



FY 2025 Q1 Earnings Call

February 4, 2025

- TransDigm Overview, Highlights and Outlook
Kevin Stein
President and CEO
- Market Review
Joel Reiss
Co-COO
- Operating Performance and Financial Results
Sarah Wynne
CFO
- Q&A

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



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 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; supply chain constraints; increases in raw material costs, taxes and labor costs that cannot be recovered in product pricing; failure to complete or successfully integrate acquisitions; our indebtedness; current and future geopolitical or other worldwide events, including, without limitation, wars or conflicts and public health crises; cybersecurity threats; risks related to the transition or physical impacts of climate change and other natural disasters or meeting sustainability-related voluntary goals or regulatory requirements; 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; risks related to changes in laws and regulations, including increases in compliance costs; potential environmental liabilities; liabilities arising in connection with litigation; risks and costs 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 most recent Annual Report on Form 10-K and other reports that TransDigm Group or its subsidiaries have filed with the Securities and Exchange Commission.

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SPECIAL NOTICE REGARDING PRO FORMA AND NON-GAAP INFORMATION

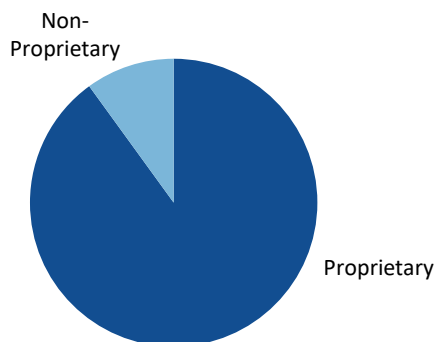
This presentation sets forth certain pro forma financial information. This pro forma financial information gives effect to certain recently completed acquisitions and divestitures. Such pro forma information is based on certain assumptions and adjustments and does not purport to present TransDigm's actual 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.

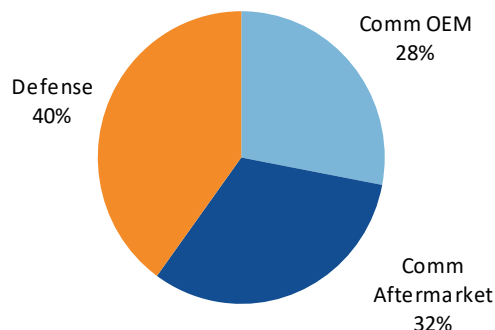
Distinguishing Characteristics

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

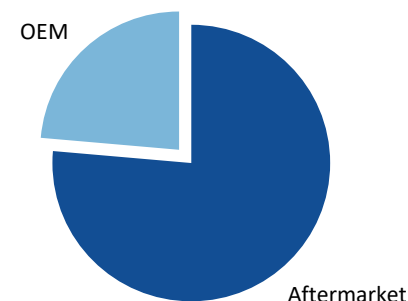
Proprietary Revenues ⁽¹⁾



Pro Forma Revenues ⁽¹⁾



**Pro Forma EBITDA
As Defined ⁽¹⁾**



(1) Pro forma revenue is for the fiscal year ended 9/30/2024. Includes full year impact of the Raptor Scientific acquisition completed July 2024, CPI Electron Device Business acquisition completed June 2024 and SEI Industries acquisition completed May 2024. Please see the Special Notice Regarding Pro Forma and Non-GAAP Information.

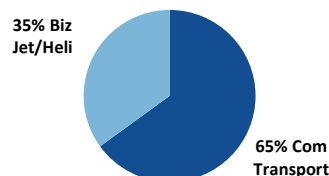
2025 Q1 Financial Performance by Markets – Pro Forma

TRANSDIGM
GROUP INC.

Highlights

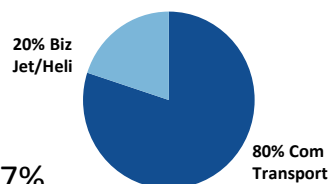
Commercial OEM:

- Q1 '25 Commercial Transport Revenue Down 1%
- Q1 '25 Business Jet/Helicopter Revenue Down 8%



Commercial Aftermarket:

- Q1 '25 Commercial Transport Revenue Up 7%
- Q1 '25 Business Jet/Helicopter Revenue Up 18%



Defense:

- Q1 '25 Defense Aftermarket Growth Outpaced Defense OEM
- Revenue Growth Well Distributed Across Businesses

Q1 Review – Pro Forma Revenues⁽¹⁾

**Actual vs.
Prior Year
Q1**

Commercial OEM: **Down 4%**

Commercial Aftermarket: **Up 9%**

Defense: **Up 11%**

(1) Pro forma revenue for all periods includes full year impact of the Raptor Scientific acquisition completed July 2024, CPI Electron Device Business acquisition completed June 2024 and SEI Industries acquisition completed May 2024. Please see the Special Notice Regarding Pro Forma and Non-GAAP Information.

First Quarter 2025 Select Financial Results

(\$ in millions, except per share amounts)

	<u>Q1 FY 2025</u>	<u>Q1 FY 2024</u>		
Revenue	\$2,006	\$1,789	12%	Increase
Gross Profit	\$1,235	\$1,042		
	61.6%	58.2%	3.4%	
SG&A	\$211	\$220		
% to Sales	10.5%	12.3%	-1.8%	
Interest Expense - Net	\$378	\$300	26%	Increase
EBITDA As Defined	\$1,061	\$912	16%	Increase
Margin %	52.9%	51.0%		
Adjusted EPS	\$7.83	\$7.16	9%	Increase
GAAP Tax Rate	20.4%	21.7%		
Adjusted Tax Rate	23.9%	23.8%		

- Application of our value-driven operating strategy
- Fixed overhead spread over higher production volumes



- Lower non-cash stock and deferred compensation expense



- Interest on the additional debt raised during fiscal 2024 and lower interest income

Fiscal 2025 Outlook

Market Growth Assumptions

FY 2024 Pro Forma Revenue Mix ⁽¹⁾	Market	FY 2025 Expected Growth
28%	Commercial OEM	Mid Single-Digit % Range
32%	Commercial Aftermarket	High Single-Digit to Low Double-Digit % Range
40%	Defense	High Single-Digit % Range

Guidance Summary

(\$ in millions, except per share amounts)

	FY 25 Guidance			FY 25 Guidance Midpoint Change		
	Low	High		Current	Prior	Δ
Revenues	\$ 8,750	\$ 8,950	Revenues	\$ 8,850	\$ 8,850	\$ -
Net Income	\$ 1,925	\$ 2,037				
GAAP EPS	\$ 32.27	\$ 34.19				
EBITDA As Defined	\$ 4,615	\$ 4,755	EBITDA As Defined	\$ 4,685	\$ 4,685	\$ -
<i>% of sales</i>	52.7%	53.1%	<i>% of sales</i>	52.9%	52.9%	
Adj. EPS	\$ 35.51	\$ 37.43	Adj. EPS	\$ 36.47	\$ 36.32	\$ 0.15

Adj. EPS increased due to Q1 FY25 share repurchases; Lowers weighted average shares

(1) Pro forma revenue is for the fiscal year ended 9/30/2024. Includes full year impact of the Raptor Scientific acquisition completed July 2024, CPI Electron Device Business acquisition completed June 2024 and SEI Industries acquisition completed May 2024. Please see the Special Notice Regarding Pro Forma and Non-GAAP Information.

Fiscal 2025 Select Financial Assumptions

Select Financial Assumptions for Fiscal 2025		
	Prior Assumptions (Issued November 2024)	Updated Assumptions
Capital Expenditures	\$255 to \$285 million	No change
Full Year Net Interest Expense	≈ \$1.54 billion (includes \$80 million of interest income)	No change
Full Year Effective Tax Rate	≈ 22% to 24% for GAAP EPS, Adjusted EPS and Cash Taxes	No change
Depreciation & Amortization Expense (ex backlog)	\$350 to \$360 million	No change
Backlog Amortization	\$25 to \$30 million	No change
Non-Cash Stock Compensation and Deferred Compensation Expense	\$170 to \$190 Million	No change
Other EBITDA As Defined Add-Backs ⁽¹⁾	\$20 to \$30 million	(\$15) to (\$25) million
Weighted Average Shares	58.4 million	58.15 million

(1) Other EBITDA As Defined Add-Backs primarily include estimates for refinancing costs, foreign currency gains or losses, employer withholding taxes on stock option exercises, acquisition-related expenses and adjustments and other, net.

Reconciliation of Fiscal 2025 Outlook

(\$ in millions, except per share amounts)

	Guidance Midpoint
Net income	\$ 1,981
Adjustments:	
Depreciation and amortization expense	380
Interest expense - net	1,540
Income tax provision	625
EBITDA	4,526
Adjustments:	
Acquisition transaction and integration-related expenses ⁽¹⁾	30
Non-cash stock and deferred compensation expense ⁽¹⁾	180
Other, net ⁽¹⁾	(51)
Gross Adjustments to EBITDA	159
EBITDA As Defined	\$4,685
<i>EBITDA As Defined Margin ⁽¹⁾</i>	52.9%
GAAP earnings per share	\$33.23
Adjustments to earnings per share:	
Inclusion of the dividend equivalent payments	0.83
Acquisition transaction and integration-related expenses	0.76
Non-cash stock and deferred compensation expense	2.35
Other, net	(0.70)
Adjusted earnings per share	\$36.47
Weighted-average shares outstanding	58.15
GAAP & Adj Tax Rate	22% - 24%

Includes approx. \$30m of backlog amortization

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

Reconciliation of GAAP EPS to Adjusted EPS - Guidance

	Thirteen Week Periods Ended		Full Year Guidance
	December 28, 2024	December 30, 2023	Mid-Point September 30, 2025
GAAP earnings per share	\$ 7.62	\$ 4.87	\$ 33.23
Adjustments to earnings per share:			
Dividend equivalent payments	0.83	1.75	0.83
Acquisition transaction and integration-related expenses	0.26	0.04	0.76
Non-cash stock and deferred compensation expense	0.33	0.68	2.35
Tax adjustment on income from continuing operations before taxes	(0.37)	(0.17)	-
Other, net	(0.84)	(0.01)	(0.70)
Adjusted earnings per share	\$ 7.83	\$ 7.16	\$ 36.47

Capital Structure

Capital Structure

(\$ in millions)

	Actual 12/28/24	Rate
Cash	<u>\$2,459</u>	
\$910mm revolver	—	S + 2.250%
\$650mm AR securitization facility	650	S + 1.450%
First lien term loan I due 2028	1,871	S + 2.750%
First lien term loan J due 2031	3,632	S + 2.500%
First lien term loan K due 2030	1,699	S + 2.750%
First lien term loan L due 2032	1,500	S + 2.500%
Senior secured notes due 2028	2,100	6.750%
Senior secured notes due 2029	2,750	6.375%
Senior secured notes due 2030	1,450	6.875%
Senior secured notes due 2031	1,000	7.125%
Senior secured notes due 2032	2,200	6.625%
New Senior secured notes due 2033	1,500	6.000%
Total secured debt	\$20,352	4.7x
Total net secured debt	\$17,893	4.1x
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)	260	
Total debt	\$25,212	5.8x
Total net debt	\$22,753	5.3x

**FY25 Forecasted
Weighted Average
Interest Rate
6.1%**

- Interest rates on TDG's \$25Bn of gross Debt is ~ 75% hedged/fixed rate through fiscal year 2027
- Achieved via a combination of interest rate caps, swaps and collars
- Significantly reduces near-term exposure to any variable rate increases

\$ in millions

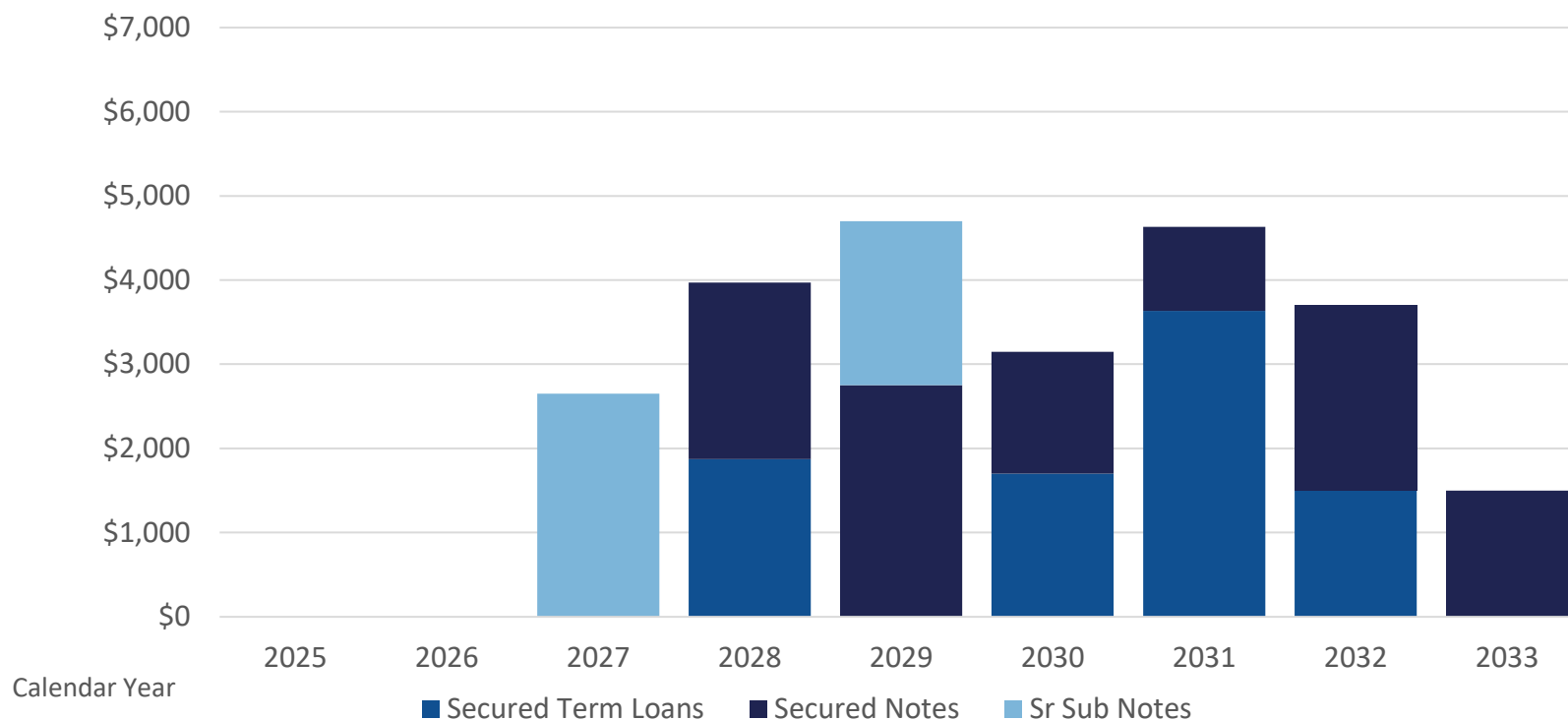
	Current FY 25 Assumptions			
Average Variable Rate ⁽¹⁾	~ 4.4%	5.0%	6.0%	7.0%
Interest Expense - Pre-Tax ⁽²⁾	\$1,540	\$1,575	\$1,635	\$1,695
Interest Rate - Pre-Tax	6.1%	6.2%	6.5%	6.7%

(1) FY 25 Weighted Average Variable rate is the average Term SOFR for TDG's 2025 fiscal year based on current consensus and management estimates.

(2) Interest expense shown includes \$40M amortization of debt issuance costs and fees and \$80M of Interest income.

Debt Maturity Profile

Debt Maturity Profile (\$MM)



Note 1: \$910M Revolver matures in February 2029

Note 2: \$650M AR Securitization renews annually in July

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

(\$ in millions)

	Thirteen Week Periods Ended	
	December 28, 2024	December 30, 2023
Net Income	\$ 493	\$ 382
Adjustments:		
Depreciation and amortization expense	90	71
Interest expense - net	378	300
Income tax provision	126	106
EBITDA	1,087	859
Adjustments:		
Acquisition transaction and integration-related expenses ⁽¹⁾	13	2
Non-cash stock and deferred compensation expense ⁽²⁾	25	51
Other, net ⁽³⁾	(64)	-
Gross Adjustments to EBITDA	(26)	53
EBITDA As Defined	\$ 1,061	\$ 912
EBITDA As Defined Margin ⁽⁴⁾	52.9%	51.0%

⁽¹⁾ Represents costs incurred to integrate acquired businesses into TD Group's operations; facility relocation costs and other acquisition-related costs; transaction and valuation-related costs for acquisitions comprising deal fees, legal, financial and tax due diligence expenses; and amortization expense of inventory step-up recorded in connection with the purchase accounting of acquired businesses.

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

⁽³⁾ Primarily represents foreign currency transaction (gains) or losses, payroll withholding taxes related to dividend equivalent payments and stock option exercises, non-service related pension costs, deferred compensation payments and other miscellaneous (income) expense, such as gain on sale of business.

⁽⁴⁾ 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

(\$ in millions, except per share amounts)

Reported Earnings Per Share	Thirteen Week Periods Ended	
	December 28, 2024	December 30, 2023
Net income	\$ 493	\$ 382
Less: Net income attributable to noncontrolling interests	-	-
Net income attributable to TD Group	493	382
Less: Dividends paid on participating securities	(49)	(101)
Net income applicable to TD Group common stockholders - basic and diluted	<u>\$ 444</u>	<u>\$ 281</u>
Weighted-average shares outstanding under the two-class method:		
Weighted-average common shares outstanding	56.2	55.4
Vested options deemed participating securities	2.1	2.3
Total shares for basic and diluted earnings per share	<u>58.3</u>	<u>57.7</u>
Earnings per share -- basic and diluted	\$ 7.62	\$ 4.87
Adjusted Earnings Per Share		
Net income	\$ 493	\$ 382
Gross adjustments to EBITDA	(26)	53
Purchase accounting backlog amortization	6	1
Tax adjustment ⁽¹⁾	(17)	(23)
Adjusted net income	<u>\$ 456</u>	<u>\$ 413</u>
Adjusted diluted earnings per share under the two-class method	<u>\$ 7.83</u>	<u>\$ 7.16</u>

⁽¹⁾ For the thirteen week periods ended December 28, 2024 and December 30, 2023, 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

(\$ in millions)

	Thirteen Week Periods Ended	
	December 28, 2024	December 30, 2023
Net cash provided by operating activities	\$ 752	\$ 636
Adjustments:		
Changes in assets and liabilities, net of effects from acquisitions and sales of businesses	(188)	(111)
Interest expense - net ⁽¹⁾	369	289
Income tax provision - current	128	106
Amortization of inventory step-up	(7)	(1)
Loss contract amortization	19	5
Gain on sale of businesses, net	19	-
Non-cash stock and deferred compensation expense ⁽²⁾	(25)	(51)
Foreign currency exchange gains (losses)	20	(14)
EBITDA	1,087	859
Adjustments:		
Acquisition transaction and integration-related expenses ⁽³⁾	13	2
Non-cash stock and deferred compensation expense ⁽²⁾	25	51
Other, net ⁽⁴⁾	(64)	-
EBITDA As Defined	\$ 1,061	\$ 912

⁽¹⁾ Represents interest expense, net of interest income, excluding the amortization of debt issuance costs and discount on debt.

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

⁽³⁾ Represents costs incurred to integrate acquired businesses into TD Group's operations; facility relocation costs and other acquisition-related costs; transaction and valuation-related costs for acquisitions comprising deal fees, legal, financial and tax due diligence expenses; and amortization expense of inventory step-up recorded in connection with the purchase accounting of acquired businesses.

⁽⁴⁾ Primarily represents foreign currency transaction (gains) or losses, payroll withholding taxes related to dividend equivalent payments and stock option exercises, non-service related pension costs, deferred compensation payments and other miscellaneous (income) expense, such as gain on sale of business.