565

(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 gain or loss, payroll withholding taxes related to dividend equivalent payments and stock option exercises, non-service related pension costs and deferred compensation payments.

The following table sets forth a reconciliation of net cash provided by operating activities to EBITDA and EBITDA As Defined (in millions):

	Thirteen Week Periods Ended	
	December 31, 2022	January 1, 2022
Net cash provided by operating activities	$ 377	$ 279
Adjustments:		
Changes in assets and liabilities, net of effects from acquisitions and sales of businesses	(49)	(18)
Interest expense, net [1]	277	256
Income tax provision - current	72	30
Loss contract amortization	12	12
Non-cash stock and deferred compensation expense [2]	(35)	(37)
Refinancing costs [3]	(4)	—
EBITDA	650	522
Adjustments:		
Acquisition and divestiture transaction-related expenses and adjustments [4]	3	5
Non-cash stock and deferred compensation expense [2]	35	37
Refinancing costs [3]	4	—
Other, net [5]	7	1
EBITDA As Defined	$ 699	$ 565

(1) Represents interest expense 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 gain or loss, payroll withholding taxes related to dividend equivalent payments and stock option exercises, non-service related pension costs and deferred compensation payments.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

The information called for by this item is provided under the caption "*Description of Senior Secured Term Loans and Indentures*" in Part I, Item 2. *Management's Discussion and Analysis of Financial Condition and Results of Operations.* Market risks are described more fully within *Quantitative and Qualitative Disclosures About Market Risk* in Part II, Item 7A of our most recent Form 10-K (for the fiscal year ended September 30, 2022, filed on November 10, 2022). These market risks have not materially changed for the first quarter of fiscal year 2023.

ITEM 4. CONTROLS AND PROCEDURES

As of December 31, 2022, TD Group carried out an evaluation, under the supervision and with the participation of TD Group's management, including its President, Chief Executive Officer and Director (Principal Executive Officer) and Executive Vice President and Chief Financial Officer (Principal Financial Officer), of the effectiveness of the design and operation of TD Group's disclosure controls and procedures. Based upon that evaluation, the President, Chief Executive Officer and Director and Executive Vice President and Chief Financial Officer concluded that TD Group's disclosure controls and procedures are effective to ensure that information required to be disclosed by TD Group in the reports it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified by the Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to TD Group's management, including its President, Chief Executive Officer and Director and Executive Vice President and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, TD Group's management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management necessarily was required to apply its judgment in designing and evaluating the controls and procedures.

Changes in Internal Control over Financial Reporting

There have been no changes in the Company's internal control over financial reporting that occurred during the fiscal quarter ended December 31, 2022, that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II: OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The Company is involved in various claims and legal actions arising in the ordinary course of business. SEC regulations require us to disclose certain information about environmental proceedings when a governmental authority is a party to the proceedings if we reasonably believe that such proceedings may result in monetary sanctions above a stated threshold. Pursuant to such regulations, the Company uses a threshold of $1 million or more for purposes of determining whether disclosure of any such proceedings is required as we believe matters under this threshold are not material to the Company. While the Company is currently involved in certain legal proceedings, it believes the results of these proceedings will not have a material adverse effect on its financial condition, results of operations, or cash flows.

Information with respect to our legal proceedings is contained in Note 16, “Commitments and Contingencies,” in the notes to the condensed consolidated financial statements included herein and Note 15, “Commitments and Contingencies,” in Part IV, Item 15. *Exhibits and Financial Statement Schedules*, of our Annual Report on Form 10-K for the fiscal year ended September 30, 2022, filed on November 10, 2022. There have been no material changes to this information.

ITEM 1A. RISK FACTORS

In addition to the other information set forth in this report, you should carefully consider the risk factors disclosed in Part I, Item 1A of our Annual Report on Form 10-K for the fiscal year ended September 30, 2022, filed on November 10, 2022. There have been no material changes to the risk factors described in the Form 10-K.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS: PURCHASES OF EQUITY SECURITIES BY THE ISSUER

On January 27, 2022, the Board of Directors of the Company authorized a new stock repurchase program to permit repurchases of its outstanding common stock not to exceed $2,200 million in the aggregate (the “$2,200 million stock repurchase program”), replacing the $650 million stock repurchase program previously authorized by the Board on November 8, 2017, subject to any restrictions specified in the Credit Agreement and/or Indentures governing the Company's existing Notes. There is no expiration date for this program. During the second and third quarters of fiscal 2022, the Company repurchased 1,490,413 shares of common stock at an average price of $612.13 per share, for a total amount of $912 million. The repurchased shares of common stock are classified as treasury stock in the statement of changes in stockholders' deficit.

No repurchases were made under the program during the first quarter of fiscal 2023. As of December 31, 2022, $1,288 million remains available for repurchase under the $2,200 million stock repurchase program.

ITEM 5. OTHER INFORMATION

As disclosed in the Company’s proxy statement filed on January 27, 2023, and following her 12 years with the Company, Halle Martin retired from her position as General Counsel, Chief Compliance Officer and Secretary of TransDigm Group Incorporated effective February 3, 2023. Following her retirement, it is expected that Ms. Martin will continue to provide consulting services to the Company. In connection with her retirement, Ms. Martin and the Company entered into a Separation and Consulting Agreement whereby the Company agreed to provide Ms. Martin with the benefits to which she would have been entitled under her outstanding option agreements in the event of a qualified retirement that met the definition of retirement thereunder and, in exchange, Ms. Martin agreed to provide a release of claims and continuing cooperation to the Company. Specifically, Ms. Martin will receive (a) continued vesting of options previously granted (namely, 60% of her options granted in November 2019 will be permitted to vest in accordance with their terms and 20% of her options granted in November 2021 will be permitted to vest in accordance with their terms) and (b) all of Ms. Martin’s vested options will remain exercisable for the life of the options. In addition, the agreement provides for continued consulting services to be rendered by Ms. Martin at the Company’s request.

ITEM 6. EXHIBITS

Exhibit No.	Description	Filed Herewith or Incorporated by Reference From
10.1	Amendment No. 10, Loan Modification Agreement and Refinancing Facility Agreement, dated December 14, 2022, to the Second Amended and Restated Credit Agreement, dated June 4, 2014, among TransDigm Inc., TransDigm Group Incorporated, each subsidiary of TransDigm Inc. party thereto, the lenders party thereto, and Goldman Sachs Bank USA, as administrative agent and collateral agent (as successor to Credit Suisse AG) for the lenders	Incorporated by reference to TransDigm Group Incorporated's Form 8-K, filed December 14, 2022 (File No. 001-32833)
22	Listing of Subsidiary Guarantors	Filed Herewith
31.1	Certification by Principal Executive Officer of TransDigm Group Incorporated pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Filed Herewith
31.2	Certification by Principal Financial Officer of TransDigm Group Incorporated pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Filed Herewith
32.1	Certification by Principal Executive Officer of TransDigm Group Incorporated pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	Furnished Herewith
32.2	Certification by Principal Financial Officer of TransDigm Group Incorporated pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	Furnished Herewith
101.INS	Inline XBRL Instance Document: The XBRL Instance Document does not appear in the Inveractive Data File because its XBRL tags are embedded within the Inline XBRL document	Filed Herewith
101.SCH	Inline XBRL Taxonomy Extension Schema	Filed Herewith
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase	Filed Herewith
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase	Filed Herewith
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase	Filed Herewith
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase	Filed Herewith
104	Cover Page Interactive Data File: the cover page XBRL tags are embedded within the Inline XBRL document and are contained within Exhibit 101	Filed Herewith

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

TRANSDIGM GROUP INCORPORATED

SIGNATURE	TITLE	DATE
/s/ Kevin Stein Kevin Stein	President, Chief Executive Officer and Director (Principal Executive Officer)	February 7, 2023
/s/ Michael Lisman Michael Lisman	Executive Vice President and Chief Financial Officer (Principal Financial Officer)	February 7, 2023

Exhibit 22

LISTING OF SUBSIDIARY GUARANTORS

TransDigm Group Incorporated has unconditionally guaranteed, on a joint and several basis, each of the following registered debt securities with each of the subsidiaries listed below under “Subsidiary Guarantors.”

Registered Debt Securities
8.00% senior secured notes due 2025 (“2025 Secured Notes”)
6.375% senior subordinated notes due 2026 (“6.375% 2026 Notes”)
6.875% senior subordinated notes due 2026 (“6.875% 2026 Notes”)
6.25% senior secured notes due 2026 (“2026 Secured Notes”)
7.50% senior subordinated notes due 2027 (“7.50% 2027 Notes”)
5.50% senior subordinated notes due 2027 (“5.50% 2027 Notes”)
4.625% senior subordinated notes due 2029 (“4.625% 2029 Notes”)
4.875% senior subordinated notes due 2029 (“4.875% 2029 Notes”)

Subsidiary Guarantors	Jurisdiction of Incorporation or Organization
17111 Waterview Pkwy LLC	Delaware
Acme Aerospace, Inc.	Delaware
Adams Rite Aerospace, Inc.	California
AeroControlex Group, Inc.	Delaware
Aerosonic LLC	Delaware
Airborne Acquisition, Inc.	Delaware
Airborne Global, Inc.	Delaware
Airborne Holdings, Inc.	Delaware
Airborne Systems NA, Inc.	Delaware
Airborne Systems North America Inc.	Delaware
Airborne Systems North America of CA Inc.	Delaware
Airborne Systems North America of NJ Inc.	New Jersey
AmSafe Global Holdings, Inc.	Delaware
AmSafe, Inc.	Delaware
Angus Electronics Co.	Delaware
Apical Industries, Inc.	Delaware
Arkwin Industries, Inc.	New York
Armtec Countermeasures Co.	Delaware
Armtec Countermeasures TNO Co.	Delaware
Armtec Defense Products Co.	Delaware
Auxitrol Weston USA, Inc.	Delaware
Aviation Technologies, Inc.	Delaware
Avionic Instruments LLC	Delaware
Avionics Specialties, Inc.	Virginia
AvtechTyee, Inc.	Washington
Beta Transformer Technology LLC	Delaware
Breeze-Eastern LLC	Delaware
Bridport Erie Aviation, Inc.	Delaware
Bridport Holdings, Inc.	Delaware

Subsidiary Guarantors	Jurisdiction of Incorporation or Organization
Bridport-Air Carrier, Inc.	Washington
Bruce Aerospace, Inc.	Delaware
CDA InterCorp LLC	Florida
CEF Industries, LLC	Delaware
Century Helicopters, Inc.	Colorado
Champion Aerospace LLC	Delaware
Chelton Avionics Holdings, Inc.	Delaware
Chelton Avionics, Inc.	Delaware
Chelton Defense Products, Inc.	Delaware
CMC Electronics Aurora LLC	Delaware
Dart Aerospace USA, Inc.	Washington
Dart Buyer, Inc.	Delaware
Dart Helicopter Services, Inc.	Delaware
Dart Intermediate, Inc.	Delaware
Dart TopCo, Inc.	Delaware
Data Device Corporation	Delaware
Dukes Aerospace, Inc.	Delaware
Electromech Technologies LLC	Delaware
Esterline Europe Company LLC	Delaware
Esterline International Company	Delaware
Esterline Technologies Corporation	Delaware
Esterline Technologies SGIP, LLC	Delaware
HarcoSemco LLC	Connecticut
Hartwell Corporation	California
Heli Tech Inc.	Oregon
Hytek Finishes Co.	Delaware
ILC Holdings, Inc.	Delaware
Janco Corporation	California
Johnson Liverpool LLC	Delaware
Kirkhill Inc.	Delaware
Korry Electronics Co.	Delaware
Leach Holding Corporation	Delaware
Leach International Corporation	Delaware
Leach Mexico Holding LLC	Delaware
Leach Technology Group, Inc.	Delaware
MarathonNorco Aerospace, Inc.	Delaware
Mason Electric Co.	Delaware
McKechnie Aerospace DE, Inc.	Delaware
McKechnie Aerospace Holdings, Inc.	Delaware
McKechnie Aerospace US LLC	Delaware
NAT Seattle Inc.	Delaware
NMC Group, Inc.	California
Nordisk Aviation Products LLC	Delaware

Subsidiary Guarantors	Jurisdiction of Incorporation or Organization
North Hills Signal Processing Corp.	Delaware
North Hills Signal Processing Overseas LLC	Delaware
Norwich Aero Products Inc.	New York
Offshore Helicopter Support Services, Inc.	Louisiana
Palomar Products, Inc.	Delaware
Paravion Technologies Inc.	Colorado
Pexco Aerospace, Inc.	Delaware
PneuDraulics, Inc.	California
Power Device Corporation	New York
Schneller LLC	Delaware
Semco Instruments, Inc.	Delaware
Shield Restraint Systems, Inc.	Delaware
Simplex Manufacturing Co.	Oregon
Skandia, Inc.	Illinois
Skurka Aerospace, Inc.	Delaware
Symetrics Industries, LLC	Florida
TA Aerospace Co.	California
Tactair Fluid Controls, Inc.	New York
TDG ESL Holdings Inc.	Delaware
TEAC Aerospace Technologies, Inc.	Delaware
Telair US LLC	Delaware
Texas Rotronics, Inc.	Texas
[1] TransDigm Inc.	Delaware
[1] TransDigm UK Holdings plc	United Kingdom
Transicoil LLC	Delaware
Whippany Actuation Systems, LLC	Delaware
Young & Franklin Inc.	New York

[1] Entity is also a subsidiary issuer.

Exhibit 31.1

CERTIFICATION

I, Kevin Stein, certify that:

1. I have reviewed this quarterly report on Form 10-Q of TransDigm Group Incorporated;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's first fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Directors:

   (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 7, 2023

/s/ Kevin Stein

Name: Kevin Stein
Title: President, Chief Executive Officer and Director
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION

I, Michael Lisman, certify that:

1. I have reviewed this quarterly report on Form 10-Q of TransDigm Group Incorporated;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s first fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s Board of Directors:

   (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
   (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: February 7, 2023

/s/ Michael Lisman

Name: Michael Lisman
Title: Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of TransDigm Group Incorporated (the "Company") for the quarter ended December 31, 2022 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Kevin Stein, President, Chief Executive Officer and Director (Principal Executive Officer), certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities and Exchange Act of 1934; and

2. The information contained in the Report fairly presents in all material respects, the financial condition of the Company as of the dates indicated and results of operations of the Company for the periods indicated.

Date: February 7, 2023

/s/ Kevin Stein
Name: Kevin Stein
Title: President, Chief Executive Officer and Director
(Principal Executive Officer)

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of TransDigm Group Incorporated (the “Company”) for the quarter ended December 31, 2022 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Michael Lisman, Executive Vice President and Chief Financial Officer (Principal Financial Officer), certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities and Exchange Act of 1934; and

2. The information contained in the Report fairly presents in all material respects, the financial condition of the Company as of the dates indicated and results of operations of the Company for the periods indicated.

Date: February 7, 2023

/s/ Michael Lisman
Name: Michael Lisman
Title: Executive Vice President and Chief Financial Officer
(Principal Financial Officer)