

TRANSDIGM
GROUP INC.

Onward & Upward

**FY 2017 Fourth Quarter
Earnings Conference Call**

November 9, 2017

Agenda

- TransDigm Overview, Highlights and Outlook

W. Nicholas Howley
Chairman and CEO

- Operating Performance and Market Review

Kevin Stein
President and COO

- Financial Results

Terrance Paradie
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; geopolitical or worldwide events; cyber-security threats and natural disasters; our reliance on certain customers; the U.S. defense budget and risks associated with being a government supplier; failure to maintain government or industry approvals; failure to complete or successfully integrate acquisitions; our substantial indebtedness; potential environmental liabilities; increases in raw material costs that cannot be recovered in product pricing; risks associated with our international sales and operations; and other factors. Further information regarding the important factors that could cause actual results to differ materially from projected results can be found in TransDigm Group's Annual Report on Form 10-K and other reports that TransDigm Group or its subsidiaries have filed with the Securities and Exchange Commission.

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

Special Notice Regarding Pro Forma and Non-GAAP Information



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

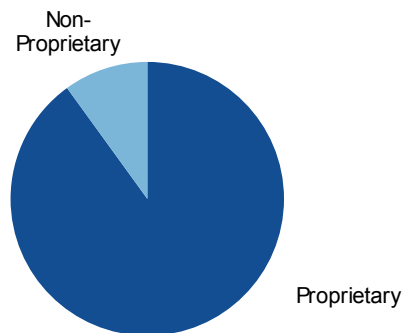
This presentation also sets forth certain non-GAAP financial measures. A presentation of the most directly comparable GAAP measures and a reconciliation to such measures are set forth in the appendix.

TransDigm Overview

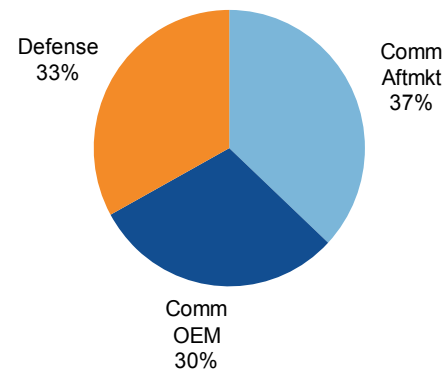
Distinguishing Characteristics

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

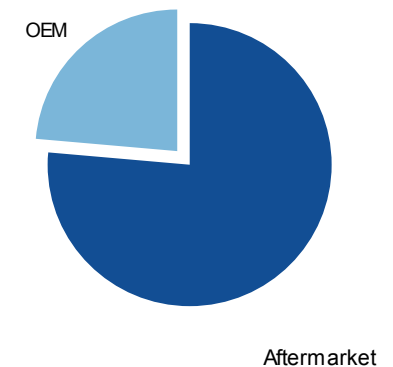
Proprietary Revenues ⁽¹⁾



Pro Forma Revenues ⁽¹⁾



Pro Forma EBITDA As Defined ⁽¹⁾



(1) Pro forma revenue is for the fiscal year ended 9/30/17. Includes the full year impact of acquisitions. Please see the Special Notice Regarding Pro Forma and Non-GAAP Information.

2017 Q4 Financial Performance by Markets – Pro Forma

Q4 Market Review – Pro Forma Revenues⁽¹⁾

	Actual vs. Prior Year	
	Q4	YTD
Commercial OEM:	Flat	Flat
Commercial Aftermarket:	Up 4%	Up 3%
Defense:	Up 3%	Up 4%

(1) Information is on a pro forma basis versus the prior year period and includes the full year impact of acquisitions. Please see the Special Notice Regarding Pro Forma and Non-GAAP Information.

Fiscal 2018 Outlook

FY 2017 Pro Forma Sales Mix ⁽¹⁾

30%

Commercial OEM

FY 2018 Expected Growth

Up Mid-Single-Digit %

37%

Commercial Aftermarket

Up Mid-Single-Digit %

33%

Defense

Up Low to Mid-Single-Digit %

Assumptions

- Full year interest expense ≈ \$650 million
- Full year effective tax rate ≈ 31% adjusted net income;
≈ 25-28% GAAP net income
- Weighted average shares of 55.6 million

Guidance Summary



(\$ in millions)

	Low	High
Revenues	\$ 3,645	\$ 3,725
EBITDA As Defined	\$ 1,805	\$ 1,855
<i>% to sales</i>	49.5%	49.8%
Net Income	\$ 702	\$ 738
GAAP EPS	\$ 11.61	\$ 12.25
Adj. EPS	\$ 12.78	\$ 13.42

(1) Pro forma revenue is for the fiscal year ended 9/30/17. Includes the full year impact of acquisitions. Please see the Special Notice Regarding Pro Forma and Non-GAAP Information.

Fourth Quarter 2017 Results

(\$ in millions, except
per share amounts)

	Q4 FY 2017	Q4 FY 2016	
Revenue	\$923.9	\$875.2	5.6% Increase
Gross Profit	\$531.2	\$484.3	2.2 Margin Point Increase
<i>Margin %</i>	<i>57.5%</i>	<i>55.3%</i>	<ul style="list-style-type: none"> • Strength of our proprietary products and productivity improvements  • Lower non-operating acquisition related costs 
SG&A	\$104.9	\$111.3	
<i>% to Sales</i>	<i>11.4%</i>	<i>12.7%</i>	<ul style="list-style-type: none"> • Lower non-operating acquisition related costs
Interest Expense- Net	\$156.6	\$139.8	12.0% Increase
			<ul style="list-style-type: none"> • Weighted average outstanding borrowings increased
Income from Continuing Operations	\$184.1	\$154.7	19.1% Increase
<i>% to Sales</i>	<i>19.9%</i>	<i>17.7%</i>	
Loss from Discontinued Operations	(\$30.7)	\$0.0	
Net Income	\$153.5	\$154.7	(0.8%) Decrease
<i>% to Sales</i>	<i>16.6%</i>	<i>17.7%</i>	
Adjusted EPS	\$3.48	\$3.29	5.8% Increase

Liquidity & Taxes

(\$ in millions)

Cash

	FY 9/30/2017	FY 9/30/2016
Net Cash Provided by Operating Activities	\$788.7	\$683.3
Capital Expenditures	(\$71.0)	(\$44.0)
Free Cash Flow	\$717.7	\$639.3
Cash on the Balance Sheet	\$650.6	\$1,587.0

Taxes

- FY 17 Full Year GAAP ETR: 24.9%
- FY 17 Full Year Adjusted ETR: 30.5%

Capitalization

	Actual FY 2017	Net Debt to Pro Forma EBITDA As Defined Multiple	Rate
Cash	\$651		
\$600m revolver	–		L + 3.00%
\$350m AR securitization facility	300		L + 0.90%
First lien term loan D due 2021	798		L + 3.00%
First lien term loan E due 2022	1,503		L + 3.00%
First lien term loan F due 2023	2,857		L + 3.00%
First lien term loan G due 2024	1,815		L + 3.00%
Total senior secured debt	\$7,273	3.9x	
Senior sub notes due 2020	550		5.50%
Senior sub notes due 2022	1,150		6.00%
Senior sub notes due 2024	1,200		6.50%
Senior sub notes due 2025	750		6.50%
Senior sub notes due 2026	950		6.375%
Total debt	\$11,873	6.5x	

Interest Rate Sensitivity Analysis

(\$ in millions)

TDG Weighted Average

		Pre-Tax		After-Tax ⁽¹⁾	
<u>LIBOR %</u>		<u>Cash Interest Exp \$</u>	<u>Cash Interest Rate %</u>	<u>Cash Interest Exp \$</u>	<u>Cash Interest Rate %</u>
Current →	1.3%	\$ 625	5.3%	\$ 430	3.7%
	2%	\$ 650	5.5%	\$ 450	3.8%
	3%	\$ 690	5.8%	\$ 475	4.0%
	6%	\$ 780	6.6%	\$ 540	4.6%

(1) After tax calculations assume a 31% effective tax rate, the same rate assumed in the FY 2018 guidance.

Reconciliation of GAAP to Adjusted EPS - Guidance



	Thirteen Week Periods Ended		Fiscal Years Ended		Full Year Guidance
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016	Mid-Point September 30, 2018
Earnings per share	\$ 2.21	\$ 2.77	\$ 8.45	\$ 10.39	\$ 11.93
Adjustments to earnings per share:					
Dividend equivalent payments	1.15	-	2.87	0.05	1.02
Non-cash stock compensation expense	0.16	0.19	0.57	0.61	0.60
Acquisition-related expenses / other	0.12	0.40	0.83	0.97	0.19
Refinancing costs	0.05	-	0.50	0.20	-
Reduction in income tax provision net income per common share related to ASU 2016-09	(0.21)	(0.07)	(0.84)	(0.73)	(0.64)
Adjusted earnings per share	<u>\$ 3.48</u>	<u>\$ 3.29</u>	<u>\$ 12.38</u>	<u>\$ 11.49</u>	<u>\$ 13.10</u>
Weighted-average shares outstanding	54,796	55,832	55,530	56,157	55,600

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

(\$ in thousands)	Thirteen Week Periods Ended		Fiscal Years Ended	
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
	Net income	\$ 153,458	\$ 154,668	\$ 596,887
Loss from Discontinued Operations	(30,689)	-	(31,654)	-
Income from Continuing Operations	184,147	154,668	628,541	586,414
Adjustments:				
Depreciation and amortization expense	31,949	36,569	141,025	121,670
Interest expense - net	156,603	139,767	602,589	483,850
Income tax provision	63,316	54,426	208,889	181,702
EBITDA	436,015	385,430	1,581,044	1,373,636
Adjustments:				
Acquisition-related expenses and adjustments ⁽¹⁾	387	23,003	31,191	57,699
Non-cash stock compensation expense ⁽²⁾	12,817	14,487	45,524	48,306
Refinancing costs ⁽³⁾	3,871	140	39,807	15,794
Other - net ⁽⁴⁾	7,015	241	12,997	(239)
Gross Adjustments to EBITDA	24,090	37,871	129,519	121,560
EBITDA As Defined	\$ 460,105	\$ 423,301	\$ 1,710,563	\$ 1,495,196
EBITDA As Defined, Margin ⁽⁵⁾	49.8%	48.4%	48.8%	47.1%

⁽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; 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.

⁽³⁾ For the thirteen week period ended September 30, 2017, represents debt issuance costs expensed in conjunction with the additional term loan (tranche G). For the fiscal year ended September 30, 2017, represents debt issuance costs expensed in conjunction with the incremental term loan (tranche G), the incremental term loan (tranche F) refinancing of the 2021 Notes and the additional 2025 Notes.

⁽⁴⁾ Primarily represents gain or loss on sale of fixed assets, foreign currency transaction gain or loss, foreign currency transaction gain or loss on intercompany loans and employer withholding taxes on dividend equivalent payments. In the periods prior to fiscal 2017, foreign currency transaction gain or loss is not included in the adjustments to EBITDA, as foreign currency transaction gain or loss was not significant during those periods.

⁽⁵⁾ The EBITDA As Defined margin represents the amount of EBITDA As Defined as a percentage of sales.

Appendix - Reconciliation of Reported EPS to Adjusted EPS

(\$ in thousands, except per share amounts)

	Thirteen Week Periods Ended		Fiscal Years Ended	
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
Reported Earnings Per Share				
Net income from continuing operations	\$ 184,147	\$ 154,668	\$ 628,541	\$ 586,414
Less: dividends on participating securities	(63,286)	-	(159,257)	(3,000)
Net income applicable to common stock - basic and diluted	120,861	154,668	469,284	583,414
Loss from discontinued operations	(30,689)	-	(31,654)	-
Net income applicable to common stock - basic and diluted	<u>\$ 90,172</u>	<u>\$ 154,668</u>	<u>\$ 437,630</u>	<u>\$ 583,414</u>
Weighted-average shares outstanding under the two-class method:				
Weighted-average common shares outstanding	51,913	53,289	52,517	53,326
Vested options deemed participating securities	2,883	2,543	3,013	2,831
Total shares for basic and diluted earnings per share	<u>54,796</u>	<u>55,832</u>	<u>55,530</u>	<u>56,157</u>
Net earnings per share from continuing operations --basic and diluted	\$ 2.21	\$ 2.77	\$ 8.45	\$ 10.39
Net loss per share from discontinued operations -- basic and diluted	(0.56)	-	(0.57)	-
Basic and diluted earnings per share	<u>\$ 1.65</u>	<u>\$ 2.77</u>	<u>\$ 7.88</u>	<u>\$ 10.39</u>
Adjusted Earnings Per Share				
Net income from continuing operations	\$ 184,147	\$ 154,668	\$ 628,541	\$ 586,414
Gross adjustments to EBITDA	24,090	37,871	129,519	121,560
Purchase accounting backlog amortization	1,602	8,082	22,764	19,467
Tax adjustment	(19,177)	(16,987)	(93,369)	(82,131)
Adjusted net income	<u>\$ 190,662</u>	<u>\$ 183,634</u>	<u>\$ 687,455</u>	<u>\$ 645,310</u>
Adjusted diluted earnings per share under the two-class method	<u>\$ 3.48</u>	<u>\$ 3.29</u>	<u>\$ 12.38</u>	<u>\$ 11.49</u>

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



(\$ in thousands)

	Fiscal Years Ended	
	September 30, 2017	September 30, 2016
Net cash provided by operating activities	\$ 788,733	\$ 683,298
Adjustments:		
Changes in assets and liabilities, net of effects from acquisitions of businesses	83,753	110,905
Interest expense - net ⁽¹⁾	581,483	467,639
Income tax provision - current	215,385	175,894
Non-cash stock compensation expense ⁽²⁾	(45,524)	(48,306)
Refinancing costs ⁽⁴⁾	(39,807)	(15,794)
EBITDA	1,584,023	1,373,636
Adjustments:		
Acquisition-related expenses and adjustments ⁽³⁾	31,191	57,699
Non-cash stock compensation expense ⁽²⁾	45,524	48,306
Refinancing costs ⁽⁴⁾	39,807	15,794
Other, net ⁽⁵⁾	12,997	(239)
EBITDA from discontinued operations	(2,979)	-
EBITDA As Defined	\$ 1,710,563	\$ 1,495,196

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

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

⁽³⁾ Represents accounting adjustments to inventory associated with acquisitions of businesses and product lines that were charged to cost of sales when the inventory was sold; costs incurred to integrate acquired businesses and product lines into TD Group's operations, facility relocation costs and other acquisition-related costs; transaction-related costs comprising deal fees; legal, financial and tax due diligence expenses and valuation costs that are required to be expensed as incurred.

⁽⁴⁾ For the fiscal year ended September 30, 2017, represents debt issuance costs expensed in conjunction with the incremental term loan (tranche G), the incremental term loan (tranche F), refinancing of the 2021 Notes and the additional 2025 Notes.

⁽⁵⁾ Primarily represents gain or loss on sale of fixed assets, foreign currency transaction gain or loss, foreign currency transaction gain of loss on intercompany loans and employer withholding taxes on dividend equivalent payments. In the periods prior to fiscal 2017, foreign currency transaction gain or loss is not included in the adjustments to EBITDA, as the foreign currency transaction gain or loss was not significant during those periods.