TRANSDIGM GROUP INC.


# FY11 Third Quarter Earnings Call

August 9, 2011

# Agenda

- TransDigm Overview — W. Nicholas Howley, Chairman and CEO
- Highlights, Market Review, Operating Performance and Outlook — W. Nicholas Howley, Chairman and CEO
- Operations, New Business and Value Creation — Raymond F. Laubenthal, President and COO
- Financial Results — Gregory Rufus, Executive Vice President and CFO
- Q&A

# Forward Looking Statements

This presentation contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including information regarding our guidance for future periods. These forward-looking statements are based on management's current expectations and beliefs, as well as a number of assumptions concerning future events, many of which are outside of our control. These statements are subject to risks and uncertainties that could cause actual results to differ materially from those expressed or implied in the forward-looking statement. These risks and uncertainties include but are not limited to: the sensitivity of our business to the number of flight hours that our customers' planes spend aloft and our customers' profitability, both of which are affected by general economic conditions; future terrorist attacks; our reliance on certain customers; the U.S. defense budget and risks associated with being a government supplier; failure to maintain government or industry approvals; failure to complete or successfully integrate acquisitions; our substantial indebtedness; potential environmental liabilities; and other factors. Further information regarding the important factors that could cause actual results to differ materially from projected results can be found in TransDigm Group's Annual Report on Form 10-K and other reports that TransDigm Group or its subsidiaries have filed with the Securities and Exchange Commission.

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

# Special Notice Regarding Pro Forma and Non-GAAP Information

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

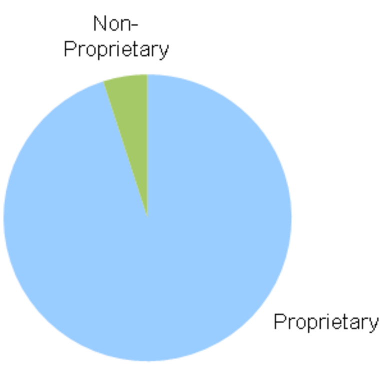
This presentation also sets forth certain non-GAAP financial measures. A presentation of the most directly comparable GAAP measures and a reconciliation to such measures are set forth in the appendix.

# TransDigm Overview

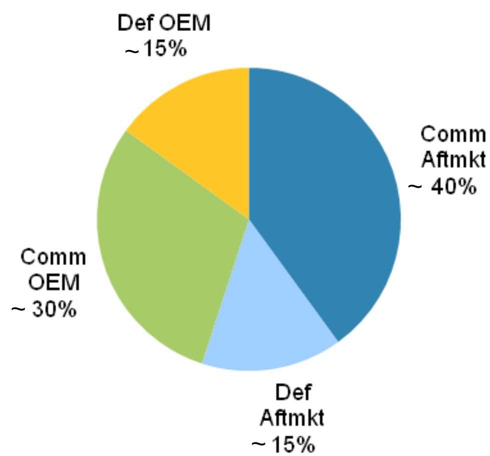
**DISTINGUISHING CHARACTERISTICS**

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

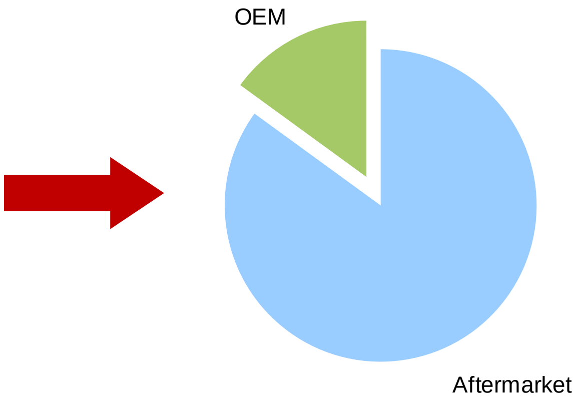
**Proprietary Revenues**




**Pro Forma Revenues[1]**




**Pro Forma EBITDA As Defined**




(1) Based on Management estimates for the LTM period 9/30/10. Please see the Special Notice Regarding Pro Forma and Non-GAAP Information.

# Financial Performance by Market Channel

## Highlights[1]

- Q3 Performance
  - 5th qtr in a row of y/y organic growth
- Commercial OEM
  - Airbus & Boeing rate increases proceeding, if not accelerating
  - BizJet OEM – has stabilized and picking up a bit
- Commercial Aftermarket:
  - Revenues up sequentially
  - Incoming Orders: running above shipments
- Defense:
  - Uncertainties
  - Incoming Orders: soft this quarter

## Market Review – Pro Forma Revenues[1]

| | vs. Prior Year | |
|---|---|---|
| | **Q3** | **YTD** |
| **Commercial OEM:** | Up 20% | Up 15% |
| **Commercial Aftermarket:** | Up 25% | Up 23% |
| **Defense:** | Down Low Single Digit % | |

(1) Information is on a pro forma basis versus the prior quarter and year. Please see the Special Notice Regarding Pro Forma and Non-GAAP Information.

# Fiscal 2011 Outlook

| FY 2010 Pro forma Sales Mix[(1)] | Market | FY 2011 Expected Growth[(1)] |
|---|---|---|
| ~ 30% | Commercial OEM | Up Mid to High Teen % |
| ~ 40% | Commercial Aftermarket | Up 20 + % |
| ~ 30% | Defense | Modestly Down |

## Assumptions

- Worldwide RPM growth 5 to 6%
- Continued restocking / deferred maintenance recovery
- OEM production increases
- Business Jet stabilized and beginning to modestly increase
- Full year tax rate decreased to 35%

## Guidance Summary

($ in millions)

| | Low | High |
|---|---|---|
| **Revenues** | $ 1,189 | $ 1,199 |
| **EBITDA As Defined** | $ 579 | $ 585 |
| **Net Income** | $ 162 | $ 166 |
| **GAAP EPS** | $ 2.98 | $ 3.06 |
| **Adj. EPS** | $ 4.22 | $ 4.30 |

(1) Information is on a pro forma basis versus the prior quarter and year. Please see the Special Notice Regarding Pro Forma and Non-GAAP Information.

# Operations & Value Creation

- 2 Plant Consolidations Completed
  - Talley Actuation
  - Dukes Aerospace


- 2 Plant Consolidations Progressing
  - McKechnie Tyee
  - McKechnie Electromech


- Focus on Value Creation
  - Value Pricing
  - Profitable New Business
  - Productivity Improvement

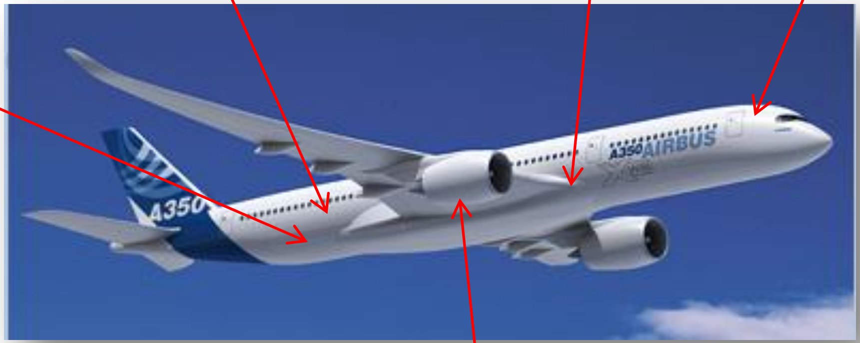
# New Business – Airbus A350

Access Panels Latches & Hinges

Fuel Couplings

Various Aluminum-Titanium Rods

Cockpit Security Door Module

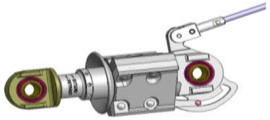



## Engine Applications

A350 Rolls Royce

Engine Ignition System

Fan Cowl Latches



Fuel Valve

Various Nacelle Rods

# Third Quarter 2011 Results

| ($ in millions) | Q3 FY11 | Q3 FY10 | |
|---|---|---|---|
| **Revenue** | **$325.2** | **$214.2** | **51.8% Increase**<br>• Organic sales growth 13.2% |
| **Gross Profit** | **$183.1** | **$122.4** | **.8 Margin Point Decrease** |
| ***Margin %*** | ***56.3%*** | ***57.2%*** | • Improvement in the base business ~ 3 margin points<br>• Dilutive acquisition mix of 4 margin points including ~ 2 points due to acquisition-related costs. |
| **SG&A** | **$31.5** | **$23.3** | |
| ***% to Sales*** | ***9.7%*** | ***10.9%*** | |
| **Interest Exp.** | **$49.9** | **$28.2** | **76.8% Increase**<br>• Increase from debt refinancing and McKechnie acquisition<br>• Weighted Avg. Interest Rate ~6% going forward |
| **Income from Continuing Ops.** | **$58.4** | **$44.0** | **32.6% Increase** |
| ***% to Sales*** | ***17.9%*** | ***20.5%*** | • Higher revenues from increased commercial sales volume |
| **Adjusted EPS** | **$1.21** | **$0.88** | **37.5% Increase** |

# Liquidity & Taxes

## Cash

| | Q3 FY11 | FY 9/30/10 |
|---|---|---|
| **Net Cash Provided by Operating Activities** | **$143.7** | **$197.3** |
| **Capital Expenditures** | **($12.2)** | **($12.9)** |
| **Free Cash Flow** | **$131.5** | **$184.4** |
| **Cash on the Balance Sheet** | **$549.3** | **$234.1** |

## Taxes

- Q3 ETR: 35%
- FY11 ETR Estimate: ~35%

## Liquidity

| | 7/2/2011 | EBITDA As Defined multiple | Rate | Maturity |
|---|---|---|---|---|
| Cash | $549.3 | | | |
| Revolver[1] | – | – | L + 3.75% [2] | December 2015 |
| Term Loan | 1,542.3 | 2.6x | L + 3.00% [3] | February 2017 |
| **Total senior secured debt** | **$1,542.3** | **2.6x** | | |
| Senior Sub Notes | 1,600.0 | 2.7x | 7.75% | December 2018 |
| **Total debt** | **$3,142.3** | **5.4x** | | |

| | |
|---|---|
| Net Debt to Proforma EBITDA As Defined | 4.4x |

(1) $245 million Revolving Credit Facility.
(2) This rate is calculated using the greater of 1.5% or actual Libor, plus 3.75%.
(3) This rate is calculated using the greater of 1.0% or actual Libor, plus 3.00%.

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# Appendix

# Reconciliation of EBITDA and EBITDA As Defined to Net Income

| | Thirteen Week Periods Ended | | Thirty-Nine Week Periods Ended | |
|---|---|---|---|---|
| | July 2, 2011 | July 3, 2010 | July 2, 2011 | July 3, 2010 |
| Net income | $ 56,280 | $ 44,005 | $ 104,739 | $ 112,810 |
| Less income (loss) from discontinued operations | (2,088) | - | 16,827 | - |
| Income from continuing operations | 58,368 | 44,005 | 87,912 | 112,810 |
| Adjustments: | | | | |
| Depreciation and amortization expense | 17,559 | 7,585 | 42,859 | 22,534 |
| Interest expense, net | 49,860 | 28,222 | 136,553 | 85,149 |
| Income tax provision | 30,889 | 23,050 | 47,863 | 61,830 |
| EBITDA, excluding discontinued operations | 156,676 | 102,862 | 315,187 | 282,323 |
| Adjustments: | | | | |
| Acquisition related expenses [1] | 1,863 | 1,202 | 23,543 | 8,620 |
| Stock option expense[2] | 2,778 | 1,756 | 6,832 | 5,026 |
| Refinancing costs [3] | 38 | - | 72,417 | - |
| Gross Adjustments to EBITDA | 4,679 | 2,958 | 102,792 | 13,646 |
| EBITDA As Defined | $ 161,355 | $ 105,820 | $ 417,979 | $ 295,969 |
| EBITDA As Defined, Margin [4] | 49.6% | 49.4% | 48.4% | 49.0% |

[1] Represents accounting adjustments to inventory associated with acquisitions of businesses and product lines that were charged to cost of sales when the inventory was sold; costs incurred to integrate acquired businesses and product lines into TD Group's operations, facility relocation costs and other acquisition-related costs; transaction-related costs comprising deal fees; legal, financial and tax due diligence expenses; valuation costs that are required to be expensed as incurred; and reversal of a portion of the earn-out liability related to the Duke's Aerospace earn-out arrangement.

[2] Represents the compensation expense recognized by TD Group under our stock option plans.

[3] Represents costs incurred in connection with the refinancing in December 2010, including the premium paid to redeem our 7¾% senior subordinated notes due 2014, the write-off of debt issue costs and unamortized note premium and discount and settlement of the interest rate swap agreement and other expenses.

[4] The EBITDA As Defined margin represents the amount of EBITDA As Defined as a percentage of sales.

# Reconciliation of Reported EPS to Adjusted EPS

| | Thirteen Week Periods Ended | | Thirty-Nine Week Periods Ended | |
|---|---|---|---|---|
| **Reported Earnings Per Share** | **July 2, 2011** | **July 3, 2010** | **July 2, 2011** | **July 3, 2010** |
| Net income from continuing operations | $ 58,368 | $ 44,005 | $ 87,912 | $ 112,810 |
| Less: dividends paid on participating securities | - | - | (2,811) | (30,313) |
| | 58,368 | 44,005 | 85,101 | 82,497 |
| Net income (loss) from discontinued operations | (2,088) | - | 16,827 | - |
| Net income applicable to common stock - basic and diluted | $ 56,280 | $ 44,005 | $ 101,928 | $ 82,497 |
| **Weighted-average shares outstanding under the two-class method:** [1] | | | | |
| Weighted average common shares outstanding | 50,043 | 49,271 | 49,784 | 49,108 |
| Vested options deemed participating securities | 3,290 | 3,652 | 3,549 | 3,815 |
| Total shares for basic and diluted earnings per share | 53,333 | 52,923 | 53,333 | 52,923 |
| Net earnings per share from continuing operations - basic and diluted | $ 1.10 | $ 0.83 | $ 1.60 | $ 1.56 |
| Net earnings (loss) per share from discontinued operations - basic and diluted | (0.04) | - | 0.31 | - |
| Net earnings per share | $ 1.06 | $ 0.83 | $ 1.91 | $ 1.56 |
| **Adjusted Earnings Per Share** | | | | |
| Net income from continuing operations | $ 58,368 | $ 44,005 | $ 87,912 | $ 112,810 |
| Gross adjustments to EBITDA | 4,679 | 2,958 | 102,792 | 13,646 |
| Purchase accounting backlog amortization | 4,724 | 745 | 10,498 | 2,499 |
| Tax adjustment | (3,254) | (1,231) | (39,937) | (5,716) |
| Adjusted net income | $ 64,517 | $ 46,477 | $ 161,265 | $ 123,239 |
| Adjusted diluted earnings per share under the two-class method | $ 1.21 | $ 0.88 | $ 3.02 | $ 2.33 |

[1] Application of the two-class method as compared to the treasury stock method requires the inclusion of approximately two million additional shares outstanding for the quarter, which results in dilution of earnings per share by approximately 3% on a fully diluted basis.

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

| | Thirty-Nine Week Periods Ended | |
|---|---|---|
| | July 2, 2011 | July 3, 2010 |
| Net Cash Provided by Operating Activities | $ 143,711 | $ 155,263 |
| Adjustments: | | |
| Changes in assets and liabilities, net of effects from acquisitions of businesses | (2,313) | (25,183) |
| Interest expense - net [(1)] | 129,322 | 79,479 |
| Income tax provision - current | 105,382 | 61,730 |
| Non-cash equity compensation [(2)] | (6,853) | (5,037) |
| Excess tax benefit from exercise of stock options | 16,632 | 16,071 |
| Refinancing costs [(3)] | (72,417) | - |
| EBITDA | 313,464 | 282,323 |
| Adjustments: | | |
| Acquisition related expenses[(4)] | 27,298 | 8,620 |
| Stock option expense[(5)] | 6,832 | 5,026 |
| Refinancing costs [(3)] | 72,417 | - |
| EBITDA from discontinued operations | (2,032) | - |
| EBITDA As Defined | $ 417,979 | $ 295,969 |

(1) Represents interest expense excluding the amortization of debt issue costs and note premium and discount.

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

(3) Represents costs incurred in connection with the refinancing in December 2010, including the premium paid to redeem our 7 3/4% senior subordinated notes, the write-off of debt issue costs and unamortized note premium and discount, and settlement of the

(4) Represents accounting adjustments to inventory associated with acquisitions of businesses and product lines that were charged to cost of sales when the inventory was sold; costs incurred to integrate acquired businesses and product lines into TD Group's operations, facility relocation costs and other acquisition-related costs; transaction-related costs comprising deal fees; legal, financial and tax due diligence expenses; valuation costs that are required to be expensed as incurred; and reversal of a portion of the earn-out liability related to Duke's Aerospace earn-out agreement.

(5) Represents the compensation expense recognized by TD Group under our stock option plans.

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