FY 2023 Q1 Earnings Call

February 7, 2023

TRANSDIGM GROUP INC.

Agenda

TransDigm Overview, Highlights and Outlook	Kevin Stein President and CEO
Market Review	Jorge L. Valladares III COO
Operating Performance and Financial Results	Mike Lisman CFO
Q&A	

Forward Looking Statements & Special Notice Regarding Pro Forma and Non-GAAP Information

TRANSDIGM GROUP INC.

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. Consequently, such forward looking statements should be regarded solely as our current plans, estimates and beliefs. 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. The Company does not undertake, and specifically declines, any obligation, to publicly release the results of any revisions to these forward-looking statements that may be made to reflect any future events or circumstances after the date of such statements or to reflect the occurrence of anticipated or unanticipated events. All forward –looking statements attributable to the Company or persons acting on its behalf are expressly qualified in their entirety by these cautionary statements. These risks and uncertainties 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; cyber-security threats, natural disasters and climate change-related events; our reliance on certain customers; the 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 risk 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 for the fiscal year ended September 30, 2022 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.

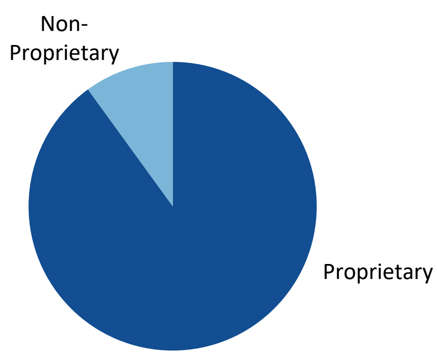
TransDigm Overview

TRANSDIGM GROUP INC.

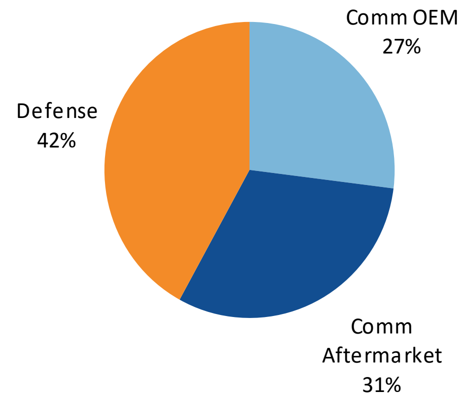
Distinguishing Characteristics

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

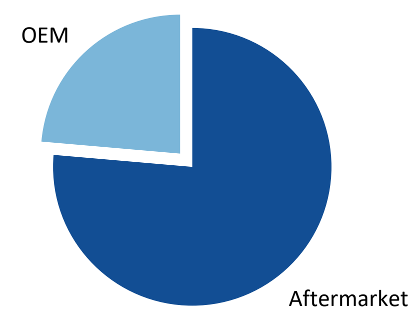
Proprietary Revenues [1]



Pro Forma Revenues [1]



Pro Forma EBITDA As Defined [1]



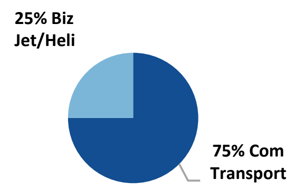
(1) Pro forma revenue is for the fiscal year ended 9/30/2022. Includes full year impact of the DART Aerospace acquisition completed May 2022. Please see the Special Notice Regarding Pro Forma and Non-GAAP Information.

2023 Q1 Financial Performance by Markets – Pro Forma

TRANSDIGM GROUP INC.

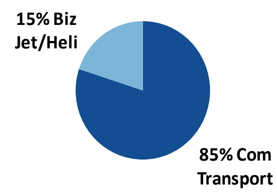
Highlights

Commercial OEM:



- Q1 ’23 Commercial Transport Revenue Up 17%
- Q1 ’23 Business Jet/Helicopter Revenue Up 27%
- Q1 ’23 Bookings Strongly Outpaced Shipments

Commercial Aftermarket:



- Q1 ’23 Commercial Transport Revenue Up 39%
- Q1 ’23 Business Jet/Helicopter Revenue Up 9%
- Q1 ’23 Bookings Strongly Outpaced Shipments

Defense:

- Delays in U.S. Government Defense Spend Outlays and Isolated Supply Chain Shortages

Q1 Review – Pro Forma Revenues(1)

	Actual vs. Prior Year Q1
Commercial OEM:	Up 20%
Commercial Aftermarket:	Up 31%
Defense:	Up 3%

(1) Pro forma revenue for all periods includes the impact of the DART Aerospace acquisition completed May 2022. Please see the Special Notice Regarding Pro Forma and Non-GAAP Information.

First Quarter 2023 Select Financial Results

TRANSDIGM GROUP INC.

($ in millions, except per share amounts)	Q1 FY 2023	Q1 FY 2022			
Revenue	**$1,397**	**$1,194**	**17%**	**Increase**	
Gross Profit	**$793**	**$661**			• Favorable Aftermarket vs. OEM sales mix • Fixed overhead spread over higher production volumes
	56.8%	***55.4%***	**1.4%**		
SG&A	**$169**	**$170**			• Continued strategic cost mitigation efforts
% to Sales	***12.1%***	***14.2%***	**-2.1%**		
Interest Expense - Net	**$286**	**$264**	**8%**	**Increase**	• Increase in LIBOR on variable rate debt, partially offset by higher interest income
Refinancing Costs	**$4**	**-**			• Tranche G term loan refinancing completed
EBITDA As Defined	**$699**	**$565**	**24%**	**Increase**	
Margin %	***50.0%***	***47.3%***			
Adjusted EPS	**$4.58**	**$3.00**	**53%**	**Increase**	
GAAP Tax Rate	**23.9%**	**15.5%**			• Prior year GAAP tax rate was impacted by a more significant favorable discrete impact of excess tax benefits associated with share-based payments.
Adjusted Tax Rate	**25.5%**	**26.3%**			

Fiscal 2023 Outlook

TRANSDIGM GROUP INC.

Market Growth Assumptions

FY 2022 Pro Forma Sales Mix [(1)]	Market	FY 2023 Expected Growth
27%	Commercial OEM	Up Mid-Teens % Range
31%	Commercial Aftermarket	Up High-Teens % Range
42%	Defense	Up LSD to MSD % Range

Guidance Summary

($ in millions, except per share amounts)

	FY 23 Guidance	
	Low	High
Revenues	$ 6,070	$ 6,240
Net Income	$ 1,080	$ 1,160
GAAP EPS	$ 18.24	$ 19.64
EBITDA As Defined	$ 3,060	$ 3,160
% of sales	*50.4%*	*50.6%*
Adj. EPS	$ 21.47	$ 22.87

	FY 23 Guidance Midpoint Change		
	Current	Prior	Δ
Revenues	$ 6,155	$ 6,090	$ 65
EBITDA As Defined	$ 3,110	$ 3,045	$ 65
% of sales	*50.5%*	*50.0%*	
Adj. EPS	$ 22.17	$ 21.38	$ 0.79

(1) Pro forma revenue is for the fiscal year ended 9/30/2022. Includes full year impact of the DART Aerospace acquisition completed May 2022. Please see the Special Notice Regarding Pro Forma and Non-GAAP Information.

Fiscal 2023 Select Financial Assumptions

TRANSDIGM GROUP INC.

Select Financial Assumptions for Fiscal 2023		
	Prior Assumptions (Issued November 2022)	**Updated Assumptions**
Capital Expenditures	$155 to $185 million	No change
Full Year Net Interest Expense	≈ $1.14 billion (includes $80 million of interest income)	≈ $1.16 billion (includes $80 million of interest income)
Full Year Effective Tax Rate	≈ 24% to 26% for GAAP EPS, Adjusted EPS and Cash Taxes	No change
Depreciation & Amortization Expense (ex backlog)	$265 to $270 million	No change
Non-Cash Stock Compensation and Deferred Compensation Expense	$170 to $190 Million	$155 to $175 Million
Other EBITDA As Defined Add-Backs (1)	$15 to $20 Million	$25 to $30 million
Weighted Average Shares	57.1 million	No change

(1) Other EBITDA As Defined Add-Backs primarily include estimates for foreign currency gains or losses, acquisition-related expenses and adjustments and other, net.

Reconciliation of Fiscal 2023 Outlook

TRANSDIGM GROUP INC.

($ in millions, except per share amounts)

	FY 2023 Guidance Midpoint
Net income	$ 1,120
Adjustments:	
Depreciation and amortization expense	266
Interest expense - net	1,160
Income tax provision	372
EBITDA	2,918
Adjustments:	
Acquisition-related expenses and adjustments [(1)]	12
Non-cash stock and deferred compensation expense [(1)]	165
Refinancing costs [(1)]	4
Other, net [(1)]	11
Gross Adjustments to EBITDA	192
EBITDA As Defined	**$3,110**
EBITDA As Defined, Margin [(1)]	*50.5%*
GAAP earnings per share	$18.94
Adjustments to earnings per share:	
Inclusion of the dividend equivalent payments	0.67
Non-cash stock and deferred compensation expense	2.18
Acquisition-related expenses and adjustments	0.21
Refinancing costs	0.05
Other, net	0.12
Adjusted earnings per share	**$22.17**
Weighted-average shares outstanding	57.1
GAAP & Adj Tax Rate	24% - 26%

Includes approx. $4m of backlog amortization

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

Reconciliation of GAAP EPS to Adjusted EPS - Guidance

TRANSDIGM GROUP INC.

	Thirteen Week Periods Ended		Full Year Guidance Mid-Point
	December 31, 2022	January 1, 2022	September 30, 2023
GAAP earnings per share from continuing operations	**$ 3.33**	**$ 1.96**	**$ 18.94**
Adjustments to earnings per share:			
Dividend equivalent payments	0.67	0.77	0.67
Acquisition and divestiture transaction-related expenses and adjustments	0.05	0.11	0.21
Non-cash stock and deferred compensation expense	0.46	0.47	2.18
Refinancing costs	0.05	-	0.05
Tax adjustment on income from continuing operations before taxes	(0.08)	(0.34)	-
Other, net	0.10	0.03	0.12
Adjusted earnings per share	**$ 4.58**	**$ 3.00**	**$ 22.17**

Capital Structure

TRANSDIGM GROUP INC.

Pro Forma Capital Structure

($ in millions)

	Actual 12/31/22		Rate
Cash	$3,288		
$810mm revolver	–		L + 2.50%
$350mm AR securitization facility	350		S + 1.30%
First lien term loan E due 2025	2,149		L + 2.25%
First lien term loan F due 2025	3,410		L + 2.25%
First lien term loan H due 2027	1,725		S + 3.25%
Senior secured notes due 2025	1,100		8.000%
Senior secured notes due 2026	4,400		6.250%
Total secured debt	**$13,134**	**4.7x**	
Total net secured debt	**$9,846**	**3.5x**	
Senior subordinated notes due 2026	950		6.375%
Senior subordinated notes due 2026	500		6.875%
Senior subordinated notes due 2027	550		7.500%
Senior subordinated notes due 2027	2,650		5.500%
Senior subordinated notes due 2029	1,200		4.625%
Senior subordinated notes due 2029	750		4.875%
Finance Lease Obligations (Gross)	193		
Total debt	**$19,927**	**7.2x**	
Total net debt	**$16,639**	**6.0x**	

FY23 Weighted Average Interest Rate 5.8%

Interest Rate Sensitivity

TRANSDIGM GROUP INC.

- Interest rates on TDG's $20Bn of gross Debt is over 75% fixed rate through fiscal year 2025
- Achieved via a combination of interest rate caps and swaps
- Significantly reduces near-term exposure to any LIBOR rate increases

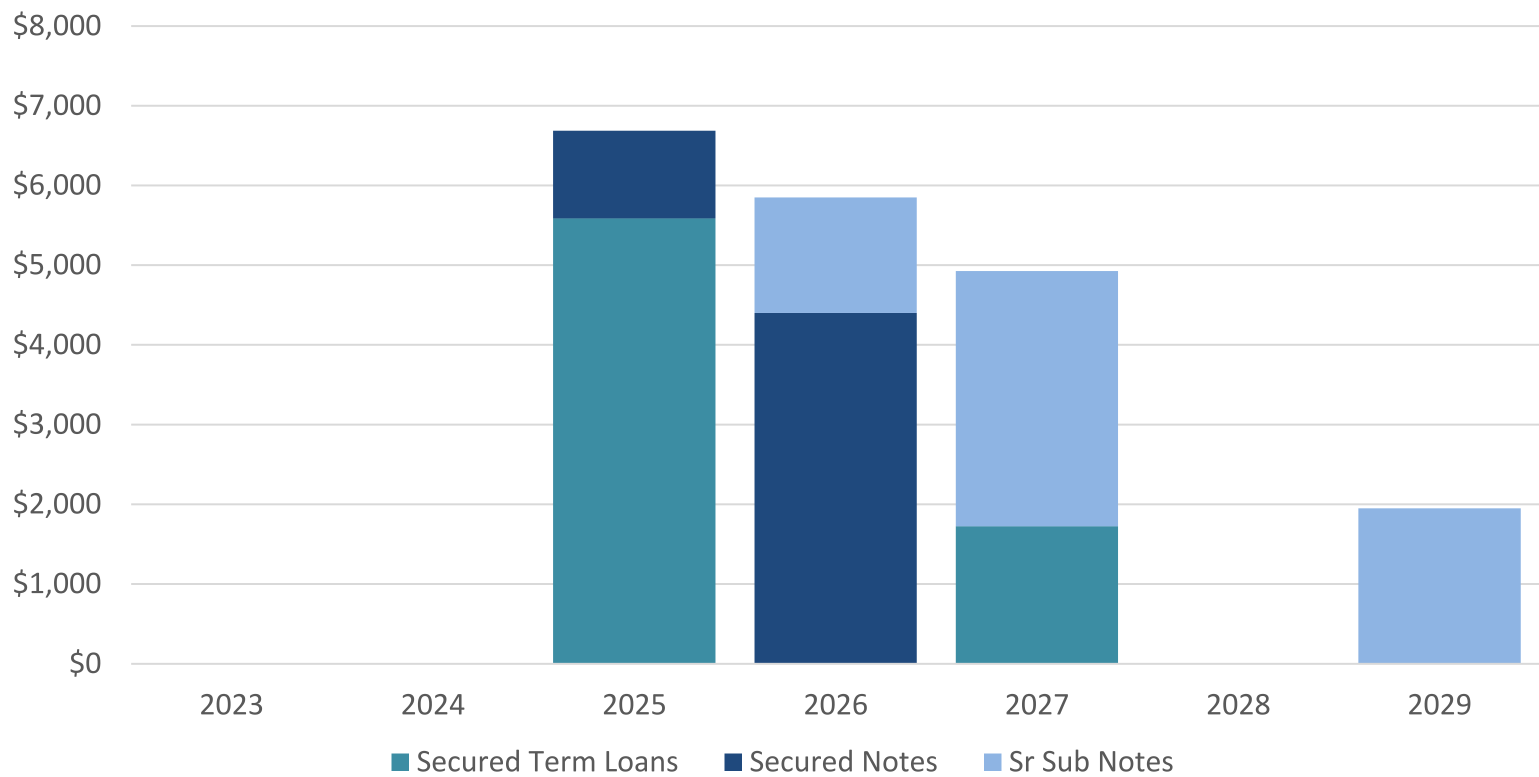
$ in millions

	Current FY 23 Assumptions		
LIBOR %	**~ 4.9%**	**6.0%**	**7.0%**
Interest Expense - Pre-Tax	**$1,160**	**$1,200**	**$1,230**
Interest Rate - Pre-Tax	**5.8%**	**6.0%**	**6.2%**

(1) FY Weighted Average Libor % is the average Libor for TDG's 2023 fiscal year based on current consensus forward estimates. Used LIBOR for ease of illustration. New Term SOFR Loan H does not impact analysis materially as Term SOFR is expected to move directionally with LIBOR.
(2) Interest expense shown includes $40M amortization of debt issuance costs and fees and approximately $80M of Interest income.

Debt Maturity Profile

Debt Maturity Profile
($MM)



Note: $350M AR Securitization renews annually in July

Appendix: Reconciliation of Income from Continuing Operations to EBITDA and EBITDA As Defined

TRANSDIGM GROUP INC.

($ 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
Gross Adjustments to EBITDA	49	43
EBITDA As Defined	**$ 699**	**$ 565**
EBITDA As Defined, Margin [(5)]	50.0%	47.3%

[(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.

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

Appendix: Reconciliation of Reported EPS to Adjusted EPS

TRANSDIGM GROUP INC.

($ in millions, except per share amounts)

	Thirteen Week Periods Ended	
Reported Earnings Per Share	**December 31, 2022**	**January 1, 2022**
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)
	190	116
Income from discontinued operations, net of tax	-	1
Net income applicable to TD Group common stockholders - basic and diluted	$ 190	$ 117
Weighted-average shares outstanding 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
Adjusted Earnings Per Share		
Income from continuing operations	$ 229	$ 163
Gross adjustments to EBITDA	49	43
Purchase accounting backlog amortization	1	4
Tax adjustment (1)	(18)	(33)
Adjusted net income	$ 261	$ 177
Adjusted diluted earnings per share under the two-class method	$ 4.58	$ 3.00

(1) For the thirteen week periods ended December 31, 2022 and January 1, 2022, the Tax adjustment represents the tax effect of the adjustments at the applicable effective tax rate, as well as the impact on the effective tax rate when excluding the excess tax benefits on stock option exercises. Stock compensation expense is excluded from adjusted net income and therefore we have excluded the impact that the excess tax benefits on stock option exercises have on the effective tax rate for determining adjusted net income.

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

TRANSDIGM GROUP INC.

($ 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.