

## Triumph Group

# Updating 2024 guidance to reflect PSG; Pro forma comm'l drives performance

Maintain Rating: BUY | PO: 21.00 USD | Price: 16.44 USD

## PSG move to discontinued creates challenging comps

Triumph Group (TGI) reported adj. net losses from continuing operations of \$(0.16) per share, on revenues of \$285mn. 13% organic growth was bolstered by increased OEM production rates. The results of the Product Support Group, which is being sold to AAR Corp, are reported as Discontinued Operations. The transaction is expected to close in 4QFY24. Pro forma Commercial OEM sales increased 27.5% Y/Y driven by production volumes on Boeing 737 and 787 programs. Commercial Aftermarket sales increased 13.8% Y/Y. Both military OEM and AM were down slightly due to mix. Interiors continued to print negative margins. The company reported adjusted EBITDAP margins of 9.8%. Adjusted EBITDAP margins for the remaining Systems and Support Business were 16.4%. Backlog was up 20% and YTD book-to-bill came in at 1.34x.

## Updating 2024 guidance to reflect PSG divestiture

The company is updating 2024 guidance for planned Product Support Group divestiture. FY2024 sales of \$1.17-\$1.20bn (11-14% organic growth vs. prior 10-13%). Operating margins of 9% (10.6-11.4% prior, decrease expected as PSG was a higher margin business). FCF of \$45-64mn (reaffirmed; dependent on the timing of PSG transaction close). Additionally, the company issued notices of conditional redemption up to all its outstanding \$435.6mn of 7.750% Notes due 2025 & \$120mn of 9.000% Senior Secured First Lien Notes due 2028. These are to be redeemed in early March and are conditioned upon the consummation of the Product Support business sale. We maintain our Buy.

07 February 2024

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### Stock Data

Price	16.44 USD
Price Objective	21.00 USD
Date Established	25-Jan-2024
Investment Opinion	C-1-9
52-Week Range	7.00 USD - 17.27 USD
Mrkt Val (mn) / Shares Out (mn)	1,264 USD / 76.9
Free Float	51.9%
Average Daily Value (mn)	15.30 USD
BofA Ticker / Exchange	TGI / NYS
Bloomberg / Reuters	TGI US / TGI.N
ROE (2024E)	NA
Net Dbt to Eqty (Mar-2023A)	NA
ESGMeter™	High

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Timestamp: 07 February 2024 08:06AM EST

## Price objective basis & risk

### Triumph Group (TGI)

We derive our PO of \$21 using an 12.0x EV/EBITDA multiple on CY24e earnings. We think a multiple inline with other A&D peer suppliers fairly reflects the streamlined portfolio.

Better-than-expected execution could provide upside risk to our PO. TGI's ability to recover cash from customers could improve liquidity. Higher-than-expected cash generation could increase capital returned to shareholders. Acquisitions could provide upside risk.

Downside risks: Higher oil prices could derail air traffic growth and therefore aircraft demand, resulting in a downturn in commercial aviation. A downturn in commercial aviation, due to an exogenous factor such as a terrorist attack or natural business cyclically, could adversely affect financial results. TGI could be materially affected if serious complications should arise from new platforms. Given that aircraft are priced in dollars, an unexpected rapid devaluation in the dollar could significantly affect order activity. Revenues are heavily dependent on Boeing. Any material change in a relationship with Boeing could affect the company's financials. Balance sheet constraints could negatively impact operations.

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### Triumph Group (TGI) Price Chart



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### Equity Investment Rating Distribution: Aerospace/Defense Electronics Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	31	62.00%	Buy	23	74.19%
Hold	11	22.00%	Hold	9	81.82%
Sell	8	16.00%	Sell	6	75.00%

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Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

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Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

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